

South Ribble Borough Council

STATEMENT OF ACCOUNTS

YEAR ENDING 31 March 2016



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# Narrative Report of the Acting Chief Financial Officer

## INTRODUCTION

As the Acting Chief Financial Officer of South Ribble Borough Council (the Council, the Authority), I have the statutory responsibility for the proper administration of the Authority's financial affairs, and am required to confirm that the Council's systems can be relied upon to produce an accurate statement of accounts.



The required statement of assurance (The Annual Governance Statement) was reported to Governance Committee on 23 November 2016. It is included in this Statement of Accounts at page 31.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code), which is based on International Financial Reporting Standards, and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP). It therefore aims to provide information so that members of the public, Council members, partners and stakeholders and other interested parties can:

- Understand the overarching financial position of the Council and the out-turn for 2015/16;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

This Narrative Report (a change in requirement for 2015/16 replacing the Explanatory Forward) provides information about South Ribble, including the key issues affecting the Council's accounts. It also provides a summary of the financial position as at 31<sup>st</sup> March 2016 and is structured as below:

- An introduction and key facts about South Ribble
- The 2015/16 Revenue Budget Position
- Non-Financial Performance 2015/16
- The Corporate Risk Register
- Financial Performance of the Council in 2015/16
- Summary Position
- Introduction to the Statement of Accounts and the main accounting changes

## INTRODUCTION AND KEY FACTS ABOUT SOUTH RIBBLE

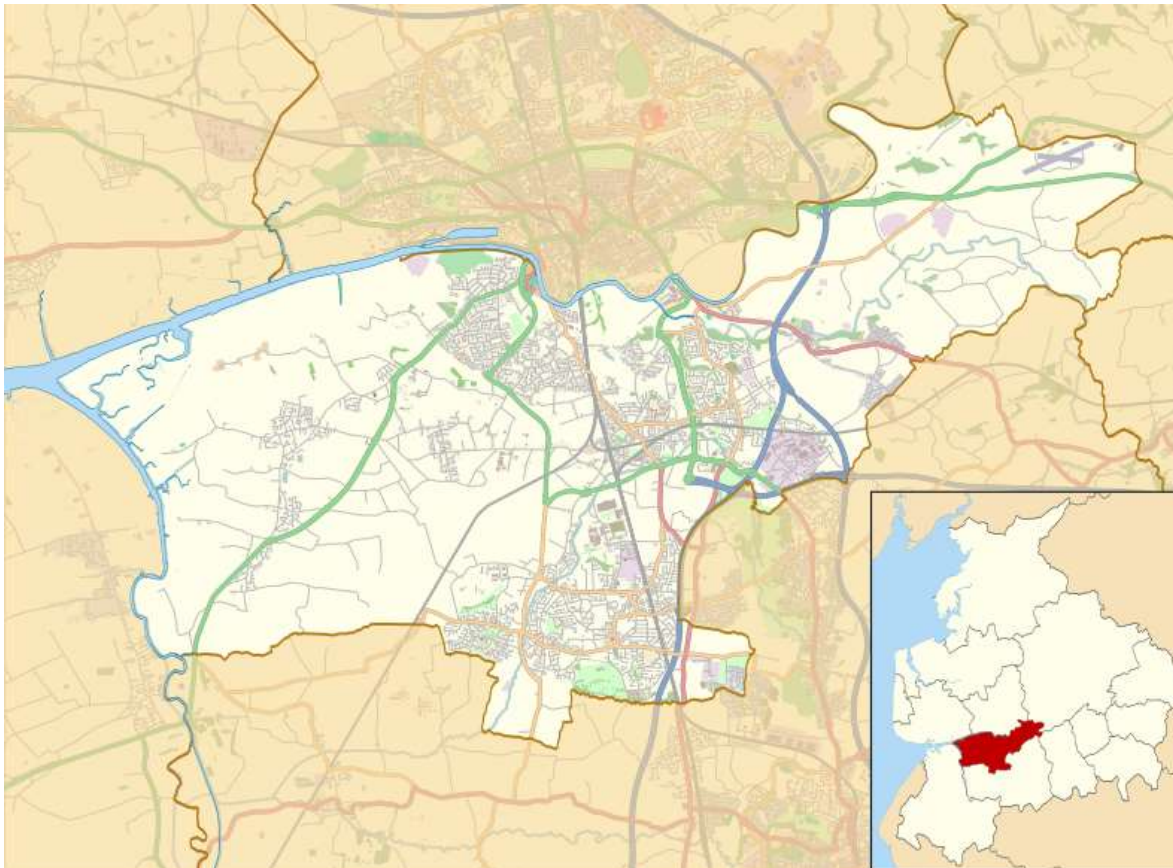
South Ribble Borough is located in Lancashire at the centre of the North West region, situated right on the M61, M6 and M65 motorways with easy access to the West Coast mainline and airports at Manchester and Liverpool with the Borough extending to about 113 km<sup>2</sup> (approximately 44 square miles). The Borough is on the edge of the West Pennine Moors with beautiful scenery and country side, is just a short drive from the Lancashire coastline. The Office for national Statistics (ONS) estimated that the total population of the borough was 109,077 in 2014.

The Council is based in the town of Leyland in the south of the borough with other notable population areas being Penwortham, Longton, Hutton, Walton-le-Dale, Bamber Bridge, Lostock Hall, Moss Side and a significant part of Buckshaw Village.



The district was formed on 1<sup>st</sup> April 1974 under the Local Government Act 1972, from Leyland and Walton-le-Dale urban districts, along with part of Preston Rural District. The borough shares its borders with Chorley, West Lancashire, Blackburn with Darwen, Ribble Valley, Preston and Fylde Councils. Regeneration, Inward Investment and working with partners to deliver the City Deal agreement are recognised as being very important to the future prosperity of the borough and are key priorities for the Administration. The Council has to provide services such that it meets the needs of its citizens, serving both an urban and rural environment.

### **Location and map of South Ribble Borough**



### **THE 2015/16 REVENUE BUDGET POSITION**

The 2015/16 Medium Term Financial Strategy (MTFS) identified a projected budget gap over the MTFS period to 2018/19 of £2.461m and contained a programme of budget savings targets by which the budget gap would be bridged in order to deliver the corporate priorities. For a number of successive years local authorities have faced fundamental change and a period of significant budget reductions and challenges.

This has been triggered by the austerity measures implemented by Central Government to reduce overall public sector spending. Significant core funding cuts have been delivered as part of the government's Spending Reviews in 2010 and 2015 in addition to a period of transformational change such as the complete withdrawal of Revenue Support Grant and the introduction of the local Business Rates Retention scheme. This increases the funding risk profile as core income is now vulnerable to annual and significant fluctuations that are externally driven and outwith the influence of the Council.

In 2015/16 the Council continued its successful track record in achieving budgetary savings whilst also maintaining services. The following budget efficiency savings having been achieved and planned in accordance with the relevant MTFS over the last 3 years totalling £2.100m :-

| <b>Saving/Increased Income</b>       | <b>Achieved<br/>In Year<br/>2014/15<br/>£m</b> | <b>Achieved<br/>In Year<br/>2015/16<br/>£m</b> | <b>Approved<br/>to Balance<br/>2016/17<br/>£m</b> |
|--------------------------------------|--|--|---|
| Productivity Gains                   | 0.363  |  |   |
| Review of Contracts                  |  | 0.600  |   |
| Core Managers Savings Project        |  | 0.112  |   |
| Business Rates Retention – Pooling   |  |  | 0.860   |
| Employee Turnover                    |  |  | 0.100   |
| Investment Yield                     |  |  | 0.065   |
| <b>Total Saving/Increased Income</b> | <b>0.363</b>                                   | <b>0.712</b>                                   | <b>1.025</b>                                      |

Despite these financial challenges the administration’s financial aims were to support the corporate priorities which are:

- Clean, Green and Safe**
- Strong South Ribble in the Heart of a Prosperous Lancashire**
- Strong and Healthy Communities**
- Efficient, Effective and Exceptional Council**

Performance during 2015/16 against the above corporate priorities is set out later in this Narrative Report.

The overall purpose of the 2015/16 financial strategy was to identify resources that were sustainable and financially resilient in order to deliver the objectives, targets and measures contained in the Corporate Plan. The key priorities and long term outcomes of the Council’s Corporate Plan are set out below.

**NON-FINANCIAL PERFORMANCE 2015/16**

The overall aim of the medium term financial strategy is to identify resources to meet the objectives, targets and measures contained in the Corporate Plan. The Council has been successful in delivering the Corporate Plan 2015-2016, reproduced on the following pages, and managing its resources as recognised, again, by the External Auditor in their Annual Audit and Inspection Letter.

# Corporate Plan 2015-2016

| Our Priorities  | Clean, Green and Safe  | Strong South Ribble in the heart of a prosperous Central Lancashire  | Strong and Healthy Communities  | Efficient, effective and exceptional council   |
|-----------------|--|--|---|--|
| Our Objectives  | <ol style="list-style-type: none"> <li>Promote and maintain high quality public space and environments across the borough through effective and efficient services, education, enforcement, community involvement and working with partners, in particular the county council.</li> <li>Work with communities in enhancing and promoting sustainability.</li> <li>Work with communities and partners to ensure that South Ribble remains a safe place, by tackling crime, anti social behaviour and fear of crime.</li> </ol>  | <ol style="list-style-type: none"> <li>Work on a Central Lancashire footprint to ensure that growth is managed in a way which benefits local communities and maintains the identity of South Ribble.</li> <li>Work with partners to drive forward regeneration and improvement programmes</li> <li>Improve the quality and standard of housing and property, in line with local needs.</li> </ol>  | <ol style="list-style-type: none"> <li>Work with partners on the public health agenda.</li> <li>Promote stronger, confident and more active communities throughout the borough, through effective community involvement and development.</li> </ol>   | <ol style="list-style-type: none"> <li>Deliver value for money in all aspects of the council's work, through challenging processes, supporting our employees and delivering exceptional customer service.</li> <li>Work within a sustainable and robust Medium Term Financial Strategy.</li> <li>Continue to develop a high quality, motivated and flexible workforce.</li> <li>Deliver and manage the Welfare Reform Agenda whilst protecting front line service delivery</li> </ol>  |
| Our Key Actions | <ol style="list-style-type: none"> <li>Continue to seek opportunities to improve parks and open spaces across the borough.</li> <li>Work to enhance Worden Park as a local asset and visitor attraction.</li> <li>Maximise recycling and reduce the amount of waste going to landfill, in line with our commitment to the Lancashire Waste Strategy.</li> <li>Complete the delivery of the waste procurement project plan as part of re-tendering the service and ensure an effective transition and mobilisation for the new waste partner.</li> <li>Further develop our approach to neighbourhood working, including zero tolerance of dog fouling, litter and fly tipping.</li> <li>Through the Safer Chorley and South Ribble Partnership, work to tackle crime, fear of crime and promote public confidence.</li> </ol> | <ol style="list-style-type: none"> <li>Support development of the Cuerden Strategic Site.</li> <li>Develop a range of town and village centre environmental schemes.</li> <li>Work with neighbours to develop opportunities for economic regeneration.</li> <li>Work with partners to agree priorities and secure investment in housing.</li> <li>Work with our communities to deliver a joined up and long term approach to planning and development.</li> <li>Produce and consult upon the Central Park Masterplan.</li> <li>Work with partners to deliver the agreed Preston, South Ribble, Lancashire City Deal, including promoting and marketing the Borough.</li> <li>Work with Lancashire County Council and providers to improve the local transport infrastructure.</li> </ol> | <ol style="list-style-type: none"> <li>Empower Members to fulfil their role as community leaders.</li> <li>Implement My Neighbourhood action plans.</li> <li>Work with partners to offer the best possible opportunities to South Ribble's children and young people.</li> <li>Work with GPs and other partners, including Lancashire County Council Public Health on local health and wellbeing needs.</li> <li>Work with the South Ribble Community Leisure Limited to offer high quality, accessible sports and leisure activities.</li> </ol> | <ol style="list-style-type: none"> <li>Seek to continually improve, ensuring that council services are fit for purpose and customer focused.</li> <li>Effectively manage change and organisational development to sustain a flexible workforce.</li> <li>Establish opportunities to develop effective collaborative working with partners.</li> <li>Explore all viable options for income generation and financial savings in order to deliver the Council's efficiency agenda whilst protecting front line services.</li> <li>Manage the transition from Housing Benefit to Universal Credit and the transfer of the fraud service to Single Fraud Investigation Service</li> </ol> |

| Our Priorities               | Clean, Green and Safe   | Strong South Ribble in the heart of a prosperous Central Lancashire   | Strong and Healthy Communities   | Efficient, effective and exceptional council   |
|------------------------------|---|---|--|--|
| Our Success Measures 2015/16 | 1. 75% of residents satisfied with the cleanliness of the borough<br>2. 80% of residents satisfied with the waste and recycling collection service<br>3. 48% of household waste sent for reuse, recycling and composting<br>4. 80% of residents satisfied with parks, playgrounds and open spaces<br>5. 90% of residents with confidence in South Ribble being a safe place to live | 6. Support the retail economy of Hough Lane:<br>- 100% occupancy: Leyland Market<br>- 90% occupancy: town centre retail units<br>7. 4 town and village schemes started or planned.<br>8. 520 businesses assisted by the Council<br>9. 35 affordable homes delivered subject to planning permission<br>10. No one stays in Bed & Breakfast accommodation longer than six-weeks at any point in time.<br>11. Number of long-term empty properties brought back into use (number to be determined) | 12. 80% of members satisfied with development opportunities.<br>13. 90% of residents satisfied overall with the local area as a place to live<br>14. 60% of residents satisfied with sports and leisure facilities<br>15. Delivery of a coaching programme to 1000 children in primary schools.<br>16. No premises will be less than 3 stars in the National Food Hygiene Rating Scheme. | 17. 70% of residents satisfied with the Council<br>18. External assessment:<br>- Customer Service Excellence<br>- Investors in People<br>19. Council Tax<br>- 98% in year collection rate<br>- increase kept below inflation<br>20. £500,000 total savings made, as agreed as part of the budget / financial strategy.<br>21. 95% of customers satisfied with Gateway<br>22. 90% staff satisfied with the Council as an employer |

Below is a summary of the performance against this Corporate Plan 2015-2016

## Corporate Plan 2015/16 – Performance Summary

The delivery of the Corporate Plan was supported through a series of key projects and service level business improvement plans. In each case, the resources required to deliver the projects and plans were broadly developed through the business planning process, and resources identified during the budget planning process. The out-turn position of the key performance indicators are set out below:

1. Council tax frozen for fifth time in six years
2. Efficiency targets achieved:
  - ▶ £590,000 achieved & exceeded by £16,000 = £606,000 – 2015/2016
  - ▶ £3.4M achieved – over previous 4 years
3. The Preston, South Ribble and Lancashire City Deal is being implemented
  - ▶ Potential of £1bn of investment over the next ten years via deal
    - Major contribution to economic prosperity of Lancashire
    - Cuerden regional strategic employment site masterplan agreed – foundation for creation of 2,500 jobs
    - Highways infrastructure work completed
      - Chain House Lane
      - Golden Way
      - Dualling of carriageway continues
    - House building has commenced
      - Croston Road / Heatherleigh
      - Lostock Hall Gas Works Site
    - Cross-borough linkroad approved as part of residential development in August
    - Bamber Bridge regeneration scheme devised



- Materplans being produced for Penwortham, Leyland and Lostock Hall
- 4. Waste and recycling service
  - ▶ new partnership with FCC Environment Services (UK) Ltd went live 15 June 2015
  - ▶ generating significant savings
    - £600k per annum
    - £4.2 to £8.4 million over the contract period
- 5. Worden Park
  - ▶ 20 years vision plan in place
  - ▶ Green flag retained
  - ▶ Overflow car park officially opened
  - ▶ Created a new entrance
  - ▶ Other capital improvements include the refurbished fish pond and completing the overflow car park
- 6. Investment continues to be made in our parks and open spaces
  - ▶ £100,000 investment in parks/open spaces
    - park improvement priorities receiving additional £110,000 investment for 2015-2016
    - capital projects delivered:
      - Farington Park footpaths final surfacing
      - Little Hoole Dob Lane public footpath
    - Worden Park Vision Plan being implemented
    - 26 popular wildflower areas created
    - 11 friends volunteer groups in place
  - ▶ Prestigious Green Flags retained again for Worden Park, Longton Brickcroft, Hurst Grange Park
  - ▶ Creation of new Central Park
    - 'green spine' to the Borough
    - Masterplan – consultation complete
    - Consultation being assessed for Planning Committee
    - New war memorial as part of St Catherine's Park being constructed and dedicated
- 7. Proactive approach to environmental enforcement continues
  - ▶ 71 fixed penalty notices issued
    - 53 Fixed Penalty Notices dogs off leads
    - 7 Fixed Penalty Notices littering
    - 6 Fixed Penalty Notices dog fouling
    - 4 Fixed Penalty Notices dog ban area
  - ▶ 285 written cautions
- 8. 'My Neighbourhood' approach
  - ▶ transformed the way we involve communities
  - ▶ refreshed My Neighbourhood plans and forum arrangements
  - ▶ residents', parish councils and community groups directly influence local priorities and projects
  - ▶ 50 projects developed
  - ▶ Generated £250K of external funding for projects
  - ▶ Successful projects
    - Monthly market – Tardy Gate
    - Walton le Dale Community Centre

- Moss Side Clubhouse almost completed
  - Penwortham Autumn Show
9. Our Gateway Team retained the prestigious Customer Service Excellence accreditation for a further year
10. A number of Welfare Reform changes continue to impact on our residents and where appropriate these continue to be implemented, including:
- Under Occupancy
  - The Benefits Cap
  - Disability Living Allowance replacement to Personal Independence Payments (PIP)
  - Social Fund
  - Discretionary Housing Payments
11. Economy and support for businesses
- partnerships developed further
    - North West Automotive Alliance
    - City Deal construction club
  - 303 businesses support (specific contacts to the team)
  - Marshlands Employment Regeneration and enterprise project
    - Commissioned business start-up support
12. Multi-million pound works to improve accessibility at Leyland Railway station have commenced and improvement plans developed for Bamber Bridge Railway Station
13. The Planning Core Strategy and Local Plan has been agreed
- ▶ Planning performance continued to improve
    - 85% of major applications processed within 32 week target – top quartile of performance nationally
    - 95% of minor application process within 8 weeks
14. Strategic Housing Framework developed and consulted on
- ▶ 28% reduction in long-term empty properties
  - ▶ Affordable housing units
    - 150 affordable housing units completed
15. Disabled Facilities now delivered in-house
- ▶ Budget fully allocated for 2015/16
  - ▶ 100% customer satisfaction
  - ▶ 25 cases complete
  - ▶ 46 additional cases currently being processed
16. Relationships continue to be built with Lancashire County Council and the Clinical Commissioning Groups through the Chorley, Preston & South Ribble Health and Wellbeing Partnership
17. Investors in People Gold Standard achieved
- health and wellbeing Investors in People accreditation retained
  - 10 new apprentices appointed
18. The leisure partnership and Sports Development continue to increase users and performance
- Bikeability – 40 schools involved
  - Swimming lessons participation – increased 20%

**Emerging/Exceptional issues:**

19. An external review of the Council's licensing service was carried out during 2015/2016 following concerns. The final report was published on 22<sup>nd</sup> June 2016, with steps already taken to ensure the service is fit for purpose.
20. A county-wide review of waste collections and cost sharing may result in a review of the Lancashire Waste Strategy.
21. The Council has given an 'in principle' commitment to form a combined authority for Lancashire with discussions continuing at Lancashire Leader and Chief Executive level.
22. A strategic property and asset review is being carried out to include all the Council's building assets, both operational and investment.

## **THE CORPORATE RISK REGISTER (CRR)**

The Corporate Risk Register (CRR) is the vehicle by which the Council aims to identify and address any potential risks to the organisation and the delivery of its functions which therefore need to be managed strategically. The Council does not exist in a vacuum and the political, economic and financial environment in which it operates is constantly changing. The CRR is therefore a live document and needs to be updated to reflect any new or emerging strategic risks facing the Council.

Sound risk management arrangements are a cornerstone of good corporate governance and as such have an impact on the achievement of all the Council's key objectives but are primarily concerned with making South Ribble an efficient, effective & exceptional council.

The Corporate Risk Register is the most important component of the Council's Risk Management Framework and a key element of the overall Performance Framework.

### **Corporate Risk Register (CRR) 2015/16**

The table below shows the action taken as at the end of March 2016 to address each strategic risk in the 2015/16 CRR. These actions are in respect of the key projects and activities in the Corporate Plan 2015-2016 and are essentially the prime means of mitigating the key risks & opportunities identified within the CRR. It contains the following summary information:-

- (1) Risks and Opportunities** – the list of the corporate risks identified and agreed for 2015/16.
- (2) Risk Rating** – a “traffic light” assessment of the significance that each risk presents to the achievement of the Council's priorities and objectives as set out in the Corporate Plan
- (3) Key Actions** – the key actions contained in the 2015/16 Corporate Plan which seek to mitigate the corporate risks.
- (4) Key Action Rating** – a traffic light system indicating the progress made to implement each key action (taken from the Corporate Plan performance report as at the end of March 2016).



## Corporate Risk Register 2015/16 - End of Year Monitoring Statement

| Risks & Opportunities<br>(1)  | Risk<br>Rating<br>(2) | Corporate Plan Actions 2015/16<br>(3)  | Lead<br>Officer | Key Action<br>Rating<br>(4) |
|---|-----------------------|--|-----------------|-----------------------------|
| <b>CR/2015/16/01</b><br><b>Deliver the benefits from City Deal in conjunction with partners</b> | <b>12</b>             | Work with partners to deliver the agreed Preston, South Ribble, Lancashire City Deal, including promoting and marketing the Borough <b>(12)</b>                              | <b>DODEC</b>    | <b>Green</b>                |
|   |                       | Work with our communities to deliver a joined up and long term approach to planning and development <b>(11)</b>  | <b>DODEC</b>    |                             |
| <b>CR/2015/16/02</b><br><b>Manage the Efficiency Agenda to Address Reductions in Funding</b>    | <b>9</b>              | Explore all viable options for income generation and financial savings in order to deliver the Council's efficiency agenda whilst protecting front line services <b>(22)</b> | <b>HOSFS</b>    | <b>Green</b>                |
|   |                       | Seek to continually improve, ensuring that council services are fit for purpose and customer focused <b>(19)</b>   | <b>DOCGBT</b>   | <b>Green</b>                |
|   |                       | Effectively manage change and organisational development to sustain a flexible workforce <b>(20)</b>   | <b>HOHRPR</b>   | <b>Green</b>                |
|   |                       | See also Corporate Plan actions <b>(3) (9) (18) (21)</b>   | <b>MISC</b>     | <b>Green</b>                |
| <b>CR/2015/16/03</b><br><b>Respond to Other Public Sector Policy Changes</b>                    | <b>9</b>              | Empower Members to fulfil their role as community leaders <b>(14)</b>  | <b>HOHRPR</b>   | <b>Green</b>                |
|   |                       | See also Corporate Plan actions <b>(7) (9) (10) (17) (21) (22) (15)</b>  | <b>MISC</b>     | <b>Green</b>                |
| <b>CR/2015/16/04</b><br><b>New Waste Collection Service Contract</b>                            | <b>4</b>              | Deliver the waste procurement project plan as part of retendering the service and ensure an effective transition for the new waste partner <b>(4)</b>                        | <b>DNEHA</b>    | <b>Green</b>                |
| <b>CR/2015/16/05</b><br><b>Continue to Ensure the Delivery of Affordable Housing</b>            | <b>9</b>              | Work with partners to agree priorities and secure investment in housing <b>(10)</b>  | <b>DODEC</b>    | <b>Green</b>                |
|   |                       | See also Corporate Plan actions <b>(9) (10) (11)</b>   | <b>MISC</b>     | <b>Green</b>                |
| <b>CR/2015/16/06</b>  | <b>9</b>              | Continue to seek opportunities to improve parks and open spaces across the borough <b>(1)</b>  | <b>DNEHA</b>    | <b>Green</b>                |

| Risks & Opportunities<br>(1)  | Risk<br>Rating<br>(2) | Corporate Plan Actions 2015/16<br>(3)  | Lead<br>Officer | Key Action<br>Rating<br>(4) |
|---|-----------------------|--|-----------------|-----------------------------|
| <b>Deliver Regeneration of Leyland and the South Ribble Area</b>  |                       | Work to enhance Worden Park as a local asset and visitor attraction (2)  | <b>DNEHA</b>    | <b>Green</b>                |
|   |                       | Support development of the Cuerden Strategic Site (7)  | <b>DODEC</b>    | <b>Green</b>                |
|   |                       | Develop a range of town and village centre schemes and environmental schemes (8)   | <b>DODEC</b>    | <b>Green</b>                |
|   |                       | Implement My Neighbourhoods Action Plans (15)  | <b>DODEC</b>    | <b>Green</b>                |
| <b>CR/2015/16/07<br/>Support the Economic Recovery</b>  | <b>9</b>              | Work with neighbours to develop opportunities for economic regeneration (9)  | <b>DODEC</b>    | <b>Green</b>                |
| <b>CR/2015/16/08<br/>Collaborate with the LCC Public Health Service to deliver Health &amp; Well-Being Opportunities</b>                            | <b>9</b>              | Work with GP's and other partners, including Lancashire County Council Public Health, on local health and wellbeing needs (17)   | <b>DNEHA</b>    | <b>Green</b>                |
| <b>CR/2015/16/09<br/>Deliver Meaningful Outcomes from Key Partnerships and Collaborative Working with Neighbouring Authorities / Other Agencies</b> | <b>4</b>              | Through the Safer Chorley and South Ribble Partnership and new Police & Crime Commissioner for Lancashire, work to tackle crime, fear of crime and promote public confidence (6) | <b>DNEHA</b>    | <b>Green</b>                |
|   |                       | Work with partners to offer the best possible opportunities to South Ribble's children and young people (16)   | <b>DODEC</b>    | <b>Green</b>                |
|   |                       | Work with the South Ribble Community Leisure Limited to offer high quality, accessible sports and leisure activities (18)  | <b>DODEC</b>    | <b>Green</b>                |
|   |                       | Establish opportunities to develop effective collaborative working with partners (21)  | <b>CE</b>       | <b>Green</b>                |
|   |                       | See also Corporate Plan action (3)   | <b>DNEHA</b>    | <b>Green</b>                |
| <b>CR/2015/16/10<br/>Expiry of the Waste Cost Sharing Agreement</b>   | <b>12</b>             | Maximise recycling and reduce the amount of waste going to landfill, in line with our commitment to the Lancashire Waste Strategy (3)  | <b>DNEHA</b>    | <b>Green</b>                |
|   |                       | See also Corporate Plan actions (4) (19) (22)  | <b>MISC</b>     |                             |

## KEYS

### RISK RATINGS (2)

| Likelihood      | Rarely | Unlikely | Likely | Highly Likely |
|-----------------|--------|----------|--------|---------------|
| Impact          | 1      | 2        | 3      | 4             |
| Major 4         | Low    | Medium   | High   | High          |
| Serious 3       | Low    | Medium   | Medium | High          |
| Minor 2         | Low    | Low      | Medium | Medium        |
| Insignificant 1 | Low    | Low      | Low    | Low           |

| Likelihood of Occurrence   | Score |
|--|-------|
| Definition   |       |
| Almost certain (there is little doubt that the event will occur)   | 4     |
| Likely (there is a strong possibility that the event will occur <b>or</b> there is history of regular occurrence within the Authority)     | 3     |
| Unlikely (there is a possibility that the event will occur <b>or</b> there is history of occasional occurrence within the local authority) | 2     |
| Rarely (there is a slight possibility that the event will occur)   | 1     |

| RISK MATRIX |   |    |    |
|-------------|---|----|----|
| 4           | 8 | 12 | 16 |
| 3           | 6 | 9  | 12 |
| 2           | 4 | 6  | 8  |
| 1           | 2 | 3  | 4  |

### KEY ACTION RATINGS (4)

|  |   |
|--|---|
|  | Progress being made performance on track                      |
|  | Some progress made – performance limited                      |
|  | Little or no progress made – performance needs to be improved |

### LEAD OFFICER KEY

|        |  |
|--------|--|
| CEO    | Chief Executive  |
| DOCGBT | Director of Corporate Governance & Business Transformation |
| DODEC  | Director of Development, Enterprise & Communities          |
| DNEHA  | Director of Neighbourhoods, Environmental Health & Assets  |
| HOSFS  | Head of Shared Financial Services                          |
| HOSAS  | Head of Shared Assurance Services                          |
| HOHRPR | Head of Human Resources & Public Relations                 |

## **FINANCIAL PERFORMANCE IN 2015/16**

### **Reporting Cycle**

The Council's 2015/16 revenue budget, capital programme, Medium Term Financial Strategy (MTFS), and Treasury Strategy were approved by the Council on 4<sup>th</sup> March 2015. Thereafter, monitoring and reports were submitted at quarterly intervals to the Governance Committee. The reports are available on the Council's web site.

The purpose of revenue reporting being in the main to forecast the anticipated out-turn against the budget and monitor progress in achieving planned budgetary efficiencies. With regard to the Capital Programme progress on individual schemes has been reported. The detailed 2015/16 Financial Out-turn position was reported to Governance Committee on 29<sup>th</sup> June 2016 which can be accessed on the Council's website. An Executive Summary is included below:-

### **Executive Summary of the Financial Out-turn Position 2015/16**

#### **Budget Planning**

The Budget Planning Process in 2015/16 set a balanced budget for 2016/17 with no contribution required from General Reserves. The key messages within the budget plan are summarised below:

- Council Tax was frozen in 2016/17.
- The Borough Investment Account was created to provide funding for income generation schemes.
- Five new growth items were included in the budget with no impact on the base budget including Housing Options, Engineering support for City Deal and extension of the Apprenticeship Scheme.
- Expansion of the Capital Programme to invest capital resources into service and infrastructure improvements including Town centre and Village Improvements; Parks, Play and Pitch Improvements; Worden Park facility improvements; Empty Properties and Private Sector Home Improvements.
- Budget savings totalling £0.816m were identified to help bridge the budget gap.
- Additional budgeted income of £2.170m was identified on a recurring basis which included the financial benefit of entering into the Lancashire Business Rates Pool.

#### **The Budget Out-turn Report**

The summary year end position is set out below to provide the financial context of the Corporate Plan and service delivery information.

#### ***Revenue Budget***

The out-turn position for 2015/16 was forecasted to be £12.703m. This included a budgeted transfer to the General Reserve of £0.644m as a result of savings achieved through the early repayment of the pension deficit. However the actual year end net service expenditure achieved, excluding statutory accounting transactions such as capital charges and support service recharges, as at 31<sup>st</sup> March 2016 was £12.602m. This results in a budget surplus of £0.101m which, along with the budgeted transfer of £0.644m, means a total of £0.745m will be transferred to the General Reserve.



The main areas of underspend being:

- Additional Investment income receipts following amendments made to the Treasury Strategy.
- Efficiencies achieved and reduced cost of Shared Financial Services due to staff vacancies.
- Legal Costs in respect of Planning Advice.

These budget underspends were off-set by un-budgeted costs resulting in overspends in respect of:-

- Additional Staff Costs incurred to respond to the flooding incidents over the winter (the total being below the de minimis level for re-claim under the Government's Bellwin Scheme).
- Additional Staff costs of providing the Licensing Function (which is also extend into 2016/17).
- Legal advice with regard to the Licensing Function in 2015/16 (which is also extend into 2016/17).
- Reduced Public Realm funding from Lancashire County Council (which is also extend into 2016/17).

### **Capital Budget**

The following is a summary of the year end Capital programme, the main areas of spend being:-

- Vehicles , Plant and Equipment
- Playgrounds, Recreation Areas and Open Spaces
- Housing Grants
- Asset Management
- Information Technology and Communication

---

|  | <b>£000</b>  |
|--|--------------|
| Total projected out-turn budget 2015/16  | 3,543        |
| Programmed into 2016/17                  | (682)        |
| Underspend in 2015/16                    | (22)         |
| <b>Total Capital Expenditure 2015/16</b> | <b>2,839</b> |

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The Capital Expenditure above was financed via the following:-

- Borrowing
- Balances and Reserves
- Government Grants
- City Deal
- Revenue and Other Contributions
- Developers' Section 106 Receipts

## Reserves

The following table shows the Council's overall level of revenue reserves as at 31<sup>st</sup> March 2015 and 31<sup>st</sup> March 2016, subject to the approval of the Statement of Accounts as drafted. This shows a General Fund balance of £4.194 million at 31<sup>st</sup> March 2016. In 2016/17 the next Triennial Review of the Pension Fund will be completed in advance of the period 2017/18 to 2019/20. The review will determine the payment due from the Council to reduce the Pension Fund Deficit position over the targeted timeline circa. 19 years. At the commencement of the previous review the Authority was able to pay the three year Pensions Deficit Contributions up-front in order to secure a discount of £0.115m. If the same arrangement is available in 2016/17 then the payment in advance of circa £2.100 million may be paid from the General Fund Reserve.

The overall level of reserves has increased by £3.464 million, comprising of an increase in General Reserves of £0.745 million plus an increase of £2.719 million in Earmarked reserves. The increase in Earmarked Reserves is mainly due to the set aside in year of the Council's proportion of the BRR collection fund surplus position and also due to funds earmarked in 2015/16 to fund investment in future years.

| <b>REVENUE RESERVES</b>   | <b>31/03/15<br/>£000</b> | <b>31/03/16<br/>£000</b> |
|---|--------------------------|--------------------------|
| General Fund Reserves   | 3,449                    | 4,194                    |
| Earmarked and Other Reserves*<br><i>(including Business Rates Retention, see below)</i> | 8,865                    | 11,584                   |
| <b>Total Revenue Reserves</b>   | <b>12,314</b>            | <b>15,778</b>            |
| <i>*Business Rates Retention</i>  | 433                      | 2,625                    |

## Future Financial Outlook

The Council has managed, in a very difficult environment, to maintain a healthy financial position. The Medium Term Financial Strategy envisages no relaxing of the pressures and forecasts the following budget shortfalls over the next three years.

### Forecasted Budget deficit to 2018/19

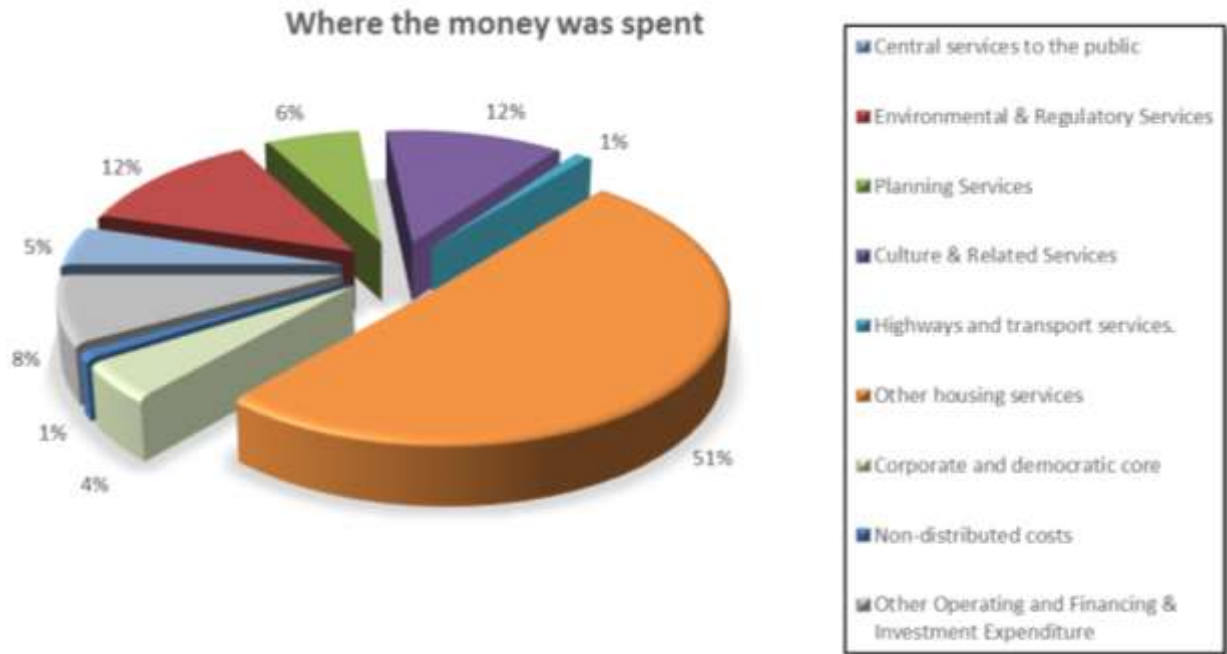
| <b>YEAR</b>    | <b>Budget Gap/(Surplus)<br/>£000</b> | <b>Cumulative<br/>£000</b> |
|----------------|--------------------------------------|----------------------------|
| <b>2016/17</b> | Balanced                             | Nil                        |
| <b>2017/18</b> | 708                                  | 708                        |
| <b>2018/19</b> | 1,546                                | 2,254                      |

The main threats to these forecasts are perceived to be:

- Continuation of Central Government's austerity measures and as such further reductions to the public sector budget to be included in the Spending Review (SR) 2015 and applied to 2016/17 onwards.
- The latest review introducing the concept of a negative Revenue Support Grant Adjustment to be applied to the Business Rates Retention income regime in the absence of the Revenue Support Grant (RSG) once it has been withdrawn as core funding in its entirety. With this adjustment entering into the negative spectrum it is very difficult to be able to assess if this adjustment has an absolute upper/(lower) limit.
- A significant proportion of core funding now calculated and dependent upon annually fluctuating variable factors determined by a number of external factors. Within this overall core funding regime, the Business Rates Retention (BRR) regime, merits particular mention as it passes the risk of significant fluctuations in income from Central Government to Local Government. As a result changes in the tax base will have a direct and immediate impact on the Council's core funding, for example, uncertainty about the level of successful appeals by businesses against their rates poses a largely unknown risk for the Council's finances and forward projection of income are potentially more uncertain.
- In addition BRR will undergo transformational change by 2019/20. By the end of the current Parliament it is intended that there will be a number of major reforms to local government finance and each could have a significant financial impact:-
  1. The reset of the business rates baseline could have the impact of reducing income from business rates for those local authorities that retain rate income above their current baseline.
  2. The potential financial impact of a future recession. Whilst it may not be possible for the council to readily model the potential financial consequences of recession locally, it is now a new additional financial risk to income received from both council tax and business rates.

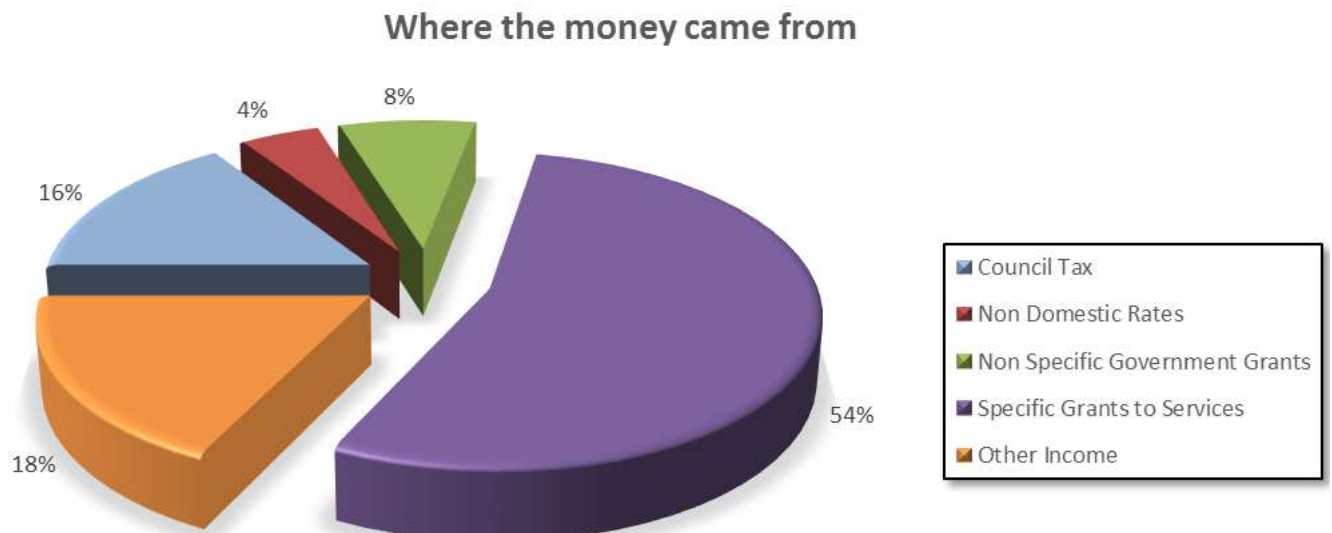
### Where the Council's Budget was Spent

The gross expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement. In 2015/16 it consisted of:



### How the Council's Spend was Funded

The Gross Income for the Council is disclosed in the Comprehensive Income and Expenditure Statement. It consisted of:



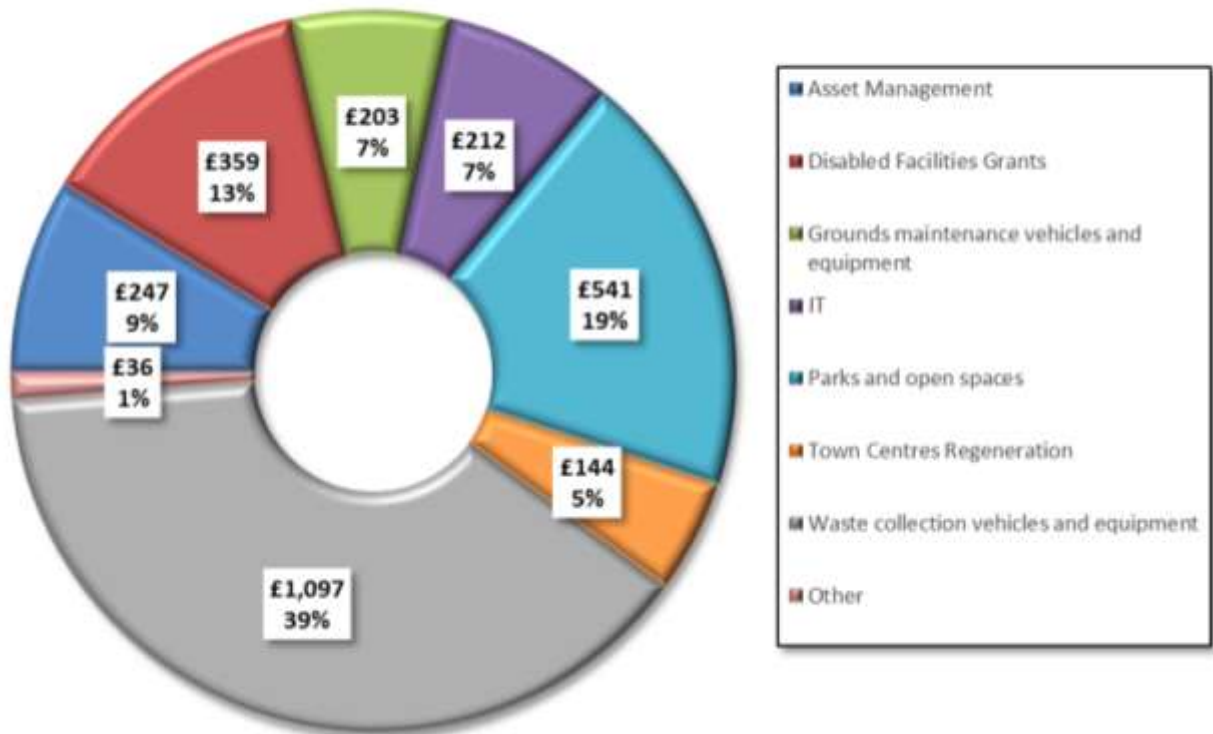


## Capital Spend and Financing Summary

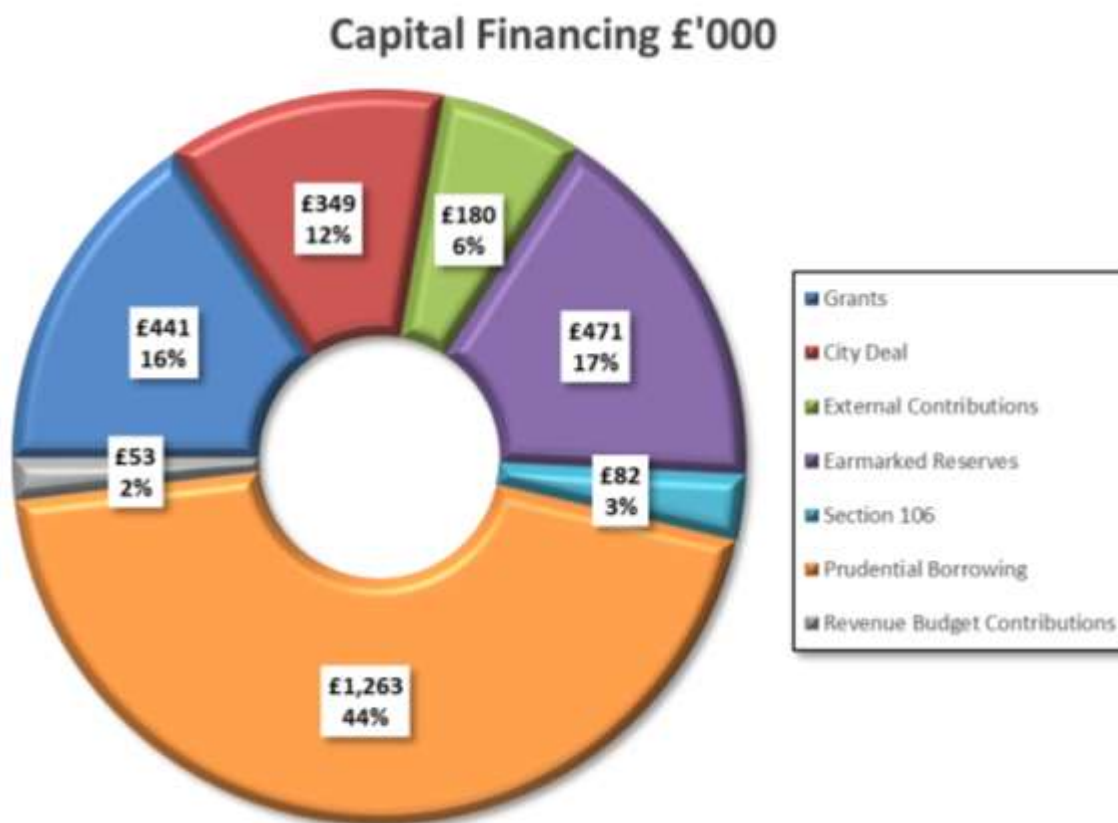
The Council incurs capital expenditure on its own buildings and equipment and it is also permitted to use capital resources to finance expenditure on grants for capital works by others, for instance for disabled adaptations by home owners. The following tables and graphs detail the areas of expenditure and sources of finance in 2015/16:-

| Capital expenditure in 2015/16           | Actual<br>Capital<br>Expenditure<br>£000 |
|--|--|
| Asset Management                         | 247                                      |
| Disabled Facilities Grants               | 359                                      |
| Grounds Maintenance vehicles & equipment | 203                                      |
| Information Technology                   | 212                                      |
| Parks and open spaces                    | 541                                      |
| Town Centre regeneration                 | 144                                      |
| Waste collection vehicles & equipment    | 1,097                                    |
| Other                                    | 36                                       |
| <b>Total Capital Expenditure 2015/16</b> | <b>2,839</b>                             |

**Capital Expenditure £'000**



| Capital financing in 2015/16           | Actual<br>Capital<br>Financing<br>£000 |
|--|--|
| Prudential Borrowing                   | 1,263                                  |
| City Deal Contributions                | 349                                    |
| External Contributions                 | 180                                    |
| Earmarked Reserves                     | 471                                    |
| Government Grants                      | 441                                    |
| Section 106 Contributions              | 82                                     |
| Revenue Budget Contributions           | 53                                     |
| <b>Total Capital Financing 2015/16</b> | <b>2,839</b>                           |



## Treasury Management

The treasury operations of the Council are conducted in accordance with its annual Treasury Strategy. This document identifies the investment and borrowing policies of the Council over a three-year period, specifying, amongst other things, the criteria for investment counterparties, the maximum duration, and amount, of investments, and the need for borrowings.

The key facts for 2015/16 were:

- Investments were short-term, the maximum period permitted by the Council's Treasury Strategy being one year.
- Cash and cash equivalents and short-term investments were £24.407m at year-end, having peaked at £40.762m during the year. The average balance invested of £31.317m per day was higher than the average for 2014/15 of £20.078m despite not taking any long-term loans to finance capital investment. Prudential borrowing of £1.263m to finance capital expenditure was from internal cash balances.
- There was a repayment of £0.080m of the Heritable investment claim, which leaves £0.040m outstanding. To date around 98% of the original investment of £2.000m has been recovered, and the aim is to recover the remaining balance.
- The return on investments was 0.55%, a slight increase compared to the 0.50% achieved in 2014/15. The increased return reflects the part-year effect of changes to the investment strategy during the year, which permitted the use of new investment counterparties.
- In determining Council Tax charges, authorities have to make a specific provision for the financing of capital expenditure. The outstanding amount for which provision has to be made is known as the Capital Financing Requirement (CFR). During the year the CFR increased from £5.171m to £5.902m, reflecting the use of Prudential Borrowing and finance leasing to finance capital expenditure, less statutory and voluntary provision for debt repayment. (Note 34 provide more detail). This increase will generate a charge to Council Tax (known as Minimum Revenue Provision – MRP) in future years.
- With regard to performance against the revenue budget for Interest Earned on Investments please see the budgeted and out-turn position from 2014/5 to 2016/17:-

| <b>Actual<br/>Out-turn<br/>2014/15<br/>£000</b> | <b>Original<br/>Budget<br/>2015/16<br/>£000</b> | <b>Estimated<br/>Out-turn<br/>2015/16<br/>£000</b> | <b>Actual<br/>Out-turn<br/>2015/16<br/>£000</b> | <b>Original<br/>Budget<br/>2016/17<br/>£000</b> |
|---|---|--|---|---|
| 110   | 100   | 120  | 171   | 165   |

- All investments during 2015/16 complied with the Council's policy.
- Had the average daily investment been deposited with the Debt Management Office (DMO) at the rate of 0.25%, the interest earned in the year would have been only £78,293, less than half the value actually earned.
- Note 15 Financial Instruments presents details of treasury operations, and the management of risk.

## Pension Fund Liability

The pension fund deficit has decreased by £4.503m, from £34.755m to £30.252m, being the net pension liabilities. This reflects the value of pension liabilities which the Council is required to pay in the future when they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension fund has to be revalued every three years to set future contributions into the fund. The last valuation was in 2013 which reported a funding level of 76%. The Council has a deficit recovery plan in place to reach a 100% funding level by making additional Deficit Recovery Contributions into the fund over the next 19 years.

This deficit figure is very much an estimate, being the actuary's assessment of the present value of the liabilities to be met by the fund over a long period less its current assets and anticipated future receipts. Note 36 presents detailed information about the Defined Benefit Pension Scheme.

## Council Tax Base

The revision to the 2015/16 Tax Base, resulting in an increase of 894 to the number of Band D equivalent properties (as shown in the Table below), produced a net increase in Council Tax income of circa. £0.180m.

|                                       | 2013/14  | 2014/15  | 2015/16  |
|---------------------------------------|----------|----------|----------|
| Number of Band D equivalent dwellings | 33,377.7 | 33,560.5 | 34,454.5 |

## Income Recovery

Note 17 analyses debtors by type, and note 15 further analyses the risk of default by debtors included within financial instrument.

The following table shows the in-year collection rates of local taxes. The reduction in rate of recovery of Council Tax in 2015/16 is consistent with the national trend as a result of the implementation of the Local Council Tax Support scheme to replace Council Tax Benefit. This required more residents to pay a share of Council Tax for the first time, however, the table below shows that Council Tax collection performance has improved and 32% of the previous reduction has been recouped in the last 12 months.

|                       | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|-----------------------|---------|---------|---------|---------|
| <b>Council Tax</b>    | 97.6%   | 97.4%   | 97.4%   | 97.2%   |
| <b>Business Rates</b> | 97.4%   | 97.6%   | 98.0%   | 98.1%   |

## Collection Fund

Payments out of the Collection Fund for in-year Council Tax from 2013/14 to 2015/16 are set out below showing the funding for each Precepting Body. Further detail is available within the Collection Fund on page 97 of this document.

|  | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 |
|--|-----------------|-----------------|-----------------|
| Lancashire County Council                    | 36,253          | 37,176          | 38,926          |
| South Ribble Borough Council                 | 7,185           | 7,247           | 7,435           |
| Police and Crime Commissioner for Lancashire | 5,104           | 5,234           | 5,480           |
| Lancashire Fire and Rescue Service           | 2,124           | 2,136           | 2,235           |
| <b>Total</b>                                 | <b>50,666</b>   | <b>51,793</b>   | <b>54,076</b>   |

Payments out of the Collection Fund for in-year Business Rates from 2013/14 to 2015/16 are set out below showing the funding for each Precepting Body prior to the Top Up and Tariff adjustments are applied which reduce South Ribble Borough Council's receipt and increase the amount received by Lancashire County Council and Lancashire Fire and Rescue Service. Further detail is available within the Collection Fund on page 97 of this document.

|   | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 |
|---|-----------------|-----------------|-----------------|
| Central Government  | 17,340          | 17,745          | 18,736          |
| Lancashire County Council (before Top-Up grant received)              | 3,121           | 3,194           | 3,372           |
| South Ribble Borough Council (prior to Tariff deduction)              | 13,872          | 14,196          | 14,989          |
| Police and Crime Commissioner for Lancashire (not part of BRR regime) | -               | -               | -               |
| Lancashire Fire and Rescue Service (before Top-Up grant received)     | 347             | 355             | 375             |
| <b>Total</b>  | <b>34,680</b>   | <b>35,490</b>   | <b>37,472</b>   |

## SUMMARY POSITION

It is clear that the Council's financial and non-financial performance in 2015/16 continues to be very good. The revenue account out-turn achieved an underspend at year end in addition to achieving its budgetary savings targets. The capital out-turn has been managed to minimise the impact of borrowing and the Council has reserve balances that are planned to provide further financial resilience from 2016/17 and future years and in particular in the run up to core funding changes in 2019/20. There are risks as highlighted above, but there are well established and robust risk management processes in place and together with robust financial management and reporting, the Council is in a strong position as it moves into 2016/17.

## FURTHER INFORMATION

If you would like to receive any further information about these accounts, please do not hesitate to contact Susan Guinness, Acting Chief Financial Officer, Shared Financial Services, Civic Centre, West Paddock, Leyland, Lancashire, PR25 1DH.

# Introduction to the Statement of Accounts

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code), which is based on International Financial reporting Standards, and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCoP).

The Statement of Accounts contain a number of sections and statements and these are explained below:

## STATEMENTS TO THE ACCOUNTS

- Page 28     **The Independent Auditor’s Report** – This gives the auditor’s opinion of the financial statements and of the Council’s arrangements for securing economy, efficiency and effectiveness in the use of its resources.
- Page 31     **The Annual Governance Statement** – The Council is required to conduct an annual review of the effectiveness of its system of corporate governance and to publish a statement on the adequacy of the system with its annual accounts. This statement is referred to as the Annual Governance Statement (AGS). The AGS explains our governance arrangements, the review of the governance framework against the Local Code of Governance and future plans to improve and strengthen the governance environment.
- Page 41     **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the Council and the Chief Finance Officer in relation to the Statement of Accounts.

## CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:

- Page 42     **Movement in Reserves Statement** – Levels of reserves, and movements therein, are indicators of the financial strength of the organisation. This statement distinguishes usable from unusable reserves. The distinction is explained in the Balance Sheet comment below.
- The Movement in Reserves Statement shows the surplus or deficit arising in the year on the Provision of Service. This is the true economic cost of providing the authority’s services (as detailed in the Comprehensive Income and Expenditure Statement). For the purposes of council tax setting, however, a series of statutory adjustments are then made, resulting in a line entitled “Net Increase/Decrease before transfers to Earmarked Reserves.” The final line shows any such discretionary transfers to or from earmarked reserves.
- Page 43     **Comprehensive Income and Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Page 44 **The Balance Sheet** – this shows the value of the assets and liabilities recognised by the authority. The total of these, the Net Assets, is matched by the authority’s reserves, as shown in the lower part of the Balance Sheet.

Reserves are categorised into “Usable”, i.e. available to fund expenditure or reduce local taxation, and “Unusable”. The latter includes the Revaluation Reserve (holding unrealised gains in property values), and other reserves holding amounts arising from differences between the accounting basis used in compiling the Comprehensive Income and Expenditure Statement and statutory basis prescribed for taxation purposes.

Page 45 **Cash Flow Statement** – this shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

Page 46 **Notes to the Main Financial Statements** – these add to and interpret the individual statements.

## **SUPPLEMENTARY FINANCIAL STATEMENTS**

Page 97 **Collection Fund** – this is an agents statement that reflects the statutory obligation for billing authorities to record transactions relating to the collection of Council Tax and Non-Domestic Rates, and their distribution to precepting authorities, the Government, and the Council itself.

Page 98 **Notes to the Collection Fund** – these add to and interpret the Collection Fund statement.

## **MAIN ACCOUNTING CHANGES**

There have been some accounting changes implemented in this Statement of Accounts for 2015/16 as described below:

The standards introduced by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 include:

- IFRS 13 *Fair Value Measurement*
- *Annual Improvements to IFRSs 2011-2013 Cycle*
- IFRIC 21 *Levies*

IFRS 13 is applied prospectively, not retrospectively. Application of the IFRS, as adopted by the Code, is required by 1 April 2015. This Authority has adopted the IFRS from that date.

Application of these standards is not expected to have a material impact on the Authority’s financial statements. Adoption of IFRS 13 is not a change of accounting policy that requires the publication of a third Balance Sheet.

Details of the Authority’s accounting policies are presented in note 1 to the Core Financial Statements. Accounting standards that have been issued but which have not yet been adopted are disclosed in note 2.



# The Independent Auditors Report



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH RIBBLE BOROUGH COUNCIL**

We have audited the financial statements of South Ribble Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Acting Chief Financial Officer and auditor**

As explained more fully in the Statement of the Acting Chief Financial Officer's Responsibilities, the Acting Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Acting Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

## **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

## **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

## **Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

### **Respective responsibilities of the Authority and auditor**

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you if we are not satisfied that the authority has made proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The

Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

### **Basis for qualified conclusion**

In considering the Authority's arrangements for securing economy, efficiency and effectiveness we identified the following matter:

On 12 September 2016 the Authority's Scrutiny Committee issued its report following a review of the way in which an external licensing investigation has been handled by the Authority in 2015/16. The report highlighted a number of failings in the Authority's procedures, including a major corporate governance failure within the Authority, which resulted in significant damage to the Authority's reputation.

This matter is evidence of weaknesses in proper arrangements for acting in the public interest, through demonstrating and applying the principles and values of good governance.

### **Qualified conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, except for the effects of the matter described in the basis for qualified conclusion paragraph, we are satisfied that in all significant respects the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

### **Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Mark Heap

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

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

15<sup>th</sup> December 2016

# Annual Governance Statement

## 1. What we are responsible for

South Ribble Borough Council is responsible for ensuring that its business is conducted in accordance with the law and to high standards. Public money must be protected and properly accounted for. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and delivering an efficient and effective service.

To meet this responsibility we have put in place proper arrangements for overseeing what we do (this is what we mean by governance). These arrangements are intended to make sure we do the right things, in the right way, for the right people, in a fair, open, honest and accountable way.

We have approved and adopted a code of corporate governance (referred to as the local code) that is consistent with best practice governance principles for both public services and in particular for local government.

This governance statement explains how we have followed our local code and also met our statutory requirements.

## 2. Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which we direct and control our activities including those by which we account to, engage with and lead the community. It enables us to monitor how we are achieving our long-term aims and to demonstrate where this has led to improved services that are delivering value for money.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our priorities and aims, so it can only offer reasonable protection. It is based on an ongoing process that is designed to:

- Identify and prioritise the risks that could prevent us achieving our aims and objectives
- Assess the likelihood and impact of the risk occurring
- Manage the risks efficiently, effectively and economically.

## 3. Our Governance Framework

Our Governance Framework which was adopted by full Council promotes and demonstrates our commitment to the principles of good governance and incorporates the Council's Values that emphasise how we do things at South Ribble Borough Council.

The principal elements of our governance arrangements in 2015/16 and our commitment to our local code are described below:

### **3.1 Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

- a) The Council's vision and priorities are developed through joint working and consultation with our partners and our local community.

- b) Our Corporate Plan provides a focus, sets out the priority objectives, key targets and supporting improvement actions.
- c) Corporate, community and county-wide strategies are linked and all parties have the opportunity to influence the planning process through community consultation and engagement.
- d) The Corporate Plan, financial strategy and governance arrangements are reviewed annually and incorporate the key improvement areas. They ensure that resources are directed towards our priority areas and that our aims are realistic in the context of the funding constraints placed upon us.
- e) The Performance Management Framework drives the priorities down through service and individual action plans and facilitates continuous improvement, monitoring and reporting of achievements.
- f) The Council is constantly examining its service delivery arrangements based on feedback in order to achieve best value, improve customer service and take corrective action as necessary.
- g) Our transformation programme demonstrates the continued commitment to service improvement and financial savings.
- h) We continue to explore collaborative and partnership working arrangements to increase efficiency and provide value for money.
- i) Formal agreements are embedded for all key partnerships.

### **3.2 Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles**

- a) Council business is conducted in accordance with the Constitution which governs and controls its business responsibilities and activities. It is reviewed annually to ensure that it is fit for purpose and that we comply with changes to legislation.
- b) The role and responsibilities of all members, senior officers and the Council's committee structure are clearly defined.
- c) The constitution also clearly explains how decisions are made; the extent of delegated powers and includes standing orders, contract procedure rules and financial regulations.
- d) The responsibilities of the two statutory officers (the Head of Paid Service / the Chief Financial Officer and the Monitoring Officer) are clearly defined and a protocol assists with the effective exercise of those roles. The influence and oversight provided by these posts are backed by membership of the Senior Management Team and the Governance Steering group.
- e) Each Cabinet Member has portfolio responsibilities for leading strategic matters and for championing specific services and initiatives.
- f) Success in leadership and workforce related governance has been recognised in the achievement of both Investors in People and North West Member Development Charter awards.
- g) Our values and integrated approach to performance, project, financial and risk management are key to sustained progress against priorities.
- h) Cabinet, Scrutiny and Senior Management Team monitor overall performance on a quarterly basis to manage delivery of the Corporate Plan.
- i) The Corporate Plan is supported by financial, risk and other cross cutting strategies and further deployed through service and individual performance plans to ensure that resources are focused on agreed priorities.

### **3.3 Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- a) The Council's constitution governs the way we conduct our business and is based on the principles of *accountability, transparency, efficiency and openness*.

- b) The Council prides itself on maintaining and continually strengthening its culture of sound governance and ethical arrangements.
- c) Our values of Integrity, Positive Attitude, Learning Organisation, Teamwork and Excellence are at the core of our business and they influence everything we do. They demonstrate that we are serious not just about what is achieved but also how business is done.
- d) A cross party Standards Committee continues to promote high standards and has responsibility for overseeing the investigation of complaints against members.
- e) All Members have signed up to the Code of Conduct for Elected Members which is embedded and through the Council's induction process all staff sign up to the local Code of Conduct for Employees.
- f) Protocols ensure that communication between elected members and officers is both effective and appropriate.
- g) The Council takes a proactive approach to both prevent and detect fraud and this is supported by the Council's Anti-Fraud & Corruption Strategy, Internal Audit programmes, fraud investigations, participation in National Fraud Initiative exercises, and publication of proven cases.
- h) A Complaints Procedure and a Whistle-Blowing Policy are kept under review, providing the opportunity for the public and employees to raise issues for investigation.
- i) Registers of Interest are maintained, updated and published for both elected members and officers.

#### **3.4 Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

- a) The Cabinet takes the lead in developing and delivering the Council's policies and plans and the published Forward Plan contains details of the key decisions to be made.
- b) Cabinet is supported and challenged by the Scrutiny Committee which plays an active role in scrutinising decisions, monitoring performance, shaping policies and strategies and reviewing the effectiveness of partnerships and external organisations.
- c) The independent Governance Committee is responsible for reviewing and challenging the adequacy of the Council's governance arrangements. It closely monitors progress on control matters including improvement plans, external and internal audit programmes and reports, risk management, budget and financial investment reports. It also directs an annual review of the Council's Constitution.
- d) The Council has a comprehensive Risk Management Policy and Strategy that clearly outlines the responsibilities for risk and is endorsed by both the Leader of the Council and the Chief Executive.
- e) The Chief Executive has overall responsibility for risk management; a cabinet member has portfolio responsibility; operationally a Head of Service leads the risk management function and is recognised as the officer champion.
- f) The Senior Management Team (SMT) functions as the corporate risk management group and annually agrees and prioritises the corporate risk register which is aligned with the corporate plan.
- g) The Council has a variety of control mechanisms to ensure compliance with legal requirements, public law and Council policy. These include the roles of the Monitoring Officer; the Chief Financial Officer (Section 151); the assurance work undertaken by both External and Internal Audit; and the Council's performance and committee reporting systems.
- h) The Council maintains a robust Internal Audit service, which annually provides an independent and objective opinion on the internal control environment, verifies compliance with policies, laws and regulations, evaluates and makes recommendations to improve the effectiveness of risk management, value for money and governance processes.

### **3.5 Good governance means developing the capacity and capability of members and officers to be effective**

- a) The Council has a strong record of investing in its workforce to develop the culture of the organisation and ensure that current and future strategic priorities are met.
- b) There is strong political and managerial leadership and members and officers work in partnership to deliver the priorities, promote our values and work collaboratively across Lancashire.
- c) Governance arrangements have been established to oversee the City Deal in which we play a key part
- d) Our People plan aligns workforce and organisational objectives with the Council's values and Corporate Plan.
- e) Budget alignment with key priority areas provides capacity and investment.
- f) The Member Induction and Development Plan identify the priority objectives and actions for member development and annual reports are presented to Scrutiny, Cabinet and Council.
- g) Our People plan identifies the priority areas for officer development and monitoring is undertaken by the Senior Management Team and the Scrutiny Committee. Progress is measured using the employee survey results and the achievement of well recognised standards and assessments; namely the North West Member Development Charter and Investors in People awards.
- h) All employees have an annual performance appraisal to ensure that the organisation has a skilled and trained workforce. The appraisal process evaluates skills, performance and application of the Council's values.
- i) Good practice standards are annually assessed against the CIPFA statements for the roles of the Chief Finance Officer and the Head of Internal Audit.
- j) The Council is committed to increasing its capacity by working in partnership with a wide range of organisations including public, private, voluntary and community groups to build and share resources and deliver locally joined up services.
- k) Private sector partnerships provide investment and enhanced customer service for Leisure and Waste services.
- l) A long term partnership with Chorley BC to deliver Financial and Assurance services both increases capacity and skills whilst delivering efficiency savings.

### **3.6 Good governance means engaging with local people and other stakeholders to ensure robust public accountability**

- a) The Council uses a range of mechanisms to understand the views and needs of its residents and partners. These include: customer surveys, public meetings, partnerships, multi-agency working, community and voluntary groups.
- b) All committees have extensive levels of public participation and all agendas and decisions are made available to the public except, in rare circumstances, where personal or confidential matters are being disclosed.
- c) The Council is subject to external inspection regimes that focus on service standards and outcomes for local people.
- d) The annual report which is published in the Council's free newspaper "Forward"; presents the Council's achievements against citizens' priorities and highlights the delivery of value for money services and customer satisfaction standards.
- e) The Scrutiny Committee supports citizens in highlighting community matters by holding public inquiries into matters of local concern.
- f) My Neighbourhood forums involve local communities shaping and delivering improvements to enrich the lives of local people.
- g) Extensive strategic and service data is reported through the Council's web site to enable residents to hold us to account.



#### **4. Our Commitment to Excellence**

The Council has a responsibility to keep the effectiveness of its governance arrangements under review to ensure continuous improvement. This review is informed by the work of the Governance Committee supported by management, internal and external auditors and other review agencies.

The review of the Governance framework has involved:

- A review of the whole assessment by the Senior Officer Governance Group
- Discussion of the findings, draft governance statement and significant areas for improvement with the Senior Management Team
- Internal Audit assessment of the corporate arrangements
- Completion of Management Assurance Statements by all senior managers
- Audit of compliance with the CIPFA standards for the Chief Financial Officer and the Head of Internal Audit
- Review of the draft governance statement by the Governance Committee

The following aspects are highlighted for assurance purposes:

Internal Audit and Risk Management frameworks are embedded and the services maintain excellent working relationships with the Governance Committee, Senior Management and the Council's External Auditors to provide an integrated approach to the delivery of assurance services. The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. All recommendations for improvement actions are agreed with senior management and overall progress is reported to the Governance Committee.

Members play an active role in promoting and strengthening our governance arrangements. This is demonstrated particularly by the Governance, Standards and Scrutiny Committees and the Shared Services Joint Committee.

The effective Governance Committee has enhanced member oversight and scrutiny of the Council's business controls. The committee is supported by a senior officer group and both contribute to the continuous improvement and strengthening of the governance environment. In 2015/16 the committee has received regular reports on governance, finance and risk. It closely monitored progress and control matters including the annual governance improvement plan, external and internal audit programmes and reports, risk management, budget and financial investment reports. Through a member sub group, the committee also worked on improvements to the Council's constitution.

The Joint Committee monitors service performance of the Shared Assurance and Finance Partnership between South Ribble Borough and Chorley Borough Councils, and is a good example of our effective governance of partnerships. In 2015/16 the committee monitored the continuous improvement plans that are aimed at strengthening the financial management and assurance arrangements for both councils.

In 2015/16 the Standards Committee continued to promote high ethical standards. There were no formal complaints taken to the Standards Committee.

The Scrutiny Committee continues to provide a high degree of challenge and holds a central role in monitoring Council performance through quarterly progress reports of the corporate plan. It has held

individual Cabinet Members to account for their portfolio and monitored performance of the Council's key partnerships.

Robust governance arrangements are also reflected in external assessments and reports. In 2015/16 these included the Annual Audit Letter, Customer Service Excellence award, Member Charter and the Local Government Ombudsman.

The Council has been recognised as an Investor in People for some eleven years, achieving Gold status in March 2015. Members' development is rewarded by the achievement of the North West Member Development Charter which was first awarded in 2005.

The Commission for Local Administration in England (the Ombudsman) deals with complaints from members of the public about the Council. They look into a complaint once the complainant has exhausted a council's internal complaints procedure. If the Ombudsman finds that a council has dealt with a particular individual in an inappropriate way then it may make a finding of maladministration against a council. The Ombudsman received 6 complaints in 2015/16; there were no findings of maladministration.

The Council has appropriate policy and arrangements in place for governing how it uses its powers under the Regulation of Investigatory Powers Act 2000. During the period 31<sup>st</sup> of March 2015 to 1<sup>st</sup> of April 2016 there was no necessity to make use of these powers.

Assurance can be taken from the work of the Council's external auditors as they issued an unqualified opinion on the Council's financial accounts and value for money arrangements in September 2015.

Despite such challenging times the Council is committed to continuous improvement of its governance arrangements and to the delivery of excellent customer service and to this end the Standards Committee and the role of the Monitoring Officer has been enhanced by the appointment of an Independent Person who supports the work of the Monitoring Officer and the Committee.

At the June meeting the Governance committee requested that the draft AGS be enhanced to include matters pertaining to the Licensing Service, including actions taken to address control weaknesses. Also that the AGS should reference Internal Audit Reports in respect of Flexi-time and Overtime. The External Auditor has since also suggested that these issues should be included in the revised AGS. Accordingly please see the paragraphs (below) in part 5 of this statement which address such issues.

More recently the Scrutiny Committee Task Group has reported on issues emerging from how the review of our Licensing service was conducted. There are clearly a number of very important issues from a governance perspective emerging from this report.

## **5. Enhancing our Governance Arrangements**

The following important actions were taken during 2015/16 to build and strengthen the Council's corporate governance arrangements:

- Implementation of revised national guidance for Audit (Governance) Committees
- Review of compliance with the Council's Data Quality Policy
- Raising awareness of standards of ethical behaviour expected
- Review of compliance with national guidelines for document retention

The Council's governance arrangements are however subject to continuous improvement and therefore the following ongoing and newly identified actions will be implemented during 2016/17:

- Undertake additional financial training for budget holders and members
- Update the Customer Charter
- Implement an electronic corporate complaints system
- Review the Council's anti-fraud & corruption arrangements
- Ensure compliance with the revised Transparency Code

### **Internal Audits of Licensing, Flexi-time and Overtime**

All the management actions contained within these reports have been agreed for implementation and will be subject to follow-up / repeat audits to ensure compliance, during 2016/17.

### **Other Licensing Service Improvements**

A review of the service has been completed, in part following the recommendation of the internal audit, but also as a result of a wider external review. Extra measures are now in place in order to address governance/control weaknesses and to provide greater confidence. These include:

- The Licensing Service has been reviewed and all the Internal Audit report recommendations have been agreed and actions taken
- A Licensing Manager has been recruited recommended by the Local Government Association
- A Taxi Licensing Policy has been introduced
- A comprehensive training programme has been provided for Members. This included a refresher training package for General Licensing Committee covering licensing law, decision making, case law and safeguarding delivered by an experienced, external facilitator and LGA in June 2016.
- Safeguarding training has been provided to all Taxi Licence holders.
- An enforcement programme has been introduced
- A biannual performance report to Committee has been introduced
- The Council has linked with Lancashire County Council in its review of Safeguarding and Regulatory Functions
- To continue to provide assurance and continued improvement the Council has invited Commissioner Mary Ney a national expert in Licensing to share experience

Further work will be required as the service is currently being maintained and delivered with temporary resources. Our work to ensure that our licensing service will be as sound and robust as possible will continue on a permanent basis.

Councillor Peter Mullineaux  
Leader of the Council

Jean Hunter  
Interim Chief Executive

Date: 14 December 2016

On behalf of the Members and Senior Officers of South Ribble Borough Council.

## CORPORATE GOVERNANCE ACTION PLAN 2016/17

| Themes   | Recommended Improvements   | Proposed Actions  |
|--|--|---|
| <b>ACTIONS ARISING FROM THE ANNUAL CORPORATE SELF-ASSESSMENT</b> |  |   |
| 1. Member & Officer Development                                  | To develop the current level / programme of financial training packages for Budget Holders (& Members) to include use of systems, process improvement and financial management techniques.   | <ul style="list-style-type: none"> <li>- Identify priority issues for customers and Shared Services</li> <li>- Consult customers</li> <li>- Produce packages</li> <li>- Deliver training</li> <li>- Develop self-service continual training via intranets</li> </ul>  |
| 2. Customer Care   | To update the Customer Charter to incorporate all channels of communication and to review target response timescales.  | <ul style="list-style-type: none"> <li>- Revised baseline to include new ways of contacting the Council &amp; a new Charter to be developed</li> <li>-</li> </ul>   |
| 3. Customer Complaints   | To implement an electronic complaint reporting system.   | <ul style="list-style-type: none"> <li>- Following success of the pilot complaints process to be centralised.</li> </ul>  |
| 4. Fraud & Corruption  | To ensure compliance with the requirements contained within the Fighting Fraud & Corruption Locally – The local government counter fraud and corruption strategy & companion.  | <ul style="list-style-type: none"> <li>- To review the current arrangements against the FFCL checklist.</li> <li>- Implement findings arising from the review.</li> </ul>   |
| 5. Transparency  | To ensure full compliance with the revised requirements of the Transparency Code.  | <ul style="list-style-type: none"> <li>- Following the outcome of the consultation of the Transparency Code requirements a review of compliance is to be undertaken</li> <li>- Implement any findings arising from the review.</li> </ul>   |
| 6. Constitution  | To ensure that the Constitution is as clear as possible, completely up to date and fit for purpose   | <ul style="list-style-type: none"> <li>- To carry out a thorough review of the constitution including Financial Regulations.</li> <li>- To be addressed in the interim by additional senior governance support part funded by the LGA and accompanying additional capacity</li> </ul>   |
| <b>ACTIONS ARISING FROM THE SCRUTINY REVIEW OF LICENSING</b>     |  |   |
| 7. Corporate Plan  | Rec 2 - Following concerns expressed in the Wilkin Chapman report, the Council develops a new, robust and SMART Corporate Plan that sets out our priorities, objectives and actions that will achieve our vision and unifies the whole Council team in working together to improve the quality of life of our residents. | This is underway and will be presented to Scrutiny Committee on 13 <sup>th</sup> December and Cabinet on 12 <sup>th</sup> January. Given the extremely tight timescales, it is proposed that a more fundamental review should be planned for next year. This will enable more effective engagement with members, staff, partners and residents. |
| 8. Member & Officer Development                                  | Rec 3 – Member and officer training and development be re-prioritised and extended to include training on roles and responsibilities, council structure,   | Training and development will be delivered as part of a programme commissioned by the Centre for Public Scrutiny funded by the LGA. The Licensing   |

|                        |  |  |
|------------------------|--|--|
|                        | governance arrangements and constitution. The clear distinction between the Cabinet, quasi-judicial and other committees such as licensing is to be emphasised.                  | Committee training programme to include learning from other authorities.   |
| 9. Ethical Governance  | Rec 4 – The Standards Committee be strengthened and role be enhanced to improve the ethical governance of the authority and set the standard for Members and Officers to follow. | To be addressed as part of the proposed programme to be provided by the Centre for Public Scrutiny.  |
| 10. Ethical Governance | Rec 5 – Greater priority, liaison and support be provided to the Scrutiny, Governance and Standards Committees in promoting high ethical, performance and governance standards.  | To be addressed in the interim by additional senior governance support part funded by the LGA and by additional capacity to address backlogs created by increased demand. This will be reviewed once the current position with the Monitoring Officer is resolved and also via the proposed review of the senior management structure.   |
| 11. Ethical Governance | Rec 8 – A Member / Officer relations protocol is developed and political awareness training is provided to Members and Officers.   | To be addressed as part of the proposed programme to be provided by the Centre for Public Scrutiny.  |
| 12. Safeguarding       | Rec 12 – Scrutiny Committee receives an annual report on safeguarding to ensure the Council is taking it seriously.  | This has already been actioned and an annual report will be presented to Scrutiny Committee on the 14 <sup>th</sup> March and Cabinet on the 15 <sup>th</sup> March.   |
| 13. Procurement        | Rec 15 – An internal audit of the management of the legal instructions and associated costs be carried out.  | The Internal Audit will: <ol style="list-style-type: none"> <li>1 ascertain whether the Council's Contract Procedures and Procurement Rules were followed in the appointment of Wilkin Chapman &amp; Weightmans to carry out their external investigations.</li> <li>2 ascertain what formal/legal instructions were issued to Wilkin Chapman &amp; Weightmans, when and by whom (both in terms of the main service review and disciplinary investigation).</li> <li>3 ascertain what arrangements were put in place to manage the contracts with Wilkin Chapman &amp; Weightmans, including budgetary provision, authorisation of expenditure and financial reporting.</li> <li>4 review all transactions made through the entire procure to pay process to ascertain whether there has been full compliance with Financial Regulations.</li> </ol> |
| 14. Group Leaders      | Rec 1 – The political group leaders work together to stabilise and strengthen the Council's political leadership.  | This will be achieved through the Employment Panel set up to appoint and monitor progress by the Interim Chief Executive   |

|                                    |   |  |
|------------------------------------|---|--|
| 15. Ethical Governance             | Rec 6 - That the conduct of the five Members of Cabinet involved in taking unconstitutional decisions be referred to the Monitoring Officer for formal consideration as to whether any breach of the members Code of Conduct has taken place.   | This does not require either Cabinet or Governance committee approval and can be actioned by the Chair of Scrutiny on behalf of the Committee.   |
| 16. Monitoring Officer             | Rec 7 - The conduct, behaviour and competency of the Monitoring Officer be considered further.  | This is already being progressed by a Member Panel with independent support and is expected to be resolved by the end of January 2017.   |
| 17. Management Structure           | Rec 9 - The senior management structure is reviewed as a matter of urgency to ensure it is fit for purpose and that senior managers have the necessary skills, qualifications and experience to undertake those roles.  | The new Corporate Plan will provide the context for the senior management structure. This action will be progressed with support from the North West Employers Organisation once the Plan is agreed. Interim arrangements will also be put in place to increase capacity until a more sustainable structure can be implemented.  |
| 18. Review of Services             | Rec 10 - The role, capability and capacity of the in-house legal and democratic services team and that of Shared Financial Services be reviewed to ensure they provide proactive advice to Members and Officers to ensure compliance with the constitution and governance frameworks. | The additional senior governance support, part-funded by the LGA, will be tasked with reviewing legal and democratic services.<br><br>A review of Shared Financial Services is currently being planned by Chorley Borough Council.   |
| 19. Review of Disciplinary Matters | Rec 11 - A review of the way in which the Council has dealt with the disciplinary arrangements be carried out once they are completed.  | To be undertaken by a Head of HR from a neighbouring authority once disciplinary issues have been resolved.  |
| 20. Communication                  | Rec 13 - The way in which the Council communicates with Members, employees, residents and partners is overhauled to improve our reputation and the trust they have with the Council.  | The current communications team is significantly stretched by recent events. Additional interim resource will be provided by the LGA to work with the team to develop a more strategic approach and an action plan to be considered and approved by Scrutiny Cabinet and Cabinet.  |
| 21. Our People                     | Rec 14 – The Council's Our People Plan be completely refreshed to support our employees and improve employee morale   | An employee survey is currently taking place in order to establish a benchmark so that progress can be measured, The results will be presented to Scrutiny Committee on January 31 <sup>st</sup> and Cabinet on February 20 <sup>th</sup> . The results will be used, together with the new Corporate Plan and extensive staff engagement, to produce a new People Plan. |
| 22. Peer Review                    | Rec 16 - The Local Governance Association be asked to carry out an ethical governance peer review in six months' time   | The LGA no longer conducts ethical governance peer reviews. They have therefore been approached to schedule a corporate peer review with an ethical focus. The proposed residents' surveys will provide a benchmark against which progress can be measured in six months. Cabinet have agreed this should be actioned as soon as possible.                               |

# Statement of Responsibilities

This statement defines the responsibilities of the Council and the Responsible Financial Officer in respect of the Council's financial affairs.

## The Council's Responsibilities

The Council shall:

- ◆ make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Acting Chief Financial Officer.
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the Statement of Accounts.

## The Acting Chief Financial Officer's Responsibilities

The Acting Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code).

In preparing this Statement of Accounts, He has:

- ◆ Selected suitable accounting policies and applied them consistently;
- ◆ Made judgements and estimates that are reasonable and prudent;
- ◆ Complied with the local authority Code;
- ◆ Kept proper accounting records which are up to date; and
- ◆ Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Further Information

Further information about the accounts is available from the Shared Financial Services Team, Civic Centre, West Paddock, Leyland, Lancashire, PR25 1DH

## Certification

I certify that the Statement of Accounts gives a true and fair view of the financial position of South Ribble Borough Council as at 31 March 2016 and its Income and Expenditure for the year ended 31 March 2016.

S Guinness CPFA  
Acting Chief Financial Officer  
Date 14 December 2016

I confirm that these Statement of Accounts were approved by Governance Committee on 14 December 2016.

Councillor Alan Ogilvie  
Chair, Governance Committee



## Movement in Reserves Statement

This statement shows the movements in the year on the different reserves held by the Council, analysed between those that are “usable” (available to fund expenditure or reduce local taxation), and other reserves.

The line “(Surplus)/deficit on provision of services” shows the true economic cost of providing the authority’s services, as detailed in the Comprehensive Income and Expenditure Statement. For the purposes of council tax setting however, a series of statutory adjustments are then made. These adjustments are shown in total below, and are also detailed in note 7.

|  | General Fund<br>Note 7<br>£'000 | Earmarked<br>Reserves<br>Note 8<br>£'000 | Capital<br>Receipts<br>Reserve<br>Note 7<br>£'000 | Capital<br>Grants<br>Unapplied<br>Note 7<br>£'000 | Total<br>Usable<br>Reserves<br>£'000 | Unusable<br>Reserves<br>Note 22<br>£'000 | Total<br>Reserves<br>£'000 |
|--|---------------------------------|--|---|---|--------------------------------------|--|----------------------------|
| Balance 31 March 2014  | (4,092)                         | (10,186)                                 | (2,037)   | (3,395)   | (19,710)                             | (6,966)                                  | (26,676)                   |
| <u>Movement in 2014/15</u>   |                                 |  |   |   |                                      |  |                            |
| (Surplus)/deficit on provision of service                                      | 35                              | 0  | 0   | 0   | 35                                   | 0  | 35                         |
| Other Comprehensive Income & Expenditure                                       | 0                               | 0  | 0   | 0   | 0                                    | 8,202                                    | 8,202                      |
| <b>Total Comprehensive Income &amp; Expenditure</b>                            | <b>35</b>                       | <b>0</b>                                 | <b>0</b>  | <b>0</b>  | <b>35</b>                            | <b>8,202</b>                             | <b>8,237</b>               |
| Adjustments between accounting basis & funding basis (note 7)                  | 1,966                           | 0  | 20  | (186)   | 1,800                                | (1,800)                                  | 0                          |
| <b>Net change before transfers to/(from) earmarked reserves</b>                | <b>2,001</b>                    | <b>0</b>                                 | <b>20</b>   | <b>(186)</b>                                      | <b>1,835</b>                         | <b>6,402</b>                             | <b>8,237</b>               |
| Transfers to/(from) earmarked reserves (note 8)                                | (1,358)                         | 1,321                                    | 0   | 37  | 0                                    | 0  | 0                          |
| <b>(Increase)/Decrease in year</b>   | <b>643</b>                      | <b>1,321</b>                             | <b>20</b>   | <b>(149)</b>                                      | <b>1,835</b>                         | <b>6,402</b>                             | <b>8,237</b>               |
| <b>Balance 31 March 2015</b>   | <b>(3,449)</b>                  | <b>(8,865)</b>                           | <b>(2,017)</b>                                    | <b>(3,544)</b>                                    | <b>(17,875)</b>                      | <b>(564)</b>                             | <b>(18,439)</b>            |
| <u>Movement in 2015/16</u>   |                                 |  |   |   |                                      |  |                            |
| (Surplus)/deficit on provision of service                                      | (1,110)                         | 0  | 0   | 0   | (1,110)                              | 0  | (1,110)                    |
| Other Comprehensive Income & Expenditure                                       | 0                               | 0  | 0   | 0   | 0                                    | (8,822)                                  | (8,822)                    |
| <b>Total Comprehensive Income &amp; Expenditure</b>                            | <b>(1,110)</b>                  | <b>0</b>                                 | <b>0</b>  | <b>0</b>  | <b>(1,110)</b>                       | <b>(8,822)</b>                           | <b>(9,932)</b>             |
| Adjustments between accounting basis & funding basis under regulation (note 7) | (2,405)                         | 0  | (72)  | (3,173)   | (5,650)                              | 5,650                                    | 0                          |
| <b>Net change before transfers to/(from) earmarked reserves</b>                | <b>(3,515)</b>                  | <b>0</b>                                 | <b>(72)</b>                                       | <b>(3,173)</b>                                    | <b>(6,760)</b>                       | <b>(3,172)</b>                           | <b>(9,932)</b>             |
| Transfers to/(from) earmarked reserves (note 8)                                | 2,770                           | (2,719)                                  | 0   | (51)  | 0                                    | 0  | 0                          |
| <b>(Increase)/Decrease in year</b>   | <b>(745)</b>                    | <b>(2,719)</b>                           | <b>(72)</b>                                       | <b>(3,224)</b>                                    | <b>(6,760)</b>                       | <b>(3,172)</b>                           | <b>(9,932)</b>             |
| <b>Balance 31 March 2016</b>   | <b>(4,194)</b>                  | <b>(11,584)</b>                          | <b>(2,089)</b>                                    | <b>(6,768)</b>                                    | <b>(24,635)</b>                      | <b>(3,736)</b>                           | <b>(28,371)</b>            |

# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the amount to be funded from taxation, since authorities raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Movement in Reserves Statement.

| 2014/15                    |                       |                          |  | 2015/16                    |                       |                          |
|----------------------------|-----------------------|--------------------------|--|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |  | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
| 2,031                      | (701)                 | 1,330                    | Central services to the public   | 2,258                      | (995)                 | 1,263                    |
| 5,823                      | (1,894)               | 3,929                    | Environmental & Regulatory Services                                      | 6,061                      | (1,852)               | 4,209                    |
| 2,364                      | (1,394)               | 970                      | Planning Services  | 2,986                      | (1,597)               | 1,389                    |
| 4,134                      | (495)                 | 3,639                    | Culture & Related Services   | 5,599                      | (476)                 | 5,123                    |
| 582                        | (358)                 | 224                      | Highways and transport services.   | 461                        | (336)                 | 125                      |
| 26,009                     | (25,080)              | 929                      | Other housing services   | 24,445                     | (23,546)              | 899                      |
| 1,524                      | (83)                  | 1,441                    | Corporate and democratic core  | 2,184                      | (24)                  | 2,160                    |
| 536                        | (36)                  | 500                      | Non-distributed costs  | 422                        | (20)                  | 402                      |
| <b>43,003</b>              | <b>(30,041)</b>       | <b>12,962</b>            | <b>Cost of Services</b>  | <b>44,416</b>              | <b>(28,846)</b>       | <b>15,570</b>            |
| 254                        | (46)                  | 208                      | Other operating expenditure (note 9)                                     | 256                        | (72)                  | 184                      |
| 5,075                      | (3,704)               | 1,371                    | Financing and investment income and expenditure (note 10)                | 3,609                      | (3,360)               | 249                      |
| 13,177                     | (27,683)              | (14,506)                 | Taxation and non-specific grant income (note 11)                         | 12,808                     | (29,921)              | (17,113)                 |
| <b>61,509</b>              | <b>(61,474)</b>       | <b>35</b>                | <b>(Surplus)/deficit on provision of services</b>                        | <b>61,089</b>              | <b>(62,199)</b>       | <b>(1,110)</b>           |
|                            |                       | 33                       | (Surplus)/deficit on revaluation of Property, Plant and Equipment assets |                            |                       | (2,604)                  |
|                            |                       | 8,169                    | Re-measurement of the net defined benefit liability (note 36d)           |                            |                       | (6,218)                  |
|                            |                       | <b>8,202</b>             | <b>Other Comprehensive (Income) and Expenditure</b>                      |                            |                       | <b>(8,822)</b>           |
|                            |                       | <b>8,237</b>             | <b>Total Comprehensive (Income) and Expenditure</b>                      |                            |                       | <b>(9,932)</b>           |

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. It shows the net assets of the authority which are matched by the reserves held. Reserves are reported in two categories. 'Usable Reserves' includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt. 'Unusable Reserves' fall into two categories. The first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the "adjustments between the accounting basis and the funding basis", as shown in the Movement in Reserves Statement (MiRS).

| 31 March 2015<br>£'000 |                                     | Notes             | 31 March 2016<br>£'000 |
|------------------------|-------------------------------------|-------------------|------------------------|
| 27,470                 | Property, Plant & Equipment         | 12                | 28,163                 |
| 11,555                 | Investment Property                 | 13                | 11,556                 |
| 101                    | Intangible Assets                   | 14                | 62                     |
| 84                     | Long Term Debtors                   | 15                | 68                     |
| <b>39,210</b>          | <b>Long Term Assets</b>             |                   | <b>39,849</b>          |
| 3,007                  | Short Term Investments              | 15                | 6,006                  |
| 96                     | Inventories                         | 16                | 93                     |
| 4,042                  | Short Term Debtors                  | 17                | 2,988                  |
| 18,511                 | Cash and Cash Equivalents           | 18                | 18,401                 |
| <b>25,656</b>          | <b>Current Assets</b>               |                   | <b>27,488</b>          |
| (1,381)                | Bank overdraft                      | 18                | 0                      |
| (8,516)                | Short Term Creditors                | 19                | (6,193)                |
| (647)                  | Provisions                          | 20                | (1,320)                |
| <b>(10,544)</b>        | <b>Current Liabilities</b>          |                   | <b>(7,513)</b>         |
| (231)                  | Long Term Creditors                 | 15                | (250)                  |
| (695)                  | Other Long Term Liabilities         | 15                | (748)                  |
| (34,754)               | Net Pension Liability               | 36                | (30,252)               |
| (203)                  | Grant Receipts in Advance - Capital | 32                | (203)                  |
| <b>(35,883)</b>        | <b>Long Term Liabilities</b>        |                   | <b>(31,453)</b>        |
| <b>18,439</b>          | <b>Net Assets</b>                   |                   | <b>28,371</b>          |
| (17,875)               | Usable Reserves                     | 21 & MiRS Page 42 | (24,635)               |
| (564)                  | Unusable Reserves                   | 22                | (3,736)                |
| <b>(18,439)</b>        | <b>Total Reserves</b>               |                   | <b>(28,371)</b>        |

The unaudited accounts were issued on 24 June 2016, and the audited accounts were authorised for issue on the 14 December 2016.

## Cash Flow Statement

This shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

| 2014/15<br>£'000 |  | 2015/16<br>£'000 |
|------------------|--|------------------|
| (35)             | Net surplus or (deficit) on the provision of services (CI&ES page 43)  | 1,110            |
| 1,071            | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 23a)   | 7,989            |
| (834)            | Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities (Note 23b) | (4,297)          |
| 202              | Net cash flows from Operating Activities (Note 23)   | 4,802            |
| (1,213)          | Investing Activities (Note 24)   | (1,233)          |
| 4,811            | Financing Activities (Note 25)   | (2,298)          |
| 3,800            | Net increase or (decrease) in cash and cash equivalents  | 1,271            |
| 13,330           | Cash and cash equivalents at the beginning of the reporting period   | 17,130           |
| <b>17,130</b>    | <b>Cash and cash equivalents at the end of the reporting period (Note 18)</b>  | <b>18,401</b>    |

Cash and Cash Equivalents at the beginning and end of the 2015/16 reporting period have been defined to be net of the Bank Overdraft.

# Notes to the Main Financial Statements

**NOTE:** values throughout these accounts are presented rounded to whole numbers (usually thousands or millions of pounds). Totals in supporting tables and notes may appear not to cast, cross-cast, or exactly match to the Core Financial Statements or other tables, due to rounding differences.

## 1 ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP), 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.

### Accruals of Income and Expenditure

The Income and Costs of the Council are accounted for in the period to which they relate, regardless of when the cash is paid or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from non-exchange transactions shall be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to 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 borrowings 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.

### Cash and Cash Equivalents

Cash consists of cash in hand and deposits repayable without penalty on notice of not more than 24 hours. Cash Equivalents consist of investments which mature in less than three months. In the

Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

Longer term investments are not reclassified if the outstanding period falls below three months at the date of account.

### **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with depreciation charges, revaluation and impairment losses in excess of accumulated revaluation gains, and amortisation charges in respect of intangible assets.

The Authority is not required to raise council tax to meet these charges. Instead it has to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is achieved by means of an adjustment between the General Fund balance and the Capital Adjustment Account (in the Movement in Reserves Statement).

### **Contingent Assets and Liabilities**

These are assets and liabilities arising from past events the existence of which will only be confirmed by future events not wholly within the Council's control. They are disclosed in the notes to the main financial statements. See notes 37 and 38.

### **Exceptional Items**

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the main financial statements, depending on their significance.

### **Employee Benefits**

#### Benefits payable during employment

These are charges to the Surplus or Deficit on the Provision of Service. The charge includes an accrual for any untaken leave and holiday entitlement. This accrual does not affect council tax since it is reversed by transfer from the General Fund Balance to the Accumulating Compensated Absences Account (in the Movement in Reserves Statement).

#### Termination benefits

These are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date, or a decision to accept voluntary redundancy. The costs are recognised when the Council commits itself to terminate the employment of an officer or group of officers, or makes an offer to encourage voluntary redundancy. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

#### Post-Employment Benefits

Employees are members of the Local Government Pension Scheme which provides defined benefits to members. Full details of transactions are given in Note 36. The following notes explain the methodology.

The liabilities of the fund attributable to the Authority 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 projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds).

The assets of the fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unlisted securities – current bid price
- property – market value

The change in net pension liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
- net interest on the net defined benefit liability i.e. net interest expense for the Council - the change during the period in the net defined benefit liability 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 benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – 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 paid to the pension fund:

- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.



### Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities thus arising 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.

### **Events after the Reporting Period**

Where an event occurs after the Balance Sheet date and it provides evidence of conditions that existed at the Balance Sheet date, the amounts recognised in the Statement of Accounts is adjusted.

Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted. The “non-adjusting event”, and an estimate of the financial effect, is however disclosed in the notes to the main financial statements.

### **Financial Liabilities**

Borrowings are initially measured at fair value and carried at their amortised cost. The annual charge to the Comprehensive Income and Expenditure Statement (CI&ES) is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal payable plus interest accrued at 31 March.

Gains or losses on premature redemption are charged to the Comprehensive Income and Expenditure Statement unless they are the result of a restructure in which case they are added to the amortised cost and charged over the life of the modified loan. However, Regulations require discounts to be amortised over the shorter of the life of the original loan or ten years. Greater discretion applies to premia, they can be amortised over the life of the original or replacement loan, or a shorter period. A transfer is done from the General Fund Balance to the Financial Instruments Adjustment Account to give effect to these regulations.

### **Financial Assets**

#### Loans and receivables

These are initially measured at fair value and carried at amortised cost. The annual credit to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal receivable plus interest accrued at 31 March.

Where assets are identified as impaired because of a likelihood from a past event that payments will not be received, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

### **Going Concern**

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

### **Government Grants and Other Contributions**

Government grants and other contributions for both revenue and capital purposes are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have

been complied with. If compliance has not been achieved, cash received is held on the Balance Sheet as a long term creditor.

The postings in the Comprehensive Income and Expenditure Statement relating to capital grants and contributions are reversed out of the General Fund balance in the Movement in Reserves Statement. If the monies have not been used they are credited to the Grants Unapplied Reserve. If they have been applied to fund capital expenditure they are credited to the Capital Adjustment Account.

### **Intangible assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences), is capitalised at cost if it will bring benefits to the Council for more than one financial year. Internally generated assets are capitalised where it is demonstrable that the Council will generate future economic benefits.

The cost is amortised over the economic life to reflect the pattern of consumption. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

The postings in the Comprehensive Income and Expenditure Statement are reversed from the General Fund balance in the Movement in Reserves Statement and charged to the Capital Adjustment Account.

### **Investment Properties**

Investment properties are those held solely to earn rentals or for capital appreciation. They are measured initially at cost and subsequently at fair value. Valuations are provided by Royal Institution of Chartered Surveyors (RICS)-qualified valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS. They are not depreciated but are re-valued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Gains and losses on revaluation and disposal are not permitted by statute to impact on the council tax. A reversal is therefore done between the General Fund Balance and the Capital Adjustment Account (or, in the case of sale proceeds exceeding £10,000 to the Capital Receipts Reserve.

Income and expenditure from investment properties are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Leasing**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases. If the lease covers both land and buildings, then the land and building elements are considered separately for classification.

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

### **The Authority as lessee**

#### **Finance leases**

An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset is matched by a liability, being the obligation to the lessor. Contingent rents are charged as expenses in the periods in which they are incurred. Lease

payments are split between a finance charge, charged to the Comprehensive Income and Expenditure Statement, and the principal element, applied to write down the lease liability. Assets held under a finance lease will be subject to depreciation and revaluation in the same way as any other asset.

#### Operating leases

Rentals are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the asset.

#### **The Authority as lessor**

#### Finance leases

Where the Authority grants a finance lease over an asset, it is written out of the Balance Sheet and charged to the "gain or loss on disposals" line in Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. The Authority's net investment in the lease is credited to the same line, matched by a Long Term Debtor in the balance Sheet. Lease rental receipts are split between finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement), and the principal element applied to write down the Long Term Debtor.

#### Operating leases

Where the Authority grant an operating lease over an asset it remains on the Balance Sheet, and the income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. See note 35.

#### **Non-Current Assets Held for Sale**

Accounting treatment is detailed in the Property Plant and Equipment, Disposal and Non-Current Assets Held for Sale policy.

#### **Overheads**

The Service Reporting Code of Practice 2015/16 (SeRCOP) requires that all Central Support and Administrative costs, with the exception of those mentioned below, be allocated to services.

The exceptions are:

- The costs of Democratic Representation and Management.
- A narrow range of costs defined as Corporate Management.
- Non-Distributed Costs. These consist of certain costs relating to retirement benefits (past service, curtailment and settlement costs), and costs associated with unused IT facilities and surplus assets.

#### **Prior Period Adjustments, Changes in Accounting Policies, and Estimates and Errors**

Changes in 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 practice or if the change provides more reliable or relevant information about the effect of transactions on the Council's financial performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts from prior periods. Material errors will also require a prior period adjustment.

#### **Property Plant and Equipment (PPE)**

All expenditure on the acquisition, creation, or enhancement of fixed assets is capitalised on an accruals basis in the accounts provided it exceeds the 'de minimis' threshold of £5,000 and provides benefits to the Council for a period of more than one year.

### Measurement

Assets are initially measured at cost, comprising the purchase price, and 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 the Council. Should they be incurred, the Authority would capitalise borrowing costs incurred whilst major assets are under construction.

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

- Infrastructure, Community Assets, Assets under Construction, and equipment, are held at depreciated historical cost.
- All other assets are measured at current value, determined as the amount that would be paid for the asset in its existing use.

In respect of specialised assets, if there is an absence of market based evidence of value, depreciated replacement cost is used as an estimate of current value.

Valuations are provided by Royal Institution of Chartered Surveyors (RICS)-qualified valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS. Assets held 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 credited to the Revaluation Reserve unless they reverse previous losses charged to the Comprehensive Income and Expenditure Statement, in which case the gain shall be credited to that account. A fall in value will be charged firstly against any balance held in the Revaluation Reserve. If this is insufficient or non-existent, the charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

### Depreciation

Non-current assets held for sale are not depreciated.

Other property is depreciated over its useful life on a straight line basis. Depreciation is based on the closing value of assets. Components are separately depreciated if

- The total value of the host asset (excluding land) exceeds £0.500m and
- The value of the component exceeds 20% of the asset value (excluding land)

Depreciation periods are as follows:

|   | <b>years</b> |
|---|--------------|
| Property (excluding components separately identified) | 5-60         |
| Property components - mechanical                      | 25           |
| Portable office facilities                            | 10-15        |
| Vehicles  | 3-10         |
| IT equipment  | 3-5          |
| Other equipment                                       | 5-15         |

Revaluation gains are also depreciated by transfer of the difference between the current valuation depreciation charge and the historic cost depreciation charge, from the Revaluation Reserve to the Capital Adjustment Account.

### Impairment

All assets are reviewed annually for impairment. Impairment losses are charged against revaluations held in the Revaluation Reserve. If these are inadequate the loss is charged to the

relevant service line in the Comprehensive Income and Expenditure Statement. If an impairment loss is subsequently reversed, the reversal, up to the amount of the original loss adjusted for depreciation, is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

#### Disposal 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 continuing use, it is reclassified as an Asset Held for Sale and shown within current assets. The asset is re-valued immediately and carried at the lower of this amount and current value less costs to sell. If assets subsequently fail to 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) and their recoverable amount at the date of the decision not to sell.

On disposal the carrying amount of an asset 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 exceeding £10,000 from disposal are credited to the same line; lesser receipts are included as service income in cost of services. Any revaluation gains accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

#### Capital Charges and Council Tax

The postings in the Comprehensive Income and Expenditure Statement in respect of depreciation, impairment, disposal and revaluation are reversed in the Movement in Reserves Statement to avoid impacting on council tax. Capital Receipts exceeding £10,000 are reversed to the Capital Receipts Reserve. Other reversals are to the Capital Adjustment Account.

#### **Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing is uncertain. Provisions are charged to the appropriate revenue account, Expenditure, when incurred, is charged direct to the provision.

#### **Reserves**

Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the relevant service in the Comprehensive Income and Expenditure Statement, and the reserve is appropriated back into the General Fund Balance through the Movement in Reserves Statement.

#### **Revenue Expenditure Funded From Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provision 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.

If the Authority has determined to use capital resources to meet the cost (as opposed to funding from revenue) a transfer is done in the Movement in Reserves Statement, from the General Fund Balance to the Capital Adjustment Account, so that there is no impact on the council tax.

#### **Value Added Tax**

VAT is included in the accounts only to the extent that it is irrecoverable.

## **Fair Value Measurement**

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

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

Valuations of non-financial assets are provided by Royal Institution of Chartered Surveyors (RICS)-qualified valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS.

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

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

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

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

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

## **2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of the accounting change that will be required by a new standard that has been issued but not yet adopted. Changes in the following accounting standards have not been included in this statement:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions).
- Annual Improvements to IFRSs (2010-2012 Cycle).
- Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations).

- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs (2012-2014 Cycle).
- Amendments to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

The Code does not anticipate that the above amendments will have a material impact on the information provided in the financial statements.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. However CIPFA are of the view that district councils will not meet the definition within the Code of a single network highway asset unless the cost of any highway assets they own are material. There will therefore be no change for South Ribble Borough Council when the Code is in effect.

### **3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Authority has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

#### **Funding**

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

#### **Investment Properties**

Investment properties have been assessed using the identifiable criteria under the international accounting standards of being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation, to determine if there is an operational reason for holding the property, such as regeneration.

#### **Commuted Sums**

Commuted sums due from developers in order to fulfil obligations of S106 Agreements have been accrued and added to the Capital Grants and Contributions Unapplied Reserve. The commuted sums become receivable when trigger stages defined in the S106 Agreements have been reached. Judgement has been applied in deciding whether each development had reached the trigger stage by 31 March 2016.

#### **Leases**

The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

## Group Accounts

The Council's group boundaries have been assessed using the criteria outlined in The Code. The Council has assessed relationships and found none to require the preparation of group accounts.

## Fair Values

When measuring the fair value of a non-financial asset, the Council uses judgement to ascertain 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. It also uses judgements regarding inputs to valuation techniques, particularly whether they are applicable and relevant to the assets or liabilities, either directly or indirectly, being valued.

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

The Statement of Accounts contains figures estimated on the basis of historical experience, current trends and other relevant factors. The following table notes items for which there is a significant risk of material future adjustment:

| Item               | Uncertainty   | Effect if actual results differ   |
|--------------------|---|---|
| Pensions liability | The estimated liabilities depend on a number of complex judgements. These include future retirement ages, mortality rates, salary increases, returns on investments and discount rates. A firm of consulting actuaries is engaged to provide advice on these assumptions.   | Sensitivity to the factors contributing to this estimate is shown in Note 36i. Small changes have major impacts on the pension deficit. |
| Debtors            | The most significant debtor issue for the Council is its responsibility for collecting £94.892m in business rates and council tax. It is however mainly as agent for government and major preceptors. The major recovery risk resulting from shortfalls in collection falls to these bodies. Various notes present debtor information. Note 15d shows that financial instrument debtors total £2.186m against which a bad debt provision of £1.075m has been made. This total debtors figure includes Housing benefit debtors of £1.005m (i.e. recovery of overpayments). Changes in the administration of benefits are pending which may affect recovery in future years. The provision made for these debts has therefore been maintained at 90% to reflect this. | Any additional impairment will be a charge to the Comprehensive Income and Expenditure Statement.                                       |
| Asset valuations   | Note 12 shows that fixed assets valued at £28.163m are carried at either current value or depreciated replacement cost value. The valuations have been carried out by qualified valuers in accordance with Royal Institution of Chartered Surveyors Guidance  | The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred.                 |
| Provisions         | A provision of £1.320m has been recognised for the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2016. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of   | If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates income        |



|                         |  |  |
|-------------------------|--|--|
|                         | successful appeals to date when providing the estimate of total provision up to and including 31 March 2016. See note 20.  | available to fund the Authority's services.  |
| Fair value measurements | When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's Senior Valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 1, 13 and 15. | The Council uses the market approach to value of some of its investment properties and financial assets. The unobservable inputs used in the fair value measurement include management assumptions regarding rent yield and growth, vacancy levels (for investment properties). Significant changes in any of the unobservable inputs would result in a lower or higher fair value measurement for the investment properties and financial assets. |

## 5 MATERIAL ITEMS OF INCOME AND EXPENSE

All material items have been disclosed in the statement or in the notes to the main financial statements.

## 6 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Acting Chief Financial Officer on 14 December 2016. Subsequent events are not reflected in the financial statements or in the notes.

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

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

### General Fund Balance

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

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

|  | 2015/16                       |                                   |                                   |   |
|--|-------------------------------|-----------------------------------|-----------------------------------|---|
|  | General Fund Balance<br>£'000 | Capital Receipts Reserve<br>£'000 | Capital Grants Unapplied<br>£'000 | Total Unusable Reserves<br>£'000<br>Note 22 |
| <b><u>Adjustments involving the Capital Adjustment Account (CAA)</u></b>                               |                               |                                   |                                   |   |
| <u>Reversal of debits and credits to CI&amp;ES</u>   |                               |                                   |                                   |   |
| Charges for depreciation of non-current assets   | (2,854)                       |                                   |                                   | 2,854                                       |
| Charges for impairment of non-current assets   |                               |                                   |                                   |   |
| Revaluation losses on Property, Plant and Equipment  | (1,649)                       |                                   |                                   | 1,649                                       |
| Movements in the fair value of Investment Property   | (21)                          |                                   |                                   | 21  |
| Amortisation of intangible assets  | (88)                          |                                   |                                   | 88  |
| Revenue expenditure funded from capital under statute  | (487)                         |                                   | 487                               |   |
| Non-current assets charged to CI&ES on disposal  |                               |                                   |                                   |   |
| <u>Insertion of items not posted to the CI&amp;ES</u>  |                               |                                   |                                   |   |
| Statutory & voluntary provision for the repayment of debt  | 843                           |                                   |                                   | (843)                                       |
| Capital expenditure charged against the General Fund Balance   | 524                           |                                   |                                   | (524)                                       |
| <b><u>Adjustments primarily involving Capital Grants Unapplied</u></b>                                 |                               |                                   |                                   |   |
| Capital grants and contributions unapplied credited to CI&ES   | 3,923                         |                                   | (3,923)                           |   |
| Community Infrastructure Levy unapplied credited to CI&ES  | 302                           |                                   | (302)                             |   |
| Grants applied to fund capital expenditure transferred to CAA  |                               |                                   | 565                               | (565)                                       |
| <b><u>Adjustments primarily involving the Capital Receipts Reserve</u></b>                             |                               |                                   |                                   |   |
| Capital receipts credited to CI&ES on non-current asset disposals                                      | 72                            | (72)                              |                                   |   |
| Capital receipts used to finance new capital expenditure   |                               |                                   |                                   |   |
| Capital receipts credited to CI&ES to finance the payment to the Government's capital receipt pool     | (1)                           | 1                                 |                                   |   |
| Transfer from Deferred Capital Receipts  |                               | (1)                               |                                   | 1   |
| <b><u>Adjustments involving Financial Instruments Adjustment A/c</u></b>                               |                               |                                   |                                   |   |
| Difference between finance costs in CI&ES and those chargeable in accordance with statutory regulation | (2)                           |                                   |                                   | 2   |
| <b><u>Adjustments involving the Pensions Reserve</u></b>   |                               |                                   |                                   |   |
| Reversal of pension charges made in the CI&ES  | (2,740)                       |                                   |                                   | 2,740                                       |
| Employer's contributions and payments made to pensioners   | 1,025                         |                                   |                                   | (1,025)                                     |
| <b><u>Adjustments involving the Collection Fund Adjustment A/c</u></b>                                 |                               |                                   |                                   |   |
| Difference between credit to CI&ES and precepted amount of council tax                                 | (59)                          |                                   |                                   | 59  |
| Difference between credit to CI&ES and local share of business rates                                   | (1,193)                       |                                   |                                   | 1,193                                       |
| <b><u>Adjustments involving the Accumulated Absences A/c</u></b>                                       |                               |                                   |                                   |   |
| Difference between remuneration charged to the CI&ES and that chargeable per statutory requirement     |                               |                                   |                                   |   |
| <b>TOTAL ADJUSTMENTS</b>   | <b>(2,405)</b>                | <b>(72)</b>                       | <b>(3,173)</b>                    | <b>5,650</b>                                |

| 2014/15 Comparative figures  | 2014/15                       |                                   |                                   |   |
|--|-------------------------------|-----------------------------------|-----------------------------------|---|
|  | General Fund Balance<br>£'000 | Capital Receipts Reserve<br>£'000 | Capital Grants Unapplied<br>£'000 | Total Unusable Reserves<br>£'000<br>Note 22 |
| <b><u>Adjustments involving the Capital Adjustment Account (CAA)</u></b>                               |                               |                                   |                                   |   |
| <u>Reversal of debits and credits to CI&amp;ES</u>   |                               |                                   |                                   |   |
| Charges for depreciation of non-current assets   | (1,772)                       |                                   |                                   | 1,772                                       |
| Charges for impairment of non-current assets   | (169)                         |                                   |                                   | 169   |
| Revaluation losses on Property, Plant and Equipment  |                               |                                   |                                   |   |
| Movements in the market value of Investment Property   | (802)                         |                                   |                                   | 802   |
| Amortisation of intangible assets  | (174)                         |                                   |                                   | 174   |
| Revenue expenditure funded from capital under statute  | (466)                         |                                   | 466                               |   |
| Non-current assets charged to CI&ES on disposal  | (20)                          |                                   |                                   | 20  |
| <u>Insertion of items not posted to the CI&amp;ES</u>  |                               |                                   |                                   |   |
| Statutory & voluntary provision for the repayment of debt  | 847                           |                                   |                                   | (847)                                       |
| Capital expenditure charged against the General Fund Balance   | 651                           |                                   |                                   | (651)                                       |
| <b><u>Adjustments primarily involving Capital Grants Unapplied</u></b>                                 |                               |                                   |                                   |   |
| Capital grants and contributions unapplied credited to CI&ES   | 768                           |                                   | (768)                             |   |
| Grants applied to fund capital expenditure transferred to CAA  |                               |                                   | 116                               | (116)                                       |
| <b><u>Adjustments primarily involving the Capital Receipts Reserve</u></b>                             |                               |                                   |                                   |   |
| Capital receipts credited to CI&ES on non-current asset disposals                                      | 66                            | (66)                              |                                   |   |
| Capital receipts used to finance new capital expenditure   |                               | 86                                |                                   | (86)  |
| Capital receipts credited to CI&ES to finance the payment to the Government's capital receipt pool     | (1)                           | 1                                 |                                   |   |
| Transfer from Deferred Capital Receipts  |                               | (1)                               |                                   | 1   |
| <b><u>Adjustments involving Financial Instruments Adjustment A/c</u></b>                               |                               |                                   |                                   |   |
| Difference between finance costs in CI&ES and those chargeable in accordance with statutory regulation | (2)                           |                                   |                                   | 2   |
| <b><u>Adjustments involving the Pensions Reserve</u></b>   |                               |                                   |                                   |   |
| Reversal of pension charges made in the CI&ES  | (2,418)                       |                                   |                                   | 2,418                                       |
| Employer's contributions and payments made to pensioners   | 2,865                         |                                   |                                   | (2,865)                                     |
| <b><u>Adjustments involving the Collection Fund Adjustment A/c</u></b>                                 |                               |                                   |                                   |   |
| Difference between credit to CI&ES and precepted amount of council tax                                 | 136                           |                                   |                                   | (136)                                       |
| Difference between credit to CI&ES and local share of business rates                                   | 2,454                         |                                   |                                   | (2,454)                                     |
| <b><u>Adjustments involving the Accumulated Absences A/c</u></b>                                       |                               |                                   |                                   |   |
| Difference between remuneration charged to the CI&ES and that chargeable per statutory requirement     | 3                             |                                   |                                   | (3)   |
| <b>TOTAL ADJUSTMENTS</b>   | <b>1,966</b>                  | <b>20</b>                         | <b>(186)</b>                      | <b>(1,800)</b>                              |

## 8 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows:-

|                                      | Balance<br>31 March<br>2014<br>£'000 | Transfers<br>In Out<br>£'000 £'000 |              | Balance<br>31 March<br>2015<br>£'000 | Transfers<br>In Out<br>£'000 £'000 |              | Balance<br>31 March<br>2016<br>£'000 |
|--------------------------------------|--------------------------------------|------------------------------------|--------------|--------------------------------------|------------------------------------|--------------|--------------------------------------|
| My Neighbourhoods                    | (38)                                 | (10)                               |              | (48)                                 |                                    | 8            | (40)                                 |
| Asset Management                     | (2,365)                              | (250)                              | 387          | (2,228)                              | (250)                              | 284          | (2,194)                              |
| Borough Council Elections            | (104)                                | (30)                               |              | (134)                                | (30)                               | 112          | (52)                                 |
| Housing Needs Survey                 | (45)                                 | (20)                               |              | (65)                                 | (20)                               |              | (85)                                 |
| ICT Strategy Reserve                 | (2,126)                              | (150)                              | 263          | (2,013)                              | (150)                              | 186          | (1,977)                              |
| Local Development Framework          | (218)                                |                                    | 38           | (180)                                |                                    |              | (180)                                |
| Performance Reward Grant             | (207)                                |                                    | 30           | (177)                                |                                    | 82           | (95)                                 |
| Public Open Space Funds              | (1,712)                              | (96)                               | 155          | (1,653)                              | (96)                               | 155          | (1,594)                              |
| Organisation Restructure Costs       | (523)                                |                                    | 138          | (385)                                |                                    |              | (385)                                |
| Vehicle and Plant replacement        | (112)                                |                                    |              | (112)                                |                                    |              | (112)                                |
| Leisure sites repair and maintenance | (259)                                |                                    |              | (259)                                |                                    |              | (259)                                |
| Business Rates Retention             | (1,289)                              | (492)                              | 1,347        | (434)                                | (2,276)                            | 85           | (2,625)                              |
| VAT Reserve                          | (105)                                |                                    |              | (105)                                |                                    |              | (105)                                |
| New Burdens Funding Reserve          | 0                                    |                                    |              | 0                                    | (259)                              |              | (259)                                |
| Other Earmarked Reserves             | (1,083)                              | (208)                              | 219          | (1,072)                              | (700)                              | 150          | (1,622)                              |
| <b>Total</b>                         | <b>(10,186)</b>                      | <b>(1,256)</b>                     | <b>2,577</b> | <b>(8,865)</b>                       | <b>(3,781)</b>                     | <b>1,062</b> | <b>(11,584)</b>                      |

Below is a description of the purpose of each of the earmarked reserves identified above:-

| Earmarked Reserve               | Reason / Use   |
|---------------------------------|--|
| My Neighbourhoods               | An accumulation of unspent core funding allocated to be spent in accordance with the local priorities determined by each of the My Neighbourhood Forums.                         |
| Asset Management                | Sums set aside to support the cost of maintaining and improving the Council's property portfolio to ensure its long term viability as an asset and to protect income generation. |
| Elections Provision             | An annual transfer from revenue is made to cover the four yearly Borough Elections. The next election is due to take place in May 2019.  |
| Housing Needs Survey            | Annual contribution made to fund the costs of carrying out detailed Housing Needs Surveys.   |
| ICT Strategy                    | To fund IT replacement programme and other technologically based service transformation projects.  |
| Local Development Framework     | To fund one-off costs in relation to the production of planning policy documents in relation to the Local Development Framework.   |
| Performance Reward Grant        | External revenue funding held by the Council on behalf of South Ribble Partnership set aside for spending on South Ribble Partnership projects in future years.                  |
| Public Open Space Commuted Sums | Cash endowments for the maintenance of assets transferred from the Central Lancashire New Town.  |

|                                      |   |
|--------------------------------------|---|
| Organisation Restructure Costs       | To be used to assist in funding the one-off costs of any service reviews designed to improve the efficiency of the Council.   |
| Vehicles, Plant & Equipment          | Residual balance of sums set aside to fund the replacement of vehicles, plant and equipment which are not funded from other sources of finance.   |
| Leisure Sites Repair and Maintenance | To allow the carry forward of unspent repair and maintenance budgets for leisure sites managed by the Council's Leisure Trust (South Ribble Community Leisure Limited) partner. This will be used to fund any repair costs for which the Council is committed to under the contract with the Leisure Trust. |
| Business Rates Retention             | To mitigate the potential risk to the Council's medium-term financial strategy by providing funds to smooth out the inherent fluctuations that occur in the Business Rates Retention System.  |
| VAT                                  | To assist in funding the cost of irrecoverable VAT, if the Council were to exceed the partial exemption threshold.  |
| New Burdens Funding                  | Funds retained to support work undertaken in future years in relation to new central government initiatives.  |
| Other                                | To allow the carry forward of specific funding where the revised expenditure plans mean it will fall in subsequent years. This includes funding planned new areas of investment in the medium-term financial strategy in future years.  |

## 9 OTHER OPERATING EXPENDITURE

| 2014/15<br>£'000 |  | 2015/16<br>£'000 |
|------------------|--|------------------|
| 253              | Parish Council precepts                                  | 256              |
| 1                | Payments to the Governments Capital Receipt Pool         | 0                |
| (46)             | (Gains) and losses on the disposal of non-current assets | (72)             |
| <b>208</b>       | <b>Total</b>   | <b>184</b>       |

## 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2014/15<br>£'000 |   | 2015/16<br>£'000 |
|------------------|---|------------------|
| 120              | Interest payable and similar charges  | 147              |
| 1,085            | Net interest on the net defined benefit liability (note 36)   | 1093             |
| (111)            | Interest receivable and similar income  | (252)            |
| 802              | Income and Expenditure in relation to investment properties and changes in their fair value (note 13) | 21               |
| (525)            | Losses or (surplus) on trading accounts (note 27)   | (760)            |
| <b>1,371</b>     | <b>Total</b>  | <b>249</b>       |

## 11 TAXATION AND NON-SPECIFIC GRANT INCOME & EXPENDITURE

| 2014/15<br>£'000                                  | 2015/16<br>£'000 |
|---|------------------|
| (7,421) Council tax income                        | (7,565)          |
| (2,522) Non-domestic rates income and expenditure | (2,181)          |
| (3,795) Non-ring fenced government grants         | (3,749)          |
| (768) Capital grants and contributions            | (3,618)          |
| <b>(14,506) Total</b>                             | <b>(17,113)</b>  |

## 12 PROPERTY PLANT AND EQUIPMENT

### 12a Movements in Property Plant and Equipment

|  | Other Land &<br>Buildings<br>£'000 | Vehicles, Plant,<br>Furniture &<br>Equipment<br>£'000 | Infrastructure<br>£'000 | Community<br>Assets<br>£'000 | Assets Under<br>Construction<br>£'000 | Total<br>£'000  |
|--|------------------------------------|---|-------------------------|------------------------------|---------------------------------------|-----------------|
| <b><u>Cost or valuation</u></b>                            |                                    |   |                         |                              |                                       |                 |
| <b>At 1 April 2015</b>                                     | <b>26,653</b>                      | <b>10,427</b>   | <b>783</b>              | <b>65</b>                    | <b>0</b>                              | <b>37,928</b>   |
| Additions  | 252                                | 1,597   | 648                     |                              | 94                                    | 2,591           |
| Revaluations recognised in the<br>Revaluation Reserve (RR) | 1,534                              | -   | -                       | -                            | -                                     | 1,534           |
| Revaluations recognised in CI&ES                           | (2,717)                            | -   | -                       | -                            | -                                     | (2,717)         |
| De-recognition - disposals                                 | -                                  | (107)   | -                       | -                            | -                                     | (107)           |
| Assets reclassified  | -                                  | -   | -                       | -                            | -                                     | -               |
| <b>At 31 March 2016</b>                                    | <b>25,722</b>                      | <b>11,917</b>   | <b>1,431</b>            | <b>65</b>                    | <b>94</b>                             | <b>39,229</b>   |
| <b><u>Depreciation and Impairment</u></b>                  |                                    |   |                         |                              |                                       |                 |
| <b>At 1 April 2015</b>                                     | <b>(3,019)</b>                     | <b>(7,220)</b>  | <b>(219)</b>            | <b>0</b>                     | <b>0</b>                              | <b>(10,458)</b> |
| Depreciation charge  | (863)                              | (1,786)   | (204)                   | -                            | -                                     | (2,853)         |
| Depreciation written out of RR                             | 1,070                              | -   | -                       | -                            | -                                     | 1,070           |
| Depreciation written out of CI&ES                          | 1,068                              | -   | -                       | -                            | -                                     | 1,068           |
| Impairment losses recognised in RR                         | -                                  | -   | -                       | -                            | -                                     | -               |
| Impairment losses recognised in CI&ES                      | -                                  | -   | -                       | -                            | -                                     | -               |
| De-recognition - disposals                                 | -                                  | 107   | -                       | -                            | -                                     | 107             |
| Assets reclassified  | -                                  | -   | -                       | -                            | -                                     | -               |
| <b>At 31 March 2016</b>                                    | <b>(1,744)</b>                     | <b>(8,899)</b>  | <b>(423)</b>            | <b>0</b>                     | <b>0</b>                              | <b>(11,066)</b> |
| <b><u>Net Book Value</u></b>                               |                                    |   |                         |                              |                                       |                 |
| <b>At 31 March 2016</b>                                    | <b>23,978</b>                      | <b>3,018</b>  | <b>1,008</b>            | <b>65</b>                    | <b>94</b>                             | <b>28,163</b>   |
| <b>At 31 March 2015</b>                                    | <b>23,634</b>                      | <b>3,207</b>  | <b>564</b>              | <b>65</b>                    | <b>0</b>                              | <b>27,470</b>   |

| Comparative movements in 2014/15                        | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure | Community Assets | Total           |
|---|------------------------|--|----------------|------------------|-----------------|
|   | £'000                  | £'000                                  | £'000          | £'000            | £'000           |
| <b><u>Cost or valuation</u></b>                         |                        |  |                |                  |                 |
| <b>At 1 April 2014</b>                                  | <b>29,197</b>          | <b>10,147</b>                          | <b>344</b>     | <b>65</b>        | <b>39,753</b>   |
| Additions   | 359                    | 356                                    | 439            | -                | 1,154           |
| Revaluations recognised in the Revaluation Reserve (RR) | (35)                   | -                                      | -              | -                | (35)            |
| Revaluations recognised in CI&ES                        | (2,973)                | -                                      | -              | -                | (2,973)         |
| De-recognition - disposals                              | -                      | (76)                                   | -              | -                | (76)            |
| Assets reclassified                                     | 105                    | -                                      | -              | -                | 105             |
| <b>At 31 March 2015</b>                                 | <b>26,653</b>          | <b>10,427</b>                          | <b>783</b>     | <b>65</b>        | <b>37,928</b>   |
| <b><u>Depreciation and Impairment</u></b>               |                        |  |                |                  |                 |
| <b>At 1 April 2014</b>                                  | <b>(5,175)</b>         | <b>(6,308)</b>                         | <b>(85)</b>    | <b>0</b>         | <b>(11,568)</b> |
| Depreciation charge                                     | (650)                  | (988)                                  | (134)          | -                | (1,772)         |
| Depreciation written out of RR                          | 2                      | -                                      | -              | -                | 2               |
| Depreciation written out of CI&ES                       | 6                      | -                                      | -              | -                | 6               |
| Impairment losses recognised in RR                      | -                      | -                                      | -              | -                | -               |
| Impairment losses recognised in CI&ES                   | 2,798                  | -                                      | -              | -                | 2,798           |
| De-recognition - disposals                              | -                      | 76                                     | -              | -                | 76              |
| Assets reclassified                                     | -                      | -                                      | -              | -                | -               |
| <b>At 31 March 2015</b>                                 | <b>(3,019)</b>         | <b>(7,220)</b>                         | <b>(219)</b>   | <b>0</b>         | <b>(10,458)</b> |
| <b><u>Net Book Value</u></b>                            |                        |  |                |                  |                 |
| <b>At 31 March 2015</b>                                 | <b>23,634</b>          | <b>3,207</b>                           | <b>564</b>     | <b>65</b>        | <b>27,470</b>   |
| <b>At 31 March 2014</b>                                 | <b>24,022</b>          | <b>3,839</b>                           | <b>259</b>     | <b>65</b>        | <b>28,185</b>   |

## 12b Depreciation

The following useful lives have been used in the calculation of depreciation:

|  | <u>Years</u> |
|--|--------------|
| Other Land & Buildings                 | 5-60         |
| Vehicles, Plant, Furniture & Equipment | 3-15         |
| Infrastructure                         | 5-60         |

## 12c Capital Commitments

At 31 March 2016, there were no significant contractual commitments relating to capital expenditure.

## 12d Effects of Changes in Estimates

There were no material changes in accounting estimate for Property, Plant and Equipment in 2015/16.



## 12e Fixed Assets Valuations

During 2015/16 the valuations were carried out by the Council's Surveyors Mandy Catterall MRICS or Diane Reddihough MRICS. The basis of valuation is set out in note 1 Accounting Policies.

|                                   | Other land<br>& Buildings<br>£'000 | Vehicles<br>Plant<br>Furniture<br>&<br>Equipment<br>£'000 | Infra-<br>structure<br>£'000 | Community<br>Assets<br>£'000 | Assets<br>Under<br>Construct-<br>ion<br>£'000 | Total<br>£'000 |
|-----------------------------------|------------------------------------|---|------------------------------|------------------------------|---|----------------|
| <b>Carried at historical cost</b> | <b>1,376</b>                       | <b>11,917</b>   | <b>1,431</b>                 |                              | <b>94</b>                                     | <b>14,818</b>  |
| Valued at current value as at:    |                                    |   |                              |                              |   |                |
| 31 March 2016                     | 17,997                             |   |                              |                              |   | 17,997         |
| 31 March 2015                     | 249                                |   |                              |                              |   | 249            |
| 31 March 2014                     | 1,265                              |   |                              | 37                           |   | 1,302          |
| 31 March 2013                     | 1,714                              |   |                              |                              |   | 1,714          |
| 31 March 2012                     | 3,121                              |   |                              | 28                           |   | 3,149          |
| <b>Total cost or valuation</b>    | <b>25,722</b>                      | <b>11,917</b>   | <b>1,431</b>                 | <b>65</b>                    | <b>94</b>                                     | <b>39,229</b>  |

## 12d Impairment Losses

|   | 2014/15<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| Impairment loss recognised in cost of service | (16)             | 0                |
| <b>Total</b>                                  | <b>(16)</b>      | <b>0</b>         |
| Material individual impairments               | (16)             | 0                |

## 13 INVESTMENT PROPERTIES

Details of rental income and operational expenditure are given in note 27.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or its right to receipt of income or the proceeds of disposal. The assets are comprehensively re-valued every five years, and annually reviewed for any indications that changes in yields or void levels warrant a review of fair values.

At 31 March 2016, the Council had no contractual obligations to purchase, construct or develop investment property.

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

|  | 2014/15       | 2015/16       |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Fair Value 1 April                               | 12,481        | 11,555        |
| Additions – Subsequent expenditure               | 1             | 22            |
| Disposals  | (20)          | 0             |
| Net gains/(losses) from fair value adjustments   | (802)         | (21)          |
| Transfers (to)/from Property Plant and Equipment | (105)         | 0             |
| <b>TOTAL</b>                                     | <b>11,555</b> | <b>11,556</b> |

### Fair Value Hierarchy - Investment Properties

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2016 and 2015 are as follows:

| Recurring fair value measurement using: | Other significant observable inputs (Level 2)<br>£'000 | Fair value as at 31 March 2016<br>£'000 |
|---|--|---|
| Residential (market rental) properties  | 311  | 311                                     |
| Office units                            | 1,193  | 1,193                                   |
| Commercial units                        | 4,740  | 4,740                                   |
| Other                                   | 5,312  | 5,312                                   |
| <b>Total</b>                            | <b>11,556</b>  | <b>11,556</b>                           |

Previous year comparative figures

| Recurring fair value measurement using: | Other significant observable inputs (Level 2)<br>£'000 | Fair value as at 31 March 2015<br>£'000 |
|---|--|---|
| Residential (market rental) properties  | 343  | 343                                     |
| Office units                            | 1,403  | 1,403                                   |
| Commercial units                        | 4,505  | 4,505                                   |
| Other                                   | 5,304  | 5,304                                   |
| <b>Total</b>                            | <b>11,555</b>  | <b>11,555</b>                           |

## **Transfers between Levels of the Fair Value Hierarchy**

There were no transfers between levels 1 and 2 during the year.

## **Valuation techniques used to determine Level 2 and 3 Fair Values for Investment Properties**

### Significant Observable Inputs - Level 2

The fair value for the level 2 investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council's area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

## **Highest and Best Use of Investment Properties**

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

## **Valuation Techniques**

There has been no change in the valuation techniques used during the year for investment properties.

## **Valuation Process for Investment Properties**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). During 2015/16 the valuations of investment properties were carried out by the Council's Surveyors Mandy Catterall MRICS or Diane Reddihough MRICS. The basis of valuation is set out in note 1 Accounting Policies.

## 14 INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The following periods have been used in amortising the Authority's significant intangible assets.

| Asset Description  | Amortisation Period |
|--|---------------------|
| Flexible Working Time Recording System                     | 5 years             |
| IT work programme  | 5 years             |
| Customer Contact Centre and Relationship Management System | 5 years             |
| Revenues and Benefits System                               | 5 years             |
| Human Resources System                                     | 5 years             |

Amortisation is on a straight line basis. In 2015/16 the amortisation charge of £0.088m was charged principally to IT £0.065m, Revenues/Cashiers £0.021m. These cost centres are absorbed as overheads across all services. It is not possible therefore to simply indicate the amount charged to each heading in the Comprehensive Income and Expenditure Statement.

The movements on Intangible Asset balances during the year are as follows:-

|  | 2014/15<br>£'000 | 2015/16<br>£'000 |
|--|------------------|------------------|
| Cost at start of year                        | 1,044            | 1,070            |
| Additions in year                            | 26               | 49               |
| <b>Gross cost at end of year</b>             | <b>1,070</b>     | <b>1,119</b>     |
| Accumulated amortisation at start of year    | (796)            | (969)            |
| Amortised in year                            | (173)            | (88)             |
| <b>Accumulated amortisation</b>              | <b>(969)</b>     | <b>(1,057)</b>   |
| Net carrying amount at the start of the year | 248              | 101              |
| <b>Net carrying amount at the year end</b>   | <b>101</b>       | <b>62</b>        |

At 31 March 2016, there were no significant contractual commitments, and no individual intangible assets the amortisation of which is materially significant to the Council.

## 15 FINANCIAL INSTRUMENTS

### 15a Categories of Financial Instrument

The following categories of Financial Instruments are carried in the Balance Sheet:

|   | Long Term                 |                           | Current                               |                           |
|---|---------------------------|---------------------------|---------------------------------------|---------------------------|
|   | 31 March<br>2015<br>£'000 | 31 March<br>2016<br>£'000 | 31 March<br>2015<br>Restated<br>£'000 | 31 March<br>2016<br>£'000 |
| <u>Cash &amp; cash equivalents</u>                      |                           |                           |                                       |                           |
| Cash & cash equivalents (note 18) net of bank overdraft | 0                         | 0                         | 17,130                                | 18,401                    |
| <u>Total cash and cash equivalents</u>                  | 0                         | 0                         | 17,130                                | 18,401                    |
| <u>Investments</u>                                      |                           |                           |                                       |                           |
| Loans and receivables                                   | 0                         | 0                         | 3,007                                 | 6,006                     |
| <u>Total Investments</u>                                | 0                         | 0                         | 3,007                                 | 6,006                     |
| <u>Debtors</u>  |                           |                           |                                       |                           |
| Loans and receivables                                   | 84                        | 68                        | 765                                   | 1,111                     |
| Debtors that are not financial instruments              | 0                         | 0                         | 3,277                                 | 1,877                     |
| <u>Total Debtors</u>                                    | 84                        | 68                        | 4,042                                 | 2,988                     |
| <u>Other Long Term Liabilities</u>                      |                           |                           |                                       |                           |
| Finance lease liabilities                               | (695)                     | (748)                     | 0                                     | 0                         |
| <u>Total Other Long Term Liabilities</u>                | (695)                     | (748)                     | 0                                     | 0                         |
| <u>Creditors</u>  |                           |                           |                                       |                           |
| Finance lease (due within 12 months)                    | 0                         | 0                         | (316)                                 | (285)                     |
| Financial liabilities carried at contract amount        | (231)                     | (250)                     | (2,088)                               | (1,683)                   |
| Creditors that are not financial instruments            | 0                         | 0                         | (6,112)                               | (4,225)                   |
| <u>Total Creditors</u>                                  | (231)                     | (250)                     | (8,516)                               | (6,193)                   |

There has been no reclassification of assets and no pledges of collateral have been made in the periods reported in these statements.

## 15b Income, Expense, Gains and Losses

The amounts charged in the Comprehensive Income and Expenditure Statement are as follows:-

|  | 2014/15  |   |                | 2015/16  |   |                |
|--|--|---|----------------|--|---|----------------|
|  | Financial Liabilities at Amortised Cost<br>£'000 | Financial Assets Loans & Receivables<br>£'000 | Total<br>£'000 | Financial Liabilities at Amortised Cost<br>£'000 | Financial Assets Loans & Receivables<br>£'000 | Total<br>£'000 |
| Interest expenses                          | 120  | 0   | 120            | 147  | 0   | 147            |
| Impairment                                 | 0  | 0   | 0              | 0  | 0   | 0              |
| <b>Total Expense</b>                       | <b>120</b>                                       | <b>0</b>                                      | <b>120</b>     | <b>147</b>                                       | <b>0</b>                                      | <b>147</b>     |
| Interest income                            | 0  | (112)   | (112)          | 0  | (252)   | (252)          |
| Interest income accrued on impaired assets | 0  | 0   | 0              | 0  | 0   | 0              |
| <b>Total income</b>                        | <b>0</b>   | <b>(112)</b>                                  | <b>(112)</b>   | <b>0</b>   | <b>(252)</b>                                  | <b>(252)</b>   |
| <b>Net (gain)/cost for the year</b>        |  |   | <b>8</b>       |  |   | <b>(105)</b>   |

## 15c The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2 of the fair value hierarchy), using the following assumptions:

- For non-PWLB loans payable (such as the Council's Leisure Finance Lease), PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

### Financial Liabilities

|                                     | 31 March 2015            |                     | 31 March 2016            |                     |
|-------------------------------------|--------------------------|---------------------|--------------------------|---------------------|
|                                     | Carrying Amount<br>£'000 | Fair Value<br>£'000 | Carrying Amount<br>£'000 | Fair Value<br>£'000 |
| Finance Lease (short and long-term) | (1,011)                  | (1,011)             | (1,033)                  | (1,476)             |
| Short Term Creditors                | (2,088)                  | (2,088)             | (1,742)                  | (1,742)             |
| Long Term Creditors                 | (231)                    | (231)               | (250)                    | (250)               |
| <b>Total Liabilities</b>            | <b>(3,330)</b>           | <b>(3,330)</b>      | <b>(3,025)</b>           | <b>(3,468)</b>      |

For the Leisure Finance Lease the fair value represents the value of the liability if the Council were to prematurely repay the debt and so would incur a premium.

Long-term creditors comprises numerous commuted sums relating to grounds maintenance. Any difference between carrying amount and fair value of each of these small sums would be immaterial, and therefore they are carried at cost as a fair approximation of their value.

### **Financial Assets**

|                           | 31 March 2015            |                     | 31 March 2016            |                     |
|---------------------------|--------------------------|---------------------|--------------------------|---------------------|
|                           | Carrying Amount<br>£'000 | Fair Value<br>£'000 | Carrying Amount<br>£'000 | Fair Value<br>£'000 |
| Cash and Cash Equivalents | 17,130                   | 17,130              | 18,401                   | 18,401              |
| Investments - Loans       | 3,007                    | 3,007               | 6,006                    | 6,006               |
| Short Term Debtors        | 765                      | 765                 | 1,111                    | 1,111               |
| Long Term Debtors         | 84                       | 84                  | 68                       | 68                  |
| <b>Total Assets</b>       | <b>20,986</b>            | <b>20,986</b>       | <b>(25,586)</b>          | <b>(25,586)</b>     |

Long-term debtors comprise a number of small debts such as some small loans. Any difference between carrying amount and fair value of each of these small sums would be immaterial, and therefore they are carried at cost as a fair approximation of their value.

### **15d Nature and extent of risks arising from financial instruments**

#### **Key risks**

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

- Credit risk – that other parties might fail to pay amounts due to the Council.
- Liquidity risk – that the Authority might not have liquid funds available to make payments when due.
- Market risk – the possibility of financial loss arising from movements in interest rates.

#### **Overall procedures for managing risk**

In managing investment risk the Council works within the legal framework set out in the Local Government Act 2003 and associated regulations. This requires compliance with the CIPFA Code of Practice, the Prudential Code, and investment guidance issued through the Act. A key requirement is that the council should annually consider its Treasury Management Strategy which incorporates the following:

Prudential indicators specifying:

1. Maximum and minimum exposure to fixed and variable rates;
2. Limits on the maturity structure of the debt portfolio;
3. Limits on total borrowing.

An Investment Strategy specifying:

1. The use that should be made of credit ratings and other indicators to determine the financial standing of counterparties;
2. The use of sovereign ratings to limit investments to specific countries;
3. The maximum amounts that might be deposited with any institution;
4. The lengths of time for which deposits can be made.

## Credit risk

This exists in relation to debtors, and investments made as a result of the Council's treasury operations. The following paragraphs provide information on the risk attached to each of these.

### Banks and Financial Institutions

The Council's Investment Strategy restricts investments to a narrow range of counterparties. At 31 March 2016 it had deposits totalling £24.400m (£20.132m at 31 March 2015) with a number of different institutions. There was no evidence to suggest a risk that any deposits might be irrecoverable.

### Sundry Debtors

The sundry debtors categorised as financial instruments (note 15a) are analysed by age and risk in the following table.

|                                      | <b>Gross<br/>£'000</b> | <b>Default<br/>risk<br/>£'000</b> | <b>Net<br/>£'000</b> |
|--------------------------------------|------------------------|-----------------------------------|----------------------|
| Less than three months past due date | 991                    | (85)                              | 906                  |
| Three to six months past due date    | 129                    | (82)                              | 47                   |
| Six months to one year past due date | 199                    | (161)                             | 38                   |
| Beyond one year                      | 867                    | (747)                             | 120                  |
| <b>Total</b>                         | <b>2,186</b>           | <b>(1,075)</b>                    | <b>1,111</b>         |

The default risk has fully been provided for. No collateral is held as security.

## Liquidity risk

The authority has ready access to borrowing from the Public Works Loan Board and the money markets. There is therefore no significant risk that it will be unable to raise finance to meet its commitments.

The Council manages its liquidity position through the risk management procedures outlined above as well as through cash flow management procedures required by the Council.

## Market risk

Interest rate risk – The Council has limited exposure to interest rate movements on its investments. Short term investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate investments do not impact on the Surplus or Deficit on the Provision of Service or Other Comprehensive Income and Expenditure.

To mitigate risk the Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.



If all variable interest rates had been 1% higher (with all other variables held constant) the financial effect would have been as shown in the following table:

|   | <b>£'000</b> |
|---|--------------|
| Gain - Increase in interest receivable on variable rate investments | (97)         |
| Gain - Impact on the Surplus or Deficit on the Provision of Service | (97)         |

The impact of a 1% fall in interest rates would be as above but with the movements being reversed

### Price risk

The Council has no exposure to this risk.

### Foreign Exchange Risk

The Council has no material exposure to this risk.

## 16 INVENTORIES

|                            | 2014/15                    |                                |                | 2015/16                    |                                |                |
|----------------------------|----------------------------|--------------------------------|----------------|----------------------------|--------------------------------|----------------|
|                            | Consumable stores<br>£'000 | Maintenance materials<br>£'000 | Total<br>£'000 | Consumable stores<br>£'000 | Maintenance materials<br>£'000 | Total<br>£'000 |
| Balance at 1 April         | 71                         | 32                             | 103            | 67                         | 29                             | 96             |
| Purchases                  | 493                        | 158                            | 651            | 430                        | 193                            | 623            |
| Issued in year             | (500)                      | (161)                          | (661)          | (427)                      | (197)                          | (624)          |
| Written off in year        | 3                          | 0                              | 3              | (2)                        | 0                              | (2)            |
| <b>Balance at year end</b> | <b>67</b>                  | <b>29</b>                      | <b>96</b>      | <b>68</b>                  | <b>25</b>                      | <b>93</b>      |

## 17 SHORT TERM DEBTORS

|  | 31 March 2015<br>£'000 | 31 March 2016<br>£'000 |
|--|------------------------|------------------------|
| Central government bodies              | 2,636                  | 694                    |
| Other local authorities                | 656                    | 785                    |
| NHS bodies                             | 0                      | 1                      |
| Other entities and individuals         | 2,261                  | 3,093                  |
| Net carrying amount at the year end    | 5,553                  | 4,573                  |
| Less provision for bad debts           | (1,511)                | (1,585)                |
| <b>Net Carrying amount at year-end</b> | <b>4,042</b>           | <b>2,988</b>           |

The bad debt provision has been made against debtors classified as "other entities and individuals".

## 18 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

|  | <b>31 March<br/>2015<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|--|------------------------------------|------------------------------------|
| Cash held by the Authority             | 5                                  | 6                                  |
| Bank current and call accounts         | 8,480                              | 2,340                              |
| Short term deposits                    | 10,026                             | 16,055                             |
| Bank overdraft                         | (1,381)                            | 0                                  |
| <b>Total cash and cash equivalents</b> | <b>17,130</b>                      | <b>18,401</b>                      |

## 19 SHORT TERM CREDITORS

|  | <b>31 March<br/>2015<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|--|------------------------------------|------------------------------------|
| Central government bodies                  | (4,718)                            | (2,906)                            |
| Other local authorities                    | (1,390)                            | (682)                              |
| NHS bodies                                 | (73)                               | (28)                               |
| Other entities and individuals             | (2,335)                            | (2,577)                            |
| <b>Net carrying amount at the year-end</b> | <b>(8,516)</b>                     | <b>(6,193)</b>                     |

## 20 PROVISIONS

The movements in provisions during the year were as follows:

|                        | <b>Balance<br/>1 Apr<br/>2014<br/>£'000</b> | <b>Movements</b>      |                        | <b>Balance<br/>31 Mar<br/>2015<br/>£'000</b> | <b>Movements</b>      |                        | <b>Balance<br/>31 Mar<br/>2016<br/>£'000</b> |
|------------------------|---|-----------------------|------------------------|--|-----------------------|------------------------|--|
|                        |   | <b>Used<br/>£'000</b> | <b>Added<br/>£'000</b> |  | <b>Used<br/>£'000</b> | <b>Added<br/>£'000</b> |  |
| Business Rates Appeals | (1,000)                                     | 353                   | 0                      | (647)  | 172                   | (845)                  | (1,320)                                      |
| <b>Total</b>           | <b>(1,000)</b>                              | <b>353</b>            | <b>0</b>               | <b>(647)</b>                                 | <b>172</b>            | <b>(845)</b>           | <b>(1,320)</b>                               |

## 21 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 42).

## 22 UNUSABLE RESERVES

|   | 31 March<br>2015<br>£'000 | 31 March<br>2016<br>£'000 |
|---|---------------------------|---------------------------|
| Revaluation Reserve (Note 22a)                      | (3,244)                   | (5,725)                   |
| Capital Adjustment Account (Note 22b)               | (30,701)                  | (28,143)                  |
| Financial Instruments Adjustment Account (Note 22c) | (11)                      | (8)                       |
| Deferred Capital Receipts Reserve (Note 22d)        | (20)                      | (20)                      |
| Pensions Reserve (Note 22e)                         | 34,755                    | 30,252                    |
| Collection Fund Adjustment Account (Note 22f)       | (1,609)                   | (358)                     |
| Accumulated Absences Account (Note 22g)             | 266                       | 266                       |
| <b>Total Unusable Reserves</b>                      | <b>(564)</b>              | <b>(3,736)</b>            |

### 22a Revaluation Reserve

The Revaluation Reserve contains the gains arising from increases in the valuation of Property, Plant & Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The reserve holds only gains accumulated since 1 April 2007, the date it was created. Gains prior to that date are consolidated in the Capital Adjustment Account.

|   | 2014/15<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| <b>Balance at 1 April</b>   | <b>(3,330)</b>   | <b>(3,244)</b>   |
| Upward revaluation of assets  | 0                | (3,358)          |
| Downward revaluation & impairment not charged to the Comprehensive Income and Expenditure Statement | 33               | 754              |
| Difference between fair value and historic cost depreciation  | 53               | 123              |
| <b>Balance at 31 March</b>  | <b>(3,244)</b>   | <b>(5,725)</b>   |

### 22b Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets. The account contains the following:

- Sums set aside to finance capital expenditure.
- Accumulated gains and losses on Investment Properties.
- Revaluation gains on Property, Plant and Equipment accumulating prior to 1 April 2007.
- The difference between the charges required by accounting practice for the amortisation of assets (depreciation and impairment) and the de-recognition of assets, and the capital charges required by statute.

|  | 2014/15<br>£'000 | 2015/16<br>£'000 |
|--|------------------|------------------|
| <b>Balance at 1 April</b>  | <b>(31,884)</b>  | <b>(30,701)</b>  |
| Reversal of items relating to capital expenditure debited or credited to the CI&ES:                      |                  |                  |
| Charges for depreciation of non-current assets   | 1,772            | 2,854            |
| Revaluation losses on property, plant & equipment  | 169              | 1,649            |
| Amortisation of intangible assets  | 174              | 88               |
| Revenue expenditure funded from capital under statute  | 466              | 487              |
| Net cost of disposal of assets   | 20               | 0                |
|  | 2,601            | 5,078            |
| Adjusting amounts written out of the Revaluation Reserve   | (53)             | (123)            |
| Net written out amount of the cost of non-current assets consumed in the year                            | 2,548            | 4,955            |
| Capital financing applied in the year:   |                  |                  |
| Capital receipts used to finance new capital expenditure   | (86)             | 0                |
| Grants and contributions used in the year to fund capital expenditure                                    | (583)            | (1,052)          |
| Statutory & voluntary provision for the financing of capital investment charged against the General Fund | (847)            | (843)            |
| Capital expenditure charged to the General Fund Balance  | (651)            | (524)            |
|  | (2,167)          | (2,419)          |
| Movements in the market value of Investment Properties   | 802              | 21               |
| <b>Balance at 31 March</b>   | <b>(30,701)</b>  | <b>(28,144)</b>  |

## 22c Financial Instruments Adjustment Account

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of certain financial instruments.

|   | 2014/15<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| <b>Balance at 1 April</b>   | <b>(13)</b>      | <b>(11)</b>      |
| Premiums on early debt redemption – amortisation deferred as per statutory requirement  | (5)              | (5)              |
| Discounts on early debt redemption – amortisation deferred as per statutory requirement | 7                | 8                |
| <b>Balance at 31 March</b>  | <b>(11)</b>      | <b>(8)</b>       |

## 22d Deferred Capital Receipts Reserve

This account shows the sums recognised on the disposal of non-current assets but for which cash settlement has yet to take place

|   | 2014/15<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| <b>Balance at 1 April</b>                               | (21)             | (20)             |
| Transfer to Capital Receipts Reserve on receipt of cash | 1                | 0                |
| <b>Balance at 31 March</b>                              | (20)             | (20)             |

## 22e Pensions Reserve

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of pensions. The costs of benefits are charged to the Comprehensive Income and Expenditure Statement when they are earned rather than when they are paid. Statutory arrangements however require that benefits be financed only when the Authority makes contributions to the pension fund. The debit balance on the Pension Reserve therefore shows that benefits earned by employees exceeds the payments made by the authority to fund them. Statutory arrangements require that adequate funding will ultimately be set aside.

|   | 2014/15<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| <b>Balance at 1 April</b>   | 27,033           | 34,755           |
| Re-measurements of the net defined benefit liability.                             | 8,169            | (6,218)          |
| Reversal of charges posted to the Comprehensive Income and Expenditure Statement. | 2,418            | 2,740            |
| Employer contributions and direct payments to pensioners payable in the year.     | (2,865)          | (1,025)          |
| <b>Balance at 31 March</b>  | 34,755           | 30,252           |

## 22f Collection Fund Adjustment Account

This account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

|   | 2014/15<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| <b>Balance at 1 April</b>   | 980              | (1,609)          |
| Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement differs from the amount required by statute. | (2,589)          | 1,251            |
| <b>Balance at 31 March</b>  | (1,609)          | (358)            |

## 22g Accumulated Absences Account

The cost of compensated absences (e.g. leave entitlement) not taken by employees during the year of account, is charged to the Comprehensive Income and Expenditure Statement. Statutory arrangements require however that the impact on the General Fund Balance is neutralised by transfers to or from this account.

|  | 2014/15<br>£'000 | 2015/16<br>£'000 |
|--|------------------|------------------|
| <b>Balance at 1 April</b>  | <b>269</b>       | <b>266</b>       |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements | (3)              | 0                |
| <b>Balance at 31 March</b>   | <b>266</b>       | <b>266</b>       |

## 23 CASH FLOW STATEMENT – OPERATING ACTIVITIES

### 23a Adjust net surplus or deficit on the provision of services for non-cash movements

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

|  | 2014/15<br>£'000 | 2015/16<br>£'000 |
|--|------------------|------------------|
| Depreciation   | 1,771            | 2,854            |
| Impairment and downward valuations   | 169              | 1,649            |
| Amortisation   | 174              | 88               |
| Increase/(decrease) in impairment for bad debts  | 33               | 117              |
| Increase/(decrease) in creditors   | 297              | (227)            |
| (Increase)/decrease in debtors   | (1,402)          | 1,095            |
| (Increase)/decrease in inventories   | 8                | 3                |
| Movement in pension liability  | (448)            | 1,715            |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 20               | 0                |
| Contributions to/(from) Provisions   | (353)            | 673              |
| Movement in investment property values   | 802              | 21               |
| Other non-cash items charged to the net surplus or deficit on the provision of services          | 0                | 1                |
| <b>Net adjustment</b>  | <b>1,071</b>     | <b>7,989</b>     |

**23b Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities**

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

|  | <b>2014/15<br/>£'000</b> | <b>2015/16<br/>£'000</b> |
|--|--------------------------|--------------------------|
| Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | 0                        | 0                        |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets   | (66)                     | (72)                     |
| Capital Grants credited to surplus or deficit on the provision of services   | (768)                    | (4,225)                  |
| <b>Net adjustments</b>   | <b>(834)</b>             | <b>(4,297)</b>           |

**23c Interest received and interest paid**

The cash flows for operating activities include the following items:

|                      | <b>2014/15<br/>£'000</b> | <b>2015/16<br/>£'000</b> |
|----------------------|--------------------------|--------------------------|
| Interest received    | 92                       | 252                      |
| Interest paid        | (120)                    | (147)                    |
| <b>Net cash flow</b> | <b>(28)</b>              | <b>105</b>               |

**24 CASH FLOW STATEMENT – INVESTING ACTIVITIES**

The following items have been included within investing activities in the cash flow statement:

|  | <b>2014/15<br/>£'000</b> | <b>2015/16<br/>£'000</b> |
|--|--------------------------|--------------------------|
| Purchase of property, plant & equipment, investment property & intangible assets.                  | (1,100)                  | (2,501)                  |
| Purchase of short and long term investments.   | (1,000)                  | (6,000)                  |
| Other payments for investing activities  | 0                        | (11)                     |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 61                       | 38                       |
| Proceeds from short and long term investments.   | 0                        | 3,000                    |
| Other receipts relating to investing activity (government grants)                                  | 826                      | 4,241                    |
| <b>Total cash flows from investing activities</b>  | <b>(1,213)</b>           | <b>(1,233)</b>           |

## 25 CASH FLOW STATEMENT – FINANCING ACTIVITIES

The following have been included within financing activities in the cash flow statement:

|   | 2014/15<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| Cash paid to reduce lease liabilities.  | (322)            | (288)            |
| Other Payments for financing activities - change in indebtedness relating to NNDR (due from Government and Preceptors) and Council Tax (due from Preceptors). | 5,133            | (2,010)          |
| <b>Total cash flows from financing activities</b>   | <b>4,811</b>     | <b>(2,298)</b>   |

## 26 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- They exclude capital charges (depreciation, impairment and revaluation losses)
- Retirement benefits are included on the basis of cash flows rather than current service costs
- Expenditure on some support services is budgeted for centrally

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

| 2015/16 DIRECTORATE<br>INCOME AND<br>EXPENDITURE | Chief Executives<br>£'000 | Governance &<br>Business<br>Transformation<br>£'000 | Development<br>Enterprise &<br>Communities<br>£'000 | Neighbourhoods<br>Environment &<br>Asset<br>Management<br>£'000 | Total<br>Directorates<br>£'000 |
|--|---------------------------|---|---|---|--------------------------------|
| Fees & Charges & Other<br>Service Income         | (468)                     | (616)   | (1,715)   | (3,702)   | (6,501)                        |
| Government Grants                                | 0                         | (23,568)  | (335)   | (54)  | (23,957)                       |
| <b>Total Income</b>                              | <b>(468)</b>              | <b>(24,184)</b>                                     | <b>(2,050)</b>                                      | <b>(3,756)</b>  | <b>(30,458)</b>                |
| Employee Expenses                                | 1,210                     | 2,955   | 1,647   | 3,083   | 8,895                          |
| Other Service Expense.                           | 1,039                     | 23,851  | 1,233   | 4,298   | 30,421                         |
| <b>Expenditure</b>                               | <b>2,249</b>              | <b>26,806</b>                                       | <b>2,880</b>  | <b>7,381</b>  | <b>39,316</b>                  |
| <b>Net Expenditure</b>                           | <b>1,781</b>              | <b>2,622</b>  | <b>830</b>  | <b>3,625</b>  | <b>8,858</b>                   |



The comparative figures for the preceding year are shown in the following table:-

| 2014/15 DIRECTORATE<br>INCOME AND<br>EXPENDITURE | Chief Executives | Governance &<br>Business<br>Transformation | Development<br>Enterprise &<br>Communities | Neighbourhoods<br>Environment &<br>Asset<br>Management | Total<br>Directorates |
|--|------------------|--|--|--|-----------------------|
|  | £'000            | £'000                                      | £'000                                      | £'000  | £'000                 |
| Fees & Charges & Other<br>Service Income         | (375)            | (592)                                      | (1,531)                                    | (3,654)  | <b>(6,152)</b>        |
| Government Grants                                | 0                | (25,244)                                   | 0  | (3)  | <b>(25,247)</b>       |
| <b>Total Income</b>                              | <b>(375)</b>     | <b>(25,836)</b>                            | <b>(1,531)</b>                             | <b>(3,657)</b>   | <b>(31,399)</b>       |
| Employee Expenses                                | 1,246            | 2,932                                      | 1,485                                      | 3,020  | <b>8,683</b>          |
| Other Service Expense                            | 930              | 25,623                                     | 1,048                                      | 4,616  | <b>32,217</b>         |
| <b>Expenditure</b>                               | <b>2,176</b>     | <b>28,555</b>                              | <b>2,533</b>                               | <b>7,636</b>   | <b>40,900</b>         |
| <b>Net Expenditure</b>                           | <b>1,801</b>     | <b>2,719</b>                               | <b>1,002</b>                               | <b>3,979</b>   | <b>9,501</b>          |

#### RECONCILIATION OF DIRECTORATE INCOME & EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

|  | 2014/15<br>£'000 | 2015/16<br>£'000 |
|--|------------------|------------------|
| <b>Net Expenditure in Directorate Analysis</b>   | <b>9,501</b>     | <b>8,858</b>     |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 2,947            | 5,846            |
|  | <b>12,448</b>    | <b>14,704</b>    |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement      | 514              | 866              |
| <b>Cost of Services in Comprehensive Income and Expenditure Statement</b>                                | <b>12,962</b>    | <b>15,570</b>    |

The following reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:-

| <b>RECONCILIATION TO SUBJECTIVE ANALYSIS<br/>2015/16</b>   | <b>Director<br/>Analysis</b> | <b>Amounts<br/>not<br/>reported to<br/>managem-<br/>ent for<br/>decision<br/>making</b> | <b>Amounts<br/>not<br/>included in<br/>Cost of<br/>Service</b> | <b>Allocation<br/>of<br/>Recharges</b> | <b>Cost of<br/>Services</b> | <b>Corporate<br/>Amounts</b> | <b>Total</b>    |
|--|------------------------------|---|--|--|-----------------------------|------------------------------|-----------------|
|  | <b>£'000</b>                 | <b>£'000</b>  | <b>£'000</b>   | <b>£'000</b>                           | <b>£'000</b>                | <b>£'000</b>                 | <b>£'000</b>    |
| Fees, charges & other service income.                      | (6,501)                      | (15,358)  | 1,612  | 15,358                                 | (4,889)                     | (4,655)                      | <b>(9,544)</b>  |
| Interest and investment income.                            |                              |   |  |  |                             | (2,323)                      | <b>(2,323)</b>  |
| Income from council tax.                                   |                              |   |  |  |                             | (7,565)                      | <b>(7,565)</b>  |
| Local share of business rates                              |                              |   |  |  |                             | (14,989)                     | <b>(14,989)</b> |
| Government grants and contributions.                       | (23,957)                     |   |  |  | (23,957)                    | (3,749)                      | <b>(27,706)</b> |
| <b>Total Income</b>  | <b>(30,458)</b>              | <b>(15,358)</b>   | <b>1,612</b>   | <b>15,358</b>                          | <b>(28,846)</b>             | <b>(33,281)</b>              | <b>(62,127)</b> |
| Employee expenses.   | 8,895                        | 622   |  |  | 9,517                       |                              | <b>9,517</b>    |
| Other service expenses.                                    | 30,421                       |   | (692)  |  | 29,729                      | 223                          | <b>29,952</b>   |
| Support Service recharges.                                 |                              | 15,358  | (276)  | (15,358)                               | (276)                       | 276                          | <b>0</b>        |
| Depreciation, amortisation and impairment.                 |                              | 5,224   | 222  |  | 5,446                       | (222)                        | <b>5,224</b>    |
| Interest Payments.   |                              |   |  |  |                             | 3,331                        | <b>3,331</b>    |
| Precepts & Levies.   |                              |   |  |  |                             | 256                          | <b>256</b>      |
| Business rates tariff, levy and deficit                    |                              |   |  |  |                             | 12,809                       | <b>12,809</b>   |
| Payments to Housing Capital Receipts Pool.                 |                              |   |  |  |                             |                              | <b>0</b>        |
| Gain or Loss on Disposal of Fixed Assets.                  |                              |   |  |  |                             | (72)                         | <b>(72)</b>     |
| <b>Total Expenditure</b>                                   | <b>39,316</b>                | <b>21,204</b>   | <b>(746)</b>   | <b>(15,358)</b>                        | <b>44,416</b>               | <b>16,601</b>                | <b>61,017</b>   |
| <b>Surplus or deficit on the provision of<br/>services</b> | <b>8,858</b>                 | <b>5,846</b>  | <b>866</b>   | <b>0</b>                               | <b>15,570</b>               | <b>(16,680)</b>              | <b>(1,110)</b>  |

The comparative figures for the preceding year are shown in the following table:-

| <b>RECONCILIATION TO SUBJECTIVE ANALYSIS<br/>2014/15 RESTATED</b> | <b>Director<br/>Analysis</b> | <b>Amounts<br/>not<br/>reported to<br/>managem-<br/>ent for<br/>decision<br/>making</b> | <b>Amounts<br/>not<br/>included in<br/>Cost of<br/>Service</b> | <b>Allocation<br/>of<br/>Recharges</b> | <b>Cost of<br/>Services</b> | <b>Corporate<br/>Amounts</b> | <b>Total</b>    |
|---|------------------------------|---|--|--|-----------------------------|------------------------------|-----------------|
|   | <b>£'000</b>                 | <b>£'000</b>  | <b>£'000</b>   | <b>£'000</b>                           | <b>£'000</b>                | <b>£'000</b>                 | <b>£'000</b>    |
| Fees, charges & other service income.                             | (6,152)                      | (13,053)  | 1,358  | 13,053                                 | (4,794)                     | (1,759)                      | <b>(6,553)</b>  |
| Interest and investment income.                                   |                              |   |  |  |                             | (2,713)                      | <b>(2,713)</b>  |
| Income from council tax.  |                              |   |  |  |                             | (7,421)                      | <b>(7,421)</b>  |
| Local share of business rates                                     |                              |   |  |  |                             | (15,679)                     | <b>(15,679)</b> |
| Government grants and contributions.                              | (25,247)                     |   |  |  | (25,247)                    | (3,795)                      | <b>(29,042)</b> |
| <b>Total Income</b>   | <b>(31,399)</b>              | <b>(13,053)</b>   | <b>1,358</b>   | <b>13,053</b>                          | <b>(30,041)</b>             | <b>(31,367)</b>              | <b>(61,408)</b> |
| Employee expenses.  | 8,683                        | 246   |  |  | 8,929                       |                              | <b>8,929</b>    |
| Other service expenses.   | 32,217                       |   | (559)  |  | 31,658                      | 181                          | <b>31,839</b>   |
| Support Service recharges.  |                              | 13,053  | (251)  | (13,053)                               | (251)                       | 251                          | <b>0</b>        |
| Depreciation, amortisation and impairment.                        |                              | 2,701   | (34)   |  | 2,667                       | 34                           | <b>2,701</b>    |
| Interest Payments.  |                              |   |  |  |                             | 4,609                        | <b>4,609</b>    |
| Precepts & Levies.  |                              |   |  |  |                             | 253                          | <b>253</b>      |
| Business rates tariff, levy and deficit                           |                              |   |  |  |                             | 13,157                       | <b>13,157</b>   |
| Payments to Housing Capital Receipts Pool.                        |                              |   |  |  |                             | 1                            | <b>1</b>        |
| Gain or Loss on Disposal of Fixed Assets.                         |                              |   |  |  |                             | (46)                         | <b>(46)</b>     |
| <b>Total Expenditure</b>  | <b>40,900</b>                | <b>16,000</b>   | <b>(844)</b>   | <b>(13,053)</b>                        | <b>43,003</b>               | <b>18,440</b>                | <b>61,443</b>   |
| <b>Surplus or deficit on the provision of<br/>services</b>        | <b>9,501</b>                 | <b>2,947</b>  | <b>514</b>   | <b>0</b>                               | <b>12,962</b>               | <b>(12,927)</b>              | <b>35</b>       |

## 27 TRADING OPERATIONS

The Council manages an investment portfolio consisting of 28 industrial units, 43 other properties (shops, offices and residential), 23 plots of leased land, and a small number of other plots used for agriculture and car parking etc.

|                                 | <b>Investment<br/>Properties<br/>£'000</b> |
|---------------------------------|--|
| <b><u>2014/15</u></b>           |  |
| Turnover                        | (990)                                      |
| Direct costs                    | 181  |
| Overheads                       | 251  |
| Capital charges                 | 33   |
| <b>Net (surplus) or deficit</b> | <b>(525)</b>                               |
| <b><u>2015/16</u></b>           |  |
| Turnover                        | (1,037)                                    |
| Direct costs                    | 223  |
| Overheads                       | 276  |
| Capital charges                 | (222)                                      |
| <b>Net (surplus) or deficit</b> | <b>(760)</b>                               |

## 28 MEMBERS ALLOWANCES

The Council paid the following amounts to its members during the year:

|              | <b>2014/15<br/>£'000</b> | <b>2015/16<br/>£'000</b> |
|--------------|--------------------------|--------------------------|
| Allowances   | 171                      | 321                      |
| Expenses     | 1                        | 1                        |
| <b>Total</b> | <b>172</b>               | <b>322</b>               |

## 29 OFFICERS REMUNERATION

As required by the Accounts and Audit Regulations, in the following table those senior employees whose salary exceeds £50,000 in the year are identified.

| <b>2015/16 Remuneration</b>                                |               |                           |                  |                               |                           |
|--|---------------|---------------------------|------------------|-------------------------------|---------------------------|
| <b>Post Title</b>  | <b>Salary</b> | <b>Expense Allowances</b> | <b>Sub Total</b> | <b>Pensions Contributions</b> | <b>Total Remuneration</b> |
|  | £             | £                         | £                | £                             | £                         |
| Chief Executive  | 106,662       | 1,239                     | 107,901          | 13,546                        | 121,447                   |
| Director of Neighbourhoods, Environmental Health & Assets  | 67,963        | 1,239                     | 69,202           | 8,631                         | 77,833                    |
| Director of Corporate Governance & Business Transformation | 67,963        | 1,239                     | 69,202           | 8,631                         | 77,833                    |
| Director of Development, Enterprise & Communities          | 67,963        | 1,337                     | 69,300           | 8,631                         | 77,931                    |
| Head of Shared Assurance                                   | 51,975        | 1,239                     | 53,214           | 6,601                         | 59,815                    |
| Head of Human Resources                                    | 51,975        | 1,239                     | 53,214           | 6,601                         | 59,815                    |

The comparative information for the preceding year is as follows:

| <b>2014/15 Remuneration</b>                                |               |                           |                  |                               |                           |
|--|---------------|---------------------------|------------------|-------------------------------|---------------------------|
| <b>Post Title</b>  | <b>Salary</b> | <b>Expense Allowances</b> | <b>Sub Total</b> | <b>Pensions Contributions</b> | <b>Total Remuneration</b> |
|  | £             | £                         | £                | £                             | £                         |
| Chief Executive  | 106,662       | 1,239                     | 107,901          | 13,546                        | 121,447                   |
| Director of Neighbourhoods, Environmental Health & Assets  | 65,860        | 1,239                     | 67,099           | 8,364                         | 75,463                    |
| Director of Corporate Governance & Business Transformation | 65,860        | 1,174                     | 67,034           | 8,364                         | 75,398                    |
| Director of Development, Enterprise & Communities          | 65,860        | 1,141                     | 67,001           | 8,364                         | 75,365                    |
| Head of Shared Assurance                                   | 51,136        | 1,239                     | 52,375           | 6,494                         | 58,869                    |
| Head of Human Resources                                    | 51,136        | 1,239                     | 52,375           | 6,494                         | 58,869                    |

Authorities are also required to disclose the number of other employees receiving more than £50,000 remuneration, excluding pension contributions. There were no such employees in either 2014/15 or 2015/16.

The following table gives details of employee exit packages in the current and preceding years.

| Packages banded by cost | Number of compulsory redundancies |         | Number of other agreed departures |         | Total number of exit packages |         | Total cost of exit packages |         |
|-------------------------|-----------------------------------|---------|-----------------------------------|---------|-------------------------------|---------|-----------------------------|---------|
|                         | 2014/15                           | 2015/16 | 2014/15                           | 2015/16 | 2014/15                       | 2015/16 | 2014/15                     | 2015/16 |
| £0 -£20,000             | 0                                 | 0       | 3                                 | 1       | 3                             | 1       | £38,470                     | £9,037  |
| £20,001 - £40,000       | 0                                 | 0       | 0                                 | 0       | 0                             | 0       | £0                          | £0      |
| £40,001 - £60,000       | 0                                 | 0       | 0                                 | 0       | 0                             | 0       | £0                          | £0      |
| £60,001 - £80,000       | 0                                 | 0       | 0                                 | 0       | 0                             | 0       | £0                          | £0      |
| £80,001 - £100,000      | 0                                 | 0       | 0                                 | 0       | 0                             | 0       | £0                          | £0      |
| £100,000 - £150,000     | 0                                 | 0       | 1                                 | 0       | 1                             | 0       | £116,473                    | £0      |
| <b>Total</b>            | 0                                 | 0       | 4                                 | 1       | 4                             | 1       | £154,943                    | £9,037  |

### 30 TERMINATION BENEFITS

The Authority terminated the contract of 1 employee in 2015/16 incurring liabilities of £0.009m (£0.155m in 2014/15). See note 29 for the number of exit packages and total cost.

### 31 EXTERNAL AUDIT COSTS

The Authority has incurred the following costs relating to external audit:

|   | 2014/15<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| Fees for statutory inspection and audit                             | 58               | 44               |
| Less rebate <sup>1</sup>  | (6)              | 0                |
| Fees for the certification of grant claims and returns <sup>2</sup> | 0                | 7                |
| <b>Total</b>  | <b>52</b>        | <b>51</b>        |

<sup>1</sup> A rebate of £5,926 was issued by the Audit Commission in October 2014.

<sup>2</sup> In previous years the grant certification audit was accounted for in the year to which the grant claim related. From 2014/15 the costs are accounted for in the year in which the grant certification audit work is carried out. This means that the grant certification audit for the 2014/15 grant claim will be accounted for in 2015/16 when the audit is undertaken and as the 2013/14 audit was accrued to 2013/14, as a one-off, there are no costs shown in the 2014/15 financial year.

## 32 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and expenditure Statement.

|   | 2014/15<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| <b><u>Credited to Taxation and Non-Specific</u></b> |                  |                  |
| National non-domestic rates                         | (660)            | (802)            |
| Revenue support grant                               | (2,425)          | (1,767)          |
| Grants – New Homes Bonus                            | (632)            | (1,103)          |
| Grants & Contributions - Other                      | (768)            | (3,618)          |
| Grants – Council Tax freeze                         | (77)             | (77)             |
| <b>Total</b>  | <b>(4,562)</b>   | <b>(7,367)</b>   |
| <b><u>Credited to Services</u></b>                  |                  |                  |
| Grants – benefits related                           | (24,864)         | (22,942)         |
| Grants & Contributions – other                      | (1,207)          | (2,357)          |
| Contribution – County Council waste recycling       | (1,059)          | (909)            |
| <b>Total</b>  | <b>(27,130)</b>  | <b>(26,208)</b>  |
| <b>Grand Total</b>                                  | <b>(31,692)</b>  | <b>(33,575)</b>  |

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached that could require the monies to be returned to the giver. The balances at year end are as follows:-

|                       | 2014/15<br>£'000 | 2015/16<br>£'000 |
|-----------------------|------------------|------------------|
| <b>Contributions</b>  |                  |                  |
| Various contributions | 203              | 203              |
| <b>Total</b>          | <b>203</b>       | <b>203</b>       |

### 33 RELATED PARTIES

The financial statements must disclose material transactions with related parties, to draw attention to the possible extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

◆ **Central Government**

Central government has effective control over the operations of the council as it provides the statutory framework within which it operates and the majority of its funding in the form of grants. Details of government grants received are given in note 32.

◆ **Members of the Council**

Councillors have direct control over the council's financial and operating policies. Elected members are required to complete a Notice of Registerable Interests and notify the council of any changes within 28 days. Declarations of interests in meetings, including the personal interest of partners, relatives or friends, are also recorded in the minutes of the meeting and in a register, both of which are open to public inspection.

Note 28 refers to the allowances paid to members. A detailed breakdown of these figures can be found in the Council's newspaper – Forward, which is distributed to all residents.

The Council has representation on various voluntary bodies. During 2015/16, the Council paid grants totalling £0.021m (2014/15 £0.021m) to some of these organisations.

◆ **Officers**

If appropriate, Directors complete a voluntary declaration of transactions involving related parties. The declarations made during the year revealed no material transactions.

◆ **Partnerships, Companies and Trusts**

Financial & Assurance Shared Services Partnership – In January 2009 this partnership was established under an Administrative Collaboration Agreement entered into by South Ribble and Chorley Borough Councils. This provides for the provision of accountancy, exchequer, treasury management, procurement and assurance services across the administrative areas of the two Councils. A Shared Services Joint Committee has been established to discharge the Chorley and South Ribble Councils' functions of providing these services.

In 2015/16 gross expenditure of £1.43m (2014/15 1.70m) was incurred on the shared services which was fully funded by recharges to the two Councils.

◆ **Simple Investment**

In 2005/06 the Council's leisure centre operation transferred to South Ribble Community Leisure Limited (SRCLL), which is a company with charitable objectives. The Council pay SRCLL a Leisure Services Fee (LSF) for the running of its leisure centres. The contract with SRCLL is for a period of 15 years and 10 months which commenced on 1 June 2005.

|                        |   |
|------------------------|---|
| Name of Undertaking    | South Ribble Community Leisure Limited                          |
| Type of Organisation   | Limited liability.  |
| Nature of Business     | Provision and Development of leisure facilities in South Ribble |
| SRBC share holding     | 14.2%   |
| Grant Paid in the Year | £20,779   |
| Leisure Services Fee   | £257,920  |

### 34 CAPITAL EXPENDITURE AND FINANCING

The total capital expenditure in the year is shown below, together with the resources that have been used to finance it.

The statement incorporates details of the movements in the Capital Financing Requirement. This is a measure of the capital expenditure historically incurred by the Authority that has yet to be financed. This will be discharged by future charges to the revenue account.

|   | 2014/15<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| <b>Opening Capital Financing Requirement</b>                | <b>5,691</b>     | <b>5,171</b>     |
| Capital investment  |                  |                  |
| Property, Plant and Equipment                               | 1,153            | 2,591            |
| Investment property   | 1                | 23               |
| Intangible Assets   | 26               | 49               |
| Revenue Expenditure Funded from Capital under Statute       | 467              | 487              |
| Sources of finance  |                  |                  |
| Capital Receipts  | (86)             | 0                |
| Government Grants and Other Contributions                   | (583)            | (1,052)          |
| Sums set aside from revenue                                 |                  |                  |
| Earmarked Reserves  | (651)            | (471)            |
| Revenue Financing   | 0                | (53)             |
| Minimum Revenue provision                                   | (601)            | (597)            |
| Voluntary Revenue Provision                                 | (246)            | (246)            |
| <b>Closing Capital Financing Requirement</b>                | <b>5,171</b>     | <b>5,902</b>     |
| Explanation of movements in year                            |                  |                  |
| Assets financed by prudential borrowing                     | 120              | 1,263            |
| Assets acquired under deferred purchase arrangement         | 207              | 311              |
| Provision made for debt repayment                           | (847)            | (843)            |
| <b>Increase/(Decrease) in Capital Financing Requirement</b> | <b>(520)</b>     | <b>731</b>       |



## 35 LEASES

### 35a Authority as lessee

#### Finance leases

Works have been done to leisure centres owned by the Authority under a deferred purchase arrangement. The expenditure incurred, net of repayments made, is shown in the table below:

|                          | <b>31 March 2015</b><br><b>£'000</b> | <b>31 March 2016</b><br><b>£'000</b> |
|--------------------------|--------------------------------------|--------------------------------------|
| Works to Leisure Centres | 1,011                                | 1,033                                |

The Authority is committed to making minimum payments under these leases to discharge the outstanding liability plus finance costs that will accrue while the liability remains outstanding.

The agreement commits the lessor to invest £4.819m in their refurbishment in the years 2005/06 to 2020/21. As at 31 March 2016 £4.244m had been spent (£3.933m to 31 March 2015). The minimum payments under the lease total £6.638m of which, £2.178m is still to be paid. Payments in 2015/16 totalled £0.436m and the same amount is due in 2016/17.

The minimum lease payments in respect of the completed works to leisure centres are shown below. These minimum payments are different to the £2.178m still to be paid and identified above. This is because the figure of £2.178m represents amounts still to be paid under the terms of the contract and takes into account capital expenditure yet to be incurred, whereas the minimum payments below relate to the actual capital expenditure incurred to date.

|                                 | <b>Minimum Lease Payments</b>        |                                      | <b>Finance Lease Liabilities</b>     |                                      |
|---------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                                 | <b>31 March 2015</b><br><b>£'000</b> | <b>31 March 2016</b><br><b>£'000</b> | <b>31 March 2015</b><br><b>£'000</b> | <b>31 March 2016</b><br><b>£'000</b> |
| Not later than 1 year.          | 436                                  | 436                                  | 289                                  | 285                                  |
| Later than 1 year, less than 5. | 827                                  | 857                                  | 722                                  | 748                                  |
|                                 | <b>1,263</b>                         | <b>1,293</b>                         | <b>1,011</b>                         | <b>1,033</b>                         |

#### Operating leases

The Council currently has no assets provided under an operating lease.

### 35b Authority as lessor

#### Finance Leases

The Council has leased one property for 125 years. In the following table the gross investment in the lease is reconciled to the present value of the minimum lease payments:

|  | 31 March 2015<br>£'000 | 31 March 2016<br>£'000 |
|--|------------------------|------------------------|
| Finance lease debtor (present value of minimum lease payments) | 20                     | 20                     |
| Unearned finance income  | 92                     | 91                     |
| <b>Total</b>   | <b>112</b>             | <b>111</b>             |

The gross investment in the lease and the minimum lease payments will be received over the following periods:

|                                   | Gross Investment in the Lease |                        | Minimum lease payments |                        |
|-----------------------------------|-------------------------------|------------------------|------------------------|------------------------|
|                                   | 31 March 2015<br>£'000        | 31 March 2016<br>£'000 | 31 March 2015<br>£'000 | 31 March 2016<br>£'000 |
| Not later than 1 yr.              | 1                             | 1                      | 1                      | 1                      |
| Later than 1 yr, not more than 5. | 4                             | 4                      | 4                      | 4                      |
| Later than 5 years.               | 107                           | 106                    | 107                    | 106                    |
| <b>Total</b>                      | <b>112</b>                    | <b>111</b>             | <b>112</b>             | <b>111</b>             |

No contingent rents were receivable in the years of account.

#### Operating leases

The Council lets certain offices and industrial units. The future minimum lease payments receivable are:

|  | 31 March 2015<br>£'000 | 31 March 2016<br>£'000 |
|--|------------------------|------------------------|
| Not later than one year                      | 819                    | 890                    |
| Later than one and not later than five years | 2,217                  | 1,791                  |
| Later than five years                        | 14,788                 | 12,744                 |
| <b>Total</b>                                 | <b>17,824</b>          | <b>15,425</b>          |

## **36 DEFINED BENEFIT PENSION SCHEME**

### **36a Governance**

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through the Local Government Pension Scheme. This scheme is administered by Lancashire County Council who have appointed a Pension Fund Committee (comprising a mix of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises on investment strategy and risk management. The scheme is funded and pays defined benefits based on how long employees are active members, and their salary when they leave (a “final salary” scheme) for service up to 31 March 2015 and on revalued average salary (a “career average” scheme) for service from 1 April 2015 onwards.

### **36b Funding the liabilities**

Regulations require actuarial fund valuations to be carried out every 3 years. Contributions for each employer are set having regard to their individual circumstances. Contributions must be set with a view to targeting the Funds solvency (the detailed provisions are set out in the Fund’s Funding Strategy Statement). The latest valuation, carried out as at 31 March 2013, showed a shortfall for all employers of £1.38bn or 22%. Employers are paying additional contributions over 19 years to meet the shortfall. In 2014/15 the Council opted to pay a discounted sum of £1.778m to meet the deficit recovery contributions for the three years 2014/15 to 2016/17.

### **36c Risks**

The primary risk is that the Fund’s assets will, in the long-term, fall short of its liabilities to pay benefits to members.

Investment risk management seeks to balance the maximisation of the opportunity for gain and minimise the risk of loss, on the fund’s investments. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk), by ensuring counterparties meet credit criteria, and that investments are within the limits set by the investment strategy.

Other risks - The fund managers have to ensure that the fund has adequate liquidity to meet its obligations as they arise. They must also be sensitive to any actions of government or changes in European legislation which might affect funding requirements.

Sensitivity to these risks is estimated in paragraph 36i.

### **36d Transactions relating to retirement benefits**

The Council recognises the cost of retirement benefits in the revenue account in the Cost of Services, when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge required to be made against council tax is based on the cash payable to the fund during the year. An adjustment is therefore made to the General Fund via the Movement in Reserves Statement. The following table shows the transactions made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

|  | <b>Restated<br/>2014/15<br/>£'000</b> | <b>2015/16<br/>£'000</b> |
|--|---------------------------------------|--------------------------|
| <u>Comprehensive Income and Expenditure Statement</u>  |                                       |                          |
| Cost of Services   |                                       |                          |
| Administration   | 24                                    | 25                       |
| Current service cost   | 1,190                                 | 1,622                    |
| Past service cost  | 119                                   | 0                        |
| Net interest on the net defined benefit liability  |                                       |                          |
| Interest costs   | 3,687                                 | 3,163                    |
| Expected return on scheme assets   | (2,602)                               | (2,070)                  |
| <b>Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service</b>  | <b>2,418</b>                          | <b>2,740</b>             |
| <u>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</u> |                                       |                          |
| Re-measurement of the net defined benefit liability  |                                       |                          |
| Return on plan assets, excluding amount included in interest expense                               | (4,872)                               | (1,050)                  |
| Actuarial gains & losses from changes in demographic assumptions                                   | 0                                     | 0                        |
| Actuarial gains & losses from changes in financial assumptions                                     | 13,041                                | (5,168)                  |
| <b>Total re-measurements recognised in Other Comprehensive Income</b>                              | <b>8,169</b>                          | <b>(6,218)</b>           |
| <b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b> | <b>10,587</b>                         | <b>(3,478)</b>           |
| <u>Movement in Reserves Statement</u>  |                                       |                          |
| Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services                 | (2,418)                               | (2,740)                  |
| <u>Actual amount charged against the General Fund Balance for pensions in the year</u>             | 2,865                                 | 1,025                    |

### 36e Pension assets and liabilities recognised in the balance sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows

|  | Scheme Liabilities              |                  |
|--|---------------------------------|------------------|
|  | Local Government Pension Scheme |                  |
|  | 2014/15<br>£'000                | 2015/16<br>£'000 |
| Present value of the defined benefit obligation              | (100,240)                       | (97,109)         |
| Fair value of plan assets                                    | 65,537                          | 66,906           |
| <b>Net liability arising from defined benefit obligation</b> | <b>(34,703)</b>                 | <b>(30,203)</b>  |

### 36f Reconciliation of fair value of the scheme (plan) assets

|  | Scheme Assets                   |                  |
|--|---------------------------------|------------------|
|  | Local Government Pension Scheme |                  |
|  | 2014/15<br>£'000                | 2015/16<br>£'000 |
| <b>1 April</b>   | <b>58,414</b>                   | <b>65,537</b>    |
| Interest income  | 2,602                           | 2,070            |
| Re-measurement gain/(loss)   |                                 |                  |
| Return on plan assets, excluding amount included in interest expense | 4,872                           | 1,050            |
| Employer contributions   | 2,865                           | 1,022            |
| Employee contributions   | 383                             | 407              |
| Benefits paid  | (3,575)                         | (3,155)          |
| Other  | (24)                            | (25)             |
| <b>31 March</b>  | <b>65,537</b>                   | <b>66,907</b>    |

The actual return on the plan assets was £3,121 in 2015/16 (£7,473k 2014/15).

### 36g Reconciliation of present value of the scheme liabilities (defined benefit obligation)

|                                      | Scheme Liabilities              |                  |
|--------------------------------------|---------------------------------|------------------|
|                                      | Local Government Pension Scheme |                  |
|                                      | 2014/15<br>£'000                | 2015/16<br>£'000 |
| <b>1 April</b>                       | <b>(85,395)</b>                 | <b>(100,240)</b> |
| Current service cost                 | (1,190)                         | (1,622)          |
| Interest cost                        | (3,687)                         | (3,163)          |
| Contributions by scheme participants | (383)                           | (407)            |
| Re-measurement gains and (losses)    |                                 |                  |
| Changes in financial assumptions     | (13,041)                        | 5,168            |
| Benefits paid                        | 3,575                           | 3,155            |
| Past service costs                   | (119)                           | 0                |
| <b>31 March</b>                      | <b>(100,240)</b>                | <b>(97,109)</b>  |

### 36h Local Government Pension Scheme assets comprised

|  | Fair value of scheme assets |                                 |                  |                                 |
|--|-----------------------------|---------------------------------|------------------|---------------------------------|
|  | 2014/15<br>£'000            | Percentage<br>total of<br>asset | 2015/16<br>£'000 | Percentage<br>total of<br>asset |
| <b>Cash</b>                                  |                             |                                 |                  |                                 |
| Cash and cash equivalents                    | 3,175                       | 4.8%                            | 2,261            | 3.4%                            |
| Net Current Assets                           | 0                           | 0.0%                            | 40               | 0.1%                            |
|  | 3,175                       | 4.8%                            | 2,301            | 3.5%                            |
| <b>Equity investments (by industry type)</b> |                             |                                 |                  |                                 |
| Consumer                                     | 7,245                       | 11.1%                           | 7,267            | 10.9%                           |
| Energy                                       | 521                         | 0.8%                            | 287              | 0.4%                            |
| Financial institutions                       | 3,883                       | 5.9%                            | 4,058            | 6.1%                            |
| Health and care                              | 2,227                       | 3.4%                            | 2,428            | 3.6%                            |
| Information technology                       | 3,705                       | 5.7%                            | 4,118            | 6.2%                            |
| Industrials                                  | 3,145                       | 4.8%                            | 2,899            | 4.3%                            |
| Other  | 1,834                       | 2.8%                            | 1,938            | 2.9%                            |
| Subtotal equity                              | 22,560                      | 34.5%                           | 22,995           | 34.4%                           |
| <b>Bonds</b>                                 |                             |                                 |                  |                                 |
| UK corporate                                 | 631                         | 1.0%                            | 962              | 1.4%                            |
| Overseas corporate                           | 278                         | 0.4%                            | 401              | 0.6%                            |
| Government                                   | 2,057                       | 3.1%                            | 1,344            | 2.0%                            |
| Subtotal bonds                               | 2,966                       | 4.5%                            | 2,707            | 4.0%                            |
| <b>Property</b>                              |                             |                                 |                  |                                 |
| Retail                                       | 2,665                       | 4.1%                            | 2,293            | 3.4%                            |
| Commercial                                   | 3,506                       | 5.3%                            | 4,139            | 6.2%                            |
| Subtotal property                            | 6,171                       | 9.4%                            | 6,432            | 9.6%                            |
| <b>Private equity</b>                        |                             |                                 |                  |                                 |
| UK   | 1,644                       | 2.5%                            | 1,091            | 1.6%                            |
| Overseas                                     | 8,010                       | 12.2%                           | 8,274            | 12.4%                           |
| Subtotal private equity                      | 9,654                       | 14.7%                           | 9,365            | 14.0%                           |
| <b>Other</b>                                 |                             |                                 |                  |                                 |
| Infrastructure                               | 3,647                       | 5.6%                            | 5,346            | 8.0%                            |
| Property Funds                               | 480                         | 0.7%                            | 16,836           | 25.1%                           |
| Credit funds                                 | 16,884                      | 25.8%                           | 924              | 1.4%                            |
| Subtotal alternatives                        | 21,011                      | 32.1%                           | 23,106           | 34.5%                           |
|  | <b>65,537</b>               | <b>100.0%</b>                   | <b>66,906</b>    | <b>100.0%</b>                   |

### 36i Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Mercers, an independent firm of actuaries. Estimates for the County Council Fund are based on the latest full valuation of the scheme as at 31 March 2014.

The main assumptions used in their calculations have been as follows:-

|   | Local Government Pension Scheme |           |
|---|---------------------------------|-----------|
|   | 2014/15                         | 2015/16   |
| Mortality assumptions                           |                                 |           |
| Longevity at 65 for current pensioners          |                                 |           |
| Men   | 22.9 yrs.                       | 23 yrs.   |
| Women   | 25.4 yrs.                       | 25.6 yrs. |
| Longevity at 65 for future pensioners           |                                 |           |
| Men   | 25.1 yrs.                       | 25.2 yrs. |
| Women   | 27.8 yrs.                       | 27.9 yrs. |
| Rate of inflation (CPI)                         | 2.0%                            | 2.0%      |
| Rate of increase in salaries                    | 3.5%                            | 3.5%      |
| Rate of increase in pensions                    | 2.0%                            | 2.0%      |
| Rate for discounting scheme liabilities         | 3.2%                            | 3.5%      |
| Take up option to convert pension into lump sum | 0.0%                            | 0.0%      |

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

|  | Impact on the defined benefit obligation in the scheme<br>£'000 |
|--|---|
| Longevity (increase 1 year)                                | 1,920   |
| Rate of inflation (increase of 0.1% p.a.)                  | 1,693   |
| Salary inflation (increase of 0.1% p.a.)                   | 352   |
| Rate for discounting scheme liabilities (increase of 0.1%) | (1,664)   |

### **36j Impact on the Authority's Future Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 19 years. Funding levels are monitored on an annual basis. The next triennial valuation of the Fund is due as at the 31st March 2016. Based on the results of that valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipates paying £1,022k expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 17 years.

### **37 CONTINGENT LIABILITIES**

Many councils, including South Ribble Borough Council, have received claims for mandatory charitable business rates relief from NHS Trusts and NHS Foundation Trusts. The backdated relief could be worth hundreds of millions of pounds in total for all of the councils. The councils have rejected the claims on the grounds that the NHS bodies are not charities, and therefore the claims are unfounded.

### **38 CONTINGENT ASSETS**

The Council has made successful claims to HMRC regarding VAT overpaid over many years in relation to leisure centre income. At 31 March 2016, a claim submitted for compound interest relating to a claim settled in 2009/10 was still outstanding. The outcome of the claim is dependent on a test case which is proceeding to the UK Supreme Court and is due to be heard in the summer of 2017. Up until now the taxpayer has been successful in the earlier courts however there is uncertainty with regard to what decision this court will provide in light of it being the final UK court which can decide on this matter. Therefore it is not possible to estimate the timing and value of any future payments.



# Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers, and distribution to local authorities and the Government, of council tax and non-domestic rates (Business Rates).

| 2014/15<br>Business<br>Rates<br>£'000 | 2014/15<br>Council<br>Tax<br>£'000 |  | 2015/16<br>Business<br>Rates<br>£'000 | 2015/16<br>Council<br>Tax<br>£'000 |
|---------------------------------------|------------------------------------|--|---------------------------------------|------------------------------------|
|                                       |                                    | <b>Income</b>  |                                       |                                    |
|                                       | 53,372                             | Council Tax Receivable   |                                       | 55,308                             |
| 37,773                                |                                    | Business Rates Receivable  | 39,584                                |                                    |
| 37,773                                | 53,372                             |  | 39,584                                | 55,308                             |
|                                       |                                    | <b>Expenditure</b>   |                                       |                                    |
|                                       |                                    | Apportionment of Previous Year (Surplus)/Deficit                         |                                       |                                    |
| (1,825)                               |                                    | Central Government   | 1,202                                 |                                    |
| (1,460)                               | 38                                 | South Ribble Borough Council (Note 11 page 63)                           | 961                                   | 189                                |
| (328)                                 | 193                                | Lancashire County Council  | 216                                   | 969                                |
|                                       | 27                                 | Police & Crime Commissioner for Lancashire                               |                                       | 136                                |
| (36)                                  | 11                                 | Lancashire Combined Fire Authority                                       | 24                                    | 56                                 |
|                                       |                                    | Precepts, Demands and Shares   |                                       |                                    |
| 17,745                                |                                    | Central Government   | 18,736                                |                                    |
| 14,196                                | 7,247                              | South Ribble Borough Council (Note 11 page 63)                           | 14,989                                | 7,435                              |
| 3,194                                 | 37,176                             | Lancashire County Council  | 3,372                                 | 38,926                             |
|                                       | 5,234                              | Police & Crime Commissioner for Lancashire                               |                                       | 5,480                              |
| 355                                   | 2,136                              | Lancashire Combined Fire Authority                                       | 375                                   | 2,235                              |
| 31,841                                | 52,062                             |  | 39,875                                | 55,426                             |
|                                       |                                    | Charges to Collection Fund   |                                       |                                    |
| 67                                    | 110                                | Write offs of uncollectable amounts                                      | 83                                    | 94                                 |
| 304                                   | 231                                | Increase/(Decrease) in Bad Debt Provision                                | 370                                   | 196                                |
| (883)                                 |                                    | Increase/(Decrease) in Provision for Appeals                             | 2,114                                 |                                    |
| 125                                   |                                    | Cost of Collection Allowance   | 127                                   |                                    |
| 183                                   |                                    | Transitional Protection Payments   | (54)                                  |                                    |
| (204)                                 | 341                                |  | 2,640                                 | 290                                |
|                                       |                                    |  |                                       |                                    |
| 6,136                                 | 969                                | Surplus/(deficit) arising during the year                                | (2,931)                               | (408)                              |
|                                       |                                    | Collection Fund Balance  |                                       |                                    |
| (2,429)                               | (73)                               | Surplus/(deficit) brought forward at 1 April                             | 3,707                                 | 896                                |
| 6,136                                 | 969                                | Surplus/(deficit) arising during the year                                | (2,931)                               | (408)                              |
| 3,707                                 | 896                                | Surplus/(deficit) carried forward at 31 March                            | 776                                   | 488                                |
|                                       |                                    | Allocated to   |                                       |                                    |
| 1,483                                 | 127                                | Transfer to/(from) Collection Fund Adjustment Account (Note 22f page 68) | 310                                   | 67                                 |
| 1,853                                 |                                    | Central Government   | 388                                   |                                    |
| 334                                   | 642                                | Lancashire County Council  | 70                                    | 352                                |
| 37                                    | 37                                 | Lancashire Combined Fire Authority                                       | 8                                     | 20                                 |
|                                       | 90                                 | Police & Crime Commissioner for Lancashire                               |                                       | 49                                 |
| <b>3,707</b>                          | <b>896</b>                         | <b>Surplus/(deficit) carried forward at 31 March</b>                     | <b>776</b>                            | <b>488</b>                         |

# Notes to the Collection Fund

## 1. ACCOUNTING FOR COUNCIL TAX

The amount of Council Tax to be credited to the Comprehensive Income and Expenditure Statement for both billing authorities and major preceptors is their share of the accrued income. However, statute requires that the amount to be credited to the General Fund should be the authority's precept or demand for the year plus its share of the previous year's Collection Fund surplus or deficit. The difference between this regulatory charge and the accrued income is taken to the Collection Fund Adjustment Account, as revealed in the Movement in Reserves Statement. See also note 7.

Revenue relating to council tax shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

Since the collection of Council tax is an agency arrangement, debtor and creditor balances belong proportionately to the billing authority and the major preceptors. This results in a debtor/creditor position between the billing authority and each major preceptor.

## 2. COUNCIL TAX DETAILS OF CHARGE

For the purpose of calculating Council Tax residential properties are classified into eight valuation bands. Each valuation band is proportionate to the central Band D property. This enables calculation of the total tax base. The Council Tax Base for 2015/16 was calculated as follows: -

| Band   | No. of Dwellings | Total No. of Equivalent dwellings | Proportion of Band D Charge | Band D Equivalent |
|--|------------------|-----------------------------------|-----------------------------|-------------------|
| A (disabled)   | 0                | 8.75                              | 5:9                         | 4.9               |
| A  | 9,603            | 8,239.70                          | 6:9                         | 5,493.1           |
| B  | 12,632           | 11,320.00                         | 7:9                         | 8,804.4           |
| C  | 11,802           | 10,776.00                         | 8:9                         | 9,578.7           |
| D  | 7,617            | 7,123.20                          | 9:9                         | 7,123.2           |
| E  | 3,817            | 3,620.35                          | 11:9                        | 4,424.9           |
| F  | 1,519            | 1,450.70                          | 13:9                        | 2,095.5           |
| G  | 494              | 461.55                            | 15:9                        | 769.3             |
| H  | 28               | 20.75                             | 18:9                        | 41.5              |
| <b>Total</b>   | <b>47,512</b>    | <b>43,021.00</b>                  |                             | <b>38,335.5</b>   |
| Less local Council Tax Support Scheme discounts  |                  |                                   |                             | <b>(3,283.0)</b>  |
| Less adjustments for losses on collection  |                  |                                   |                             | <b>(703.2)</b>    |
| Addition for anticipated changes in the base, reduced discount on second homes and other technical changes |                  |                                   |                             | <b>105.2</b>      |
| Band D Equivalent Number of Properties   |                  |                                   |                             | <b>34,454.5</b>   |

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year and dividing this by the council tax base. This results in a basic Band D charge (excluding Parish Precepts) of £1,562.08 for 2015/16 and £1,535.73 for 2014/15). The other valuation bands are proportionate to this. The full list of charges is as follows:

| Band | Proportion of Band D Charge | Council Tax Levied Excluding Parish Precepts |              |
|------|-----------------------------|--|--------------|
|      |                             | 2014/15<br>£                                 | 2015/16<br>£ |
| A    | 0.67                        | 1,023.81                                     | 1,041.29     |
| B    | 0.78                        | 1,194.46                                     | 1,214.95     |
| C    | 0.89                        | 1,365.10                                     | 1,388.52     |
| D    | 1.00                        | 1,535.73                                     | 1,562.08     |
| E    | 1.22                        | 1,877.00                                     | 1,909.21     |
| F    | 1.44                        | 2,218.28                                     | 2,256.33     |
| G    | 1.67                        | 2,559.54                                     | 2,603.47     |
| H    | 2.00                        | 3,071.46                                     | 3,124.16     |

### 3. ACCOUNTING FOR BUSINESS RATES

The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors (excluding police bodies) and the Government. The amount credited to the General Fund under statute is the Authority's estimated share of NDR for the year from the National Non-Domestic Rates (NNDR) 1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

Revenue relating to non-domestic rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Authority from NDR payers belongs proportionately to all the major preceptors (excluding police bodies) and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Regulations require that only the deficit or surplus estimated in the annual National Non Domestic Rates (NNDR) 1 Return before the year-end be recovered from or shared with preceptors. Therefore, the surplus shared between preceptors during 2015/16 was £2.404m, being the estimate included in NNDR1 2015/16, whereas the actual surplus in the 2014/15 was £6.136m.

Note 11 Taxation and Non-Specific Grant Income and Expenditure shows net Non-Domestic Rates Income and Expenditure for 2015/16 to be £2.181m (2014/15 £2.522m). This can be reconciled to South Ribble Borough Council's share of Business Rates Income in the Collection Fund statement in the following table:

| 2014/15<br>£'000 |  | 2015/16<br>£'000 |
|------------------|--|------------------|
| 14,196           | South Ribble Borough Council's share of Business Rates   | 14,989           |
| (11,633)         | Tariff payable to Central Government   | (11,856)         |
| (1,035)          | Levy Payable to Central Government   | (741)            |
| 2,454            | South Ribble Borough Council share of accumulated surplus or deficit for year (transferred to Collection Fund Adjustment Account - Note 22f) | (1,172)          |
| (1,460)          | South Ribble Borough Council share of previous year's estimated surplus or (deficit) as per NNDR1 under regulation                           | 961              |
| <b>2,522</b>     | <b>NNDR Net Income per Note 11</b>   | <b>2,181</b>     |

#### 4. NNDR DETAILS OF CHARGE

Business Rates are organised on a national basis. In 2005/2006 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses at 48.0p in 2015/16 (47.1p in 2014/15) and one for larger businesses at 49.3p in 2015/16 (48.2p in 2014/15).

The Business Rates income for 2015/16, after reliefs and provisions, was £37.02m (£38.28m in 2014/15).

The rateable value for the Council's area at the end of the financial year 2015/16 was £91.5m (£90.8m in 2014/15).

# Glossary of Terms

## **Accounting Policies**

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

## **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

## **Agency Services**

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

## **Appointed Auditors**

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

## **Balances**

The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.

## **Capital Adjustment Account**

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

## **Capital Expenditure**

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

## **Capital Financing Charges**

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

## **Capital Financing Requirement (CFR)**

CFR is a measure of the capital expenditure historically incurred by the Authority that has yet to be financed. This will be discharged by future charges to the revenue account. In determining Council Tax charges, authorities have to make a specific provision for the financing of capital expenditure. The outstanding amount for which provision has to be made is known as the Capital Financing Requirement.

## **Capital Receipts**

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

**Carrying Amount**

The Balance Sheet value recorded of either an asset or a liability.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services.

**Code of Practice on Local Authority Accounting in the United Kingdom (The Code)**

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

**Collection Fund**

The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the Government.

**Community Assets**

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

**Contingency**

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

**Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

**Council Tax**

A local tax on residential properties within the Council's area, set by the charging (South Ribble Borough Council) and precepting authorities. The level is determined by the revenue expenditure requirements for each authority divided by council tax base for the year.

**Council Tax Base**

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

**Council Tax Requirement**

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

**Creditors**

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

**Current Service Cost**

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

**Current Value**

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

**Curtailement**

Curtailements will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

**Debtors**

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

**Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

**Defined Benefit Scheme**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**Department for Communities and Local Government (DCLG)**

DCLG is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

**Depreciation**

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property plant and equipment assets.

**Derecognition**

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

**Discounts**

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

**Earmarked Reserves**

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

**External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

**Fair Value**

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.

**Finance Lease**

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

**Financial Regulations**

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

**General Fund**

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

**Highways Network Asset**

A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include carriageways, footways and cycletracks, structures, street lighting, street furniture, traffic management systems and land. District Councils such as South Ribble Borough Council rarely hold such assets as they are not Highways Authorities.

**Housing Benefit**

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

**Impairment**

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

**Infrastructure Assets**

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

**Intangible Assets**

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

**International Financial Reporting Standard (IFRS)**

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.



**Inventories**

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

**Investment Properties**

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

**Joint Venture**

A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

**Leasing Costs**

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

**Materiality**

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

**Medium Term Financial Strategy (MTFS)**

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, and capital programme. At South Ribble Borough Council this usually covers a four year timeframe.

**Minimum Revenue Provision (MRP)**

The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge. MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989 and calculated in accordance with The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

**Non Domestic Rate (NDR) (also known as Business Rates)**

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

**Net Book Value (NBV)**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net Realisable Value (NRV)**

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

**Operating Lease**

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

**Precept**

The amount levied by various Authorities that is collected by the Council on their behalf. The major precepting Authorities in South Ribble are Lancashire County Council, the Police and Crime Commissioner for Lancashire, and the Lancashire Combined Fire and Rescue Authority. Parish precepts are also collected on behalf of a number of Parish and Town Councils in the area.

**Premiums**

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

**Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

**Property, Plant and Equipment (PPE)**

PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

**Provisions**

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

**Public Works Loan Board (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

**Related Parties**

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

**Remeasurement of the Net Defined Benefit Liability**

Remeasurement of the Net Defined Benefit Liability (asset) comprises:

- a) actuarial gains and losses
- b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and
- c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

**Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

**Regulation(s)**

Various Acts of Parliament, Statutory Instruments and Bills that require local authorities to account for transactions in a particularly way which might depart from proper accounting practice, IFRS or other Reporting Standards.

**Reserves**

Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.

**Revaluation Reserve**

The Revaluation Reserve records the accumulated gains on the non-current assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

**Revenue Support Grant**

The main Government grant paid to local authorities. It is intended to adjust for differences in needs between areas so that, if all local authorities were to spend at the level which the Government assess that they need to spend, the council tax would be the same across the whole country.

**Revenue Expenditure Funded From Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CI&ES.

**Royal Institution of Chartered Surveyors (RICS)**

The Royal Institution of Chartered Surveyors (RICS) is a professional body that accredits professionals within the land, property and construction sectors worldwide.

Members holding RICS qualifications may use the following designations after their name: MRICS (Member), FRICS (Fellow), AssocRICS (Associate). Those with the designation MRICS or FRICS are also known as chartered surveyors.

**Service Reporting Code of Practice (SeRCOP)**

Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

**Treasury Management**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

**Treasury Management Strategy (TMS)**

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

**Voluntary Revenue Provision**

The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required, this is the Voluntary Revenue Provision (VRP).