

# DRAFT STATEMENT OF ACCOUNTS

Year Ending  
31 March 2017



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## 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 2016/17 (The Code), which is based on International Financial reporting Standards.

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

### STATEMENTS TO THE ACCOUNTS

- Page 26     **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 29     **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 39     **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the Council and the Responsible Financial Officer in relation to the Statement of Accounts.
- Page 40     **Expenditure and Funding Analysis Note** – The Expenditure and Funding Analysis Note shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council’s directorates.

### CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:

- Page 41     **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 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 "Increase/Decrease in year".

Page 43 **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 44 **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 45 **Notes to the Main Financial Statements** – these add to and interpret the individual statements.

## SUPPLEMENTARY FINANCIAL STATEMENTS

Page 95 **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 96 **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 2016/17 as described below:

The standards introduced by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 include:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions) – issued November 2013.
- Annual Improvements to IFRSs 2010–2012 Cycle – issued December 2013.
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations) – May 2014.
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation) – May 2014.
- Amendment to IAS 16 and IAS 41 Agriculture (Bearer Plants) issued June 2014. This amendment does not apply to local authorities.
- Amendment to IAS 27 Separate Financial Statements (Equity Method in Separate Financial Statements) – issued September 2014. The Code has interpreted IAS 27 such that this amendment to IAS 27 does not apply to local authorities.
- Annual Improvements to IFRSs 2012–2014 Cycle – issued September 2014.
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) – issued December 2014.

Application of these standards is not expected to have a material impact on the Authority's financial statements.

Following CIPFA's 'Telling the Story' consultation, the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 was updated in two main ways

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the CIPFA's Service Reporting Code of Practice (SeRCoP) and the Comprehensive Income and Expenditure Statement, and
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

As a result a number of changes have been made to the Council's core financial statements and new notes introduced to provide further information. The Comprehensive Income and Expenditure Account is now prepared in the same format as the Council's internal organisational and reporting structure. The key emphasis is on presenting figures in the financial statements in the same way as they are presented during the year in budget monitoring reports. The service analysis required by CIPFA's SeRCoP, which utilised standard headings for services such as Central Services, Corporate and Democratic Core, Environment & Regulatory, Cultural & Related Services, etc. and which required support services and overheads to be apportioned (recharged) to these standard headings, will no longer be used in the financial statements. Instead the financial statements will be prepared on an organisational basis reporting at directorate level. In accordance with the requirements of International Accounting Standard (IAS) 1 and The CIPFA Code, the new reporting format for the Comprehensive Income and Expenditure Account required full retrospective restatement. There is no impact on the balance sheet information as a result of this change and therefore a third balance sheet is not required. As mentioned above, the Expenditure and Funding Analysis has also been introduced to reconcile the Council's financial performance based on the General Fund to the Surplus and Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. It can be found on page 40. Note 7 – Note to the Expenditure and Funding Analysis and note 8 - Income and Expenditure Analysed by Nature have been introduced to support the Expenditure and Funding Analysis and replace the Segmental Reporting note previously published.

Furthermore, the Council Joined the Lancashire Business Rates Pool on the 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government. For this Council the result was a reduction in levy of £1.005m from £1.116m to £0.111m. More information on the Lancashire Business Rates Pool can be found in note 13 on page 63 and note 3 to the Collection Fund on page 97.

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.

## 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 2016/17 (the Code).

In preparing this Statement of Accounts, She 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 2017 and its Income and Expenditure for the year ended 31 March 2017.

S Guinness CPFA  
Acting Chief Financial Officer  
Date 30 June 2017

## Expenditure and Funding Analysis Note

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates.

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES). More information on the adjustments between expenditure charged to the General Fund and the CIES is provided in notes 7 and 9.

2015/16				2016/17		
Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis (note 7 and 9) £'000	Net Expenditure in the CIES £'000		Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis (note 7 and 9) £'000	Net Expenditure in the CIES £'000
2,035	207	2,242	Chief Executive	2,041	153	2,194
4,443	4,651	9,094	Neighbourhood, Environment and Asset Management	4,250	1,953	6,203
829	704	1,533	Development, Enterprise and Communities	1,335	724	2,059
2,617	360	2,977	Governance and Business Transformation	2,588	215	2,803
<b>9,924</b>	<b>5,922</b>	<b>15,846</b>	<b>Net cost of Service</b>	<b>10,214</b>	<b>3,045</b>	<b>13,259</b>
(13,388)	(3,568)	(16,956)	Other Income and Expenditure	(13,029)	(1,519)	(14,548)
<b>(3,464)</b>	<b>2,354</b>	<b>(1,110)</b>	<b>(Surplus) / Deficit in year</b>	<b>(2,815)</b>	<b>1,526</b>	<b>(1,289)</b>
(12,314)			Opening General Fund Balance at 1 April 2016	(15,778)		
(3,464)			Add Surplus / Less Deficit on General Fund Balance in Year	(2,815)		
<b>(15,778)</b>			<b>Closing General Fund Balance at 31 March 2017</b>	<b>(18,593)</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.

2015/16 Restated				Note	2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,457	(215)	2,242	Chief Executives		2,508	(314)	2,194
11,812	(2,718)	9,094	Neighbourhoods, Environment and Asset Management		9,572	(3,369)	6,203
3,584	(2,051)	1,533	Development, Enterprise and Communities		4,250	(2,191)	2,059
27,161	(24,184)	2,977	Governance and Business Transformation		26,185	(23,382)	2,803
<b>45,014</b>	<b>(29,168)</b>	<b>15,846</b>	<b>Cost of Services</b>		<b>42,515</b>	<b>(29,256)</b>	<b>13,259</b>
256	(72)	184	Other operating expenditure	11	320	(38)	282
3,332	(3,359)	(27)	Financing and investment income and expenditure	12	4,001	(3,612)	389
12,808	(29,921)	(17,113)	Taxation and non-specific grant income	13	12,078	(27,297)	(15,219)
<b>61,410</b>	<b>(62,520)</b>	<b>(1,110)</b>	<b>(Surplus) / deficit on provision of services</b>		<b>58,914</b>	<b>(60,203)</b>	<b>(1,289)</b>
		(2,604)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets				(107)
		(6,218)	Re-measurement of the net defined benefit liability	37d			4,982
		<b>(8,822)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>4,875</b>
		<b>(9,932)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>3,586</b>

## 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 9.

	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2015</b>	(12,314)	(2,017)	(3,544)	(17,875)	(564)	(18,439)
<b><u>Movements in 2015/16</u></b>						
Total Comprehensive Income & Expenditure	(1,110)	0	0	(1,110)	(8,822)	(9,932)
Adjustments between accounting basis & funding basis (note 9)	(2,354)	(72)	(3,224)	(5,650)	5,650	0
<b>(Increase) / Decrease in year</b>	<b>(3,464)</b>	<b>(72)</b>	<b>(3,224)</b>	<b>(6,760)</b>	<b>(3,172)</b>	<b>(9,932)</b>
<b>Balance at 31 March 2016</b>	<b>(15,778)</b>	<b>(2,089)</b>	<b>(6,768)</b>	<b>(24,635)</b>	<b>(3,736)</b>	<b>(28,371)</b>
<b><u>Movements in 2016/17</u></b>						
Total Comprehensive Income & Expenditure	(1,289)	0	0	(1,289)	4,875	3,586
Adjustments between accounting basis & funding basis (note 9)	(1,526)	(17)	317	(1,226)	1,226	0
<b>(Increase) / Decrease in year</b>	<b>(2,815)</b>	<b>(17)</b>	<b>317</b>	<b>(2,515)</b>	<b>6,101</b>	<b>3,586</b>
<b>Balance at 31 March 2017</b>	<b>(18,593)</b>	<b>(2,106)</b>	<b>(6,451)</b>	<b>(27,150)</b>	<b>2,365</b>	<b>(24,785)</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 2016 £'000		Notes	31 March 2017 £'000
28,163	Property, Plant & Equipment	14	27,690
11,556	Investment Property	15	11,480
62	Intangible Assets	16	168
68	Long Term Debtors	17	56
<b>39,849</b>	<b>Long Term Assets</b>		<b>39,394</b>
6,006	Short Term Investments	17	14,009
93	Inventories	18	97
2,988	Short Term Debtors	19	2,636
18,401	Cash and Cash Equivalents	20	14,870
<b>27,488</b>	<b>Current Assets</b>		<b>31,612</b>
0	Bank overdraft	20	(118)
(6,193)	Short Term Creditors	21	(6,540)
(1,320)	Provisions	22	(1,200)
<b>(7,513)</b>	<b>Current Liabilities</b>		<b>(7,858)</b>
(250)	Long Term Creditors	17	(221)
(748)	Other Long Term Liabilities	17	(645)
(30,252)	Net Pension Liability	37	(36,703)
(203)	Grant Receipts in Advance - Capital	33	(794)
<b>(31,453)</b>	<b>Long Term Liabilities</b>		<b>(38,363)</b>
<b>28,371</b>	<b>Net Assets</b>		<b>24,785</b>
(24,635)	Usable Reserves	23 & MiRS Page 42	(27,150)
(3,736)	Unusable Reserves	24	2,365
<b>(28,371)</b>	<b>Total Reserves</b>		<b>(24,785)</b>

The unaudited accounts were authorised for issue on 30 June 2017.

## 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.

2015/16 £'000		Note	2016/17 £'000
1,110	Net surplus or (deficit) on the provision of services (CIES page 41)		1,289
7,989	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25a	4,833
(4,297)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	25b	(798)
<b>4,802</b>	<b>Net cash flows from Operating Activities</b>	<b>25</b>	<b>5,324</b>
(1,233)	Investing Activities	26	(8,243)
(2,298)	Financing Activities	27	(730)
<b>1,271</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(3,649)</b>
17,130	Cash and cash equivalents at the beginning of the reporting period		18,401
<b>18,401</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>20</b>	<b>14,752</b>

Cash and Cash Equivalents at the beginning and end of the 2016/17 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 2016/17 financial year and its position at the year end of 31 March 2017. 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 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), 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 38 and 39.

### **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 37. 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

- unitised 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 (CIES) 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.

#### Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consent. The Authority charges for and collects the levy, which is a planning charge. The levy income will be used to fund a number of infrastructure projects to support the development of the area. CIL received is limited by

regulations. It is therefore recognised at the commencement date of the development in the Comprehensive Income and Expenditure Statement in accordance with the above core accounting policy for grants and contributions. CIL charges will be largely to fund capital expenditure with a small proportion used to fund revenue.

### **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 36.

**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 costs of overheads and support services are charged to service segments in accordance with the authority’s arrangements for accountability and financial performance.

**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:

	<u>years</u>
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. Recent changes required in the reporting of pension fund scheme transactions are not relevant to South Ribble Borough Council and have, therefore, not been included in this statement.

## 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 2017.

### **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 37i. Small changes have major impacts on the pension deficit.
Debtors	The most significant debtor issue for the Council is its responsibility for collecting £97.725m 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 17d shows that financial instrument debtors total £1.899m against which a bad debt provision of £1.027m 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 around 90% to reflect this.	Any additional impairment will be a charge to the Comprehensive Income and Expenditure Statement.
Asset valuations	Note 14 shows that fixed assets valued at £27.690m 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.

Item	Uncertainty	Effect if actual results differ
Provisions	A provision of £1.200m has been recognised for the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2017. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2017. See note 22.	If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates income 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, 15 and 17.	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 unaudited Statement of Accounts was authorised for issue by the Acting Chief Financial Officer on 30 June 2017. Subsequent events are not reflected in the financial statements or in the notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date.

## 7. Note to the Expenditure and Funding Analysis

2016/17	Adjustments for Capital Purposes (Note A)	Net change for the Pensions Adjustments (Note B)	Other Differences (Note C)	Total Adjustments
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	£'000	£'000	£'000	£'000
Chief Executives	4	149		153
Neighbourhoods, Environment and Asset Management	1,833	120		1,953
Development, Enterprise and Communities	658	66		724
Governance and Business Transformation	119	96		215
<b>Net Cost of Service</b>	2,614	431	0	3,045
Other income and expenditure from the Expenditure and Funding Analysis	(2,366)	1,038	(191)	(1,519)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	248	1,469	(191)	1,526

2015/16 Comparative Figures	Adjustments for Capital Purposes (Note A)	Net change for the Pensions Adjustments (Note B)	Other Differences (Note C)	Total Adjustments
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	£'000	£'000	£'000	£'000
Chief Executives	2	205		207
Neighbourhoods, Environment and Asset Management	4,473	178		4,651
Development, Enterprise and Communities	609	95		704
Governance and Business Transformation	215	145		360
<b>Net Cost of Service</b>	5,299	623	0	5,922
Other income and expenditure from the Expenditure and Funding Analysis	(5,915)	1,093	1,254	(3,568)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	(616)	1,716	1,254	2,354

**Note A Adjustments for Capital Purposes**

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

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

**Note B Net Change for Pension Adjustments**

The net change for the removal of pension contributions and the addition of the IAS 19 Employee Benefits pension related expenditure and income are reflected as follows:

- For services this represents the removal of the employer pension contributions made by the authority as determined by statute and their replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement (CIES).

**Note C Other Differences**

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are:

- For financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- For taxation and non-specific grant income - the charge represents the difference between what is chargeable under statute for Council Tax and Business Rates that was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference as any difference is brought forward in the surpluses or deficits on the Collection Fund.

**8. Expenditure and Income Analysed By Nature**

The authority's expenditure and income is analysed as follows:

<b>Expenditure/Income</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
<b>Expenditure</b>		
Employee benefits expenses	9,517	9,387
Other service expenses	30,421	30,721
Depreciation, amortisation and impairment	5,099	2,902
Interest payments	3,310	3,506
Precepts and levies	13,063	12,398
Payments to Housing Capital Receipts Pool	0	0
<b>Total Expenditure</b>	<b>61,410</b>	<b>58,914</b>

<b>Income</b>		
Fees, charges and other service income	(9,791)	(7,597)
Interest and investment income	(2,323)	(2,520)
Income from Council Tax and Non-Domestic Rates	(22,553)	(23,553)
Government grants and contributions	(27,781)	(26,495)
Gain on the disposal of assets	(72)	(38)
<b>Total Income</b>	<b>(62,520)</b>	<b>(60,203)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(1,110)</b>	<b>(1,289)</b>

## 9. 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 and includes Earmarked Reserves (see note 10).

### 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.

2016/17	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b><u>Adjustments to the Revenue Resources</u></b>			
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>			
Pensions costs (transferred to (or from) the Pensions Reserve) (note 24e)	(1,469)		
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 24c)	(3)		
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 24f)	114		
Holiday pay (transferred to the Accumulated Absences Reserve) (note 24g)	80		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (note 24b)	(2,193)		74
Deferred sale proceeds	0		
<b>Total Adjustments to Revenue Resources</b>	<b>(3,471)</b>	<b>0</b>	<b>74</b>
<b><u>Adjustments between Revenue and Capital Resources</u></b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS page 42)	38	(38)	
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) (MiRS page 42)	0	0	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 24b)	1,007		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 24b)	900		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,945</b>	<b>(38)</b>	<b>0</b>
<b><u>Adjustments to Capital Resources</u></b>			
Use of the Capital Receipts Reserve to finance capital expenditure (MiRS page 42)		21	
Application of capital grants to finance capital expenditure (MiRS page 42)			243
Cash payments in relation to deferred capital receipts			
<b>Total Capital Resources</b>	<b>0</b>	<b>21</b>	<b>243</b>
<b>Total Adjustments</b>	<b>(1,526)</b>	<b>(17)</b>	<b>317</b>

2015/16	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b><u>Adjustments to the Revenue Resources</u></b>			
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>			
Pensions costs (transferred to (or from) the Pensions Reserve) (note 24e)	(1,715)		
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 24c)	(3)		
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 24f)	(1,252)		
Holiday pay (transferred to the Accumulated Absences Reserve) (note 24g)	0		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (note 24b)	(823)		(4,276)
Deferred sale proceeds	0		
<b>Total Adjustments to Revenue Resources</b>	<b>(3,793)</b>	<b>0</b>	<b>(4,276)</b>
<b><u>Adjustments between Revenue and Capital Resources</u></b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS page 42)	72	(72)	
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) (MiRS page 42)	0	0	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 24b)	843		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 25b)	524		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,439</b>	<b>(72)</b>	<b>0</b>
<b><u>Adjustments to Capital Resources</u></b>			
Use of the Capital Receipts Reserve to finance capital expenditure (MiRS page 42)			
Application of capital grants to finance capital expenditure (MiRS page 42)			1,052
Cash payments in relation to deferred capital receipts		0	
<b>Total Capital Resources</b>	<b>0</b>	<b>0</b>	<b>1,052</b>
<b>Total Adjustments</b>	<b>(2,354)</b>	<b>(72)</b>	<b>(3,224)</b>

## 10. Transfers to / from earmarked reserves

The movements in reserves during the year were as follows:

	Balance 31 March 2015 £'000	Transfers In 2015/16 £'000	Transfers Out 2015/16 £'000	Balance 31 March 2016 £'000	Transfers In 2016/17 £'000	Transfers Out 2016/17 £'000	Balance 31 March 2017 £'000
My Neighbourhoods	(48)	-	8	(40)	(5)	-	(45)
Asset Management	(2,228)	(250)	284	(2,194)	(125)	825	(1,494)
Borough Council Elections	(134)	(30)	112	(52)	(30)	-	(82)
Building Control Reserve	0	-	-	0	(22)	-	(22)
Housing Needs Survey	(64)	(20)	-	(84)	(20)	17	(87)
ICT Strategy Reserve	(2,013)	(150)	186	(1,977)	(75)	1,064	(988)
Local Development Framework	(180)	-	-	(180)	-	100	(80)
Performance Reward Grant	(177)	-	82	(95)	-	27	(68)
Public Open Space Funds	(1,653)	(96)	155	(1,594)	(96)	155	(1,535)
Organisation Restructure Costs	(385)	-	-	(385)	-	-	(385)
Vehicle and Plant replacement	(112)	-	-	(112)	(21)	112	(21)
Leisure sites repair and maintenance	(260)	-	-	(260)	-	100	(160)
Borough Investment Account	0	-	-	0	(3,824)	-	(3,824)
Business Rates Retention	(434)	(2,276)	85	(2,625)	(883)	258	(3,250)
VAT Reserve	(105)	-	-	(105)	-	105	0
New Burdens Funding Reserve	0	(259)	-	(259)	(69)	106	(222)
Other Earmarked Reserves	(1,072)	(700)	150	(1,622)	(482)	371	(1,733)
<b>Total</b>	<b>(8,865)</b>	<b>(3,781)</b>	<b>1,062</b>	<b>(11,584)</b>	<b>(5,652)</b>	<b>3,240</b>	<b>(13,996)</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.
Building Control Reserve	Surpluses generated on Building Control fee-earning service set aside to support continuing service delivery.
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.

<b>Earmarked Reserve</b>	<b>Reason / Use</b>
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.
Borough Investment Account	To facilitate income generation schemes and create a diverse and self-sustaining income portfolio to enable the Council to bridge the funding gap.
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.

## 11. Other operating expenditure

<b>2015/16 £'000</b>		<b>2016/17 £'000</b>
256	Parish Council precepts	320
0	Payments to the Governments Capital Receipt Pool	0
(72)	(Gains) and losses on the disposal of non-current assets	(38)
<b>184</b>	<b>Total</b>	<b>282</b>

## 12. Financing and investment income and expenditure

Restated 2015/16 £'000		2016/17 £'000
147	Interest payable and similar charges	154
1,093	Net interest on the net defined benefit liability (note 37)	1,038
(252)	Interest receivable and similar income	(206)
21	Income and Expenditure in relation to investment properties and changes in their fair value (note 15)	70
(1,036)	Losses or (surplus) on trading accounts (note 28)	(667)
<b>(27)</b>	<b>Total</b>	<b>389</b>

## 13. Taxation and non-specific grant income and expenditure

2015/16 £'000		2016/17 £'000
(7,565)	Council tax income	(7,706)
(2,181)	Non-domestic rates income and expenditure	(3,769)
(3,749)	Non-ring fenced government grants	(3,437)
(3,618)	Capital grants and contributions	(307)
<b>(17,113)</b>	<b>Total</b>	<b>(15,219)</b>

### Non-domestic Rates Income and Expenditure - The Lancashire Business Rates Pool

This Council is part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which includes most but not all of the local authorities in Lancashire, has been designated by the Secretary of State for Communities and Local Government and the retained levy in Lancashire has been distributed as follows:

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

With regard to this council, the retained levy would be £1.116m hence under pooling we have benefitted from extra income of £1.005m. Lancashire County Council has received the remaining 10% of retained levy.

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £0.002m is payable by each pool member to Ribble Valley Borough Council

in their role as lead.

In the Lancashire Business Rates Pool each council bears its own risk and takes its own reward under the pool agreement, i.e. no sharing of a volatility reserve.

Below is a summary of the Lancashire Business Rates Pool members and relevant transactions.

Lancashire Business Rates Pool Members 2016/17	Authority Type	In-Year Transactions Relating to Tariffs and Top-Ups £'000	Retained Levy on Growth 2016/17 £'000	10% Retained Levy Payable to/Received by Lancashire County Council £'000	Net Retained Levy 2016/17 £'000
Burnley Borough Council	Tariff	7,173	(678)	68	(610)
Chorley Borough Council	Tariff	7,857	(918)	92	(826)
Hyndburn Borough Council	Tariff	5,063	(305)	31	(274)
Pendle Borough Council	Tariff	4,094	(531)	53	(478)
Rossendale Borough Council	Tariff	3,306	(376)	38	(338)
Ribble Valley Borough Council	Tariff	4,361	(401)	40	(361)
South Ribble Borough Council	Tariff	11,955	(1,116)	111	(1,005)
West Lancashire Borough Council	Tariff	9,633	(482)	48	(434)
Wyre Borough Council	Tariff	7,353	(320)	32	(288)
Lancashire County Council	Top-Up	(140,072)	0	(513)	(513)
Central Government	-	79,277	0	0	0
<b>Total</b>		<b>79,277</b>	<b>(5,127)</b>	<b>0</b>	<b>(5,127)</b>

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

## 14. Property, plant and equipment

## 14a Movements in Property Plant and Equipment

2016/17	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Construction £'000	Total £'000
<b>Cost or valuation</b>						
<b>At 1 April 2016</b>	<b>25,722</b>	<b>11,917</b>	<b>1,431</b>	<b>65</b>	<b>94</b>	<b>39,229</b>
Additions	700	445	444	7	134	1,730
Revaluations recognised in the Revaluation Reserve (RR)	31	-	-	3	-	34
Revaluations recognised in CIES	(385)	-	-	-	-	(385)
De-recognition - disposals	-	(515)	-	-	-	(515)
Assets reclassified	-	-	11	-	(94)	(83)
<b>At 31 March 2017</b>	<b>26,068</b>	<b>11,847</b>	<b>1,886</b>	<b>75</b>	<b>134</b>	<b>40,010</b>
<b>Depreciation and Impairment</b>						
<b>At 1 April 2016</b>	<b>(1,744)</b>	<b>(8,899)</b>	<b>(423)</b>	<b>0</b>	<b>0</b>	<b>(11,066)</b>
Depreciation charge	(763)	(956)	(176)	0	0	(1,895)
Depreciation written out of RR	72	-	-	-	-	72
Depreciation written out of CIES	54	-	-	-	-	54
Impairment losses recognised in RR	-	-	-	-	-	-
Impairment losses recognised in CIES	-	-	-	-	-	-
De-recognition - disposals	-	515	-	-	-	515
Assets reclassified	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>(2,381)</b>	<b>(9,340)</b>	<b>(599)</b>	<b>0</b>	<b>0</b>	<b>(12,320)</b>
<b>Net Book Value</b>						
<b>At 31 March 2017</b>	<b>23,687</b>	<b>2,507</b>	<b>1,287</b>	<b>75</b>	<b>134</b>	<b>27,690</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>

2015/16	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Construction £'000	Total £'000
<b>Cost or valuation</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 Revaluation Reserve (RR)	1,534	-	-	-	-	1,534
Revaluations recognised in CIES	(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>Depreciation and Impairment</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 CIES	1,068	-	-	-	-	1,068
Impairment losses recognised in RR	-	-	-	-	-	-
Impairment losses recognised in CIES	-	-	-	-	-	-
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>Net Book Value</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>

## 14b Depreciation

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

<b>Type of Asset</b>	<b>Years</b>
Other Land & Buildings	5-60
Vehicles, Plant, Furniture & Equipment	3-15
Infrastructure	5-60

## 14c Capital Commitments

At 31 March 2017, there were no significant contractual commitment relating to capital expenditure (i.e. above £100k).

#### 14d Effects of Changes in Estimates

There were no material changes in accounting estimate for Property, Plant and Equipment in 2016/17.

#### 14e Fixed Assets Valuations

The authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. During 2016/17 the valuations were carried out internally by the Council's Surveyor Mandy Catterall MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis of valuation is set out in note 1 Accounting Policies.

	Other land & Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Construction £'000	Total £'000
<b>Carried at historical cost</b>	<b>1,288</b>	<b>11,847</b>	<b>1,886</b>	<b>-</b>	<b>134</b>	<b>15,155</b>
Valued at current value as at:						
31 March 2017	3,605	-	-	39	-	3,644
31 March 2016	17,946	-	-	-	-	17,946
31 March 2015	249	-	-	-	-	249
31 March 2013	1,265	-	-	37	-	1,302
31 March 2012	1,714	-	-	-	-	1,714
<b>Total cost or valuation</b>	<b>26,067</b>	<b>11,847</b>	<b>1,886</b>	<b>65</b>	<b>134</b>	<b>40,010</b>

#### 15. Investment properties

Details of rental income and operational expenditure are given in note 28 and have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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.

At 31 March 2017, 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.

	2015/16 £'000	2016/17 £'000
Fair Value 1 April	11,555	11,556
Additions – Subsequent expenditure	22	(6)
Disposals	0	0
Net gains / (losses) from fair value adjustments	(21)	(71)
Transfers (to) / from Property Plant and Equipment	0	0
<b>TOTAL</b>	<b>11,556</b>	<b>11,479</b>

### Fair Value Hierarchy – Investment Properties

All the Council's investment properties have been value assessed as Level 2 (other significant observable inputs) on the fair value hierarchy for valuation purposes. See the Fair Value Measurement section of Note 1 Accounting Policies for an explanation of the fair value levels.

### 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 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). During 2016/17 the valuations of investment properties were carried out on behalf of the Council by Keppie Massie. The basis of valuation is set out in note 1 Accounting Policies.

## 16. 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
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
Licensing Management System	5 years
Planning & Building Control System	5 years

Amortisation is on a straight line basis. In 2016/17 the amortisation charge of £0.055m was charged principally to ICT £0.037m and Revenues/Cashiers £0.014m. These services are within the Governance and Business Transformation line in the Comprehensive Income and Expenditure Statement.

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

	2015/16 £'000	2016/17 £'000
Cost at start of year	1,070	1,119
Additions in year	49	79
Reclassifications in year	0	83
<b>Gross cost at end of year</b>	<b>1,119</b>	<b>1,281</b>
Accumulated amortisation at start of year	(969)	(1,058)
Amortised in year	(88)	(55)
<b>Accumulated amortisation</b>	<b>(1,057)</b>	<b>(1,113)</b>
Net carrying amount at the start of the year	101	62
<b>Net carrying amount at the year end</b>	<b>62</b>	<b>168</b>

At 31 March 2017, there were no significant contractual commitments, and no individual intangible assets the amortisation of which is materially significant to the Council.

## 17. Financial instruments

### 17a Categories of Financial Instrument

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

Long Term 31 March 2016 £'000	Current 31 March 2016 £'000		Long Term 31 March 2017 £'000	Current 31 March 2017 £'000
		<b>Cash &amp; cash equivalents</b>		
0	18,401	Cash & cash equivalents (note 20) net of bank overdraft	0	14,752
<b>0</b>	<b>18,401</b>	<b>Total cash and cash equivalents</b>	<b>0</b>	<b>14,752</b>
		<b>Investments</b>		
0	6,006	Loans and receivables	0	14,009
<b>0</b>	<b>6,006</b>	<b>Total Investments</b>	<b>0</b>	<b>14,009</b>
		<b>Debtors</b>		
68	1,111	Loans and receivables	56	800
0	1,877	Debtors that are not financial instruments	0	1,836
<b>68</b>	<b>2,988</b>	<b>Total Debtors</b>	<b>56</b>	<b>2,636</b>
		<b>Other Long Term Liabilities</b>		
(748)	0	Finance lease liabilities	(645)	0
<b>(748)</b>	<b>0</b>	<b>Total Other Long Term Liabilities</b>	<b>(645)</b>	<b>0</b>
		<b>Creditors</b>		
0	(285)	Finance lease (due within 12 months)	0	(295)
(250)	(1,683)	Financial liabilities carried at contract amount	(221)	(916)
0	(4,225)	Creditors that are not financial instruments	0	(5,329)
<b>(250)</b>	<b>(6,193)</b>	<b>Total Creditors</b>	<b>(221)</b>	<b>(6,540)</b>

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

## 17b Income, Expense, Gains and Losses

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

	2015/16			2016/17		
	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expenses	147	0	147	154	0	154
Impairment	0	0	0	0	0	0
<b>Total Expense</b>	<b>147</b>	<b>0</b>	<b>147</b>	<b>154</b>	<b>0</b>	<b>154</b>
Interest income	0	(252)	(252)	0	(206)	(206)
Interest income accrued on impaired assets	0	0	0	0	0	0
<b>Total income</b>	<b>0</b>	<b>(252)</b>	<b>(252)</b>	<b>0</b>	<b>(206)</b>	<b>(206)</b>
<b>Net (gain) / cost for the year</b>			<b>(105)</b>			<b>(52)</b>

## 17c 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 new borrowing 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 2016		31 March 2017	
	Carrying Amount Restated £'000	Fair Value Restated £'000	Carrying Amount £'000	Fair Value £'000
Finance Lease (short and long-term)	(1,033)	(1,438)	(941)	(1,256)
Short Term Creditors	(1,683)	(1,683)	(916)	(916)
Long Term Creditors	(250)	(250)	(221)	(221)
<b>Total Liabilities</b>	<b>(2,966)</b>	<b>(3,371)</b>	<b>(2,078)</b>	<b>(2,393)</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 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Cash and Cash Equivalents net of bank overdraft	18,401	18,401	14,752	14,752
Investments - Loans	6,006	6,006	14,009	14,009
Short Term Debtors	1,111	1,111	800	800
Long Term Debtors	68	68	56	56
<b>Total Assets</b>	<b>25,586</b>	<b>25,586</b>	<b>29,617</b>	<b>29,617</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.

### **17d 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 2017 it had deposits totalling £28.760m (£24.400m at 31 March 2016) 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 17a) are analysed by age and risk in the following table.

	Gross £'000	Default risk £'000	Net £'000
Less than three months past due date	814	(86)	728
Three to six months past due date	119	(87)	32
Six months to one year past due date	211	(172)	39
Beyond one year	755	(754)	1
<b>Total</b>	<b>1,899</b>	<b>(1,099)</b>	<b>800</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:

	£'000
Gain - Increase in interest receivable on variable rate investments	140
Gain - Impact on the Surplus or Deficit on the Provision of Service	140

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 material exposure to this risk.

### Foreign Exchange Risk

The Council has no material exposure to this risk.

## 18. Inventories

	2015/16			2016/17		
	Consumable stores £'000	Maintenance materials £'000	Total £'000	Consumable stores £'000	Maintenance materials £'000	Total £'000
Balance at 1 April	67	29	96	68	25	93
Purchases	430	193	623	414	227	641
Issued in year	(427)	(197)	(624)	(402)	(231)	(633)
Written off in year	(2)	0	(2)	(4)	0	(4)
<b>Balance at year end</b>	<b>68</b>	<b>25</b>	<b>93</b>	<b>76</b>	<b>21</b>	<b>97</b>

## 19. Short term debtors

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	694	525
Other local authorities	785	739
NHS bodies	1	0
Other entities and individuals	3,093	2,941
<b>Net carrying amount at the year end</b>	<b>4,573</b>	<b>4,204</b>
Less provision for bad debts	(1,585)	(1,568)
<b>Net Carrying amount at year-end</b>	<b>2,988</b>	<b>2,636</b>

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

## 20. Cash and cash equivalents

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

	31 March 2016 £'000	31 March 2017 £'000
Cash held by the Authority	6	1
Bank current and call accounts	2,340	1,830
Short term deposits	16,055	13,039
Bank overdraft	0	(118)
<b>Total cash and cash equivalents</b>	<b>18,401</b>	<b>14,752</b>

## 21. Short term creditors

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	(2,906)	(2,432)
Other local authorities	(682)	(865)
NHS bodies	(28)	0
Other entities and individuals	(2,577)	(3,244)
<b>Net carrying amount at year-end</b>	<b>(6,193)</b>	<b>(6,540)</b>

## 22. Provisions

The movements in provisions during the year were as follows:

	Business Rates Appeals £'000
Balance at 1 April 2015	(647)
Additional provisions made in 2015/16	(845)
Amounts used in 2015/16	172
<b>Balance at 31 March 2016</b>	<b>(1,320)</b>
Additional provisions made in 2016/17	(82)
Amounts used in 2016/17	202
<b>Balance at 31 March 2017</b>	<b>(1,200)</b>

## 23. Usable reserves

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

## 24. Unusable reserves

	Note	31 March 2016 £'000	31 March 2017 £'000
Revaluation Reserve	24a	(5,725)	(5,743)
Capital Adjustment Account	24b	(28,143)	(28,284)
Financial Instruments Adjustment Account	24c	(8)	(6)
Deferred Capital Receipts Reserve	24d	(20)	(20)
Pensions Reserve	24e	30,252	36,703
Collection Fund Adjustment Account	24f	(358)	(471)
Accumulated Absences Account	24g	266	186
<b>Total Unusable Reserves</b>		<b>(3,736)</b>	<b>2,365</b>

### 24a 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.

	2015/16 £'000	2016/17 £'000
<b>Balance at 1 April</b>	<b>(3,244)</b>	<b>(5,725)</b>
Upward revaluation of assets	(3,358)	(582)
Downward revaluation & impairment not charged to the Comprehensive Income and Expenditure Statement	754	475
Difference between fair value and historic cost depreciation	123	89
<b>Balance at 31 March</b>	<b>(5,725)</b>	<b>(5,743)</b>

### 24b 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.

	2015/16 £'000	2016/17 £'000
<b>Balance at 1 April</b>	<b>(30,701)</b>	<b>(28,144)</b>
<i>Reversal of items relating to capital expenditure debited or credited to the CIES:</i>		
Charges for depreciation of non-current assets	2,854	1,895
Revaluation losses on property, plant & equipment	1,649	331
Amortisation of intangible assets	88	55
Revenue expenditure funded from capital under statute	487	550
Net cost of disposal of assets	0	0
	<b>5,078</b>	<b>2,831</b>
Adjusting amounts written out of the Revaluation Reserve	(123)	(89)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>4,955</b>	<b>2,742</b>
<i>Capital financing applied in the year:</i>		
Capital receipts used to finance new capital expenditure	0	(21)
Grants and contributions used in the year to fund capital expenditure	(1,052)	(1,026)
Statutory & voluntary provision for the financing of capital investment charged against the General Fund	(843)	(1,006)
Capital expenditure charged to the General Fund Balance	(524)	(900)
	<b>(2,419)</b>	<b>(2,953)</b>
Movements in the market value of Investment Properties	21	71
<b>Balance at 31 March</b>	<b>(28,144)</b>	<b>(28,284)</b>

### 24c 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.

	2015/16 £'000	2016/17 £'000
<b>Balance at 1 April</b>	<b>(11)</b>	<b>(8)</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	8	7
<b>Balance at 31 March</b>	<b>(8)</b>	<b>(6)</b>

### 24d 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

	2015/16 £'000	2016/17 £'000
<b>Balance at 1 April</b>	(20)	(20)
Transfer to Capital Receipts Reserve on receipt of cash	0	0
<b>Balance at 31 March</b>	(20)	(20)

#### 24e 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.

	2015/16 £'000	2016/17 £'000
<b>Balance at 1 April</b>	<b>34,755</b>	<b>30,252</b>
Re-measurements of the net defined benefit liability.	(6,218)	4,982
Reversal of charges posted to the Comprehensive Income and Expenditure Statement.	2,740	2,472
Employer contributions and direct payments to pensioners payable in the year.	(1,025)	(1,003)
<b>Balance at 31 March</b>	<b>30,252</b>	<b>36,703</b>

#### 24f 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.

	2015/16 £'000	2016/17 £'000
<b>Balance at 1 April</b>	<b>(1,609)</b>	<b>(358)</b>
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement differs from the amount required by statute.	1,251	(113)
<b>Balance at 31 March</b>	<b>(358)</b>	<b>(471)</b>

## 24g 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.

	2015/16 £'000	2016/17 £'000
<b>Balance at 1 April</b>	<b>266</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	0	(80)
<b>Balance at 31 March</b>	<b>266</b>	<b>186</b>

## 25. Cash flow statement – operating activities

### 25a 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:

	2015/16 £'000	2016/17 £'000
Depreciation	2,854	1,895
Impairment and downward valuations	1,649	332
Amortisation	88	55
Increase / (decrease) in impairment for bad debts	117	24
Increase / (decrease) in creditors	(227)	970
(Increase) / decrease in debtors	1,095	141
(Increase) / decrease in inventories	3	(4)
Movement in pension liability	1,715	1,469
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	0	0
Contributions to / (from) Provisions	673	(120)
Movement in investment property values	21	71
Other non-cash items charged to the net surplus or deficit on the provision of services	1	0
<b>Net adjustment</b>	<b>7,989</b>	<b>4,833</b>

### 25b 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:

	2015/16 £'000	2016/17 £'000
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	(72)	(38)
Capital Grants credited to surplus or deficit on the provision of services	(4,225)	(760)
<b>Net adjustment</b>	<b>(4,297)</b>	<b>(798)</b>

### 25c Interest received and interest paid

The cash flows for operating activities include the following items:

	2015/16 £'000	2016/17 £'000
Interest received	252	195
Interest paid	(147)	(154)
<b>Net cash flow in / (out)</b>	<b>105</b>	<b>41</b>

## 26. Cash flow statement – investing activities

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

	2015/16 £'000	2016/17 £'000
Purchase of property, plant & equipment, investment property & intangible assets	(2,501)	(1,714)
Purchase of short and long term investments	(6,000)	(14,000)
Other payments for investing activities	(11)	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	38	109
Proceeds from short and long term investments	3,000	6000
Other receipts relating to investing activity (government grants)	4,241	1,362
<b>Total cash flows from investing activities</b>	<b>(1,233)</b>	<b>(8,243)</b>

## 27. Cash flow statement – financing activities

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

	2015/16 £'000	2016/17 £'000
Cash paid to reduce lease liabilities.	(288)	(282)
Other Payments for financing activities - change in indebtedness relating to NNDR (due from Government and Preceptors) and Council Tax (due from Preceptors).	(2,010)	(448)
<b>Total cash flows from financing activities</b>	<b>(2,298)</b>	<b>(730)</b>

## 28. Trading operations

The Council manages an investment portfolio consisting of 75 industrial units (28 Investment managed, 47 economic regeneration), 55 other properties (worden, shops, offices and residential), 24 plots of leased land, others (allotments, garages, parking plots, grazing).

2015/16 £'000		2016/17 £'000
(1,037)	Turnover	(1,092)
223	Direct costs	207
(222)	Capital charges	217
<b>(1,036)</b>	<b>Net (surplus) or deficit in the CIES</b>	<b>(668)</b>
276	Overheads	195
<b>(760)</b>	<b>Net (surplus) or deficit</b>	<b>(473)</b>

## 29. Members allowances

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

2015/16 £'000		2016/17 £'000
321	Allowances	341
1	Expenses	2
<b>322</b>	<b>Total</b>	<b>343</b>

Of the £2,000 expenses in 2016/17, £1,541 related to two members attending The Local Government Association Conference and is not reimbursement of expenses.

### 30. Officers remuneration

The remuneration paid to the Authority's senior employees is as follows:

2016/17 Remuneration	Salary	Expense Allowances	Benefits in kind	Sub Total	Pensions Contributions	Total Remuneration
Post Title	£	£	£	£	£	£
Chief Executive <i>(Note 1)</i>	56,263	723	-	56,986	6,988	63,974
Interim Chief Executive <i>(Note 2)</i>	84,240			84,240		84,240
Director of Neighbourhoods, Environmental Health & Assets	69,679	1,239	-	70,918	8,849	79,767
Director of Corporate Governance & Business Transformation	65,180	1,239	-	66,419	8,278	74,697
Director of Development, Enterprise & Communities	69,675	1,239	-	70,914	9,303	80,217
Head of Shared Assurance	52,494	1,239	-	53,733	6,667	60,400
Head of Human Resources	58,793	1,239	385	60,417	8,427	68,844
Temporary Improvement Manager <i>(Note 3)</i>	44,902			44,902		44,902
Temporary Governance Manager <i>(Note 4)</i>	33,353			33,353		33,353

Note 1) The Chief Executive post was vacant as at 31/3/17

Note 2) Interim Chief Executive employed via agency with effect from 22/10/16

Note 3) Temporary Improvement manager employed via agency. Funded from Improvement and Development Agency grant of £55,000

Note 4) Temporary Governance Manager employed via agency. Part funded from Improvement and Development Agency grant of £24,000

The comparative information for the preceding year is as follows:

2015/16 Remuneration	Salary	Expense Allowances	Benefits in kind	Sub Total	Pensions Contributions	Total Remuneration
Post Title	£	£	£	£	£	£
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

Authorities are required to disclose the number of other employees receiving more than £50,000 remuneration, excluding pension contributions. There were no such employees in either 2015/16 or 2016/17.

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 to £20,000	0	0	1	2	1	2	£9,037	£8,208
£20,001 to £40,000	0	0	0	0	0	0	£0	£0
£40,001 to £60,000	0	0	0	0	0	0	£0	£0
£60,001 to £80,000	0	0	0	0	0	0	£0	£0
£80,001 to £100,000	0	0	0	0	0	0	£0	£0
£100,000 to £150,000	0	0	0	0	0	0	£0	£0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>£9,037</b>	<b>£8,208</b>

### 31. Termination benefits

The Authority terminated the contract of 2 employees in 2016/17 incurring liabilities of £0.008m (£0.009m in 2015/16). See note 30 for the number of exit packages and total cost.

### 32. External audit costs

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

	2015/16 £'000	2016/17 £'000
Fees for statutory inspection and audit	44	44
Fees for the certification of grant claims and returns	7	7
<b>Total</b>	<b>51</b>	<b>51</b>

### 33. Grant income

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

	2015/16 £'000	2016/17 £'000
<b>Credited to Taxation and Non-Specific</b>		
National non-domestic rates	(802)	(590)
Revenue support grant	(1,767)	(1,099)
Grants – New Homes Bonus	(1,103)	(1,748)
Community Infrastructure Levy	(323)	(174)
Grants & Contributions - Other	(3,295)	(134)
Grants – Council Tax freeze	(77)	-
<b>Total</b>	<b>(7,367)</b>	<b>(3,745)</b>
<b>Credited to Services</b>		
Grants – benefits related	(22,942)	(22,064)
Grants & Contributions – other	(2,357)	(2,353)
Contribution – County Council waste recycling	(909)	(909)
<b>Total</b>	<b>(26,208)</b>	<b>(25,326)</b>
<b>Grand Total</b>	<b>(33,575)</b>	<b>(29,071)</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:

	2015/16 £'000	2016/17 £'000
Various contributions	203	794
<b>Total</b>	<b>203</b>	<b>794</b>

### 34. 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 33.

◆ **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 29 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 2016/17, the Council paid grants totalling £0.021m (2015/16 £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 2016/17 gross expenditure of £1.53m (2015/16 1.43m) 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	£0.020m
Leisure Services Fee	£0.298m

### 35. 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.

	2015/16 £'000	2016/17 £'000
<b>Opening Capital Financing Requirement</b>	<b>5,171</b>	<b>5,902</b>
<i>Capital investment:</i>		
Property, Plant and Equipment	2,591	1,730
Investment property	23	(6)
Intangible Assets	49	79
Revenue Expenditure Funded from Capital under Statute	487	550
<i>Sources of finance:</i>		
Capital Receipts	0	(21)
Government Grants and Other Contributions	(1,052)	(1,026)
<i>Sums set aside from revenue:</i>		
Earmarked Reserves	(471)	(888)
Revenue Financing	(53)	(12)
Minimum Revenue provision	(597)	(761)
Voluntary Revenue Provision	(246)	(246)
<b>Closing Capital Financing Requirement</b>	<b>5,902</b>	<b>5,302</b>
<i>Explanation of movements in year:</i>		
Assets financed by prudential borrowing	1,263	216
Assets acquired under deferred purchase arrangement	311	189
Provision made for debt repayment	(843)	(1,007)
<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b>731</b>	<b>(601)</b>

## 36. Leases

### 36a 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:

	31 March 2016 £'000	31 March 2017 £'000
Works to Leisure Centres	1,033	941

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 2017 £4.433m had been spent (£4.244m to 31 March 2016). The minimum payments under the lease total £6.638m of which, £1.742m is still to be paid. Payments in 2016/17 totalled £0.436m and the same amount is due in 2017/18.

The minimum lease payments in respect of the completed works to leisure centres are shown below. These minimum payments are different to the £1.742m still to be paid and identified above. This is because the figure of £1.742m 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.

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Not later than 1 year	289	436	285	295
Later than 1 year but less than 5	722	742	748	646
<b>Total</b>	<b>1,011</b>	<b>1,178</b>	<b>1,033</b>	<b>941</b>

#### Operating leases

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

### 36b 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 2016 £'000	31 March 2017 £'000
Finance lease debtor (present value of minimum lease payments)	20	20
Unearned finance income	91	90
<b>Total</b>	<b>111</b>	<b>110</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 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Not later than 1 year	1	1	1	1
Later than 1 year but less than 5	4	5	4	5
Later than 5 years	106	104	106	104
<b>Total</b>	<b>111</b>	<b>110</b>	<b>111</b>	<b>110</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 2016 £'000	31 March 2017 £'000
Not later than one year	890	801
Later than one and not later than five years	1,791	1,709
Later than five years	12,744	15,784
<b>Total</b>	<b>15,425</b>	<b>18,294</b>

## 37. Defined benefit pension scheme

### 37a 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 2014 and on revalued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

### 37b 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 2016, showed a shortfall for all employers of £690m or 10%. Employers are paying additional contributions over 16 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. For the next three year valuation period beginning 1<sup>st</sup> April 2017 the Council has opted to pre-pay the new future service rate and deficit recovery payments as a single amount in April each year of the 3 year valuation period to 2019/20 in return for a small overall discount.

### **37c 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 37i.

### **37d 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:

	2015/16 £'000	2016/17 £'000
<b><i>Comprehensive Income and Expenditure Statement</i></b>		
<i>Cost of Services:</i>		
Administration	25	31
Current service cost	1,622	1,403
Past service cost	0	0
<i>Net interest on the net defined benefit liability:</i>		
Interest costs	3,163	3,352
Expected return on scheme assets	(2,070)	(2,314)
<b>Total post-employment benefit charged to the (Surplus) / Deficit on the Provision of Service</b>	<b>2,740</b>	<b>2,472</b>
<b><i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i></b>		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	(1,050)	(11,886)
Experience gain & loss	0	(3,036)
Actuarial gains & losses from changes in demographic assumptions	0	(789)
Actuarial gains & losses from changes in financial assumptions	(5,168)	20,693
<b>Total re-measurements recognised in Other Comprehensive Income</b>	<b>(6,218)</b>	<b>4,982</b>
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(3,478)</b>	<b>7,454</b>
<b><i>Movement in Reserves Statement</i></b>		
Reversal of net charges made to the (Surplus) / Deficit on the Provision of Services	(2,740)	(2,472)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	<b>1,025</b>	<b>1,003</b>

### 37e 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	
	2015/16 £'000	2016/17 £'000
Present value of the defined benefit obligation	(97,109)	(116,140)
Fair value of plan assets	66,906	79,489
<b>Net liability arising from defined benefit obligation</b>	<b>(30,203)</b>	<b>(36,651)</b>

### 37f Reconciliation of fair value of the scheme (plan) assets

	Scheme Assets Local Government Pension Scheme	
	2015/16 £'000	2016/17 £'000
<b>1 April</b>	<b>65,537</b>	<b>66,906</b>
Interest income	2,070	2,314
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	1,050	11,886
Employer contributions	1,022	1,006
Employee contributions	407	395
Benefits paid	(3,155)	(2,987)
Other	(25)	(31)
<b>31 March</b>	<b>66,906</b>	<b>79,489</b>

The actual return on the plan assets was £12,840k in 2016/17 (£3,121k 2015/16).

### 37g Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Scheme Liabilities Local Government Pension Scheme	
	2015/16 £'000	2016/17 £'000
<b>1 April</b>	<b>(100,240)</b>	<b>(97,109)</b>
Current service cost	(1,622)	(1,403)
Interest cost	(3,163)	(3,352)
Contributions by scheme participants	(407)	(395)
Re-measurement gains and (losses)		
Changes in financial assumptions	5,168	(20,693)
Experience gains & losses	0	3,036
Gains & losses from changes in demographic assumptions	0	789
Benefits paid	3,155	2,987
<b>31 March</b>	<b>(97,109)</b>	<b>(116,140)</b>

## 37h Local Government Pension Scheme assets comprised

	Fair value of scheme assets			
	2015/16 £'000	Percentage total of asset	2016/17 £'000	Percentage total of asset
<b>Cash</b>				
Cash and cash equivalents	2,261	3.4%	825	1.0%
Net Current Assets	40	0.1%	0	0.0%
	2,301	3.5%	825	1.0%
<b>Equity investments (by industry type)</b>				
Consumer	7,267	10.9%	0	0.0%
Energy	287	0.4%	0	0.0%
Financial institutions	4,058	6.1%	0	0.0%
Health and care	2,428	3.6%	0	0.0%
Information technology	4,118	6.2%	0	0.0%
Industrials	2,899	4.3%	0	0.0%
Other	1,938	2.9%	0	0.0%
Subtotal equity	22,995	34.4%	0	0.0%
<b>Bonds</b>				
UK corporate	962	1.4%	290	0.4%
Overseas corporate	401	0.6%	1,016	1.3%
Government	1,344	2.0%	1,573	2.0%
Subtotal bonds	2,707	4.0%	2,879	3.7%
<b>Property</b>				
Retail	2,293	3.4%	2,164	2.7%
Commercial	4,139	6.2%	4,840	6.1%
Subtotal property	6,432	9.6%	7,004	8.8%
<b>Private equity</b>				
UK	1,091	1.6%	901	1.1%
Overseas	8,274	12.4%	39,356	49.5%
Subtotal private equity	9,365	14.0%	40,257	50.6%
<b>Other</b>				
Infrastructure	5,346	8.0%	9,591	12.1%
Property Funds	16,836	25.1%	17,812	22.4%
Credit funds	924	1.4%	1,121	1.4%
Subtotal alternatives	23,106	34.5%	28,524	35.9%
<b>Total</b>	<b>66,906</b>	<b>100.0%</b>	<b>79,489</b>	<b>100.0%</b>

### 37i 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 2016.

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

	Local	Government	Pension
	Scheme		
	2015/16		2016/17
Mortality assumptions			
Longevity at 65 for current pensioners			
Men	23 yrs.		22.6 yrs.
Women	25.6 yrs.		25.2 yrs.
Longevity at 65 for future pensioners			
Men	25.2 yrs.		24.9 yrs.
Women	27.9 yrs.		27.9 yrs.
Rate of inflation (CPI)	2.0%		2.3%
Rate of increase in salaries	3.5%		3.8%
Rate of increase in pensions	2.0%		2.3%
Rate for discounting scheme liabilities	3.5%		2.5%
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 £'000
Longevity (increase 1 year)	2,338
Rate of inflation (increase of 0.1% p.a.)	1,940
Salary inflation (increase of 0.1% p.a.)	366
Rate for discounting scheme liabilities (increase of 0.1%)	(1,908)

### **37j 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 16 years. Funding levels are monitored on an annual basis. The next triennial valuation of the Fund is due as at the 31st March 2019. Based on the results of that valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

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 £1,688k expected contributions to the scheme in 2017/18.

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

### **38. 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.

### **39. 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 2017, 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 has proceeded to the UK Supreme Court. 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).

2015/16 Business Rates £'000	2015/16 Council Tax £'000		2016/17 Business Rates £'000	2016/17 Council Tax £'000
		<b>Income</b>		
	55,308	Council Tax Receivable		57,711
39,584		Business Rates Receivable	40,014	
<b>39,584</b>	<b>55,308</b>	<b>Total Income</b>	<b>40,014</b>	<b>57,711</b>
		<b>Expenditure</b>		
		Apportionment of Previous Year Surplus/(Deficit)		
1,202		Central Government	382	
961	189	South Ribble Borough Council (note 13 page 63)	306	(9)
216	969	Lancashire County Council	69	(44)
	136	Police & Crime Commissioner for Lancashire		(6)
24	56	Lancashire Combined Fire Authority	8	(3)
		<b>Precepts, Demands and Shares</b>		
18,736		Central Government	19,473	
14,989	7,435	South Ribble Borough Council (note 13 page 63)	15,578	7,575
3,372	38,926	Lancashire County Council	3,505	40,903
	5,480	Police & Crime Commissioner for Lancashire		5,648
375	2,235	Lancashire Combined Fire Authority	389	2,280
<b>39,875</b>	<b>55,426</b>	<b>Total Expenditure</b>	<b>39,710</b>	<b>56,344</b>
		<b>Charges to Collection Fund</b>		
83	94	Write offs of uncollectable amounts	13	238
370	196	Increase / (Decrease) in Bad Debt Provision	97	69
2,114		Increase / (Decrease) in Provision for Appeals	206	
127		Cost of Collection Allowance	128	
(54)		Transitional Protection Payments	(26)	
<b>2,640</b>	<b>290</b>	<b>Total Charges to the Collection Fund</b>	<b>418</b>	<b>307</b>
<b>(2,931)</b>	<b>(408)</b>	<b>Surplus / (deficit) arising during the year</b>	<b>(114)</b>	<b>1,060</b>
		<b>Collection Fund Balance</b>		
3,707	896	Surplus / (deficit) brought forward at 1 April	776	488
(2,931)	(408)	Surplus / (deficit) arising during the year	(114)	1,060
<b>776</b>	<b>488</b>	<b>Surplus / (deficit) carried forward at 31 March</b>	<b>662</b>	<b>1,548</b>
		<b>Allocated to</b>		
310	67	Transfer to / (from) Collection Fund Adjustment Account (Note 24f page 78)	265	207
388		Central Government	331	
70	352	Lancashire County Council	59	1,125
8	20	Lancashire Combined Fire Authority	7	62
	49	Police & Crime Commissioner for Lancashire		154
<b>776</b>	<b>488</b>	<b>Surplus / (deficit) carried forward at 31 March</b>	<b>662</b>	<b>1,548</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 9.

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 2016/17 was calculated as follows: -

Band	No. Dwellings	Total No. Equivalent dwellings	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	10.25	5:9	5.7
A	9,892	8,278.55	6:9	5519.0
B	12,929	11,402.35	7:9	8,868.5
C	12,012	10,798.05	8:9	9,598.3
D	7,816	7,280.30	9:9	7,230.3
E	3,904	3,646.05	11:9	4,456.3
F	1,575	1,483.35	13:9	2,142.6
G	513	474.30	15:9	790.5
H	29	18.75	18:9	37.5
<b>Total</b>	<b>48,670</b>	<b>43,341.95</b>		<b>38,648.7</b>
Less local Council Tax Support Scheme discounts				<b>(3,228.2)</b>
Less adjustments for losses on collection				<b>(708.4)</b>
Addition for anticipated changes in the base, reduced discount on second homes and other technical changes				<b>103.5</b>
Band D Equivalent Number of Properties				<b>34,815.6</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 £1,610.96 for 2016/17 (£1,562.08 for 2015/16). 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	
		2015/16 £	2016/17 £
A	0.67	1,041.29	1,073.98
B	0.78	1,214.95	1,252.96
C	0.89	1,388.52	1,431.97
D	1.00	1,562.08	1,610.96
E	1.22	1,909.21	1,968.96
F	1.44	2,256.33	2,326.94
G	1.67	2,603.47	2,684.94
H	2.00	3,124.16	3,221.92

### 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 2016/17 was £0.765m, being the estimate included in NNDR1 2016/17, whereas the actual deficit in the 2015/16 was £2.931m.

Note 13 Taxation and Non-Specific Grant Income and Expenditure shows net Non-Domestic Rates Income and Expenditure for 2016/17 to be £3.769m (2015/16 £2.181m). This can be reconciled to South Ribble Borough Council's share of Business Rates Income in the Collection Fund statement in the following table:

2015/16 £'000		2016/17 £'000
14,989	South Ribble Borough Council's share of Business Rates	15,578
(11,856)	Tariff payable to Central Government	(2)
0	Tariff Payable to the Lancashire Business Rates Pool	(11,955)
(741)	Levy Payable to Central Government	0
0	Levy Payable to the Lancashire Business Rates Pool	(112)
(1,172)	South Ribble Borough Council share of accumulated surplus or deficit for year (transferred to Collection Fund Adjustment Account - Note 24f)	(46)
961	South Ribble Borough Council share of previous year's estimated surplus or (deficit) as per NNDR1 under regulation	306
<b>2,181</b>	<b>NNDR Net Income per Note 13</b>	<b>3,769</b>

This Council is part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government. For more information on the Lancashire Business Rates Pool see note 13.

#### 4. Business rates 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 48.4p in 2016/17 (48.0p in 2015/16) and one for larger businesses at 49.7p in 2016/17 (49.3p in 2015/16).

The Business Rates income for 2016/17, after reliefs and provisions, was £39.70m (£37.02m in 2015/16).

The rateable value for the Council's area at the end of the financial year 2016/17 was £91.8m (£91.5m in 2015/16).

## 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 cycle tracks, structures, street lighting, street furniture, traffic management systems and land. District Council's 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:

- b) actuarial gains and losses
- c) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and
- d) 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 CIES.

**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).