

# Public Document Pack



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, 6 APRIL 2022** in the **Council Chamber, 13 Church Street, Clitheroe, BB7 2DD.**

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. **INTERNAL AUDIT CHARTER 2022/23** (Pages 7 - 16)  
Report of Director of Resources enclosed.
6. **REVIEW OF ACCOUNTING POLICIES 2021/22** (Pages 17 - 36)  
Report of Director of Resources enclosed.
7. **REVIEW OF OUTSIDE BODIES** (Pages 37 - 48)  
Report of Chief Executive enclosed.

## **ITEMS FOR INFORMATION**

8. **THE COUNCIL'S ASSET MANAGEMENT SYSTEMS** (Pages 49 - 50)  
Report of Chief Executive enclosed.
9. **ANNUAL AUDIT REPORT** (Pages 51 - 88)  
Report from Grant Thornton enclosed.
10. **INTERNAL AUDIT PROGRESS REPORT 2021/22** (Pages 89 - 94)  
Report of Director of Resources enclosed.
11. **REPORTS FROM REPRESENTATIVES ON OUTSIDE BODIES**  
None.
12. **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](mailto:committee.services@ribblevalley.gov.uk)

# Agenda Item 2

## Minutes of Accounts and Audit

Meeting Date: Wednesday, 2 February 2022, starting at 6.30 pm  
Present: Councillor D Berryman (Chair)

Councillors:

S Bibby	R Newmark
L Edge	D Peat
K Fletcher	J Rogerson
S Fletcher	R Sherras

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

### 646 APOLOGIES FOR ABSENCE

Apologies for absence were received for the meeting from Councillors J Hill and S Hirst.

### 647 TO APPROVE THE MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 17 November 2021 were approved as a correct record and signed by the Chairman.

### 648 DECLARATIONS OF DISCLOSABLE PECUNIARY, OTHER REGISTRABLE AND NON-REGISTRABLE INTERESTS

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

### 649 PUBLIC PARTICIPATION

There was no public participation.

### 650 OPTING INTO THE NATIONAL SCHEME FOR EXTERNAL AUDITORS APPOINTMENTS

The Director of Resources submitted a report setting out proposals for appointing the external auditor to the Council for the five-year period from 2023/24 to 2027/28.

The Head of Financial Services reminded members that the Council had opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23. Under this arrangement Grant Thornton were appointed as our external auditors.

The procurement was now taking place for the next appointing period and members had been provided with a detailed report outlining the details of the appointment. He informed members that there were currently only nine accredited audit firms able to carry out local authority external audits. He also highlighted reasons why using PSAA would produce better outcomes and be less burdensome for the Council.

Should the Council wish to take advantage of the national auditor appointment arrangements, as required by the local audit regulations, the decision would be made by Full Council. This was required by 11 March 2022.

\*\*\* RESOLVED THAT COMMITTEE:

Recommend to Council that the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

651

CLOSURE OF ACCOUNTS TIMETABLE 2021/22

The Director of Resources submitted a report informing committee of the statutory deadline for the closure of our accounts. It also informed committee of the benefits of closing down the accounts in a timely manner, in particular the good governance aspects, and of the timetable that would be adhered to in order to achieve the required deadlines.

The Accounts and Audit (amendment) Regulations 2021 had amended the publication deadlines for draft and final accounts from 1 June and 31 July to 1 August and 30 September.

The same regulations set out detailed requirements in relation to duties and rights that have important implications for local authorities in terms of planning to ensure critical tasks are met and the approval of the accounts carried out by set deadlines. They also stipulate the various responsibilities for the closure of accounts.

The closedown timetable showed that the presentation of the audited statement of accounts would be received by this committee at its meeting on 23 November 2022 for approval. However, there was potential for this date to be brought forward to 28 September 2022 should audit planning and progress allow.

RESOLVED THAT COMMITTEE:

Endorse the suggested approach for the closure of the 2021/22 accounts.

652

REVIEW OF REPRESENTATION ON OUTSIDE BODIES

The Chief Executive submitted a report informing committee of the current position regarding representation on outside bodies and seeking approval of a review of the current arrangements.

The Head of Legal and Democratic Services reminded members that the Council appoints or nominates many of its members as representatives on several outside bodies each year at the Annual Council meeting. Many of these appointments are historic or a requirement of a lease between the Council and a body, others are at the invitation of the outside body.

She informed members that increasingly representatives were required to become Directors or Trustees which means they are not just the Council's representative but owe the outside body a duty by virtue of the appointment. Some bodies were also now asking for applications and references.

It was therefore considered prudent for the Council to review the lists of outside bodies, and the requirements of those bodies, to decide whether to continue to make nominations for representation.

It was also proposed that training should be provided to all members on the implications for them being appointed to an outside body and how they should manage any such risks or conflicts.

## RESOLVED THAT COMMITTEE:

1. Approve the establishment of a working group consisting of Councillors D Berryman, R Sherras, S Bibby, S Fletcher and J Rogerson (D Peat reserve) to review the Council's representation on outside bodies, and
2. Note that the Head of Legal and Democratic Services will make provision for training to all members on their role on outside bodies.

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## INTERNAL AUDIT PROGRESS REPORT 2021/22

The Director of Resources submitted a report for information on the progress of the internal audit work to the 21 January 2022.

The Report noted that:

- 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, as a consequence the Services of the Mersey Internal Audit Agency (MIAA) would continue to be used to help ensure adequate audit coverage.
- It was anticipated that all originally planned audits would not be able to be covered, but that there would 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.
- The post of Internal Audit Manager was currently being advertised again with interviews planned for 11 February 2022.

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## AUDIT PROGRESS REPORT AND SECTOR UPDATE

Grant Thornton submitted a report for members information on the progress in delivering the 2020/21 audit. Work had been completed on the Council's financial statements and were reported to committee in the Audit Findings report in November 2021. An unqualified opinion had since been issued on 29 November 2021.

The value for money work was continuing and would be reported as part of the Annual report at the end of February 2022. Certification of claims and returns was also ongoing.

The report also included a summary of emerging national issues and developments, as well as a number of challenge questions for the committee to consider.

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## REPORTS FROM REPRESENTATIVES ON OUTSIDE BODIES

There were no reports from representatives on outside bodies.

656

## EXCLUSION OF PRESS AND PUBLIC

There were no items under this heading.

The meeting closed at 7.05 pm

If you have any queries on these minutes please contact the committee clerk, Olwen Heap [olwen.heap@ribblevalley.gov.uk](mailto:olwen.heap@ribblevalley.gov.uk).

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

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meeting date: 6 APRIL 2022  
 title: INTERNAL AUDIT CHARTER 2022/23  
 submitted by: DIRECTOR OF RESOURCES  
 principal author: LAWSON ODDIE

### 1 PURPOSE

1.1 To seek approval of the Internal Audit Charter for 2022/23

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 The Internal Audit team works to a Charter which complies with the Public Sector Internal Audit Standards (PSIAS) as applied in the UK, based on international standards. The Charter is attached for review and consideration by Accounts and Audit Committee.

2.2 The only change is in respect of the Chief Audit Executive (CAE) role being returned to the post of Internal Audit Manager now that the post has been recruited to.

2.3 Accounts and Audit Committee has a key function in ensuring that effective corporate governance arrangements are maintained in the Council. The Internal Audit Charter provides evidence of such arrangements in respect of the Internal Audit function and complies with the Public Sector Internal Audit Standards.

### 3 PUBLIC SECTOR INTERNAL AUDIT STANDARDS

3.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory for internal audit in public services, including local government. They reflect and are based upon the International Professional Practices Framework (IPPF) of the Global Institute of Internal Auditors. The Internal Audit Charter reflects the standards.

3.2 Public Sector Internal Audit Standard 1000 requires that Purpose, Authority and Responsibility be defined in an Audit Charter. The Charter establishes Internal Audit's position within the council, including the nature of the Head of Audit's reporting relationship with the Accounts and Audit Committee; authorises access to personnel, records, and physical properties relevant to audit work; and defines the scope of internal audit activities.

3.3 The Internal Audit Charter refers to:

- Purpose and Mission
- Standards for the Professional Practice of Internal Auditing
- Definitions used
- Authority
- Independence and Objectivity
- Scope of Internal Audit Activities
- Responsibility
- Internal Audit's role in fraud, bribery and corruption
- Quality Assurance and Improvement Programme

#### 4 CONCLUSION

- 4.1 Under the Public Sector Internal Audit Standards (PSIAS) the council is required to have an Internal Audit Charter in place. The Charter has been fully reviewed and rewritten.
- 4.2 The Charter establishes Internal Audit's position within the council, including the nature of the Head of Audit's reporting relationship with the Accounts and Audit Committee; authorises access to personnel, records, and physical properties relevant to audit work; and defines the scope of internal audit activities.
- 4.3 Approval of the Internal Audit Charter sits with the Council's Accounts and Audit Committee.

#### 5 RECOMMENDED THAT COMMITTEE

- 5.1 Approve the Internal Audit Charter 2022/23 as attached at Annex 1.

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# Internal Audit Charter

~~2021/22~~2022/23

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Borough Council

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## 1. Purpose and Mission

1.1. The purpose of Ribble Valley Borough Council's internal audit function is to provide independent, objective assurance and consulting services designed to add value and improve the Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit function helps Ribble Valley Borough Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

## 2. Standards for the Professional Practice of Internal Auditing

2.1. To ensure that authorities make arrangements for the proper administration of their financial affairs, the Accounts and Audit (England) Regulations 2015 make statutory provision for a local authority to undertake an adequate and effective internal audit of its documents and records and of its system of internal control in accordance with proper internal audit practices.

2.2. These 'proper internal audit practices' are the Public Sector Internal Audit Standards (PSIAS).

2.3. The objectives of the PSIAS are to:

- define the nature of internal auditing in the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the Council, leading to improved organisational processes and operations
- establish the basis for the evaluation of internal audit performance and to drive improvement planning

2.4. To meet the above objectives, the PSIAS requires the Council to have a documented and agreed Internal Audit Charter which in effect acts as the agreement between the Internal Audit service and the Council.

## 3. Definitions used

3.1. This Charter defines the following terminology contained within the PSIAS:

- the board as the Accounts and Audit Committee
- senior management as the Corporate Management Team

3.2. The Chief Audit Executive (CAE) is the person tasked with directly managing the Internal Audit function. This is ~~currently the Head of Financial Services~~ the Internal Audit Manager.

## 4. Authority

4.1. The CAE reports functionally to the Accounts and Audit Committee and administratively (i.e. day-to-day operations) to the ~~Director of Resources (S151 Officer)~~ Head of Financial Services.

4.2. To establish, maintain, and assure that Internal Audit has sufficient authority to fulfil its duties, the Accounts and Audit Committee will:

- Approve the Internal Audit Charter.
- Approve the risk-based Internal Audit Annual Audit Plan.

- Receive communications from the CAE on Internal Audit's performance relative to its plan and other matters.
  - Make appropriate inquiries of Corporate Management Team and the CAE to determine whether there is inappropriate scope or resource limitations.
- 4.3. Financial Regulations provide Internal Audit with the right of access at any reasonable time to all records, documents and correspondence relating to any transactions of the Council, and to require any employees of the Council to produce cash, stores or any other Council property under their control. Internal Audit can also request explanations, as considered necessary, to confirm the correctness of any matter under examination.
- 4.4. The CAE has the right to direct and unrestricted access (i.e. outside of line management) to, and freedom to report in their own name and without fear of favour, to the following:
- Corporate Management Team (collectively or individually)
  - Head of Paid Service (Chief Executive)
  - Section 151 Officer (Director of Resources)
  - Monitoring Officer (Head of Legal and Democratic Services)
  - Chair of the Accounts and Audit Committee

## **5. Independence and Objectivity**

- 5.1. In order to preserve its objectivity and independence, Internal Audit will not assume operational responsibilities for, and will remain independent of, the activities it audits or reviews.
- 5.2. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others. Auditors are required to have due regard to the standards expected within the "Seven Principles of Public Life".
- 5.3. Where the CAE has, or is expected to have, roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 5.4. Internal Audit employees will ensure that they conduct work with due professional care and in line with the requirements of the PSIAS, having due regard to the Chartered Institute of Public Finance & Accountancy's Local Government Application Note in this respect. Staff will also look to comply with the code of ethics for internal auditors and the core principles for internal audit.
- 5.5. In accordance with the Council's Officer Code of Conduct, internal auditors must declare interests that can impact on objectivity. Implications of the Bribery Act must be considered, and auditors must not accept gifts, hospitality, inducements or other benefits other than those permitted by the Council's Code, for which the appropriate registration of such items must be completed. Information obtained during the course of an audit engagement must not be used for personal gain by an internal auditor or made available to third parties unless specific authority is in place to do so.
- 5.6. To ensure objectivity, individual auditors will not be permitted to carry out audit work in areas where they have had operational responsibility within the same financial year or longer until a suitable period has elapsed as determined by the CAE.

5.7. Subject to available operational resources, audit engagements will be rotated within the Internal Audit Team to prevent over-familiarity and complacency that could influence objectivity and effectiveness. Potential for conflicts of interest or impairment to objectivity or independence will be considered as part of pre-audit work and documented as part of that work.

## **6. Scope of Internal Audit Activities**

6.1. The scope of Internal Audit includes all of the Council's operations, resources, services and responsibilities in relation to other bodies. Where agreements allow, this includes all contractors and other bodies commissioned to deliver services on behalf of the Council.

6.2. The CAE also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit function may perform advisory and related client service activities where resources allow, the nature and scope of which will be agreed with the client.

6.3. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

6.4. Internal Audit may also provide consultancy services, such as advice and guidance on new design and implementation control, particularly through periods of organisational change. Consultancy services are advisory in nature and are generally performed at the specific request of Corporate Management Team, with the aim of improving governance, risk management and control and contributing to the annual audit opinion. During consultancy engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the Council, they will be communicated to Corporate Management Team and the Accounts and Audit Committee.

6.5. Any consultancy advice will be given without prejudice as to future coverage of, and opinion, on the relevant activity on which advice has been given.

## **7. Responsibility**

7.1. The CAE is responsible for the preparation of a risk-based Annual Audit Plan and has overall responsibility for its management. The Accounts and Audit Committee considers and approves (but does not direct) the proposed Annual Audit Plan. This means the Accounts and Audit Committee can and should challenge whether the Plan is sufficient and adequately focused.

7.2. The CAE is responsible for ensuring that the resources available to internal audit are enough to meet its responsibilities and achieve its objectives. Resources can be either in-house staff or specialist external providers. If the CAE concludes resources are insufficient, they must formally report this to Corporate Management Team and the Accounts and Audit Committee.

7.3. Corporate Management Team will review and comment on the Annual Audit Plan prior to it being presented to the Accounts and Audit Committee for consideration and approval to ensure effective audit coverage of the key issues affecting their service areas.

- 7.4. Individual audit engagements will be undertaken in line with procedures maintained by Internal Audit to ensure consistency in structure and approach. The approach to testing must be appropriate and of sufficient size and intensity to draw valid conclusions. Working papers must be maintained to justify conclusions reached and enable another independent auditor to repeat the work and come to the same conclusion.
  - 7.5. Where prior audit work has identified good controls and procedures and there have not been significant changes in those procedures or key personnel since the last engagement then the level of testing may be reduced, whilst ensuring the underlying controls are still in place.
  - 7.6. In carrying out its duties Internal Audit will work constructively with all levels of management and staff. During an engagement, all levels of management and staff are required to co-operate fully with the auditors.
  - 7.7. If significant control failings are identified in testing, this fact will be referred to the CAE and brought to the attention of relevant management during the engagement for immediate action.
  - 7.8. All audit and consultancy outcomes will be fully discussed with Heads of Service at the conclusion of an engagement. Head of Service responses will be recorded and considered for the purposes of completing a final report of the engagement.
  - 7.9. An Audit Report will be produced and presented to the relevant Head of Service to obtain confirmation as to content and relevance. This will be done as soon as practicable after completion of field work. The report will contain recommendations to address any weaknesses in controls or procedures identified in the Audit Engagement. An action plan, confirmed by the relevant Head of Service, with realistic dates for implementation will be agreed.
  - 7.10. After the report and action plan, if applicable, has been agreed by the relevant Head of Service, copies of the report will be issued for information to the Section 151 Officer and all Directors.
  - 7.11. Heads of Service are responsible for responding formally to Internal Audit recommendations by both accepting and implementing the recommendations or formally reject them, explaining the reasons for so doing. If Internal Audit and Heads of Service fail to reach agreement on issues or recommendations which Internal Audit consider to be of material importance, the final audit report will reflect the position of both and attention will be drawn specifically to these issues or recommendations in order that Corporate Management Team and the Accounts and Audit Committee may consider the options and give direction to an appropriate action.
  - 7.12. For clarity, Directors and Heads of Service, not Internal Audit, are responsible for establishing and maintaining a proper and effective control environment and for managing risk within their area of operations.
- 8. Internal Audit's role in fraud, bribery and corruption**
- 8.1. If evidence or suspicion of fraud, bribery or corruption is identified during an engagement the matter will be reported immediately to the ~~Principal Auditor~~Internal Audit Manager, Head of Financial Services, and Director of Resources (S151 Officer) as appropriate without further reference to line management, for consideration and timely progression in line with the Council's Anti-Fraud & Corruption Policy.

- 8.2. If evidence of fraud, bribery or corruption is identified during an engagement the matter will be reported to the Accounts and Audit Committee. Such updates will be provided in a private and confidential session as allowed by the local government legislation and written in a manner which protects the integrity of action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
- 8.3. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud, bribery and corruption will be detected.
- 8.4. Line management bears primary responsibility for the prevention and detection of fraud, bribery and corruption. Internal Auditors will, however, be alert in all their work to risks and exposures that could allow fraud, bribery or corruption.

## **9. Quality Assurance and Improvement Programme**

- 9.1. Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. The programme will include an evaluation of the internal audit function's conformance with the PSIAS and an evaluation of whether internal auditors apply The Institute of Internal Auditors' Code of Ethics. The programme will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.
- 9.2. The CAE will communicate to Corporate Management Team and the Accounts and Audit Committee on the quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 9.3. An internal assessment of the Internal Audit service is planned to be undertaken during the 2022/23 financial year, the results of which will be reported to Corporate Management Team and the Accounts and Audit Committee.

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

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meeting date: 6 APRIL 2022  
title: REVIEW OF ACCOUNTING POLICIES 2021/22  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

**1 PURPOSE**

1.1 To seek endorsement of the Accounting Policies to be used in producing the Financial Statements for the council for the 2021/22 financial year.

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives - none identified
- Corporate priorities – the Council seeks to maintain critical financial management and controls and provide efficient and effective services.
- Other considerations – none identified

**2 BACKGROUND**

2.1 The Accounts & Audit (England) Regulations 2015 requires local authorities to prepare their annual financial statement of accounts in accordance with 'proper accounting practice'. For local authorities, proper accounting practice is defined as that contained within the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

2.2 Accounting policies are the principles, bases, conventions, rules and practices applied by a local authority that specify how the effects of transactions and other events are to be reflected in its financial statements. This may be through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

2.3 Except where explicitly specified in The Code, or due to specific legislative requirements, it is for the council to select the accounting policies that are most appropriate to its particular circumstances.

**3 ACCOUNTING POLICIES FOR 2021/22**

3.1 The Code for 2021/22 has been published and a review of the Council's accounting policies has been conducted to ensure that these are in line with the requirements of The Code. It is considered best practice for those charged with governance to review and approve the accounting policies to be applied when preparing the financial statements, prior to the meeting at which the Statement of Accounts will be approved.

3.2 There are no major changes to The Code that have been identified. The accounting policies will therefore remain largely in line with those used to prepare the 2020/21 Statement of Accounts.

3.3 As the Statement of Accounts are prepared, there may be the need for some clarification, change, or identification of obsolescence within the policies, and therefore any necessary changes will be made. Such changes will be reported to committee with an explanation of the impact when the financial statements are presented to committee.

#### 4 UPDATE ON IFRS16 – ACCOUNTING FOR LEASES

4.1 In recent years we have been anticipating that the new International Financial Reporting Standard (IFRS) 16 relating to leases will be adopted. This has been delayed on numerous occasions and was now expected to be adopted from 1 April 2022, and therefore would impact upon the 2022/23 accounts.

4.2 In December 2021, the Department of Levelling-up Housing and Communities (DLUHC) asked CIPFA/LASAAC to deliberate how time-limited changes to the code may help ease delays that were being seen to the publication of audited financial statements.

4.3 In response to the request, CIPFA/LASAAC issued an exceptional consultation, which set out to explore two approaches:

- The deferral of the implementation of IFRS 16 Leases; and
- A revision to the code that would permit local authorities to pause professional valuations for operational property, plant, and equipment for a period of up to two years; whilst also allowing for the application of indexation in the interim period

4.4 Following the closure of the consultation period, CIPFA/LASAAC outlined the following preliminary decisions.

- To pursue the deferral of IFRS 16 for a fixed period of two years – applying to all UK jurisdictions. Subject to review and approval by HM Treasury’s Financial Reporting Advisory Board (FRAB).

If FRAB agrees to defer the implementation of IFRS 16, local authorities will be required to revert to the IAS 17 standard. IAS 17 (Leases) which is applicable to annual accounting periods beginning on or after the 1st of January 2005 and sets out the required accounting policies, treatments and disclosures for finance and operating leases by lessees and lessors.

CIPFA/LASAAC have stressed that the outcome of the FRAB review (due in the first week of April) is not a forgone conclusion and recommends that local authorities do not suspend their preparations in expectation of the deferral.

- Regarding the second proposal under consideration, CIPFA/LASAAC decided against both the option to pause professional valuation for operational property and the use of an indexation.

4.5 Although the current year accounts and those for 2022/23 will likely remain unaffected by IFRS16 (subject to the outcome of the FRAB review), it should be noted that preparatory work is being undertaken in the background to undertake an assessment of the impact this new standard will have on the Council’s accounts. The new leasing standard will lead to a change in accounting practices, which will remove the distinction between operating and finance leases.

4.6 It requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee will recognise the right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing the lessee’s obligation to make lease payments for the asset.

4.7 What this means in practice is that the value of the lease will be included on the Council’s balance sheet and the annual lease payments will be split between principal and interest.

## 5 CONCLUSION

- 5.1 No major changes to The Code have been identified, so there are no material changes to the policies needed.
- 5.2 There has been an update to the delayed introduction of the new International Financial Reporting Standard (IFRS16) relating to leases. Whilst a further delay to its introduction is anticipated, there is much work being undertaken ready for its eventual introduction.
- 5.3 The policies reported here may be subject to further changes should any be needed whilst the financial statements are being prepared. Such changes will be reported to committee with an explanation of the impact when the financial statements are presented to committee.

## 6 RECOMMENDED THAT COMMITTEE

- 6.1 Endorse the use of the policies shown at Annex 1 to the report, subject to the need for any further changes identified as needed whilst the Statement of Accounts are produced.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA6-22/LO/AC  
29 March 2022

# Statement of Accounting Policies

## 1 GENERAL PRINCIPLES

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The Statement of Accounts summarises the Council's transactions for the 2020~~1~~/~~2~~~~4~~~~2~~ financial year and its position at the year-end of 31 March 202~~4~~~~2~~. 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*~~1~~/~~2~~~~4~~~~2~~, supported by International Financial Reporting Standards (IFRS).

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

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

## 2 ACCRUALS OF INCOME AND EXPENDITURE

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

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

## 3 CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

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

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

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

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

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Billing authorities act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (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 (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### **Accounting for Council Tax and NDR**

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

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

## **7 EMPLOYEE BENEFITS**

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### **Benefits Payable during Employment**

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

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

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

### **Termination Benefits**

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

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

### **Post-Employment Benefits**

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

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

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

- The liabilities of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4[rate not yet known]% (2.41% 31 March 2020<sup>1</sup>) 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 on 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.

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

**Discretionary Benefits**

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

**8 EVENTS AFTER THE REPORTING PERIOD**

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Events after the Balance sheet date are those events, both favourable and unfavourable, that occur between the end of the 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

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### **Financial Liabilities**

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

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

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

### **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.

## **10 GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

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

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

## **11 HERITAGE ASSETS**

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

Heritage Assets are

- Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

- Intangible heritage assets with cultural, environmental or historical significance, such as recordings of significant historical events.

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

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

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

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

### **Heritage Assets - General**

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

## **12 INTANGIBLE ASSETS**

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

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

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

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

disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

### **13 INVENTORIES AND LONG-TERM CONTRACTS**

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

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

### **14 LEASES**

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

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

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

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

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

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

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

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

## 15 OVERHEADS AND SUPPORT SERVICES

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

## 16 PROPERTY, PLANT AND EQUIPMENT

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

### **Recognition**

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

### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price
- 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:

Property, Plant and Equipment Classification	31 March 2022	
	Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings		
Vehicles, Plant, Furniture and Equipment		
Infrastructure Assets		
Community Assets		
Surplus Assets (Not for Sale)		
<b>Total</b>		

### ***Impairments***

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

### **Depreciation**

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

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.

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

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

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

### ***Componentisation***

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

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

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### **Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement 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**

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

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

## **19 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

## **20 VAT**

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

## 21 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

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

- in the principal market for the asset, or
- 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.

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## RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

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meeting date: WEDNESDAY 6 APRIL 2022  
title: REVIEW OF REPRESENTATION ON OUTSIDE BODIES  
submitted by: CHIEF EXECUTIVE  
Principal Author: MAIR HILL – HEAD OF LEGAL AND DEMOCRATIC SERVICES

### 1 PURPOSE

1.1 To inform Committee of the recommendations of the working group regarding representation on outside bodies.

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives – }
- Corporate Priorities – }
- Other Considerations –

The Council has a duty to promote and maintain high standards of conduct by its members. Review of the Council's representation on outside bodies as a part of that duty.

### 2 BACKGROUND

2.1 Each year at the Annual Council, the Council appoints or nominates many of its members as representatives on a number of outside bodies. On 3 February 2022, Committee agreed to establish a working group to review the current list of outside bodies. The working group met on 4 and 18 March 2022. Copies of the notes of those meetings are enclosed at **Appendix 1 & 2**. The recommendations of the working group are detailed below.

2.2 Committee also resolved that the Head of Legal and Democratic Services should arrange for training to be provided to members of the issues surrounding membership of outside bodies. Training is to be provided on 21 April 2022 and members have been contacted regarding this.

### 3 ISSUES

3.1 The Working Group recommends that the Council no longer make nominations to the following outside bodies and for the following reasons:

- **Children's Trust** – the group is no longer active, and the current nominee has been contacted by them to confirm this is the case.
- **East Lancashire Health & Wellbeing Partnership** – The group no longer meets and has been replaced by new structures. Representation is established through Lancashire Chief Executives and East Lancashire Leaders.
- **Pendle Club** – It is felt by members that matters should better be raised with ward councillors.

- **Environment Agency Liaison Committee** – This group was not effective, and the Council would be better informed if the Environment Agency was requested to attend and/or report to Health and Housing Committee directly.
- **Clitheroe Royal Grammar School Foundation** – as a major landowner in the borough, it was felt that membership of the foundation raised potential conflicts for members.
- **Police and Crime Panel** – it is not considered that this is necessary as an appointment to an outside body as it is a political appointment.
- **Carer's Link** – It was felt that this body could be better served by a member who was already a Trustee in their own right.

3.2 The Working Group recommends that representation is amended on the following groups:

- **Salesbury & Copster Green Commons Management Committee** – There are currently 3 members nominated to this group. It is considered that this should be reduced to 1. This is a relatively small area of common land, and it is felt that 1 member could adequately represent the Council. In order to do so however, steps would need to be taken to seek agreed on amendments to the Constitution of the management committee which was established by the Council in 1991. It is proposed therefore that representation remain at current levels until the position is resolved.
- **Hanson Cement Liaison Committee** – it is proposed that representation be reduced from 5 members to 3. It is considered that this provides adequate representation on the Committee
- **Tarmac Liaison Committee** – it is proposed that representation be reduced on this group from 4 to 2 members as this provides adequate representation.
- **Ribble Valley Community Safety Partnership** – currently a conservative member and an independent member are nominated to this body. It is proposed that this be increased to three members to allow for cross party representation.

3.3 It is proposed that the type of appointment should be altered in respect of the following organisations. It is considered by the Working Group that members being Trustees of these groups can lead to conflicts and so they should instead be observers. If Committee agrees the bodies shall be approached for their views. These would then be reported to Council:

- **Ribble Valley Sports & Recreation (Roefield Leisure Centre)**
- **Citizens' Advice Bureau**
- **Hyndburn and Ribble Valley Council for Voluntary Services**

3.4. It is proposed that the remainder of the nominations continue to be made as per arrangements in previous years.

#### 4 **RISK ASSESSMENT**

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

- Resources – Resources will be required to carry out the review.

- Technical, Environmental and Legal – N/A
- Political – N/A
- Reputation – The Council’s reputation will be enhanced by its consideration of its arrangements with outside bodies.
- Equality & Diversity – N/A

**5 RECOMMENDED THAT COMMITTEE**

5.1 Approve the proposals set out at paragraphs 3.1 to 3.4 and recommend them to Council.

MAIR HILL  
HEAD OF LEGAL AND DEMOCRATIC SERVICES

MARSHAL SCOTT  
CHIEF EXECUTIVE

For further information please ask for Mair Hill extension 4418

REF: MJH/Accounts & Audit/06/04/2022

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## MINUTES OF OUTSIDE BODIES WORKING GROUP – 4 MARCH 2022 at 10am

Cllr D Berryman (Chair)	Mair Hill – Head of Legal & Democratic Services
Cllr S Bibby	Olwen Heap
Cllr S Fletcher	
Cllr J Rogerson	
Cllr R Sherras	

### APOLOGIES

None received.

A list of the outside bodies that the Council currently has representatives on was circulated along with an indication where the representative was required to be a trustee or where a lease required a representative.

### ACTION:

1. Members asked that for those bodies that required a trustee, they be approached to ascertain whether the representative could be an 'observer' instead.
2. The body be informed that as a trustee, the representative must declare an interest in council committee meetings where finance or wellbeing was discussed and not vote.
3. A check was requested on whether the Council would be held accountable in any way for potential liabilities of the outside body where the representative was a trustee.
4. Members requested that Directors responsible for each committee be consulted on the appropriateness of each outside body under its remit.

Members reviewed the list of outside bodies and suggested actions to make progress.

<b>ORGANISATION</b>	<b>NUMBER OF REPS</b>	<b>REPRESENTATIVE</b>	<b>PARENT COMMITTEE</b>	<b>NO. OF REPORTS</b>	<b>TYPE OF REP</b>	<b>ACTION</b>
Children's Trust	1	Louise Edge	Community Services	1		<b>Check still active</b>
Lancashire Waste Partnership	1	Tony Austin	Community Services	1		✓
Langho Football Club	1	Steve Farmer	Community Services	1		<b>Council land</b> ✓
Longridge Social Enterprise Company Limited	1	Sarah Rainford	Community Services	1		<b>Council land</b> ✓
Ribble Valley Sports & Recreation (Roefield Leisure Centre)	2	Ian Brown Mark French	Community Services	1	Trustee	<b>Propose observer</b>

ORGANISATION	NUMBER OF REPS	REPRESENTATIVE	PARENT COMMITTEE	NO. OF REPORTS	TYPE OF REP	ACTION
Salesbury and Copster Green Commons Management Committee	3	Susan Bibby Stuart Hirst Louise Edge	Community Services	1		Decrease to 1 rep if possible
Carer's Link	1		Health & Housing	1	Trustee	Propose Cllr Bibby as rep as already a trustee in own right
Mersey Care NHS Foundation Trust	1	David Peat	Health & Housing	1		✓
Environment Agency Liaison Committee	2	Stewart Fletcher Bob Buller	Health & Housing	1		Delete but ask that EA attend H&H to report
Hanson Cement Liaison Committee	5	Richard Sherras Ian Brown David Berryman Stewart Fletcher Simon O'Rourke	Health & Housing	2		✓ Reduce to 3 reps
East Lancs Health & Wellbeing Partnership	1	Mark Hindle	Health & Housing	1		Check with Cllr Hindle
Pendle Club, Clitheroe	2	Jenni Schumann Ian Brown	Health & Housing	1		Check
Tarmac Liaison Committee	4	Rosie Elms Ian Brown Stewart Fletcher Simon O'Rourke	Health & Housing	2		Check if still req'd
NW Employer's Organisation	1 + 1 substitute	Sue Bibby David Peat	Personnel	2		✓
Forest of Bowland (Area of Outstanding Natural Beauty) Advisory Committee	1	Rosemary Elms	Planning & Development	1		✓
Rural Services Network	1	Richard Sherras	Planning & Development	1		✓

ORGANISATION	NUMBER OF REPS	REPRESENTATIVE	PARENT COMMITTEE	NO. OF REPORTS	TYPE OF REP	ACTION
Armed Forces Champion	1	Richard Sherras	Policy & Finance	1		✓
Clitheroe Royal Grammar School Foundation Trust	1	Steve Farmer (year 1 of 4)	Policy & Finance	1	Trustee	Check if this is req'd
Citizen's Advice Bureau	3	Mary Robinson	Policy & Finance	1	Trustee	Propose observer
Hyndburn and Ribble Valley Council for Voluntary Services	1	Richard Newmark	Policy & Finance	1	Trustee	Propose observer
LGA General Assembly	2	Stephen Atkinson Stewart Fletcher	Policy & Finance	1		✓
Police & Crime Panel	2	Simon Hore Stella Brunskill	Policy & Finance	2		Take off list as a political appt
Ribble Valley Community Safety Partnership	1	Robert Thompson Ged Mirfin	Policy & Finance	1		Need more reps – cross party
Whalley Educational Foundation Trust	1	Mark Hindle (year 3 of 3)	Policy & Finance	1	Trustee	Check if this req'd

These suggested actions would be followed up and the outcomes reported to the next meeting of the working group.

#### DATE AND TIME OF NEXT MEETING

To be confirmed at Friday 18 March at 10am (subject to the availability of the Chair)

Meeting closed at 11.10am

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## MINUTES OF OUTSIDE BODIES WORKING GROUP – 18 MARCH 2022 at 10am

Cllr D Berryman (Chair)	Mair Hill – Head of Legal & Democratic Services
Cllr S Fletcher	Olwen Heap
Cllr J Rogerson	
Cllr R Sherras	

### APOLOGIES

Received from Councillor S Bibby.

The Head of Legal and Democratic Services gave members an update following the last meeting.

ORGANISATION	NUMBER OF REPS	REPRESENTATIVE	PARENT COMMITTEE	NO. OF REPORTS	TYPE OF REP	ACTION
Children's Trust	1	Louise Edge	Community Services	1		Check still active
Lancashire Waste Partnership	1	Tony Austin	Community Services	1		✓
Langho Football Club	1	Steve Farmer	Community Services	1		Council land ✓
Longridge Social Enterprise Company Limited	1	Sarah Rainford	Community Services	1		Council land ✓
Ribble Valley Sports & Recreation (Roefield Leisure Centre)	2	Ian Brown Mark French	Community Services	1	Trustee	Propose observer
Salesbury and Copster Green Commons Management Committee	3	Susan Bibby Stuart Hirst Louise Edge	Community Services	1		Decrease to 1 rep if possible
Carer's Link	1		Health & Housing	1	Trustee	Propose Cllr Bibby as rep as already a trustee in own right
Mersey Care NHS Foundation Trust	1	David Peat	Health & Housing	1		✓

ORGANISATION	NUMBER OF REPS	REPRESENTATIVE	PARENT COMMITTEE	NO. OF REPORTS	TYPE OF REP	ACTION
Environment Agency Liaison Committee	2	Stewart Fletcher Bob Buller	Health & Housing	1		Delete but ask that EA attend H&H to report
Hanson Cement Liaison Committee	5	Richard Sherras Ian Brown David Berryman Stewart Fletcher Simon O'Rourke	Health & Housing	2		✓ Reduce to 3 reps
East Lancs Health & Wellbeing Partnership	1	Mark Hindle	Health & Housing	1		To be deleted
Pendle Club, Clitheroe	2	Jenni Schumann Ian Brown	Health & Housing	1		Check
Tarmac Liaison Committee	4	Rosie Elms Ian Brown Stewart Fletcher Simon O'Rourke	Health & Housing	2		Check if still req'd or reduce to 2 reps
NW Employer's Organisation	1 + 1 substitute	Sue Bibby David Peat	Personnel	2		✓
Forest of Bowland (Area of Outstanding Natural Beauty) Advisory Committee	1	Rosemary Elms	Planning & Development	1		✓
Rural Services Network	1	Richard Sherras	Planning & Development	1		✓
Armed Forces Champion	1	Richard Sherras	Policy & Finance	1		✓
Clitheroe Royal Grammar School Foundation Trust	1	Steve Farmer (year 1 of 4)	Policy & Finance	1	Trustee	Check if this is req'd
Citizen's Advice Bureau	3	Mary Robinson	Policy & Finance	1	Trustee	Propose observer
Hyndburn and Ribble Valley Council for Voluntary Services	1	Richard Newmark	Policy & Finance	1	Trustee	Propose observer

ORGANISATION	NUMBER OF REPS	REPRESENTATIVE	PARENT COMMITTEE	NO. OF REPORTS	TYPE OF REP	ACTION
LGA General Assembly	2	Stephen Atkinson Stewart Fletcher	Policy & Finance	1		✓
Police & Crime Panel	2	Simon Hore Stella Brunskill	Policy & Finance	2		Take off list as a political appt Seek advice from CE
Ribble Valley Community Safety Partnership	1	Robert Thompson Ged Mirfin	Policy & Finance	1		Need more reps – cross party Seek advice from CE
Whalley Educational Foundation Trust	1	Mark Hindle (year 3 of 3)	Policy & Finance	1	Trustee	Check if this req'd

The Head of Legal and Democratic Services would write to those bodies where it was suggested an observer be proposed.

She also suggested that training for all councillors take place on Thursday 21 April 2022 at 6pm on Teams for all councillors from an external source.

A report for Accounts and Audit committee to consider would be prepared for the meeting on 6 April 2022.

Meeting closed at 10.20am

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## **RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE**

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meeting date: WEDNESDAY 6 APRIL 2022  
title: CORPORATE ASSET MANAGEMENT  
submitted by: CHIEF EXECUTIVE  
Principal Author: MAIR HILL – HEAD OF LEGAL AND DEMOCRATIC SERVICES

### 1 PURPOSE

- 1.1 To inform Committee of the Council's corporate asset management procedures.
- 1.2 Relevance to the Council's ambitions and priorities:
  - Community Objectives –
  - Corporate Priorities – Review of systems and keeping Committee informed, promotes the Council's aim of being a well-managed Council.
  - Other Considerations –

### 2 BACKGROUND

- 2.1 The Council owns a substantial amount of land and assets throughout the borough. It is important that it properly manages these assets and that it ensures that best value is obtained for those assets in terms of revenue and provision of facilities for the public.
- 2.2 In order to ensure that it has accurate and up to date records of its assets the Council records this information using asset management software.
- 2.3 All of the Council's assets are also mapped with a unique property reference number on the local and national land and property gazetteer.
- 2.4 The Council has an Asset Management Group, whose membership is made up of the Corporate Management Team, and representatives from legal, finance and engineering services. This group ensures that all relevant officers are present and that the assets are considered from a financial, legal, economic development and community perspective.

### 3 ISSUES

- 3.1 Legal Services hold a large number of legal agreements, leases and licences relating to the Council's assets. These documents are in the process of being scanned and saved electronically so that there can be joined up access to documents through the asset management systems. All new documentation is added to this system as it is produced.
- 3.2 The current version of the software is somewhat outdated, and officers are investigating moving to a new cloud-based version of the software which would enable better asset management. It would allow for agile working and for information to be input directly from site during condition surveys and to report maintenance issues. The system also provides better links between the different users of the system. It also has provision for a visual depiction of the location of assets on a map which then links back to the relevant

information and documents which relate to that asset. Officers are seeking confirmation of the costs of this software and its implementation so that a capital bid can be made. In the meantime, officers are also seeking to make more full use of the existing software and to ensure that it is fully populated. The Unique property reference number will be added (if it is not already) so that the Council can link its register to the gazetteer.

- 3.3 Within the finance function the Technology Forge asset management system is used extensively for recording changes to asset ownership and also valuations, as provided annually by the external valuer. Such movements as recorded on the system are then used to help in producing the council's Annual Statement of Accounts. Information that is recorded is in respect of valuation and asset lives for accounting purposes (this is different from potential sale valuations). Such accounting information is currently held on the system going back to 2010.
- 3.4 The forthcoming introduction of the financial reporting standard IFRS16 (Leases) to local government, which will change the way in which we account for our leases, the new cloud-based version of the Technology Forge system offers added functionality. This will greatly help the accounting process, rather than manually calculating and processing the accounting entries, which would otherwise be very time consuming and potentially open to error.

#### 4 **RISK ASSESSMENT**

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

- Resources – On going resources will be required to continue the process of digitisation. A capital bid will be required to purchase an upgraded version of the asset management software.
- Technical, Environmental and Legal – Legal Services comments are incorporated into this report.
- Political – N/A
- Reputation – The Council's reputation will be enhanced by its consideration of its arrangements for asset management.
- Equality & Diversity – N/A

#### 5 **CONCLUSION**

5.1 Committee note the contents of this report.

MAIR HILL  
HEAD OF LEGAL AND DEMOCRATIC SERVICES

MARSHAL SCOTT  
CHIEF EXECUTIVE

For further information please ask for Mair Hill extension 4418

REF: MJH/Accounts&Audit/06/04/2022

# Auditor's Annual Report on Ribble Valley Borough Council

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2020-21

March 2022



# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Improving economy, efficiency and effectiveness	25
COVID-19 arrangements	32
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A – The responsibilities of the Council	
B – An explanatory note on recommendations	

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. 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.

# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority'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 Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

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

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made

	No significant or improvement weaknesses in arrangements identified.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and improvement recommendations made.



## Financial sustainability

For the period ending 31 March 2021, the Authority is operating in a continuing uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. Ribble Valley, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained a good financial position. The Authority has put forward a balanced budget for the next three years. In addition, as at 31 March 2021, the Authority held general revenue reserves of £2.5m and held £14.9m of earmarked reserves.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council. Further details can be seen on pages 7-10 of this report. However we have identified a number of improvement recommendations which are set out on pages 11-16.



## Governance

Our work for the year ending 31 March 2021, has focussed on developing a detailed understanding of the governance arrangements in place at the Authority and the changes instigated as a response to the pandemic.

Our work has not identified any significant weaknesses in relation to governance arrangements and is set out on pages 17-19. However, we have identified a number of improvement recommendations on the need to update Council policies that are several years old and enhance the risk management framework. Further details can be seen on pages 20-24 of this report.



## Improving economy, efficiency and effectiveness

The Authority has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources during the year ending 31 March 21.

Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness. Our work in this area is set out on pages 25-26. We have identified some improvement recommendations on working with partners and improving the performance reporting. Further details can be seen on pages 27-31 of this report.

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified audit report opinion on the financial statements on 29 November 2021.

## Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 17 November 2021. We have concluded that the other information published with the financial statements, including the Narrative report and Annual Governance Statement, was consistent with our knowledge of the Council and the financial statements we have audited.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We are unable to complete our work in this area as the Council is still awaiting the appropriate guidance and tools from the Department to complete its submissions.

## Preparation of the accounts

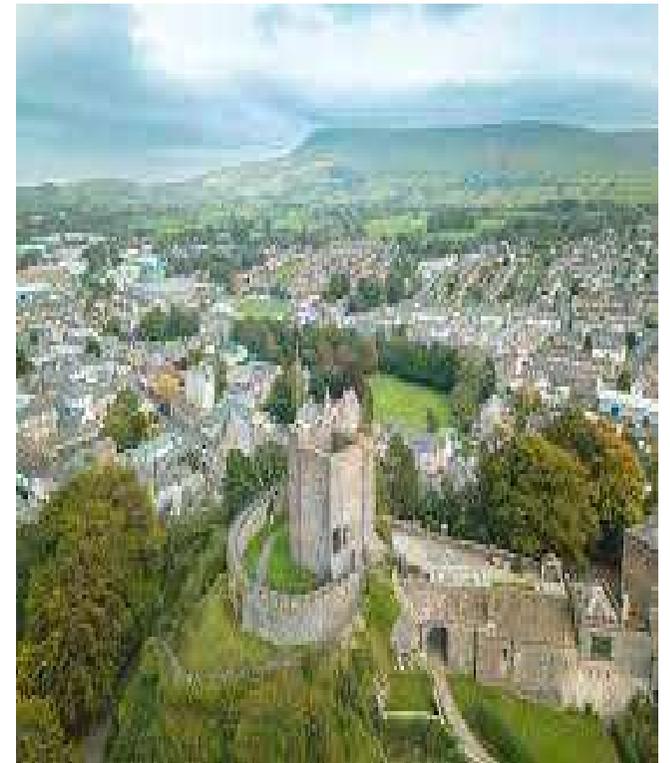
The Council provided draft accounts on the 17<sup>th</sup> of September 2021 with a good set of working papers to support them.

## Issues arising from the accounts:

We identified a small number of disclosure changes to the financial statement which had no impact on the Council's Comprehensive Income and Expenditure Statement. The Council agreed with these changes to the Financial Statements, and they were correctly processed.

## Grant Thornton provides an independent opinion ensuring the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# Statutory and key recommendations



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

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

Appendix C outlines the Use of auditor's statutory powers. These powers include the use of written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.

Our work has not identified any significant and persuasive weaknesses in arrangements and therefore we have not made any statutory recommendations or had to discharge any other wider powers under the Local Audit and Accountability Act 2014, for the 2020/21 audit year.



The range of recommendations that external auditors can make is explained in Appendix B.

# Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

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## Financial sustainability

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



## Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 35. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Overview of the arrangements to ensure financial sustainability

The Council's financial planning allows it to be in a position to deliver the priorities set by the Council, within its resources. Ribble Valley has historically performed well, with a record of strong financial and budgetary management. Covid-19 has had an impact on the Council's finances during 2020/21 with reduced demand for some services and some staff redeployed to support response efforts. Some of the Government's initiatives to respond to the Covid-19 pandemic were supported by additional funding which the Council received in 2020/21.

The 2020/21 budget for committee expenditure was set at £8.392 million and this was reduced with the revised budget to £7.969 million. The outturn position for the year was expenditure of £7.102 million, and after taking into account accounting adjustments an underspend of £0.158 million was achieved.

Overall the Council budgeted to achieve a deficit of £0.143 million for the year, which was increased to £0.187 million in the revised budget. However, the final outturn was a surplus of £0.158 million which was added to the general fund reserves balance. The ability of the Council to return a surplus is in part due to the additional funding in relation to Covid grants being received. The Council has included additional funding in Earmarked reserves for spending in future years.

Generally the Council has a good track record of spending within budget. The table below shows that over the years although the Council has budgeted for a deficit it has generally done better with the exception of 2018/19 which was marginally worse than the revised budget but still an improvement on the original forecast.

	2016/17 £'000s	2017/18 £'000s	2018/19 £'000s	2019/20 £'000s	2020/21 £'000s
Original Budget	-200	-250	-171	-94	-143
Revised Budget	-8	-283	-54	-156	-187
Actual (Deficit)/Surplus	38	-183	-62	-96	158

{Source: Audited Statement of Accounts}

## Financial Pressures and building into plans

The Council's Medium Term Financial Strategy (MTFS) relates to the period 2018/19 to 2021/22. Due to the uncertainty of Central Government Funding Allocations the Council has not updated this MTFS but has included a 3 year projection in each annual budget.

The budget was approved in March 2021 covering the financial period up to 2023/24 and is revised annually alongside the budget setting process. It is prepared in conjunction with and reflects the Council's key strategies. The budget is collated through contributions by budget holders, and is then interrogated by the Budget Working Group and approved by Full Council.

The Council's performance over the last five years shows that it has not deviated significantly from the plan. This demonstrates that the Council has been able to set realistic and achievable budgets by recognising, assessing, and re-evaluating the impact of changes in expenditure drivers, including pay inflation. The Council takes into account any assumptions required, including the assumptions behind expected pay or contractual uplifts.

The Council has no commercial portfolio on which it relies for income but is able to meet the expenditure requirements through, income from fees and charges, government grants, business rates income and council tax precept with a small contribution from reserves when required. The Council, at this time, looks to have sufficient reserves to meet the future requirement for the medium term.

The Council has Financial Regulations in place to provide the overall key control framework which will enable the Council to exercise effective financial management and be able to control its resources and assets. This will support members and staff in the performance of their duties where financial issues are involved. As well as this, the Council has Contract Procedure Rules to ensure there are rules to govern how goods and services are procured to make the most effective and efficient use of resources to deliver best value for the Council and the local community.

As the budget process is taking place the Budget Working Group, is primarily involved in the process. The group provides guidance to service committees on the review and development of their individual budgets. The Working Group will then make recommendations to the Policy and Finance Committee in the setting of the budget. The policy and finance committee use this knowledge and make recommendations to the Council.

Council meetings are open to the public and residents and businesses are able to attend. The Council also invite representatives from business rate payers to consult on budget proposals. Due to Covid the Council was not able to hold a public budget meeting this year however going forward we feel there is scope to expand the consultation process with residents, businesses and the voluntary sector and have made a recommendation in relation to this (page 15).

We also recommend the Council update the MTFS on an annual basis (See page 11), this will ensure the strategy is forward looking and mindful of possible emerging financial issues in the medium term. This will also show the members the current impact of any changes in assumptions.

The Council's budget book includes a section for the robustness of estimates and reserves. However our review of arrangements for 2020-21 noted this primarily shows a review of reserves and confirmation to show they are still relevant. The Council should ensure this includes a review of estimates made and the impact these have. A further review of the recent budget shows the Council has included further details on the factors which have impacted on the budget. We have made a recommendation for the Council to continue and develop this area by including a review of the significant estimates made and the actual outcome (page 12).

## Budget Monitoring

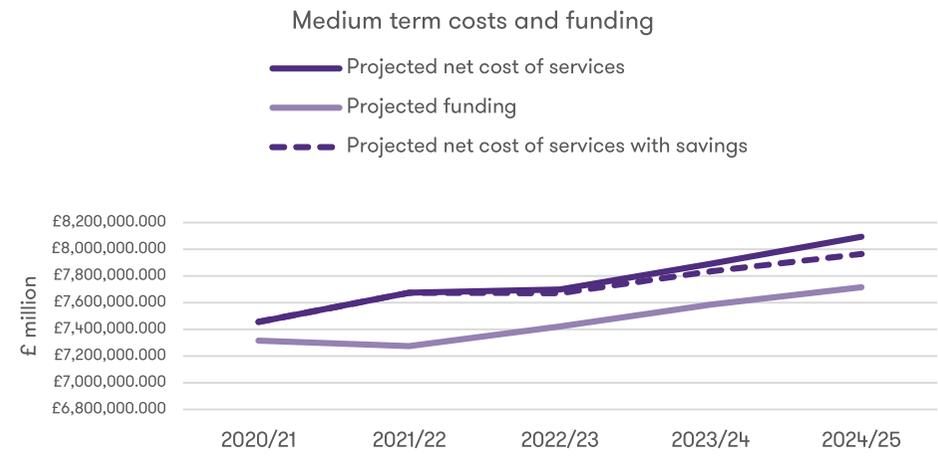
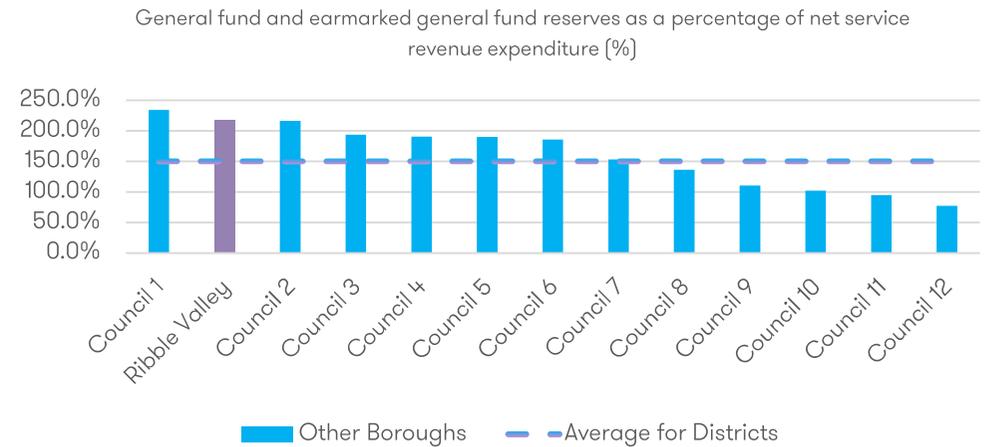
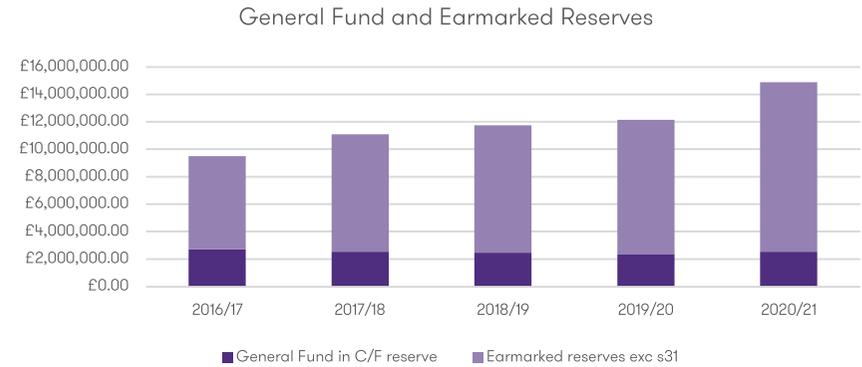
Throughout the year detailed budget monitoring is completed on a monthly basis and reported to the Corporate Management Team. On a quarterly basis this is reported to service committees and an overall report is reported to Policy and Finance and then the Council. To ensure that the Council as a whole does not over or underspend, each service is required to manage its own expenditure within approved resources and to identify any surplus resources for diversion to other programme areas. A mechanism is provided to vire funds between budget heads, including contingencies and reserves. This is to help to maintain service levels and achieve policy objectives.

From our review of the Council's financial planning process, it is robust and there is evidence of it being well scrutinised at Policy and Finance Committee and at Council. It is clear that financial risks for the Council are being managed in the short term. We have not identified any evidence of the Council making significant use of capital resources to relieve short term revenue pressures.

Cash flow forecasting is done at a high level and refined during the detail budget setting process, so by 1 April each year there is a detailed 1 year cash flow forecast for the financial year. This feeds into the Treasury Management Strategy in terms of levels of cash that are available for investing.

The Council has a healthy level of reserves which are reviewed on an annual basis. The Council considers a General Fund position of £700,000 as a minimum level for them and with the level of the General Fund balance at £2.5 million as at 31/03/2021, the Council is well above this minimum level. The Council also have £14.92 million in Earmarked reserves, which includes the s31 business rates grants reserve of £2.58 million. At this time the Council looks to have sufficient reserves to fund any shortfalls in the medium term. The graph below has been completed using the budget forecast to 2024/25 and shows the gap the Council faces between costs and funding. The reserves the Council has in place will meet this gap. There are however uncertainties regarding the outcome of pending key financial reforms to local government finance which may impact on this.

The following graph shows the movement in reserves over the years, which shows the Council has built up healthy balances. The final chart shows the ratio of general fund and earmarked reserves to the net service revenue expenditure for 2020/21. The data has been obtained from the draft 2020/21 statement of accounts, which have been audited. This shows Ribble Valley with the second highest balance across Lancashire districts, hence they are in an appropriate to meet the financial risks it faces. As Councils have received the forth single year settlement, the reserves the council has established will mitigate any future uncertainties.



## Funding gaps and Savings plans

The Council's has not been required to make significant savings to meet budget and as such has not yet been required to make key decisions on the provision of discretionary services. The Council three year budget forecast as at February 2021 shows the Council has been able to deliver a balanced budget in 2021/22 with no savings but a £400k use of resources. Over the following three years the Council plans to use £250k of reserves each year but also achieve savings of £29k in 2022/23, £58k in 2023/24 and £134k in 2024/25. Even though the Council has a prudent level of reserves, it needs to ensure it does not overly rely on reserves to support budget.

These savings are not onerous and we are aware the Council has a culture of low spending, prudent financial management whilst providing good services. The Council has also been able to maintain a low Band D Council Tax and have a high council tax collection rate.

At this stage the Council does not have any detailed savings plans as there are adequate resources available to meet the financial demands in the medium term. As mentioned the reserves position is also adequate and is not at risk over the medium term. However with the uncertainty in allocations going forward the Council should ensure this is monitored regularly to assess any changes. We have included a good practice improvement recommendation. We consider it will be good practice, for the Council to look at the requirement to identify a savings going forward as and when funding arrangements become clearer (page 13).

## Financial planning

The Council's Corporate Strategy 2019-2023 clearly sets out the key ambitions the Council has over the year. Each cost centre in the ledger has been linked to one of the Council's ambitions. The Council's Detailed Budget shows the expenditure allocated to each cost centre and this is split on the type of expenditure. Although each area of spend is linked to the Council's ambitions, this link is not made within the summary budgets or the budget monitoring reports. As well as this, there is no distinctions on the budgets which are needed to deliver the core statutory services and those which are discretionary that the Council has chosen to invest in outside of the statutory provision. As this is good practice, we have included an improvement recommendation (page 14) that the Council make this distinction clearer, as this will allow users to understand what the Council are doing over and above the core services.

The capital programme supports the Council's corporate priority to continue to be a well-managed council, providing efficient services based on identified customer needs. The Council's actual capital spend was £1.2m in 2020/21, an outturn of 63% against a revised budget of £1.9m. The remaining slippage has been taken into 2021/22. Some of these larger variances were due to the impact of Covid-19, such as a reduced number of schemes approved and completed on Disabled Facilities Grants.

The Council has a Capital and Treasury Management Strategy, which is updated on an annual basis and reflects the linkage between asset management, the capital programme and treasury management activities. This sets out the framework for all aspects of the Council's capital expenditure including planning, management, prioritisation, funding, monitoring and outcomes. We are satisfied the Strategy reflects the linkage between asset management, the capital programme and treasury management activities.

The Council does not have an up to date workforce plan in place. Having a workforce plan helps to ensure that the Council's financial plans are aligned to resource requirements and expectations of service delivery. We have raised a recommendation in relation to this (page 16).

## Managing risks to financial resilience

Risks are incorporated into the MTFS and revenue budget and discussions are held with Senior Management Team and Council. There is no evidence of the Council failing to update financial plans to reflect changes in government policy. The Council has incorporated uncertainty into its planning process and budget monitoring reports include an update on key assumptions.

The Council has a healthy balance of earmarked reserves. These are used to support both the revenue and capital budgets. There are plans in place to ensure the balances are reviewed and, where appropriate, replenished.

To ensure the Council is prepared for potential volatility which may adversely impact the budget they should ensure a range of scenario and sensitivity analysis is completed on a regular basis and this should be clearly reported to members on an annual basis. See page 11 for further details of this improvement recommendation.

## Conclusion

The Council is well managed and there is a high level of understanding of its budgetary position and budgetary pressures. There is an established process by which the budget is reviewed regularly, and issues reported on a timely basis to those charged with governance. We have identified a number of improvement recommendations which are set out in the following pages.

# Improvement recommendations



## Improving Financial Sustainability

<b>1 Recommendation</b>	The Council's Medium Term Financial Strategy (MTFS) should be updated on an annual basis and cover a forward looking medium term period. As part of this, and to ensure the Council is prepared for potential volatility which may adversely impact the budget, the Council should ensure a range of scenario and sensitivity analysis is completed on a regular basis and clearly reported to members on an annual basis
<b>Why/impact</b>	The MTFS is a key document to support financial planning over the medium term. It provides the strategic framework and a forward looking approach to achieve longer term financial sustainability. Although the Council's has a forward looking element, the MTFS is a more detailed assessment of future finances and should include key assumptions, the basis for these and any emerging financial risks.
<b>Auditor judgement</b>	Without an annually updated forward looking MTFS, there is a risk that the Council may not fully plan for the impact of changes in key assumptions or funding fluctuations. The MTFS is needed to set the context for the more detailed budget process and looks to balance the Council's strategic objectives against the resources available.
<b>Summary findings</b>	The Council should update the MTFS annually and undertake sensitivity analysis and scenario planning.
<b>Management comment</b>	A Medium Term Financial Strategy will be produced in the summer once there is firmer knowledge around the future around Local Government finance.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving Financial Sustainability

<b>2 Recommendation</b>	The Council should look to continue and develop their review of the robustness of estimates by including a review of the significant estimates made and the actual outcome .
<b>Why/impact</b>	The Council's budget includes a section for the robustness of estimates and reserves. However our review of arrangements for 2020-21 noted this primarily shows a review of reserves and confirmation to show they are still relevant. There is scope for the section on estimates to be expanded and to include the impact that changes to estimates could have. A further review of the recent budget shows the Council has included further details on the factors which have impacted on the budget.
<b>Auditor judgement</b>	Without detailed consideration of the robustness of estimates there is a risk that budget decisions can not be fully considered in this context and this detail assists members by providing the appropriate assurance required to based decisions on.
<b>Summary findings</b>	Based on 2020-21 arrangements there is scope to improve the consideration and documentation of the robustness of estimates within the budget process.
<b>Management comment</b>	<p>A full detailed review of the robustness of estimates and reserves is already provided within the formal report to Special Policy and Finance committee which meets in the February each year. This report already provides all of the detailed narrative referred to here in this recommendation.</p> <p>The content of the report to Special Policy and Finance Committee reflects the legal requirements under Section 25 of the Local Government Act 2003 on the robustness of the estimates, balances and reserves.</p>

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The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving Financial Sustainability

<b>3 Recommendation</b>	We consider it will be good practice, for the Council to look at the requirement to identify a savings going forward as and when funding arrangements become clearer .
<b>Why/impact</b>	The Council does not currently have a formal savings plan in place. Given the continuing financial pressures local government bodies are operating within, it would be prudent as and when future funding is confirmed, to consider having a more formalised savings plan in place to help to mitigate future pressures.
<b>Auditor judgement</b>	Without a formalised savings plan there is a risk that emerging pressures would be more difficult to mitigate. In addition there is a risk potential efficiencies may not be identified in a timely manner.
<b>Summary findings</b>	There is currently no formalised savings plan in place at the Council.
<b>Management comment</b>	<p>The report here refers to the 2020/21 financial statements, and at that time the budget gap identified over the life of the 2021/22 to 2024/25 forecast was £221K. This saving could comfortably be met from reserves and was identified as such. As stipulated at that time there was also sizeable uncertainty around future local government funding.</p> <p>The position reported here within this recommendation is from almost 12 months ago and a further budget round has been completed since, with a different resulting budget position.</p> <p>The latest position again highlights great uncertainty around local government funding going forward and as such it has been identified how the use of reserves can help fund potential shortfalls. It is also against this background that future revenue growth and capital bids have been set aside until there is more certainty around local government finance.</p>



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving Financial Sustainability

**4 Recommendation** Provide a clear distinction between controllable and non-controllable spending in the budgetary information to members and ensure it is published on the website.

**Why/impact** There is no distinctions on the budgets which are needed to deliver the core statutory services and those which are discretionary that the Council has chosen to invest in outside of the statutory provision. Setting this out clearly would help residents to understand the difference between these types of spending and would help inform them as to any spending which is made as a result of manifesto pledges or following a decision by the Council to undertake a specific project outside or in addition to its statutory obligations.

**Auditor judgement** The different categories of spending could be made clearer. Currently it is not apparent whether any of the Council's spending is discretionary.

**Summary findings** No distinction is made in the financial information reported to those charged with governance between statutory and discretionary spending.

**Management comment** A distinction should be made between references to controllable and non-controllable, and statutory and discretionary.

It is difficult to provide meaningful distinction on a budget between simple categories of controllable and non-controllable as there are many iterations across the spectrum for most budgets, where levels of service may be controllable - whereas there is still a statutory requirement to provide a service.

Additionally, many of our service cost centres contain a mix of both statutory and discretionary services.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving Financial Sustainability

<b>5 Recommendation</b>	There is scope to expand the consultation process on Council budget and spending with residents, businesses and the voluntary sector.
<b>Why/impact</b>	Due to Covid the Council was not able to hold a meeting with invited business representatives this year however going forward we would recommend a wider consultation process be put in place. This would help the local community understand and support the Council's levels of spending and that they suitably reflect the Council's strategic priorities.
<b>Auditor judgement</b>	Appropriate forms of consultation with stakeholders are a key part of the Council's engagement with the local community.
<b>Summary findings</b>	The Council should look to put in place appropriate forms of consultation and engagement with the local community.
<b>Management comment</b>	We will look at options to develop our consultation process on Council budgets, and compare practices at neighbouring authorities.

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The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving Financial Sustainability

**6 Recommendation** The Council should put in place a workforce plan aligned to future service delivery and ensure this is updated regularly.

**Why/impact** The Council does not currently have an up to date workforce plan in place. Having a current workforce plan helps to ensure that the Council's financial plans are aligned to resource requirements and expectations of service delivery.

**Auditor judgement** Without an up to date workforce plan in place there is a risk skill gaps may not be identified and this could impact on service delivery.

**Summary findings** The Council should update their workforce plan and ensure it is aligned to financial plans and service delivery.

**Management comment** We will update the workforce plan and ensure that it is aligned to financial plans and service delivery.



The range of recommendations that external auditors can make is explained in Appendix C.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Monitoring and assessing risk

The Council maintains a risk register which is held on a system called Grace. This is reviewed by the Senior Management Team on a regular basis. Higher risk items are reported to Accounts and Audit Committee. The Council's Risk Management Policy sets out the process and provides guidance. However this was last updated in 2003.

Currently the system includes a number of prepopulated risks adapted for the Council. The Council should ensure the risks included in the register are relevant and applicable to the Council. The risk register shows the risk owner responsible for each risk, the controls to mitigate each risk and the score allocated. Each risk is scored based on the likelihood of the risk occurring and the impact this will have on the Council, this is then netted off with the controls in place. This score is used to assess the risk into red, amber and green.

The risks identified are not individually linked to the Council's priorities as stated in the Corporate Strategy. However we note the Council is in the process of changing the system used to record risks and in doing so will update the arrangements in place and include a refresh for the risks. We would also recommend all members and officers are provided more risk awareness training and guidance to enable them to take responsibility for managing risk within their own working environment. We have made a recommendation in relation to the above – see page 20.

The Council has an Internal Audit team which uses a risk based plan of work to be able to provide assurance to management for the Annual Governance Statement.

The Internal Audit Report for 2020/21 reported on 9 out of 11 audits. 8 received substantial assurance and 1 reasonable. No reviews resulted in a 'limited' or 'no' assurance assessment. Internal Audit were not able to deliver 2 audits from the plan due to staff shortages. The Head of Internal

Audit opinion for 2020/21 was a substantial assurance conclusion over the adequacy and effectiveness of the Council's internal control environment.

The Council have had a vacancy for the Head of Internal Audit since 2019 and are working towards getting this vacancy filled. The requirements of the post have been reviewed, including the salary, in the hope that it will be filled. The Council have received the full support from members to complete this.

To ensure Internal Audit have completed adequate work for the Council to be able to rely on the internal control environment, the Council has used the services of Mersey Internal Audit Agency to complete some of the audits in 2021/22.

Our work has also noted that the line management for Internal Audit is to the Head of Financial Services. This is a conflict of interest and line management should be outside of the finance team.

The Council complete an annual internal assessment on the performance of internal audit this is used to provide assurance for the Annual Governance Statement. The Council however should ensure an external assessment of internal audit is completed in line with the PSIAS (Public Sector Internal Audit Standards) requirements (page 21). This should be completed at least once every 5 years.

The Council have an Anti Fraud and Corruption Policy in place which also covers Anti Bribery which all employees have access to. However we note this was last updated in 2007, the Council should review policies on a regular basis and ensure these are easily accessible to all members and employees.

As part of the accounts process we ask the Monitoring Officer throughout the audit, if they have any knowledge of fraud or suspected fraud. They have confirmed they have no knowledge of any actual, suspected or alleged fraud affecting the entity during 2020/21.

## Budgetary Setting process

The budget setting process is multi-layered and thorough, with several stages. Budget holders meet with accountants to identify budgets for their service. These are collated and reviewed by relevant committees and also by the Budget Working Group of the Council. The budget working group is involved in the budget setting process and gives guidance to service committees on the review and development of their budgets as part of the budget setting process. They also make recommendations to the Policy and Finance Committee in the setting of the budget and provides scenarios. Any recommendations will then be agreed by the Committee and proposed to the Council for approval.

In previous years, as part of the budget setting process the Council have met with business rate representatives from the Chamber of Trade to discuss the budget. However due to Covid this meeting was not made possible this year but information was sent through an email. We have identified an improvement recommendation for the Council to improve the consultation process for businesses and also include consultations with residents and the voluntary sector (page 15)

Within the MTFP there is a section for risk and sensitivity analysis looking at the impact of small fluctuations on the key assumptions made. However, as reported in the Financial Sustainability section the Council do not review this on an annual basis therefore the sensitivity analysis currently shown is outdated. The Council should also include scenario planning. This will help members to visualise the impact of key decisions on the budget.

Budget holders review budget to outturn on a monthly basis and report the outcomes to Corporate Management Team. Each cycle is reported the Committee, each quarter the overall budget is reported to the Policy and Finance Committee with headlines taken to Council.

Quarterly reports are presented to the Policy and Finance Committee monitoring the Treasury Management performance for the Council. This report could be further enhanced by including the impact on the financial statements. Although we understand the amounts included in this process are not material, we consider it will be good practice especially if this scenario changes in the future. A related recommendation has been raised on page 24.

## Budgetary control

The Council has established good systems to provide an oversight of the budget. The Finance Department engages with budget holders to support the establishing of the budgets. As well as a quarterly budget reports to each committee, budget holders have access to real time monitoring reports via the Council's finance system. There is a high level of scrutiny as budget-holders are held accountable at Corporate Management Team meetings, Policy and Finance Committee and Council levels. The quarterly budgets report variances by service level demonstrating regular identification of in-year variances.

Once full Council has approved the revenue budget and capital programme for the year, the resources allocated are used for their intended purposes, i.e. the agreed priority areas. It is a continuous process, enabling the Council to review and adjust its budget targets during the financial year to make the most effective use of resources in delivering the Council's policies and objectives. The budgetary control framework in the Financial Regulations also sets out the accountabilities of managers for defined elements of the budget.

For a number of year the Council has had pressures with refuse collection vehicle maintenance. This was also identified in 2020/21 and the Council requested an external review of the costs of service. This review is currently in progress, however the service is no longer seeing overspends that were seen in previous years. This is largely due to business operations and staffing returning to normal levels.

### Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates an appropriate structure in respect to decision making and good governance. The Council operates through its various committees, including the Accounts and Audit committee and Policy and Finance committee as well as reporting to the full Council.

The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Annual Governance Statement should be read alongside the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure these are efficient, transparent and accountable to local people.

Where committees are required to approve a decision, the accompanying information is very detailed. The Corporate Management Team (CMT) meet 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.

There is a good suite of policies in place, covering anti-fraud and corruption, however we recommend these should be reviewed and updated on a regular basis (page 22).

### Monitoring and ensuring appropriate standards

The Annual Governance Statement is compliant with the CIPFA code. The Council's Local Code of Corporate Governance states that it has adopted the CIPFA/SOLACE framework Delivering Good Governance in Local Government. As previously noted the Council's policies and procedures are not always regularly reviewed and updated.

The gifts and hospitality policy is included in the Code of Conduct for Councillors and the Code of Conduct for Members. The monitoring officer holds a manual copy of the register which shows the current records made. However we have included an improvement recommendation that the Council ensures this is regularly reviewed by the monitoring officer and the Council is able to evidence this. The Council should also consider maintaining the gifts and hospitality register electronically.

### Conclusion

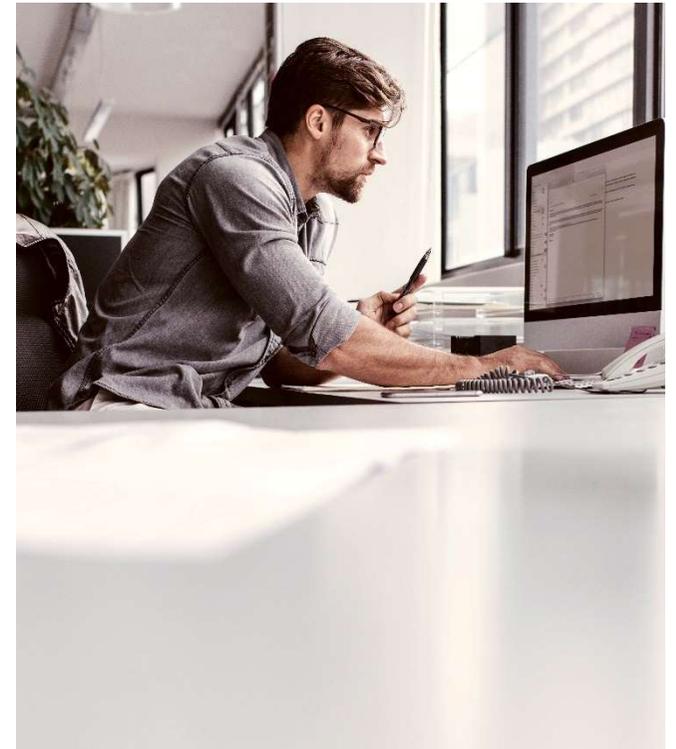
Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified a number of opportunities can improves its governance arrangements, as set out in the following pages.

# Improvement recommendations

## Governance

<b>7 Recommendation</b>	The Council's Risk Management Policy has not been updated since 2003 It should be reviewed and updated on a regular basis. The Council should review the risks included in the risk register to ensure they are relevant to the Council and scored correctly. Training should be provided to members and officers to ensure they are relevant to the Council.
<b>Why/impact</b>	Risk recording and reporting is key in highlighting areas to members for consideration in decision making and managing risk.
<b>Auditor judgement</b>	We feel the Council should have a clear understanding of the risks which are applicable and key risks should be reported to members on a regular basis. Officers and members should also be given regular training to ensure they understand the process. The Council needs to ensure its Risk Management Policy is regularly reviewed and updated to facilitate this.
<b>Summary findings</b>	A review of the Councils risk register shows a risks which are inherent from the system. Although the Council has a system to identify and record risks this should be reviewed to ensure it is relevant. There are currently no red risks in the Councils risk register which is highly unusual especially in the current climate with the Covid pandemic and reductions in government allocations. We understand the Council is in the process of updating the system.
<b>Management comment</b>	The council's Risk Management Policy will be updated as part of the transition to the new risk management system. As part of the transfer to the new system, training is to be provided to officers on its use.  We will also look to obtain training on the assessment of risk, including the production of a corporate 'basket' of risks. As such we will also provide training to members so that they are better enabled in their role.

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The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

**8 Recommendation** In order for Internal Audit to have sufficient capacity to deliver the require assurance the Council needs to continue efforts to fill the post of Head of Internal Audit or engage alternative arrangements and review the reporting arrangements for the post. We also recommend that the line management reporting line be outside of the finance team to negate any potential conflict of interest. We also recommend an external review of Internal Audit is carried out in line with PSAIS.

**Why/impact** Capacity of Internal Audit is key for the Council to provide assurance on the system of internal audit. This role should have separate line management from the finance function. Assessment by an external reviewed helps provide additional assurance over the functions of the Internal Audit team.

**Auditor judgement** The Council should have a Head of Internal Audit who can provide assurances over the system of internal control and remain independent from the Finance function.

**Summary findings** The Council's Principal Auditor retired in 2019, however since then the Council have struggled to fill the post. Although efforts are being made to rectify the position the post remains vacant. We believe if this continues to be the case the Council should engage alternative means. The Council should also ensure this support is separated from the finance function and consider an external assessment of the Internal Audit function.

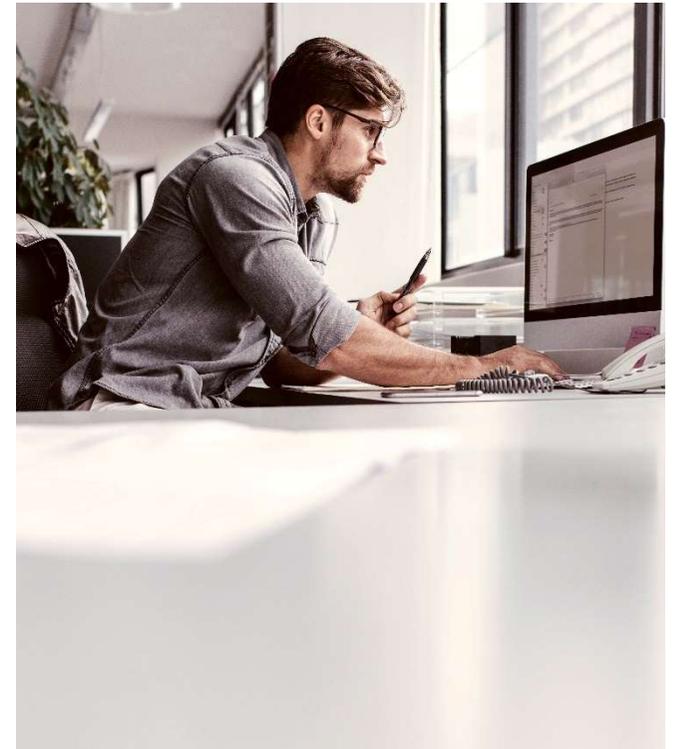
**Management comment**

We have now successfully recruited to the post of Internal Audit Manager.

It should be noted that during the period of vacancy the council have engaged external consultants to help ensure adequate audit coverage.

Enquiries have already been made regarding an external PSIAS review and this will be progressed, particularly as resources will now better allow for this to happen.

We will review the reporting arrangements for the Internal Audit Manager Post.



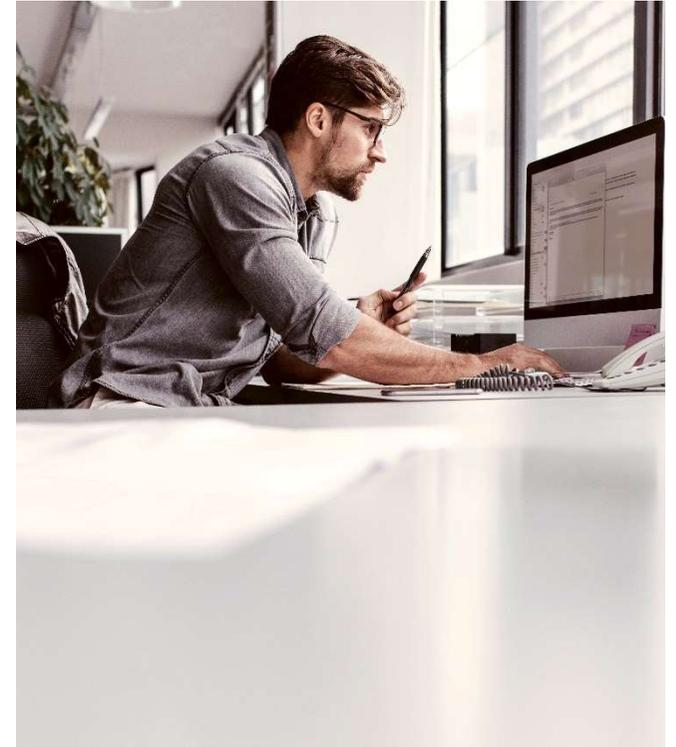
The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations

## Governance

<b>9 Recommendation</b>	Ensure policies are reviewed and updated on an annual or more regular basis to ensure they remain relevant.
<b>Why/impact</b>	It is important that guidance and policies remain accurate and up to date so that members, staff and the public have the correct information to make informed decisions.
<b>Auditor judgement</b>	Where policies and procedures are not updated regularly and are several years there is a risk that they are not fit for purpose, i.e. they do not reflect the Council's current operating requirement or even legal or regulatory requirements.
<b>Summary findings</b>	Policies should be reviewed on an annual or regular basis to ensure they reflect the current environment the Council is operating within.
<b>Management comment</b>	The Anti-Fraud and Corruption Policy will be reviewed in the coming months.

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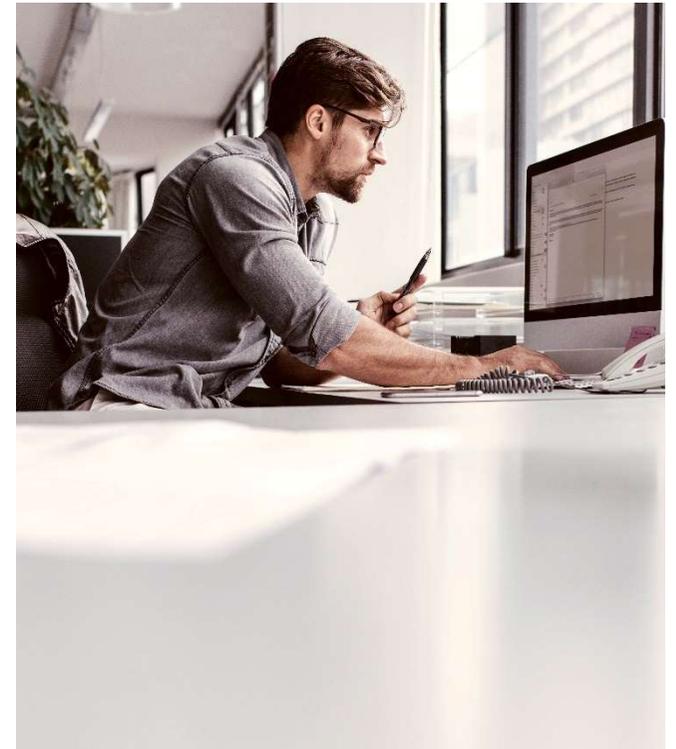
The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations

## Governance

<b>10 Recommendation</b>	The Council should ensure the register of gifts and hospitality is regularly reviewed by the monitoring officer and the Council is able to evidence this. The Council should also consider maintaining the register for gifts and hospitality electronically.
<b>Why/impact</b>	The Council should be able to evidence the review of it's key registers to demonstrate that any declarations have been appropriately considered. Having electronic registers will help officers to record all transactions and ensure these are reviewed on a regular basis.
<b>Auditor judgement</b>	Evidence of review will confirm management have taken into account all declarations made.
<b>Summary findings</b>	Our review showed although a gifts and hospitality register is maintained this is hardcopy and completed alphabetically. This showed no evidence of review from management or the monitoring officer to confirm there have been no risks in accepting the gifts or hospitality.
<b>Management comment</b>	The Council is already planning to move towards using the new ModGov system for maintaining its register of gifts and hospitality electronically. We will seek to expedite progress on this.

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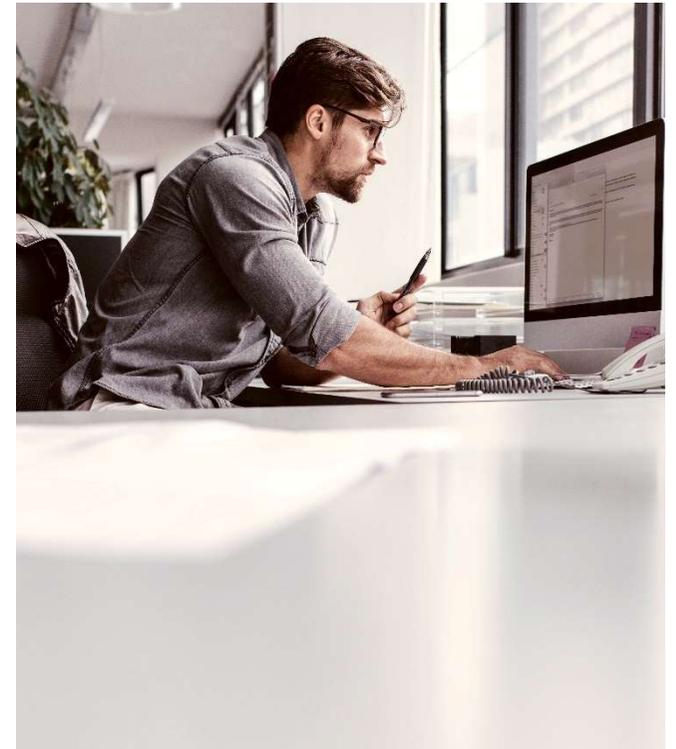
The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations

## Governance

<b>11 Recommendation</b>	We recommend that the Council include the impact on the financial position for any treasury management decisions in the treasury management performance reports.
<b>Why/impact</b>	Including this information will help demonstrate to members the effect of treasury management decisions.
<b>Auditor judgement</b>	It is key for members to be able to understand the impact of any treasury management decisions on the financial position of the Council. Although treasury management is not significant it is good practice to establish this criteria if the circumstances change.
<b>Summary findings</b>	Treasury management decisions will impact on the Council's financial position, however this is not set out within treasury management performance reports.
<b>Management comment</b>	We will include a comparison of budget to actual investment return within future treasury management reports.

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The range of recommendations that external auditors can make is explained in Appendix C.

# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Performance review, monitoring and assessment

The Council has introduced a structured performance management framework for all of its services. This provides clear, publicly available information to show their progress. Comprehensive service plans are produced, and these are reviewed and monitored annually to ensure continuous service improvement.

On an annual basis, performance information is presented to the Corporate Management Team and Service Committees. Key performance indicators representing the main functions and activities of the Council are tracked against the targets set in the Corporate Strategy, and monitored to ensure performance is improving. Weaker areas are closely monitored to ascertain reasons for poor performance, and remedial action is taken to ensure that they improve where possible.

Targets for service performance for the year 2020/2021 were provided and a 'traffic light' system used to show variances of actual performance against the target. However due to the Council's priorities changing with the Covid pandemic, performance reporting was halted for the year end performance levels. We understand reporting will resume for 2021/22. We would expect the full Council to see all the performance indicators at least annually. Once this reporting is picked up again, we recommend Internal Audit incorporate this in their review to help ensure the quality of the data (see recommendation on page 28).

Internal audit and external audit report to the Accounts and Audit Committee on a regular basis and this reporting includes any recommendations made and the Council's response. The Council should include a follow up report to Accounts and Audit Committee, showing the progress made on these recommendations (see page 28).

The Council is actively seeking areas to improve, for example by taking part in the Corporate Peer Challenge which is designed to help Council's improve performance. The last peer review was completed in 2017 with a follow up in 2019.

We are not aware of the Council benchmarking cost with any of its neighbours or Councils with similar attributes. Although the Council does work closely with other districts in Lancashire and shares some data such as bank charges. The Council is also able to use the Rural Services Network Benchmarking tool to complete comparisons. Understandably the Council's focus over the past year has been on Covid therefore this tool has not been used. We have identified an improvement recommendation for the Council to further improve its performance management arrangements by introducing more benchmarking of costs and performances against similar bodies. In doing so, the Council can use this to identify areas for improvement. See improvement recommendation on page 29 for further details.

We have not identified any evidence of failure to meet minimum service standards or failure to review and challenge strategic priorities.

### Partnership working

For a number of year the council has been the lead in the Business Rates pool for Lancashire. This has seen the Council working with neighbouring councils. Although the Council have members who are involved in a number of organisations the Council does not have any significant partnerships for example to facilitate delivery of services or arrangements for shared services. Working with partners can help achieve the Council's priority to ensure the infrastructure in the Ribble Valley is improved as well as developing additional measures to support the local economy. We have raised a recommendation on page 30.

### Procurement

The Council has a procurement strategy in draft to cover the period 2022-2025, which sets out the approach to delivering effective procurement. This strategy has three themes which are explained in detail and provides budget holders a clear process. These include:

Showing Leadership

Behaving Commercially

Achieving Community Benefits.

With each theme having sub headings. Theses are embedded through four enablers, these include:

- Developing talent,
- Exploiting Digital Technology,
- Enabling Innovation and
- Embedding change.

An action plan is shown to identify the process the Council needs to establish the strategy, All actions have a responsible officer and target date assigned. As stated this policy is currently being finalised, although the Council had a policy in place this was out dated. The Council should ensure all policies are reviewed on an annual basis to ensure they remain relevant. The Councils ledger includes a procurement controls built in which ensures the correct authorisations is made. We have made a recommendation that the procurement policy is finalised as soon as possible. [page 31].

The Council have recently published a Climate Change Strategy for the period 2021-2030. This strategy is to raise awareness of the issues surrounding climate change and explain how the Council can reduce its carbon footprint, setting out how to achieve this through by working closely in partnership with other local organisations, businesses, active communities and other regional bodies. The Council Corporate Strategy shares the importance of this as one of the corporate objectives is to aspire to be carbon neutral by 2030. This strategy builds on this and highlights what the Council will be doing to deliver on this pledge,

### Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified some opportunities for improvement on benchmarking performance and identifying and working with partners set out overleaf.



# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>12 Recommendation</b>	The Council should ensure performance data is reported to full Council at least annually. The Council should also have Internal Audit incorporate review of performance reporting into their work plan to help provide assurance over the quality of the data.
<b>Why/impact</b>	It is important for Council members to be able to monitor how the Council is performing across key service areas. Members also need to be confident in the quality of the data being reported in order to be able to place reliance on it.
<b>Auditor judgement</b>	If performance indicators are not reported to Full Council there is a risk that service areas going 'off target' are not identified on a timely basis and members are unable to make suitable decisions around corrective action.
<b>Summary findings</b>	Although quarterly performance meetings are held, this has not been reported in full to Council due to the impact of Covid on Council resources. As pressures start to ease the Council should ensure this is now completed and data quality assurance arrangements are put into place.
<b>Management comment</b>	Performance data will continue to be reported annually, as in the past. There was only a temporary pause due to resource prioritisation during the Covid pandemic.

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The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

**13 Recommendation** We recommend that a report following up on recommendations made by Internal and External Audit is presented to Accounts and Audit Committee.

**Why/impact** It is important that members of the Accounts and Audit Committee have assurance that recommendations have been implemented and actions in a timely manner. Members should be able to monitor the progress made on the recommendations until they have been implemented.

**Auditor judgement** The Council should provide a regular report to Accounts and Audit Committee members to show the progress made on recommendations raised through the audit process. There is then a clear accountability trail to ensure the recommendation are addressed and explain the reasons where they are not.

**Summary findings** Although recommendations are made on audit reports progress is not reported on until the next review. Members are unable to monitor how progress is being made in the meantime.

**Management comment** We will report this information with effect from the next committee cycle.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>14 Recommendation</b>	We recommend that the Council introduce arrangements to benchmark costs and performance against similar bodies.
<b>Why/impact</b>	Introducing this improvement will assist in the Council being able to compare themselves against their peers, helping to identify areas for improvement.
<b>Auditor judgement</b>	Benchmarking could indicate areas for improvement not immediately identified. There is a risk these opportunities could be missed if benchmarking is not undertaken.
<b>Summary findings</b>	Although the Council have a Rural Benchmarking tool this has understandably put on hold during the Covid pandemic. The Council should again make use of the benchmarking services available to compare how the Council is performing with similar councils. If the Council use this to compare costs of services it may help identify any opportunities for the Council to improve their offering of value for money for the residents.
<b>Management comment</b>	<p>Benchmarking is carried out on a needs basis and largely relies on the willingness of other parties to participate.</p> <p>The Rural Services Network benchmarking tools have proved useful to the council in the past, offering better comparisons than purely geographic neighbours. We will continue to use such tools as both need arises and resources allow.</p>



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>15 Recommendation</b>	We would recommend the Council explore any opportunities to establish working arrangements with suitable partners.
<b>Why/impact</b>	Working with partners may help the Council achieve its priority of ensuring the infrastructure in Ribble Valley is improved as well as developing additional measures to support the visitor economy.
<b>Auditor judgement</b>	The Council should consider developing strategies with partners to help develop the wider priorities for both the local community and the wider economy.
<b>Summary findings</b>	Although members are involved in a number of organisations the Council does not have any significant partners they work with which will help the wider economy.
<b>Management comment</b>	<p>The scope of partnership working is extremely wide, and as an authority we have been very successful in working with others through the Lancashire Business Rates Pool, helping retain millions of pounds of resources within Lancashire as a result of the pooling arrangements, of which this council act as lead authority.</p> <p>As a very rural authority we also take the opportunity to support voluntary sector organisations that provide services that support our own ambitions, and theirs, through grant support schemes.</p>



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>16 Recommendation</b>	The Council's procurement policy in 202-21 had not been reviewed or updated for some time. A policy has been drafted but this is not yet finalised. The Council should ensure its procurement policy is finalised as soon as possible.
<b>Why/impact</b>	It is key that the Council has a final and up to date Procurement Strategy in place. Without this there is a risk that procurement requirement may not be adhered to or that the best value for money is not obtained.
<b>Auditor judgement</b>	The Council should finalise and implement its draft Procurement strategy.
<b>Summary findings</b>	The Council's Procurement Strategy had not been updated for some and although an updated policy is in draft, this has not yet been finalised.
<b>Management comment</b>	The updated Procurement Strategy document will be reviewed by management with a view to seeking approval in the next cycle of committee meetings.

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The range of recommendations that external auditors can make is explained in Appendix C.

# COVID-19 arrangements



Since March 2020 COVID-19 has had significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

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## Financial sustainability

The impact of COVID-19 has cut across the Council, impacting both its income in the collection rates of Council Tax and Business Rates, however collection rates for Council Tax did hold up better than expected.

The Council has incurred additional operating and staff costs and a reduction in its income. The net impact of this is £274,213. The reductions in income have been due to decrease in parking income as well as reduction in income from leisure services (such as all weather pitches).

The Council has maintained good oversight of its finances. As part of the Covid-19 response, the government announced a range of grant schemes to support businesses to be administered by local billing authorities.

Throughout the period, authorities have been responsible for paying over the grants to businesses and have then been reimbursed by the government using a grant under Section 31 of the Local Government Act 2003 (S31). This is in relation to business rates. Over 2020/21 the Council received Covid grants totalling £30.235 million.

As the continuing response to and recovery from Covid-19 spans financial years, funding received in the financial year 2020/21 can in some cases be carried forward into 2021/22 to support ongoing response and recovery work. Indeed, the specific funding will be critical as the Council continues to deliver Covid-related response and recovery activity alongside an increasing number of Council services returning to business as usual.

## Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16<sup>th</sup> March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding committee and Council meetings online. Appropriate levels of scrutiny and challenge continue to be applied.

The Council responded quickly to the Covid-19 pandemic. The Emergency Committee approved delegated powers to the Chief Executive (in consultation with the Leader and Leader of the opposition) allowing the Council's agile and expedient response to the Covid-19 pandemic emergency.

Regular reports on the impact of Covid-19 were reported to committees including the Council, allowing for oversight and scrutiny. For example, a report on the changes to the Council's governance and finance arrangements as a result of Covid-19 was presented to the Emergency Committee, in May 2020 to agree it. Demonstrating good governance arrangements. All committees have maintained a keen interest in the Council's response to the pandemic.

The strategic risk register has been updated to ensure Covid-19 related risks are recorded appropriately, mitigated where appropriate and monitored.

# COVID-19 arrangements

## Governance (cont)

Internal Audit's delivery of the 2020/21 audit plan was not significantly impacted by the pandemic. The audit plan was fully delivered, except for two reviews deferred and included within the 2021/22 plan (Main Accounting and Council Tax), at the request of management. Delivery of the 2020/21 audit plan took place in the second half of the year, allowing staff the focus on the Covid-19 response. Internal Audit did not identify any serious weaknesses in internal controls over the course of the year.

Internal Audit has not yet undertaken any reviews in relation to the Council's response to Covid. However, work within each of the system audits in 2021/22 will include a review of Covid arrangements in place.

## Improving economy, efficiency and effectiveness

The Council would in normal circumstances report performance indicators to each Committee, however this was delayed due to Covid. The Council hope to continue this for 2021/22.

When lockdown restrictions were announced, for the staff who continued to work in the office adequate safeguards were put in place to allow this. The staff have been redeployed to areas of most need at times and the Council have also ensured the vulnerable in the community are supported by distributing food packages. The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. In aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

This is clearly demonstrated through the Council's successful administration of £30.194 million of grant funding to businesses and individuals affected by the Covid-19 pandemic. The Council administered £17.26 million coronavirus grants to small and medium businesses.

Individuals and business have been significantly affected by the Covid-19 pandemic. We undertook a review of district councils vulnerability to the immediate and medium-term impacts of Covid-19 and how well placed areas are to respond and recover from Covid-19. The vulnerability index considers six socio-economic factors, as shown in the following diagram:



The recovery index focuses on a number of indicators:

- year at risk;
- level of reserves as a percentage of gross expenditure;
- house price recovery;
- percentage of businesses in 'at risk' sectors;
- Gross Value Added (GVA) – Covid-19 impact on growth;
- business size (mixture/variance);
- reduction in business rates; and
- net additional dwellings (percentage of total dwellings).

# COVID-19 arrangements

## High/ very high vulnerability socio-economic factors:

People	Further analysis shows that the Ribble Valley Council has a number of high vulnerabilities. These include a high percentage of population over 65, a high working age population and a high level of people in employment with disabilities or long term health conditions.
Place	An area of high vulnerability is place, which is driven by further distance to travel to food shops and premises that do not meet Universal Service Obligation (broadband).
Economy	The Council has very high vulnerability in terms of the percentage of people employed in 'at risk' sectors and high for the Covid GVA impact reduction.
Social care	Similarly to other districts in Lancashire, Ribble Valley Council also has high numbers of children in need, number of child protection plans, free school meals, looked after children and older adult supported in residential.

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## Conclusion

Our review has not identified any significant weaknesses in the Council's VFM arrangements for responding to the Covid-19 pandemic.

# Appendices

# Appendix A - Responsibilities of the Council



## Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	11-16 20-24 27-31



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

INFORMATION
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meeting date: 6 APRIL 2022  
 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 18 March 2022.

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 18 MARCH 2022

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 18 March 2022:

Audit Area	2020/21 Planned Days	Actual Days to 18 March 2022
Fundamental Systems	232	17
Corporate Systems	65	0
Support Systems	57	39
Operational	111	24.5
Facilities	10	22
Staff Vacancies	0	289
Other Items	315	364.5
	<b>790</b>	<b>756</b>

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 Whilst the post of Internal Audit Manager has now been appointed to, the new postholder has not yet started in post. We continue to engage the services of Mersey Internal Audit Agency (MIAA) in the meantime 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 at Annex 1.
- 3.5 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 in the earlier part of the 2021/22 financial year by Mersey Internal Audit Agency was focused on ensuring adequate audit coverage in respect of the 2020/21 financial systems audits. This was in respect of the following areas:

- Treasury Management
- Debtors
- Payroll
- Business Rates
- Cash and Bank

4.2 MIAA work is currently ongoing in respect of the 2021/22 financial covering the following areas:

- General Ledger – Fieldwork Underway – report expected end of April
- Sundry Debtors - Fieldwork Underway – report expected end of April
- Sundry Creditors - Fieldwork Underway – report expected end of April
- Payroll – Planning Stage – report expected end of April
- Council Tax – Planning Stage – report expected end of May
- Benefits – Planning Stage – report expected end of May
- Business Rates – Planning Stage – report expected end of May
- Cash Receipting – Planning Stage – report expected end of May
- Treasury Management – Completed – High Assurance
- Fleet and Plant Management – Fieldwork Underway – report expected end of May
- Tourism and Events – Fieldwork Underway – report expected end of May
- Grounds Maintenance – Fieldwork Underway – report expected end of May
- Amenity Cleansing – Fieldwork Underway – report expected end of May

4.3 All of this work will feed in to the Audit Opinion for 2021/22.

#### 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 AUDIT PLAN FOR 2022/23

6.1 As members will be aware, the post of Internal Audit Manager has now been recruited to, whilst the role will not be taken up until mid-May.

6.2 As such, it has been decided to set in place an interim audit plan of work over the coming months, with a view to the now postholder bringing a new strategic internal audit plan to your next meeting, allowing the new Internal Audit Manager to plan the work of the team going forward.

6.3 It is therefore proposed that the new strategic internal audit plan will be brought to members at your proposed meeting on 29 June 2022.

6.4 In the meantime, audit work is proposed to focus on our facilities that have not been audited in the 2021/22 financial year, and will cover work on the key processes such as recruitment, health and safety, procure to pay, and cash. Work will focus on:

- Platform Gallery – 15 days
- Council Offices – 20 days
- Civic Suite – 10 days
- Castle Museum and Café – 10 days
- Bowling Green Café – 10 days
- Edisford All Weather Facility – 15 days
- Longridge and Salthill Depots – 15 days
- Clitheroe Market – 15 days
- Clitheroe Cemetery – 15 days

## 7 CONCLUSION

7.1 Audit coverage is lower than that originally planned and as a result, additional external resources have been engaged and will continue whilst needed. This has been due to staff vacancies and so the services of Mersey Internal Audit Agency (MIAA) have been used to help ensure adequate audit coverage.

7.2 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

AA8-22/LO/AC  
29 March 2022

## INTERNAL AUDIT PROGRESS TO 18 MARCH 2022

Total Planned Days for the Year 2021/22	Actual Days to 18 March 2022	Audit Areas	Status as at 18 March 2022
<b>Financial Systems - required to be covered annually</b>			
25		General Ledger	MIAA - Fieldwork Underway
20		Sundry Debtors	MIAA - Fieldwork Underway
0	2	Sundry Creditors (2020/21 Audit Plan)	Work completed
20		Sundry Creditors	MIAA - Fieldwork Underway
30		Payroll	MIAA – Planning Stage
0	14	Council Tax (2020/21 Audit Plan)	Work completed
35		Council Tax	MIAA – Planning Stage
0	1	Benefits (2020/21 Audit Plan)	Work completed
40		Benefits	MIAA – Planning Stage
35		Business Rates	MIAA – Planning Stage
15		Cash Receipting	MIAA – Planning Stage
12		Treasury Management	<b>SUBSTANTIAL ASSURANCE</b>
<b>232</b>	<b>17</b>	<b>Subtotal</b>	

<b>Corporate</b>			
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
<b>65</b>	<b>0</b>	<b>Subtotal</b>	

<b>Support</b>			
5		Customer Services	Not yet started
15		Information Technology	Not yet started

Total Planned Days for the Year 2021/22	Actual Days to 18 March 2022	Audit Areas	Status as at 18 March 2022
10	19	Health and Safety	<b>REASONABLE ASSURANCE</b>
3	8	Inventories	Draft Report Being Prepared
3		Records Management	Not yet started
3		Corporate Communications	Not yet started
3		Printing Services	Not yet started
15	12	Procurement	Not yet started
<b>57</b>	<b>39</b>	<b>Subtotal</b>	

<b>Operational</b>			
10	3.5	Building Control ( <i>Completion of 2020/21 Audit Plan</i> )	Report Issued
10		Fleet and Plant Management	MIAA - Fieldwork Underway
10	18	Car Parking	<b>REASONABLE ASSURANCE</b>
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	MIAA - Fieldwork Underway
7		Healthy Lifestyles and Sports Development	Not yet started
5		Grounds Maintenance	MIAA - Fieldwork Underway
5		Amenity Cleansing	MIAA - Fieldwork Underway
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
<b>111</b>	<b>24.5</b>	<b>Subtotal</b>	

Total Planned Days for the Year 2021/22	Actual Days to 18 March 2022	Audit Areas	Status as at 18 March 2022
<b>Facilities</b>			
10	22	Ribblesdale Pool	<b>REASONABLE ASSURANCE</b>
<b>10</b>	<b>22</b>	<b>Subtotal</b>	

**475      102.5      TOTAL FOR AUDIT WORK**

<b>Other Items</b>			
25	4	Contingencies	
15	17	Risk Management System	Continuous and ongoing work
25	25	Corporate Governance Review	Completion of the review for the 2020/21 Financial Year
40	81	Insurance Administration	Continuous and ongoing work
4	9	Controlled Stationery	Continuous and ongoing work
100	145	Training	Professional qualification training
36	24	Bank Holidays	
70	41	Annual Leave	
0	8.5	Working on Elections	Unbudgeted work on elections
	6	Self Isolation	
	4	Sickness	
0	289	Post Vacancy	Internal Audit Manager post, plus the Internal Audit Assistant post was vacant from 10 July 2021 and filled Sept 2021)
<b>315</b>	<b>653.5</b>	<b>TOTAL FOR OTHER ITEMS</b>	

**790      756      OVERALL TOTAL DAYS**