

**Meeting of:** Audit & Accounts Committee

**Date:** 27<sup>th</sup> July 2022

**Time:** 6.30pm

**Venue:** Council Chamber, The Business Centre, Futures Park, Bacup, OL13 0BB

**\*This meeting will be accessible in the Council Chamber for essential attendees (elected councillors, supporting officers and members of the public with a registered question). All other access will be by remote observation as detailed below.**

**To observe the meeting, please use the Zoom link below** (please allow time for set up if accessing for the first time):

<https://us06web.zoom.us/j/95072643870?pwd=Y0lBdGtHS0xZUUNTZmQ3VEFwcVZkZz09>

Meeting ID: **950 7264 3870**

Passcode: **265981**

**A waiting room will be in place and observers will be admitted to the meeting at approx. 6.30pm.**

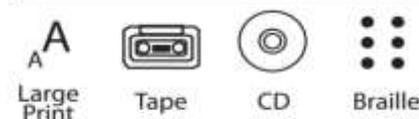
**Supported by:** Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423

Email: [glendaashton@rossendalebc.gov.uk](mailto:glendaashton@rossendalebc.gov.uk)

ITEM		Lead Member/Contact Officer
<b>A.</b>	<b>BUSINESS MATTERS</b>	
<b>A1.</b>	<b>Apologies for Absence</b>	<p>Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423 Email: <a href="mailto:glendaashton@rossendalebc.gov.uk">glendaashton@rossendalebc.gov.uk</a></p>
<b>A2.</b>	<b>Minutes of the last meeting</b> To approve and sign as a correct record the Minutes of the meeting held on 9 <sup>th</sup> March 2022	
<b>A3.</b>	<b>Urgent Items of Business</b> To note any items which the Chair has agreed to add to the Agenda on the grounds of urgency.	
<b>A4.</b>	<b>Declarations of Interest</b> <i>Members are advised to contact the Monitoring Officer in advance of the meeting to seek advice on interest issues if necessary.</i> Members are requested to indicate at this stage, any items on the agenda in which they intend to declare an interest. Members are reminded that, in accordance with the Local Government Act 2000 and the Council's Code of Conduct, they must declare the nature of any personal interest and, if the interest is prejudicial, withdraw from the meeting during consideration of the item.	
<b>B.</b>	<b>COMMUNITY ENGAGEMENT</b>	
<b>B1.</b>	<b>Public Question Time</b> Members of the public can register their question by contacting the Committee Officer.	

The agenda and reports are also available for inspection on the Council's website <https://www.rossendale.gov.uk/>. Other formats are available on request. Tel 01706 217777 or contact Rossendale Borough Council, Futures Park, Bacup, OL13 0BB

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ITEM		<b>Lead Member/Contact Officer</b>
	<p>Groups with similar questions are advised to appoint and register a spokesperson.</p> <p>This is an opportunity to ask a question about a matter which the Council may be able to assist with. A time limit of 3 minutes applies for each question and you are only able to address the meeting once.</p> <p>To register for public question time your question must be received no later than 12noon on the day of the meeting by emailing <a href="mailto:democracy@rossendalebc.gov.uk">democracy@rossendalebc.gov.uk</a> Please give your full name, telephone number and include a copy of your question.</p> <p>Please begin by giving your name and state whether you are speaking as an individual member of the public or as a representative of a group. (Question time normally lasts up to 30 minutes).</p>	<p><b>Lead Member/Contact Officer</b> Glenda Ashton, Committee and Member Services Officer 01706 252423 <a href="mailto:glendaashton@rossendalebc.gov.uk">glendaashton@rossendalebc.gov.uk</a></p> <p>Please register an agenda related public question by emailing <a href="mailto:democracy@rossendalebc.gov.uk">democracy@rossendalebc.gov.uk</a> no later than 12noon on Wednesday 27<sup>th</sup> July 2022</p>
<b>C.</b>	<p><b>Chair's Update</b> To receive communications from the Chair</p>	Councillor MacNae
<b>D.</b>	<b>ORDINARY BUSINESS</b>	
<b>D1.</b>	Annual Fraud Report 2021/22	Karen Spencer, Head of Finance 01706 252465 <a href="mailto:karenspencer@rossendalebc.gov.uk">karenspencer@rossendalebc.gov.uk</a>
<b>D2.</b>	Annual Governance Statement and Statement of Accounts 2017/18  Letter of Representation 2017/18	Karen Spencer, Head of Finance 01706 252465 <a href="mailto:karenspencer@rossendalebc.gov.uk">karenspencer@rossendalebc.gov.uk</a>
<b>D3.</b>	External Audit Findings Report and Opinion for 2017/18 Accounts	Paul Dossett, Grant Thornton <a href="mailto:paul.dossett@uk.gt.com">paul.dossett@uk.gt.com</a>
<b>D4.</b>	Corporate Risk Report Q4 2021/22	Karen Spencer, Head of Finance 01706 252465 <a href="mailto:karenspencer@rossendalebc.gov.uk">karenspencer@rossendalebc.gov.uk</a>
<b>D5.</b>	Review of Audit & Accounts Terms of Reference	Karen Spencer, Head of Finance 01706 252465 <a href="mailto:karenspencer@rossendalebc.gov.uk">karenspencer@rossendalebc.gov.uk</a>
<b>D6.</b>	Internal Audit Annual Assurance Opinion 2021/22	Mark Baskerville Lancashire County Council <a href="mailto:mark.baskerville@lancashire.gov.uk">mark.baskerville@lancashire.gov.uk</a>
<b>D7.</b>	Internal Audit Progress Report Qtr 1 2022/23	Mark Baskerville Lancashire County Council <a href="mailto:mark.baskerville@lancashire.gov.uk">mark.baskerville@lancashire.gov.uk</a>

ITEM		<b>Lead Member/Contact Officer</b>
<b>D8.</b>	Internal Audit Charter	Mark Baskerville Lancashire County Council <a href="mailto:mark.baskerville@lancashire.gov.uk">mark.baskerville@lancashire.gov.uk</a>
<b>D9.</b>	External Audit Verbal Update – Mazars	Karen Spencer, Head of Finance 01706 252465 <a href="mailto:karens pencer@rossendalebc.gov.uk">karens pencer@rossendalebc.gov.uk</a>
<b>E.</b>	<b>EXCLUSION OF PUBLIC AND PRESS</b> To consider passing the appropriate resolution under Section 100 (A)(4) of the Local Government Act 1972 that the press and public be excluded from the meeting during consideration of the following item of business since it involves the likely disclosure of exempt information under Paragraphs 1 and 2 of Schedule 12A of the Act.	
<b>E1.</b>	<b>Standards Complaints Update (verbal)</b>	Councillor MacNae
<b>E2.</b>	<b>Whistleblowing update (verbal)</b>	Councillor MacNae



**Neil Shaw**  
**Chief Executive**

**Date Published:** 19<sup>th</sup> July 2022

**MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE**

**DATE OF MEETING: 9<sup>TH</sup> MARCH 2022**

**PRESENT: Councillor Marriott (Chair)**  
**Councillors Essex, Kenyon, Oakes, Procter, Steen & Woods**

**IN ATTENDANCE: Ms K Spencer, Head of Finance (S151 Officer), RBC**  
**Mr C Finn, Finance Manager, RBC**  
**Mr M Baskerville, LCC Internal Auditors**  
**Mr A Dalecki, LCC Internal Auditors**  
**Mrs A Salford, Mazars Auditors**  
**Miss G Ashton, Committee Officer, RBC**

**ALSO PRESENT: Councillor Walmsley**  
**1 member of the public**  
**Observed remotely – Councillor Ashworth & 1 member of the public**

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**1. APOLOGIES FOR ABSENCE**

- 1.1 Apologies were received from Mr S McManus, Co-opted member, Mr M Dalton, Mazars and Ms S Iqbal, Grant Thornton.

**2. MINUTES OF THE MEETING HELD ON 1<sup>ST</sup> DECEMBER 2021**

**RESOLVED:**

The minutes of the meeting held on 1<sup>st</sup> December 2021 were agreed as a correct record.

**3. URGENT ITEMS OF BUSINESS**

- 3.1 There were no urgent items of business.

**4. DECLARATIONS OF INTEREST**

- 4.1 There were no declarations of interest.

**5. PUBLIC QUESTION TIME**

- 5.1 The Chair agreed to deviate from the procedure for public speaking and allow the member of public present to ask questions as items on the agenda were presented.

**6. CHAIR'S UPDATE**

- 6.1 It was noted that the Sanction and Prosecution Policy had been updated and approved by Cabinet in October 2021. The Chair asked if the Policy could be revisited and shared once updated.

- 6.2 In relation to Risk 8 on the Q2 Risk Report, the Chair advised that the 25% turnover figure quoted in the Q1 risk update was the estimate for the full year based on the turnover at that time. The actual turnover in Q1 was 7.47%. In Q2 the turnover figure was 6.25%, giving a cumulative figure of 13.72% at the 6 month position. The Head of Finance advised that by the end of Q3, a total of 36 members of staff had left the organisation. She provided a

breakdown of the reasons.

## **7. CORPORATE RISK REPORT QUARTER 3 2021/22**

7.1 The Head of Finance presented the report, which asked members to note the Corporate Risk Register as detailed and note the risk consequence, mitigation action and level of risk as detailed in Appendix 1.

7.2 In response to comments from the Committee it was noted that:

- In relation to Risk 1, the funding gap had changed as a result of the February budget process and was now circ. £600k pa beyond 2022/23. Recommendations to bridge the funding gap had been actioned/were being considered.
- The Head of Finance agreed to provide figures on the net income from Spinning Point. She advised that the bus station units were being fitted out and tenants were waiting to sign up. The council had applied to LCC for funding which was being used to fit out the units.
- Work had taken place at Futures Park to increase the capacity for commercial letting. This would help pay for the £90k business rates for the building.
- The Council Tax base figure was set on 30<sup>th</sup> November 2021 and took into account data known at that time e.g. exemptions, single occupancy, collection rates and the effects of Covid. By law, councils must set a budget and be able to evidence how this is completed. In the event the collection rate was higher than expected, it would be shared out the following year.
- In relation to Band D equivalent for the 40-50 new homes, Finance work with the Planning department to ascertain when new homes would come online and then work out the percentage that would be single occupancy, have other exemptions etc.
- Costs arising from the Empty Homes legal claims were unknown but the claims were being rigorously defended.
- Fees and Charges had been reviewed and new charges created to increase income. The Economic Development team were looking at projects to generate income, including the development of Plot 4.
- Charges were already in place for pre-application planning advice. A new pre-application charge for developers was to be introduced.
- The Economic Development team is a small team with fixed term contracts. One post was currently vacant and there had been issues recruiting a suitable candidate. A re-structure was being considered.
- The council had promoted the uptake of the Covid-19 vaccine as much as possible and promoted vaccine sites on social media etc.
- Head of Finance to provide figures on the government support provided to Rossendale Leisure Trust.
- The Whitaker and Ashcroft were able to access the Omicron government funding but gyms etc. were excluded.
- In relation to Risk 9, staff were in the process of completing Fraud Awareness training. Mandatory Cyber Security training would be rolled out on 14<sup>th</sup> March 2022.
- The Head of Finance confirmed that the date range in Risk 11 was correct as the report was looking retrospectively.

7.3 In response to a question from the member of the public present, it was noted that:

- Council owned land was disposed of in line with the council's Constitution (Part 4).

Anyone was able to apply to purchase council owned land using the PLR (Purchase, Lease, Rental) Application Process.

- 7.4 Officers were thanked for a clear, easy to read report. Thanks also to be passed to the Chief Executive for introducing a named project manager for each Economic Development project. A single point of contact was very helpful.

**RESOLVED:**

- That the Audit and Accounts Committee noted the Corporate Risk Register as detailed in the report.
- That members noted the risk consequence, mitigation action and level of risk as detailed in Appendix 1.

**8. INTERNAL AUDIT PROGRESS REPORT Q3 2021/22**

- 8.1 The Audit Manager, LCC outlined the report, which asked members to consider the internal audit progress report for quarter 3 2021/22.

- 8.2 In response to comments made it was noted that:

- In relation to 3.8 and 3.9, implementation dates had been agreed.
- The recommendation made in relation 3.8 was specific to Rossendale; it added an additional means of measuring performance.
- The Audit Manager was satisfied that a process was in place for recording the payment of invoices to Barnfield.
- Fee paid to credit agencies for data, to be advised.

- 8.3 The Chair expressed concerns that the Chief Executive was also a Director at Barnfield and would prefer another senior manager to approve invoices.

**RESOLVED:**

- That the Audit and Accounts Committee considered the internal audit progress report for Quarter 3 2021/22.

**9. INTERNAL AUDIT ANNUAL AUDIT PLAN FOR 2022/23**

- 9.1 The Audit Manager, LCC outlined the report, which asked members to consider and approve the internal audit plan for 2022/23.

- 9.2 In response to comments made it was agreed that:

- The Audit Manager would amend some of the dates in the plan.

**RESOLVED:**

- That the Audit and Accounts Committee considered and approved the annual internal audit plan for 2022/23.

**10. EXTERNAL AUDIT PROGRESS REPORT – GRANT THORNTON**

- 10.1 The Head of Finance provided a verbal update on behalf of Grant Thornton. The Finance team were working hard to complete the adjustments needed to the 2017/18 accounts. The outstanding actions related to technical disclosures in relation to the sale of the Transport Company. Once completed, the accounts would be sent to Grant Thornton for

them to finalise their work.

10.2 In response to comments made it was noted that:

- The Transport Company pension scheme was not affecting the 2017/18 accounts. Responsibility for the pension scheme to be confirmed.
- It was confirmed that Mazars had not imposed penalties for the last 3 years and they had completed the Housing Benefit Subsidy Audit for each of the years.

**RESOLVED:**

- The Audit & Accounts Committee noted the verbal report provided.

**11. EXTERNAL AUDIT PROGRESS REPORT – MAZARS**

11.1 The Account Manager, Mazars outlined the report, which asked members to consider their external audit progress report.

11.2 In response to comments made it was noted that:

- The total amount of housing benefits claimed from the DWP was £13,722,371.00

**RESOLVED:**

- The Audit & Accounts Committee noted the external audit progress report.

The Chair noted that as Mazars had links to Russia, he had requested a response from them in relation to their activities in Russia. This would be circulated once received.

**The meeting concluded at 7.26pm**

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**Signed (Chair)**

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**Date**

<b>Subject:</b>	Annual Fraud Report 21/22	<b>Status:</b>	For Publication		
<b>Report to:</b>	Audit & Accounts Committee	<b>Date:</b>	27 <sup>th</sup> July 2022		
<b>Report of:</b>	Fraud & Compliance Officer	<b>Portfolio Holder:</b>	Resources		
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception	<input type="checkbox"/>	Special Urgency	<input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	No	Attached:	No	
<b>Biodiversity Impact Assessment:</b>	Required:	No	Attached:	No	
<b>Contact Officer:</b>	Carol Walker	<b>Telephone:</b>	01706 252582		
<b>Email:</b>	carolwalker@rossendalebc.gov.uk				

## 1. RECOMMENDATION

This report provides an update to committee on the work of the fraud and compliance officer for 2021/2022.

## 2. EXECUTIVE SUMMARY

- This report updates the Committee on the work undertaken in the previous financial year in relation to fraud and compliance activities, including the success that has been achieved in identifying fraud.
- This work has resulted in a financial saving to the Council and partner organisations.
- The Fraud and Compliance function provides assurance that if major fraud is attempted, there are systems in place to identify and prevent it.

## 3. BACKGROUND

Local authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs. There is a duty to have effective controls and procedures in place to prevent, detect, deter and investigate fraud and error in Council Tax Support, Council Tax and Business Rates. The responsibility for Housing Benefit fraud investigation transferred to the Department for Work and Pensions (DWP) on 1st May 2015, along with the Council's Fraud Investigation Officer at that time. The Council made a decision to employ a Fraud and Compliance Officer, to prevent, detect, deter and investigate fraud within the Revenues area.

## 4. DETAILS

The objectives of the Fraud and Compliance function is to:

- Protect public funds.
- Undertake fraud prevention measures.
- Detect and stop fraud, thus making financial savings to the Council.
- Conduct investigations, implement sanctions and recommend appropriate follow on action in line with the Investigation, Sanction & Prosecution Policy, which is updated periodically.
- Ensure that investigations comply with the appropriate regulations.
- Increase fraud awareness.

### 4.1. PARTNERSHIP WORKING

4.1.1. The Fraud and Compliance Officer acts as Single Point of Contact (SPOC) for:

- The provision of information on Housing Benefit investigations to the DWP.
- Liaising with the Police and other local authorities/agencies by dealing with requests for information under the Data Protection Act and other legislation.

4.1.2. This is work, which would otherwise have been allocated to the benefit assessment team.

4.1.3. The Council is an active member of NAFN (National Anti-Fraud Network). NAFN's key services include:

- Acquiring data legally, efficiently and effectively from a wide range of information providers.
- Acting as the hub for the collection, collation and circulation of intelligence alerts.
- Providing best practice examples of process, forms and procedures.

4.1.4. The council works closely with Lancashire and Greater Manchester local authorities and meets regularly with other counter fraud practitioners to discuss common counter fraud issues and best practice.

## 4.2. COVID-19

4.2.1. During the last year the Fraud and Compliance function has continued to respond to Covid related fraud and attempts thereof.

4.2.2. During 2021/22, 32 Covid related business rate grant fraud referrals were received, (excluding cases matched by the National Fraud Initiative (NFI), see below). These referrals have reduced compared to 2020/21 and the reasons for this include the use of targeted prepayment checks and the better sharing of information to prevent organised fraud attempts.

4.2.3. Following investigation, the Fraud and Compliance Officer has made 34 recommendations for the withdrawal of covid grants. It is likely that work around recovery of grants and ongoing disputes will continue in the medium term.

4.2.4. During 2021/22, 22 Covid cases were closed. The table below shows the reasons why these were closed.

Closure Reason	Number of Cases
Recommendations Made/Attempted fraud (no financial loss)	4
Attempted Organised Fraud (no financial loss)	11
No Fraud Identified/No Further Action	7

4.2.5. NAFN has continued to produce intelligence alerts notifying its Local Authority members of organised criminals targeting the grant schemes by submitting fake applications in the names of legitimate companies. Checking these alerts in real time has prevented payment of grants to organised crime groups. NAFN have advised that Rossendale is one of very few authorities that have not paid applications submitted by organised criminals.

4.2.6. The police's National Investigation Service (NATIS) are investigating the organised and cross boundary fraud activities targeting Local Authorities.

4.2.7. An Officer from Lancashire Police Constabulary is currently investigating one of the grant cases, following a fraud tip off to the police.

### **4.3. NATIONAL FRAUD INITIATIVE**

4.3.1. The National Fraud Initiative (NFI) is a data matching exercise conducted by the Cabinet Office, to assist in the prevention and detection of fraud. Data is collected from around 1,200 participating organisations across public and private sectors including government departments. Data matching involves comparing sets of data electronically, such as the payroll or benefit records, against other records held by the same or another body to see how far they match. The data matching focuses on the identification of potentially fraudulent claims.

4.3.2. In January 2021, the NFI released the first biannual set of data matches to all Councils for review and they will from time to time update these adding extra matches. This first release contained 155 matches. Following the first release, a further 110 matches were released, of these 46 matches related to National Non Domestic Rates (NNDR) and the Covid grants. This totals 265 matches.

4.3.3. Checks comparing the matches against Council records are undertaken. Any Housing Benefit fraud identified is referred to the Department for Work and Pensions for investigation. The Fraud and Compliance function will investigate Council Tax Support fraud.

4.3.4. The Fraud and Compliance Officer has checked all the matches received. A total of 7 benefit claims were reassessed, resulting in £25,502.02 in overpayments/adjustments being raised. The Council is in the process of recovering this debt. Two NNDR cases have resulted in £815.35 of Small Business Rate Relief and one £10,000 Covid Grant being withdrawn. A further 7 NNDR cases are still under review.

4.3.5. NFI are due to release the set of biannual matches in January, 2023.

### **4.4. FRAUD AWARENESS TRAINING**

4.4.1. A new mandatory fraud awareness e-learning training course has been released, all employees were asked to complete this. All new council employees and members have to complete the e-learning fraud awareness course, as part of their induction to the Council.

4.4.2. The Fraud and Compliance Officer devised a leaflet which is distributed to all new starters at induction, to make the new staff aware of fraud in the workplace and how to report any suspicion of fraud, bribery, corruption etc.

4.4.3. Fraud awareness sessions occur on a rolling basis for Revenues, Benefits and One Stop Shop staff. These sessions include:

- The security of claims (including staff declaring an interest in any claims/properties)
- What is fraud within the differing areas of Revenues and Benefits
- Fraud in the 'hidden economy' incorporating what to look out for
- A general Question and Answer session.

### **4.5. SURVEILLANCE**

Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). During 2021/22 no cases were identified for surveillance.

#### 4.6. SPECIAL EXERCISES

There were no special exercises during 2021/22 due to work focusing on fraud as a result of the Covid grants.

#### 4.7. PERFORMANCE AND STATISTICS

4.7.1. During 2021/22 133 allegations of fraud were received from various sources such as anonymous referrals, the Council's online fraud referral form, the HB/CT processing team, the Business Rates team etc.

Fraud Area	Number of Referrals
Council Tax Support	55
Housing Benefit	15
Council Tax [single person discount/exemptions etc.]	37
Business Rates [grant fraud/small business rate relief fraud etc.]	47

4.7.2. These referrals were received from

Source	Number of Referrals
Anon Referral	10
Assessment Team	2
Council Tax Team	3
DWP LAIEF	2
Email	1
LA Staff [Internal]	22
NFI	27
NNDR Team	14
One Stop Shop	1
Online Referral Form	41
Other	2
Other LA Staff	4
SAT Team	4

4.7.3. During the 2021/22 year 31 cases were referred to the DWP for their consideration.

4.7.4. The DWP's Criminal Investigation Team issued 10 requests for information in relation to their investigations linked to Housing Benefit fraud. There were 11 requests from the DWP's Compliance Team for further information in relation to their non-criminal investigations.

4.7.5. Following the Fraud And Compliance Officers involvement/investigations, the following overpayments/adjustments were identified

Area	Value	Number of cases
Council Tax Support adjustment	£27,786.07	15

Single Person Discounts withdrawn	£4,535.30	3
Council Tax Exemptions withdrawn	£323.71	1
Council Tax Liabilities raised	£8,074.36	2
Housing Benefit overpayment	£2,126.06	2

- 4.7.6. One £70 Council Tax Support, two £70 Council Tax Single Person Discount penalties, one £50 Housing Benefit penalty were applied.
- 4.7.7. An additional methodology to identify counter fraud performance is also in place. This is because when a claim for an allowance, discount, reduction, benefit or exemption ends or reduces as a result of an intervention by the Fraud and Compliance function, the value of the intervention is actually not just the amount of any overpayment that has occurred. It is recognised that there is also a “future” saving, resulting from preventing further incorrect payments being made. In these cases, the weekly amount of reduced entitlement that is applied following a counter fraud intervention is multiplied by 52. It is reasonable to believe that the award would have continued for an average of one year, had no intervention taken place. This was agreed as an appropriate performance measure by the Lancashire and Greater Manchester Fraud Investigators Group.
- 4.7.8. The weekly figure for the Council is £211.72, giving estimated “future” savings from 2021/22 activity of £11,009.44. It should be noted that “future” savings can only be estimated, but do help demonstrate another benefit to the Council of undertaking counter fraud work. This saving is only calculated against Council Tax Support.
- 4.7.9. Also £8657.28 of exemptions/relief were withdrawn following investigations into National Non Domestic Rated properties [Business Rates].
- 4.7.10. The “Analyse Local” System is used to identify properties that are missing from the rating list or are undervalued. Typically the cases identified through analyse local are those in remote locations, unreported alterations to existing sites and internal changes which have an effect on rental value. They tend to be scenarios which are not picked up through the general property inspection regime. During 21/22 the use of Analyse Local to assist in business rates forecasting generated a total additional rateable vale of £83,575. Including backdating, the estimated rate yield from these cases is £134,106.31
- 4.7.11. Of note, very few civil penalties were applied during 2021-22 for a number of reasons, such as Covid-19 and not being able to not interview many customers. The Fraud and Compliance function was also predominantly focusing on Business Rate Grant fraud.

#### **4.8. RECOVERY**

- 4.8.1. Capita actively recover any Housing Benefit overpayments, Council Tax Support adjustments, discounts and exemption removals raised because of fraud activities.
- 4.8.2. Fraudulent Housing Benefit overpayments attract a 40% subsidy, this means that any monies collected over 60% of the overpayment, is additional income for the Council. If 100% of the overpayment is recovered then the Council would retain 140% of the original overpaid.
- 4.8.3. Fraudulent overpayments are not separately recorded from other recoverable overpayments such as council error. In 2021/22 £313,546 of recoverable overpayments were raised and £279,876 collected at a collection rate of 89.26%. Overpayment collection is reported quarterly as a key performance indicator.

4.8.4. Similarly, no separate recovery figure for council tax and NNDR adjustments is available. In year collection rates for all council tax was 95.6% in 2021/22 with 98.1% for NNDR.

#### **4.9. OTHER LOCAL AUTHORITY FRAUD PREVENTION ACTIVITY**

4.9.1. The Exchequer Team continue to verify any changes to bank details they receive before amending details on their system. They never use the contact details supplied on the change request notification to verify the change, but will check for another contact on the internet etc.

4.9.2. NAFN issued intelligence alerts relating to criminals targeting various areas of Local Authority business, such as procurement impersonation fraud, corporate impersonation fraud, bank mandate fraud and staff salary mandate fraud, these are passed to the relevant teams to make them aware of impending threats.

#### **4.10. COVID-19 ORGANISED CRIME**

4.10.1. Organised criminals have continued to target local authorities nationally, attempting to obtain business rate grants fraudulently.

4.10.2. Eleven organised crime attempts were made by criminals trying to claim a grant during 2021/22, there was no financial loss to the Council. Rossendale Council was targeted when applications were received in the name of a genuine company held on Business Rate records, however the application contained false information about the company such as incorrect contact telephone numbers, email addresses etc. Falsified bank statements were also included in the applications. All attempts were reported to NAFN and the details were released on a national alert, to make other LA's aware of the false information and bank account details being used by the criminals.

#### **4.11 SOCIAL MEDIA & ROSSENDALE BC WEBSITE**

The Council's Facebook page and website have been used to highlight scams to our residents. This year Covid Pass fraud and PCR testing fraud were publicised.

#### **4.12. CONCLUSION**

4.12.1. This report has been developed to provide performance information in relation to the activities undertaken by officers and to demonstrate the joint working with other agencies on either a mandatory or voluntary commitment basis.

4.12.2. This work has resulted in fraud being identified and repayments to the Council and partners being made.

4.12.3. An element of the work programme is determined by the number of fraud referrals received. There would normally be scope within the workload for other proactive exercises to be undertaken, but due to the pandemic this did not happen this year. It is anticipated that some proactive exercises will be conducted during 2022/23 now that we are returning to normality. It is also hoped that joint working investigations with officers from the Department for Work and Pensions will resume in 2022/23.

4.12.4. To summarise, as a result of actions by the Council's Fraud and Compliance function during 2021/22 there have been -

- £27,786.07 Council Tax Support adjustments created.
- £2,126.06 Housing Benefits overpayments raised.
- £4,535.30 Single Person Discounts were withdrawn.

- £8,074.36 Council Tax liabilities were raised.
- £323.71 Council Tax Exemptions were removed.
- National Non Domestic Rates exemptions were removed to the value of £8657.28 Rossendale BC, will receive a proportion of this.

**5. RISK**

All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

In common with all other public bodies, Rossendale Borough Council is potentially vulnerable to fraud, either internally by its employees, or externally from members of the public. The Council has an on-going duty to protect public funds. This report, summarises the work of the Fraud and Compliance function and provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

**6. FINANCE**

The financial implications of failing to protect the Council are potentially substantial. The Council’s strategy for tackling fraud provides an assurance that public funds are being protected from abuse. Fraud leaves the Council with less to spend on services for residents and costs taxpayers’ money.

**7. LEGAL**

The work outlined herein supports good governance and demonstrates effective financial stewardship and strong public financial management. It is supported through other policies and procedures to include the Council’s Whistleblowing policy.

**8. POLICY AND EQUALITIES IMPLICATIONS**

There are no policy or equalities implications.

**9. REASON FOR DECISION**

That the Audit and Accounts Committee noted the content of the report.

No background papers

<b>Subject:</b>	Annual Governance Statement and Statement of Accounts 2017/18	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit & Accounts Committee	<b>Date:</b>	27 <sup>th</sup> July 2022
<b>Report of:</b>	Head of Finance	<b>Portfolio Holder:</b>	Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required	No	Attached: No
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
<b>Contact Officer:</b>	Karen Spencer	<b>Telephone:</b>	<b>01706 252409</b>
<b>Email:</b>	<b>karens pencer@rossendalebc.gov.uk</b>		

## 1. RECOMMENDATIONS

- 1.1 That Members note the contents of this report, and the changes made to the Annual Governance Statement and the Statement of Accounts 2017/18 (Appendix 1) since the draft was submitted in June 2018.
- 1.2 Members approve the Letter of Representation regarding the 2017/18 Accounts (Appendix 2).
- 1.3 Members approve the attached Annual Governance Statement and Statement of Accounts 2017/18 (see Appendix 1).

## 2. Executive Summary

- 2.1 The purpose of the report is to update Members on the changes made to the Accounts for 2017/18 during the audit process.

## 3. BACKGROUND

### 3.1 Statement of Accounts 2017/18 (Appendix 1) and the audit process since June 2018

The original draft Annual Governance Statement and Statement of Accounts for 2017/18 were brought to this Audit & Accounts Committee in June 2018 and then submitted for public scrutiny and external audit. During the audit process the operation of the East Lancs Empty Homes Scheme, and the accounting treatment of the Homes and Communities Agency (HCA) Grant for the Scheme, from the 2014/15 Accounts were still ongoing.

Once the accounting treatment for the scheme was approved the 2014/15 Audited Accounts were signed off, followed by sign off of the 2015/16 and 2016/17 Accounts. The 2017/18 Accounts have been updated with all changes arising from those audits. In addition to the above amendments the 2017/18 Accounts have required amendments relating to asset valuations and the accounting treatment of the sale of Rossendale Transport Ltd.

### 3.2 Changes from the original draft submitted in June 2018

The major changes from the original draft version fall into the following categories

- Changes fed through from the audit of the 2016/17 Accounts and the preceding years

- Changes relating to asset valuations
- Changes arising from the sale of Rossendale Transport Ltd.

### 3.3 Other changes arising from the audit

There have been various other adjustments to the accounts which are detailed within the Audit Findings Report.

### 3.4 Impact

Members should note that the implications from the required changes to the accounting treatment of the sale of Rossendale Transport Limited have resulted in the proceeds from the sale being treated as a capital receipt rather than revenue income as originally reported. The subsequent adjustments have resulted in the unapplied capital receipts reserve as at 31<sup>st</sup> March 2018 increasing to £3.378m from the originally reported £2.48m and the closing balance of revenue reserves reducing from £6.166m to £5.521m.

### 3.5 Letter of Representation - 2017/18 Accounts

This letter, from the Chair of this Committee and the Head of Finance, is to provide the External Auditor with the required assurances as to the completeness of the 2017/18 financial statements, the working papers and the disclosures made to the auditor. Members are asked to consider the contents of this letter and then approve its signature and submission to the Auditor.

## COMMENTS FROM STATUTORY OFFICERS:

### 4. SECTION 151 OFFICER

4.1 Financial matters are noted in the report attached.

### 5. MONITORING OFFICER

5.1 Unless specifically commented upon within the report, there are no specific implications for consideration.

### 6. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

6.1 Unless specifically commented upon within the report, there are no implications for consideration. Staffing issues have been discussed with colleagues in the People & Policy section.

### 7. CONCLUSION

7.1 The changes made during the audit have had a significant impact on the 2017/18 Accounts, the changes will now be worked through the subsequent years accounts prior to their submission to external audit. The changes to the accounting treatment of the sale of Rossendale Transport has had a major impact on the level of reserves due to the fact that the sale income is now treated as capital rather than revenue. When running the adjustments through the subsequent years accounts, Officers will seek to maximise the use of the additional capital receipt in order to replenish the revenue reserves, with the aim of returning the revenue reserves to the level reported in the February 2022 MTFS by the time the 2020/21 Accounts are finalised.

Background Papers	
Document	Place of Inspection
Annual Governance Statement and the Statement of Accounts 2017/18	Appendix 1
Letter of Representation regarding the 2017/18 Accounts	Appendix 2





**AUDITED**

**Statement of Accounts 2017/18**

submitted to the  
Audit & Accounts Committee  
27<sup>th</sup> July 2022

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# Audit Report

The audit report will appear on these pages after the final accounts have been presented to the Audit & Accounts Committee.





# Narrative Report

## Introduction by the Head of Finance

This booklet presents the Council's accounts for the year ended 31<sup>st</sup> March 2018. It conforms to the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), which is based on the International Financial Reporting Standards (IFRSs). It also complies with the Accounts and Audit Regulations 2015 including the Narrative Statement and at Note 1 the Expenditure and Funding Analysis. The layout and purpose of each statement is as follows:-

### Introductory Statements

- Narrative Report - provides interested parties with an effective guide to the most significant matters reported in the accounts. It should be fair, balanced and understandable for the users of the financial statements, containing a commentary on the major influences affecting the authority's income and expenditure and cash flow, as well as information on the financial needs and resources of the authority. It includes a General Fund Summary which compares the financial out-turn with the Budget set in March 2017.
- Annual Governance Statement – explains the way the Council ensures responsible stewardship of its assets.
- Statement of Responsibilities - explains the responsibilities of the Council and its Chief Financial Officer in relation to the Council's financial affairs and the Statement of Accounts.

### Core Statements

- Comprehensive Income and Expenditure Statement (CIES) - a summary of the resources generated and consumed by the authority in the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Cost of Services section is now presented in the same format as the authority's operational reports. Note 1 presents a reconciliation between the General Fund Summary in the Narrative Report and the CIES figures produced here under statutory accounting practices.
- Movement in Reserves Statement – this statement shows the movement in year on the reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. It reverses the statutory accounting adjustments in the CIES to get back to the General Fund Balance Sheet Reserve.
- Balance Sheet - this shows the value of the assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the value of reserves held, split between Usable and Unusable reserves.
- Cash Flow Statement - summarises changes in cash and cash equivalents during the year, and how the Council generates and uses cash through operating, investing and financing activities.

### Notes to the core financial statements

All the notes to the core statements above are now collected in one place. Notes on the policies used in the preparation of the figures in these accounts, including judgements and assumptions, have been moved to the end of the notes area.

### Other Statements

- The Collection Fund – this agency statement reflects the Council's statutory obligation to maintain a separate Collection Fund for its transactions as a billing authority in relation to council tax and non-domestic rates.
- The Group Accounts - the Group Accounts show the consolidated financial position of the Council, including its interest in Rossendale Transport Limited.

**Glossary** - an explanation of some of the key technical terms used in these accounts.

# Narrative Report

## Rossendale – geography, economy and our priorities for 2017/18

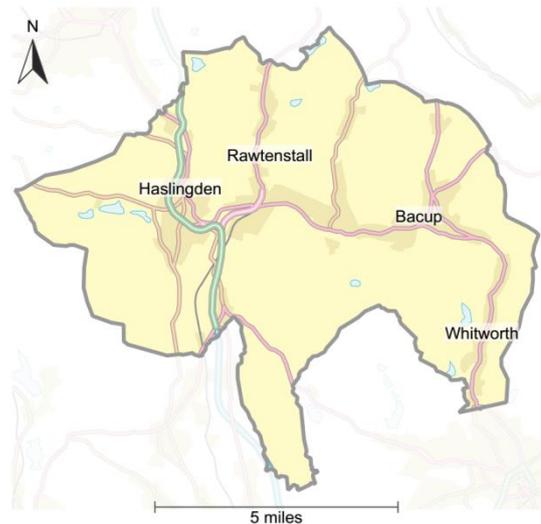
Rossendale is an authority in East Lancashire that covers 138 square kilometres and has 14 electoral wards.

We have a population of around 69,000 which is expected to rise to around 71,000 by 2020.

Rossendale is a proud valley area with a rich industrial heritage, filled with friendly and welcoming communities in a number of vibrant market towns and villages.

Rossendale is a distinctive part of East Lancashire with its dramatic scenery, rich heritage and characterful features.

Sitting on the western slopes of the Pennines Rossendale is well connected to Lancashire, Greater Manchester and West Yorkshire.



## Our Vision: Rossendale, a place where people want to live, visit, work and invest

### Our people:

There were 31,670 dwellings in the borough at the beginning of 2017/18, 85% of which were owner occupied or private rented in Rossendale. In common with other East Lancashire authorities, Rossendale has a high proportion of its housing stock in the lowest category 'A' council tax band, over 51% and around 4.0% of dwellings were vacant.

A total of 12.2% of Rossendale households were in fuel poverty in 2015 compared to the England average of 11.0%. The main factors that determine this are the energy efficiency status of the property, the cost of energy, and household income. At the same time the national indices of deprivation revealed that Rossendale was the 98th most deprived area out of the 326 districts and unitary authorities in England. However, the authority has around 2,250 of state pension claimants, the smallest number in Lancashire.

### Our businesses:

As in most places, the manufacturing sector has shed jobs over the years whilst the service sector has grown to become a far greater source of employee jobs. However there still continues to be a bias towards a larger proportion of employees in the manufacturing sector in Lancashire and Rossendale than is the national norm and a lower proportion of jobs in the service sector. Rossendale does, however, maintain a relatively high percentage of private-sector jobs with 2,590 active enterprises in Rossendale and we are proud that two local companies recently won a Queen's Award for Enterprise, namely Linemark UK Limited in Rawtenstall and Slingco Ltd in Whitworth.

### Our area:

Though Rossendale is not served by the main railway network it does have excellent road links with the M66 heading south to Greater Manchester and the M62 corridor over the Pennines and the M65 heading west to link up with the M6. The 2011 census figures on commuter flows revealed that only 40.3% of Rossendale residents work within the borough and over 10% of working residents commute between 20 and 30 kilometres, the highest percentage in Lancashire and well above regional and national averages.

Lancashire has over 8,000 hectares of common land (1.5% of the nation's total) and Rossendale is one of the three boroughs which account for a significant proportion of this total. Rossendale has 23.0% of its land designated as green belt, safeguarding our countryside and preserving the character of our historic towns. This also contributes to maintaining our air quality, which is better than the county and national averages.

# Narrative Report

## Priority 1: A clean and green Rossendale

Our priority is to keep Rossendale clean and green for all of Rossendale's residents and visitors, and to take available opportunities to recycle and use energy from renewable sources more efficiently.

### Key Actions: Clean

- Be tough with those who blight our communities with fly-tipping, litter and dog fouling through more enforcement
- Deliver a waste and recycling awareness and engagement campaign to support us in keeping our streets clean and reducing litter
- Reduce waste costs and increase recycling rates in the Borough
- Continue to work proactively with our partners to improve the quality of roads in the Borough
- In an average month we collect 1,200 tonnes of general waste, 260 tonnes of glass, cans and plastic and 170 tonnes of paper get 2017/18 actuals

20 littering and 90 dog-fouling cases pursued in 2017/18

93 fly tipping cases pursued in 2017/18

1,076 likes on our environmental face-book page

Over 4,400 signed up for new green waste service

### Key Actions: Green

- Work with our communities to celebrate our environment, promote pride in our area and enhance our parks, playgrounds and open spaces
- Work with partners on ensuring Rossendale is robustly prepared for another flooding incident
- Promote our green spaces and countryside for all to enjoy

Delivered over £2.2m of flood resilience works since Storm Eva in Dec 2015

## Priority 2: A connected and successful Rossendale that welcomes sustainable growth

Our priority is to ensure that we are well connected to our residents, key partners and stakeholders. We want to make the most of every pound we spend and we are always looking for new and innovative ways to make the resources we do have, work harder for us. A key part of this involves developing new and existing economic and commercial opportunities in the Borough. This will eventually help us become a more dynamic and sustainable Council that is able to deliver successful, quality services for our residents and visitors.

### Key Actions: Connected

- Make it easier for customers to interact with the Council online when it suits them, by making more of our services digital
- Continue to work with partners and other agencies on better transport links in Rossendale and with our neighbours
- Make sure we get the best outcomes for Rossendale by working with public sector and other partners to make sure every pound gets the best results
- Make the most of our location; bordering Greater Manchester and West Yorkshire but also being committed to being part of a strong, confident Lancashire County
- Working with public transport providers to deliver the best public transport for Rossendale

55 of our services are now available on-line 24/7

Our conditions test for taxis & driver knowledge tests now acknowledged as best practice

We are active participants in the regional transport committee

# Narrative Report

## Key Actions: Growing

- Identify development sites to enable inclusive and sustainable growth (overnight visitor accommodation, housing, businesses, jobs and tourist destinations)
- Develop plans to ensure we have strong town centres and communities
- Invest in our staff to champion our more commercial and digital approach

## Key Actions: Successful

- Continue to celebrate and grow our sport, leisure and culture offer through Rossendale Leisure Trust, Whitaker Museum, Community Leisure Association Whitworth and other organisations
- Develop new relationships in the community and strengthen existing ones
- Focus on tourism, particularly around our Adrenaline Offer, bringing people, business and attractions to Rossendale

Secured a £3m investment in Rossendale buses for 2018/19
Launched “Invest in Rossendale”
Held mtgs with land owners & developers at 4 key employment sites
Secured funding for Ski Rossendale development grant
Assisting with Whitaker Heritage Lottery Fund bid

## Priority 3: A proud, healthy and vibrant Rossendale

Our priority is to ensure that we are creating and maintaining a healthy and vibrant place for people to live and visit. We celebrate the health, vitality and enterprise of the people who live in, do business in and visit Rossendale. We are proud of our Borough and the success that happens here.

## Key Actions: Proud

- Celebrating Rossendale, the success of our residents, business and the Council’s work through publicity and awards, raising awareness of the great things they do
- Work with local schools to support career pathways and make sure that our children and young people flourish
- Building strong, resilient communities with volunteers and active citizens, creating neighbourhoods where people feel proud and safe to live
- Work closely with residents, communities and the police to maintain low crime levels and reduce Anti-Social Behaviour

Promoting Rossendale Board has produced a borough Food & Drink Guide
Our Facebook & Twitter feeds reach over 1 million people
Local lad Tom Hamer won medals in the Olympic & Commonwealth para-games
4 Neighbourhood Forums gave out £21k in grants to 36 local community groups
Communities team working to support WW1 centenary commemorations
Achieved 7 new affordable housing units, compared to a target of 25 – but work is ongoing to identify more sites



# Narrative Report

## Rossendale folk - the people behind the borough

### Our councillors

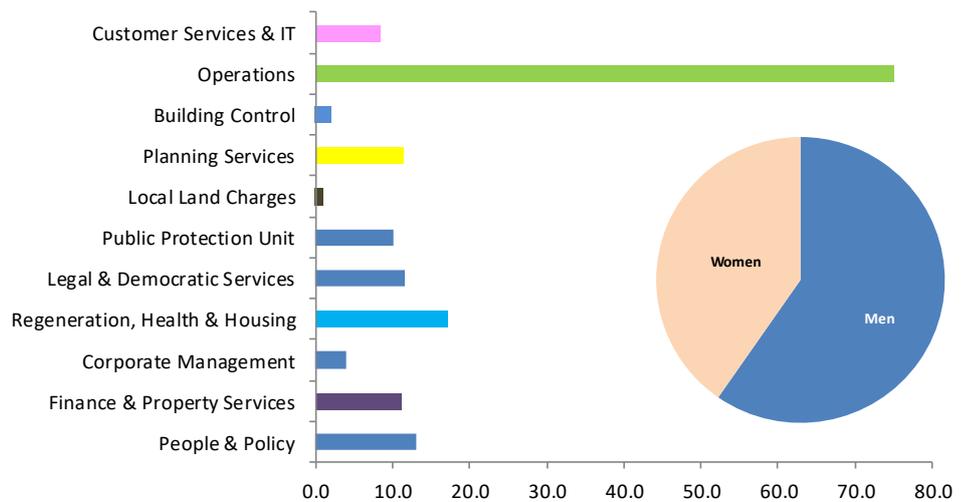
We have 36 councillors in Rossendale serving 14 wards across the borough. At the start of the 2017/18 Municipal year the political balance was as follows

- 22 Labour
- 13 Conservative
- 1 Community First

### Our staff

The Council employs 171 people across its services, 40% of whom provide front-line services within the Operations Team collecting refuse, maintaining our parks and cemeteries and keeping the roads around the borough clean. Of our 171 employees 40% are women and 44% are over 50.

### Staff employed across services in 2017/18



### The Senior Management Team in 2017/18



**Stuart Sugarman**  
Chief Executive



**Sam Plum**  
Director of  
Communities



**Cath Burns**  
Director of  
Economic  
Development



**Phil Seddon**  
Head of  
Finance



**Clare Birtwistle**  
Legal Services  
Manager



**Clare Law**  
HR Manager

Since 2017/18 there have been several changes in the Council's senior Management Team. Neil Shaw joined the authority as the Chief Executive in January 2020, Adam Allen (Director of Communities) and Karen Spencer (Head of Finance/S151 Officer) joined in March 2020 with Mandy Lewis (Director of Economic Development) joining the authority in January 2022.

# Narrative Report

Our partners, community groups and the volunteers that we work with

**CAPITA** Capita provide our revenues, benefits and customer services.

**Civic Pride** groups support the borough by providing a gardening and litter clearance service, building upon the work done by the Council's workforce.

**CIVIC PRIDE**  
...Rossendale



Voluntary Community Sector organisations work with us on a range of initiatives, a comprehensive list can be found on the **REAL Directory**.



**Calico Homes** now manage the East Lancashire Empty Homes project.

**Together Housing** manage social housing across the borough



**RTB Partnership Ltd** is an equal partnership development vehicle set up in February 2013 to facilitate a number of development projects across the borough.



**Rossendale Leisure Trust** provides the sports facilities provision in the Borough, with **Community Leisure Association Whitworth** providing them in Whitworth.

WHITWORTH LEISURE

The NHS and **East Lancashire Clinical Commissioning Group** are the health providers for Rossendale.

Main hospital services are provided by **East Lancashire Hospitals NHS Trust**. Some other facilities are run by the **Lancashire Care NHS Foundation Trust**.



**East Lancashire Hospitals NHS Trust**

**Lancashire Constabulary** is the local police force.

**Lancashire Fire and Rescue** provide our fire service.

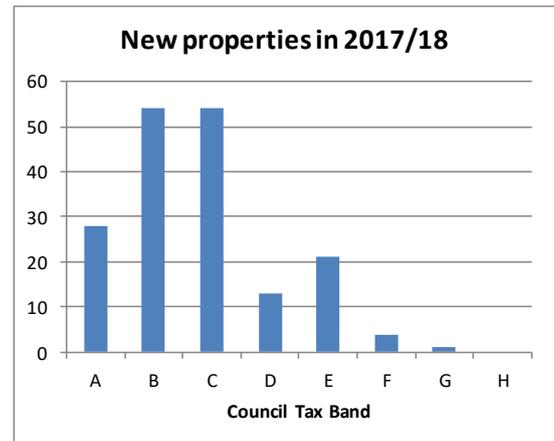
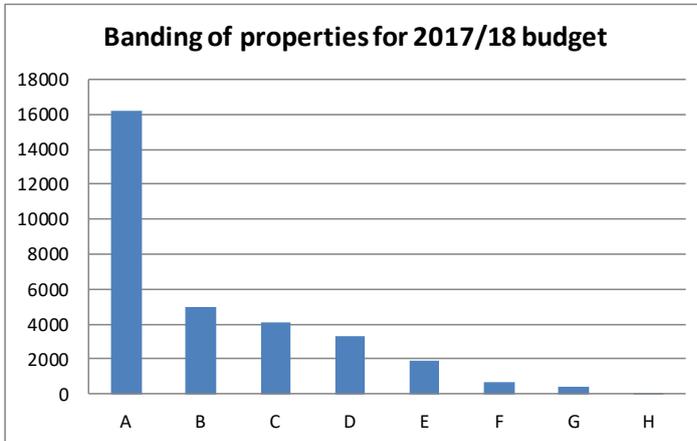
**Lancashire County Council** upper tier responsibilities



# Narrative Report

## Council Tax in Rossendale

Over 51% of all the domestic properties in Rossendale fall into Band A, the lowest band for Council Tax purposes. Though the Band D is taken nationally as the average for the purposes of collecting Council Tax, only 10.4% of properties in Rossendale fall into this band. The total number of properties when the 2017/18 Council Tax was set was 31,670, up by 175 from 2016/17.



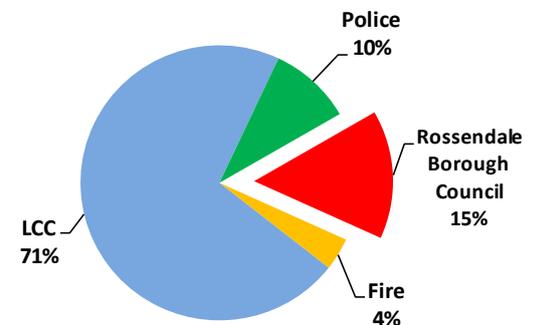
Rossendale Borough Council collects Council Tax on behalf of each of the major preceptors, Lancashire county council, Lancashire Combined Fire Authority and Lancashire Constabulary. In 2017/18, we also collected a precept for Whitworth Town Council from 3,626 properties.

In 2017/18 Rossendale Borough Council increased its element of the Council Tax for the first time since March 2009.

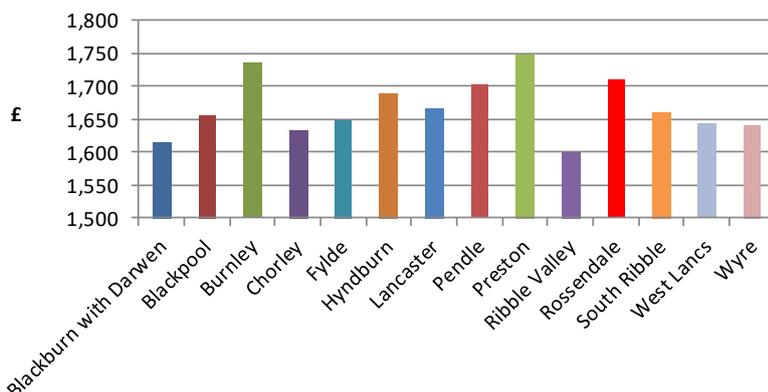
Precepting Body	% Increase	2016/17	2017/18
		Band D £	Band D £
Rossendale BC	1.99%	253.40	258.44
Lancashire County Council *	1.99%	1,152.26	1,175.64
LCC Adult Social Care *	2.00%	22.60	46.10
Combined Fire Authority	0.00%	65.50	65.50
Police & Crime Commissioner	1.99%	162.22	165.45
<b>Total (Excl' Whitworth)</b>	<b>3.33%</b>	<b>1,655.98</b>	<b>1,711.13</b>
Whitworth Parish Council	1.69%	23.01	23.40
<b>Total Whitworth Parish</b>	<b>3.31%</b>	<b>1,678.99</b>	<b>1,734.53</b>

\* percentage increase is based on the total combined tax level

### Each £1 of Council Tax was split



### Council Tax Band D across Lancashire

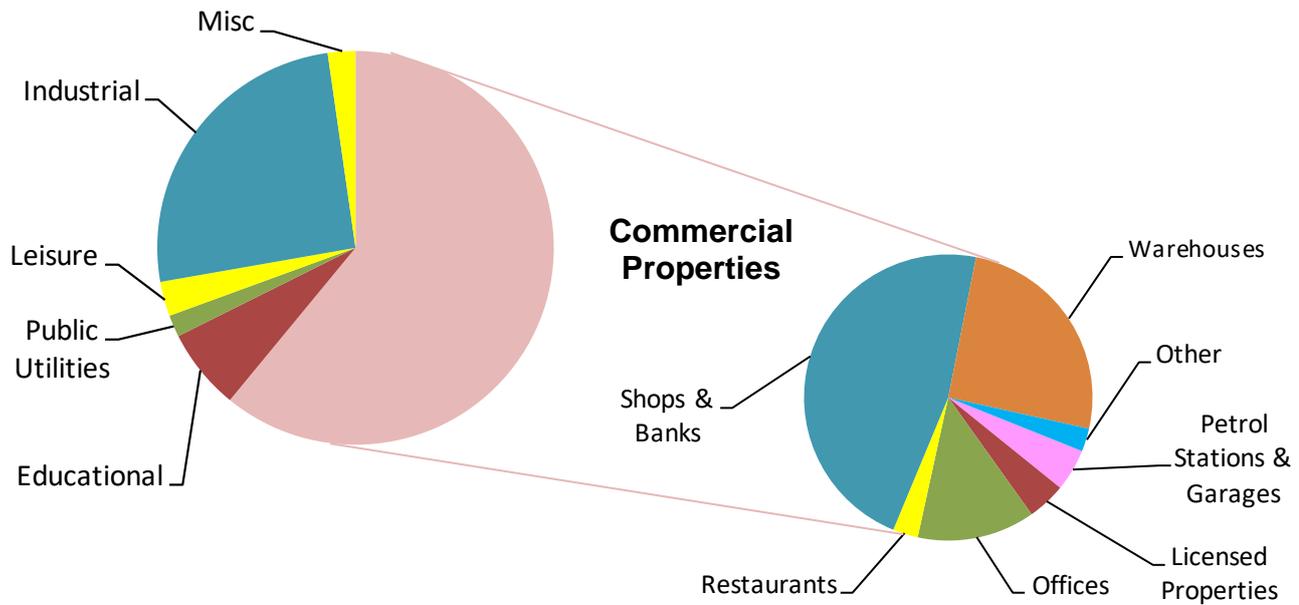


In comparison with our neighbouring authorities across Lancashire, Rossendale has the third highest total Band D charge.

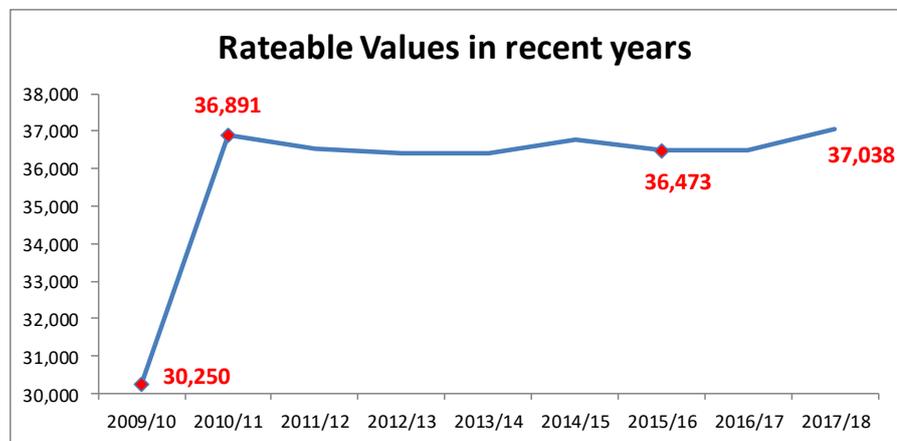
## Business Rates in Rossendale

Business Rates are payable based upon a rateable value set by the national Valuation Office. The total rateable value of business premises in Rossendale at the 31<sup>st</sup> March 2018 was £37,038k, up from £36,506 in March 2017.

### Rateable Values as at 31st March 2018



Rateable values underwent a national revaluation exercise in 2010/11 and a revision during 2015/16.



When Dragon’s Den investor Hilary Devey launched our new “Invest in Rossendale” website she praised Rossendale as a place on the up...

*“I believe Rossendale is very business friendly and is a borough on the up. I am looking forward to seeing what Rossendale has to offer when I visit and interested to meet business leaders, hear about the high quality and innovative businesses there, the new investment and developments which will breathe new life into the town centres as well as the great attractions on offer.”*

# Narrative Report

## General Fund

The General Fund holds the income and expenditure associated with the day to day running of all the services that the Council provides.

In setting the 2017/18 budget, members continued to give due regard to the financial challenges facing the Council over the medium term. For a number of years the Council has continued to reduce its net revenue expenditure in line with its own efficiency agenda and the impact of the Government's 2015 Comprehensive Spending Review.

At that time the medium term financial strategy (MTFS) indicated an underlying deficit of £199k for 2017/18, rising to over £1m by 2019/20, subject to several assumptions, including the eventual receipt of over £600k per annum from renewable energy. However, during 2017/18 the local planning decision on which that revenue was based was overturned by the Secretary of State. This income source was fundamental for the Council's MTFS and its loss only increases the ongoing funding challenges ahead.

In light of this decision the Council reviewed its MTFS at regular intervals during 2017/18 and reported to Full Council on the 28<sup>th</sup> February 2018 an underlying deficit of £766k in 2018/19 budgets, rising to around £1.2m by the year 2019/20.

External resources for 2017/18 included the central government support grant funding of £503k which will fall to £189k in 2018/19 when this external funding ends. New Homes Bonus grant is also expected to reduce, from £965k in 2016/17 to £835k in 2017/18 and this will continue to fall to around £453k by 2020/21 due to new national calculation methodologies, despite 0.4% increases in the overall housing numbers and the Council's efforts to bring empty homes back into use.

With the drop in external funding above, local taxation has to contribute towards the MTFS challenge and in the 2017/18 budget members made the difficult decision to increase the Council Tax by 1.99% for the first time since March 2009, resulting in a Collection Fund Precept of £5,168k plus £51k to support Whitworth Town Council. Local business rates were also expected to provide £2,035k of funding. Between local and external funding the total resources available for 2017/18 were £8,592k.

Despite the financial challenges ahead, members approved a net services budget for 2017/18 of £9,440k including a contribution of £100k towards capital projects. In order to balance the budget members approved the use of £199k from Earmarked Reserves.

The following table and charts show the General Fund figures before the technical accounting adjustments required by the Code in the CIES on page 26. These follow the operational basis shown in the financial monitoring reports presented to members at each Cabinet meeting, with the exception of the precept payment to Whitworth Town Council.

However, in comparison to the original budget, there are no internal recharges between sections for services, nor are there any depreciation charges. The reconciliation following the CIES at Note 1 shows the adjustments required to move from the Original Budget, to the Budget shown on the General Fund Summary overleaf and from the Actual overleaf to the CIES Actual position presented in-line with current accounting standards.

In their efforts to bridge the future funding gap members have taken two other very difficult decisions in 2017/18. Firstly they agreed to start charging residents for the non-statutory removal of garden waste on a fortnightly basis for a fee of £35 per year. Officers implemented this decision during the autumn of 2017, ahead of the first collections in March 2018. Based upon the experience of neighbouring authorities it was expected that this might see a take-up by around 2,500 residents, bringing in an estimated £87.5k of income for 2018/19. By the end of 2017/18 subscriptions were already double that in the original budget for 2018/19, contributing over £160k to the annual funding gap.

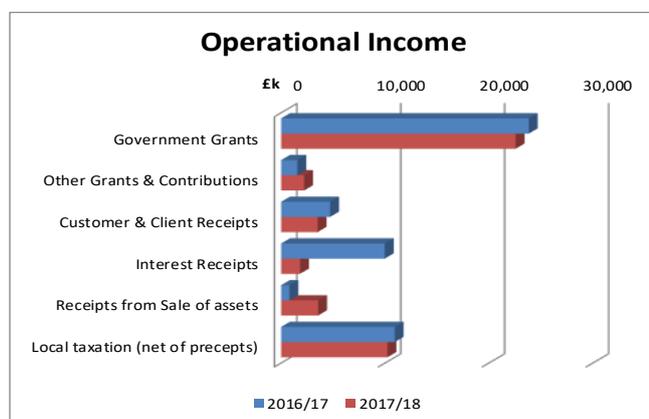
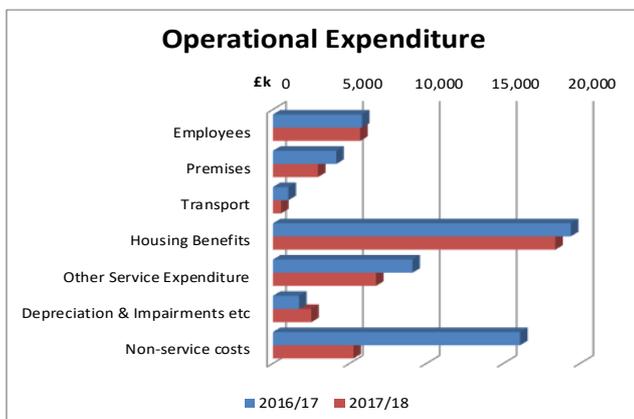
The second decision was to sell the 100% shares in Rossendale Transport Ltd, valued at £645k in the Balance Sheet at March 2017. The LCC pension fund element for the former Council employees was consolidated with the Council's during 2016/17 and Note 34 shows this as "Business Combinations". Though the actuarial valuation under IAS19 regulations showed a net scheme deficit of £1,555k, the

# Narrative Report

triennial valuation in March 2016 was a marginally positive position. This paved the way to sell the company during 2017/18 and the final consideration value was endorsed by external transport professionals who had “no hesitation in recommending that the Council accepts the offer”. At Full Council in December 2017 members agreed to sell the shares for a net consideration of £3,640k including the transfer of the Knowsley Road depot site to the Council, estimated at a value of £2,300k. In return, the outstanding mortgage of £1,010k and the cash-flow loan of £400k were written down to nil. The sale transactions can be seen in Notes 13,14,17,19, 20, 21, 32a & 32b.

GENERAL FUND SERVICES	2016/17			2017/18			Note
	Adjusted Budget	Operational Out-turn	Variance (adv)/ fav	Adjusted Budget	Operational Out-turn	Variance (adv)/ fav	
	£000s	£000s	£000s	£000s	£000s	£000s	
Place Directorate							
Customer Services & IT	1,365	1,138	227	1,251	1,197	54	
Operations	2,420	2,324	96	2,424	2,364	60	
Business Directorate							
Building Control	13	(2)	15	(2)	(63)	61	
Planning	313	439	(126)	264	258	6	
Local Land Charges	(33)	(42)	9	(37)	(23)	(14)	
Public Protection Unit	(77)	(215)	138	(79)	169	(248)	
Legal & Democratic Services	758	741	17	703	715	(12)	
Regeneration, Health & Housing	1,194	1,859	(665)	1,177	1,005	172	
Corporate Management							
Corporate Management	419	448	(29)	513	429	84	
Finance and Property Services	1,308	1,250	58	1,329	1,244	85	
People and Policy	280	283	(3)	470	474	(4)	
Leisure Services	242	978	(736)	136	136	-	
Non-distributed Costs	1,166	1,126	40	1,088	1,166	(78)	
Capital Financing & Interest	217	192	25	203	150	53	
<b>Total cost of General Fund Services</b>	<b>9,585</b>	<b>10,519</b>	<b>(934)</b>	<b>9,440</b>	<b>9,221</b>	<b>219</b>	
Whitworth Town Council Precept	50	58	(8)	51	59	(8)	
Contrib to/(from) Earmarked Reserves	(514)	(932)	418	(899)	(254)	(645)	32a
<b>Amount to be met from government grants &amp; local tax payers</b>	<b>9,121</b>	<b>9,645</b>	<b>(524)</b>	<b>8,592</b>	<b>9,026</b>	<b>(434)</b>	
Precept on the Collection Fund	5,036	5,036	-	5,219	5,219	-	Coll Fund
Collection Fund - prior year surplus	66	-	66	-	-	-	Coll Fund
Collection Fund - current yr surplus/(deficit)	-	52	(52)	-	239	(239)	
Rate Support Grant	1,016	1,016	-	503	503	-	7
Non-service related Government Grants	1,008	1,008	-	835	835	-	7
Non-Domestic Rates	1,995	2,533	(538)	2,035	2,230	(195)	6
<b>Amounts received from government grants &amp; local tax payers</b>	<b>9,121</b>	<b>9,645</b>	<b>(524)</b>	<b>8,592</b>	<b>9,026</b>	<b>(434)</b>	

A breakdown of the Council’s expenditure and income can be found at Note 2



# Narrative Report

## Revenue performance during 2017/18

Major Variances during 2017/18	Favourable £000	Adverse £000	Net £000
Housing Benefits Subsidy		(29)	
Recovery of Overpaid Benefits	39		
Collection Fund Court Costs	75		
IT software and data storage		(75)	
Vehicle maintenance & hire		(100)	
MRP saving on vehicles	175		
Recycling income		(51)	
Cemeteries income	27		
Planning & Building fees	69		
Licensing income		(207)	
Corporate Contingency	35		
Audit costs	23		
Business Rates refunds	111		
Property refurbishment		(35)	
Pensions pre-payment saving	74		
Interest earned (net)	18		
MRP saving on buildings	66		
Rosso Management Fee	54		
Sale of Rosso	148	(400)	
	914	(897)	17

The main variances between the budget and the out-turn are shown in the table opposite. More details about the review of vehicle replacement requirements can be found in Note 14, 17 and 33b as this led to an MRP saving of £175k but an increase of £100k in vehicle maintenance and hire costs.

Collection rates for Council Tax and Business Rates improved during 2017/18, in part through a more rigorous approach to court proceedings, leading to an additional £75k of court costs being recovered.

The business rate refunds related principally to the properties within the footprint of the new Spinning Point development in Rawtenstall town centre.

In terms of fee income, planning, building control services and cemeteries saw a combined increase of £96k, however new Licensing policies have resulted in a £207k drop in income.

The Rosso Management Fee shown here related to services provided by Rossendale Borough council employees and Council Members during 2016/17. No similar fees were expected for 2017/18 following the sale of the company shares in January 2018.

### Other financial factors

This Council signed up to the Lancashire Business Rates Pool which came into effect on the 1<sup>st</sup> April 2016. Under these arrangements Rossendale retains more of its local business rates. April 2016 also saw changes in renewable energy installations such that 100% is now retained locally, adding £241k to the Non-Domestic Rates income during the 2016/17 for the first 18-month period (see Note 6). The normal annual value of this renewable energy for 2017/18 was £159k.

During 2017/18 the Council consolidated its investments in its related parties which began during 2016/17. As already discussed, the mortgage on the Rossendale Transport Ltd Knowsley Road depot was written out when the shares were sold in January 2018, but the investment in Rossendale Leisure Trust leases continued to strengthen the Trust's position and in 2017/18 they returned a net profit of around £12k (subject to audit confirmation) for the first time, with no general grant support from the Council.

By the end of 2016/17 the Council's direct management of the properties under the East Lancs Empty Homes Scheme was drawing to a conclusion. This scheme has brought back into use over 300 long-term empty domestic properties across East Lancashire, funded through a combination of Homes and Communities Grant, owner contributions, local housing associations and contributions from the other neighbouring local councils. During 2016/17 the process began to transfer management of the properties and the tenants to a third-party housing association, Calico homes Ltd, under a self-financing contract. This transfer process has continued throughout 2017/18 as renovation works were completed on each property. At the 31<sup>st</sup> March 2018 the balance of the HCA grant received in advance in the Balance Sheet is £199k which is expected to be applied to the CIES in early 2018/19 as the last of the properties are completed.

# Narrative Report

## Capital Strategy and the Capital Programme 2016/17 to 2018/19

On 1<sup>st</sup> March 2017 the Council set an affordable capital budget of £885k, funded from £500k of grants, £100k of internal borrowing, £100k from revenue resources and £185k from capital receipts. The programme included £100k of new parks vehicles, £125k on maintaining the Council's operational assets and £500k on Disabled Facilities Grants (DFGs) for domestic properties across the borough.

This was added to £8,873k of ongoing capital works at the end of 2016/17, which included key projects such as the Bacup Townscape Heritage Initiative (THI) of £1,601k and the £5,241k Spinning Point Phase 1 project to build a new bus station in Rawtenstall centre, along with the redevelopment of the old Town Hall and the former Police Station sites.

During the year additional capital projects included an extra £369k of DFG grant and community projects to improve parks and play areas attracted over £351k of third party grants and contributions. This brought the final capital programme to £10,644k. Added to this was the £2,300k value of the Knowsley Road depot site transferred to Council ownership upon the sale of the shares in the Transport company.

More information on the capital costs and funding sources can be found in Note 17.

Capital receipts from the sale of fixed assets totalled £3,883k, as shown in Note 32b. This included the net consideration of £3,640k from the sale of the Transport company shares valued in the opening balanced sheet at £645k.

In order to meet the Council's capital investment ambitions a loan of £4.6m was entered into with the Public Works Loan Board in March 2010 for a period of 25 years at 4.49%. This loan is reflected in the Balance Sheet and the Financial Instruments at Notes 21 and 29 to the Core Statements.

At the end of 2017/18 £841k of the Bacup THI scheme was still ongoing and £4,442k of the original Spinning Point Phase 1 project was still under construction. With an unspent balance of £705k in DFGs grants and £400k of Sport England investments planned for the Ski Slope renovations, the Council carried £7,489k of ongoing capital projects forward into 2018/19.

## Treasury Management

Treasury Management is conducted in-house with advice provided by an external organisation, Link Asset Services (formerly Capita Asset Services). Investment performance has struggled to meet the budget target as interest rates on the Council's continued to be below bank base rates during the year. By the end of the year the council was earning 0.47% on balances, up from 0.42% at the end of 2016/17 despite the 0.25% rise in base rates during November 2017.

Treasury management during the year was conducted within the borrowing limits and investment criteria approved in the Treasury Management Strategy and Treasury Management Practices approved on the 1<sup>st</sup> March 2017.

The Ministry for Housing, Communities and Local Government (MHCLG) allows local councils to fund capital expenditure from other revenue reserves, known as internal borrowing, as long as the investment can be shown to be prudent. The value of this internal investment is known as the Capital Financing Requirement, as shown at Note 17a. At the 31<sup>st</sup> March 2018 the Capital Financing Requirement (CFR) stood at £8,759k. At the same time the balance of the Council's PWLB borrowing was £3,128k (Note 29), meaning that the Council is "under borrowed" by £5,631k which is being covered by the usable reserves of £6,166k (Note 32a). As the value of usable reserves drops over the life of the Council's MTFs, greater consideration will need to be made of the need for additional PWLB borrowing to fund future capital investments.

The MHCLG also requires councils to set aside 'prudent' provision for the repayment of debt where they have used internal borrowing arrangements to finance capital expenditure, but allows certain flexibility as to how this is calculated. This cost is known as Minimum Revenue Provision (MRP) and it is a charge to the General Fund budget, but is not included in the CIES. This Council calculates MRP

## Narrative Report

on a direct line basis to match the estimated life of each particular asset. During 2016/17 the life of several classes of asset were reviewed which reduced MRP costs by £58k in 2016/17.

In 2017/18 the impact of the £1,010k November 2016 investment in the Haslingden Sports Centre added £60k to the annual MRP costs, but this is reimbursed by Rossendale Leisure Trust each year. Operational vehicles which have reached the end of their expected life were originally planned to be replaced in 2017/18, but officers have been undertaking a comprehensive review of vehicle requirements which has delayed this purchase. Whilst this has led to a one-off saving of £170k in MRP for 2017/18, it has also resulted in increased maintenance and vehicle hire costs of over £97k.

The business case for Spinning Point Phase 1 included investment of £900k by the Council, funded from internal borrowing the revenue MRP impacts of which will be met from rental incomes. By the end of March 2018 this project had added £844k to the Capital Financing requirement, but MRP repayments will not begin until the redevelopment of the site is complete.

### Pensions and IAS19

Rossendale Borough Council is a member of the Local Government Pension Scheme, administered by Lancashire County Council. Note 34 explains how the Council has accounted for the under-lying long term commitments in relation to the retirement benefits for employees in line with the prudent and prescriptive IAS19 methodology. Measurement of the assets and liabilities, under the statutory IAS19 regulations, showed an increase in the net liability from £29.7m at March 2015 to £33.6m at March 2017 and a subsequent drop to £30.2m at March 2018.

The Lancashire County Pension Fund underwent a full triennial actuarial valuation by Mercers in March 2016, which came into force in December 2016. For the Rossendale element this showed a reduction in the net deficit to £15m, representing a funding level of 77% and so the deficit recovery period was maintained at 16 years. At the 31<sup>st</sup> March 2018 the remaining recovery period is 14.7 years.

Lancashire County Pension Fund- Rossendale Borough Council	March 2013 £000	March 2016 £000
Pension Deficit	£22m	£15m
Funding Level	68%	77%
Employer Future Service Rate (%ge of pensionable pay p.a.)	14.0%	15.5%
Remaining recovery period	16 yrs	16 yrs

The key conclusions from the March 2016 actuarial valuation were:

- Based on the assumptions made for assessing the cost of future accruals, the future service rate for Rossendale Borough Council has risen from 14.0% at March 2013 to 15.5%.
- In line with the Funding Strategy Statement (FSS), a 19-year deficit recovery plan has been put in place for the County Fund as a whole which requires additional employer contributions of £2.9m over the next three years. For Rossendale this was maintained at the 16 years set at the previous valuation in March 2013.
- Active members also pay contributions to the Fund as a condition of membership and this rate remains at 6.4% per annum.

In the March 2016 actuarial valuation the pension fund for former Council employees working with Rossendale Transport Ltd showed a small surplus, therefore Members decided to bring this element back within the Council during 2016/17. In the CIES and Notes 37b & 37c, under IAS19 regulations, this is shown as Business Combinations and it added £9,440k of Scheme Liabilities and £7,885k of Scheme Assets, a net increase of £1,555k in the Scheme deficit at March 2017.

Bearing in mind the funding challenges facing the Council over the life of the MTFs, members approved the pre-payment of the pension fund costs for the current triennial period, which will lead to a saving of over £300k over the three years. Consequently, £4.6m was paid to the pension fund in April 2017, of which £3.1m was classed as an advance payment at 31<sup>st</sup> March 2018. This led to a net saving of £73k during 2017/18. The prepayment can be seen in the Balance Sheet as the difference between the Net Pension Liability of £27.1m and the Pension Reserve deficit of £30.2m.

# Annual Governance Statement

## Annual Governance Statement: Year Ended 31st March 2018

### Scope of Responsibility

Rossendale Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rossendale Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Rossendale Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Rossendale Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government - 2016 edition. A copy of the authority's code is on our website at the following link: [https://www.rossendale.gov.uk/downloads/file/14400/ethical\\_governance\\_framework](https://www.rossendale.gov.uk/downloads/file/14400/ethical_governance_framework) or can be obtained from Legal and Democratic Services. This statement explains how Rossendale Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

Delivering Good Governance (2016 Edition) defines the principles against which the Annual Governance Statement reports:

- Behave with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensure openness and comprehensive stakeholder engagement;
- Define outcomes in terms of sustainable economic, social, and environmental benefits;
- Determine the interventions necessary to optimise the achievement of the intended outcomes
- Develop the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implement good practices in transparency, reporting, and audit to deliver effective accountability

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rossendale Borough Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

# Annual Governance Statement

## The Governance Framework

The key elements of the systems and processes that comprise the authority's governance include arrangements for:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users through its:
  - Corporate Plan 2013-16 (including the annual light touch refresh)
  - Medium Term Financial Strategy
  - Sustainable Community Strategy 2008-18
- Reviewing the authority's vision and its implications for the authority's governance arrangements through its:
  - Corporate business plan
  - Performance monitoring
  - Overview and Scrutiny Committee
  - Audit & Accounts Committee
- Translating the vision into objectives for the authority and its partnerships as detailed in the Corporate Plan and annual corporate business plans.
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money. This is supported by The Medium Term Financial Strategy, budget setting and budgetary management systems which aim to economically, effectively and efficiently use resources in line with corporate priorities along with the regular reporting of financial performance to officers and members. In addition the Council's quarterly Performance Reporting to Members highlights the organisation's achievement of its objectives, performance indicators and its current position with regard to risks.
- Defining and documenting the roles and responsibilities of the Members, Committees and officer functions, with clear delegation arrangements and protocols via the Constitution and the annual development training programme. The Codes and Protocols are contained in Part 5 of the Constitution which is publicly available on the Council's website.
- Effective communication in respect of the authority and partnership arrangements. This is supported by a performance framework that, inter alia, includes:
  - Annual corporate business planning
  - Annual personal development reviews
  - Team briefing, daily messages and Members bulletins
  - Overview and Scrutiny Committee
  - Audit & Accounts Committee
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff via a series of Member and personnel policies and procedures and in particular staff annual appraisals incorporating the Council's five core competencies and values of:
  - Listening and communicating
  - Loyalty
  - Management of Performance
  - Celebrating success
  - Customers Matter.
- Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality as scrutinised by

Members of the Council's Overview and Scrutiny Committee (and the Governance Working Group).

- Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability as supported by the Council's Risk Management Strategy (significant revision March 2016) and the Internal Audit annual plan.
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained (eg: Housing Benefit Fraud investigation and the support of the Internal Audit Service).
- Ensuring effective management of change and transformation. This is supported by an established business planning process, which sets clear objectives and targets in light of national and local drivers, the Council's own policy priorities and the financial resources available. Significant projects are controlled by project management techniques and overseen by a Programme Board.
- We confirm that the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2015).
- Ensuring the authority's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010) which is also supported by a partnership with Lancashire County Council for the management of the internal audit service that works with officers to assess and develop the governance framework and which supports management's assessment of compliance with established policies, procedures, laws and regulations.
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function via the Constitution and officer protocols.
- Ensuring effective arrangements are in place for the discharge of the head of paid service function via the Constitution and office protocols.
- Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities* (2013) and which, inter alia, oversees the production of the authority's Annual Governance Statement.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. This is supported by Financial Regulations, Contract Procedure Rules, a clear supporting framework of financial procedure and the role of the Monitoring Officer as described in Part 5 of the Constitution.
- A well-publicised and effective procedure for dealing with whistleblowing, combating fraud and corruption and for receiving and investigating complaints, or answering Freedom of Information requests, from the public together with enquiries from Council Members or Members of Parliament.
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training. This process has previously been the recipient of a national award.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. In particular encouraging fair and representative public participation through the adoption of a "Procedure for Public Speaking" at public meetings and online accessibility to Council meeting agendas and minutes including information on availability in different formats. In addition the Council has an established consultation procedure including the use of, inter alia, a citizens panel, Infusion Research and web consultation.
- Enhancing the accountability for service delivery and effectiveness of other public service providers. This is done in part by performance management system of regular monitoring and

## Annual Governance Statement

reporting to Members of the Council's performance and financial standing against its plans together with its own assurance framework ensuring the accuracy and completeness of data.

- Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.
- Annual quality assurance statements by all Heads of Service and specific senior managers (signed together with line Director and Portfolio Holders) which both acknowledge officer responsibilities in matters of governance and internal control and make an annual evaluation of their adequacy within the service area
- A structure of centrally monitored, yet devolved financial management, that promotes management of the Council's finances at the appropriate organisational level;
- A Customer Access Strategy, designed amongst other things, to empower employees to deal with customer queries quickly and satisfactorily, increase customer satisfaction with the Council ultimately to deliver better access to improved public services;
- A centrally held partnership register together with developing terms of reference for outside bodies;
- Active participation in, where appropriate, procurement matters with other local authorities which aims to ensure maximum value for money for the Council through collaborative procurement exercises;
- Participation in the nationwide National Fraud Initiative;
- Health and Safety arrangements are overseen by an in-house team, who check compliance with both legal and internal requirements.
- Emergency planning arrangements managed internally, during 2017/18, to ensure the Council's emergency response arrangements are robust and effective.
- Effective staff recruitment, selection, retention and planning including the speedy recruitment of Director roles during 2016/17 and 2017/18.

### Review of Effectiveness

Rossendale Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The roles and processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are as follows:

#### *Rossendale Borough Council*

- weekly diarised meetings of the Leader of Council and Chief Executive; and monthly meetings with the Leader of the largest opposition group
- Regular meetings of Cabinet, Portfolio Holders and Heads of Service
- Monitoring Officer and s.151 Officer protocols (including regular meetings with the Portfolio Holder and the relevant opposition party leads)
- Regular review of The Constitution and Code of Corporate Governance
- Terms of reference for all Council committees and Portfolio holders
- Member / Officer protocols
- Annual updated Corporate Business plans, including a mechanism for identifying and managing risks, which continues to be consolidated and embedded across the Council

## *The Cabinet*

- Cabinet Member terms of reference
- Portfolio Holder role descriptions

## *The Overview and Scrutiny Committee*

- Overview and scrutiny annual reports, task and finish reports
- Integrated performance reporting
- Robust Member call-in procedures
- Published committee agendas and minutes
- Customer complaints reviews

## *The Governance Working Group*

- Review the Council's Constitution.
- Recommend governance framework improvements.
- Ensure ethical governance arrangements are appropriate and robust.
- Review Contract Procedure Rules and Financial Regulations.
- Review Codes of Conduct including Planning Code of Good Practice and Protocol on Member/Officer Relations.
- Review Standards Panel protocols.

## *The Audit and Accounts Committee*

- Monitoring corporate governance arrangements.
- Ensuring corporate governance compliance and best practice.
- Maintaining high standards of conduct by Councillors/Co-opted Members.
- Scrutiny of the corporate risk register and Risk Strategy updates.

## *The Standards Panel*

- Determine complaints about breaches of the Members' Code of Conduct in consultation with the Standards Independent Person.

## *Internal and External Audit*

- Audit scrutiny which seeks assurance, from a variety of sources, that controls have been adequately designed and are operating effectively in practice
- Member training (eg: risk management, internal controls, end of year statutory reporting)
- Annual Audit Reports (from both external and internal auditors) and the assurances they give around the effectiveness of internal controls in place
- Follow up work undertaken by internal audit to ensure remedial action is being taken by management to mitigate any risks (and control any deficiencies) identified
- Confirmation that the Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards, 2013
- The Internal Audit Service charter formalises the framework within which the Internal Audit Service operates to best serve the Council and meet its professional obligations under applicable professional standards
- The Internal Audit Service Quality Assurance and Improvement Programme (QAIP) formalises the arrangements in place to ensure the quality of internal audit work.
- The internal/external auditor protocol sets out how the Council's internal Audit Service and external auditors work together, and establishes a framework for coordination, cooperation and

# Annual Governance Statement

exchange of information. Regular reports from the Internal Audit Service to the Audit and Accounts Committee on progress against the audit plan.

- External audit annual inspections and judgements (eg: Value for Money) and any specific in year inspections. Previous triennial reviews of the Council's Internal Audit service (though now ceased) have previously found it to be 'fully compliant with professional standards'.

## *The explicit review and assurance mechanisms*

- A Senior Management Team led "Programme Board" for significant projects.
- Formal reporting mechanism for significant events ("Significant Event Review" reports) and ensuring lessons learned where appropriate.
- Member Development Strategy and annual Personal Development Plans.
- Development of the Council's Empty Homes improvement plan in response to the Internal Auditor's November 2015 report on the Homes and Communities Agency Empty Homes Programme.

Following the Empty Homes Programme review we are aware of the implications of the result of the review on the effectiveness of the governance framework. Therefore, areas already addressed and those to be specifically addressed are outlined below.

## Significant Governance Issues

1. Further strategic development and action in relation to key priorities, partnerships and/or contractual relationships (eg: Regeneration, Leisure, Waste Management, Customer Services, Transport, etc.). - The latest Corporate Plan 2021-2025 and subsequent action plan sets out how the Council will deliver against its key priorities and how the outcomes will be monitored.
2. The implications arising from the Council's Medium Term Financial Strategy and the continuing requirement to balance expenditure with resources and to find new sources of income over the medium term and resolve the identified future challenges. - This issue remains an ongoing challenge, however the Council continues to seek opportunities to grow income and seek efficiencies where possible.
3. Further embedding risk, performance and project management throughout the organisation to ensure a process that is fit for purpose, and in particular adequately identifies and manages the risks the Council faces. - The Council has further enhanced the activities of the Programme Board and the risk management reporting process. In addition in 2021/22 the Council provided Project Management refresher training for its Project Managers.
4. As a result of the Council's Empty Homes Scheme agent ceasing to trade in January 2015 the Council will continue to further strengthen its risk identification and project management process. The wider improvement plan will continue to address matters to further enhance improvement across the whole council, which will address the issues arising in relation to behaviour and culture, management competencies, performance and project management, partnerships and contract procedures. – The Council continues to work on improvements to the areas identified within the improvement plan as mentioned above.
5. The late production of the accounts is an issue which the Council is working hard to resource and working closely with External Audit to resolve.

**Councillor Alyson Barnes**  
Council Leader

**Neil Shaw**  
Chief Executive

## Statement of Responsibilities

The following responsibilities are placed upon the authority and the Head of Finance in relation to the Council's financial affairs.

### The Authority's Responsibilities

The Authority is required to:-

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

### The Head of Finance's Responsibilities

As Head of Finance, I am responsible for the preparation of the authority's Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC 2017/18 Code of Practice on Local Authority Accounting in Great Britain (referred to as "the Code").

In preparing this Statement of Accounts, I have:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate of Head of Finance

I certify that this Statement of Accounts gives a true and fair view of the financial position of Rossendale Borough Council at 31st March 2018, and its income and expenditure for the year ended 31st March 2018, including any known post balance sheet events as at 27th July 2022.

Signed : **Karen Spencer**  
Head of Finance

Dated 27th July 2022

### Approval of Accounts

The Council has delegated the responsibility for approving the Statement of Accounts to the Audit and Accounts Committee. In accordance with the Accounting and Audit Regulations 2015, I certify that the approval of this Statement of Accounts was minuted by the Council's Audit and Accounts Committee on 27th July 2022.

Signed : **Councillor A. MacNae**  
Chair of the Audit and Accounts Committee

Dated 27th July 2022

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from Council Tax. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may differ from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (Note 1) and the Movement in Reserves Statement.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2016/17			2017/18			Note
	Gross		Net	Gross		Net	
	Expend	Income	Expend	Expend	Income	Expend	
2016/17 restated *	£000s	£000s	£000s	£000s	£000s	£000s	
Place Directorate							
Customer Services & IT	21,961	(20,787)	1,174	20,553	(20,102)	451	
Operations	3,772	(1,063)	2,709	3,625	(1,037)	2,588	
Business Directorate							
Building Control	123	(125)	(2)	102	(158)	(56)	
Planning	867	(502)	365	662	(411)	251	
Local Land Charges	41	(83)	(42)	36	(59)	(23)	
Public Protection Unit	477	(692)	(215)	459	(290)	169	
Legal & Democratic Services	909	(169)	740	904	(212)	692	
Regeneration, Health & Housing	5,758	(3,773)	1,985	4,742	(3,121)	1,621	
Corporate Management							
Corporate Management	457	(10)	447	405	(10)	395	
Finance & Property Services	2,203	(312)	1,891	2,377	(246)	2,131	
People & Policy	298	(16)	282	474	-	474	
Non-Distributed costs	2,825	(173)	2,652	813	(58)	755	
Leisure Services	910	(71)	839	70	(111)	(41)	
<b>Cost of Services</b>	<b>40,601</b>	<b>(27,776)</b>	<b>12,825</b>	<b>35,222</b>	<b>(25,815)</b>	<b>9,407</b>	1
<b>Other Operating Expenditure</b>							
Whitworth Town Council Precept	58	-	58	59	-	59	
(Gain)/Loss on disposal of fixed assets	125	(179)	(54)	33	(191)	(158)	13,27,32b
(Gain)/Loss on disposal of other assets	-	-	-	645	(1,740)	(1,095)	13,27,32b
Other Income	-	(617)	(617)	-	(191)	(191)	13,32b
<b>Financing and Investments</b>							
Interest payable on debt	154	-	154	146	-	146	21b
Interest and investment income	-	(72)	(72)	-	(94)	(94)	21b
Pensions - interest cost	3,072	-	3,072	2,484	-	2,484	34f
Pensions - curtailments	48	-	48	-	-	-	34f
Pensions - admin expenses	18	-	18	19	-	19	34f
Pensions - interest on assets	-	(2,007)	(2,007)	-	(1,726)	(1,726)	34f
Pensions - business combinations	9,440	(7,885)	1,555	-	-	-	34f
Trading Undertakings	403	(294)	109	878	(273)	605	5
<b>Taxation and Non-Specific Grants</b>							
Collection Fund							
Council Tax	-	(5,036)	(5,036)	-	(5,219)	(5,219)	Coll Fund
Council Tax re prior year deficit	-	-	-	-	-	-	Coll Fund
Retained Business Rates	3,306	(5,839)	(2,533)	2,534	(4,764)	(2,230)	6
Collection Fund (surplus)/deficit							
Council Tax	-	(37)	(37)	-	(38)	(38)	Coll Fund
Retained Business Rates	-	(15)	(15)	-	(201)	(201)	Coll Fund
Rate Support Grant	-	(1,016)	(1,016)	-	(503)	(503)	7
Donated Assets	-	-	-	-	(2,300)	(2,300)	
Non service related Government Grants	-	(1,008)	(1,008)	-	(835)	(835)	7
<b>(Surplus)/Deficit on Provision of Services</b>	<b>57,225</b>	<b>(51,781)</b>	<b>5,444</b>	<b>42,020</b>	<b>(43,890)</b>	<b>(1,870)</b>	1, 2
<b>(Surplus)/deficit on revaluations:-</b>							
Property, Plant & Equipment assets			(1,068)			1,137	14,33a,33b
Pension Fund assets			2,082			(3,837)	34f
<b>Other Comprehensive (Income)/Expend</b>			1,014			(2,700)	
<b>Total Comprehensive (Income)/Expend</b>			<b>6,458</b>			<b>(4,570)</b>	

\*The 2016/17 figures have been restated in the CIES and Notes 1 & 2 due to the New Homes Bonus Grant being moved from the Planning service to non-service related Government grants.

# Core Financial Statements

## Movement in Reserves Statement

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

The 'Surplus/(deficit) on Provision of Services' line shows the true economic cost of providing the Council's services, as shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes and details of the adjustments required can be found at Note 13.

The 'Net increase/(decrease) before transfers to reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. Details of these transfers can be found at Note 32a.

MOVEMENT IN RESERVES STATEMENT	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Govt Grants Unapplied £000s	Total Useable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s	Note
Balance at 31 March 2016	1,000	8,755	1,800	1,194	12,749	(7,822)	4,927	
<b>Movement in Reserves in 2016/17</b>								
Surplus/(Deficit) on Provision of Services	(5,444)	-	-	-	(5,444)	-	(5,444)	
Other Comprehensive Income/(Expend)	-	-	-	-	-	(1,014)	(1,014)	
Total Comprehensive Income/(Expend)	<b>(5,444)</b>	-	-	-	<b>(5,444)</b>	<b>(1,014)</b>	<b>(6,458)</b>	
Adjustments between accounting basis & funding basis under regulations	3,563	-	(38)	(265)	3,260	(3,260)	-	13
Net incr/(decr) before transfers to Earmarked Reserves	<b>(1,881)</b>	-	<b>(38)</b>	<b>(265)</b>	<b>(2,184)</b>	<b>(4,274)</b>	<b>(6,458)</b>	
Transfers to/from Earmarked Reserves	1,881	(1,881)	-	-	-	-	-	
Increase/(decrease) in year	-	<b>(1,881)</b>	<b>(38)</b>	<b>(265)</b>	<b>(2,184)</b>	<b>(4,274)</b>	<b>(6,458)</b>	
Balance at 31 March 2017	1,000	6,874	1,762	929	10,565	(12,096)	(1,531)	
<b>Movement in Reserves in 2017/18</b>								
Surplus/(deficit) on Provision of Services	1,870	-	-	-	1,870	-	1,870	
Other Comprehensive Income/(Expend)	-	-	-	-	-	2,700	2,700	
Total Comprehensive Income/(Expend)	<b>1,870</b>	-	-	-	<b>1,870</b>	<b>2,700</b>	<b>4,570</b>	
Adjustments between accounting basis & funding basis under regulations	(3,476)	-	1,615	(39)	(1,900)	1,900	-	13
Net incr/(decr) before transfers to Reserves	<b>(1,606)</b>	-	<b>1,615</b>	<b>(39)</b>	<b>(30)</b>	<b>4,600</b>	<b>4,570</b>	
Transfers to/from Reserves	1,353	(1,353)	-	-	-	-	-	
Increase/(decrease) in year	<b>(253)</b>	<b>(1,353)</b>	<b>1,615</b>	<b>(39)</b>	<b>(30)</b>	<b>4,600</b>	<b>4,570</b>	
Balance at 31 March 2018	747	5,521	3,377	890	10,535	(7,496)	3,039	
Note		32a	32b	32c				

# Core Financial Statements

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities at the Balance Sheet date. The net assets are matched by the reserves held by the authority. Reserves are split between, **usable reserves** and **unusable reserves** (see Notes 35 and 36).

BALANCE SHEET	31st March 2017 £000s	31st March 2018 £000s	Note
Property, Plant & Equipment			
Other Land and Buildings	22,027	20,474	14
Vehicles, Plant, Furniture & Equipment	1,910	1,410	14
Infrastructure	122	113	14
Community Assets	885	674	14
Assets under construction	960	4,075	14
Surplus Assets	390	390	14
	<b>26,294</b>	<b>27,136</b>	
Heritage Assets	2,155	2,154	14
Investment Property	539	539	15
Intangible Assets	154	91	16
Long-term Investments	647	2	19,21a,21c
Long-term Debtors	2,517	967	20,21a,21c
<b>Long-term Assets</b>	<b>32,306</b>	<b>30,889</b>	
Short-term Investments	3,000	5,250	21a,21c,25
Inventories	24	31	23
Short Term Debtors	3,607	3,981	24
Cash and cash equivalents	3,556	2,089	21a,21c,25
Assets held for sale within one year	48	47	27
<b>Current Assets</b>	<b>10,235</b>	<b>11,398</b>	
Short-term Borrowing	(184)	(184)	21a,21c,29
Short-term Creditors	(5,343)	(3,788)	28
Short-term Provisions	(519)	(777)	30
Short-term Capital Grant Receipts in Advance	(279)	(3,620)	31, 38
<b>Current Liabilities</b>	<b>(6,325)</b>	<b>(8,369)</b>	
Long Term Borrowing	(3,128)	(2,944)	21a,21c,29
Long-Term Provisions	(1,005)	(823)	30
Net Pensions Liability	(33,614)	(27,112)	34a
<b>Long- term Liabilities</b>	<b>(37,747)</b>	<b>(30,879)</b>	
<b>Net Assets</b>	<b>(1,531)</b>	<b>3,039</b>	
<b>Represented by:</b>			
General Fund	1,000	747	MiR
Earmarked Reserves	6,874	5,521	32a, 38
Capital Receipts Reserve	1,762	3,377	32b
Grants Unapplied	929	890	32c
<b>Usable Reserves</b>	<b>10,565</b>	<b>10,535</b>	
Revaluation Reserve	11,856	10,534	33a
Pension Reserve	(33,614)	(30,175)	34a
Capital Adjustment Account	7,828	10,167	33b
Deferred Capital Receipts	2,076	1,770	33c
Collection Fund Adjustment Account	(242)	208	13,CF2
<b>Unusable Reserves</b>	<b>(12,096)</b>	<b>(7,496)</b>	
<b>Total Reserves</b>	<b>(1,531)</b>	<b>3,039</b>	

Karen Spencer, Head of Finance

27<sup>th</sup> July 2022

# Core Financial Statements

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting periods. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or by the recipients of services provided by the authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. The cash outflows here relate to capital spend on assets held by the Council, such as buildings, vehicles and equipment, which will be used to provide services in the future. Cash inflows relate to the sale of assets no longer required by the Council to provide its services, or capital grants and contributions received by the Council.

Cash flows arising from financing activities show the net movements in investments and borrowing during the period in accordance with the Council's treasury management strategy. These can be useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

<b>CASH FLOW STATEMENT</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Note</b>
	<b>£000</b>	<b>£000</b>	
<b>Operating Activities</b>			
Net surplus/(deficit) on the provision of services	(5,444)	1,870	CIES
Adjustment for noncash movements	2,424	3,593	36a
Adjustment for items that are investing and financing activities	438	(2,271)	36a
<b>Net cash flows from Operating Activities</b>	<b>(2,582)</b>	<b>3,192</b>	
<b>Investing Activities</b>			
Additions to property, plant and equipment & intangible assets	(1,793)	(3,852)	14a
Exclude from the above the value of Donated Assets	-	2,300	
Proceeds from the sale of property, plant and equipment	179	192	13 & 32b
Proceeds from the sale of other assets	-	1,740	
(Increase)/decrease in Deferred Capital Receipts	389	306	
Increase/(decrease) in other long-term debtors	(389)	(368)	20
Increase/(decrease) in RTL long-term debtors	-	(1,482)	20
Other income	(617)	191	13 & 32b
<b>Net Cash Flows from Investing Activities</b>	<b>(2,231)</b>	<b>(973)</b>	
<b>Management of Liquid Resources</b>			
Cash inflows - Short-term investments	17,000	14,000	21a,21c,25
Cash outflows - Long-term investments	-	(645)	21a,21c,25
Cash outflows - Short-term investments	(13,000)	(16,250)	21a,21c,25
<b>Financing</b>			
Cash Inflows/(Outflows) - agency operations			
National non-domestic rates	363	267	
Council Tax	886	(874)	
Cash Outflows - Repayments of amounts borrowed	(184)	(184)	21a,21c,29
<b>Net Cash Flows from Financing Activities</b>	<b>5,065</b>	<b>(3,686)</b>	
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>252</b>	<b>(1,467)</b>	36b
Cash and Cash Equivalents at the beginning of the year	3,304	3,556	25
<b>Cash and Cash Equivalents at the end of the year</b>	<b>3,556</b>	<b>2,089</b>	25

# Notes to Core Financial Statements

## Note 1 Expenditure Funding Analysis

GENERAL FUND SERVICES <b>2016/17</b> <b>Restated*</b>	Original Budget £000s	Remove Internal Market & Cap Fin £000s	Other Operating Changes £000s	Adjusted Budget £000s	Technical Changes					Note
					Reported Out-turn £000s	Items not Cost of Services £000s	Deprec'n & Capital Charges £000s	Pension, Grants, Reserves £000s	CIES Actual £000s	
Place Directorate										
Customer Services & IT	1,316	295	(246)	1,365	1,138	8	28	-	1,174	
Operations	4,299	(1,902)	23	2,420	2,324	87	298	-	2,709	
Business Directorate										
Building Control	80	(67)	-	13	(2)	-	-	-	(2)	
Planning*	(398)	(264)	955	293	439	-	(74)	-	365	
Local Land Charges	(8)	(25)	-	(33)	(42)	-	-	-	(42)	
Licensing	338	(414)	(1)	(77)	(215)	-	-	-	(215)	
Democratic Services	767	(7)	(2)	758	743	(3)	-	-	740	
Regeneration, Health & Housing	1,575	(373)	(8)	1,194	1,859	-	3,029	(2,903)	1,985	
Corporate Management										
Corporate Management	233	182	4	419	447	-	-	-	447	
Finance and Property Services	1,149	251	(92)	1,308	1,250	(202)	843	-	1,891	
People and Policy	101	178	1	280	282	-	-	-	282	
Leisure Services	-	-	242	242	978	-	(139)	-	839	
Non-distributed Costs	164	926	76	1,166	1,126	-	-	413	1,539	
Capital Financing & Interest	(1,006)	1,220	3	217	1,305	(82)	(110)	-	1,113	
<b>Cost of Services</b>	<b>8,610</b>	<b>-</b>	<b>955</b>	<b>9,565</b>	<b>11,632</b>	<b>(192)</b>	<b>3,875</b>	<b>(2,490)</b>	<b>12,825</b>	
Whitworth Town Council Precept	50	-	8	58	58	-	-	-	58	
Other Operating (Income)/Expenditure										
Financing & Investments						191	-	2,686	2,877	
Precept on the Collection Fund	(5,036)	-	-	(5,036)	(5,036)	-	-	-	(5,036)	Coll Fund
Collection Fund - prior yr surplus	(66)	-	-	(66)	-	-	-	-	-	Coll Fund
Collection Fund - current yr surplus	-	-	-	-	(52)	-	-	-	(52)	
Rate Support Grant	(1,016)	-	-	(1,016)	(1,016)	-	-	-	(1,016)	7
Non-service Government Grants*	(33)	-	(955)	(988)	(1,008)	-	-	-	(1,008)	7
Non-Domestic Rates	(1,995)	-	-	(1,995)	(2,533)	-	-	-	(2,533)	6
<b>(Surplus)/Deficit on Provision of Services</b>	<b>514</b>	<b>-</b>	<b>8</b>	<b>522</b>	<b>2,045</b>	<b>(1)</b>	<b>3,821</b>	<b>(421)</b>	<b>5,444</b>	

### Adjustments to the Budget

As Rossendale Borough Council now complies with the Code for 2017/18, the format of the General Fund Budget approved in March 2017 needs some adjustments to enable the reader to directly relate the Budget to the Outturn and the monitoring reports presented to Cabinet throughout the year.

- Internal market charges were included in the Original Budget, but are never a part of the financial reports taken to Members to enable management and members to focus on direct costs and income at their source, rather than redistributing any variances across other services. The CIES format now presents direct service costs in the same way and it is our intention that future Budgets will be aligned with this policy.
- In the same way, the cost of supporting Leisure Services is now reported separately to Customer Services & IT under the Place Directorate.

### Adjustments to the Outturn

The General Fund Actual shown in the Narrative Statement undergoes some statutory adjustments to meet the accounting regulations required in the presentation of the Comprehensive Income and Expenditure Statement (CIES).

- Interest paid and received is shown in the CIES as Financing and Investments
- Trading accounts are shown in the CIES as Financing and Investments, see Note 5 for details.

# Notes to Core Financial Statements

GENERAL FUND SERVICES <b>2017/18</b>	Original Budget £000s	Remove Internal Market & Cap Fin £000s	Other Operating Changes £000s	Adjusted Budget £000s	Technical Changes					Note
					Reported Out-turn £000s	Items not Cost of Services £000s	Deprec'n Capital, Assets £000s	Pension, Grants, Reserves £000s	CIES Actual £000s	
Place Directorate										
Customer Services & IT	1,189	198	(136)	1,251	1,197	-	70	(816)	451	
Operations	4,922	(1,964)	(534)	2,424	2,364	71	453	(300)	2,588	
Business Directorate										
Building Control	94	(96)	-	(2)	(63)	-	7	-	(56)	
Planning	586	(322)	-	264	258	-	6	(13)	251	
Local Land Charges	(11)	-	(26)	(37)	(23)	-	-	-	(23)	
Public Protection Unit	235	(314)	-	(79)	169	-	-	-	169	
Legal & Democratic Services	708	(31)	26	703	715	-	-	(23)	692	
Regeneration, Health & Housing	882	(470)	765	1,177	1,005	-	-	616	1,621	
Corporate Management										
Corporate Management	326	201	(14)	513	429	-	-	(34)	395	
Finance and Property Services	1,079	250	-	1,329	1,244	(676)	1,284	279	2,131	
People and Policy	113	377	(20)	470	474	-	-	-	474	
Leisure Services	-	-	136	136	136	-	-	(177)	(41)	
Non-distributed Costs	137	951	-	1,088	1,166	-	-	(411)	755	
Capital Financing & Interest	(820)	1,220	(197)	203	150	(54)	-	(96)	-	
<b>Cost of Services</b>	<b>9,440</b>	<b>-</b>	<b>-</b>	<b>9,440</b>	<b>9,221</b>	<b>(659)</b>	<b>1,820</b>	<b>(975)</b>	<b>9,407</b>	
Whitworth Town Council Precept	51	-	8	59	59	-	-	-	59	
Other Operating (Income)/Expenditure	-	-	-	-	-	-	(1,444)	-	(1,444)	
Financing & Investments	-	-	-	-	-	605	-	829	1,434	
Precept on the Collection Fund	(5,219)	-	-	(5,219)	(5,219)	-	-	-	(5,219)	Coll Fund
Collection Fund - prior yr surplus	-	-	-	-	-	-	-	-	-	Coll Fund
Collection Fund - current yr surplus	-	-	-	-	(239)	-	-	-	(239)	
Rate Support Grant	(503)	-	-	(503)	(503)	-	-	-	(503)	7
Non-service Government Grants	(835)	-	-	(835)	(835)	-	-	-	(835)	7
Non-Domestic Rates	(2,035)	-	-	(2,035)	(2,230)	-	-	-	(2,230)	6
Donated Assets	-	-	-	-	-	-	(2,300)	-	(2,300)	
<b>(Surplus)/Deficit on Provision of Services</b>	<b>899</b>	<b>-</b>	<b>8</b>	<b>907</b>	<b>254</b>	<b>(54)</b>	<b>(1,924)</b>	<b>(146)</b>	<b>(1,870)</b>	

- Depreciation and Capital Charges included in the Budgets are presented differently in the CIES.
  - Depreciation is included within service budgets and the CIES to present a true cost of running services. However, it is removed in the Capital Financing section of the Budget as it is not a cost to the Council Tax payer. The statutory accounts show this removal in the Movement in Reserves (MiRs), not the CIES, see Note 13.
  - Conversely, the MRP charge is included in the budgets as a cost to the tax payers of the borough, but it is excluded from the CIES and then added back in the MiRs at Note 13.
  - Capital costs on non-Council assets, such as DFGs and the Empty Homes Scheme, are not a part of the revenue General Fund Budget, but have to be included in the CIES, along with their respective grant funding resources. Again, these items are removed through the MiRs.
- Pension Fund accounting entries are explained in further detail at Note 34, but essentially the Budget is set on a cash basis, whereas in the CIES the Cost of Services is reduced to just the cost of staff employed within the year. The other gains and losses on pension fund assets and liabilities are added in as Financing and Investments items. Adjustments in the Movement in Reserves bring the net cost back to the cash basis.

## Notes to Core Financial Statements

### Note 2 Expenditure & Income Analysed by Nature

In accordance with the 2017/18 Code this Expenditure and Funding Statement shows the nature of the Council's costs and its sources of income. This table is also used to produce the charts in the Narrative Report on page 15.

Expenditure and Funding Statement	2016/17 Restated*					2017/18				
	Operational Directorates					Operational Directorates				
	Place £000s	Business £000s	Corporate £000s	Other £000s	Total £000s	Place £000s	Business £000s	Corporate £000s	Other £000s	Total £000s
Employees	2,497	2,050	1,254	-	5,801	2,456	1,985	1,245	-	5,686
Pension Adjustments	-	-	-	12,578	12,578	-	-	-	2,503	2,503
Premises	22	3,195	910	-	4,127	12	2,164	780	-	2,956
Transport	492	32	493	-	1,017	502	28	8	-	538
Housing Benefits	19,391	-	-	-	19,391	18,391	-	-	-	18,391
Other Service Expenses*	2,853	1,940	2,899	403	8,095	2,747	3,069	843	45	6,704
Depreciation, Impairments etc*	615	1	1,957	125	2,698	527	13	1,284	678	2,502
Interest Payments	-	-	-	154	154	-	-	-	146	146
Precepts & Levies	-	-	-	3,364	3,364	-	-	-	2,594	2,594
<b>Expenditure</b>	<b>25,870</b>	<b>7,218</b>	<b>7,513</b>	<b>16,624</b>	<b>57,225</b>	<b>24,635</b>	<b>7,259</b>	<b>4,160</b>	<b>5,966</b>	<b>42,020</b>
Government Grants*	(21,179)	(975)	(72)	(1,228)	(23,454)	(20,033)	(840)	(33)	(1,040)	(21,946)
Other Grants & Contributions*	(122)	(1,891)	(60)	-	(2,073)	(263)	(1,761)	(88)	-	(2,112)
Pension Adjustments*	-	-	-	(9,892)	(9,892)	-	-	-	(1,726)	(1,726)
Customer & Client Receipts	(1,771)	(1,473)	(442)	(881)	(4,567)	(1,627)	(1,712)	(836)	(62)	(4,237)
Interest Receipts	-	-	-	(72)	(72)	-	-	-	(94)	(94)
Receipts - sale of Fixed Assets*	-	-	-	(796)	(796)	-	-	-	(158)	(158)
Receipts - sale of Other Assets	-	-	-	-	-	-	-	-	(1,095)	(1,095)
Council Tax & Business Rates	-	-	-	(10,927)	(10,927)	-	-	-	(10,222)	(10,222)
Donated Assets	-	-	-	-	-	-	-	-	(2,300)	(2,300)
<b>Income</b>	<b>(23,072)</b>	<b>(4,339)</b>	<b>(574)</b>	<b>(23,796)</b>	<b>(51,781)</b>	<b>(21,923)</b>	<b>(4,313)</b>	<b>(957)</b>	<b>(16,697)</b>	<b>(43,890)</b>
<b>CIES (Surplus)/Deficit on Provision of Services</b>	<b>2,798</b>	<b>2,879</b>	<b>6,939</b>	<b>(7,172)</b>	<b>5,444</b>	<b>2,712</b>	<b>2,946</b>	<b>3,203</b>	<b>(10,731)</b>	<b>(1,870)</b>

\*Note 2 prior year analysis has been amended to accurately reflect the CIES and Notes 1, 13 & 14

### Note 3 Long-term Contracts

In October 2015 the Council negotiated an extension to its 10-year contract with Capita Business Services Ltd for the provision of Revenues, Benefits and General Customer Contact Services, taking it up to October 2019. In 2016/17 the contract value was £1,150k (£1,312k in 2016/17). In 2018/19 the anticipated full-year contract value is £1,158k. From April 2018 up to the end of the contract term, the total value is expected to be £1,721k.

### Note 4 Acquired and Discontinued Operations

The Council has not acquired any operations during either 2017/18 or during the comparator year 2016/17. However, following a favourable 2016 actuarial valuation, Members approved the consolidation of the Pension Fund for Rossendale Transport Ltd with that of the Council. In the CIES and Note 34 the effects can be seen in the 2016/17 comparator figures referred to as 'Business Combinations'.

In 2017/18 the Council sold its 100% shareholding in Rossendale Transport Ltd, included in the Council's Balance Sheet at a value of £645k, for a net consideration of £3,640k including the transfer of the Knowsley Road Depot at an estimated value of £2,300k and the extinguishing of the outstanding mortgage of £1,010k and the cash-flow loan of £400k. The impacts of the sale can be seen in Notes 13,14,17,19, 20, 21, 32a & 32b.

# Notes to Core Financial Statements

## Note 5 Trading Operations

The Council operates 3 markets in Haslingden, Bacup and Rawtenstall, which between them ensure that there is at least one market open within the borough every day of the week from Tuesday to Saturday.

The Council has 29 industrial trading units, promoting economic regeneration across the borough.

Business Offices include a small number of high-tech managed office spaces as well as conference and meeting facilities at the Business Centre, Futures Park, Bacup. Upon the sale of the shares in Rossendale Transport Ltd in January 2018, the Knowsley Road depot building was added to the Business Office Facilities shown below.

Trading Operations	Net Expend/ (Income) 2016/17 £000s	Gross Expend 2017/18 £000s	Income 2017/18 £000s	Net Expend/ (Income) 2017/18 £000s	Note
Markets	38	563	(83)	480	14b
Industrial Units	(113)	37	(134)	(97)	14b
Business Office Facilities	184	277	(55)	222	14b
<b>Total Trading Accounts</b>	<b>109</b>	<b>877</b>	<b>(272)</b>	<b>605</b>	

## Note 6 Retained Business Rates

In April 2013 Local Government funding changed with the introduction of a system of locally retained business rates. Rossendale Council now has a direct stake in the business rates collected within the borough and at Full Council in February the Council sets a precept based on 40% of the business rates forecast to be collected within the Borough, from which it pays a tariff to Central Government.

The Lancashire Business Rates Pool, of which Rossendale Borough Council is a member, came into effect on 1<sup>st</sup> April 2016. Under the Pool arrangements, the first 50% of business rates continue to go to Central Government, 9% goes to Lancashire County Council and 1% goes to Lancashire Fire Authority, with Rossendale Borough Council taking the remaining 40%. From that 40% Rossendale continues to pay a Tariff, but in 2016/17 the Tariff became payable to the Pool, rather than Central Government. As a result, Rossendale Borough Council retains 90% of any and all surplus or deficit arising from increases in the overall business rates during the year. In 2017/18 this led to a retained surplus for Rossendale Borough Council of £148k compared to a surplus of £538k in 2016/17.

For the first time 2016/17 also saw Rossendale Borough Council benefit from 100% of the business rates from renewable energy installations, valued at £242k for first year of collection. The true annual value of this revenue stream in 2017/18 was £159k.

Business Rates Income & Expenditure	2016/17 £000s	2017/18 £000s	Note
Business Rates collected within Rossendale	14,736	11,528	Coll Fund
Less Provision for bad debts & appeals	(363)	584	Coll Fund
Less Cost of Collection	(99)	(99)	Coll Fund
<b>Net Business Rates Collected</b>	<b>14,274</b>	<b>12,013</b>	Coll Fund
Rossendale Borough Council Business Rates Precept	5,597	4,805	
Rossendale Borough Council Renewable Energy Collections	242	159	
Less Lancashire Business Rates Pool Tariff	(3,306)	(2,534)	
<b>Comprehensive Income/Expenditure - Retained Business Rates</b>	<b>2,533</b>	<b>2,430</b>	CIES
Budgeted share of Business Rates after tariff (based on former central government settlement principles)	1,995	2,230	Narr Report
<b>Surplus for Retained Business Rates under the new regime</b>	<b>(538)</b>	<b>(200)</b>	Narr Report

# Notes to Core Financial Statements

## Note 7 Grant Income

The Council recognised the following significant grants, contributions and donations during 2017/18:

Grants and contributions received	2016/17 Restated* £000s	2017/18 £000s	Note
Credited to Cost of Services			
DWP - Housing and Council Tax Benefits - paid to claimants	19,128	18,159	
DWP - Discretionary Housing Payments	98	104	
DWP - Housing and Council Tax Benefits - administration grant	246	225	
DWP - Implementation of Universal Credit	17	12	
DCLG - New Burdens Grants	61	57	
DCLG - Business Rates - Small Business Relief Grants	395	776	
DCLG - Business Rates Collection Grant	99	99	
DCLG - Localising Council Tax administration subsidy	119	98	
DCLG - Flood Relief & Flood Resilience	1,208	1,040	
Cabinet Office - re individual electoral registration	39	33	
Affordable Warmth Grant	35	48	
Living Well, Living Better Pilot Project	292	-	
Transforming Lives Programme	100	-	32c
Home Office -Preventing Extremism	20	-	
Heritage Lottery - Bacup Townscape Heritage Initiative	-	29	
Contributions from developers under S106 agreements	-	140	
Other Local Authorities re Empty Homes Scheme	330	-	
Other minor grants and contributions	43	41	
	22,230	20,861	
Credited to Cost of Services for REffCUS			
LCC Better Care Fund - Disabled Adaptations Grant	791	869	32c
Third Party Contribution to DFGs	7	3	
Lancashire Environmental Fund	37	76	
Virridor	57	69	
NewGround	28	-	
Min of Housing Communities & Local Government - re Homelessness	-	118	
Homes & Communities Agency - re Empty Homes Scheme	185	73	31
Heritage Lottery - Bacup Townscape Heritage Initiative	151	599	
Other minor grants and contributions	17	47	
	1,273	1,854	
<b>Total in the CIES Cost of Services</b>	<b>23,503</b>	<b>22,715</b>	
Credited to Taxation and Non-Specific Grant Income			
Rate Support Grant	1,016	503	
Transitional Grant	33	-	
DCLG - New Homes Bonus*	975	840	
<b>Non-Specific Grants in the CIES</b>	<b>2,024</b>	<b>1,343</b>	

\* New Homes Bonus moved from 'Cost of Services' to 'Non-specific Grant Income'

## Note 8 - Members Allowances

Total Cost of Elected Members	2016/17 £000s	2017/18 £000s	Note
Basic Allowance	119	120	
Special Responsibility Allowance	64	70	
Employers National Insurance incurred	3	4	
Employers Superannuation Contributions	1	-	
Mileage, subsistence & other reimbursements	1	-	
	188	194	

# Notes to Core Financial Statements

## Note 8 Members Allowances

An Independent Remuneration Panel meet at a minimum of every 4 years to review Member's Allowances. This group last met in June 2014, but in light of the Council's Medium Term Financial Strategy position, Council members voted to defer the proposed increase in allowances.

Total Cost of Elected Members	2016/17 £000s	2017/18 £000s
Basic Allowance	119	120
Special Responsibility Allowance	64	70
Employers National Insurance incurred	3	4
Employers Superannuation Contributions	1	-
Mileage, subsistence & other reimbursements	1	-
	<b>188</b>	<b>194</b>

The Council's committee structure last underwent a full review in 2013/14 year and the basic and special responsibility allowances paid to members were as follows:-

Annual amounts payable for elected roles	2016/17 £s	2017/18 £s
<b>Basic Allowance</b>	3,342	3,342
<b>Special Responsibility Allowances</b>		
Leader of Majority or Largest Group	13,368	13,368
Deputy Leader of Majority or Largest Group	10,026	10,026
Leader of Minority or Second Largest Group	6,684	6,684
Executive Members	6,684	6,684
All Committee Chairs (4)	3,342	3,342
Committee Vice Chairs (1) (removed 9th November 2017)	1,671	1,671

## Note 9 Senior Officers' Remuneration

The table below shows remuneration details for the Chief Executive and the Senior Officers directly responsible to him, along with their respective salary (including fees and allowances), employer's pension contributions and total remuneration during 2017/18, along with prior year comparators.

Over the past two years there has been a Senior Management Team restructure. The Director of Communities post was established and filled from January 2017, whilst the Director of Economic Development left in December 2016 and was not replaced until February 2018. From April 2016 until October 2017 an external consultant fulfilled the vacant director roles. The Senior Management Team structure at the end of 2017/18 can be seen in the Narrative Report on page 10.

Senior Officers		Salary £	Other Allowances & Expenses £	Acting Returning Officer £	Pension £	Total £
Chief Executive	2017/18	98,848	601	4,375	15,420	119,244
	2016/17	97,869	646	4,529	14,045	117,089
Acting Director (Consultant) <i>Covering Apr 16 to Oct 2017</i>	2017/18	50,200	-	-	-	50,200
	2016/17	79,237	-	-	-	79,237
Director of Economic Development <i>May 2016 to Dec 2016</i>	2017/18	9,163	-	-	1,429	10,592
	2016/17	67,295	-	-	6,271	73,566
Director of Communities <i>Commenced Jan 2017</i>	2017/18	75,257	506	-	11,740	87,503
	2016/17	18,428	-	-	2,580	21,008
Head of Finance & Property Services	2017/18	60,950	456	-	9,508	70,914
	2016/17	60,347	199	-	8,448	68,994
Legal Services Manager	2017/18	47,489	150	-	7,408	55,047
	2016/17	47,019	55	-	6,583	53,657
HR Manager	2017/18	47,489	219	-	7,408	55,116
	2016/17	47,019	245	-	6,583	53,847

## Notes to Core Financial Statements

### Note 10 Other Officers' Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more are listed in the table opposite in bands of £5,000.

The Code includes a requirement to disclose the costs of exit packages paid by the Council in bands of £20k. The Council has paid no exit packages, in either 2016/17 or 2017/18.

Officers with remuneration above £50,000 (excl pension)	2016/17 Number	2017/18 Number
£50,000 - £54,999	-	1
£55,000 - £59,999	-	-
£60,000 - £64,999	-	1
£65,000 - £69,999	1	-
£70,000 - £74,999	1	-
£75,000 - £79,999	1	1
£80,000 - £99,999	-	-
£100,000 - £104,999	1	1
	4	4

### Note 11 Related Parties

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Most transactions involving related parties to the council are disclosed elsewhere within the Financial Statements as follows:

#### Central government

- receipts from Central Government – see Notes 7, 31 and 32c.

#### Other local authorities and precepting bodies

- payments to the Lancashire County Council Pension Fund– see Note 34.
- precepts in relation to Council Tax and Business Rates are paid to Central Government, Lancashire Police Authority, Lancashire Fire Authority, Lancashire County Council and from 1<sup>st</sup> April 2016 the Lancashire Business Rates Pool – see Note 6 and the Collection Fund.
- precept payable to Whitworth Town Council – see the Narrative Statement and the Comprehensive Income & Expenditure Statement.

#### Subsidiary and associated companies

- Until January 2018 the management of Rossendale Transport Ltd was supported by Council Members and staff, for which the company made a contribution towards specific services provided - see Note 19 on Investments and the Group Accounts in Section 3. The Council had agreed to provide a loan facility to the company, the balance of which was £100k at 31<sup>st</sup> March 2017 and £400k at the point at which the Council sold the company shares in January 2018. The total interest charged to the company for amounts outstanding during 2017/18 was £15k compared with £7k in 2016/17 along with an arrangement fee of £3.7k compared with £5k in 2016/17.
- In October 2016 the Council also repaid the Transport company's mortgage on their main depot site in Haslingden at a cost of £1.1m. This was shown as a long term loan in Note 20 and was repayable in equal instalments of principal over 15 years, beginning in April 2016, with an applicable interest rate, equivalent to the Council's borrowing rate with the PWLB at the time, of 2.8%. Following the sale of the company shares in January 2018 this loan was written down to nil.

#### Other key partners

- In June 2004 the bulk of Rossendale's Leisure Facilities transferred to the management of the newly-formed independent Rossendale Leisure Trust.
  - In previous years the Council has given the Trust an operational grant. However, as explained in the Narrative Report and Note 35, the Council purchased the balance of the Haslingden Gym extension loan in November 2016 at a cost of £1,010k. The Trust will now pay a rental charge for using the asset of £60k per annum (+VAT) for its remaining 16 year life. This represents a saving for the Trust which will negate the need

for any grant funding in the future. During 2016/17 the basic operating grant was reduced pro-rata to £55.4k and the grant in 2017/18 was nil.

- The Council provided an additional grant of £39k at the end of 2016/17 to support the Trust’s management restructure costs.
- In 2007/08 the Trust was given a £65k loan for a period of 5 years which is shown as a Long Term Debtor in the Council’s Balance Sheet. A further £18k was added to this loan during 2009/10. The value outstanding at the end of 2017/18 was £35k.
- In previous years, the Council also supported the Trust with a cash flow loan which began the 2016/17 year at £738k and ended the year at £741k. As Note 32a explains, at the time the Council held an Earmarked Leisure Reserve to support this loan and the Trust’s Balance Sheet deficit. At the very end of March 2017 the Council took the decision to apply the Reserve in order to re-finance the Trust’s Balance Sheet and with an additional grant of £750k the retained loss and this cash flow loan were eliminated. During 2017/18 the operational inter-company cash balance has been cleared within each calendar month.
- Both the cash-flow loan and the £65k 5-years loan to the Trust are considered soft loans because interest payments totalling £5k were waived in each year.
- In previous years the Council provided a guarantee on a lease taken out by the Trust in 2008/09 for the extension to Haslingden Sports Centre. As noted above, the Council purchased the balance of this lease in November 2016, and this is now included in the Council’s assets at Notes 14, 17a and 35. This extinguished the Contingent Liability for the guarantee at the end of March 2017 (see Note 35).
- To assist the Trust in its efforts to find operational efficiencies, the Council began to provide its professional financial and IT services in April 2013 under a service level agreement. No charge is made for these services.
- Community Leisure Association of Whitworth (CLAW) is a separate charitable organisation operating Whitworth Swimming Pool and Whitworth Civic Hall, for which they received £60k towards running costs in 2017/18 and 2016/17.
- The RTB Partnership Ltd was incorporated on the 4<sup>th</sup> February 2013, with equal partners being Rossendale Borough Council, Together Housing and Barnfield Construction Ltd. The Partnership is a vehicle to facilitate a variety of development projects across the borough and each partner contributed £5k during 2013/14, £20k during 2014/15 and in 2016/17 the Council paid a further £10k to the partnership as loans.

## Members and Chief Officers

The Council’s Standing Orders make provision for a register of Members and Officers interests and also require members who believe they have a prejudicial interest in a matter to be discussed at a Council or Committee meeting to declare that interest at the meeting and, in general, to withdraw from the meeting while that particular matter is being discussed.

Upon review of this register it is considered that any transactions involving Members and Chief Officers with related parties have complied with the above regulations and are not material.

## Note 12 External Audit Costs

The sums due from Rossendale Borough Council to the external auditors for works carried out relating to the year of account 2017/18 were:-

Audit costs	2016/17 £000s	2017/18 £000s
Fees payable in respect of external audit of accounts	46	46
Additional Audit Fees	16	39
Fees payable for the certification of grant claims and returns	8	8
	<b>70</b>	<b>93</b>

## Notes to Core Financial Statements

### Note 13 Adjustments between Accounting Basis and Funding Basis under regulations

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

The table below details the changes in 2017/18 while the financial year 2016/17 can be found on the opposite page.

Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2017/18				Note
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	Unuseable Reserves	
	£000s	£000s	£000s	£000s	
<b>Capital Adjustment Account adjustments</b>					
Depreciation of Property, Plant & Equipment (PPE)	914	-	-	(914)	14,15,33a,33b
Impairment of Property, Plant & Equipment (PPE)	314	-	-	(314)	14,15,33a,33b
Revaluation gain/loss on Property, Plant and Equipment (PPE)	608	-	-	(608)	14,15,33a,33b
Deferred Capital Receipts	375	-	-	(375)	33c
Amortisation of Intangible Assets	69	-	-	(69)	14 & 33b
Revenue Expend funded from Capital under Statute (REFFCUS)	1,297	-	-	(1,297)	17a & 33b
REFFCUS for Empty Homes Scheme	159	-	-	(159)	17a & 33b
Net book value of assets sold	33	-	-	(33)	14,15,27,33a,33b
Statutory provisions for financing of capital investment (MRP)	(604)	-	-	604	17a & 33b
Capital Expend charged to General Fund	(127)	-	-	127	17a & 33b
Capital Expend charged to General Fund Empty Homes	(200)	-	-	200	17a & 33b
<b>Capital Receipts Reserve adjustments</b>					
Transfer of cash proceeds of assets sold	(192)	192	-	-	32b
Transfer of cash proceeds of other assets sold	(1,740)	1,740	-	-	32b
Other Income	(567)	567	-	-	32b
Donated Assets	(2,300)	-	-	2,300	
Use of Capital Receipts Reserve to fund capital spend	-	(884)	-	884	17a,32b,33b
Use of Capital Receipts to repay mortgage	-	(1,009)	-	1,009	
Acknowledge Mortgage Repay into CAA	-	1,009	-	(1,009)	
<b>Capital Grants Unapplied Account adjustments</b>					
Capital grants and contributions credited to the CIES	39	-	(39)	-	17a & 32c
Application of grants to the Capital Adjustment Account (CAA)	(1,290)	-	-	1,290	17a & 33b
Application of grants to the CAA Empty Homes Scheme	(212)	-	-	212	17a & 33b
<b>Pensions Reserve adjustments</b>					
Employer contributions paid to the Pension Fund	(1,698)	-	-	1,698	34f
Net IAS19 charges made for retirement benefits	2,096	-	-	(2,096)	34f
<b>Collection Fund Adjustment Account adjustments</b>					
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	(450)	-	-	450	32a & CF2
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(3,476)</b>	<b>1,615</b>	<b>(39)</b>	<b>1,900</b>	



Adjustments to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement	2016/17				Note
	General Fund Balance	Capital Receipts Reserve	Govt Grants Unapplied	Unuseable Reserves	
	£000s	£000s	£000s	£000s	
<b>Capital Adjustment Account adjustments</b>					
Depreciation of Property, Plant & Equipment (PPE)	1,122	-	-	(1,122)	14,15,33a,33b
Impairment of Property, Plant & Equipment (PPE)	1,194	-	-	(1,194)	14,15,33a,33b
Revaluation gain/loss on Property, Plant and Equipment (PPE)	343	-	-	(343)	14,15,33a,33b
Deferred Capital Receipts	389	-	-	(389)	33c
Amortisation of Intangible Assets	39	-	-	(39)	14 & 33b
Revenue Expend funded from Capital under Statute (REFFCUS)	747	-	-	(747)	17a & 33b
REFFCUS for Empty Homes Scheme	2,015	-	-	(2,015)	17a & 33b
Net book value of assets sold	125	-	-	(125)	14,15,27,33a,33b
Statutory provisions for financing of capital investment (MRP)	(553)	-	-	553	17a & 33b
Capital Expend charged to General Fund	(239)	-	-	239	17a & 33b
Capital Expend charged to General Fund Empty Homes	(1,348)	-	-	1,348	17a & 33b
<b>Capital Receipts Reserve adjustments</b>					
Transfer of cash proceeds of assets sold	(179)	179	-	-	32b
Transfer of cash proceeds of other assets sold	-	-	-	-	32b
Other Income	(617)	617	-	-	32b
Donated Assets	-	-	-	-	
Use of Capital Receipts to fund capital spend	-	(834)	-	834	17a,32b,33b
Use of Capital Receipts to repay mortgage	-	-	-	-	
Acknowledge Mortgage Repay into CAA	-	-	-	-	
<b>Capital Grants Unapplied Account adjustments</b>					
Capital grants and contributions credited to the CIES	265	-	(265)	-	17a & 32c
Application of grants to the Capital Adjustment Account	(711)	-	-	711	17a & 33b
Application of grants to the Capital Adjustment Account	(185)	-	-	185	17a & 33b
<b>Pensions Reserve adjustments</b>					
Employer contributions to the Pension Fund	(1,755)	-	-	1,755	34f
Net IAS19 charges made for retirement benefits	3,534	-	-	(3,534)	34f
<b>Collection Fund Adjustment Account adjustments</b>					
Difference between the Council Tax and Non-Domestic Rates income credited to the CIES and that calculated in accordance with statutory requirements	(623)	-	-	623	32a & CF2
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>3,563</b>	<b>(38)</b>	<b>(265)</b>	<b>(3,260)</b>	

# Notes to Core Financial Statements

## Note 14 Property, Plant and Equipment

### 14a Movements during the year

Movements on property, plant & equipment assets in 2017/18 were as follows:-

Property, Plant & Equipment 2017/18	Land & Buildings £000s	Vehicles, Plant, Furniture & Equip £000s	Infra- structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s	Heritage Assets £000s	Note
<b>Cost or Valuation 1st April 2017</b>	30,233	6,398	253	1,142	1,174	519	39,719	2,185	
Additions	2,843	62	-	3	906	31	3,845	-	17a
Revaluation increases/(decreases) to Revaluation Reserve	(933)	-	-	(204)	-	-	(1,137)	-	33a
to Provision of Services	(609)	-	-	-	-	-	(609)	-	13, 33b
Reclassifications- to/from Assets Held for Sale others	(2,511)	-	-	-	2,511	-	-	-	27
Derecognition- on disposal	-	(76)	-	-	-	(31)	(107)	-	13, 33b
<b>Cost or Valuation 31<sup>st</sup> March 2018</b>	<b>29,023</b>	<b>6,384</b>	<b>253</b>	<b>941</b>	<b>4,591</b>	<b>519</b>	<b>41,711</b>	<b>2,185</b>	
<b>Accum Depreciation and Impairments 1st April 2017</b>	(8,207)	(4,488)	(131)	(257)	(214)	(129)	(13,426)	(30)	
Depreciation for the year- to Revaluation Reserve	(103)	-	-	(1)	-	-	(104)	-	13, 33a
to Provision of Services	(232)	(560)	(9)	(2)	(2)	-	(805)	(1)	13, 33b
Impairment losses/(reversals) to Revaluation Reserve	(307)	-	-	(7)	-	-	(314)	-	13, 33a
to Provision of Services	-	-	-	-	-	-	-	-	13, 33b
Reclassifications	300	-	-	-	(300)	-	-	-	
Derecognition- on disposal	-	74	-	-	-	-	74	-	13, 33b
<b>Accumulated Depreciation and Impairments 31st March 2018</b>	<b>(8,549)</b>	<b>(4,974)</b>	<b>(140)</b>	<b>(267)</b>	<b>(516)</b>	<b>(129)</b>	<b>(14,575)</b>	<b>(31)</b>	
Net Book Value at 31st March 2018	20,474	1,410	113	674	4,075	390	27,136	2,154	
Net Book Value at 31st March 2017	22,026	1,910	122	885	960	390	26,293	2,155	

Depreciation, using the straight line method, has been charged according to the estimated life of the assets involved on the following basis.

- Operational buildings generally have a useful life of 40 years, except where expert opinion has reduced this estimate. The land upon which the buildings reside is not subject to depreciation.
- Vehicles are depreciated over a useful life of 3-7 years depending upon their technical or mechanical nature.
- Equipment such as refuse bins, are depreciated over their individual useful life determined at the point of acquisition.
- All other assets under land, assets under construction, community assets, investment and surplus assets are not depreciated.

Component accounting is applied to all revaluation exercises on the following basis.

- For all property assets, land and buildings are valued separately. Only assets with a combined land and buildings value of £500k and over will be subject to component accounting.
- Significant components are items (or groups of items) with a value of at least 25% of the total asset value.

#### Fair Value Hierarchy – Surplus Assets

- Surplus assets comprise land from which the Council does not provide services. The Council has determined all of its surplus assets are valued at level 2 inputs other than quoted prices

# Notes to Core Financial Statements

included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2017 and 2018. There were no transfers between levels during 2017-2018.

Comparator movements in 2016/17 were as follows:

Property, Plant & Equipment 2016/17	Land & Buildings £000s	Vehicles, Plant, Furniture & Equip £000s	Infra-structure Assets £000s	Community Assets £000s	Assets under constr'n £000s	Surplus Assets £000s	Total Assets £000s	Heritage Assets £000s	Note
<b>Cost or Valuation 1st April 2016</b>	28,577	6,672	326	1,169	974	639	38,357	2,180	
Additions	1,298	224	22	13	147		1,704	5	17a
Revaluation increases/(decreases) to Revaluation Reserve	995	-	(81)	100	53	-	1,067	-	33a
to Provision of Services	(252)	-	(14)	(140)	-	-	(406)	-	13, 33b
Reclassifications- to/from Assets Held for Sale others	-	-	-	-	-	(120)	(120)	-	27
Derecognition- on disposal	(385)	(498)	-	-	-	-	(883)	-	13, 33b
<b>Cost or Valuation 31<sup>st</sup> March 2017</b>	<b>30,233</b>	<b>6,398</b>	<b>253</b>	<b>1,142</b>	<b>1,174</b>	<b>519</b>	<b>39,719</b>	<b>2,185</b>	
<b>Accum Depreciation and Impairments 1st April 2016</b>	(7,054)	(4,297)	(137)	(244)	(209)	(130)	(12,071)	(18)	
Depreciation for the year- to Revaluation Reserve	(111)	(2)	6	-	(4)	-	(111)	(1)	13, 33a
to Provision of Services	(219)	(686)	-	-	(1)	-	(906)	(1)	13, 33b
Impairment losses/(reversals) to Revaluation Reserve	(1,113)	-	-	-	-	-	(1,113)	-	13, 33a
to Provision of Services	(84)	-	-	(13)	-	(11)	(108)	(10)	13, 33b
Reclassifications	-	-	-	-	-	12	12	-	
Derecognition- on disposal	374	497	-	-	-	-	871	-	13, 33b
<b>Accumulated Depreciation and Impairments 31st March 2017</b>	<b>(8,207)</b>	<b>(4,488)</b>	<b>(131)</b>	<b>(257)</b>	<b>(214)</b>	<b>(129)</b>	<b>(13,426)</b>	<b>(30)</b>	
<b>Net Book Value at 31st March 2017</b>	<b>22,026</b>	<b>1,910</b>	<b>122</b>	<b>885</b>	<b>960</b>	<b>390</b>	<b>26,293</b>	<b>2,155</b>	

## 14b Breakdown of buildings owned

The operation of the Ski Slope transferred to a community group during 2011/12 but the property is still owned by the Council and therefore still included here.

A summary of Council Assets	31st March 2017		31 <sup>st</sup> March 2018	
	No.		No.	
Administrative Buildings	2		2	
Depots and Workshops	5		5	
Off-Street Car Parks	46		51	
Off-Street Car Parking spaces	1,068		1,086	
Sports Centres	1		1	
Public Halls	1		1	
Swimming Pools	2		2	
Museums	1		1	
Cemeteries	4		4	
Parks and recreation grounds	58	hectares	58	hectares
Amenity open spaces	36	hectares	36	hectares
Ski Slope	1		1	
Public Conveniences	8		13	
Industrial Units	28		28	
Markets	3		3	
Community & Youth Centres	3		3	
Sheltered accommodation	1		1	
Surplus Assets	11		11	
Surplus Assets Held for Sale	2		2	

## Notes to Core Financial Statements

### 14c Revaluation Programme

The authority operates a five-year rolling programme of revaluation on its General Fund properties. During 2017/18 the valuations were carried out by external RICS-qualified officers from Capita Symonds Ltd, PO BOX 212, Faverdale Industrial Estate, Darlington, DL1 9HN. For details of the basis of valuation please refer to the Accounting Policies. The Net Book Value of assets which underwent a revaluation during 2017/18 was £5,339k and this resulted in a net revaluation loss of £1,137k in the Revaluation Reserve (Note 33a) and £608k in the Capital Adjustment Account (Note 33b). Assets valued in previous years have not undergone any material changes which would alter their valuations.

The details below show the history of the revaluation programme and the next planned revaluation exercise for each type of asset held. Under the provisions of the Code assets of a similar type should be revalued together.

Revaluation Programme for assets under Property, Plant & Equipment	Historic Cost £000s	Assets revalued in the year ending					Total Net Book Value £000s	Planned Next Valuation
		March 2014 £000s	March 2015 £000s	March 2016 £000s	March 2017 £000s	March 2018 £000s		
Land	126	498	124	-	103	-	851	2018/19
Administrative Buildings	-	-	-	-	-	1,461	1,461	2018/19
Depots and Workshops	51	-	-	-	62	2,862	2,975	2022/23
Garages	-	-	-	307	42	-	349	2020/21
Car Parks	15	-	1,057	-	-	-	1,072	2019/20
Cemeteries	-	-	-	-	462	138	600	2021/22
Culture & Heritage Assets	86	2,074	-	-	-	-	2,160	2018/19
Sports & Leisure Facilities	-	8,372	-	158	4	-	8,534	2018/19
Parks, & Recreation Grounds	151	35	268	3	434	445	1,336	2019/20
Woodlands & Open Spaces	38	96	110	138	553	205	1,140	2019/20
Industrial Units	-	-	-	-	983	-	983	2021/22
Domestic Housing	-	-	94	115	-	80	289	2019/20
Business Offices	-	-	568	-	-	-	568	2019/20
Public Conveniences	8	-	11	-	49	50	118	2020/21
Markets	-	-	-	-	-	98	98	2022/23
Sheltered Accommodation	-	322	-	-	-	-	322	2018/19
Plant, Vehicles & Equipment	1,503	-	-	-	-	-	1,503	n/a
Other Assets	90	21	357	86	302	-	856	various
Assets under construction	-	2,361	245	1,380	89	-	4,075	2019/20
<b>Net Book Value 31<sup>st</sup> March 2016</b>	<b>2,068</b>	<b>13,779</b>	<b>2,834</b>	<b>2,187</b>	<b>3,083</b>	<b>5,339</b>	<b>29,290</b>	

### Note 15 Investment Properties

The Council has one piece of land classified as an investment property following the agreement of a long-term lease. The value of the land reflects the rental incomes receivable.

Fair Value Hierarchy – Investment Properties. The Council has determined that this asset should be valued as a level 2 inputs. The value of the land reflects the rental incomes receivable from 2013/14 onwards.

Investment Properties	31 <sup>st</sup> March 2017 £000s	31 <sup>st</sup> March 2018 £000s
Cost or Valuation 1st April	550	550
<b>Cost or Valuation 31st March</b>	<b>550</b>	<b>550</b>
Accum Depreciation and impairments 1st April	(11)	(11)
<b>Accum Depreciation and Impairments 31st March</b>	<b>(11)</b>	<b>(11)</b>
Net Book Value at 31st March	539	539
<b>Rental income within the year</b>	<b>25</b>	<b>25</b>

## Note 16 Intangible Assets

Intangible Assets	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2018	Note
	£000s	£000s	
Cost or Valuation 1st April	966	1,050	17a
Additions	84	6	
<b>Cost or Valuation 31st March</b>	<b>1,050</b>	<b>1,056</b>	
Accum Depreciation 1st April	(857)	(896)	15, 33b
Amortisation for the period	(39)	(69)	
<b>Accum Depreciation and Impairments 31st March</b>	<b>(896)</b>	<b>(965)</b>	
Net Book Value at 31st March	154	91	

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item under Property, Plant and Equipment. At Rossendale Borough Council these intangible assets comprise only purchased licenses as the Council has no internally generated software.

All software is given a finite useful life, based on assessments of the expected benefit to the Council, over which depreciation is calculated on a straight line basis. The default value for the useful life is 5 years and all current assets have been deemed to follow that standard.



## Notes to Core Financial Statements

### Note 17 Capital Expenditure, Financing and Capitalisation of Borrowing Costs

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. The Council has not acquired any assets under finance leases or PFI schemes which would have been included below).

#### 17a - Capital Financing Requirement

The Capital Financing Requirements (CFR) is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. This capital expenditure is charged to future years through Minimum Revenue Provision (MRP) as assets are used by the Council. Rossendale Borough Council now splits the CFR into two distinct elements; those costs pertaining to the East Lancs Empty Homes Scheme and other capital expenditure. The movement in the CFR during the year is analysed in the second part of this note.

Capital Financing Requirement	2016/17 £000s	2017/18 £000s	Note
<b>Opening Capital Financing Requirement</b>	<b>8,384</b>	<b>9,069</b>	
<b>Non-Empty Homes Opening Capital Financing Requirement</b>	<b>7,013</b>	<b>7,698</b>	
Capital investments			
Property, Plant & Equipment	1,709	3,845	14
Intangible Assets	84	6	16
Revenue Expenditure funded from Capital under Statute	747	1,297	13, 33b
Mortgage Repayment	-	1,009	13, 33b
	2,540	6,157	
Sources of Finance			
Capital Receipts	(213)	(1,518)	13, 32b
Government Grants and other contributions	(181)	(1,290)	13, 33b
Donated Assets	-	(2,300)	13, 33b
Sums set aside from Revenue:-			
Direct revenue contributions	(908)	(128)	13, 33b
Minimum Revenue Provision (MRP)	(553)	(604)	13, 33b
<b>Non Empty Homes Closing Capital Financing Requirement</b>	<b>7,698</b>	<b>8,015</b>	33b
<b>Empty Homes Opening Capital Financing Requirement</b>	<b>1,371</b>	<b>1,371</b>	
Empty Homes			
Revenue Expenditure funded from Capital under Statute	2,015	159	13, 33b
Sources of Finance			
Capital Receipts	(482)	(375)	13, 33b
Government Grants and other contributions	(185)	(212)	13, 33b
Sums set aside from Revenue:-			
Direct revenue contributions	(1,348)	(200)	13, 33b
<b>Empty Homes Closing Capital Financing Requirement</b>	<b>1,371</b>	<b>743</b>	33b
<b>Closing Capital Financing Requirement</b>	<b>9,069</b>	<b>8,758</b>	
Explanation of movements in the year -			
Increase in underlying borrowing (net of direct grants and contributions)	1,238	293	
Repayments (MRP)	(553)	(604)	
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>685</b>	<b>(311)</b>	

The capital expenditure shown above is split between Council-owned assets and those owned by third parties. The Council incurs capital expenditure on third party assets through schemes like the Disabled Facilities Grants (DFGs), the Bacup Townscape Heritage Initiative and the East Lancs Empty Homes Scheme. The distinction is an important one because capital expenditure on assets not owned by the Council is permitted by Statute, but is accounted for as revenue expenditure, along with its respective funding. Hence, in the table above there are details of 'Revenue Expenditure funded from Capital under Statute' (REffCuS) and funding from grants and other receipts and contributions, not from MRP.

## 17b - Capital Expenditure on Council Assets

The main items of capital expenditure on the Council's own assets during the year were:-

Capital expenditure on Council assets	2016/17 £000s	2017/18 £000s
IT Strategy & Software	84	6
Sports & Leisure Facilities	1,133	73
Playing fields, playgrounds & parks	186	429
Rawtenstall Valley Centre/Spinning Point	147	906
Donated Asset - Knowsley Park Road depot	-	2,300
Solar Panels	66	-
Others	177	137
	<b>1,793</b>	<b>3,851</b>

## 17c - Capital Commitments

The Council operates a rolling 3-year capital programme and in addition to the £3,851k spent in 2017/18 above, approved capital works of £4,545k were carried forward into 2018/19 onwards, known as slippage.

Contract commitments relating to Council assets	31 <sup>st</sup> March 2017 £000s	31 <sup>st</sup> March 2018 £000s
Parks & Play Areas - finalising ongoing projects	87	103
IT Software upgrades	61	-
Building Maintenance Projects	18	-
Infrastructure, including car parks and signage	5,285	4,442
	<b>5,451</b>	<b>4,545</b>

## 17d - Capitalisation of Borrowing Costs

The Council has one 25-year loan from the PWLB which was taken out in March 2010 in order to support the impact upon the Council's need to borrow which resulted from investment recommended by the 2009/2010 Leisure Review and regeneration projects. Borrowing costs were capitalized up to the Marl Pits facility opening in autumn 2012.

There have been no capitalised payments or receipts in either 2016/17 or 2017/18.

## Note 18 Leases

### 18a - Authority as Lessee

During 2014/15 the Council became directly responsible for the leases of domestic properties under the East Lancashire Empty Homes Scheme which were to be met from future rental incomes. In October 2016 the Council entered into a contract with Calico Housing Ltd to manage these properties on behalf of the Council. Calico now arranges the contracts with tenants, collects the rent and pays the leases over to the property owners. The lease commitments shown below refer solely to the properties which the Council is in the process of returning to the owners at which point all future lease commitments shown below will be extinguished.

Authority as a Lessee	2016/17 £000s	2017/18 £000s
<b>Lease Payments within the year</b>	<b>828</b>	<b>438</b>
Future minimum lease commitments		
Amounts falling due within 1 year	88	84
Amounts falling due within 2-5 years	279	456
Amounts falling due within 6-10 years	142	78
<b>Total Minimum Lease Payments</b>	<b>509</b>	<b>618</b>

## Notes to Core Financial Statements

### 18b - Disclosure by Lessor

The Council has a number of premises that it makes available on an operating lease basis, for lease terms substantially less than the expected lives of the assets. Asset values included within the Balance Sheet and minimum lease income receivable during the year were as follows:

Authority as a Lessor	2016/17	2017/18			Total £000s	Note
	Total £000s	Industrial Properties £000s	Leisure Premises £000s	Other Properties £000s		
Gross Value at 31st March	11,848	1,163	10,437	50	11,650	
Accumulated Depreciation	(2,388)	(180)	(2,264)	(35)	(2,479)	
<b>Net Book Value at 31st March</b>	<b>9,460</b>	<b>983</b>	<b>8,173</b>	<b>15</b>	<b>9,171</b>	
<b>Lease Income within the year</b>	<b>(134)</b>	<b>(102)</b>	<b>-</b>	<b>-</b>	<b>(102)</b>	<b>5</b>

The rental incomes above show a nil return for leisure properties. These are now managed and operated by partners such as Rossendale Leisure Trust and Community Leisure Association Whitworth on a rent-free basis and the Council makes a grant contribution each year to the provision of leisure services across the borough. Grant details can be found in Note 11 on Related Party Transactions.

The assets shown as 'other properties' above have similarly been leased to third parties at peppercorn rents, including the Cherry Crescent Community Centre and the Aged Blind and Disabled Centre.

### Note 19 Long Term Investments

The long term investments consist of:-

Long Term Investments	31 <sup>st</sup> March 2017 £000s	31 <sup>st</sup> March 2018 £000s	Note
Rossendale Transport Ltd	645	-	21a,21c,32a
Marketable Securities	2	2	
<b>Balance at 31st March</b>	<b>647</b>	<b>2</b>	

The investment in Rossendale Transport Ltd, a company which provides public bus services principally within the Rossendale area, consisted of £645k share capital, being 100% of the shares issued. Due to the specialized nature of the business this investment had been held in the Balance Sheet at historic cost.

In 2016/17 the council looked at ways it could improve the return on its investments whilst at the same time assisting its partners. One action resulting from this review was the investment of just over £1,082km in the mortgage for Rossendale Transport's main depot site. This was being repaid in equal instalments of principal over 15 years, starting on the 15th April 2017 with an interest rate of 2.8%, equivalent to that available to the Council from the PWLB. For more details see Notes 11 and 20.

Rossendale Borough Council sold its shares in the Transport company in January 2018 for a net consideration of £3,640k, including the transfer of the Knowsley Road depot at an estimated value of £2,300k, the extinguishing of the mortgage on the property (£1,010k) and the cash flow loan (£400k), see Note 20 below.

Rossendale Transport Ltd.	31 <sup>st</sup> March 2017 £000s	31 <sup>st</sup> March 2018 £000s
Profit/(Loss) on ordinary activities before taxation	198	-
Tax on profit on ordinary activities	51	-
<b>Retained profit/(loss) for the financial year</b>	<b>249</b>	<b>-</b>
<b>Net Assets of the company (excluding Share Capital)</b>	<b>1,000</b>	<b>-</b>

# Notes to Core Financial Statements

## Note 20 Long-term Debtors

The analysis of the long-term debt outstanding at the balance sheet date is:

Long Term Debtors	Ross'dale Leisure Trust £000s	Rossendale Transport Cash Loan £000s	Mortgage £000s	Empty Homes Loans £000s	Other loans & mortgages £000s	Total £000s	Note
Debt Outstanding 1st April 2016	774	-	-	2,465	32	3,271	21a & 21c
Advances	41	350	1,082	92	92	1,657	
Receipts	(780)	(250)	-	(482)	(10)	(1,522)	
Provision for Doubtful Debts	35	100	1,082	2,075	114	3,406	26
	-	-	-	(889)	-	(889)	26
<b>Balance at 31st March 2017</b>	<b>35</b>	<b>100</b>	<b>1,082</b>	<b>1,186</b>	<b>114</b>	<b>2,517</b>	21c, 36a
Debt Outstanding 1st April 2017	35	100	1,082	2,075	114	3,406	21a & 21c
Advances	-	570	-	70	-	640	
Receipts	-	(670)	(1,082)	(376)	(10)	(2,138)	
Provision for Doubtful Debts	35	-	-	1,769	104	1,908	26
	-	-	-	(941)	-	(941)	26
<b>Balance at 31st March 2018</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>828</b>	<b>104</b>	<b>967</b>	21c, 36a

see Narrative Statement

The East Lancs Empty Homes Strategy moved into full operation during 2013/14. Funded by the Homes and Communities Agency (HCA) in the first instance, this programme saw long-term empty properties across East Lancashire brought back into use. Any renovation costs, shown above as advances, are being recouped from property rentals during the life of the lease, shown above as receipts. At the end of the lease these properties revert to their owners.

The Narrative Report, and Notes 11 and 19 provide further details on the sale of the Council's shares in Rossendale Transport Ltd in January 2018, at which point the balances on the cash flow loan and the mortgage were extinguished. Other than this there have been no long term debts written off during 2016/17 or 2017/18.



## Note 21 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 on another.

The term 'financial instruments' covers both financial assets and financial liabilities and includes both straight forward trade receivables and trade payables as well as complex money-market assets. Typical financial instruments and their basis of measurement are shown in the table below:

## Notes to Core Financial Statements

Financial Instruments	Measurement	Rossendale Note
<b>Liabilities</b>		
Trade and other payables (Creditors)	Held at invoice value	Trade payables excluding government and other non-contract creditors
Borrowings	Included at the face value of the loan or bank account	Borrowing can include fixed term loans and bank overdrafts. Rossendale Borough Council has loan from the PWLB over a period of 25 years commencing March 2010
Financial guarantees	Measurement balances guarantee value with the risk of the guarantee being called	The Council has given one financial guarantee, but considers the risk to be so minimal as to render the liability as not material (Note 11)
<b>Assets</b>		
Bank deposits	Any deposit with 365 days or less to run is held at carrying value of the account	The Council's 'Cash at Bank' figure includes a minimal value of cash in hands of officers as well as bank accounts with instant access.
Trade receivables (Debtors)	Held at invoiced amount less an impairment for uncollectable debts	Trade receivables exclude government and other non-contract debts
Loans receivable	Included at the face value of the loan or bank account	Loan deposits can include investments which have fixed terms and fixed interest rates. The Council has issued two loans to Rossendale Leisure Trust (see Note 9). These are considered soft loans because no interest has been charged to the Trust. In 2013/14 a new loan arrangement was agreed with Rossendale Transport Ltd, which attracts interest income at market rate. (Note 20) In October 2016 the Council purchased the mortgage on the main premises of Rossendale Transport Ltd, with an applicable interest of 1.4%. Repayments began April 2017 but ended January 2018 when the company was sold(Note 20)
Soft Loans	Where material, soft loans are measured using an effective market rate of interest	The Council has only one minor soft loan to facilitate business relocation, which has been fully repaid during 2017/18.
Other receivables and advances	Held at the carrying value on the basis on materiality	These are predominantly arrangements made under the Empty Homes Strategy, being repaid from future rental incomes.
Investments	Held at historic cost value (Note 19)	The Council's investment in Rossendale Transport Ltd was held at the historic value of the shares because there was no reliable estimate of market value available. These were sold in January 2018.

The Council has assessed the materiality of all its financial instruments and those considered too small to make an adjustment to the carrying value of the original asset or liability included soft loans and other minor investments. (A soft loan is where the Council has lent money at a lower than market rate). The Council issued one soft loan back in 2011 in order to facilitate a business relocation which met the Council's regeneration priorities. The Rossendale Leisure Trust loans were also treated as soft loans because no interest was paid in either 2016/17 or 2017/18. The value of interest forgone in relation to these loans was not material.

## 21a - Categories of Financial Instruments

The categories of financial instruments included within the Balance Sheet and Notes are:-

### Note 21a - Financial Instrument Balances

Categories of Financial Instrument	Long Term		Current		Note
	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2018	
	£000s	£000s	£000s	£000s	
<b>Cash and cash equivalents</b>					
Receivables	-	-	3,304	2,089	21c, 25
<b>Investments</b>					
Loans and receivables	-	-	3,000	5,250	21c, 25
Unquoted equity investment at cost	647	2	-	-	19
<b>Trade Debtors</b>					
Loans and receivables	3,406	967	1,034	2,115	20, 21c, 24
<b>Borrowings</b>					
Financial liabilities at amortised cost	(3,128)	(2,944)	(184)	(184)	21c, 29
<b>Trade Creditors</b>					
Financial liabilities at amortised cost	-	-	(2,927)	(2,177)	21c, 31

Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided a financial guarantee in respect of Rossendale Leisure Trust and a gym extension at Haslingden Sports Centre.(see Notes 11 & 35), which has been initially recognised at fair value of nil and noted in the Contingent Assets and Liabilities at Note 35.

As explained in Note 19 above, the Council bought out the balance on the lease in November 2016 at a cost of £1,010k and this has been treated as an investment in the asset already owned by the Council (see Notes 14 and 17a). The Trust will now pay a rental charge for using the asset of £60k per annum (+VAT) for its remaining 15 year life (see Note 11) which will offset the MRP charge.

Fair Value Hierarchy of Investments - The investments above were assessed as level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2018 and 2017.

## 21b - Financial Instrument Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Income & Expenses	2016/17	2017/18		
	Total	Financial Liabilities at amortised cost	Loans & Receivables	Total
	£000s	£000s	£000s	£000s
Interest payable - revenue	154	146	-	146
Interest income - revenue	(72)	-	(94)	(94)
<b>Net (Gain)/Loss for the year</b>	<b>82</b>	<b>146</b>	<b>(94)</b>	<b>52</b>

## 21c - Fair value of assets and liabilities carried at amortised cost

Financial liabilities and assets represented by loans and receivables are carried on the balance sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions.

- For loans from the PWLB the fair value was calculated by reference to the premature repayment set of rates in force on 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018 respectively.
- No early repayment or impairment is recognised.

## Notes to Core Financial Statements

- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

### Note 21c - Fair Value of assets & liabilities carried at amortised cost

	31st March 2017 Restated*		31st March 2018		Note
	Carrying amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s	
Borrowings	(3,312)	(4,045)	(3,128)	(3,698)	21a & 29
Short Term Creditors	(2,927)	(2,927)	(2,177)	(2,177)	21a & 31
<b>Total Financial Liabilities</b>	<b>(6,239)</b>	<b>(6,972)</b>	<b>(5,305)</b>	<b>(5,875)</b>	
Investments <1 year	3,000	3,000	5,250	5,250	21a & 25
Long Term Debtors	2,517	2,517	967	967	20 & 21a
Short Term Debtors*	2,214	2,214	2,115	2,115	21a & 24
Cash and Cash Equivalents	3,556	3,556	2,089	2,089	21a & 25
<b>Total Financial Assets</b>	<b>11,287</b>	<b>11,287</b>	<b>10,421</b>	<b>10,421</b>	

At March 2018 Rossendale Borough Council has one outstanding PWLB loan taken out in March 2010 for 25 years at a fixed rate of 4.49%. The premature repayment rate applicable on 31<sup>st</sup> March 2018 was 1.21% and the figures for fair value above have been supplied by the Council's treasury management advisor, Link Asset Services. For a sensitivity analysis, Link Asset Services have confirmed that a similar new loan on the 31<sup>st</sup> March 2018 at the discount rate available of 2.15% would have reduced the fair value of the loan at the end of 2017/18 to £3,697k.

The Council's portfolio of treasury management investments does not include any long-term deposits over 365 days. For investments under 365 days the deposit value is taken as a fair approximation of their value.

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

## Note 22 Nature and extent of risks arising from Financial Instruments

### Key Risks

The Council's activity exposes it to a variety of financial risks, the key risks are:

- Credit risk the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risks the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates movements.

### Overall procedures for Managing Risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:

## Notes to Core Financial Statements

- the Council's overall borrowing;
  - it's maximum and minimum exposures to fixed and variable rates;
  - it's maximum and minimum exposures of the maturity structure of its debt;
  - it's maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

These requirements are known as Prudential Indicators and are required to be reported and approved alongside the Council's annual Council Tax budget setting in February, along with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported monthly to Members.

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

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, and credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria and limits approved by the Council.

The Council maintains strict criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults. The Council refers to an approved list of organisations for investment purposes, assessed by the rating agencies, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and per sector.

No breaches of these criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to financial deposits. However, the Council has supported Rossendale Leisure Trust through a cash flow loan of around £740k (repaid in full at the end of March 2017) and with a building loan with a current value of £35k over a maximum of five years. The Council has also supported Rossendale Transport Ltd with loans totaling £1,182k at the end of March 2017 but these were extinguished upon the sale of the shares in the Transport Company in January 2018, as shown in the Long-term Debtors at Note 20.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last three financial years, adjusted to reflect current market conditions.

#### Note 22a - Credit Risk

Credit Risk	Actual Amount March 2018 £000s	Historical default £000s	Adjusted for market conditions %	Estimated maximum exposure March 2018 £000s	Estimated maximum exposure March 2017 £000s	Note
Cash and Cash Equivalents	2,089	0.00%	0.00%	-	-	21a,21c,25
Investments - Bank Deposits	5,250	0.00%	0.00%	-	-	21a,21c,25
Investments - Others	2	0.00%	0.00%	-	-	19,21a,21c
Long Term Debtors	967	0.00%	0.00%	-	-	20,21a,21c
Short Term Trade Debtors	2,115	6.60%	7.00%	148	72	21a,21c,24
<b>Total Financial Assets</b>	<b>10,423</b>			<b>148</b>	<b>72</b>	

The Council does not generally allow credit for its trade debtors. The Council reports the level of trade debts outstanding each quarter in the financial monitoring report to Cabinet, which is available on the website. The balance of Trade Debtors at 31<sup>st</sup> March 2018 stood at £2,889k (£2,950k at March 2017),

## Notes to Core Financial Statements

of which £1,353k was overdue (£1,252k at March 2017). Against this the Council held a doubtful debt provision of £774k (£736k at March 2017).

### Note 22b - Trade Debtors by age

Short Term Trade Debtors by age	31st March 2017	31st March 2018	Note
	Retsted*		
	£000s	£000s	
Not yet past due*	1,698	1,536	
Less than one month	12	23	
One to Two months	-	88	
Two to three months	2	2	
Three to six months	5	32	
Six months to one year	385	204	
Over one year	848	1,004	
Doubtful debts provision*	(736)	(774)	
<b>Total Net Trade Debtors</b>	<b>2,214</b>	<b>2,115</b>	21a,21c,24

### Liquidity Risk

The council has ready access to borrowings from the Public Works Loan Board for long term borrowing and the Money Markets to cover any day-to-day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury management and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice. The Council's performance in managing its current cash position is reported each month in the financial monitoring reports available on the website.

### Refinancing and Maturity Risk

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategy addresses the main risks and sets the operational parameters should the Council ever need to borrow funds.

### Market Risk

There are three related risks the Council is aware of: interest rate risk, price risk and foreign exchange risk.

### Interest Rate Risk

The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings are carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and reflected in the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The annual Medium Term Financial Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. The aim of the prudential indicators is to contain the activity of the treasury function within certain limits reducing the risk or likelihood of an adverse movement in certain interest rates or borrowing decisions that could impact negatively on the Council's overall financial position.

# Notes to Core Financial Statements

Within this Strategy prudential indicators are set which provide maximum and minimum limits for fixed and variable interest rate exposure. The Financial Services staff monitor markets and forecast interest rates within the year to adjust exposure appropriately. The indicators in force during 2017/18, which were approved along with the Council's annual budget on 1<sup>st</sup> March 2017, are shown below.

Limits in interest rate exposure	2015/16	2016/17	2017/18	2018/19
Max principal sums borrowed > 364 days	£4.7m	£4.5m	£4.5m	£9.5m
Borrowing limits on Fixed Interest Rates	100%	100%	100%	100%
Borrowing limits on Variable Interest Rates	0%	0%	0%	0%
Max sums invested > 364 days	£0m	£0m	£0m	£0m
Max sums invested with single body	£5m/50%	£5m/50%	£5m/50%	£5m/50%
Max sums invested with any group	£10m	£10m	£10m	£10m

If all lending interest rates had been 1% higher, with all other variables held constant, the financial effect would only impact on the interest receivable on variable rate investments by an extra £95k. All other interest payable and receivable is fixed.

## Price Risk

The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

## Foreign exchange risk

Local custom and practice is not to engage in foreign currency trade or deal with foreign financial institutions. The Council, therefore, has no financial assets or liabilities denominated in foreign currencies and has no exposure to loss arising from movements in exchange rates.

## Note 23 Inventories

The total value of stocks at 31 March 2018 was £31k (£24k at 31<sup>st</sup> March 2017), representing fuel, vehicle maintenance spares, trade waste bins and refuse sacks. These are valued at cost due to the high turnover nature of the items concerned providing a very close approximation to the current value at the Balance Sheet date.

## Note 24 Debtors

The short-term debtors here are net of provisions for bad and doubtful debts - see Note 26 below.

Debtors (net of any provisions for bad or doubtful debts)		31 <sup>st</sup> March 2017 £000s	31 <sup>st</sup> March 2018 £000s	Note
Central Government Bodies		450	331	2
Other Local Authorities		998	1,501	
Other entities and individuals	Council Tax	875	300	CF6, CF5
	Retained Business Rates	139	98	CF6, CF5
	Advance Payments	640	524	
	Sundry Trade Debtors	505	1,227	24, 26
		2,159	2,149	
<b>Net Balance at 31st March</b>		<b>3,607</b>	<b>3,981</b>	

## Note 25 Short-term Investments, Cash and Cash Equivalents

## Notes to Core Financial Statements

Short Term Investments and Cash & Cash Equivalents	31 <sup>st</sup> March	31 <sup>st</sup> March	Note
	2017	2018	
	£000s	£000s	
Bank Deposits - access under 3 months	1,000	3,750	
Bank Deposits - access 3 to 6 months	-	-	
Bank Deposits - access 6 to 12 months	2,000	1,500	
Other Local Authorities - access less than 3 months	-	-	
<b>Short-term Investments at 31st March</b>	<b>3,000</b>	<b>5,250</b>	21a, 21c
Bank Deposits - instant access	3,555	2,088	
Cash in Hands of Officers	1	1	
<b>Cash and cash equivalents at 31st March</b>	<b>3,556</b>	<b>2,089</b>	21a,21c,36b

### Note 26 Impairment Losses

Impairment losses/(reversals) on property, plant and equipment, investment properties and intangible assets are disclosed in Note 17, 18 and 19 respectively.

The Council also makes provision for impairment of long-term and short-term debtors, as shown in Notes 20 and 24, based on historical default experience adjusted for the current market conditions as disclosed in Note 21.

The table below shows a large provision for doubtful long-term debts. This is in relation to the East Lancs Empty Homes Scheme and represents the balance of the renovation loans at 31<sup>st</sup> March 2018 on properties which are expected to be returned to owners early.

Impairment Losses (see Notes 20 & 24)	Long Term Debts	Council Tax	Business Rates	Sundry Debts	Total Current Debts	Note
	£000s	£000s	£000s	£000s	£000s	
Balance at 1st April 2016	-	(433)	(427)	(1,288)	(2,148)	
Provisions Made	(889)	(89)	(66)	(317)	(472)	
Provisions Utilised	-	24	37	114	175	
<b>Balance at 31st March 2017</b>	<b>(889)</b>	<b>(498)</b>	<b>(456)</b>	<b>(1,491)</b>	<b>(2,445)</b>	20 & 24
Balance at 1st April 2017	(889)	(498)	(456)	(1,491)	(2,445)	
Provisions Made	(52)	19	-	(483)	(464)	
Provisions Utilised	-	2	55	25	82	
<b>Balance at 31st March 2018</b>	<b>(941)</b>	<b>(477)</b>	<b>(401)</b>	<b>(1,949)</b>	<b>(2,827)</b>	20 & 24
Debt outstanding 31st March 2018	1,908	777	499	3,176	4,452	20 & 24
Debt outstanding 31st March 2017	2,075	1,373	596	2,154	4,123	20 & 24

### Note 27 Assets Held for Sale

Current Assets held for sale	2016/17	2017/18	Note
	£000s	£000s	
Balance at 1st April	60	48	
Assets reclassified to/(from) PPE	120	-	14
Revaluation gains/(losses) to the Revaluation Reserve	(12)	-	33b
Depreciation for the year- to Provision of Services	-	(1)	
Write out NBV of Assets sold - from Revaluation Reserve	(120)	-	33a
<b>Balance at 31st March</b>	<b>48</b>	<b>47</b>	

## Note 28 Creditors

Creditors	31 <sup>st</sup> March	31 <sup>st</sup> March	Note
	2017	2018	
	£000s	£000s	
Central Government Bodies	2,040	1,160	
Other Local Authorities	355	101	21a, 21c
Bodies external to government			
Advance Receipts: Council Tax	167	87	
Advance Receipts: Retained Business Rates	63	59	
Advance Receipts: Others	50	305	21a, 21c
Employee Benefit Expenses	25	43	21a, 21c
Sundry Trade Creditors	2,643	2,033	21a, 21c
<b>Balance at 31st March</b>	<b>5,343</b>	<b>3,788</b>	

## Note 29 Borrowing

Following the budget setting in February 2010, a loan of £4.6m was taken out from the PWLB over a life of 25 years at 4.49% to support the costs of the Council's capital spending, including the planned investment resulting from the Leisure Services Review. Repayment of this loan is based on equal instalments of principal at £184k per annum. Further information can be found in the Financial Instruments Note 21.

PWLB Borrowing	31 <sup>st</sup> March	31 <sup>st</sup> March	Note
	2017	2018	
	£000s	£000s	
Repayable in less than 12 months	184	184	
Repayable between 1 and 2 years	184	184	
between 2 and 5 years	552	552	
between 5 and 10 years	920	920	
in 10 years or more	1,472	1,288	
<b>Balance at 31st March</b>	<b>3,312</b>	<b>3,128</b>	21a & 21c

## Note 30 Provisions

Provisions relate to known liabilities where there is uncertainty about the exact amount or the dates on which they will arise insurance claims through the former Municipal Mutual Insurance company.

During the audit of the 2015/16 accounts, the true costs of Empty Homes renovations became more apparent. This resulted in a restatement of the 2014/15 accounts to create an Empty Homes Renovation Provision of £1,850k. Of this £1,650k was utilized in 2016/17 and £200k in 2017/18 to support the capital renovation costs. During 2017/18 a further provision of £345k was set aside for compensation payments to property owners.

In the final quarter of 2017/18 a number of large business rates appeal cases were determined by the Valuation Office. This had two effects on the Business Rates Appeals Provision. In 2017/18 £178k of the provision was utilized to support the refunds awarded, which covered multiple years in some cases. Following the Valuation Office decisions, the current balance, of which Rossendale's share is £823k, was deemed sufficient to cover the potential appeals waiting to be decided, so no further provision was required in 2017/18. The full value of the Appeal Provision can be seen in Note 4 to the Collection Fund.

# Notes to Core Financial Statements

Provisions	31st March	Provisions		31 <sup>st</sup> March	Note
	2017 £000s	Made £000s	Utilised £000s	2018 £000s	
Stubbylee Park Provision	20	-	(10)	10	
Facilities Provisions	12	7	-	19	
Empty Homes Renovation Provision	200	345	(200)	345	
Corporate Services	277	114	-	391	
Other Provisions	10	7	(5)	12	
<b>Short Term Provisions</b>	<b>519</b>	<b>473</b>	<b>(215)</b>	<b>777</b>	
Business Rate Appeals Provision	1,005	(4)	(178)	823	CF4
<b>Long Term Provisions</b>	<b>1,005</b>	<b>(4)</b>	<b>(178)</b>	<b>823</b>	
<b>Total Provisions</b>	<b>1,524</b>	<b>469</b>	<b>(393)</b>	<b>1,600</b>	

## Note 31 Short-term Grant Receipts in Advance

This account holds the movements between capital grants received and those recognised through the CIES when the grant conditions have been met.

During 2017/18 a new grant of £3,421k was received in advance from Lancashire County Council towards the construction of the new bus station element of the Spinning Point Phase 1 project. The demolition phase has now concluded and renovation of the old Town Hall has commenced. Construction of the new bus station will begin in 2018/19, at which point this grant will be released.

Short-term Capital Grant Receipts in Advance	31 <sup>st</sup> March 2017 £000s	31 <sup>st</sup> March 2018 £000s	Note
<b>HCA East Lancs Empty Homes Grant</b>			
Balance Brought forward	956	279	
Grant received/(repaid) in the year	(492)	126	
Amounts recognised into the CIES (conditions met)	(185)	(206)	33b
	279	199	
<b>LCC Grant for Spinning Point Phase 1</b>			
Balance Brought forward	-	-	
Grant received/(repaid) in the year	-	3,421	38
Amounts recognised into the CIES (conditions met)	-	-	33b
	-	3,421	
<b>Balance at 31st March</b>	<b>279</b>	<b>3,620</b>	

## Note 32 Usable Reserves

The overall movements in the Council's Usable Reserves can be seen in the Movement in Reserves Statement. Further details on the movements in the individual Earmarked Reserves and Capital Grants Unapplied accounts can be found below, along with greater explanation of the activity on the Usable Capital Receipts Reserve.

### Note 32a - Earmarked Reserves

Transport Reserve – Historic valuation of the Council's shares in Rossendale Transport Ltd. This reserve was extinguished as part of the sale of the Transport Company shares in January 2018.

Employment & Transport Reserve – re future investment in transport and employment opportunities.

Pension Fund Reserve – To meet future pension fund liabilities in respect of former housing services.

Economic Regeneration Reserve – Funds such as Local Authority Business Growth Incentive Scheme (LABGIS) grants held for future investment in specific regeneration schemes.

Leisure Reserve – This reserve had been held to meet any potential requirement to underwrite the Balance Sheet of Rossendale Leisure Trust, and the majority was used for this purpose in 2016/17 (see Note 11)

Directorate Investment Reserve – This reserve holds unspent budgets future one-off revenue projects.

Directorate Operational Reserve – This reserve holds funds set aside for ongoing or incomplete revenue projects where there is no contractual obligation but member approval has been granted.

Homelessness Reserve – This reserve holds funds for supporting ongoing and future projects to tackle homelessness within Rossendale.

Vehicle Reserve – To support vehicle maintenance costs and the rolling replacement programme. Contributions were withheld in 2016/17 and 2017/18 when delays in replacing older vehicles meant higher maintenance costs. (see the Narrative Report page 16)

Transitional Reserve – This reserve is to support the Council in its medium-term financial strategy.

## Notes to Core Financial Statements

Refuse Cost Share Reserve – The Cost Share agreement with Lancashire County Council came to an end in March 2018 and this reserve was established in 2013/14 to hold funds required to explore options for operations in the future, which were utilized during 2017/18.

Bacup Townscape Heritage Initiative Reserve – This reserve was established in 2013/14 to hold the Council's £400k matched funding resources for this £2.5m scheme which should end during 2018/19.

Individual Registration Reserve – Individual electoral registration implementation began in summer 2014 and this reserve was established to hold grant funds received during 2013/14 to be matched against costs as they arose over the subsequent years. A further £23k was received in 2017/18.

Business Rates Retention Reserve – Following the localisation of non-domestic rates in April 2013, this reserve was established with the additional grant received for Small Business Rate Relief to support any future volatility of this new resource stream. The balance on this reserve will also be required to support the deficit on the Collection Fund Adjustment Account. Under the timings permitted by the Code each year's surplus or deficit will not impact on the CIES until the following year.

Planning Strategy Reserve – This reserve is to cover the costs of public scrutiny associated with reviews of planning strategy in the future.

Tourism Strategy Reserve – Since the Tourism Officer post was disestablished in 2011/12, monies have been set aside to allow the Council to support various events/ activities.

Haslingden Regeneration Reserve – The Council has previously set aside £100k to provide pump-priming funds for the wider regeneration of Haslingden.

Empty Homes Strategy Reserve – In a prior period adjustment to the 2014/15 accounts, £2m of other revenue reserves were transferred to create an Empty Homes Strategy Reserve, followed by the application of £1,233k through the CIES to help to create the Empty Homes Renovation Provision of £1,850k (see Note 30.) the final balance of £179k was used to support costs in 2017/18.

Earmarked Reserves	Balance 31 <sup>st</sup> March 2017	Income & Transfer to Reserves	Transfers between Reserves	Utilised from Reserves	Balance 31 <sup>st</sup> March 2018	Note
	£000s	£000s	£000s	£000s	£000s	
Rossendale Transport (Shares)	645	-	-	(645)	-	19, 21a
Employment & Transport	1,223	-	-	(66)	1,157	
Pension Fund	166	-	(166)	-	-	
Leisure Reserve	64	-	-	-	64	
Directorate Investment	(14)	-	20	(1)	5	
Directorate Operational	258	43	-	(25)	276	
Homelessness	51	54	-	-	105	
TCA - Living Well, Living Better	191	-	-	(116)	75	
Vehicle Repairs & Replacement	230	-	-	-	230	
Transitional Reserve	2,458	551	146	(1,034)	2,121	
Refuse Cost Share	24	-	-	(24)	-	
Bacup THI	229	-	-	(157)	72	
Individual Registration	7	23	-	-	30	
Business Rates Retention	847	935	-	(700)	1,082	
Planning Strategy	186	80	-	(72)	194	
Tourism Strategy	50	-	-	(5)	45	
Haslingden Regeneration	78	-	-	(15)	63	
Empty Homes Strategy	181	-	-	(179)	2	
	<b>6,874</b>	<b>1,686</b>	<b>-</b>	<b>(3,039)</b>	<b>5,521</b>	MiR

# Notes to Core Financial Statements

## Note 32b - Capital Receipts Reserve

These are capital receipts (net of asset values) which have not yet been used to finance capital expenditure or repay debt.

Usable Capital Receipts Reserve	2016/2017	2017/2018	Note
	£000s	£000s	
Balance at 1st April	1,800	1,762	
Capital receipts in year			
Sale of Assets	178	2,941	13
Other Income	136	567	13
Capital receipts used to fund capital expend	(352)	(1,893)	13,17a,33b
<b>Non Empty Homes sub-total</b>	<b>1,762</b>	<b>3,377</b>	
<b>Empty Homes</b>			
Balance at 1st April	-	-	
Capital receipts in year			
Other income	482	375	13
Capital receipts used to fund capital expend	(482)	(375)	13,17a,33b
<b>Empty Homes sub-total</b>	<b>-</b>	<b>-</b>	
<b>Balance at 31st March</b>	<b>1,762</b>	<b>3,377</b>	

## Note 32c - Capital Grants Unapplied Account

Capital grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with. This account holds the balance of grants unapplied at year-end. The Regional Housing Grant was used to support renovation costs of the Empty Homes Scheme during 2017/18.

Capital Grants Unapplied Account	Balance 31 <sup>st</sup> March 2017	Grants Received	Grants Applied	Balance 31 <sup>st</sup> March 2018	Note
	£000s	£000s	£000s	£000s	
Regional Housing Grant	339	-	(339)	-	
Communities for Habitats	25	-	-	25	
Disabled Facilities Grants	392	872	(556)	708	7
Homelessness Grants	82	-	(13)	69	
Domestic Abuse Grant	-	50	(14)	36	7
Transforming Lives Grant	73	-	(32)	41	7
Hoarding Project Grant	18	-	(7)	11	7
	<b>929</b>	<b>922</b>	<b>(961)</b>	<b>890</b>	MiR



# Notes to Core Financial Statements

## Note 33 Unusable Reserves

### 33a Revaluation Reserve

In accordance with the Statement of Recommended Practice, from 1st April 2007 the Revaluation Reserve contains unrealised revaluation gains, net of depreciation and disposals on that revaluation amount, on a strict per-asset basis. This Reserve is matched by fixed assets within the Balance Sheet. It does not represent resources available to the authority. Accumulated gains arising before the 1<sup>st</sup> April 2007 were consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2016/2017 £000s	2017/2018 £000s	Note
Balance at 1st April	12,137	11,856	
Surplus/(Deficit) on revaluation of assets in the year			
Property, Plant & Equipment	1,068	(1,137)	17
Value of assets disposed of in the year	(115)	-	15, 29, 36b
Depreciation in the year	(121)	(105)	15,17,18,36b
Impairments in the year	(1,113)	(80)	15 & 17
<b>Balance at 31st March</b>	<b>11,856</b>	<b>10,534</b>	

### 33b Capital Adjustment Account

In accordance with the CIPFA Code of Practice the Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls mechanism.

In the main this account holds the gains on historical revaluations of the assets still held by the Council, depreciated over the life of the assets. It is managed as a total figure, not on a per-asset basis, and does not represent cash resources available to the authority.

Capital Adjustment Account	2016/2017 £000s	2017/2018 £000s	Note
Balance at 1st April	9,566	9,199	
Revenue and Capital Receipts used to finance capital			
Revenue Contributions	239	262	13 & 17
Useable Capital Receipts	352	2,741	13, 17, 32b
Capital Grants and Contributions	711	1,155	13 & 17
Losses on Revaluation of assets			
Property, Plant & Equipment	(343)	(608)	13, 14a
Write off NBV of disposals (net of Revaluation Reserve)	(10)	(33)	13,14,27,33a
Minimum Revenue Provision for repayment of debt	552	604	13 & 17
Depreciation of Property, Plant and Equipment	(1,001)	(808)	13,14,15,33a
Amortisation of Intangible Assets	(39)	(69)	13 & 16
Impairment of Property, Plant & Equipment assets	(81)	(234)	13 & 14
Revenue Expenditure funded from Capital under statute	(747)	(1,298)	13 & 17
<b>Non Empty Homes sub-total</b>	<b>9,199</b>	<b>10,911</b>	
<b>Empty Homes</b>			
Balance at 1st April	(1,371)	(1,371)	
Revenue and Capital Receipts used to finance capital			
Revenue Contributions	1,348	575	13 & 17
Useable Capital Receipts	482	-	13, 17, 32b
Capital Grants and Contributions	185	212	31
Revenue Expenditure funded from Capital under statute	(2,015)	(159)	13 & 17
<b>Empty Homes sub-total</b>	<b>(1,371)</b>	<b>(743)</b>	
<b>Balance at 31st March</b>	<b>7,828</b>	<b>10,168</b>	

## 33c Deferred Capital Receipts Account

In the past Deferred Capital Receipts held the amounts of mortgages for former council house tenants falling due in future years. The last such mortgage ended in November 2013.

The balance of £1,770k at 31<sup>st</sup> March 2018 (£2,076k at March 2017) pertains solely to the value of renovation loans on the East Lancs Empty Homes properties and as such it mirrors the loan values shown in the Long Term Debtors at Note 20.

Deferred Capital Receipts Account	31 <sup>st</sup> March 2017 £000s	31 <sup>st</sup> March 2018 £000s	Note
<b>East Lancs Empty Homes Scheme Loans</b>			
Balance at 1st April	2,465	2,076	20
New Deferred Receipts	92	69	20
Amounts received	(481)	(375)	20, 32b
Amounts written off	-	-	20, 32b
<b>Balance at 31st March</b>	<b>2,076</b>	<b>1,770</b>	20

## Note 34 Local Government Pension Scheme – a defined benefit scheme

The following note explains the terms and conditions of the retirement benefits of the Council officers and other employees. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Lancashire County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Narrative Statement explained that, the scheme underwent a full valuation in March 2016 which was reported in December 2016 and first impacted upon the Council’s Pension Scheme Liabilities and Pension Reserve in the Consolidated Balance Sheet as at the 31st March 2017.

As explained in the Narrative Report on page 18, following the valuation the Council also decided to consolidate the Rossendale Transport Ltd element of the LCC Pension Fund with its own. This can be seen in the notes below referred to as ‘Business Consolidations’.

### Changes to Scheme Valuation and Presentation

In December 2006 the Accounting Standards Board (ASB) made a number of changes to the FRS 17 accounting standard. In the main these related to the presentation of the figures and disclosures below rather than the underlying calculations themselves. However, they did also include a requirement for most assets to be valued at “realisable values” (i.e. bid values), as opposed to the previous requirement of “fair values” (in effect, mid-market values).

### 34a - Present Net Value of Scheme

The underlying assets and liabilities attributable to Rossendale Borough Council at 31st March were:-

Scheme History	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	Note
Scheme Liabilities at 31 <sup>st</sup> March	(73,369)	(84,178)	(80,607)	(100,932)	(98,446)	34b
Scheme Assets at 31 <sup>st</sup> March	45,771	50,127	50,854	67,318	68,271	34c
<b>Net Scheme Assets/(Liabilities)</b>	<b>(27,598)</b>	<b>(34,051)</b>	<b>(29,753)</b>	<b>(33,614)</b>	<b>(30,175)</b>	

## Notes to Core Financial Statements

During the 2016 Pensions Review the actuaries estimated that the Council could achieve savings of around £300k over the next three years if payments for 2017/18 to 2019/20 were made in advance. The Council agreed and made a payment of £4,599.7k in April 2017. As at the 31<sup>st</sup> March 2018 the remaining amount of this prepayment was £3,063k. On the Balance Sheet at 31<sup>st</sup> March 2018 the Scheme Liabilities are calculated as the value of the Pensions Reserve deficit of £30,175k less this advance payment of £3,063k to give Net Scheme Liabilities of £27,112k.

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total net liability of £30.2m impacts on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which had been the practice in the past. As a result, future pension increases under the Lancashire County Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. The precise financial effect has been taken into account in the IAS19 figures shown in note 37f.

### 34b - Present Value of Scheme Liabilities

The following table reconciles the opening and closing values of the scheme liabilities.

Scheme Liabilities	2016/17 £000s	2017/18 £000s	Note
Scheme Liabilities as at 1 <sup>st</sup> April	80,607	100,932	
Current Service Cost	848	1,319	34f
Interest on Pension Liabilities	3,072	2,484	34f
Member Contributions	237	256	
Remeasurement of liabilities	11,006	(3,084)	34g
Curtailments	48	-	34f
Business combinations	9,440	-	
Benefits/transfers paid	(4,326)	(3,461)	
<b>Scheme Liabilities as at 31<sup>st</sup> March</b>	<b>100,932</b>	<b>98,446</b>	34a

Of the above liabilities there is an unfunded element, for which the value at 31<sup>st</sup> March 2018 was £2,269k (£2,420k at 31<sup>st</sup> March 2017).

### 34c - Present Value of Scheme Assets

The following table reconciles the opening and closing values of the scheme assets.

Scheme Assets	2016/17 £000s	2017/18 £000s	Note
Scheme Assets as at 1 <sup>st</sup> April	50,854	67,318	
Interest on plan assets	2,007	1,726	34f
Remeasurement of assets	8,924	753	34g
Administration expenses	(18)	(19)	34f
Employer contributions	1,755	1,698	34f
Member contributions	237	256	
Business combinations	7,885	-	
Benefits/transfers paid	(4,326)	(3,461)	
<b>Scheme Assets as at 31<sup>st</sup> March</b>	<b>67,318</b>	<b>68,271</b>	34a & 34d

# Notes to Core Financial Statements

## 34d - Major Categories of Scheme Assets

Scheme Assets	31st March 2017		31 <sup>st</sup> March 2018		Note
	£000s	%	£000s	%	
Equities	-	0.0%	-	0.0%	
Bonds	2,437	3.6%	2,895	4.2%	
Property	5,929	8.8%	6,421	9.4%	
Alternatives	58,253	86.5%	59,240	86.9%	
Cash & Cash equivalents	699	1.0%	(285)	-0.4%	
<b>Total Scheme Assets</b>	<b>67,318</b>		<b>68,271</b>		34c

## 34e - Scheme Membership

The membership of the scheme was as follows (though these figures exclude the Rossendale Transport Ltd members):-

Scheme Membership	31st March 2017	31 <sup>st</sup> March 2018
Active Members	150	153
Deferred Members	253	254
Pensioners	427	422
Spouses / dependents	128	125

## 34f - Comprehensive Income and Expenditure Account

Authorities recognise the cost of retirement benefits in the Comprehensive Income and Expenditure Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so that the real cost of retirement benefits is reversed out of the in the Movement in Reserves Statement and replaced with the cash paid in the year.

The table below shows transactions within the Comprehensive Income and Expenditure Statement and the corresponding adjustments made in the Movement in Reserves Statement.

Reconciliation of the movement in the Pension Fund Reserve	2016/17 £000s	2017/18 £000s	Note
<b>Comprehensive Income and Expenditure Statement</b>			
Net Costs of Services - Current Service Cost	848	1,319	34b
Financing and Investment Income and Expenditure			
Interest cost	3,072	2,484	34b
Curtailments & Settlements	48	-	34b
Expected return on assets in the scheme	(2,007)	(1,726)	34c
Administration expenses	18	19	34c
Business combinations	1,555	-	34c
<b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,534</b>	<b>2,096</b>	
<b>Other Comprehensive Income and Expenditure</b>			
Actuarial (gains)/losses	2,082	(3,837)	34g
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>5,616</b>	<b>(1,741)</b>	
<b>Movement in Reserves Statement</b>			
Reverse net charges for retirement benefits in accordance with the Code	(3,534)	(2,096)	13 & 36a
<b>Actual charge to the General Fund Balance in the year</b>			
Employer's contributions payable to the scheme	1,755	1,698	13 & 36a

# Notes to Core Financial Statements

## 34g – Re-measurement impacts in the Other Comprehensive Income & Expenditure Statement

Remeasurement Gains/(Losses)	2016/17	2017/18	Note
	£000s	£000s	
Experience gains/(losses)	(4,625)	-	
Gains/(losses) on financial assumptions	16,349	(3,084)	
Gains/(losses) on demographic assumptions	(718)	-	
Remeasurement of Liabilities gains/(losses)	11,006	(3,084)	34b
Remeasurement of Assets gains/(losses)	(8,924)	(753)	34c
<b>Net Actuarial gains/(losses) in current year</b>	<b>2,082</b>	<b>(3,837)</b>	

## 34h – Actual gains and losses on plan assets

The actual gains measured against experience gains/(losses) in the year can be seen in the following table, along with the relevant percentages of period-end assets and liabilities which these values represent:

Actual Gains/(Losses)	2016/17		2017/18		Note
	£000s	%	£000s	%	
Actual Return on Plan Assets	11,181	16.6%	2,479	3.6%	

## 34i - Actuarial Assumptions

The Borough Council fund liabilities and assets have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, and their estimates have been based on the latest full valuation of the scheme as at 31st March 2016 which was published in December 2016. The main assumptions used in their calculations at the beginning and end of the year are shown below, with an effective date of 31<sup>st</sup> March 2018.

The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion with their expected rates of return at the beginning and end of the year:



Actuarial Assumptions	Beginning of Period %	End of Period %
<b>Duration information as at the end of the accounting period</b>		
Estimated Macaulay duration of liabilities	14 yrs	14 yrs
<b>Financial Assumptions</b>		
Rate of CPI inflation	2.30%	2.10%
Rate of increase in salaries	3.80%	3.60%
Rate of increase in pensions	2.30%	2.20%
Discount rate	2.50%	2.60%
<b>Post retirement mortality assumptions</b>		
Non-retired members (retiring in the future in normal health)	S2PA CMI_2015_1.5% (98% M, 89% F)	S2PA CMI_2015_1.5% (98% M, 89% F)
Current pensioners (retired in normal health)	S2PA CMI_2015_1.5% (99% M, 93% F)	S2PA CMI_2015_1.5% (99% M, 93% F)
<b>Life expectancy</b>		
of a male (female) future pensioner aged 65 in 20 yrs	24.9 (27.9) yrs	25 (28) yrs
of a male (female) current pensioner aged 65	22.6 (25.2) yrs	22.7 (25.4) yrs
<b>Takeup of option to convert annual pension into lump sum at retirement</b>	50% take maximum cash, 50% take 3/80ths cash	
<b>Market value of total fund assets</b>		
£6,036m	£7,209m	£7,458m
Last actuarial valuation 31st March 2016	bid value at 31st March 2017	bid value at 28th February 2018

### 34j – Sensitivity Analysis of Actuarial Assumptions

Under IFRS the assumptions made by the actuary must be submitted to a sensitivity analysis. Below are the main assumptions used by the actuary and the effects on the pension fund accounts if those assumptions changed.

Sensitivity analysis based on assumptions as at 31st March 2018	Central Estimates for 2018/19 £000s	Sensitivity 1 + 0.1% p.a. discount rate £000s	Sensitivity 2 + 0.1% p.a. inflation £000s	Sensitivity 3 + 0.1% p.a. salary inflation £000s	Sensitivity 4 + 1 yr to member's life expect £000s	Note
Liabilities	98,446	97,045	99,867	98,580	100,461	
Assets	(68,271)	(68,271)	(68,271)	(68,271)	(68,271)	
Deficit/(Surplus)	30,175	28,774	31,596	30,309	32,190	
Projected current service cost	1,230	1,196	1,265	1,230	1,256	34k
Projected net interest cost	762	753	801	767	816	34k
Projected Employer contributions	(1,752)	(1,752)	(1,752)	(1,764)	(1,764)	34k

## 34k – Budgeting figures used in the Assumptions

Budgets used in assumptions for following year	2016/17 £000s	2017/18 £000s	Note
<b>Projected Pension cost next year</b>			
Estimated Pay	3,599	3,879	
Service Cost (% of pay)	33.6%	31.3%	
Implied Service Cost including interest	1,224	1,230	34j
Net Interest Cost	819	762	34j
Administration Expenses	18	19	
	<b>2,061</b>	<b>2,011</b>	
<b>Projected employer contributions next year</b>			
Normal contributions	(1,558)	(1,595)	
£ for £ recharges	(183)	(157)	
	<b>(1,741)</b>	<b>(1,752)</b>	34j
<b>Projected deficit/(surplus) for operations next year</b>	320	259	
<b>Projected deficit/(surplus)</b>	33,614	30,175	
<b>Projected deficit/(surplus) at end of next year</b>	<b>33,934</b>	<b>30,434</b>	

Rossendale Borough Council took advantage of a three year prepayment option in April 2017 in order to save around £308k over the life of the triennial review period. This has resulted in a difference between the Pension liability and the pension reserve on the balance sheet. The difference represents the amount paid in advance for 2018/19 and 2019/20 based on estimated amounts due for those years.

## Note 35 Contingent Assets & Liabilities

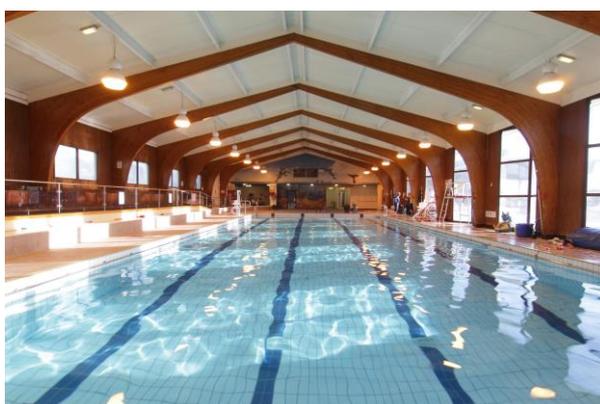
### Contingent Assets

There are no known contingent assets.

### Contingent Liabilities

The Council is party to an ongoing claim regarding the empty homes scheme which has the potential to give risk to a liability. However, in order not to prejudice the Council's position, no further details are disclosed.

During 2016/17 the Council bought out the Rossendale Leisure Trust's lease for the extension of Haslingden Sports Centre, as explained in Note 11. Therefore, from March 2017 this no longer presents a contingent liability for the Council.



# Notes to Core Financial Statements

## Note 36 Cash Flow notes

### Note 36a Reconciliation of Revenue Surplus to Net Cash Flow

Reconciliation of I&E Surplus to Net Cash Flow from revenue activities	RBC		Group		Note
	31st March 2017 £000s	31st March 2018 £000s	31st March 2017 £000s	31st March 2018 £000s	
<b>Adjustments for non-cash movements</b>					
Depreciation and Impairments	2,316	1,228	2,915	1,731	14
Amortisation of Intangible Assets	39	69	39	69	16
Revaluation losses charged to Revenue	343	528	343	528	
Carrying amount of non-current assets sold	125	33	125	33	13,14,27
Donated Assets	-	(2,300)	-	(2,300)	
Taxation	-	-	(101)	(28)	
Pension Fund Adjustment	1,779	398	1,613	1,498	13 & 34f
<b>Adjustments between accruals and cash accounting</b>					
(Incr)/Decr in Long Term Debtors	754	1,550	754	368	20
(Incr)/Decr in Inventories	22	(7)	(12)	(194)	23
(Incr)/Decr in Debtors	(853)	(374)	(795)	(1,807)	24
Adjusted for Cash (Outflows)/Inflows - agency operations	(1,248)	606	(1,248)	606	
Incr/(Decr) in Creditors	1,469	(1,555)	1,481	59	28
Incr/(Decr) in Grant Receipts in Advance	(676)	3,341	(676)	3,341	31
Incr/(Decr) in Short-term Provisions	(1,722)	258	(1,722)	258	30
Incr/(Decr) in Long-term Provisions	76	(182)	108	104	30
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	<b>2,424</b>	<b>3,593</b>	<b>2,824</b>	<b>4,266</b>	
<b>Adjustments for investing and financing activities</b>					
Additions to PPE & intangible assets	-	(148)	110	215	14 & 33b
Proceeds from the sale of PPE	(179)	(192)	(185)	2,112	13 & 32b
Proceeds from the sale of other assets	-	(1,740)	-	(1,740)	13 & 32b
Other income	617	(191)	617	(191)	13 & 32b
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>438</b>	<b>(2,271)</b>	<b>542</b>	<b>396</b>	

Following the sale of the shares in Rossendale Transport Ltd in January 2018, the figures above only show the activity of the company up to the date of sale on 12<sup>th</sup> January 2018.

### Note 36b Net Change in Liquid Resources

Net change in liquid resources	31 <sup>st</sup> March 2017 £000s	31 <sup>st</sup> March 2018 £000s	Movement £000s	Note
Cash in Hand	1	1	-	
Cash at Bank	3,555	2,088	(1,467)	21a,21c,25
<b>Net Book Value at 31st March</b>	<b>3,556</b>	<b>2,089</b>	<b>(1,467)</b>	25

# Notes to Core Financial Statements

## Note 37 Accounting Policies

### Accounting Concepts & Principles

This Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the end of the year of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which required the Accounts to be prepared in accordance with the proper accounting practices. These practices are primarily comprised of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) supported by International Financial Reporting Standards (IFRS).

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

These accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

### Revenue Recognition

Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchase 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.

### Accruals of Expenditure & Income

Under the accruals principle the Comprehensive Income & Expenditure Statements matches expenditure relating to the production of goods or delivery of services during the financial period with the income to finance those goods and services, regardless of whether the cash transactions have taken place. Income due at the year-end pertaining to services provided are shown in the Balance Sheet as debtors and payments due for goods and services received but not paid for are shown as creditors. The Cash Flow Statement and its Notes reconcile the expenditure and income on an accruals basis with the true cash inflows and outflows during the financial period.

Further details of the Council's expenditure and income on provision of services for the year can be found in the segmental reporting analysis in the Explanatory Foreword.

### Employee Benefit Expenses – Notes 13 and Note 34

The code has interpreted IAS 19 *Employee Benefits* and confirmed that local authorities should account for:

- benefits payable during employment,
- termination benefits
- post-employment benefits
- pension fund accounts

Short-term benefits to be accrued for include:

- wages, salaries and social security contributions
- short-term compensated absences
- bonuses and similar payments
- non-monetary benefits

Full details of Employee Benefits, including exit packages, paid during employment are shown at Note 10. Accruals for short-term compensated absences, calculated per employee at each year-end, are also shown as a separate item within the Creditors at Note 28.

## Pensions – Note 34

The requirements of IAS 19 in relation to post-employment benefits, ie pensions, have been fully incorporated into the Comprehensive Income & Expenditure Statement with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as Note 34 explains in detail.

Under local government finance legislation local authorities in England are required not to charge to revenue expenditure amounts in respect of liabilities for retirement benefits, but instead to maintain a Pension Reserve to which the pension liabilities are charged.

The amount charged to the General Fund for providing pensions for employees is the amount payable in the year. Where this amount does not match the amount charged to the Surplus or Deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement, the Code stipulates that the difference is taken to the Pension Reserve.

Rossendale Borough Council participates in the Local Government Pension Scheme administered by Lancashire County Council. More details about this scheme and its valuations can be found in Note 34 and the Explanatory Foreword.

## Interest – Note 21b

Interest paid on external borrowings is accrued in the accounts of the period to which it relates and interest earned on the external investment of surplus funds is credited to the General Fund using the effective interest method as set out in the Code.

## Operations acquired or discontinued - Note 4

Note 4 explains the sale of the Council's shares in Rossendale Transport Ltd during 2017/18.

## Value Added Tax

VAT incurred by the Council on goods and service it procures is fully recoverable from HM Customs & Revenue, except in certain exceptional cases. Consequently, all expenditure shown in the Comprehensive Income & Expenditure Statement excludes VAT.

Where the Council charges for goods and services which are subject to VAT, the income included in the Comprehensive Income & Expenditure Statement is shown excluding the VAT element which must be passed on to HM Customs and Revenue.

Due to the nature of local government services the net position of VAT payable and recoverable generally results in a debtor in the Balance Sheet.

## Cost of Support Services (Overheads)

Since the amendments in the 2016/17 Code in relation to the presentation of the CIES in a format comparable to the operational management structure, the allocation of central support services have been removed. Note 1 provides a reconciliation for the removal of such internal market charges from the original budgets and the monitoring reports throughout the year.

## Principal and Agent transactions

Where an authority is acting as a principal transactions shall be included in the authority's financial statements. However, where authorities act as agents transactions shall not be reflected in an authority's financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash position is included in financing activities in the Cash flow Statement. This Council acts as an agent for the collection of council tax and non-domestic rating income.

# Notes to Core Financial Statements

## Non-domestic Rates - Notes 6 and the Collection Fund

The localisation of non-domestic rates was introduced in April 2013, under which this council collects business rates on behalf of itself, central government and other major preceptors on an agency basis.

Top-up income receivable and tariff expenditure payable, as well as safety net income and levy expenditure payable are recognised by the authority in the Comprehensive Income and Expenditure Statement on an accruals basis in the line item Taxation and Non-Specific Grant income and Expenditure. On 1st April 2016 Rossendale became a part of the Lancashire-wide Business Rates Pool and so no safety net or levy will be applicable from this date. More information is within Notes 24, 28 and 30 and the Collection Fund.

## Landfill Allowances Scheme and Carbon Reduction Commitment

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste disposed of into landfill sites. Rossendale Borough Council, as waste collection authority for the borough, was a partner in a cost-share agreement until 31<sup>st</sup> March 2018 with Lancashire County Council, who are the disposal authority for this area.



Rossendale Borough Council operated within its allocated landfill allowances under the cost-share agreement during the reporting periods covered by these statements. As a result, confirmation was received from Lancashire County Council that no charges would be incurred in the 2017/18 financial year.

Whilst this authority is too small to be subject to the Carbon Reduction Commitment Scheme, members have taken the view that investing in solar panels will reduce both annual energy costs and environmental impacts in the future.

## Property, Plant and Equipment – Note 14

Local authorities now account for tangible fixed assets in accordance with IAS 16 *Property, Plant and Equipment*. Property, plant and equipment are tangible assets (ie assets with 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 accounting period. These assets are further classified as follows:

- Operational land and buildings,
- Operational plant, furniture, equipment, and motor vehicles.
- Infrastructural assets which are the fixed utility systems, and
- Community assets.
- Surplus assets – held for future regeneration opportunities

### Recognition and Measurement

Under IAS 16 property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses. However, for the public sector the following adaptations have been applied:

- Infrastructure, community assets and assets under construction (excluding investment properties) are measured at historical cost. Historical cost is deemed to be the carrying amount of an asset at 1<sup>st</sup> April 2007 or at the date of acquisition, whichever is the later, and adjusted for subsequent depreciation or impairment (if applicable).
- All other classes of assets are measured at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value for land and buildings is interpreted as the amount that would be paid for the asset in its existing use, in accordance with UK Policy Statement (UKPS) 1.3 of the valuation standards issued by The Royal Institution of Chartered Surveyors (RICS)

- Where there is no market-based evidence of fair value because of the specialist nature of an asset, or such assets are rarely sold, the Council may need to estimate fair value using a depreciated replacement cost approach, accounting for all physical deterioration and all relevant forms of obsolescence and optimisation.

Cost is defined as the cash or cash equivalents paid in relation to:-

- the acquisition, reclamation, enhancement or laying out of land;
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures, including insulation works and disabled adaptations;
- the acquisition, installation or replacement of movable or immovable plant, machinery, vehicles, apparatus or vessels;

All expenditure on the acquisition, creation or enhancement of assets is capitalised on an accruals basis in the accounts, provided that the asset yields benefits to the authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to provision of services within the Comprehensive Income and Expenditure Statement.

## Revaluation

Revaluations of fixed assets are undertaken by professionally qualified valuers on a five year rolling basis. Any unrealised gains on revaluation are shown in the Comprehensive Income & Expenditure Statement then removed in the Movement in Reserves Statement to the Revaluation Reserve on the Balance Sheet. In accordance with the updated Code the revaluation programme has reviewed £3,888k of the Council's assets during 2017/18 and Note 14c provides an analysis of the current valuation basis for each type of asset held by the Council.

Revaluation gains are depreciated in line with the asset to which they relate. Future revaluation losses are matched against any balance in the Revaluation Reserve in the first instance on a strict per-asset basis, with the remaining balance being transferred to the Capital Adjustment Account.

## Impairment

In accordance with IAS 36 *Impairment of Assets*, an impairment review is undertaken at the end of each accounting period and material changes to asset valuations are adjusted as they occur. Impairment loss on a re-valued asset is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the balance in the Revaluation Reserve for that asset and thereafter as a cost to the provision of services in the Comprehensive Income & Expenditure Statement.

However, the Code stipulates that impairments do not impact on the council tax, hence an adjusting transaction can be found in the Movement in Reserves Statement (see workings at Note 13).

## Depreciation

Depreciation is provided for on all operational assets with a finite useful life (which can be determined at the time of acquisition or revaluation over the useful life of the asset) using the straight-line method calculated on a daily basis.

Charges for depreciation cover buildings, vehicles, plant, furniture and equipment. Infrastructure, community assets and surplus non-operational assets are not depreciated each year but measured at historical cost.

Depreciation is charged to the Comprehensive Income and Expenditure Statement as a cost of the provision of services. As with impairments, the Code stipulates that depreciation does not impact on the council tax, hence an adjusting transaction can be found in the Movement in Reserves Statement (see workings at Note 13).

## Component Accounting

Where the asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful life. Componentisation was introduced officially from 1<sup>st</sup> April

## Notes to Core Financial Statements

2010 without retrospective applications, therefore component elements have been considered as assets are professionally revalued within the 5-year rolling programme. However, the major components of land and buildings have already been separated for many years, with no depreciation being applied to the land element.

### Community Assets – Included within Note 14

The Code defines Community Assets are those which an authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. At Rossendale classification of Community Assets includes the 4 cemeteries, the Whittaker Park Museum and some parks and recreation areas which have been gifted to the Council with restrictions on their disposal.

### Heritage Assets – Included within Note 14

Authorities account for heritage assets under the requirements of FRS30 *Heritage Assets*.

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. An intangible heritage asset is an intangible asset with cultural, environmental or historical significance, including such items as recordings of significant historical events. For ease of presentation, details are alongside Property, Plant and Equipment at Note 14.

#### Recognition and Measurement

For Rossendale Borough Council Heritage Assets include the Panopticon in Haslingden and the war memorials across the borough as well as civic regalia and exhibits at Whittaker Park Museum.

Where heritage assets are purchased or costs capitalised, these assets are now valued on a historic cost basis. This has occurred in examples such as the creation of the Panopticon. However, for historic assets where it is not possible to obtain a cost value commensurate with the benefit to users of the financial statements, the Council is entitled to use any method it deems appropriate and relevant. For the items of civic regalia and the exhibits at Whittaker Park Museum the latest insurance values have been used as an approximation for the asset value.

#### Amortisation

Depreciation or amortization is not required on heritage assets which have indefinite lives. However, the carrying amount of such assets is reviewed regularly to ensure that they have not suffered any physical deterioration, which would be treated as an impairment.

### Investment Properties – Note 15

Authorities now account for investment properties in accordance with IAS 40 *Investment Property*, except where the Code has provided definition interpretation for the public sector. Under this definition, an investment property is one that is used solely to earn rentals or for capital appreciation, or both. This Council has one piece of land which meets the definition of an Investment Property.

### Intangible Assets – Note 16

IAS 38 *Intangible assets* defines intangible assets as non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software, which are expected to provide future service benefits or be used in the provision of services over several years to come.

#### Recognition and Measurement

This Council does not have any internally-generated intangible assets.

Other intangible assets are capitalised at cost incurred to acquire and bring to use, eg the implementation costs of specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

An intangible asset may be acquired by way of government grant or other contribution, either in full or in part. In such instances both the asset and the grant or contribution are recognised initially at fair value.

## Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income and Expenditure as a cost of using the asset in the provision of services. The useful lives and associated amortisation rates of computer software have been estimated at 5 years.

## Surplus Assets and Assets Held for Sale – Note 14 and 27

In line with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Assets held for sale are now separated into two categories. Those with specific intentions to be sold in the following accounting period are classified under Current Assets as 'Assets held for sale within one year' – see Note 27. Those held for inclusion in longer-term regeneration plans are classified as Surplus Assets under Property, Plant and Equipment at Note 14.

## Recognition and Measurement

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, where fair value is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Surplus Assets are re-valued at the point of their transfer to the surplus category, but based upon their existing use value which is an estimate of the asset's remaining useful service potential.

## Amortisation

Depreciation or amortization is not required on surplus assets or those held for sale. However, the carrying amount of such assets is reviewed regularly to ensure that they have not suffered any physical deterioration, which would be treated as an impairment.

## Leases – Note 18

This Council has not entered into any Finance Leases, either as lessee or as lessor.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Where assets are acquired under operating leases the leasing rentals payable are recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease. The value of the assets subject to leasing agreements are not shown in the Balance Sheet, but are disclosed in Note 18.

Assets held by the Council for use in operating leases (acting as a lessor) are not recorded in the Balance Sheet as fixed assets. Rental incomes from such assets are recognised on a straight line basis and matched against costs of insurance and maintenance in the Comprehensive Income and Expenditure Statement. The value of such assets and the incomes receivable are disclosed in Note 18.

## Revenue Expenditure funded from Capital under Statute - Notes 13, 17 and 33b

Legislation allows some items of expenditure to be funded from capital resources which under IFRS and normal accounting practice would be charged to Surplus of Deficit on the Provision of Services. Such expenditure termed 'Revenue Expenditure funded from Capital under Statute' within the Code and is written off to the Comprehensive Income and Expenditure Statement in the year incurred and matched by the grants received.

The types of expenditure to which this usually refers are disabled access grants and decent homes assistance where the local authority does not receive the economic benefits arising from the

## Notes to Core Financial Statements

expenditure. A reversing entry in the Movement in Reserves Statement ensures there is no impact on the Council Tax or General Fund Balance, see workings at Note 13 and the Capital Adjustment Account at Note 33b.

### Government Grants and Other Contributions – Note 7, 31 and 32c

In line with the Code's adaptation of IAS 20 *Accounting for Government Grants*, grants and contributions for capital purposes should be recognised immediately, unless any conditions have not been met; an authority shall not include grants and contributions deferred on the Balance Sheet. Retrospective application of the change in policy has resulted in all remaining Government Grants Deferred being incorporated into the Capital Adjustment Account as if they had been recognised when the asset was first created.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Short-term Capital Grant Receipts in Advance until released into the Comprehensive Income & Expenditure Statement as entitlement allows (see Notes 7, 31 and 32c).

### Capital Receipts – Note 32b

Amounts to be treated as capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. Any difference between the receipt value and the carrying value of the asset in the balance sheet at the time of disposal is shown in the Comprehensive Income & Expenditure Statement as a gain or loss on disposal.

However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and as such are treated separately in the Comprehensive Income and Expenditure Statement as 'Other Income'.

Capital receipts are not attributable to the General Fund Balance and are therefore transferred to the Usable Capital Receipts Reserve in the Movement in Reserves Statement (see workings at Note 13).

### Long-term Investments – Note 19

Long-term investments are those with a remaining life of more than 1 year at the Balance Sheet date and are shown in the Balance Sheet at fair value.

The largest long-term investment consists of 100% of the share capital in Rossendale Transport Ltd., a company set up under the Transport Act 1985. The Narrative Report and Note 19 explain how Rossendale Borough Council sold the shares in Rossendale Transport Ltd in January 2018.

### Short-term Investments – Note 25

Short-term investments are those with a life of between 30 days and 1 year at the Balance Sheet date and are shown in the Balance Sheet at fair value. These investments follow policies laid down in the Council's Treasury Management Strategy and Treasury Management Practices. Note 25 details the short-term investments held by the Council at the Balance Sheet date, alongside cash and cash equivalents.

### Inventories – Note 23

Stocks of materials or supplies to be consumed in the provision of future services are accounted for under IAS 2 *Inventories*, except for financial instruments and work in progress under construction contracts. Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the course of operations, less the estimated costs of completion and any estimated costs necessary to make the sale, exchange or distribution.

Work in progress under construction contracts is subject to *IAS 11 Construction Contracts* and an interim valuation is obtained covering the cost of works completed at the end of the reporting period plus any overheads reasonably attributable to those works. This value is then included in the Balance Sheet within property, plant and equipment rather than listed within current inventory assets.

## Short-term Debtors – Note 24

Authorities account for debtors in accordance with *IAS 18 Revenue* and *IAS 39 Financial Instruments: recognition and Measurement*, except where interpretations or adaptations to fit the public sector have been detailed in the Code.

The revenue accounts of the Council are maintained on an accruals, therefore sums due to the Council for services delivered or rendered during the financial year are included whether or not the cash has actually been received. Debtors are then recognised in the Balance Sheet as the full value of the consideration receivable, in most cases in cash or cash equivalents. Note 24 shows the value of outstanding debts net of any provision for impairment losses on doubtful debts. More details of the impairment Provisions can be seen at Note 26.

Debtors also arise where the Council has made payment in advance of receipt of goods or services from suppliers, shown in the analysis in Note 24 as 'Payments in Advance'.

## Cash and Cash Equivalents – Note 25

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

## Provision for Impairment Losses– Note 26

The Council prepares its accounts in a prudent manner and as such the value of debtors receivable is subject to a degree of risk. The Council assesses the risk attributable to each individual class of debtors in order to arrive at a realisable value and more information on Financial Instrument Risks can be found in Notes 21 and 22.

The difference between the full value and the realisable value of Financial Instruments is called a Provision for Impairment. Debts written off are charged to this provision and any requirement to make new provisions is charged as an expense to the cost of provision of services within the Comprehensive Income & Expenditure Statement.

## Short-term Creditors – Note 28

Under *IAS 18 Revenue*, the annual provision of services by the Council are accounted for on an accruals basis. That is, sums due from the Council pertaining to the acquisition of goods or services used in the provision of services within the year are included whether or not the cash has actually been paid in the year. An exception to this principle relates to electricity and similar payments which are charged at the date of meter reading rather than being apportioned between financial years. Most of these payments are now monthly and this policy is consistently applied each year, therefore any discrepancy is deemed to be immaterial to the year's accounts.

Creditors also arise where the Council receives income from customers ahead of the provision of goods or services. Such payments are shown separately in the detailed analysis at Note 28 as 'Receipts in Advance'.

## Notes to Core Financial Statements

### Provisions – Note 30

Under the Code local authorities now apply IPSAS 19, which interprets IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* for the public sector. Proper provisions are required for any liabilities or losses of uncertain timing or amount. Provisions expected to be called upon within 12 months from the end of the financial period are classed as Short-Term Provisions, while those of a more extended nature are classed as Long-Term Provisions.

Provisions are charged to the (Surplus)/Deficit on Provision of Service in the Comprehensive Income & Expenditure Statement. Provisions are utilised only for the purpose for which they were established, except where a regular review to determine the appropriateness of the level of the charge and the balance of the provision properly requires a change. The provisions held and any change in their use are disclosed in Note 30 along with activity on the provision in the accounting period.

Provision for Impairment has also been made for doubtful debts and known uncollectable debts have been written off during the year. The balance of the Provision for Impairment, used to reduce the overall level of Current Assets outstanding, is disclosed in Note 26.

### Short-term Capital Grants Receipts in Advance – Note 31

When capital grants are received in advance with conditions attached to the application of those grant, they are held in the Short-term Capital Grants Receipts in Advance account and only recognised in the Comprehensive Income and Expenditure Statement when the grant conditions have been met.

### Contingent Liabilities and Contingent Assets– Note 35

A contingent liability is either: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in a note unless the possibility of a transfer of economic benefits in settlement is remote.

A contingent asset is a possible asset that may arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent assets are not recognised in the revenue account or the balance sheet because prudence cautions that the gain might never be realised, instead they are disclosed in the Notes to the Core Statements.

When realisation of the gain is virtually certain, then the item ceases to be a contingent asset and can be accounted for as revenue or capital income as appropriate.

### Reserves - Notes 32 and 33

The Council maintains certain reserves for the purpose of meeting liabilities other than those covered by provisions. A distinction is made in the Balance Sheet between usable reserves, which are cash-backed reserves available for use by the Council in the future provision of services and unusable reserves which are used for statutory accounting purposes and cannot be used directly to finance future service costs.

#### Usable Reserves – Note 32

- The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to council tax payers. Such funds are not held for any specific purpose, but are available to assist with the management of financial risks and to deal with any emergencies which might arise. The Medium Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budgeting process.

- Earmarked Reserves are resources set aside to meet specific future running costs and investments. The Medium Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 32a.
- The Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment (see Note 32b).
- Capital Grants Unapplied – holds the balance of grants received where the conditions of grant entitlement have not yet been met. Grants and other contributions are now accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Grants Unapplied until released into the Comprehensive Income & Expenditure Statement as entitlement allows (see Note 32c).

## Unusable Reserves – Note 33

- Revaluation Reserve records unrealised revaluation gains, net of depreciation and disposals on that revaluation amount, on a strict per-asset basis (see Note 33a)
- Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and financed through the capital controls mechanism (see Note 33b).
- Available-for-sale Financial Instruments Reserve stores any gains on revaluation of investments not yet realised through sales. The investment in Rossendale Transport Ltd was not revalued due to the specialised nature of the company and the subjectivity of any such valuation. Instead the investment was carried at the historic value of the shares, shown in the Transport Earmarked Reserve at Note 32a and the value of the investment asset at Note 19. Both of these have been extinguished following the sale of the shares in the company during 2017/18.
- Collection Fund Adjustment Account holds the surplus/(deficit) on the Collection Fund which is directly attributable to Rossendale Borough Council (details can be found in the Collection Fund at Section 3).
- Deferred Capital Receipts Account (Note 33c) holds the value of long term debts not receivable until future years under the terms of the debt. In the past this related to mortgages for Council House tenants prior to 1991, but the last of these mortgages ended in November 2013. From 2013/14 the balance relates to the repayment loans due on the Empty Homes Strategy and the corresponding debt can be seen within Long Term Debtors on the Balance Sheet at Note 20.
- Pensions Reserve is a balancing account to allow the inclusion of Pensions Liability in the Balance Sheet. Details of Pension Fund assets/liabilities can be found in Note 34b and 34c.

## Repurchase of Borrowing

The Code requires gains or losses on the repurchase of borrowing to be recognised in the Comprehensive Income and Expenditure Statement in the year in which they are realised. Where, however, the repurchase is coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect, gains or losses are to be recognised over the life of the replacement borrowing. No such gains or losses were experienced in the current accounting period.

## Notes to Core Financial Statements

### Minimum Revenue Provision - Notes 13, 17 and 33b

In accordance with the requirements of the Local Government and Housing Act 1989, the authority is required to set aside a minimum revenue provision for repayment of debt. Minimum Revenue Provision is a charge to the cost of services in the Comprehensive Income & Expenditure Statement, details of which can be found in Notes 13, 17a, and 33b. In line with Government guidance, the Council calculates MRP to match the life of the asset.

### Financial Instruments – Notes 21 and 22

#### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest.

Any gains or losses on the repurchase or early settlement of borrowing are charged to the Comprehensive Income & Expenditure Statement. However, where repurchase takes place as part of a restructure the premium or discount is added to the amortised cost and charged over the life of the new or modified loan. Where premiums and discounts are charged directly to the Comprehensive Income & Expenditure Statement regulations permit the impact on the General Fund Balance to be spread over future years. This is achieved by transfer to/from the Financial Instruments Adjustment Account. No such gains or losses arose in the current accounting period.

#### Financial Assets

These are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market. These are measured at fair value and carried at amortised cost. Annual credits to the Comprehensive Income & Expenditure Statement are based on the carrying amount multiplied by the effective rate of interest. In all cases where the Council has made loans cost has been used as a proxy for fair value.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. These are initially measured, and carried, at fair value. Credits to the Comprehensive Income & Expenditure Statement for interest are based on the amortised cost multiplied by the effective rate of interest. Gains or losses are posted to the Available for sale Reserve. On de-recognition gains/losses are charged to the Comprehensive Income & Expenditure Statement.

#### Fair Value Measurement

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

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

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 the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability.

## Prior Period Adjustments Note 38

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or estimates or from the correction of fundamental errors, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Code requires that the financial statements should disclose, where practicable the nature of the change in policy and the impact of any adjustment on the preceding accounting period where practicable. Where this is not practicable, the fact this is so and the reasons for it should be disclosed.

This Statement of Accounts includes at Note 2 to the Core Financial Statements an explanation of any adjustments made to comply with changes in the Code.

## Events after the Balance Sheet date – Note 40

Local authorities are required to account for events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the financial statements are authorised for issue in accordance with IAS 10 *Events after the Reporting Period* and IPSAS 14 *Events after the Reporting Date*. Two types of events can be identified:

- Adjusting Events - where events arising after the balance sheet date provide additional evidence of conditions that existed at the balance sheet date and are of a material nature the amounts should be reflected in the Core Statements.
- Non-adjusting Events – events which arise after the balance sheet date and concern conditions which did not exist at that time should be detailed in Notes to the Core Statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements, rather than reflected in the Core Statements.

The date on which the financial statements are authorised for issue is shown in the Statement of Responsibilities.

## Group Accounts

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and its 100% shareholding in Rossendale Transport Ltd.

Following the sale of the shares in the company in January 2018 there are no balances included in the Group Balance Sheet at the 31<sup>st</sup> March 2018, although the Group Comprehensive income and Expenditure Account includes operational transactions from the 1<sup>st</sup> April 2017 to the 12<sup>th</sup> January 2018, when the shares were sold.

## Other Accounting Policies

Foreign currency transactions do not play a material part in the Council's financial transactions.

Rossendale Borough Council has not entered into any PFI schemes.

## Note 38 Restatement of Prior Year Accounts

The Council's accounts for 2017/18 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), which is based on the International Financial Reporting Standards (IFRSs). No adjustments to prior year comparative accounts have been required due to changes in the Code, however the 2016/17 CIES and associated notes have been restated due to the change in accounting treatment of the New Homes Bonus grant.



## Note 39 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 37, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing this Statement of Accounts are:

- 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. In line with the Council's Medium Term Financial Strategy, where services are at potential risk the intention would be to realise the value of any assets deemed surplus to requirements before any impairment occurred.
- Estimates for impairment of assets are performed by the Council's qualified Property Services Manager at the end of each year to reflect any abnormal changes in property values between full formal reviews within the 5-year rolling revaluation programme. The total value of impairments charged to 2017/2018 was £314k (compared to £1,194k charged to 2016/2017) (Note 13 & 14).

## Note 40 Events after the Balance Sheet date

This Statement of Accounts was authorised for release by the Head of Finance on 27<sup>th</sup> July 2022. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### Covid 19

The Council’s focus during the period from the commencement of the COVID-19 outbreak has been to ensure that our residents and businesses are protected as much as possible from the impact of COVID-19.

The Government has provided the Council with funding to assist with any additional expenditure or loss of income the Council incurs. The Government has also supported businesses through additional rate reliefs, these reliefs are being fully funded through to Rossendale Borough Council.

The Council assessed the short term impact of initial measures on its cash flow and following the financial support from Government had sufficient cash balances to fund these. If required temporary borrowing arrangements would have been put in place. The Council also regularly provided feedback to Government on the measures were being taken and the financial impact on the Council of COVID-19.

Staff availability remained strong through the home-working and flexible working arrangements that are in place and regular business continuity updates have ensured that core services continued to be delivered effectively.

The Council quickly established a Community Support Hub with partners to ensure the effective working with our communities to assist those most in need.

The Council had reserves which could be deployed to fund costs not met by Central Government, however the funding supplied was sufficient for the short to medium term. The savings programme for 2019-20 was not impacted and programmes in place for subsequent years will be rigorously monitored to assess for any underlying impacts due to COVID-19, though none of these are expected to be material to financial statements.

## Note 41 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council’s Balance Sheet at 31<sup>st</sup> March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that for every year that useful lives were reduced the annual depreciation charge would increase as follows</p> <ul style="list-style-type: none"> <li>• buildings &amp; infrastructure £7k</li> </ul>

## Notes to Core Financial Statements

	current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<ul style="list-style-type: none"> <li>• vehicles &amp; equipment £108k</li> <li>• intangible assets £40k</li> </ul>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns in pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions have been included in detail within Note 34.
Arrears	Each year the Council reviews the significant balances for Council Tax and sundry debtor arrears. Officers estimate the potential impairment of those debts based on historical default experience, and the age of the debts. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, the effects of an additional 1% in the rate of in-year losses on collection would be an increase of £14k in the required provision for council tax doubtful debts, £3k for business rates doubtful debts and £5k for sundry debts
Business Rates - NNDR	Since the introduction of the Business Rates Retention Scheme effective 1 April 2013, Local Authorities are liable for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. A provision has been recognised for these liabilities up to and including 31 March 2018. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date. The costs will be shared between Central Government, Rossendale Borough Council, Lancashire County Council and Lancashire Fire Authority	Officers deemed that the balance on the Provision at the 31st March 2018 was sufficient to cover the reduced value of outstanding appeals. The Rossendale Borough Council share of that Provision now stands at £823k and more details can be found in Note 30 and Note 4 to the Collection Fund.

# Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement below 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.

COLLECTION FUND	2016/17		2017/18		Note
	Council Tax £000	Business £000	Council Tax £000	Business £000	
<b>Income</b>					
Council Tax	33,456	-	34,856	-	
Non Domestic Rates	-	14,739	-	12,495	
	<b>33,456</b>	<b>14,739</b>	<b>34,856</b>	<b>12,495</b>	
<b>Expenditure</b>					
Precepts paid out					
Lancashire County Council	23,119	1,259	24,432	1,036	
Rossendale Borough Council	5,036	5,597	5,219	4,605	6
Rossendale Borough Council - renewable energy	-	242	-	159	
Lancashire Police Authority	3,192	-	3,309	-	
Lancashire Fire Authority	1,289	140	1,310	115	
Other costs and provisions					
Payment to Central Government	-	-	-	668	
Payment to Lancashire Business Rates Pool	-	7,000	-	5,756	
Provisions for Rating Appeals	-	198	-	(445)	CF4
Provisions for Bad Debts	581	165	169	-	CF5
Cost of Collection Allowance	-	99	-	99	
	<b>33,217</b>	<b>14,700</b>	<b>34,439</b>	<b>11,993</b>	
<b>Surplus / (deficit) Council Tax</b>	<b>239</b>	<b>39</b>	<b>417</b>	<b>502</b>	

Where Note references are preceded by CF they related to the Collection Fund Notes on this and the following pages. Other Note references relate to the Notes to the Core Statements on pages 26 to 81.

## Collection Fund Note 1 Surplus/(deficit) apportionment to the major Preceptors

The table below shows how the surplus/(deficit) on the Collection Fund is distributed across the major preceptors on an agency basis each year.

Apportionment of in-year surplus/(deficit) to major preceptors		2016/17		2017/18		Note
		Council Tax £000	Business £000	Council Tax £000	Business £000	
<b>Preceptor</b>	Lancashire Business Rates Pool	-	19	-	251	
	Lancashire County Council	169	3	319	45	
	Rossendale Borough Council	37	16	38	201	CIES, 13
	Lancashire Police Authority	23	-	43	-	
	Lancashire Fire Authority	10	1	17	5	
	<b>Surplus/(deficit) for the year</b>	<b>239</b>	<b>39</b>	<b>417</b>	<b>502</b>	

## Collection Fund

### Collection Fund Note 2 Collection Fund Adjustment Account

The surplus/(deficit) attributable to Rossendale Borough Council now resides in the Collection Fund Adjustment Account on the Balance Sheet, as shown below.

Rossendale Borough Council - Collection Fund Adjustment Account	Council Tax		Business Rates		Note
	2016/17	2017/18	2016/17	2017/18	
	£000	£000	£000	£000	
Accumulated surplus/(deficit) at 1st April	100	82	(965)	(324)	
Prior year (surplus)/deficit transferred to/from	(55)	(38)	626	249	13
Apportioned Estimated Surplus/(Deficit) for the year	38	82	(249)	(366)	13
Apportioned Final Surplus/(Deficit) for the year	(1)	(44)	264	567	13
<b>Accumulated Surplus/(Deficit) at 31st March</b>	<b>82</b>	<b>82</b>	<b>(324)</b>	<b>126</b>	

### Collection Fund Note 3 Council Tax Base

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). The Council Tax base for 2017/18 was 19,998 compared to 19,678 for 2016/17.

The basic amount of Council Tax for a Band D property rose in 2017/18 from £1,655.98 to £1,711.13 following increases of around 2% by all preceptors except the Lancashire Combined Fire Authority.

Rossendale Borough Council and Whitworth Town Council increased their Council Tax charges for the first time since March 2009 – see Collection Fund Note 7 for details of the Council Tax bands charges.

The council tax base has been calculated as follows:-

Band	Ratio to Band D	Total No. Properties	Total equiv No. after Discounts & Exemptions	2017/18 Band D Equivalent	2016/17 Band D Equivalent
Special	5/9		34.7	19.3	18.6
A	6/9	16,212	10,802.6	7,201.7	7,084.4
B	7/9	4,985	4,044.4	3,145.7	3,079.2
C	8/9	4,122	3,583.8	3,185.6	3,131.3
D	1	3,300	2,996.1	2,996.1	2,961.5
E	11/9	1,923	1,785.8	2,182.7	2,153.9
F	13/9	652	615.8	889.5	879.1
G	15/9	438	407.9	679.8	669.4
H	2	38	26.8	53.5	53.5
		<b>31,670</b>	<b>24,297.9</b>	<b>20,353.9</b>	<b>20,030.9</b>
Less adjustments for anticipated changes to the base and losses on collection				-365.9	-352.9
<b>Band D equivalent number of properties</b>				<b>19,988.0</b>	<b>19,678.0</b>

## Collection Fund

### Collection Fund Note 4 Provision for Rating Appeals

Provision for Rating Appeals	2016/17		2017/18		Note
	Council	Business	Council	Business	
	Tax	Rates	Tax	Rates	
	£000s	£000s	£000s	£000s	
Balance as 1st April	-	2,305	-	2,503	
Provision made in year	-	198	-	-	
Provision utilised in year	-	-	-	(445)	
<b>Balance at 31st March</b>	<b>-</b>	<b>2,503</b>	<b>-</b>	<b>2,058</b>	
<b>Balance at 31st March - Rossendale only</b>	<b>-</b>	<b>1,001</b>	<b>-</b>	<b>823</b>	30

The Council has made provision for the anticipated impact on the Collection Fund in respect of business valuation appeals lodged with the Valuation Office. In quarter 4 of 2017/18 the Valuation Office decided several key appeals cases which led officers to utilize £445k of the provision in 2017/18. The balance of £2,058k on the provision was deemed sufficient to cover the balance of claims outstanding at the 31<sup>st</sup> of March 2018, therefore no further provision was made during 2017/18.

### Collection Fund Note 5 Provision for Bad Debts

Bad Debts Provision	2016/17		2017/18		Note
	Council	Business	Council	Business	
	Tax	Rates	Tax	Rates	
	£000s	£000s	£000s	£000s	
Balance as 1st April	2,720	1,068	3,144	1,141	
Provision made in year	581	165	169	-	
Debts written off	(157)	(92)	16	(140)	
<b>Balance at 31st March</b>	<b>3,144</b>	<b>1,141</b>	<b>3,329</b>	<b>1,001</b>	
<b>Balance at 31st March - Rossendale only</b>	<b>498</b>	<b>456</b>	<b>477</b>	<b>401</b>	26

From 1<sup>st</sup> April 2013, under the Retained Business Rates scheme, Rossendale Borough Council accounts for 40% of the arrears and the provision against those arrears. Given the level of 2017/18 collections for business rates, as noted below, no further provision for bad debts was required at the end of 2017/18.

### Collection Fund Note 6 Arrears

Arrears	2016/17		2017/18		Note
	Council	Business	Council	Business	
	Tax	Rates	Tax	Rates	
	£000s	£000s	£000s	£000s	
Balance as 1st April	5,131	1,337	5,174	1,486	
Change in year	43	149	248	(208)	
<b>Balance at 31st March</b>	<b>5,174</b>	<b>1,486</b>	<b>5,422</b>	<b>1,278</b>	
<b>Balance at 31st March - Rossendale only</b>	<b>788</b>	<b>595</b>	<b>777</b>	<b>512</b>	24

The in-year collection rate for 2017/18 Council Tax was 96.4% compared to a target performance of 96.9%. The collection rate for NNDR in 2017/18 was 98.4% compared to a target performance of 97.9%. Note 24 to the Core Statements shows the Rossendale Borough Council portion of the Council Tax and Business Rates arrears, net of the provision for bad debts shown in Note 5 above.

Part of the Collection Fund surplus is due to the collection of prior year arrears, when the total collection rate rises to over 99%.

## Collection Fund

### Collection Fund Note 7 Non-Domestic Rates (NDR)

April 2013 saw the introduction of new system of local business rates retention. Under the new model Rossendale Borough Council retains 40% of the business rates collected locally. At the 1<sup>st</sup> April 2016 the new Lancashire Pooling arrangement came into effect and Rossendale Borough Council is a partner in that Pool. The tariff payment into the Pool for 2017/18 was £2,586k (in 2016/17 this was £3,306k) and this can be seen in Note 6 to the Core Statements.

Non-domestic rates are organized on a national basis. Central Government specifies an amount (47.9p in 2017/18 and 49.7p in 2016/17) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of their property by that amount. Following the business rates revaluation which took effect from 1<sup>st</sup> April 2017, the rateable value for business premises in Rossendale was £37,038k (as at March 2018), this is down from £37,231k in March 2017 prior to the revaluation.

For the first time in 2016/17 Rossendale Borough Council was entitled to keep 100% of the business rates from renewable energy installations. In 2016/17 this added £242k to Rossendale's element of the business rates scheme as shown in the CIES and Note 6 to the Core Statements, but in 2017/18 this dropped to a true annual value of £159k.

The net business rates collected within Rossendale after provision for bad debts and appeals were £13,639k compared with £14,369k in 2016/17.

### Collection Fund Note 8 Council Tax for all Precepting Bodies 2017/18

Precepting Bodies	2016/17		2017/18							
	Band D	Change	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	%	£	£	£	£	£	£	£	£
Rossendale	253.40	1.99%	172.29	201.01	229.72	258.44	315.87	373.30	430.73	516.88
LCC	1,152.26	1.99%	783.77	914.38	1,045.01	1,175.64	1,436.90	1,698.16	1,959.41	2,351.28
LCC - ASC*	22.60	2.00%	30.72	35.86	40.98	46.10	56.34	66.58	76.82	92.20
Fire	65.50	0.00%	43.67	50.94	58.22	65.50	80.06	94.61	109.17	131.00
Police	162.22	1.99%	110.30	128.68	147.07	165.45	202.22	238.98	275.75	330.90
<b>Total (excl parish)</b>	<b>1,655.98</b>	<b>3.33%</b>	<b>1,140.75</b>	<b>1,330.87</b>	<b>1,521.00</b>	<b>1,711.13</b>	<b>2,091.39</b>	<b>2,471.63</b>	<b>2,851.88</b>	<b>3,422.26</b>
Whitworth Parish	23.01	1.69%	15.60	18.20	20.80	23.40	28.60	33.80	39.00	46.80
<b>Total (incl parish)</b>	<b>1,678.99</b>	<b>3.31%</b>	<b>1,156.35</b>	<b>1,349.07</b>	<b>1,541.80</b>	<b>1,734.53</b>	<b>2,119.99</b>	<b>2,505.43</b>	<b>2,890.88</b>	<b>3,469.06</b>

\*Adult Social Care -

The LCC % increase is based on the total combined tax level.

# Group Accounts

Notes are only reproduced here where the group activity has significantly changed those figures already presented for the single entity accounts. Where Note references are preceded by GR they relate to the Group Notes within this section. Other Note references relate to the Notes to the Core Statements in the earlier pages of this book. As explained throughout these statements, the shares in Rossendale Transport Ltd were sold in January 2018.

## Group Comprehensive Income and Expenditure Statement

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2016/17			2017/18			Note
	Gross		Net	Gross		Net	
	Expend	Income	Expend	Expend	Income	Expend	
	£000s	£000s	£000s	£000s	£000s	£000s	
Place Directorate							
Customer Services & IT	21,961	(20,787)	1,174	20,553	(20,102)	451	
Operations	3,772	(1,063)	2,709	3,625	(1,037)	2,588	
Business Directorate							
Building Control	123	(125)	(2)	102	(158)	(56)	
Planning	867	(502)	365	662	(411)	251	
Local Land Charges	41	(83)	(42)	36	(59)	(23)	
Licensing	477	(692)	(215)	459	(290)	169	
Legal & Democratic Services	909	(169)	740	904	(212)	692	
Regeneration, Health & Housing	5,758	(3,773)	1,985	4,742	(3,121)	1,621	
Corporate Management							
Corporate Management	457	(10)	447	405	(10)	395	
Finance & Property Services	2,203	(312)	1,891	2,377	(246)	2,131	
People & Policy	298	(16)	282	474	-	474	
Non-Distributed costs	2,825	(173)	2,652	813	(58)	755	
Leisure Services	910	(71)	839	70	(111)	(41)	
Rossendale Transport Ltd	9,533	(9,893)	(360)	7,933	(7,770)	163	
<b>Cost of Services</b>	<b>50,134</b>	<b>(37,669)</b>	<b>12,465</b>	<b>43,155</b>	<b>(33,585)</b>	<b>9,570</b>	
<b>Other Operating Expenditure</b>							
Whitworth Town Council Precept	58	-	58	59	-	59	
(Gain)/Loss on disposal of fixed assets	125	(179)	(54)	395	(1,850)	(1,455)	
(Gain)/Loss on disposal of other assets	-	-	-	-	-	-	
Other (Income)/Expenditure	-	(617)	(617)	900	(1,091)	(191)	
<b>Financing &amp; Investment Income &amp; Expenditure</b>							
Interest payable on debt	317	-	317	224	-	224	
Interest and investment income	-	(73)	(73)	-	(94)	(94)	
Pensions - interest cost	3,072	-	3,072	2,484	-	2,484	GR9
Pensions - curtailments	48	-	48	-	-	-	GR9
Pensions - admin expenses	18	-	18	19	-	19	GR9
Pensions - interest on assets	-	(2,007)	(2,007)	-	(1,726)	(1,726)	GR9
Pensions - business combinations	9,440	(7,885)	1,555	-	-	-	
(Surplus)/Deficit on Trading Undertakings	403	(294)	109	878	(273)	605	
<b>Taxation and Non-Specific Grant Income</b>							
Taxation	-	(51)	(51)	-	(28)	(28)	
Collection Fund							
Council Tax	-	(5,036)	(5,036)	-	(5,219)	(5,219)	
Council Tax re prior year deficit	-	-	-	-	-	-	
Retained Business Rates	3,306	(5,839)	(2,533)	2,534	(4,764)	(2,230)	
Collection Fund (surplus)/deficit							
Council Tax	-	(37)	(37)	-	(38)	(38)	
Retained Business Rates	-	(15)	(15)	-	(201)	(201)	
Rate Support Grant	-	(1,016)	(1,016)	-	(503)	(503)	
Donated Assets	-	-	-	-	(2,300)	(2,300)	
Non service related Government Grants	-	(1,008)	(1,008)	-	(835)	(835)	
<b>(Surplus)/Deficit on Provision of Services</b>	<b>66,921</b>	<b>(61,726)</b>	<b>5,195</b>	<b>50,648</b>	<b>(52,507)</b>	<b>(1,859)</b>	
<b>(Surplus)/deficit on revaluations:-</b>							
Property, Plant & Equipment assets			(1,068)			1,137	GR1, GR3
Pension Fund Assets			2,082			(3,837)	GR1, GR9
<b>Other Comprehensive (Income)/Expenditure</b>			1,014			(2,700)	
<b>Total Comprehensive (Income)/Expenditure</b>			<b>6,209</b>			<b>(4,559)</b>	

## Group Accounts

For an explanation of the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement please refer to the descriptions with the main Core Statements on pages 26 to 29.

The entries in the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement cover only the period 1<sup>st</sup> April 2017 to 12<sup>th</sup> January 2018. Following the sale of the shares this Council had no interest in the Company as at 31<sup>st</sup> March 2018.

### Group Note 1 Reconciliation of Single Entity and Group (Surplus)/Deficit

Reconciliation of Single Entity & Group (Surplus)/Deficit	2016/17			2017/18		
	Council £000s	RT Ltd £000s	Group £000s	Council £000s	RT Ltd £000s	Group £000s
Provision of Services	5,444	(249)	5,195	(1,870)	11	(1,859)
Revaluation of fixed assets	(1,068)	-	(1,068)	1,137	-	1,137
Revaluation of pension fund assets	2,082	-	2,082	(3,837)	-	(3,837)
<b>Group Comprehensive (Income)/Expenditure</b>	<b>6,458</b>	<b>(249)</b>	<b>6,209</b>	<b>(4,570)</b>	<b>11</b>	<b>(4,559)</b>

### Group Movement in Reserves Statement

GROUP MOVEMENT IN RESERVES STATEMENT	Total Useable Reserves	Unusable Reserves	Total Authority Reserves	Authority Share of Group Reserves	Total Reserves (Including Group)
	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2016</b>	<b>12,749</b>	<b>(7,822)</b>	<b>4,927</b>	<b>651</b>	<b>5,578</b>
<b>Movement in Reserves during 2016/17</b>					
Surplus/(deficit) on provision of services	(5,444)	-	(5,444)	249	(5,195)
Other Comprehensive Expenditure and Income	-	(1,014)	(1,014)	-	(1,014)
<b>Total Comprehensive Expenditure and Income</b>	<b>(5,444)</b>	<b>(1,014)</b>	<b>(6,458)</b>	<b>249</b>	<b>(6,209)</b>
Adjustments between accounting basis & funding basis under regulations	3,260	(3,260)	-	-	-
<b>Net incr/(decr) before transfers to Reserves</b>	<b>(2,184)</b>	<b>(4,274)</b>	<b>(6,458)</b>	<b>249</b>	<b>(6,209)</b>
Transfers to/from Earmarked Reserves	-	-	-	-	-
<b>Increase/(decrease) in Year</b>	<b>(2,184)</b>	<b>(4,274)</b>	<b>(6,458)</b>	<b>249</b>	<b>(6,209)</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>10,565</b>	<b>(12,096)</b>	<b>(1,531)</b>	<b>900</b>	<b>(631)</b>
<b>Movement in Reserves during 2017/18</b>					
Surplus/(deficit) on provision of services	1,870	-	1,870	(11)	1,859
Other Comprehensive Expenditure and Income	-	2,700	2,700	-	2,700
<b>Total Comprehensive Expenditure and Income</b>	<b>1,870</b>	<b>2,700</b>	<b>4,570</b>	<b>(11)</b>	<b>4,559</b>
Adjustments between accounting basis & funding basis under regulations	(1,900)	1,900	-	-	-
<b>Net incr/(decr) before transfers to Reserves</b>	<b>(30)</b>	<b>4,600</b>	<b>4,570</b>	<b>(11)</b>	<b>4,559</b>
Transfers to/from Earmarked Reserves	-	-	-	(889)	(889)
<b>Increase/(decrease) in Year</b>	<b>(30)</b>	<b>4,600</b>	<b>4,570</b>	<b>(900)</b>	<b>3,670</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>10,535</b>	<b>(7,496)</b>	<b>3,039</b>	<b>-</b>	<b>3,039</b>

# Group Accounts

## Group Balance Sheet

<b>BALANCE SHEET</b>	<b>31st March 2017 £000s</b>	<b>31st March 2018 £000s</b>	<b>Note</b>
Property, Plant & Equipment			
Other Land and Buildings	24,621	20,474	
Vehicles, Plant, Furniture & Equipment	1,936	1,410	
Infrastructure	123	113	
Community Assets	3,629	674	
Assets under construction	960	4,075	
Surplus Assets	390	390	
	<b>31,659</b>	<b>27,136</b>	GR3
Heritage Assets	2,155	2,154	
Investment Properties	539	539	
Intangible Assets	154	91	
Long-term Investments	2	2	GR2
Long-term Debtors	1,335	967	GR2
<b>Long-term Assets</b>	<b>35,844</b>	<b>30,889</b>	
Short-term Investments	3,000	5,250	
Inventories	211	31	GR4
Short Term Debtors	4,215	3,981	GR5
Cash and cash equivalents	3,864	2,089	GR6
Assets held for sale within one year	48	47	
<b>Current Assets</b>	<b>11,338</b>	<b>11,398</b>	
Short-term Borrowing	(638)	(184)	GR2, GR7
Short-term Creditors	(6,132)	(3,788)	GR2, GR8
Short-term Provisions	(523)	(777)	
Short-term Capital Grant Receipts in Advance	(279)	(3,620)	
<b>Current Liabilities</b>	<b>(7,572)</b>	<b>(8,369)</b>	
Long Term Borrowing	(4,240)	(2,944)	GR2, GR7
Provisions	(1,287)	(823)	
Net Pensions Liability	(34,714)	(27,112)	GR9
<b>Long- term Liabilities</b>	<b>(40,241)</b>	<b>(30,879)</b>	
<b>Net Assets</b>	<b>(631)</b>	<b>3,039</b>	
<b>Represented by:</b>			GR2
General Fund	1,000	747	
Earmarked Reserves	6,874	5,521	
Capital Receipts Reserve	1,762	3,377	
Capital Grants Unapplied	929	890	
<b>Usable Reserves</b>	<b>10,565</b>	<b>10,535</b>	
Revaluation Reserve	11,997	<b>10,534</b>	
Pension Reserve	(33,614)	(30,175)	GR9
Capital Adjustment Account	7,828	10,167	
Deferred Capital Receipts	2,076	1,770	
Collection Fund Adjustment Account	(242)	208	
Reserves of Group Entities	759	-	
<b>Unusable Reserves</b>	<b>(11,196)</b>	<b>(7,496)</b>	
<b>Total Reserves</b>	<b>(631)</b>	<b>3,039</b>	

Karen Spencer, Head of Finance

27<sup>th</sup> July 2022

## Group Accounts

### Group Cash Flow Statement

CASH FLOW STATEMENT	2016/17 £000	2017/18 £000	Note
<b>Operating Activities</b>			
Net surplus/(deficit) on the provision of services	(5,195)	1,859	
Adjustment for noncash movements	2,824	4,266	36a
Adjustment for items that are investing and financing activities	542	396	36a
<b>Net cash flows from Operating Activities</b>	<b>(1,829)</b>	<b>6,521</b>	
<b>Investing Activities</b>			
Additions to property, plant and equipment & intangible assets	(1,903)	(4,215)	36a
Exclude from the above the value of Donated Assets	-	2,300	36a
Proceeds from the sale of property, plant and equipment	185	(2,112)	36a
Proceeds from the sale of other assets	-	1,740	36a
Deferred Capital Receipt	389	306	
Increase/(decrease) in other long-term debtors	793	(368)	36a
Increase/(decrease) in RTL long-term debtors	-	(1,482)	36a
Other income	(617)	191	36a
<b>Net Cash Flows from Investing Activities</b>	<b>(1,153)</b>	<b>(3,640)</b>	
<b>Management of Liquid Resources</b>			
Cash inflows - Short-term investments	17,000	14,900	
Cash outflows - Long-term investments	-	(645)	
Cash outflows - Short-term investments	(13,000)	(16,558)	
<b>Financing</b>			
Cash (Outflows)/Inflows - agency operations			
National non-domestic rates	363	267	
Council Tax	886	(874)	
Cash Outflows - Repayments of amounts borrowed	(1,727)	(1,747)	
Cash Inflows - New long-term loans	(250)	-	
Cash Inflows - New short-term loans	(58)	-	
<b>Net Cash Flows from Financing Activities</b>	<b>3,214</b>	<b>(4,657)</b>	
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>232</b>	<b>(1,776)</b>	
Cash and Cash Equivalents at the beginning of the year	3,632	3,865	GR6
<b>Cash and Cash Equivalents at the end of the year</b>	<b>3,864</b>	<b>2,089</b>	GR6

### Group Note 2 Group consolidation adjustments

Within the Council single entity accounts and the Rossendale Transport Ltd accounts there are certain inter-company balances which have been adjusted to create the Group Balance Sheet. Those adjustments are shown below.

Group Balance Sheet Consolidation Adjustments	31st March 2017				31st March 2018			
	Council £000s	RT Ltd £000s	Consol £000s	Group £000s	Council £000s	RT Ltd £000s	Consol £000s	Group £000s
Long Term Investments	647	-	(645)	2	2	-	-	2
Long Term Debtors	2,517	-	(1,182)	1,335	967	-	-	967
Short-term Borrowing	(184)	(454)	-	(638)	(184)	-	-	(184)
Short-term Creditors	(4,518)	(1,020)	172	(5,366)	(3,788)	-	-	(3,788)
Long-term Borrowing	(3,128)	(2,122)	1,010	(4,240)	(2,944)	-	-	(2,944)
Called up share capital	-	(645)	645	-	-	-	-	-

# Group Accounts

## Group Note 3 Property, Plant & Equipment

Following the sale of the shares in January 2018, therefore the table below replicates the single entity asset Note 14.

Property, Plant & Equipment 2017/18	Vehicles, Plant, Infra- structure						Surplus Assets £000s	Total Assets £000s
	Land & Buildings £000s	Furniture & Equip £000s	Assets £000s	Community Assets £000s	Assets under construction £000s	£000s		
<b>Cost or Valuation 1st April 2017</b>	34,261	15,235	253	1,142	1,174	519	52,584	
Additions	2,843	62	-	3	906	31	3,845	
Revaluation increases/(decreases)- to Revaluation Reserve	(933)	-	-	(204)	-	-	(1,137)	
to Provision of Services	(609)	-	-	-	-	-	(609)	
Reclassifications- to/from Assets Held for Sale	-	-	-	-	-	-	-	
others	(2,511)	-	-	-	2,511	-	-	
Derecognition on disposal	(4,028)	(8,913)	-	-	-	(31)	(12,972)	
<b>Cost or Valuation 31<sup>st</sup> March 2018</b>	<b>29,023</b>	<b>6,384</b>	<b>253</b>	<b>941</b>	<b>4,591</b>	<b>519</b>	<b>41,711</b>	
<b>Accum Depreciation and Impairments 1st April 2017</b>	(9,642)	(10,553)	(131)	(257)	(214)	(129)	(20,926)	
Depreciation for the year- to Revaluation Reserve	(103)	-	-	(1)	-	-	(104)	
to Provision of Services	(232)	(560)	(9)	(2)	(2)	-	(805)	
Impairment losses/(reversals) to Revaluation Reserve	(307)	-	-	(7)	-	-	(314)	
to Provision of Services	-	-	-	-	-	-	-	
Reclassifications	300	-	-	-	(300)	-	-	
Derecognition on disposal	1,435	6,139	-	-	-	-	7,574	
<b>Accumulated Depreciation and Impairments 31<sup>st</sup> March 2018</b>	<b>(8,549)</b>	<b>(4,974)</b>	<b>(140)</b>	<b>(267)</b>	<b>(516)</b>	<b>(129)</b>	<b>(14,575)</b>	
Net Book Value at 31 <sup>st</sup> March 2018	20,474	1,410	113	674	4,075	390	27,136	
Net Book Value at 31 <sup>st</sup> March 2017	24,619	4,682	122	885	960	390	31,658	

Included in the total net book value of vehicles in the comparator table on the opposite page was £1,936k at 31<sup>st</sup> March 2017 in respect of public carrying vehicles held under finance leases by Rossendale Transport Ltd. Depreciation on those assets during 2017/18, up to the date of the sale of the company, was £235k. There are no assets for Rossendale Transport Ltd in the above table as at 31<sup>st</sup> March 2018.



## Group Accounts

The major changes between the local authority sole entity accounts and the Group Accounts lie in the Property, Plant and Equipment owned by Rossendale Transport Ltd. The note below replicates Core Statement Note 14 for the whole of the Group for 2016/17.

Property, Plant & Equipment <b>2016/17</b>	Land & Buildings	Vehicles, Plant, Furniture & Equip	Infra-structure Assets	Community Assets	Assets under construction	Surplus Assets	Total Assets
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation 1st April 2016</b>	32,605	15,012	326	1,169	974	639	50,725
Additions	1,298	1,075	22	13	147	-	2,555
Revaluation increases/(decreases)- to Revaluation Reserve	995	-	(81)	100	53	-	1,067
to Provision of Services	(252)	-	(14)	(140)	-	-	(406)
Reclassifications- to/from Assets Held for Sale	-	-	-	-	-	(120)	(120)
others	-	-	-	-	-	-	-
Derecognition on disposal	(385)	(852)	-	-	-	-	(1,237)
<b>Cost or Valuation 31<sup>st</sup> March 2017</b>	<b>34,261</b>	<b>15,235</b>	<b>253</b>	<b>1,142</b>	<b>1,174</b>	<b>519</b>	<b>52,584</b>
<b>Accum Depreciation and Impairments 1st April 2016</b>	(8,443)	(10,162)	(137)	(244)	(209)	(130)	(19,325)
Depreciation for the year- to Revaluation Reserve	(111)	(2)	6	-	(4)	-	(111)
to Provision of Services	(265)	(1,240)	-	-	(1)	-	(1,506)
Impairment losses/(reversals) to Revaluation Reserve	(1,113)	-	-	-	-	-	(1,113)
to Provision of Services	(84)	-	-	(13)	-	(11)	(108)
Reclassifications	-	-	-	-	-	12	12
Derecognition on disposal	374	851	-	-	-	-	1,225
<b>Accumulated Depreciation and Impairments 31st March 2017</b>	<b>(9,642)</b>	<b>(10,553)</b>	<b>(131)</b>	<b>(257)</b>	<b>(214)</b>	<b>(129)</b>	<b>(20,926)</b>
Net Book Value at 31st March 2017	24,619	4,682	122	885	960	390	31,658

### Group Note 4 Inventories

This note corresponds to the single entity Note 23.

Inventories	31st March 2017			31st March 2018		
	Council £000s	RT Ltd £000s	Group £000s	Council £000s	RT Ltd £000s	Group £000s
Raw Materials & Consumables	24	187	211	31	-	31
<b>Net Balance at 31st March</b>	<b>24</b>	<b>187</b>	<b>211</b>	<b>31</b>	<b>-</b>	<b>31</b>

### Group Note 5 Debtors

This note corresponds to the single entity Note 24.

Debtors	31st March 2017			31st March 2018		
	Council £000s	RT Ltd £000s	Group £000s	Council £000s	RT Ltd £000s	Group £000s
Central Government Bodies	450	-	450	331	-	331
Other Local Authorities	998	-	998	1,501	-	1,501
Other entities and individuals						
Council Tax	875	-	875	300	-	300
Retained Business Rates	139	-	139	98	-	98
Advance Payments	640	410	1,050	524	-	524
Sundry Trade Debtors	505	198	703	1,227	-	1,227
<b>Net Balance at 31st March</b>	<b>3,607</b>	<b>608</b>	<b>4,215</b>	<b>3,981</b>	<b>-</b>	<b>3,981</b>

# Group Accounts

## Group Note 6 Net Change in Liquid Resources

This note corresponds to the single entity Note 25.

Short-term Investments, Cash and Cash Equivalents	31st March 2017			31st March 2018		
	Council £000s	RT Ltd £000s	Group £000s	Council £000s	RT Ltd £000s	Group £000s
Bank Deposits - access <3 months	1,000	-	1,000	3,750	-	3,750
Bank Deposits - access 3 - 6 months	-	-	-	-	-	-
Bank Deposits - access 6 -12 months	2,000	-	2,000	1,500	-	1,500
<b>Total Short-term Investments</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>5,250</b>	<b>-</b>	<b>5,250</b>
Cash in Hand	1	4	5	1	-	1
Cash at Bank	3,555	363	3,918	2,088	-	2,088
Bank Overdraft	-	(58)	(58)	-	-	-
<b>Cash and Cash Equivalents</b>	<b>3,556</b>	<b>309</b>	<b>3,865</b>	<b>2,089</b>	<b>-</b>	<b>2,089</b>

## Group Note 7 Borrowing

This note corresponds to the single entity Note 29.

Borrowing	31st March 2017			31st March 2018		
	Council £000s	RT Ltd £000s	Group £000s	Council £000s	RT Ltd £000s	Group £000s
Repayable in less than 12 months	184	454	638	184	-	184
Repayable between 1 & 2 years	184	317	500	184	-	184
between 2 & 5 years	552	390	942	552	-	552
between 5 & 10 years	920	406	1,326	920	-	920
in 10 years or more	1,472	-	1,472	1,288	-	1,288
<b>Balance at 31st March</b>	<b>3,312</b>	<b>1,567</b>	<b>4,878</b>	<b>3,128</b>	<b>-</b>	<b>3,128</b>

## Group Note 8 Creditors

This note corresponds to the single entity Note 28.

Creditors	31st March 2017			31st March 2018		
	Council £000s	RT Ltd £000s	Group £000s	Council £000s	RT Ltd £000s	Group £000s
Central Government Bodies	2,040	99	2,139	1,160	-	1,160
Other Local Authorities	355	-	355	101	-	101
Bodies external to government						
Business Rates	167	-	167	87	-	87
Advance Receipts: Council Tax	63	-	63	59	-	59
Advance Receipts: Others	50	277	327	305	-	305
Employee Benefit Expenses	25	-	25	43	-	43
Sundry Trade Creditors	2,643	413	3,056	2,033	-	2,033
<b>Balance at 31st March</b>	<b>5,343</b>	<b>789</b>	<b>6,132</b>	<b>3,788</b>	<b>-</b>	<b>3,788</b>

## Group Accounts

### Group Note 9 Local Government Pension Scheme – a defined benefit scheme

Rossendale Transport Ltd was a party to the same Local Government Pension Scheme, operated by Lancashire County Council, as Rossendale Borough Council.

In the March 2016 actuarial valuation the pension fund for former Council employees working with Rossendale Transport Ltd showed a small surplus, therefore Members decided to bring this element back within the Council during 2016/17, as explained in the Narrative Report on page 18

Following the consolidation of the Rossendale Transport pension fund with the Council's own fund at the end of 2016/17, the remaining pension fund notes will not differ from those of the single entity at Note 34.



## Glossary

### Accounting Standards Board

The role of the Accounting Standards Board (ASB) is to issue accounting standards. Accounting standards developed by the ASB are contained in 'Financial Reporting Standards' (FRSs). Soon after it started its activities in 1990, the ASB adopted the standards issued by the Accounting Standards Committee (ASC), so that they also fall within the legal definition of accounting standards.

These are designated 'Statements of Standard Accounting Practice' (SSAPs). Whilst some of the SSAPs have been superseded by FRSs, some remain in force. Accounting standards apply to all companies, and other kinds of entities that prepare accounts that are intended to provide a true and fair view.

### Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### Agency Services

Services provided by the Council, as an agent on behalf of the responsible body, where the principal reimburses the Council for the cost of the work carried out.

### Auditor's Opinion

The opinion required by statute from the Council's external auditors, indicating whether the statement of accounts presents a true and fair view of the financial position of the authority.

### Budget

A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

### Business Rates

From the 1<sup>st</sup> April 2013 non-domestic rates, or Business Rates, were localised. In the past all business rates were collected locally but then paid over to central government and each authority was paid a share of the national pool based upon their population and circumstances.

Rossendale Borough Council now collects these rates and pays 50% direct to central government, 9% to Lancashire County Council and 1% to Lancashire Fire Authority. This means that 40% should be kept locally.

Note 9 to the core statements explains how the tariff system provides a national balancing adjustment between the 40% local share and the amount received previously from the national pool. After the tariff the actual amount kept by Rosendale Borough Council in 2013/14 was 15%.

### Capital expenditure

Spending on the acquisition or maintenance of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. Expenditure that does not fall within the definition must be charged to a revenue account.



## Glossary

### Capital Receipts

Proceeds from the sale of fixed assets, such as land or buildings, or the repayment of capital grants or advances.

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

CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public sector. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.

### Code of Practice on Local Authority Accounting (the CODE)

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2010 (the Code) stipulates that the preparation of the Statement of Accounts. This Code replaces CIPFA's Statement of Recommended Practice 2009 (SORP) and is now based on the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) adapted as interpreted for the public sector by the International Public Sector Accountancy Standards (IPSASs).

### Collection Fund

The account which shows the transactions of the Council in relation to non-domestic rates and Council Tax, and the distribution of these to other precepting bodies and to Rossendale Borough Council's General Fund for the year.

Following the SORP 2009, the Collection Fund is now operated on an agency basis. That means that the accumulated balances at the year end, including arrears and accounts in credit are apportioned over the main precepting bodies. Rossendale Borough Council's proportion of the debtors and accounts in credit can be seen directly on the Balance Sheet and at Note 19 and 22 to the Core Statements and the Council's proportion of the overall surplus/(deficit) on the account is now held in the Collection Fund Adjustment Account. Those amounts attributable to each of the other preceptors are included as a net position within the Other Public Bodies sections of Note 19 and Note 22 respectively.

### Collection Fund Adjustment Account

A new account created following the SORP 2009, which holds that portion of the Collection Fund cumulative balance attributable solely to Rossendale Borough Council.

### Community Assets

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



## Glossary

### The Department for Communities and Local Government (CLG)

The central government department for Communities and Local Government (CLG) has a powerful remit to promote community cohesion and equality, as well as responsibility for housing, urban regeneration, planning and local government. The CLG is responsible for national policy on local government in England, examining the future of local government and local democracy; reviewing performance and measurement through inspection and audit; driving through the modernisation agenda of efficiency and improvement of service delivery; and maintaining and developing a framework for local government finance.

### Consolidated Balance Sheet

The combined balance sheets of the Council's services.

### Contingency Sum

A sum set aside to provide for foreseen but unquantifiable future commitments or for unforeseen expenditure that may become necessary during the year.

### Cost of Management and Administration

An allocation to service accounts of the net cost of the administrative and professional departments which support all of the Council's services.

### Creditor

An amount owed by the Council for goods received, or services rendered to it within the accounting period, but for which payment has not been made.

### Current Costs Accounting (CCA)

The presentation of the accounts in a form that aims to reflect the consequences of price and value charges.

### Debt redemption

The repayment of external loans previously raised to finance capital expenditure.

### Debtor

An amount of income due to the Council within the accounting period but not received at the balance sheet date.

### Deferred capital receipts

Capital receipts to be received by instalments over agreed periods of time.

### Deferred charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on items such as improvement grants.

### D.E.F.R.A.

The Department for the Environment, Food and Rural Affairs supports the Council in its recycling projects.

### Depreciation

## Glossary

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

### D.W.P.

The Department of Work and Pensions funds the Housing and Council Tax Benefits payable to borough residents and also funds the administration of those benefits.

### E.R.D.F.

The European Regional Development Fund which supports regeneration projects such as Futures Park managed office units.

### Fair Value

In accounting, fair value is used as an estimate of the market value of an asset (or liability) for which a market price cannot be determined (usually because there is no established market for the asset). Where a reasonable estimation of fair value cannot be calculated assets are carried at historical cost.

### Financial instruments

Financial instruments are cash, evidence of an ownership interest in an entity, or a contractual right to receive, or deliver, cash or another financial instrument. Financial instruments can refer to both receivables (including debtors and other investments) and payables (including creditors and other liabilities or borrowings).

### Financial Reporting Standard 17 (FRS17)

FRS17, issued by the Accounting Standards Board in November, 2000 and amended November, 2002, set out the accounting treatment for retirement benefits such as pensions and medical care during retirement.

### General Fund

The main revenue fund of the Council. Day-to-day spending on services is met from the General Fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

### Governance Framework

Authorities have a responsibility to ensure that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to and engages with and leads the community. The principles of this framework were laid down by the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.

### Housing General Fund

Strategy and support for domestic properties across the borough, as opposed to the operation of council-owned housing which is kept separate in the Housing Revenue Account, or strategy and support for commercial properties.

### Housing Revenue Account (HRA)

A separate account for the operation of the direct provision of housing by the Council, which is now closed following the LSVT to Green Vale Homes in March 2006.

# Glossary

## Impairment

A measure of abnormal consumption of the economic benefit of an asset over and above the normal annual depreciation.

## Infrastructure assets

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

## Intangible assets

Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software. Intangible assets are capitalised at cost and depreciated to the revenue account over their useful economic life.

## Internal Borrowing

Whilst capital resources cannot be used to fund revenue works, revenue reserves can be used to support the costs of capital projects, either permanently, or temporarily. Temporary revenue funding is known as Internal Borrowing and these funds are repaid over the life of the asset in a process called the Minimum Revenue Provision. When the Council has the revenue reserves to do this it is usually a cheaper option than external borrowing.

## Large scale voluntary transfer (LSVT)

This relates to the transfer of the housing stock, as voted by the tenants, and is generally referred to as a large scale voluntary transfer due to its size.

## Leasing

A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

## Loans outstanding

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

## Local Authority Business Growth Incentive Scheme (LABGIS)

This is a means to reward Councils for increases in the rateable value of business properties above a certain threshold. Rossendale has received this for the first time in 2006/07 and used the extra income to create a Reserve for future Economic Development activity.

## Materiality

Materiality is a concept within auditing and accounting relating to the importance of an amount, transaction, or discrepancy. Information is material if its omission or misstatement could influence the economic decision of users taken on the basis of the financial statements and depends on the size of the item or the particular circumstances of its omission or misstatement.



## Glossary

### Minimum Revenue Provision (MRP)

The Minimum Revenue Provision is the minimum amount which must be charged to the Council's revenue account each year to repay the revenue reserves for amounts used to support the capital programme – known as Internal Borrowing.

### Ministry for Housing, Communities and Local Government (MHCLG)

The Ministry of Housing, Communities and Local Government's (formerly the Department for Communities and Local Government) job is to create great places to live and work, and to give more power to local people to shape what happens in their area.

### National non-domestic rates (NNDR) – see Business Rates from 1<sup>st</sup> April 2013

A national non-domestic rate poundage for commercial premises is set annually by the government and collected by all local authorities. The proceeds are redistributed between local authorities in proportion to their adult populations.

### Net book value

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

### Non-operational assets

Assets held by the Council, but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### Operational assets

Assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax payers on their behalf, for example Lancashire County Council is a precepting authority which requires Rossendale Borough Council to collect an amount from each householder within the borough. Details of these charges made and the amounts collected and owing are kept separate from the day-to-day running of Rossendale Borough Council in the Collection Fund.

### Prior Period Adjustment

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

### Post Balance Sheet Events

Events arising after the balance sheet date which provide additional evidence of conditions that existed at the balance sheet date and are of a material nature.

### Primacy of Legislative Requirements

The non-cash effects of transactions and other events should be reflected, as far as is possible, in the financial statements for the accounting period in which they occur and not in the period in which any cash involved is received or paid. (This replaces the principle of matching that underlays the accruals concept.)

## Glossary

### Provision

An amount set aside in the accounts for liabilities that are certain to be incurred in the future, but which cannot be quantified accurately at the balance sheet date.

### Public Works Loan Board (PWLB)

A Government agency that provides longer term loans to local authorities.

### Reserve

Amounts included in one financial year's accounts to provide for payment for goods or services, whether revenue or capital, in a future financial year.

### Revenue Account

The Revenue Account records the authority's day-to-day expenditure and income on such items as salaries and wages and other running costs of services. The is sometimes also referred to as the General Fund.

### Service Reporting Code of Practice for Local Authorities (SeRCOP)

Local authorities in England prepare their Comprehensive Income & Expenditure Statement in accordance with the Service Reporting Code of Practice for Local Authorities (SeRCOP). The SeRCOP stipulates the service divisions to be used in the Comprehensive Income & Expenditure Statement, including the collection of central managerial costs under 'Other Central Services'.

### SOLACE

The Society of Local Authority Chief Executives and Senior Managers was formed in 1974. SOLACE is the representative body for senior strategic managers working in the public sector. Its aim is to promote excellence in public service.

### Tangible Assets

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

### Usable and Unusable Reserves

The Reserves in the Balance Sheet are reported in two categories:-

**Usable Reserves** are those that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or to repay debt).

**Unusable reserves**, are those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'





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Date: 27<sup>th</sup> July 2022

Dear Sir/Madam

### **Rossendale Borough Council Financial Statements for the year ended 31<sup>st</sup> March 2018**

This representation letter is provided in connection with the audit of the financial statements of Rossendale Borough Council and its subsidiary undertaking, Rossendale Transport Limited, for the year ended 31<sup>st</sup> March 2018 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

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

#### **Group Financial Statements**

- 1) We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.
- 2) We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.
- 3) The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements

#### *The Council's vision is:*

*"To have a thriving economy, built around our changing town centres; creating a quality environment for all and improving the life chances of all those living and working in our borough."*

of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.

- 4) We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 6) We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- 7) Except as disclosed in the group and parent Council financial statements:
  - I. there are no unrecorded liabilities, actual or contingent.
  - II. none of the assets of the group and parent Council has been assigned, pledged or mortgaged.
  - III. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- 8) We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- 9) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- 10) All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- 11) Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- 12)
  - i) We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes.
  - ii) We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.  
The financial statements are free of material misstatements, including omissions.
- 13) We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

*The Council's vision is:*

*"To have a thriving economy, built around our changing town centres; creating a quality environment for all and improving the life chances of all those living and working in our borough."*

- 14) Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- 15) We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- 16) The prior period adjustments disclosed in Notes 1, 2, 13 & 14 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention. We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- 17) We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- 18) We have communicated to you all deficiencies in internal control of which management is aware.
- 19) All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- 20) We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
- 21) We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the group and parent Council financial statements.
- 22) We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.
- 23) We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### *The Council's vision is:*

*"To have a thriving economy, built around our changing town centres; creating a quality environment for all and improving the life chances of all those living and working in our borough."*

- 24) We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.
- 25) We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.
- 26) We have disclosed to you all information in relation to the East Lancashire Empty Homes Scheme, including all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Annual Governance Statement**

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

### **Narrative Report**

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

### **Approval**

The approval of this letter of representation was minuted by the Council's Audit and Accounts Committee at its meeting on 27<sup>th</sup> July 2022.

Yours faithfully

Councillor A MacNae  
**Chair of Audit & Accounts Committee**

Karen Spencer  
**Head of Finance**

Dated: 27<sup>th</sup> July 2022

*The Council's vision is:  
"To have a thriving economy, built around our changing town centres; creating a quality environment for all and improving the life chances of all those living and working in our borough."*



# Audit Findings

*Year ending 31 March 2018*

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Rossendale Borough Council  
27 July 2022



# Contents



## Your key Grant Thornton team members are:

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## Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

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## Appendix

- A: Action Plan
- B: Audit Adjustments
- C: Fees

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key issues arising from the statutory audit of Rossendale Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2018 for those charged with governance.

<b>Financial Statements</b>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> <li>the group and Council's financial statements give a true and fair view of the group and Council's financial position and of the group and Council's expenditure and income for the year, and</li> <li>have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul>	<p>Our audit work is largely complete. At the time of drafting this report we are still finalising our procedures in the following areas:</p> <ul style="list-style-type: none"> <li>completion of final review process;</li> <li>review of final approved set of financial statements and</li> <li>receipt of management representation letter;</li> </ul>
	<p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our current findings are summarised within the report. We have identified a number of adjustments to the financial statements, the main item being the need for Group Accounts. Significant improvement is needed in the Council's asset revaluation processes. We also identified an error with the treatment on accounting for a grant which was not ringfenced and this led to a prior period adjustment.</p> <p>We have been working with the Council to finalise outstanding queries, and have reviewed the treatment on the sale of the Transport queries, these have been finalised and the amendments have been agreed. We have also been working with the Councils property team and external valuers on finalising our queries with revaluations. These have been finalised and one asset has been amended. We will issue an unqualified audit opinion.</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> <li>the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')</li> </ul>	<p>Our review of the Council's arrangements to secure economy, efficiency and effectiveness is largely complete. We intend to issue an unqualified VfM conclusion confirming the Council did have appropriate arrangements in 2017/18.</p>
	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>certify the closure of the audit</li> </ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We do not expect to be able to certify the conclusion of the audit due to the ongoing investigation in to the Empty Homes Programme.</p>

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code').

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

## Audit approach

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

- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that a comprehensive audit response was required.

- A review of the transactions to ensure the sale of the subsidiary is correctly accounted for.

## Conclusion

We have completed our work and have agreed amendments to the accounts. Further information can be found in Appendix B.

# Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

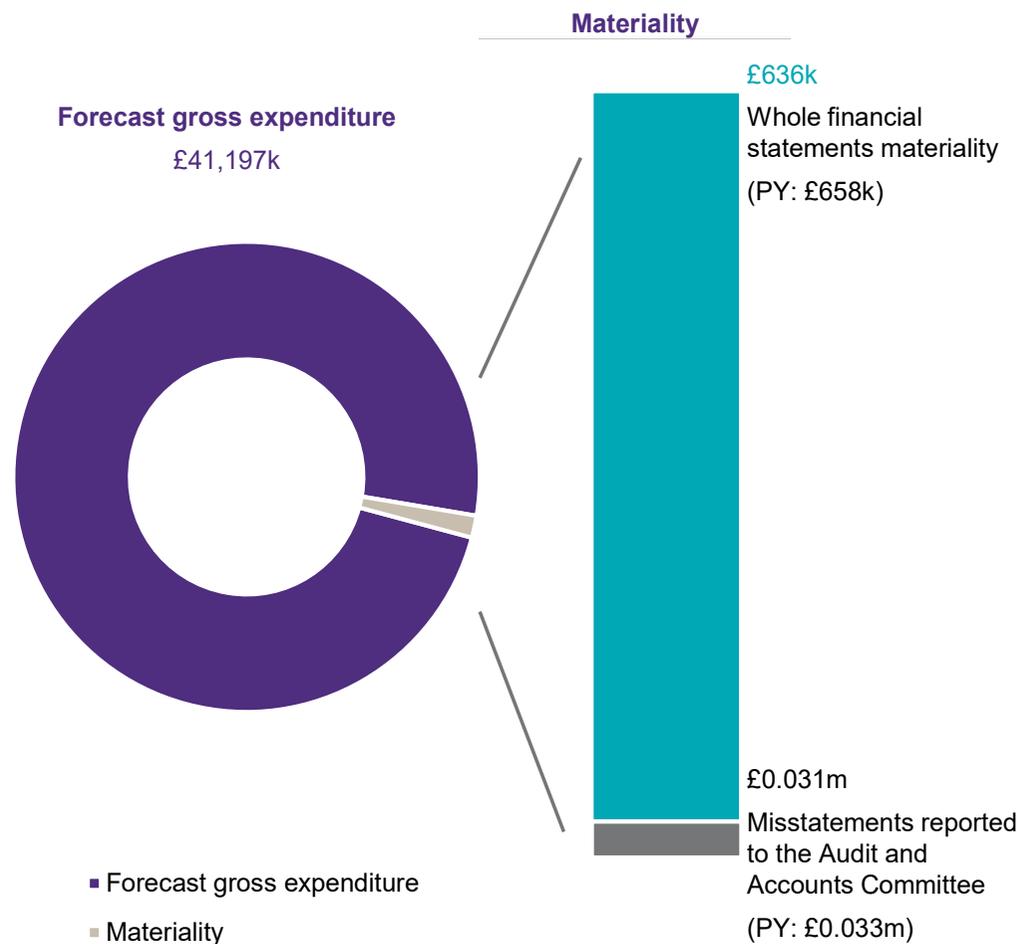
## Materiality

We calculated financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We determined materiality to be £636k (PY £658k), which equates to 1.8% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

## Matters we report to the Audit and Accounts Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Accounts Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £31k (PY £33k).

We will also report those corrected material misstatements, identified during the course of the audit, to the Audit and Accounts Committee to assist it in fulfilling its governance responsibilities.



# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

1

### Improper revenue recognition

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

### Auditor commentary

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

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

Therefore we do not consider this to be a significant risk for Rossendale Borough Council.

2

### Management override of controls

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

We identified management override of controls as a risk requiring special audit consideration.

### Auditor commentary

We planned to:

- Gain an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness
- obtain a full listing of journal entries, identified and tested unusual journal entries for appropriateness
- evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Our work identified one journal where the journal was not correct. The journal should have been split between short term and long term debtors and not all allocated to short term. However we do not believe this is a management override of control but a coding issue the Council will need to review.

Our audit work found no further issues with the exception of the above.

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

### 3 Valuation of property, plant and equipment (PPE)

The Council revalues its land and buildings on a rolling basis over a 5 year period to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

### Auditor commentary

We are:

- Reviewing management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- Considering the competence, expertise and objectivity of any management experts used.
- Discussing with the valuer the basis on which the valuation is carried out and challenge of the key assumptions.
- Reviewing and challenging the information used by the valuer to ensure it is robust and consistent with our understanding.
- Testing revaluations made during the year to ensure they are input correctly into the Council's asset register
- Evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Our testing was delayed as we obtained further evidence from Capita to understand the basis on valuation of a sample of assets and obtain reasonable assurance the remaining assets do not require revaluation.

Our testing has identified that assets have been revalued as at the 01/04/2017 with no work being completed to ensure these valuations are correct as at the 31/03/2018.

No evidence has been maintained to demonstrate the consideration of the material accuracy of PPE values for those assets not formally revalued as part of the 5 year cycle in 2017/18. We have worked with the Council and its valuer to confirm any potential changes on these assets is not material. We identified one asset which was revalued in 2018/19 and the value has materially changed. The accounts have been amended to reflect this.

The Council needs to develop a formal process for documenting its consideration of why the carrying value of its assets that are not formally revalued in the year are not materially misstated. This represents a serious control weakness.

### 4 Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

### Auditor commentary

We have:

- Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement
- Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We have gained an understanding of the basis on which the valuation is carried out
- Undertaken procedures to confirm the reasonableness of the actuarial assumptions made.
- Checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

No issues have been identified.

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

7

### Employee remuneration

Payroll expenditure represents a significant percentage of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention

### Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for payroll expenditure and evaluated the design of the associated controls;
- completed analytical procedures to prove the completeness of the payroll expenditure.

We have no issues to report to the Committee.

8

### Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

### Auditor commentary

We have undertaking the following work in relation to this risk:

- evaluating the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gaining an understanding of the Council's system for accounting for non-pay expenditure and evaluated the design of the associated controls;
- completing testing of individual transaction and balances.

We have no issues to report to the Committee.

# Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	
<p>① Significant events or transactions that occurred during the year</p>	<ul style="list-style-type: none"> <li>The main significant event we are considering is the sale of the Council's subsidiary company, Rossendale Transport Limited.</li> <li>The issue has been considered both for the opinion on the financial statements and the VfM Conclusion to ensure the governance procedures were properly followed.</li> </ul>	<p>The Council have taken advice from their treasury management provider and identified the entries required. We have reviewed these entries and discussed the approach with our technical team. After a number of detailed discussions and understanding of the transactions made, the Council have accounted for these transactions correctly and made the amendments required.</p>
<p>② Business conditions affecting the council, and business plans and strategies that may affect the risks of material misstatement.</p>	<ul style="list-style-type: none"> <li>The Council's financial position has been discussed and appropriate evidence provided to support management's assessment that is appropriate to prepare the accounts on the basis that the Council is a going concern.</li> </ul>	<p>No issues to report to the Committee.</p>

# Significant findings arising from the group audit

## **Our work**

Initially the Council had not completed group accounts, given the sale of its subsidiary in January 2018. However due to there being material income and expenditure transactions in the financial statements of Rossendale Transport Limited we requested that group accounts be included within the financial statements.

The Council engaged the services of their treasury management consultants on the accounting entries required. We reviewed these accounting entries and provided our comments. After considerable discussions we have agreed amendments to the accounts in respect of the disposal. The Council have made these amendments in the amended accounts. See Appendix B for further details.

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions will be received.</li> <li>Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</li> <li>Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue recognition policies are in line with the requirements of the Code of Practice on Local Authority Accounting 2017/18 and accounting standards</li> <li>The main elements of the Council's revenue is predictable and there is minimal judgement required from the Council</li> <li>We have undertaken substantive testing of grants and other revenues.</li> <li>No specific mention has been made of council tax and business rates.</li> </ul>	
<b>Estimates and judgements</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>useful life of capital equipment</li> <li>pension fund valuations and settlements</li> <li>asset revaluations, depreciation and impairments</li> <li>provisions and accruals, including bad debt provisions, and</li> <li>fair value of financial instruments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The Council's policies on estimates and judgements are reasonable and appropriately disclosed.</li> <li>The Council has appropriately relied on the work of experts for asset revaluations, pension fund valuations and financial instrument fair values.</li> <li>The Council has continued with its policy of revaluing land and buildings assets on a rolling basis over a five year period. We have reviewed the revaluations completed for 2017/18 and have reviewed management's consideration of the reasonableness of the valuations for those assets in a class that have not been re-valued this year. These amounts represent material figures in the accounts and slight change in percentages can have a significant impact on the accounts. Therefore this has been raised as a serious control weakness and an action point added, see Appendix A.</li> </ul>	

## Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient 2017/18

# Accounting policies, estimates & judgements

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	Management has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the s151 Officer's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2017/18 financial statements.	
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	

**Assessment**

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit and Accounts Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>The Empty Homes programme investigation highlighted that the Council may have claimed grant in advance of need. We understand that the HCA are not currently pursuing this matter further. We are not aware of any other significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council. We are seeking specific assurances that we have been provided with all relevant information in relation to the ongoing investigations into the Empty Homes programme.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>As highlighted above we have agreed a number of amendments to the disclosures included in the financial statements.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed.</li> </ul>
6.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We obtained direct confirmations from relevant third parties as required.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to report on a number of matters by exception in a number of areas: We have currently not identified any issues we would be required to report by exception in the following areas</li> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.</li> </ul> <p>Please note that work is progressing on these items.</p>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<ul style="list-style-type: none"> <li>Note that work is not required as the Council does not exceed the threshold.</li> </ul>

# Internal Controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.		<p><b>Cash and Bank</b></p> <ul style="list-style-type: none"> <li>Our review and testing of the reconciliation for the General Bank Account identified a reconciling item.</li> </ul>	<ul style="list-style-type: none"> <li>The Council should review the reconciling items within the bank account reconciliation, seeking to resolve them appropriately.</li> </ul>
2.		<p><b>Property, plant and equipment revaluations</b></p> <ul style="list-style-type: none"> <li>The Council's revaluations are completed as at the 1/4/2017.</li> <li>The Council does not complete a formal review of assets which have not been revalued in the year.</li> <li>Surplus assets are stated at fair value therefore should be revalued on an annual basis.</li> </ul>	<ul style="list-style-type: none"> <li>The Council should complete revaluations as at the 31 March of the relevant year of accounts.</li> <li>The Council should develop a formal process for documenting its consideration on the carrying value of assets not formally revalued as part of the 5 year cycle to confirm they are not materially misstated.</li> <li>The Council should revalue surplus assets on an annual basis.</li> </ul>
3.		<p><b>Accounts Evidence</b></p> <ul style="list-style-type: none"> <li>In a number of areas throughout the audit we identified issues where the audit evidence was not retained by the Council.</li> </ul>	<ul style="list-style-type: none"> <li>The Council should develop a process for retaining all evidence.</li> </ul>
4.		<p><b>Accounts Preparation</b></p> <ul style="list-style-type: none"> <li>The accounts for 2017/18 did not reconcile.</li> </ul>	<ul style="list-style-type: none"> <li>Procedures should be included to ensure accounts are fully reconciled before being subject to audit.</li> </ul>

**Assessment**

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

# Value for Money

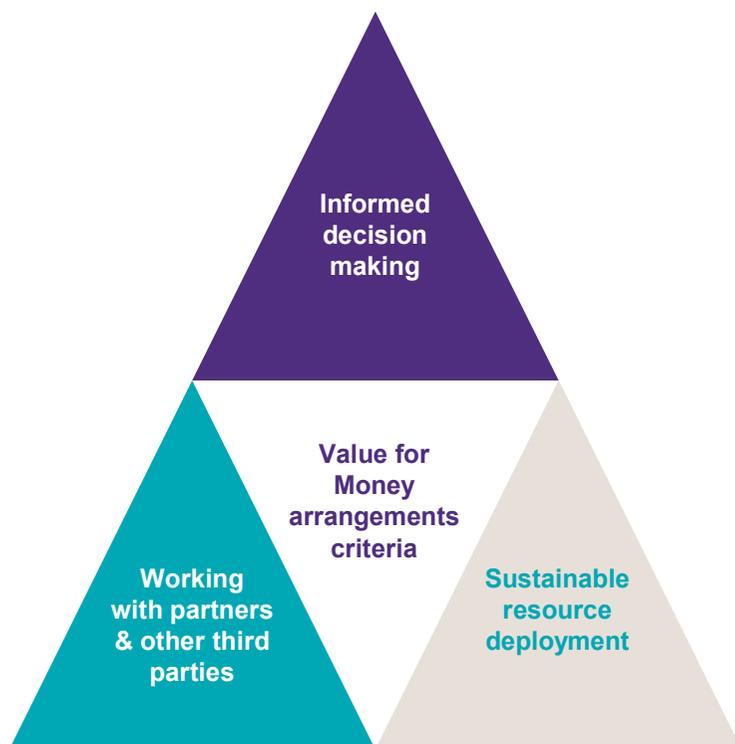
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council's improvement journey in responding to the issues raised in relation to the Empty Homes scheme
- The robustness of the Council's financial plans.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work in this section.

## Overall conclusion

Based on the work we performed to address the significant risks, we expect to conclude that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

**Key findings**

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p><b>1 Governance, risk management and decision making</b></p> <p>The Council has had to respond to concerns raised in 2015 relating to governance, risk management and decision making. The Council has been working to respond to these issues however there remains risks that the arrangements are not sufficiently robust to meet challenges facing many public sector bodies.</p>	<p>We considered how the Council has developed its key governance arrangements, including the response to the HCA scheme issues and how the sale of Rossendale Transport Limited was managed. Documentation has been provided by the Council to demonstrate that Members were briefed on the sale and that external consultants were used to give assurance on the transaction. No significant governance issues were identified in 2017-18 and this is supported by Internal Audit giving substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.</p>	<p>No issue have been identified.</p>
<p><b>2 Financial Sustainability</b></p> <p>There remains financial challenges over the next few years which the Council needs to meet. There is a risk that financial planning and management will not be adequate to meet those challenges.</p>	<p>We have considered the Council's arrangements in place to develop financial plans and how it monitors its financial position.</p> <p>The medium term financial strategy presented to the Council in February 2018 highlighted that, whilst there was a budget gap for 17/18, 18/19 and 19/20, the gap would be covered by the transitional reserve. Subsequent years would require additional savings, however the Council had already identified a number of schemes to deliver the savings. The February 2019 strategy highlighted that, if expected savings were delivered, then the transitional reserve would cover the period up to the end of 2022-23.</p> <p>In 2017/18 the Council reported a net favourable outturn variance of £270k. The quality of the financial monitoring reports at the Council are of a good standards and include appropriate detail to gain an understanding of its financial position.</p>	<p>No issue have been identified.</p>

# Independence and ethics

## Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No additional services were identified.

# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p><b>Property, Plant and Equipment</b></p> <ul style="list-style-type: none"> <li>The Council's revaluations should be completed to the 31st March.</li> <li>The Council should develop a formal process for documenting its consideration on the carrying value of assets not formally revalued as part of the 5 year cycle to confirm they are not materially misstated.</li> <li>The Council should revalue surplus assets on an annual basis.</li> </ul>	High	<ul style="list-style-type: none"> <li>The Council has implemented the recommendation that revaluations should be completed to 31st March for subsequent years accounts.</li> <li>The Council accepts that a formal process is required for assets not formally valued and is working on a process to be able to evidence this fact going forward.</li> <li>The Council will revalue surplus assets on an annual basis.</li> </ul>	<ul style="list-style-type: none"> <li>Done – Senior Property Officer</li> <li>31/12/2022 – Head of Finance &amp; Senior Property Officer</li> <li>Implemented for the current years accounts – Senior Property Officer</li> </ul>
2	<p><b>Investment Properties</b></p> <ul style="list-style-type: none"> <li>Investment Properties should be revalued on an annual basis.</li> </ul>	Medium	<ul style="list-style-type: none"> <li>The Council has few investment properties the total value of which does not breach the materiality threshold, however going forward they will be revalued annually.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented for the current years accounts – Senior Property Officer</li> </ul>
3	<p><b>Heritage Assets</b></p> <ul style="list-style-type: none"> <li>Heritage Assets should be valued every five years or carried at cost.</li> </ul>	Low	<ul style="list-style-type: none"> <li>The Council will consider this recommendation and implement where practicable.</li> </ul>	<ul style="list-style-type: none"> <li>31/12/2022 – Head of Finance</li> </ul>
4	<p><b>Grants</b></p> <ul style="list-style-type: none"> <li>Evidence should be maintained for all grant notifications received.</li> </ul>	Medium	<ul style="list-style-type: none"> <li>This recommendation was implemented in March 2020.</li> </ul>	<ul style="list-style-type: none"> <li>March 2020 – Head of Finance</li> </ul>

# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
5	<p><b>Cash and Bank</b></p> <ul style="list-style-type: none"> <li>The Council should review the reconciling items within the Bank account reconciliation seeking to resolve them appropriately.</li> <li>Cash flow forecast also had a trivial balancing amount and this should be resolved.</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Full review to be conducted and outstanding items to be resolved or written off where appropriate.</li> <li>This is a priority and the Council has engaged extra resource to address this issue.</li> </ul>	<ul style="list-style-type: none"> <li>30/09/2022 – Head of Finance</li> </ul>
6	<p><b>Employee Remuneration</b></p> <ul style="list-style-type: none"> <li>The Council completed tests in relation to IR35 for a member of staff however did not retain the paperwork. Paperwork should be retain to evidence such checks have been completed.</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Paperwork in now retained.</li> </ul>	<ul style="list-style-type: none"> <li>Done</li> </ul>
7	<p><b>Accounts Preparation</b></p> <ul style="list-style-type: none"> <li>Procedures should be included to ensure accounts are fully reconciled before being subject to audit.</li> </ul>	High	<ul style="list-style-type: none"> <li>We have implemented a process for cross checking figures and proof reading the statements. This will be done for all accounts going forward.</li> </ul>	<ul style="list-style-type: none"> <li>Done</li> </ul>

# Audit Adjustments

## Impact on adjusted misstatements on current year

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2018.

	<b>Detail</b>	<b>Comprehensive Income and Expenditure Statement £'000</b>	<b>Balance Sheet £'000</b>	<b>Impact on total net expenditure £'000</b>
1	Deferred capital receipts had been incorrectly taken through the CIES for both expenditure and income			
	Expenditure	375		756
	Other Income	381		
2	As part of the sale of Rossendale Transport Company the short term loan should have been written off through revenue proceeds and not capital	400		400
3	The following adjustment was made to align the employer contributions made to the amount included in the IAS 19 schedule.	48		48
4	New homes bonus income was included in Net Cost of Services however it is not a ring fenced grant therefore has been moved to non service related government grants.			
	Income in net cost of services	835		
	Non service related government grants	(835)		Nil

# Audit Adjustments

## Impact on adjusted misstatements on current year

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2018.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000
5 As part of a review on the transactions made on the disposal of the transport company various adjustments were made to the statements:			
Gains or loss on disposal of fixed assets – the original entries were removed	-645		3000
Expenditure	3,645		
Income			
Gain or loss on disposal of other assets – this row was added to include the transactions from the sale of the subsidiary company.	645		(3,395)
Expenditure	-1740		
Income	-2,300		
Donated Assets		(252)	
General Fund – As the short term loan was revenue it had to be funded by revenue and not the capital receipt.		(645)	
Earmarked reserves – Whilst reviewing the entries, we identified an entry which was credited but should have been debited.		897	
Capital receipts reserve		897	
6 In 2018 the council revalued the main offices, as the revised revaluation changed materially the adjustment was put through the 2017/18 accounts.	699	(699)	699
7 An amount in creditors included debit balances therefore this has been amended to debtors			
Short Term Debtors		218	
Short Term Creditors		(218)	

# Audit Adjustments

## Impact on adjusted misstatements on prior year comparatives

The error identified in relation to the treatment of a non ring fenced grant was also identified in 2016/17. Given the material nature of the error, the prior year comparatives are required to be restated under the requirements of the accounting standards. The impact of the restatement is set out below.

	<b>Detail</b>	<b>Comprehensive Income and Expenditure Statement £'000</b>	<b>Balance Sheet £'000</b>	<b>Impact on total net expenditure £'000</b>
1	New homes bonus grant is not ring fenced therefore should not be included in Net Cost of Services but within the Surplus or Deficit on Provision of services.			
	Income in net cost of services	975		
	Non service related government grants	(975)		

As the 2016/17 were audited after the draft statements for 2017/18 were issued a number of amendments have been made to the comparatives in the 2017/18 accounts.

# Audit Adjustments

The summary below provides details of adjustments identified during the 2017/18 audit which have been made to the financial statements:

- Note 1 Expenditure funding analysis and Note 2 Expenditure and Income analysed by nature have been amended to reflect the changes in the CIES
- Note 5 Trading operations - has been updated to show the brought forward balances for 2016/17 and the 2017/18 values.
- Note 6 Retained business rates has been updated to reflect the £52k reduction to the Lancashire Business Rates Pool Tariff
- Note 7 Grant Income has been amended to show the change in treatment for the New Homes Bonus Grant.
- Note 9 Senior officers' remuneration the accounts were updated for the salary of the Acting Director 2016/17 values 2016/17 comparative is disclosed as 80,317 per 2016/17 audited statements should be 79,237
- Note 10 Other officers' remuneration Acting Director should be in band £50,000 to £54,999, Head of Finance and Property Services should be in band £60,000 to £64,999, the 2016/17 figures were amended to agree to the audited accounts.
- Note 13 Adjustments between accounting basis and funding basis under regulations has been adjusted to reflect the changes made on the CIES - has been increased by £808k has capital receipts was included as a credit balance but should be a debit amount and a difference with the employer contributions listing. The remaining changes were in relation to the change in accounting entries for the disposal of the subsidiary company.
- Note 14 Property plant and equipment
  - Note 14a Movements during the year has been amended to reflect the revaluation of Futures Park for land and buildings
  - Community assets have been amended to agree to the asset register.
  - Revaluation decreases to the provision of services has been amended by £59k to agree to Note 13
  - Additional disclosure was included on the fair value hierarchy for surplus assets
  - Note 14c Revaluation Programme was amended to reflect the change in valuation for Futures Park.
- Note 15 Investment properties additional disclosure was included on the fair value hierarchy.
- Note 17a Capital Financing Requirement has been incorrectly headed as "Capital Expenditure on Council Assets."
  - Note was amended to reflect the changes made in relation to the sale of the transport company.
- Note 18b Disclosures by lessor, the lease income for industrial properties was amended.
- Note 21 Financial Instruments: Trade debtors total in tables in paragraphs 21a, 21c and Note 22 was disclosed as 1,238. This total incorrectly includes the bad debt provision for Council Tax and NDR debtors. The amended total for the bad debt provision in Note 22 is -774, so that the total for trade debtors should be 2,115. Disclosure on the fair value hierarchy was added. 2016/17 figures have been amended for long and short term receivables
- Note 24 Debtors and Note 28 Creditors The creditors listing includes a balance in respect of HB Subsidy 218,067.00 This is a debit amount and has been transferred to the debtors balance.

# Audit Adjustments

- Note 32a Earmarked reserves, the transitional reserve included an incorrect adjustment of £645k which has been reversed.
- Note 32b Capital receipts reserve was amended to reflect the changes made to the accounting for the sale of the transport company.
- Note 33a Revaluation reserve was adjusted to reflect the valuation for Futures Park.
- Note 34 further disclosure has been added on the prepayment made to the pension fund
- Cash Flow Statement and Movement in reserves statement have been amended to reflect the required changes made.
- Note 36a Reconciliation of Revenue Surplus to Net Cash Flow there is a reclassification of the cash impacts of changes in Long Term Debtors and Other Income as 'Net Cash Flows from Investing Activities
- Note 37 Accounting Policies re financial instruments has been updated to include details on the fair value hierarchy
- A prior period adjustment has been made therefore the accounts have been amended to clearly show this and a note completed to highlight the figures which have changed.
- Collection Fund Note 1 Surplus/deficit apportionment to the major preceptors has been amended to agree to the CIES
- Collection Fund Note 2 Collection fund adjustment account - the presentation of the note table has been amended
- Group Accounts have now been included in the financial statements to reflect the expenditure incurred by Rossendale Transport Limited whilst it was owned by the Council up to 12 January 2018.
- Note 2 Prior year figures have been amended to reconcile to the amended accounts
- Note has been added to highlight the prior period adjustment
- Narrative statement has been amended to reflect the changes made to the financial statements.
- Annual Governance has been updated to reflect the update on significant issues.

## Unadjusted Misstatements

We identified 4 grants in our testing sample where the council was unable to locate any supporting documentation for the full amount. The total value of these grants was £862k and the amount not supported by evidence was £509k We have applied an error rate to the residual balance and the total extrapolated error is 516k.

Valuation of the Bus Depot. There is a difference of 50k between the ledger amount and the Valuation Report. Report shows £2.250m, ledger shows £2.3m.

# Fees

We confirm below our final fees charged for the audit.

## Audit Fees

	Proposed fee	Indicative fee
Council Audit	£45,796	£101,540
Grant Certification	£6,756	£6,756
<b>Total audit fees (excluding VAT)</b>	<b>£52,552</b>	<b>£108,296</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

The indicative audit fee for 2017/18 is £85,540, this reflects issues relating to account's preparation, audit evidence and asset valuation as described in this report. The indicative audit fee for 2016/17 will be £61,796, this reflects issues as documented in the 2016/17 Audit findings report.

## Non Audit Fees

We confirm that there are no non-audit or audited related services that have been undertaken for the Council.

## Impact of Covid 19

Over the last six months the current Covid-19 pandemic has had a significant impact on all our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements has been multifaceted. This included:

Revisiting planning- we have needed to revisit our planning and refresh our risk assessments, materiality and planning as well as additional work in areas such as going concern and disclosures in accordance with IAS 1 in particular in respect to material uncertainties.

Managements assumptions and estimates - there is increased uncertainty over many estimates including investment and property valuations.

Remote working – the most significant impact of terms of delivery is the move to remote working. We, as have other auditors, have experienced delays and inefficiencies resulting from this new working environment. This is understandable and arise from the availability of relevant information, the need for us to devise alternative methods to evidence the veracity of the information provided and not being able to sit with an officer to discuss a query or a working paper. Obtaining an understanding via teams or telephone is often more time consuming.

We have been discussing the matter with PSAA over the last few months and these issues are similar to those experienced in the commercial sector and the NHS. In both sectors there is a recognition that audits will take longer with commercial deadlines expended by four months and the NHS deadline by one month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/about-the-frc/covid-19/covid-19-bulletin-march-2020> sets out the expectations of the FRC.

Please note that any additional proposed fees are subject to approval by PSAA in line with the terms of engagement.



<b>Subject:</b>	Corporate Risk Register Update Quarter 4 2021-2022 (January, February and March).	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts Committee	<b>Date:</b>	27 <sup>th</sup> July 2022
<b>Report of:</b>	Head of Finance	<b>Portfolio Holder:</b>	Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment</b>	Required	No	Attached
<b>Biodiversity Impact Assessment</b>	Required	No	Attached: No
<b>Contact Officer:</b>	Karen Spencer	<b>Telephone:</b>	01706 252409
<b>Email:</b>	karens pencer@rossendalebc.gov.uk		

## 1. RECOMMENDATIONS

- 1.1 That the Audit and Accounts Committee note the Corporate Risk Register as detailed in the report.
- 1.2 That members note the risk consequence, mitigation action and level of risk as detailed in Appendix 1.

## 2. PURPOSE OF REPORT

- 2.1 The purpose of this report is to update the Audit and Accounts Committee on the council's Corporate Risk Register.

## 3. BACKGROUND

- 3.1 The council details its approach to managing risk in its Risk Management Strategy. This was updated in March 2016.

The strategy sets out the framework of monitoring and reporting of risks. The council has identified 13 corporate risks and these are monitored via quarterly performance reporting schedule using a R/A/G rating dashboard to report the risk status. These are reported to both the Overview and Scrutiny Committee and Cabinet.

If a potential issue was identified during the periodic monitoring of the risk, the responsible officer would be required to identify the risk and note the actions needed to mitigate the level of risk.

## 4. THE CURRENT RISK REGISTER

- 4.1 The council has reviewed and continues to monitor the council's corporate risks.
- 4.2 The corporate risks as categorised at the end of Quarter 4 are as follows:

	Quarter 4 2021/22
Low	4
Medium	7
High	2

4.3 The corporate risks rated as 'red' are as follows:

<b>Corporate Risk 1</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall risk</b>	<b>Status</b>
Sustainability of the Medium Term Financial Strategy	B	2	B2	<b>RED</b>

The February 2022 MTFs indicates that the MTFs funding gap will continue to increase over the current lifecycle unless further savings/income generation schemes are identified. Recovery from the Covid-19 pandemic and the impact from increasing inflation continue to place additional pressure on the MTFs. It is likely that the legal claims arising from the Empty Homes scheme will also have an adverse impact on the MTFs if settled in the claimants' favour. Officers are monitoring the scheme closely and managing the claims where possible.

<b>Corporate Risk 13</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall risk</b>	<b>Status</b>
Impact of Covid-19 on the financial sustainability of council owned leisure assets.	B	2	B2	<b>RED</b>

The financial performance of the Trust during 2021/22 was stronger than expected and it is expected that the Trust will end the year with an approximate balanced budget. Work has started to project budgets for 2022/23 and this is likely to be more challenging than the previous year due to increases in fuel prices, an increase to living wage and also a reduction in Covid-19 Funding and the end of a Council repayment holiday for existing loans. Work is being undertaken to more accurately assess the likely shortfall for 2022/23 and this will then be reported to Elected Members.

4.4 The risks will continue to be monitored by Corporate Management Team.

**5. RISK**

5.1 All the issues raised and the recommendations in this report involve risk considerations as set out above.

**6. FINANCE**

6.1 Any financial implications related to specific risks are noted in this report and detailed in the appendices.

**7. LEGAL**

7.1 There are no immediate legal considerations attached to the recommendations in this report.

Effective risk management is very important to the council, and the council is committed to improving on an on-going basis how it manages and mitigates risk. A very important part of this process is robust and transparent scrutiny and taking timely, corrective action to improve risk management.

**8. CONCLUSION**

8.1 The Corporate Risk Register is dynamic. The updates to the risks demonstrate active mitigation of the existing risks. The Committee will want to explore the implications of each corporate risk in the appendices.

<b>Background Papers</b>	
Corporate Risk Register	Appendix 1
Risk Management Strategy updated March 2016	<a href="https://www.rossendale.gov.uk/downloads/download/10836/risk_management_strategy">https://www.rossendale.gov.uk/downloads/download/10836/risk_management_strategy</a>

## Corporate Risks

## Appendix 1

Risks are those things which might present a barrier to us delivering the things we have undertaken to achieve. Each year the council reviews the potential risks it is facing and looks at what it might do to minimise the occurrence of such risks. This information is then regularly monitored and reviewed. This quarter the council has added a new risk to the corporate risk register. This is focused on the financial vulnerability of the borough's leisure assets and classified as Risk 13.

We profile our risks using a matrix (shown below) which is based on our making two judgments about each potential risk faced by the council. The definition of the likelihood and impact can be found in the council's Risk Management Strategy 2016.

### The Council's Risk Matrix

Likelihood	A					
	B					
	C					
	D					
	E					
	F					
		5	4	3	2	1
	Impact					

#### Likelihood

How likely is it that the risk may occur (rated A-F, A being the most likely)

#### Impact

How serious might the consequences of the impact be (rated 1-5, 1 being the highest consequence).

Therefore, a risk rated A1 is the highest risk rating and a risk of F5 is the lowest risk rating.

Risk RAG (Red, Amber and Green) rating status indicators	
Risk Status	Status description
<b>GREEN</b>	The likelihood and impact of the risk is low
<b>AMBER</b>	The likelihood and impact of the risk is medium
<b>RED</b>	The likelihood and impact of the risk is high

<b>Risk 1 - Sustainability of the Medium Term Financial Strategy</b>			<b>Responsible Officer - Karen Spencer</b>	
<b>Description</b> The Council's latest Medium Term Financial Strategy (MTFS) update published within February 2021 indicates an underlying funding gap of c.£400k per annum. The council must take appropriate action in order to balance its annual expenditure against its available annual income and other revenue resources. The council has a legal obligation to publish an annual balanced budget; this means its budget expenditure must equal its available income and any available reserves. Council reserves are limited and equate to only circa 3 years given the anticipated funding gap. Therefore, additional income must be identified or annual costs reduced in future years.				
<b>Risk Consequence</b> If the council is not able to prepare a balanced budget there would be legal ramifications, but it would ultimately impact on the level of services the council is able to deliver to Rossendale residents and would result in major reputational damage.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall</b>	<b>Status</b>
	<b>B</b>	<b>2</b>	<b>B2</b>	<b>RED</b>
<b>Mitigation</b> The MTFS does not indicate a significant narrowing of the gap in the next four years, however, the deficits in future years are less than previous MTFS cycles. New income generating opportunities will need to be identified to generate additional revenue, along with improved efficiency and effectiveness of service delivery. Departments across the council will need to be challenged to become more effective.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>C</b>	<b>2</b>	<b>C2</b>	<b>AMBER</b>
<b>Quarter 4 Update</b> The February 2022 MTFS indicates that the MTFS funding gap will continue to increase over the current lifecycle unless further savings/income generation schemes are identified. Recovery from the Covid-19 pandemic and the impact from increasing inflation continue to place additional pressure on the MTFS. It is likely that the legal claims arising from the Empty Homes scheme will also have an adverse impact on the MTFS if settled in the claimants' favour. Officers are monitoring the scheme closely and managing the claims where possible.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>B</b>	<b>2</b>	<b>B2</b>	<b>RED</b>

<b>Risk 2 – Major disaster affecting the delivery of council services</b>			<b>Responsible Officer - Clare Law</b>	
<b>Description</b> The council has statutory duties under the Civil Contingencies Act (2004) and to carry out emergency planning and business continuity management activities to minimise the impact of a civil emergency or business interruption on people living, working and visiting the borough.				
<b>Risk Consequence</b> Failure to have robust contingency plans in place could result in the failure to deliver council services, such as, the collection of residential and trade waste, burial services and payment of suppliers and benefits.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>C</b>	<b>1</b>	<b>C1</b>	<b>AMBER</b>
<b>Mitigation</b> A robust overall council Emergency and Business Continuity Plan is in place. Service continuity plans are updated and tested regularly through a quarterly Emergency Planning meeting. The plans are embedded with the Corporate Management Team as critical working documents to support the continued delivery of essential council services. All managers have a copy of the overall plan and their service plan and keep them under review. RBC is a member of Lancashire County Council Local Resilience Forum (LRF). Officers attend meetings and undertake regular training exercises. RBC plans are available on the Resilience Direct website. Mutual aid agreements are in place with all Local Authorities across Lancashire.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>C</b>	<b>2</b>	<b>C2</b>	<b>AMBER</b>
<b>Quarter 4 Update</b> In-line with Government Covid-19 guidance, following a review of the risk assessments, office based staff returned to working in the office on 24 <sup>th</sup> January 2022, Covid-19 related absences and isolation has remained below 10% during Q4. The challenges of the national HGV driver shortage is being managed effectively in Operations. On 7 <sup>th</sup> February 2022 a desktop exercise to test Operations (Refuse and Recycling) business continuity plan was successfully completed.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>C</b>	<b>3</b>	<b>C3</b>	<b>AMBER</b>

<b>Risk 3 - Incident resulting in death or serious injury or HSE investigation</b>			<b>Responsible Officer - Clare Law</b>	
<b>Description</b> Under the Health and Safety at Work Act (1974), the council has a duty of care towards the health, safety and wellbeing of its employees and others.				
<b>Risk Consequence</b> Failure to comply with current legislation and demonstrate compliance may result in harm to staff and others, financial loss and enforcement action.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	D	2	D2	AMBER
<b>Mitigation</b> The council has health and safety policies and procedures including a health and safety incident reporting procedure in place along with a safe working culture. Actions need to be completed to address and implement a consistent approach across the council in order to secure compliance.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	2	E2	GREEN
<b>Quarter 4 Update</b> The newly developed Corporate Health and Safety Policy has been agreed and will be adopted 1 <sup>st</sup> April 2022. To support the ongoing development of a safe working culture in Operations, a refresh of the Report It Card and establishment of a WhatsApp Group in Parks and Green Spaces has been completed to enable staff to report any incidents or near misses directly to the Corporate Health and Safety Officer in a timely manner.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	D	3	D3	AMBER

<b>Risk 4 - Sustainability of the County Council budget</b>			<b>Responsible Officer - Karen Spencer</b>	
<b>Description</b> Like all local authorities, Lancashire County Council (LCC) has to maintain a balanced budget. This will mean making budget reductions of over £120m in the next few years.				
<b>Risk Consequence</b> Lancashire County Council's 2019 approved budget included £120m savings over the period 2019/20 to 2022/23. This level of budget reductions is likely to have an impact on service provision for our residents. There is also a risk of cost shunting to district councils.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>B</b>	<b>3</b>	<b>B3</b>	<b>AMBER</b>
<b>Mitigation</b> RBC will continue to work with County Council to find ways of reshaping services to reduce costs whilst ensuring shared outcomes are achieved. The council will support joint leadership and Chief Executive meetings to find new ways of working together for the benefit of our residents. The council will interrogate LCC savings proposals and identify risks to our residents and to our services.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>B</b>	<b>3</b>	<b>B3</b>	<b>AMBER</b>
<b>Quarter 4 Update</b> In February 2021, LCC announced that the elements of their savings plan, originally agreed in February 2019, which were yet to be implemented, had been delayed by a year as a result of the Covid-19 pandemic and could slip further. However the savings programme will continue to be implemented post Covid-19. The County Council's 2022/23 budget approved in February 2022 announced further savings of c£11m, however these are mainly resulting from income generation schemes and a change in internal working practices. The council continues to suffer from increased fly-tipping and the associated costs, which has in part resulted from the implementation of the reduced opening hours of the LCC Household Waste Recycling Centres savings proposal.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>B</b>	<b>3</b>	<b>B3</b>	<b>AMBER</b>

<b>Risk 5 - Non-delivery of the borough's economic development strategy</b>			<b>Responsible Officer – Mandy Lewis</b>	
<b>Description</b> The council has put in place an ambitious Economic Development Strategy and Action Plan to implement the economic regeneration elements of its Corporate Plan.				
<b>Risk Consequence</b> The investment based revenue generation schemes identified within the economic development strategy will support the Medium Term Financial Strategy (MTFS). In addition, sweating or realising existing assets will underpin the MTFS. Failure to deliver would lead to the inability to support the delivery of the Medium Term Financial Strategy.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>C</b>	<b>3</b>	<b>C3</b>	<b>AMBER</b>
<b>Mitigation</b> <ul style="list-style-type: none"> <li>• Development and delivery of identified economic regeneration projects at Spinning Point and Futures Park.</li> <li>• Review of rentals on industrial estates underway.</li> <li>• Bringing forward council owned land for development or sale.</li> </ul>				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>3</b>	<b>D3</b>	<b>AMBER</b>
<b>Quarter 4 Update</b> Preparation of a bid to Department for Levelling Up, Housing and Communities (DHLUC) for the second round of the Levelling-up-Fund is underway. This includes three distinct projects to further the economic development of each town centre and to provide additional support for skills and employability within Rossendale. In addition the projects at Spinning Point and Futures Park are drawing to a conclusion and the rental review is almost complete. The review of Council assets is underway with a 'red carpet' style promotion of the sale of a recent asset attracting significant interest.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>3</b>	<b>D3</b>	<b>AMBER</b>

<b>Risk 6 - Non-delivery of the Local Plan</b>			<b>Responsible Officer - Mike Atherton</b>	
<b>Description</b> The Local Plan is a plan for the future development of the local area, drawn up by the Local Planning Authority. It guides decisions on whether or not planning applications can be granted. In law it is described as the development plan documents adopted under the Planning and Compulsory Purchase Act 2004. The Local Plan was due to be adopted in late 2020. It is not considered to be a risk that it will not be adopted, however the risk is that the adoption of the plan will be seriously delayed or that the process will be taken out of the council's hands and that the Government will intervene.				
<b>Risk Consequence</b> Risk of the Local Plan not being delivered is extremely low. The risk of the plan being slightly delayed is moderate. The risk of delay includes a reputational issue; there may be short term criticism from elected members and MP's, and developers. There may also be an environmental risk if planning appeals are being allowed on development sites which the Local Authority does not consider suitable for development. The risk of this increases the longer it takes to adopt the plan.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	C	2	C2	AMBER
<b>Mitigation</b> Measures are in place to reduce the risk include the Local Plan Action Plan which outlines the actions required following the hearing sessions into the examination of the Local Plan. This is updated and sent to the Planning Inspectorate on a regular basis. The Local Plan Steering Group meets on a regular basis to keep members informed of issues and the timetable. Monthly meetings also take place between the Planning Manager and the Portfolio Holder and also separately the Planning Manager and Director. A barrister has been retained to provide expert advice as required.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	D	2	D2	AMBER
<b>Quarter 4 Update</b> The Local Plan was adopted at the council meeting on the 15 <sup>th</sup> of December 2021 and is now beyond the period of challenge by way of a Judicial Review. Therefore, it is no longer a corporate risk.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	2	E2	GREEN

<b>Risk 7 - Changes to Government policy on the delivery of the council's services</b>			<b>Responsible Officer - Neil Shaw</b>	
<b>Description</b> Like all local authorities the council is a statutory body that is subject to changes being consulted upon and or implemented by central government that might affect how we operate and serve our residents/businesses.				
<b>Risk Consequence</b> The risk that the council fails to react and be prepared for any changes being proposed or implemented by central government.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	2	E2	GREEN
<b>Mitigation</b> The council is a member of the Local Government Association and District Councils Network who keep us informed of government policy and consultations and lobby on behalf of councils to mitigate the impact of any change. The council is also signed up to receive daily emails from Local Government Information Unit who provide daily government news and other Local Government Information Unit (LGIU) policy briefings. The Chief Executive and Leader of the council meets regularly with our two MPs. The council's Corporate Management Team monitor and assess government's position on funding to be distributed to local authorities and other Government announcements that impact funding.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	2	E2	GREEN
<b>Quarter 4 Update</b> No specific policy changes or updates have occurred in Q4.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	2	E2	GREEN

<b>Risk 8 - Sustainable Workforce</b>			<b>Responsible Officer - Clare Law</b>	
<b>Description</b> There is a requirement to have a sustainable workforce to deliver the council services to residents and customers.				
<b>Risk Consequence</b> Failure to have a fully resourced, trained staff could result in the failure to deliver statutory and non-statutory service in a safe and professional manner to residents and customers.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	D	3	D3	AMBER
<b>Mitigation</b> The council has robust HR policies and procedures, an agreed Authorised Establishment, performance management framework, Service Area Business Continuity Plans in place. HR will work with managers to review roles to make them more attractive. The council provides an attractive benefit package including final pension scheme, flexible working, generous annual leave, a purchase leave scheme, free on sight parking, family friendly policies, discounted gym memberships and a cycle scheme.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	3	E3	GREEN
<b>Quarter 4 Update</b> The cumulative staff turnover at the end of Q4 is 28.65% (quarter 1 – 7.47%, quarter 2 – 6.25% and quarter 3 – 8.33%). The ongoing recruitment to staff is challenging in particular unsuccessful recruitment exercises have been completed in Finance, Housing, Planning and Economic Development. The main reason cited for failure to attract and recruit suitable applicants is the lower salaries compared to the private and other local authorities, other reasons include opportunities for people to work more agile and career progression for existing staff.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	C	3	C3	AMBER

<b>Risk 9 - Insufficient data and cyber security</b>			<b>Responsible Officer - Andrew Buckle</b>	
<b>Description</b> Cyber security presents one of the most challenging areas for both the public and private sectors. With the proliferation and severity of attacks constantly increasing this represents a major threat.				
<b>Risk Consequence</b> Cyber-attack resulting in a complete loss of all systems coupled with malware being spread across the entire network. Data breach resulting in information loss causing reputational damage and resulting in a financial penalty due to non-compliance with statutory requirements such as GDPR (General Data Protection Regulation), PCI DSS (Payment Card Industry Data Security).				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	C	1	C1	AMBER
<b>Mitigation</b> To protect against a data breach RBC, host all council data in Tier 3 Data Centres located in different geographical regions and are backed up daily. RBC Data Centres hold the following accreditations: ISO27001:2013, PCI-DSS. RBC adopts a Risk Insight approach to determine the threat Landscape and more importantly its evolution. RBC has received notification of meeting the Public Services Network (PSN) which means the councils' infrastructure met all the security requirements to allow connection to the PSN. A cyber security training is to be provided for all staff.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	D	1	D1	AMBER
<b>Quarter 4 Update</b> Both cyber security and information management training courses have been developed and rolled out to all users via Learning Pool. Also preparation has commenced for the Public Service Network (PSN) testing and certification process. There has been an increased threat alert raised by the National Cyber Security Centre (NCSC) following the incident between Russia and Ukraine.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	C	1	C1	AMBER

<b>Risk 10 - Poor communications and public relations</b>			<b>Responsible Officer - Clare Law</b>	
<b>Description</b> Good communication and public relations is essential to inform, maintain and develop relationships with residents, customers and partners to provide council services.				
<b>Risk Consequence</b> Failure to communicate and respond to issues as they develop and inadequately or inappropriately communicating. Could lead to a major loss of reputation for the council on a local, regional and national level. A loss of reputation can damage staff morale, trust between the council and residents and impair the relationship between the council and its partners meaning projects and services delivery is damaged.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>B</b>	<b>1</b>	<b>B1</b>	<b>RED</b>
<b>Mitigation</b> Communication methods in place to support face to face, mail or electronic communications. Developed website and social media channels provide 24/7 service. Experienced communications function to support council officers to deal with communications in a timely manner and promote the work of the council.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>1</b>	<b>D1</b>	<b>AMBER</b>
<b>Quarter 4 Update</b> VivaPR has continued to deliver the agreed communications plan and COVID-19 communications updates, including updates to the council's websites and social media posts to residents and communities. CMT receive a weekly communications update, which includes horizon scanning and potential risks.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	<b>D</b>	<b>1</b>	<b>D1</b>	<b>AMBER</b>

<b>Risk 11- Non – Delivery of Corporate Projects</b>			<b>Responsible Officer - Neil Shaw</b>	
<b>Description</b> The council has agreed the 11 corporate projects for 2020-2021 to support the delivery of Corporate Strategy 2017-2021.				
<b>Risk Consequence</b> Failure to deliver the corporate projects would have a detriment impact on the delivery of the council’s Corporate Strategy 2017-2021, and result in a reputational risk to the council’s commitment to the residents. The failure to deliver the corporate projects could potentially have a negative impact on the council’s revenue budgets (by failure to deliver income generating projects) and delivery of the medium term financial strategy, and the associated economic and social benefits may not be realised.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	D	2	D2	AMBER
<b>Mitigation</b> Each corporate project has a Project Sponsor (member of the Corporate Management Team), a Project Manager and finance officer. Each corporate project will have a robust project plan and live risk register. The Project Sponsor will be responsible for the strategic overview of the corporate project, and the Project Manager will be responsible for the day to day management of the corporate project. council’s Programme Board meets quarterly to review the progress of the corporate projects. The Project Sponsor will be responsible for highlighting any concerns to the Corporate Management Team throughout the life of the corporate project.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	2	E2	GREEN
<b>Quarter 4 Update</b> The Programme Board continues to monitor all the projects. All projects are on track and within budget.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	2	E2	GREEN

<b>Risk 12 – Response and Recovery to COVID-19 Pandemic</b>			<b>Responsible Officer - Neil Shaw</b>	
<b>Description</b> COVID-19 is a strain of the coronavirus, the government declared the virus as a pandemic in the UK in March 2020.				
<b>Risk Consequence</b> The pandemic causes a potentially risk to the delivery of the council services and the health and wellbeing of the wider community.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	A	1	A1	RED
<b>Mitigation</b> The council has an Emergency Plan and Service Area Business Plans to support a pandemic emergency. The plans have been activated, regularly reviewed and stress tested throughout the pandemic. Risk Assessments and Safe Systems of Work have been developed and reviewed with staff and Trade Unions throughout the pandemic to provide a safe working environment. Council officers have worked with the Lancashire Resilience Forum and multi-agency partners to mitigate any potential risks throughout the pandemic. The council established and managed a Community Hub to provide support to vulnerable residents.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	B	2	B2	RED
<b>Quarter 4 Update</b> The council continues to follow Government advice on managing the impact of Covid-19. We continue to monitor the number of positive Covid-19 cases and have maintained a contingency plan for a potential tightening of Government restrictions. However, this has not developed during Q4 and therefore the overall level of risk in terms of the impact of the Covid-19 pandemic on the council has reduced. We continue to monitor the situation closely.				
<b>Quarter 4 risk assessment RAG status (current)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	E	2	E2	GREEN

<b>Risk 13 – Impact of COVID-19 on the Financial Sustainability of Council Owned Leisure Assets</b>			<b>Responsible Officer – Adam Allen</b>	
<b>Description</b> National Lockdowns due to COVID-19 result in council owned leisure facilities closing for extended periods. During closure no income is received and outside of lockdown periods, income is significantly reduced.				
<b>Risk Consequence</b> If the council owned leisure assets are to be sustained in the longer term, the operators of the facilities have little recourse to additional funding to survive other than through the council. This financial impact will be over £500k but is likely to be considerably higher, depending on the length and severity of lockdowns.				
<b>Initial risk assessment RAG status (without mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	A	2	A2	RED
<b>Mitigation</b> The Leisure Trust and council are currently seeking to consolidate all council owned leisure assets under the umbrella Trust to maximise efficiency. Ski Rossendale has transferred and the transfer of CLAW facilities will be recommended to council in Q3, the Whitaker is likely merge with the Trust and discussions are on-going. A report on the impact of all facilities has been produced by KKP and recommendations to minimise impact are being implemented. Senior council Officers are attending the Trust Board to ensure we work together to minimise costs and an intensive monitoring process is in place. Funding through a COVID-19 specific Sport England Fund will be applied for. However, this is not thought to provide retrospective funding for closures and it is unlikely to cover the majority of financial loss. Lobbying of Government for sufficient financial support will continue.				
<b>Risk assessment RAG status (after mitigation)</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	B	2	B2	RED
<b>Quarter 4 Update</b> The financial performance of the Trust during 2021/22 was stronger than expected and it is expected that the Trust will end the year with an approximate balanced budget. Work has started to project budgets for 2022/23 and this is likely to be more challenging than the previous year due to increases in fuel prices, an increase to living wage and also a reduction in Covid-19 Funding and the end of a Council repayment holiday for existing loans. Work is being undertaken to more accurately assess the likely shortfall for 2022/23 and this will then be reported to Elected Members.				
<b>Quarter 4 risk assessment RAG status</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Risk</b>	<b>Status</b>
	B	2	B2	RED

## **10. TERMS OF REFERENCE FOR THE AUDIT AND ACCOUNTS COMMITTEE**

### **Statement of purpose**

1. The Audit and Accounts Committee is a key component of Rossendale Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The primary purpose of the committee is to provide independent assurance to the members (being those charged with governance) of the adequacy of the risk management framework and the internal control environment. It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
3. The committee's members should therefore behave objectively and independently in their deliberations and decisions.

### **Governance**

The committee will:

4. Review the Council's corporate governance arrangements against the good governance framework, and consider annual governance reports and assurances.
5. Review and recommend the local code of corporate governance for adoption by the Council.
6. Review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the head of internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
7. Consider the Council's arrangements to secure value for money, and review assurances and assessments on the effectiveness of these arrangements.
8. Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
9. Consider the Council's arrangements for discharging its duties in relation to promotion and maintenance of high standards of conduct by members and co-opted members, in accordance with the Localism Act 2011.
10. To make recommendations to the Cabinet, Council and other organisations where appropriate.

### **Risk management and control**

The committee will:

11. Monitor the effective development and operation of the risk management framework and processes across the Council.
12. Monitor progress in addressing risk-related issues reported to the Committee.
13. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
14. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
15. Monitor the counter-fraud strategy, actions and resources, including any instances of

whistleblowing.

### **Internal audit**

The committee will:

16. Consider the internal audit charter approved by Lancashire County Council.
17. Approve the risk-based internal audit plan, including the Internal Audit Service's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
18. Approve significant interim changes to the risk-based internal audit plan and resource requirements.
19. Make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
20. Consider reports from the head of internal audit on internal audit's performance during the year, including the performance of any other external providers of internal audit services.  
These will include:
  - a. Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - b. Regular reports on the results of the Audit Quality Assurance and Improvement Programme.
  - c. Reports on instances where the Internal Audit Service does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
21. Consider the head of internal audit's annual report:
  - a. The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement.
  - b. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion, which will assist the committee in reviewing the annual governance statement.
22. Consider summaries of specific internal audit reports as requested.
23. Receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.
24. Contribute to the Audit Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

### **External audit**

The committee will:

25. Consider the appointment of the Council's external auditor proposed by Public Sector Audit Appointments Limited and assess whether there are any valid reasons for the Council to object.
26. Support the external auditor's independence through consideration of its annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments Limited.
27. Approve the letters of representation required by the external auditor and consider the

external auditor's annual letter, audit opinion, relevant reports, and the report to those charged with governance.

28. Consider specific reports as agreed with the external auditor.
29. Comment on the scope and depth of external audit work and to ensure it gives value for money.
30. Commission additional work from the external auditor as necessary.

### **Financial reporting**

The committee will:

31. Review and approve the annual statement of accounts. Specifically, it will consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
32. Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Accountability arrangements**

The committee will:

33. Report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements; and internal and external audit functions.

<b>Subject:</b>	Internal Audit Annual Assurance Opinion 2021/22	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts Committee	<b>Date:</b>	27 July 2022
<b>Report of:</b>	Head of Internal Audit (Internal Audit Service)	<b>Portfolio Holder:</b>	Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	No	Attached: No
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
<b>Contact Officer:</b>	Mark Baskerville, Audit Manager	<b>Telephone:</b>	01772 538615
<b>Email:</b>	<b>Mark.Baskerville@lancashire.gov.uk</b>		

<b>1.</b>	<b>RECOMMENDATION</b>
1.1	The committee are asked to consider the internal audit annual assurance report for 2021/22.

**2. PURPOSE OF REPORT**

2.1 The Audit and Accounts Committee's terms of reference require it to advise the Council on the planned activity and results of internal audit. The Committee will, on a periodic basis, consider the head of internal audits annual opinion and report.

**3. BACKGROUND AND OPTIONS**

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for internal audit in local government in the United Kingdom. CIPFA has published Public Sector Internal Audit Standards ('PSIAS'), which encompass the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework, including its Definition of Internal Auditing, Code of Ethics, and its International Standards for the Professional Practice of Internal Auditing. These documents are therefore mandatory for internal audit in local government in the United Kingdom, and they are supplemented within PSIAS by additional public sector interpretation and guidance. CIPFA has also published a Local Government Advisory Note setting out sector-specific requirements for local government within the United Kingdom.

3.2 The Internal Audit Service therefore operates in accordance with this mandatory definition, code, standards and advice.

3.3 The Annual Report of the head of internal audit meets these requirements and is attached in Appendix A.

**4. RISK**

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- Failure to comply with the Public Sector Internal Audit Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) would undermine the ability to provide the Council with the necessary level of assurance in relation to their governance, risk management and internal control arrangements;
- The report enables the Leader and Chief Executive to report in the Annual Governance Statement.

**5. FINANCE**

5.1 Any financial implications are commented upon in the report.

**6. LEGAL**

6.1 Any legal implications are commented upon in the report.

**7. POLICY AND EQUALITIES IMPLICATIONS**

7.1 Reported findings have been discussed and agreed, including management responses to the recommendations, with respective service managers and heads of service prior to reporting.

**8. CONCLUSION**

8.1 The Annual Report provides an independent, objective opinion on the adequacy of design and the effectiveness of operation of the Council's systems of governance, risk management and internal control.

8.2 Overall, I can provide **moderate** assurance over these systems for 2021/22, based on the work undertaken by the Internal Audit Service in the year.

**Rossendale Borough Council**

**Internal Audit Service Annual Report for the year ended 31 March 2022**

## 1 Introduction

### Purpose of this report

- 1.1 This report summarises the work that the council's Internal Audit Service has undertaken during 2021/22 and the key themes arising in relation to internal control, governance and risk management across the council. In April 2021 the Audit and Accounts Committee considered and approved an internal audit plan for 2021/22. At the time it was important that the plan remained flexible to enable the Internal Audit service to react to the changing risk environment as services adapt and change. As the council and the Internal Audit Service continues to overcome the challenges that Covid-19 has presented, it is critical that as a service we are able to react quickly to changing circumstances.
- 1.2 Despite these challenges, and with the support of council officers, we have been able to deliver the plan in full, although one audit is in progress, one in draft and one was deferred to 2022/23 for operational reasons. We have reported any amendments to the plan to the committee during the course of the year. The work for the year is now sufficiently complete to support the overall opinion on the frameworks of governance, risk management and internal control. This has added value to the council and ensures a robust annual audit opinion can be provided.

### The role of internal audit

- 1.3 The Internal Audit Service is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the council's control environment. The Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) require the Head of Internal Audit to provide an opinion on the council's control environment and a written report to those charged with governance, timed to support the annual governance statement. This report gives my opinion based on the work the Service performed during 2021/22.

### Interim progress reports

- 1.4 We have provided summaries of findings from audits completed throughout the year in progress reports to each Audit and Accounts Committee meeting.

### Acknowledgements

- 1.5 I am grateful for the assistance provided the staff of Rossendale Borough Council in the course of our work.

## 2 Summary assessment of internal control

### Overall opinion

- 2.1 I can provide **moderate** assurance overall on the adequacy of design and effectiveness in the operation of the council's framework of governance, risk management and control. In forming my opinion, I have considered the work undertaken by the Internal Audit Service throughout the year as well as the work of external assurance providers and information available from less formal sources than planned audit engagements. Audit work has covered the full range of the council's services.

## Rossendale Borough Council Internal Audit Service - Internal Audit Service Annual Report for 2021/22

- 2.2 Internal Audit's work established that, as would be the case in any normal organisation, there are some areas of the council's business where improvements need to be made, but there are plans and agreed management actions in place to address these.
- 2.3 Annex 1 to this report includes extracts from the final reports issued, and we will provide full reports to members if they wish. Annex 2 describes Internal Audit's scope, responsibilities and assurance, and an explanation of the assurances we provide is set out in Annex 3.

### **Key issues and themes**

- 2.4 Delivery of the audit plan continued to be affected to a degree by different ways of working required during the pandemic and limited capacity to support audit work and, as a result, audits took longer to complete than would otherwise be expected. Despite this, we have completed all but one planned audit to at least draft report stage, and deferred one audit to 2022/23 for operational reasons. We gave positive assurance opinions, either 'substantial' or 'moderate', on all audits but one, where we gave limited assurance (we have not yet reported the findings of this audit to the Committee as the final report had not been issued at the time of writing). We agreed areas for improvement with managers on most audits. Our assurance opinion reflects the fact that systems and processes are generally working effectively. In most of the areas audited we were satisfied that policy and procedures were in place but were often overdue for review and revision, were not consistently complied with and there was a need for staff training in some areas to ensure staff are aware of correct processes.
- 2.5 As the table at 3.1 below indicates we have given a higher proportion of 'moderate' than 'substantial' assurances in comparison to previous years. This is likely to be related to the increasing difficulty of recruiting and retaining staff, and the impact on officer's ability to sustain compliance with operational controls, to support audits and to implement agreed audit actions with reduced capacity. The council's Qtr. 4 2021/22 Performance Management report identifies this as a concern, reporting a significant rise in staff turnover and that "It is currently extremely challenging for the council to attract and recruit officers at all levels due to the current pay and grading structure". The Corporate Risk 8 on sustainable workforce also highlighted as 'Amber' the impact of not having a fully resourced, trained staff as at Qtr. 3 2021/22.

### **Management's responses to our findings**

- 2.6 We have discussed the issues we raised during the year with service managers and members of the Senior Management Team and agreed action plans to address the need for improved controls. Follow up work during 2021/22 indicates that risks identified in previous years are largely being addressed and we are satisfied that work is in hand to implement agreed actions, although some improvement work is still ongoing. The senior management team also receive regular reports on implementation of audit actions.

### The council's control framework

2.7 Our work has been organised in accordance with the Internal Audit Service's planning principles and an understanding of the council's controls at the start of the year, which was set out as follows:

A framework for governance, risk management and control						
<b>Governance and democratic oversight</b>						
Corporate governance framework	Decision-making		Oversight and scrutiny		Policy setting	
<b>Business effectiveness</b>						
Risk management	Performance monitoring and management		Organisational design	Financial governance and planning		Working in partnership with others
<b>Service delivery</b>						
Growth, environment, transport & community services			Children's services & education		Adult services, health & wellbeing	
Economic development & planning	Programmes & project management	Community services	Children's services	School improvement & services	Adult Services	Public health
<b>Service support</b>						
Legal services	Skills, learning & development	Core business systems	Property management	Programme management	Business intelligence	Customer access
<b>Business processes</b>						
Financial systems & processes		Procurement	Facilities management		Human resources	
Budget monitoring		Contract monitoring & management		Information management		Payroll processing
Investment		Business continuity			ICT systems	

## 3 Summary of findings and assurance

3.1 We returned to a full audit plan in 2021/22 having delivered a shortened plan in the previous year. Covid-19 continues to present a major challenge to the council and impact all areas of the organisation, but with the exception of one audit, which was deferred to 2022/23, we have not needed to amend the audit plan. The table below summarises the assurances we provided on finalised 2021/22 audits which contributed to our annual assurance opinion, including comparative figures from previous years. This excludes follow up work from previous audits. The table at 3.2 reports the status of each audit, Annex 1 to this report contains an extract from all final audit reports and Annex 3 includes definitions of the assurances we give.

## Rossendale Borough Council Internal Audit Service - Internal Audit Service Annual Report for 2021/22

2021/22 assignments relating to:	Total	Assurance provided				Audits not finalised	
		Substantial	Moderate	Limited	None	Incomplete	Deferred
Governance	2	1	1	-	-	-	-
Business effectiveness	4	1	3	-	-	-	-
Service delivery	3	1	-	-	-	2	-
Service support	1	-	-	-	-	-	1
Business processes	9	2	7	-	-	-	-
<b>2021/22 total assignments:</b>	<b>19</b>	<b>5</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1</b>
	<b>100%</b>	<b>26%</b>	<b>58%</b>	<b>0%</b>	<b>0%</b>	<b>-</b>	<b>-</b>
2020/21	11	4	3	-	-	1	3
2019/20	21	6	4	2	-	-	9
2018/19	18	11	5	-	-	1	1

3.2 The table below reports the status of each audit completed during the year and the assurance opinion given. The 'Audit Type' is:

- 1 phase one/ consultancy work
- 2 phase two/ compliance testing
- 1+2 full risk and control evaluation
- F follow-up on implementation of actions from previous audits.

Audit Title	Status	Assurance	Audit Type
<b>Governance and democratic oversight</b>			
Performance management	Final Report	● Substantial	1+2
GDPR/ information security policies	Final Report	● Moderate	1+2
Rossendale Improvement Plan	Completed	N/A	F
Risk Management	Completed	N/A	F
Freedom of information/ subject access requests	Completed	N/A	F
<b>Business effectiveness</b>			
Procurement	Final Report	● Moderate	1+2
IT Critical application review: Civica (MIAA)	Final Report	● Moderate	1+2
IT Mobile (remote) working (MIIA)	Final Report	● Substantial	1+2
IT Resilience and service Continuity (MIAA)	Final Report	● Moderate	1+2
Digital Strategy	Completed	N/A	F
<b>Service delivery</b>			
Planning controls	Draft Report		1+2
Commercial rents	Progressing		1+2
Rossendale Together Barnfield	Final Report	● Substantial	1+2
CCTV regulatory compliance	Completed	N/A	F
<b>Service support</b>			
Health and Safety	Deferred	N/A	1+2
Emergency planning and business continuity	Completed	N/A	F
Purchase/ lease rental	Completed	N/A	F
<b>Business processes</b>			
Business grant allocations	Final Report	● Moderate	1+2
Accounts payable	Final Report	● Moderate	2
Accounts receivable	Final Report	● Moderate	2
General ledger, budget setting and monitoring	Final Report	● Moderate	2
Income collection/ banking	Final Report	● Moderate	2
Payroll	Final Report	● Substantial	2
Council tax	Final Report	● Moderate	2
Business rates/ NNDR	Final Report	● Moderate	2
Housing benefits	Final Report	● Substantial	2

Stage of audit process	Number	Percentage
Complete/ final report	23	88%
Draft report	1	4%
Progressing	1	4%
Not yet started	0	0%
Deferred	1	4%
<b>Total number of audits</b>	<b>26</b>	<b>100%</b>

## **4 Implications for the annual governance statement**

- 4.1 In preparing its annual governance statement the council should consider this annual assurance opinion in relation to its control environment, risk management processes and corporate governance. The council should therefore reflect the progress made in delivering the actions set out in the council's improvement plan, describing the impact of completed actions on corporate governance and its plans to implement the remaining actions.

## **5 Organisational independence**

- 5.1 The Internal Audit Service has access to and support from the council's senior management team and is able to operate independently within the organisation, so is properly able to fulfil its responsibilities. In accordance with its Charter the service remains independent of the council's other functions and, with the exception of its support to management in relation to counter fraud work, no member of the Internal Audit Service has any executive or operational responsibilities.
- 5.2 The Internal Audit Service's work programme and priorities are determined in consultation with the senior management team and the Audit and Accounts Committee, but remain decisions for the Head of Internal Audit who, with the Audit Manager, have direct access to and freedom to report in their own names and without fear or favour to all officers and members. Within the year the Service's establishment increased by one part time Senior Auditor (0.4fte) and is currently fully staffed.
- 5.3 The Internal Audit Service has a stable and experienced audit team, with very little staff turnover in recent years. However, a new Head of Internal Audit was appointed in December 2021 to replace, Ruth Lowry, who retired last year. To maintain continuity during this change of leadership there was a two-month handover period which enabled a smooth transition of Team leadership.
- 5.4 During the year, there have been no matters arising which have impacted on the independence of the Internal Audit Service and there have been no inappropriate scope or resource limitations on internal audit work

## **6 Internal audit performance**

### **Client satisfaction**

- 6.1 Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. This is an important process in terms of identifying how the audit was received by the service area and of identifying aspects of the audit process that can be improved. Responses from auditees indicated that, overall, they were satisfied with the way we conducted our work with them. There were no common themes in the responses received that highlighted particular areas for Service improvement.

## **7 Internal Audit quality assurance and improvement**

- 7.1 The Internal Audit Service has established and regularly reviews a quality assurance and improvement programme. PSIAS requires that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessment or internal assessment by others with sufficient knowledge, and independent external review at least once every five years.

## Rossendale Borough Council Internal Audit Service - Internal Audit Service Annual Report for 2021/22

Type of review	Internal review		External review
	Frequency	Ongoing	Periodic
Audit assignment quality	✓		✓
Professional and operational framework		✓	✓

7.2 Following this framework, the Service's quality assurance and improvement programme consists of internal ongoing monitoring of audit assignment quality, periodic internal assessment of the professional and operational framework, and external review.

### External review

7.3 The findings of the last external quality assessment undertaken by the Chartered Institute of Internal Auditors were reported to the Committee in January 2018. This confirmed that the Service 'generally conforms' to the full range of standards set out in the International Professional Practice Framework, PSIAS and Local Government Application Note. There were no departures from these arrangements in 2021/22. An external review is due to be completed in 2022/23 and findings will be reported to this Committee.

### Internal review

7.4 The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document reasons for non-compliance, and to demonstrate compliance on every assignment. Audit managers assess the quality of each audit as it progresses, and a post-audit file review process is undertaken. These reviews indicate that there is good evidence of compliance with our audit methodology and input from the audit managers to support the work of the auditors.

7.5 In addition to these periodic file reviews, the Service's methodology requires the Head of Internal Audit to read each report as it is finalised. This does not entail additional detailed review and the auditors' reports remain theirs, using their own style and wording, but is intended to ensure that each assignment can be adequately understood and is properly communicated.

### Areas for development

7.6 As with many teams, over the last two years the Covid-19 pandemic impacted significantly on the Internal Audit Service and the way in which it delivers its work. This year the Service has returned to completing normal audit assignments after approximately a year of supporting other council services in their responses to Covid-19. This return was aided by a move to remote auditing, which was initially challenging for the audit team. Despite this, as the year has progressed this has proved to be a successful arrangement. As council staff have returned to the office on a flexible, hybrid working basis the Internal Audit team have adopted a similar hybrid approach to work, with staff predominantly being home-based but going into the office as the requirements of the service dictate.

7.7 In response to these changes, some revised performance management and support arrangements have been put in place for the Internal Audit team. These changes are intended to help ensure quality and delivery of work, whilst also providing support to staff working remotely and to maintain a sense of 'team'.

7.8 These arrangements include:

- Allocating an annual plan of work to each auditor to manage and agree delivery timescales with the relevant service areas;

## Rossendale Borough Council Internal Audit Service - Internal Audit Service Annual Report for 2021/22

- A greater focus on outcomes, with each auditor identifying the audits they will aim to complete for each meeting of the Committee;
  - Brief daily team meetings to discuss progress with work and to allow the team to discuss issues and to support one another.
- 7.9 We have completed a minor team restructure, providing an additional part time senior auditor who will solely review, monitor, and report on the progress of the implementation of agreed management actions.
- 7.10 The Service has introduced a new report format designed to communicate the results of audit engagements clearly and concisely to the recipient. As previously, this highlights areas of good practice, areas for improvement and agreed management actions. Feedback from auditees on the new report format has been very positive, and supports the new style report summary at Annex 1.
- 7.11 The service will continue to reflect on its performance and seek to continually improve, making further refinements to internal audit processes. Where appropriate we will seek to apply the principles of Lean Audit within our working practices, to work in the most efficient and effective way to ensure the whole process adds value to the customer by removing waste and focusing on excellence.

**Extracts from final audit reports from the 2021/22 annual audit plan**

<b>Page</b>	<b>Audit Report</b>
2	Performance Management
5	GDPR and Information Security
8	Procurement
11	Rossendale Together Barnfield
14	Business Grant Allocations
17	Accounts Payable
20	Accounts Receivable
23	General Ledger
26	Income and Banking
29	Payroll
32	Council Tax
35	National non-domestic rates
38	Housing Benefit
41	IT audit summaries

# Internal Audit Performance Management

2021/22

Rossendale  
BOROUGH COUNCIL

Internal Audit service provided by:

<p><b>Overall assurance rating</b></p>  <p><b>Substantial</b></p> <p><i>See Appendix A for Rating Definitions</i></p>	<p><b>Audit findings requiring action</b></p> <table border="1"> <tr> <td style="background-color: black; color: white; text-align: center;"><b>Extreme</b></td> <td style="background-color: red; color: white; text-align: center;"><b>High</b></td> <td style="background-color: yellow; text-align: center;"><b>Medium</b></td> <td style="background-color: green; color: white; text-align: center;"><b>Low</b></td> </tr> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">3</td> </tr> </table>	<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	0	0	0	3
<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>						
0	0	0	3						

The council has an appropriate performance management framework in place, which is effectively administered and complied with. The council's Corporate Plan and supporting documents contain strategic priorities and outcomes, and strategic and operational objectives which are supported by targets and key performance indicators (KPIs). Progress is regularly monitored and reported. The framework was revised in 2021 and sets out the council's methodology for managing performance. This is supported by training for heads of service and managers, to ensure understanding and compliance. A revised template for reporting performance was introduced with an increased focus on underperforming targets, however action being taken to improve performance should be formally reported to inform effective oversight and decision making. Accountability for delivery of objectives, targets and actions is clearly documented. There is an established timetable for reporting performance to the Corporate Management Team and Overview and Scrutiny Committee for review and oversight. Whilst senior managers have the opportunity to review performance and the data supporting it, the HR Manager acknowledges the need to periodically validate performance data to provide assurance over its accuracy and completeness.

Agreed actions from the audit	Priority
A short summary of action being taken by services to improve performance on Red rated objectives will be included in quarterly performance reports.	
Data quality checks will be carried out at least annually to validate the accuracy and completeness of performance data submitted by services.	
Where progress with delivery of targets is reported annually consideration will be given to identifying short term milestones or goals which provide meaningful data on progress, and reporting these more frequently in quarterly performance reports.	

**Background**

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan.

**Context**

The council uses performance management to manage delivery of corporate priorities by setting and monitoring achievement of objectives for teams, employees and the organisation. Effective performance management is supported by established and accessible policy and procedures, clearly defined objectives at all business levels, realistic targets and indicators of success, active progress monitoring and reporting and accurate data. The council's performance management framework was reviewed in June 2021 to reflect the vision and priorities in the new Corporate Plan 2021-25, and is administered by the HR Manager.

**Previous audit**

An internal audit of performance management was last carried out in June 2017 and provided substantial assurance over the adequacy and effectiveness of performance management arrangements..

**Scope of Audit**

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks in the areas of strategy, policy and practice; operational compliance; accountability; monitoring and reporting. The audit covers the period from April 2021 to January 2022

Strategy, policy and practice	The Corporate Plan 2021-25 sets out the council's corporate objectives, key outcomes and strategic priorities, and records operational and project objectives and accountability for delivery. Related actions and performance indicators are monitored and reported quarterly. The performance management framework was revised in June 2021 and sets out the council's methodology for managing performance based on corporate planning, service delivery, and monitoring and reporting of performance against targets, supported by training for heads of service and managers.	●
Operational compliance	Performance measures are aligned to council priorities, targets are set and performance indicators (KPIs) developed. Progress against targets is reported in a traffic light system. Quarterly performance reports include underperformance but action to address it is not recorded. Service performance data is accurate and complete and supported by a Director's executive summary. Data accuracy is not checked but managers acknowledge the need for such checks.	●
Accountability	Portfolio holder roles and responsibilities are recorded on the council's website, including responsibility for operational and financial performance. A KPI schedule lists indicators with annual or quarterly targets and responsible officer.	●
Monitoring	Corporate Management Team (CMT) and Overview and Scrutiny Committee (O&S) minutes record performance discussion and challenge. Indicators with annual targets are reported annually in the quarterly report, though for some indicators this may not be sufficiently frequent to address underperformance.	●
Reporting	The quarterly performance report was revised in 2021/22 to reflect council priorities and corporate projects. It includes a summary of new and emerging issues, overview of service actions and indicators and a progress report against all objectives. Reports are reviewed by CMT and then by O&S in line with the set timetable.	●

# Internal Audit GDPR and Information Security Policies

2021/22

Rossendale  
BOROUGH COUNCIL

Internal Audit service provided by:

Overall assurance rating	Audit findings requiring action			
 <b>Moderate</b>	<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
	0	0	2	3

Effective arrangements are in place to comply with UK-General Data Protection Regulations (UK-GDPR) although improvement is needed in some areas. Roles and responsibilities are defined, and a Data Protection Officer (DPO) and Senior Information Risk Owner (SIRO) appointed. Information governance policies were revised in January 2021 and a mandatory e-learning package for all staff and guidance is accessible on the Intranet. Most service information audits have been completed and the remainder are progressing, though the template format of the information audit form is restrictive meaning responses are not always clear. The council's privacy notice is consistent with Information Commissioner (ICO) requirements but needs updating and uploading onto the website. Processes are in place to comply with statutory requirements on Data Protection Impact Assessments (DPIAs) but controls are applied inconsistently. Guidance sets out the process for investigating data breaches but there is no facility to report these on the Intranet or the council's website. We agreed ten actions in our previous audit (Ref 2018-RBC1) of which eight have been implemented and we have restated the two partially implemented medium risk actions in this report

Agreed actions from the audit	Priority
A formal Data Protection Policy for the council will be produced and following approval, communicated to staff and made available on Learn Pool.	
The template used to complete information audits will be revised to add additional comments boxes to facilitate more detailed responses from respondents where either 'no' or 'n/a' is selected. Managers should also establish a process for bi-annual review and refresh of information audits.	
The council's main privacy notice will be updated to explain how consent can be withdrawn by data subjects, and uploaded onto the council website at the earliest opportunity.	
An agreed process should be formally documented and communicated on the use of the Data Protection Screening Checklist in assessing data protection risk associated with a project and the subsequent need for a DPIA.	
A form to report information security incidents and data breaches should be put in place on the 'Report it' section of the council website and a data reporting procedure should be added to the Policies section of the Intranet to make this easily accessible to staff and external stakeholders.	

### Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan.

## Context

The UK-GDPR is the UK's data privacy law governing the processing of personal data from individuals inside the UK. This was drafted as a result of the UK leaving the EU, at which point the EU's GDPR no longer applied domestically to the UK.

## Previous audit

An audit of information security and GDPR implementation (Ref. 2018-RBC1) provided moderate assurance over the adequacy and effectiveness of arrangements in place.

## Scope of Audit

This audit covers the period from April 2021 to March 2022 and testing included audit of compliance with requirements in a sample of services.

Governance and accountability	There are defined roles and responsibilities for UK-GDPR compliance including appointment of a DPO and SIRO who are of appropriate seniority and suitably placed to perform their roles. The DPO role complies with ICO guidance which is used by the DPO to inform activity.	
Policies, procedures and awareness training	Policies were revised in January 2021. Our previous audit reported that a data protection policy on UK-GDPR compliance was in draft, but this has not yet been published. GDPR training was delivered to heads of service and managers, and there is guidance for officers on the Intranet. E-learning training was rolled out in March 2022 for all staff, completion is monitored and reminders are issued. Contracts with suppliers include UK-GDPR provisions and while we could not see the Idox contract to check coverage, the system has mechanisms to support compliance.	
Data processing audits	In November 2021 heads of service and managers were asked to update Information Audit Forms. Eleven services had returned these and we are satisfied those outstanding are being followed up. The template format is restricts responses available and was revised in response to our previous report, but further improvement is necessary.	
Privacy statements and impact assessments	The council's overarching privacy notice largely complies with ICO requirements but needs to state how data subjects can withdraw consent, though the right to withdraw is covered. The notice has also been inadvertently removed from the website. There are also some service privacy notices to address specific service requirements. A screening checklist is used to support assessment of data protection risks in projects but was applied inconsistently due to lack of awareness of the checklist or its purpose by some managers.	
IT security	The following audits carried out by Mersey Internal Audit Agency (MIAA) provided assurance over wider information security: Core IT Infrastructure Review (2019/20) – Substantial Assurance; IT Service Continuity Review (2021/22) – Moderate Assurance; Mobile Remote Working Review (2021/22) – Substantial Assurance; and IT System Access (2018/19) – Moderate Assurance.	

Reporting	UK GDPR breaches must be reported to the ICO within 72 hours. Mandatory information security training includes reporting requirements and reportable breaches, which can be reported using a generic email address or calling the ICT Helpdesk. One incident was identified during the audit timeframe but was not a reportable breach. An action in our previous report to add a reporting function to the Intranet and council website has not yet been implemented.	
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Internal Audit

IT

# Procurement

2021/22



Overall assurance rating	Audit findings requiring action			
 <b>Moderate</b>	<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
	0	0	3	0

Contract Procedure Rules and the Procurement Strategy set out the methodology and approach to procurement. The Rules were revised in March 2021 but references to EU regulations should be removed and the Strategy should be updated to reflect legislative and operational changes. Training on revised procedures was delivered to heads of service and managers. Procurement is administered effectively in compliance with policies and procedures with the exception of one high value contract which was not submitted to Cabinet in line with delegated approval limits, although progress was subsequently reported. Supplier contracts are recorded on a register but lead officer details should be recorded, contract renewal is not always reflected and ceased and superseded contracts are not removed.

Agreed actions from the audit	Priority
The Procurement Strategy and Contract Procedure Rules should be reviewed and revised in the light of changes in legislation and local guidance. Revised documents should be formally authorised at the appropriate level and any significant revisions should be communicated to staff.	
To support officer awareness of the need for procurement decisions to be subject to scrutiny and approval as required by the Contract Procedure Rules a flowchart should be produced setting out each stage of the procurement process and the necessary approvals required. This should be shared with officers responsible for procurement; and consideration should be given to creating a procurement Intranet page where up-to-date policy and procedures is easily accessible.	
The contracts register should include a column to record details of the lead officer overseeing the contract. At least quarterly, heads of service and managers should be asked to update the register with new contracts, remove existing contracts that have ceased or been superseded and provide an update or comment on contracts that are coming to an end.	

### Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan.

### Context

The Public Procurement (Amendment etc.) (EU Exit) Regulations 2020 became effective on 1 January 2021, removing references to the OJEU from UK regulations, including the requirement to comply with OJEU publication requirements. The thresholds have been retained and now apply to the UK's 'Find a Tender' system which replaced OJEU under the World Trade Organisation Government Procurement Agreement. Council

Contract Procedure Rules are reviewed annually by Full Council as part of the Constitution, and shaped by the Procurement and Commissioning Strategy. Both are designed to ensure legislation is complied with, value for money is promoted, public finances are managed effectively, and the council and its staff are safeguarded against allegations of dishonesty and corruption. Heads of service carry out procurement exercises, retaining proper records to support procurement activity.

### Financial Information

For the period April to December 2021, the council processed 5861 invoices of an approximate value of £50m and for the year to 31 December 2021 the council's contracts registers recorded 26 ICT contracts with a value of £63k and 33 non-ICT contracts with a value of £1.1m.

### Previous audit

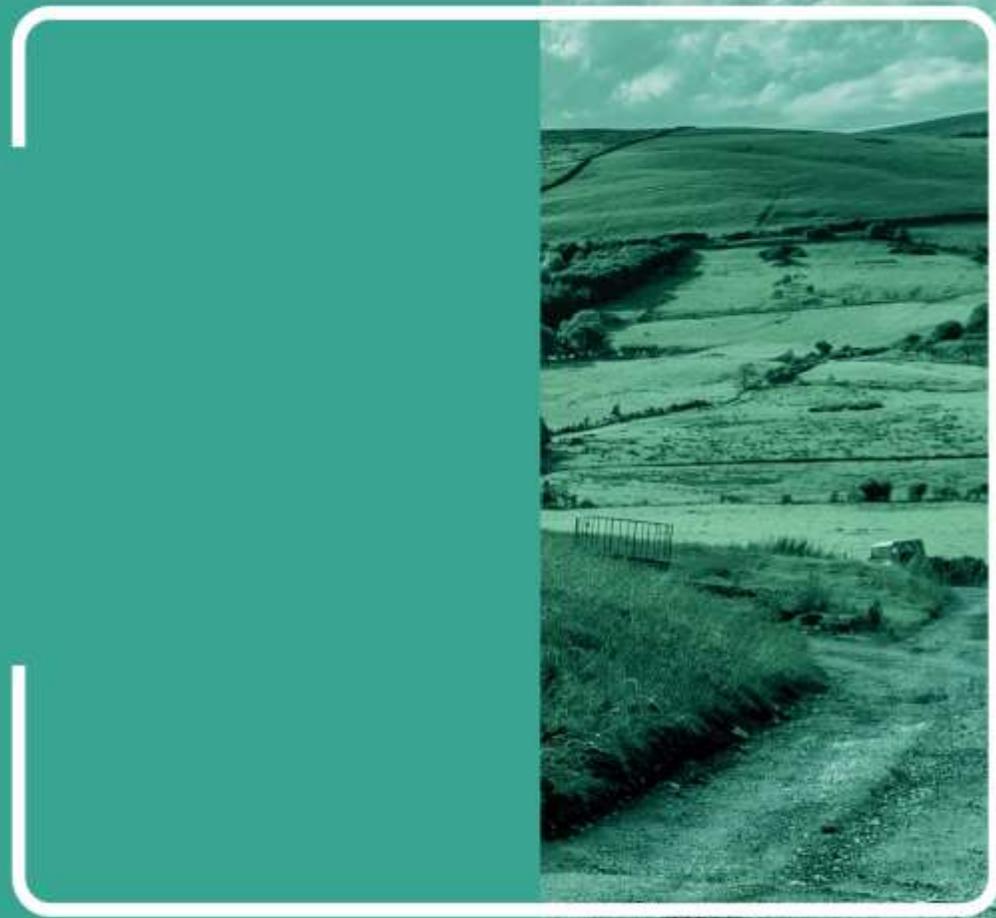
An internal audit of procurement was last carried out in July 2018 and provided limited assurance over the adequacy and effectiveness of procurement controls and compliance with policies and procedures.

### Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks in the following areas: strategy, policy and practice; operational compliance; contract approval; and monitoring and oversight. The audit covers the period from April 2021 to January 2022.

Strategy, policy and practice	The Strategy sets a framework to obtain value for money in procurement consistent with the National Procurement Strategy, but needs updating to reflect legislative and operational change. Contract Rules are supported by a procurement scheme of delegation, setting out key requirements including expenditure estimates, quotes and tender bids. The current version (March 2021) added social value, transparency and proportionality, and use of 'Find a tender', but should have references to EU legislation and OJEU removed. Heads of service and managers attended a workshop on revised Rules and policy and training provide sufficient information to support compliance.	●
Operational compliance	With one exception which was not approved in line with the scheme of delegation, in the cases we tested the Rules were complied with. Pre-procurement activity is carried out, including production of business case and cost estimates to determine the procurement approach. Tenders are let, quotations obtained, procurement frameworks used and tender bids appropriately considered.	●
Contract approval	Decisions to award contracts over £15k are documented in a scheme of delegation and approved by senior officers and members. For one high value contract approval by Cabinet prior to tendering had not been sought, although the procurement was approved by senior management and the portfolio holder, and project progress was subsequently reported to Cabinet. Contracts tested did not exceed World Trade Organisation thresholds requiring wider advertising.	●

<p>Monitoring and oversight</p>	<p>Officers are assigned procurement and contract management responsibilities, and there are regular updates to senior management and members for larger projects through Programme Board and Cabinet reports. A Contracts Register records let contracts but was not fully completed and included expired or superseded contracts. New contracts are added although records for contracts that had ceased or exceeded the agreed term were not up to date. Appropriate action is taken to renew contracts or initiate procurement exercises.</p>	<p>●</p>
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Overall assurance rating	Audit findings requiring action			
 <b>Substantial</b>	<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
	0	0	0	1

Governance arrangements operate effectively and Articles of Association set out roles and responsibilities for the Board and its directors, including requirements for decision making and Board appointments which are consistently complied with. The council's Overview and Scrutiny Committee receive annual updates on partnership progress, and Full Council approves project funding through the annual Capital Programme. Partners apply their own procurement rules to ongoing projects, but administrative expenditure for the partnership, such as website domains and marketing, is approved by the three partners. We could not initially confirm whether the previous Chief Executive had approved these payments as evidence was not to hand, but satisfactory evidence was subsequently produced.

Agreed actions from the audit	Priority
Emails confirming the Chief Executive's approval of partnership expenditure should be saved to a discrete network folder to ensure that they are easily accessible when required.	●

### Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan.

### Context

Rossendale Together Barnfield is a joint venture established in 2013 between the council, Together Housing and Barnfield Construction to deliver regeneration projects within the Borough. To date, the partnership has delivered several large developments including the redevelopment of Rawtenstall town centre, Spinning Point.

### Scope of Audit

Our audit fieldwork was completed during July and August 2021 and have looked at information between January 2019 and July 2021..

<p>Governance</p>	<p>Articles of Association were agreed covered expected areas, including appointment and removal of directors; responsibilities; decision making; directors remuneration; share and dividends and administration arrangements. We confirmed that the Articles are complied with. A standing agenda is in place, meetings are quorate and partnership directors attend all meetings. Board decisions, including director appointments, are minuted and actions followed up.</p>	
<p>Reporting</p>	<p>The Board receives updates on progress with pipeline development and project delivery, including delays. Action taken by partners is addressed including any need for council approval and planning permission. Rossendale's Overview and Scrutiny Committee receive updates on project progress annually. Partnership accounts are signed off. Members are aware of plans through inclusion in the Capital Programme.</p>	
<p>Decision making</p>	<p>Partnership projects are included in the Capital Programme, including monies allocated to regeneration projects and reports were approved by members. A decision to provide no further funding for the Spinning Point project was recorded in Cabinet and Full Council minutes and was reported to the Rossendale Together Barnfield Board. In 2021/22 there were no projects from the partnership in the Capital Programme. A report on partnership status was provided to Cabinet in September 2019.</p>	
<p>Procurement</p>	<p>The council make monthly payments for project works to Barnfield Construction, invoiced based on project progress and assessed by an independent party. Non-construction payments are approved by designated officers in each partner and previous projects were appropriately approved by the former Chief Executive Officer. We confirmed that administrative expenditure appeared reasonable and relevant to partnership operation, including pre-project risk assessments, planning applications and administrative costs including website domains and marketing. Approval for payment was made by the designated council officer although approval emails were not easily accessible.</p>	

# Internal Audit Business Grant Allocations

2021/22

Rossendale  
BOROUGH COUNCIL

Internal Audit service provided by:

Overall assurance rating	Audit findings requiring action			
 <b>Moderate</b>	<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
	0	0	0	1

We acknowledge the significant initial difficulties of administering grants, given the need to allocate funding quickly and in compliance with grant conditions. There were some initial shortcomings as a consequence, such as using Northgate to record payments. However, we consider that action appropriate to the circumstances was taken to make prompt, equitable payments to eligible claimants, which were subject to review and scrutiny. Following the initial round of grant schemes, procedures were refined and the council improved the payment method, pre-payment assurance and reconciliation.

Agreed actions from the audit	Priority
All applications for any future grant schemes, including discretionary grants, should be retained along with evidence of the reason for acceptance and rejection.	●

**Background**

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan.

**Context**

Central government established a number of grant schemes to support businesses during the Covid pandemic. These had either specific or advisory eligibility criteria, giving the council more or less flexibility in which businesses received funding. The following council systems were used to record, award and pay claims: Northgate, the non-domestic business rates system to access eligibility data such as trading status, business category, rateable value and liable party; Anite, the electronic document management system to store evidence and applications; and Civica, the finance system to process payments and administer accounts. The council also used central government tools, Spotlight and the National Fraud Initiative (NFI), to identify any need for further investigation and coordinated investigations with the National Anti-Fraud Network (NAFN).

**Financial Information**

16 grant schemes totalling £33.5m were administered by the council during 2020/21 and approximately £27m was paid to local businesses.

**Scope of Audit**

The audit assessed council compliance with government guidance on claimant eligibility, fraud management, grant payments and reporting, reviewing the headline elements of the following five grants: Small Business, Retail, Leisure and Hospitality; Local Restriction Support Grant (Open); Local Restriction Support Grant (LRSG) Closed; Additional Restrictions Grants and Restart Grant

Compliance with grant conditions	The council awarded or rejected grant claims in compliance with grant conditions and defined and adhered to appropriate eligibility criteria where it had discretion, and senior managers approved payment. For most schemes fraud checks were completed prior to payment with the assistance of the fraud officer assisted though checks were done after payment for the initial grant scheme due to the urgent need to make payments. A fraud risk assessment was completed for all grants. Evidence of rejected claims was not routinely retained.	●
Eligibility and communications	Grant information was published on the council website and provided links to government guidance. Schemes were promoted through Zoom workshops, newsletters, letters and emails, social media accounts and local business networks. Evidence of eligibility was appropriately assessed in compliance with grant scheme conditions and council policy retained. Checks were in place to identify duplicate and/or fraudulent claims.	●
Payment	Payments were made accurately, promptly and subject to senior officer approval. There was adequate separation of duties, though this improved from the initial grant scheme to subsequent schemes.	●
Reporting	An update on the business grant scheme was reported to Cabinet and the Operation and Governance Board in May 2020 and Cabinet since received summaries of overall grant spending in quarterly financial monitoring reports. An overall underspend across all grant schemes of £6.475m was also reported and an unspent balance of £2.29m was returned to central government in May 2021. Final returns of outstanding balances have not been requested by central government and the council are carrying out reconciliations in expectation of this requirement.	●

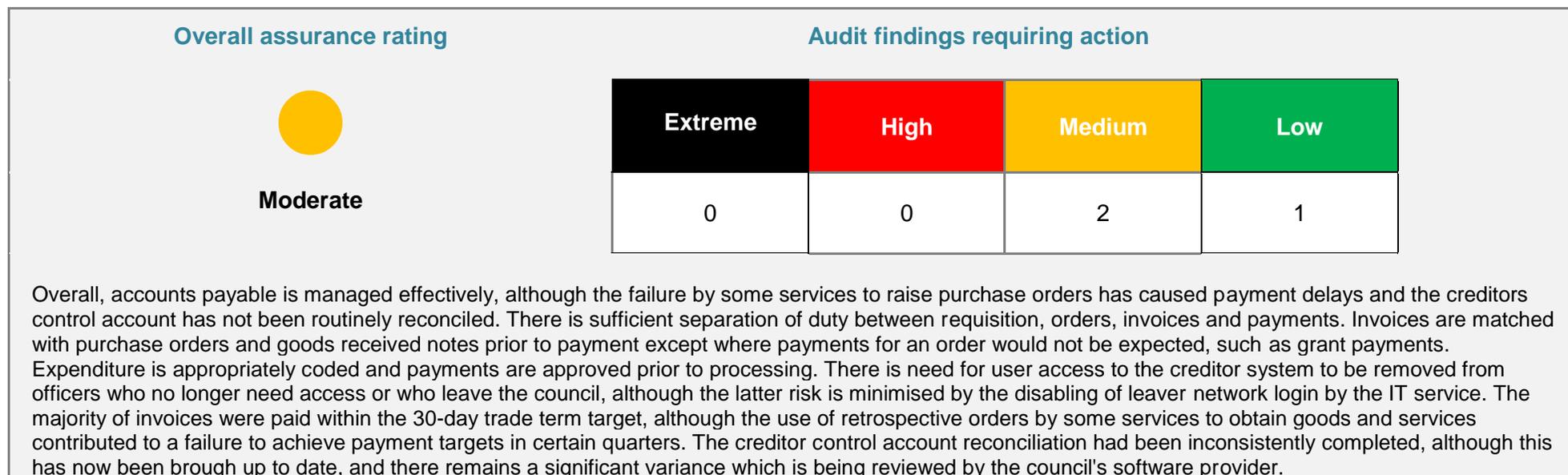
Internal Audit

Accounts Payable

2021/22

Rossendale  
BOROUGH COUNCIL

Internal Audit service provided by:



Agreed actions from the audit	Priority
Civica user accounts for officers who left the authority should be deactivated. Consideration should be giving to undertaking periodic reviews to establish whether officers are still employed by the council and that access is appropriate to their role and responsibilities.	
Compliance with established procurement rules should be promoted through: <ul style="list-style-type: none"> <li>• Reminders to officers who continually raise retrospective orders, supported by training on the purchase order process for non-compliant officers (raised on our previous audit February 2021); and</li> <li>• Periodically compiling a report of retrospective orders raised and services that use them for submission to heads of service and the Corporate Management Team, to inform senior managers of the extent and impact of repeated non-compliance with the process.</li> </ul>	
The council should consider whether there is sufficient training on control account reconciliations within the finance service. If appropriate, additional officers should be trained to allow for better cover of absence or officers leaving the authority.	

**Background**

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan.

**Context**

The Finance Service administers the creditor database, processes invoice and reconciles spending to the general ledger using Civica software. Invoices are automatically matched to purchase orders and goods received notes. Retrospective purchase orders are created after an invoice is received to allow for payment. A number of new records in the past financial year related to the creation of accounts to pay test and trace/isolation payments.

**Financial Information**

For the period April to December 2021, the council processed 5861 invoices of approximate value of £50m.

**Previous audit**

An internal audit of accounts payable was last carried out in February 2021, in which we gave substantial assurance and agreed one low risk action.

**Scope of Audit**

We audited the adequacy and effectiveness of the controls and processes established by management to mitigate key financial risks.

System access	The Civica creditor module contained nine active accounts for officers who had left the council. Their network logins were disabled, preventing access to the council network and systems and reducing the risk of inappropriate access. However it is good practice to remove system accesses when officers leave or no longer need access.	●
Separation of duties	There is adequate separation of duties between roles for raising requisitions, orders, invoices and payments and an appropriate level of approval prior to processing.	●
Purchase order and invoices	Most invoices were imported onto Civica with purchase orders and goods received notes prior to payment but almost half. We confirmed these related to grant, voucher or precept payments where an order would not be expected as no services or goods were purchased.	●
Payment processing and exception reports	While most invoices are paid within the 30-day trade terms some exceeded this where services had not followed the established process. We agreed the use of retrospective orders would be monitored and repeated non-compliance reported to senior managers. Payment reports were reviewed and approved by a senior officer prior to payment. Four invoices were paid by direct debit and we confirmed that the arrangements are approved on input to the system	●
Coding and creditor control account reconciliation	General ledger codes are appropriate to goods and services purchased. Weekly monitoring and monthly reconciliation of the creditors control account was not consistently completed and reviewed and we agreed an action to train officers to cover absence or leavers. The creditor control account has not balanced for most of 2021-22 with variances ranging from £20k to £111k but work is in hand to investigate and resolve this.	●



Internal Audit

Accounts Receivable

2021/22

Rossendale  
BOROUGH COUNCIL

Internal Audit service provided by:

Overall assurance rating	Audit findings requiring action			
 <b>Moderate</b>	<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
	0	0	2	1

The accounts receivable control framework is adequately designed and controls for system guidance, initial recovery action, ledger coding and reporting are operating effectively. The debtor system higher level permissions are appropriately restricted, and invoices cannot be amended once created on the system. There are procedure notes on how to raise debtor invoices and services have an officer with access or can request Finance to raise an invoice. The recovery procedure is generally compliant with policy and supporting evidence is retained for most debts. Invoices are coded appropriately and the debtor control account is reconciled monthly, although there was a consistent variance for most of the financial year. Aged debt reports are issued to legal and service areas weekly and quarterly financial monitoring reports provide an overview of debt to members. The debt management policy requires updating, which we have raised in previous audits. There is little evidence of legal recovery action progressing in the second half of 2021, the monitoring spreadsheet does not reconcile to the debtor database and write-offs have not been processed for the past three years, although we were informed that the write-off process is due to restart. Of six actions raised on our previous audit, two have been implemented, one superseded and three have not been yet implemented and we have restated them here.

Agreed actions from the audit	Priority
Consideration should be given to including in the debt management policy a minimum financial limit on credit checks performed on debtors. Once agreed by senior managers, the policy should be submitted to Cabinet for approval, adopted and distributed to finance officers and all services that raise debtor invoices to support compliance.	
The spreadsheet of debtor invoices for legal action should be reviewed to ensure: • Prompt action is being taken to pursue legal recovery of outstanding debt; • The legal spreadsheet is up to date with the debtor database; and • A priority status for recovery cases is implemented to ensure progress on legal action is monitored and resources allocated appropriately.	
All sundry debt write-offs identified by the Finance Manager should be approved in line with write-off approval limits and processed on the system. For debts that exceed £5k, members approval should be sought prior to processing.	

**Background**

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan and has been conducted in conformance with the Public Sector Internal Audit Standards.

**Context**

The council use the Civica Debtor system to manage the debtor database and raise invoices, and this is administered by the Finance Service, who control user access and report the overall debt position. All services can raise debtor invoices or request that invoices are raised by the Finance Service. The system generates payment reminders and final notices at defined intervals and Finance liaise with services and Legal Service to escalate recovery.

**Financial Information**

During the period April to December 2021, the council raised 1494 debtor invoices totalling £3.18m. In March 2021 the council had a total of £771.2k outstanding debt, which had been reduced to £565.5k by September 2021.

**Previous audit**

Our last audit was carried out in February 2021, when we gave moderate assurance and agreed six actions. The table at 4.4 provides an update on the status of these actions. Overall, two actions have been implemented, one superseded and three have not yet been implemented and we have raised these again in this audit.

**Scope of Audit**

We audited the controls to mitigate the following key risks including invoices or credit notes not recorded inaccurately or in a timely way; recovery procedures are not complied with; debts are not recovered promptly; transactions are inaccurately recorded or evidence of liability of debts is not retained; unauthorised or inappropriate access to the debtor's system. The audit covered the period April to December 2021

System access, raising invoices and guidance	The Finance Manager identified four user accounts to the debtor's system for officers who have left the authority. We have raised an action in our recent accounts payable report to address this. Other than these, access is appropriate to the role and responsibilities of the officers and all are employed by the council. The system prevents amendment of invoices once input. All services have at least one officer with access to raise a debtor invoice and process guidance is available for new officers. The guidance has been updated and the debtor database is currently being reviewed and duplicates identified and merged as agreed in the 2020-21 audit report. We consider these actions are implemented, although acknowledge that the database will require continued review and further work.	
Policy and recovery process	The action agreed in our 2020/21 report to update the debt management policy has not been implemented. We have raised this action again, with specific reference to credit check requirements within the policy. We were unable to see evidence that credit checks are routinely in use. All except one of the invoices sampled was supported by evidence, such as a signed contract, which would be sufficient for further recovery and legal action. The Finance Manager advised that one invoice did not have supporting evidence and the associated risk of inability to bring legal challenge was accepted. The recovery procedure is generally compliant with the debt management policy for all except one invoice which had the recovery action suspended for several months. We were told by the exchequer officer that this had been overlooked and would be unsuspected and chased. Legal action has not been progressed following the departure of the legal officer responsible in August 2021. We were unable to confirm that a sample of cases, marked as submitted to legal, had been acted on and the spreadsheet provided had not been updated, as agreed in our previous report.	
Ledger coding and reconciliation	Most invoices were imported onto Civica with purchase orders and goods received notes prior to payment but almost half. We confirmed these related to grant, voucher or precept payments where an order would not be expected as no services or goods were purchased.	

<p>Aged debt and write off</p>	<p>Most invoices tested were promptly recorded on the general ledger, typically on the day of payment. One was not paid at time of testing, and another had been cancelled and re-raised and promptly coded to the ledger. The debtor control account is reconciled although reconciliations were not checked and approved by another officer for three months. We agreed an action to address this in our accounts payable report. We were unable to establish the reason for a £6k variance on the debtor account since July 2021, but the software provider Civica is currently investigating.</p>	<p>●</p>
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Rossendale  
BOROUGH COUNCIL



Overall assurance rating	Audit findings requiring action			
 <b>Moderate</b>	<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
	0	0	1	0

The annual budget is accurate, approved by members annually and supported by quarterly financial monitoring reports. There have been delays in issuing quarterly reports this year, due to the timing of corporate management team meetings, which will be caught up at July Cabinet. Responsibility for monitoring service budgets is appropriately assigned working papers are retained. Journals are supported by narrative and evidence. One suspense account had a balance that the Finance Service was unaware of, though this was resolved immediately. The control account reconciliations had variances, of which some could not be explained and were inconsistently monitored through the financial year. Reconciliations are approved by another officer to ensure accuracy and completeness. There were live general ledger user accounts for officers who left the authority and we agreed an action in our previous report that access be fully reviewed and such accounts deactivated. We acknowledge that the Finance Service has been adversely impacted by the loss of two senior and experienced officers.

Agreed actions from the audit	Priority
A complete list of all control and suspense accounts will be created showing the frequency of monitoring and reconciliation and the responsible officer. Reconciliations will be reviewed and approved by another officer once completed.	

**Background**

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit & Governance Committee. The audit covers the period April 2021 to March 2022 and has been conducted in conformance with the Public Sector Internal Audit Standards.

**Context**

The council agreed a net revenue budget for 2021/22 of £8.9m in February 2021. The budget is monitored and maintained using the Civica General Ledger module. The Finance Service is undergoing significant change, with two officers having left the service during the Summer of 2021 and the Finance Manager due to leave in the Summer 2022.

**Previous audit**

An internal audit of general ledger controls was last carried out in March 2021 when we gave substantial assurance with no need for improvement action.

**Scope of Audit**

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to: budget inputs to the system; virements; system access; account reconciliations and variances.

Budget setting and monitoring	The annual budget was approved by Cabinet and was input to the financial system. Financial monitoring reports were submitted quarterly with a narrative explaining variances but were delayed, with quarter 1 submitted in October 2021 and quarter 2 in January 2022. We were told this was due to the timing of corporate management team (CMT) and cabinet meetings. Service budgets were monitored by allocated officers and variances were queried and supported by working papers. A review of Finance roles and responsibilities within the team was in progress to address knowledge/skill gaps and improve resilience.	
System access	Officers generally had system access appropriate to their role and responsibilities but there three active accounts for officers who had left the council. These had been identified by the Service and we agreed an action in our Accounts Payable report. The risk is minimised as active directory (AD) logins had been removed when the officers left. An account requires Accountant or Full access to create/amend codes on the ledger.	
Journals and suspense accounts	Journals were supported by a narrative and evidence, for example where invoice references are provided or reference to grant schemes and virement between budgets were approved prior to processing. Five of six suspense accounts were cleared but the payroll suspense account had an outstanding balance of -£14.7k. This was reviewed and resolved and we agreed that suspense accounts will be routinely checked and issues resolved in future.	
Control account reconciliation	We were unable to confirm that suspense accounts had been balanced although the variances for two accounts were satisfactorily explained. The VAT control account was pending following monthly reconciliations. We could not confirm that reconciliations were reviewed by a second officer although we were told there was oversight over workings. We agreed an action to address issues with timely completion of control account reconciliations and periodic checking of suspense account balances. Due to the long-running issue with historical financial accounts closures we were unable to review year end reconciliations since 2017/18 but will follow this up in our next audit.	

# Internal Audit

## Income and Banking 2021/22

Rossendale  
BOROUGH COUNCIL

Internal Audit service provided by:

<p><b>Overall assurance rating</b></p>  <p><b>Moderate</b></p>	<p><b>Audit findings requiring action</b></p> <table border="1"> <tr> <td style="background-color: black; color: white; text-align: center;"><b>Extreme</b></td> <td style="background-color: red; color: white; text-align: center;"><b>High</b></td> <td style="background-color: yellow; text-align: center;"><b>Medium</b></td> <td style="background-color: green; text-align: center;"><b>Low</b></td> </tr> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> </tr> </table>				<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	0	0	1	0
<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>									
0	0	1	0									
<p>The financial procedures establish most key controls for income and banking procedures and assign roles and responsibility. This had been amended to remove the requirement to bank cash promptly, which we considered a fundamental control, but the Head of Finance confirmed that this requirement will be reinstated in the 2022/23 financial procedures. There is adequate separation of duty arrangements between receipting, banking and reconciling income with sufficient control over user access for the council's receipting system. The office safe exceeded the £1000 insurance limit at time of review by approximately £1050 due to an increase in cash to support Ukrainian refugees and the Finance Manager is considering whether insurance cover should be increased. All sources of income are identifiable, with transaction amounts receipted and banked promptly and reconciled on a weekly basis. However, the suspense account for income has not been checked routinely and has unresolved transactions, some of which date back to the beginning of the financial year. The monthly reconciliation of the cash at bank control account also has significant unexplained variances. We have agreed an action to address issues with the suspense and control accounts in our general ledger report (Ref. 2021-22) as part of a larger action for all relevant accounts. We agreed an action in our 2020/21 audit, that income received by service areas is banked promptly and advice and training is provided to officers who are identified as breaching financial procedures. We confirmed that this action has been implemented.</p>												

Agreed actions from the audit	Priority
An early decision should be reached on the need to increase insurance cover for safe holdings, in view of the need to hold cash over the current limit related to the Ukrainian refugee scheme for what may be a protracted period of time.	

**Background**

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit & Governance Committee. .

**Context**

The council uses the ICON receipting system to record income, which is reconciled in conjunction with other systems, such as the Civica modules for general ledger and debtors and the Northgate modules for council tax and national non-domestic rates (NNDR). We noted that cash transactions have significantly reduced, with only one recorded on ICON which was due to a coding error. Most transactions were taken either electronically or via cheque.

**Financial Information**

For the period August 2021 to January 2022 there were approximately 43,000 transactions of £25.7m total value.

**Previous audit**

An internal audit of income collection was last carried out in April 2021. This resulted in a substantial assurance opinion being issued, with one low risk action agreed.

**Scope of Audit**

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Payments made to the Council are misappropriated or misused, resulting in financial loss;
- The collection and banking of income is not recorded to the general ledger promptly, completely or accurately;
- Unauthorised access to systems leads to misappropriation or misuse of council funds.

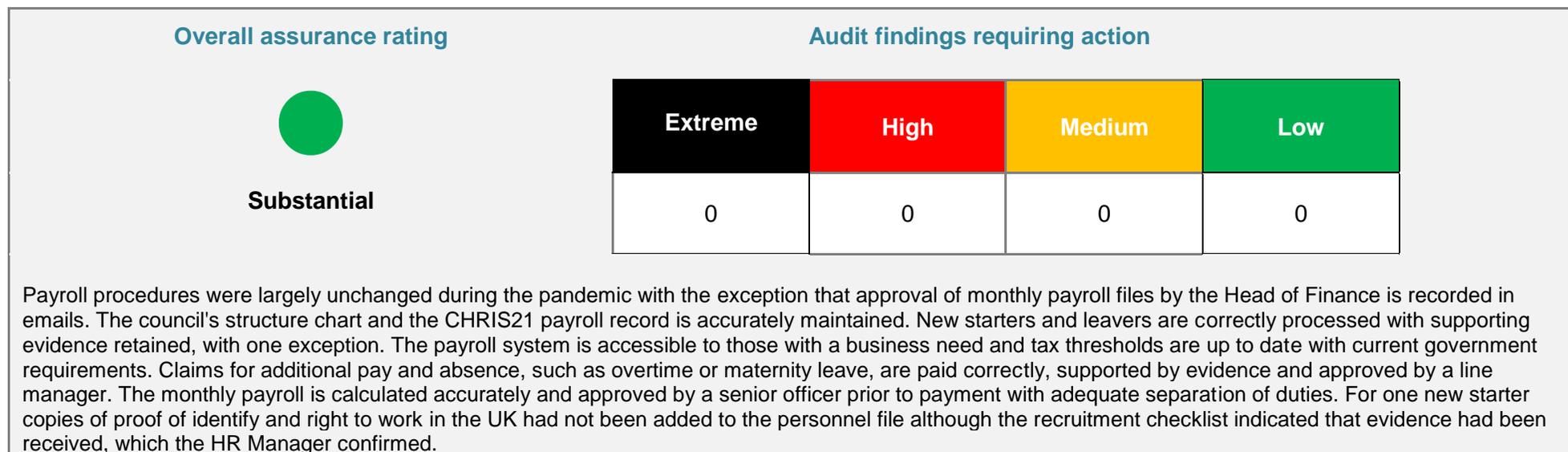
The audit covered the period April 2021 to March 2022.

System access	ICON user access was appropriate to the role and responsibility of the officer, and all were employed by the council. Officers outside the Finance Service have appropriate access to receive and receipt phone payments and we were satisfied that such accounts did not give access to administrative functions, such as access permissions.	
Financial Procedures and Separation of Duties	There is adequate separation of duty of income receipting, banking and reconciliation. The Financial Procedures establish key controls and assign responsibilities and roles, and are available online. Procedures were amended to remove a statement that income should be 'promptly banked' but will be reinstated in 2022/23 financial procedures.	
Identifying, receipting, storing and banking income	Sources of income are identified and a list is retained to support identification. Transactions were identified from a bank statement and receipted or appeared on a bank statement typically within five days of receipt. Transactions were receipted within 48 hours on the system. Receipting of cheques is done twice a week ahead of collection by a security company. One transaction was incorrectly coded as cash which we accepted as an error. The office safe exceeded the £1000 insurance limit at time of review by approximately £1050 due to an increase in cash to support Ukrainian refugees. The Finance Manager had accepted the risk and contacted the insurer to explore increasing the safe holding limit and a decision was pending until the cost was known.	

Reconciliation	<p>Income was recorded daily, figures were taken from global fund analysis reports and bank statements, and reconciled weekly. Figures were entered accurately and all but two weekly reconciliations balanced, though these were resolved within four weeks. The income suspense account had a debit balance of -£50,825.25 with 664 transaction lines across the financial year. The service provided working papers to show that this was being addressed but we were unable to establish how often the suspense account was checked during the year and we agreed an action our General Ledger audit that periodic checks will be introduced. Monthly reconciliation of the 'cash at bank' control account has not been balanced for the whole of the 2021-22 financial year and all months had significant variances that had not been resolved. The variance as of March 2022 is £290k. The finance manager confirmed work was in hand to fully reconcile the cash at bank control account for April 2022. We reported this issue in other financial audits and the Finance Manager attributes the need to improve Finance Service resilience arising from the loss of experienced senior officers.</p>	
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**Background**

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit & Governance Committee. .

**Context**

The council uses the Complete Human Resource Information System (CHRIS21) to administer and calculate payroll. HR and payroll functions are undertaken by the council and system access is restricted to those in HR, payroll and ICT service. Due to the pandemic and working from home arrangements, we noted some minor changes in procedures.

**Financial Information**

At time of review, the council had 176 employees with an approximate monthly payroll of £300k.

**Previous audit**

Our 2019 audit also gave substantial assurance and raised no improvement actions.

**Scope of Audit**

This audit has addressed the council's payroll procedures, excluding payrolls run for Rossendale Leisure trust and exceptional payrolls such as for the 2021 elections. The audit covered the period April 2021 to March 2022.

System controls	Schemes of delegation (SOD) to create, amend or de-establish a post were approved at senior management team meetings. The council structure chart was accurately updated following approval and fully recorded on the payroll system and was reviewed every two weeks to confirm completeness and correct any errors. Tax rates and thresholds were updated on the system in line with HMRC rules. Pay for new starters and leavers, and sickness and maternity were calculated and processed promptly and correctly, claims and deductions were processed accurately.	●
System access	Only employees requiring access to the payroll system are set up by the Payroll and Systems Officer. Access levels were appropriate to role of the officer, with the highest access levels restricted to the People and Pay manager, HR manager and Payroll officer.	●
Payroll processing and reporting	Pay for new employees is processed correctly and in a timely way, and action is supported by appropriate evidence including right to work in the UK and proof of identity. Overtime pay, additional pay requests and voluntary deductions are supported by an authorised request and evidence where applicable. Mileage claims were calculated accurately and were supported by a mileage claim form either signed or confirmed via email by a line manager. Sick pay and maternity pay was accurately calculated, authorised by a line manager and supported by evidence. Leavers final salary was correctly calculated, and their record promptly removed from the pay system. Salaries and deductions control account reconciliations were completed and checked with two exceptions where the assistant account had left the council. We were satisfied that the reconciliations were subsequently carried out.	●

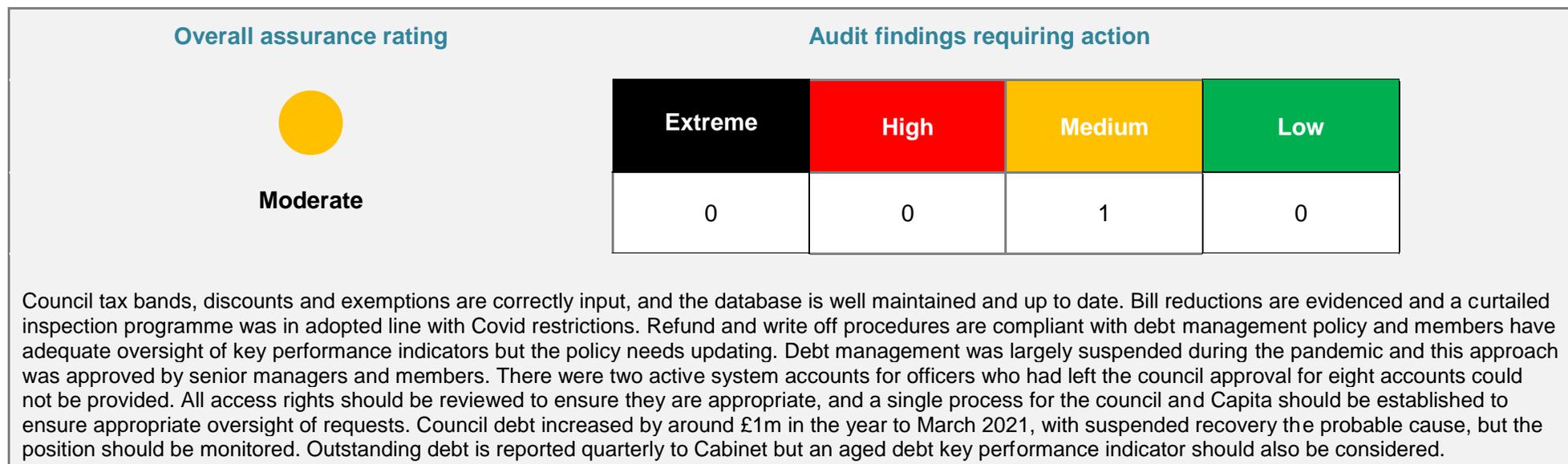
Internal Audit

Council Tax

2021/22

Rossendale  
BOROUGH COUNCIL

Internal Audit service provided by:



**Background**

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit & Governance Committee. .

**Context**

The council outsource the council tax service to Capita PLC and re-awarded the contract in 2019. The council's service assurance (SA) team monitor contract performance through key performance indicators which are reported to members quarterly and were kept the same as in 2019/20 due to the Covid19 pandemic. The systems used are Northgate and the Anite document management system.

**Financial Information**

For the year ended 2020/21 the collectable Council Tax was reported as £162k, after discounts and exemptions and less doubtful debt provision and precepts. The council's share of the Council Tax collection fund deficit of £393k was £56k (14.61%).

**Previous audit**

Our 2019 audit also gave moderate assurance and raised one low risk improvement action.

**Scope of Audit**

This audit addressed the design and effectiveness of the council tax control framework and was completed during July and August 2021.

Policy and process	The debt management policy has not been reviewed and updated since it was approved in 2008. We agreed an action to address in our 2018-19 debt management report but this was not implemented. The policy adequately defines recovery and write off procedures but inaccuracies included the summons cost and lack of a review schedule.	
Accuracy and completeness	The Northgate council tax database is reconciled to Valuation Office reports weekly to confirm its accuracy. Tax bands were approved by Full Council in February 2020 and were added to the system and council website.	
System access	Two employees who had left the council had live system accesses, which were subsequently deactivated, and the user access report should be reviewed to confirm users have appropriate access. We proposed a single process for the council and Capita to request and approve user accounts and amendments.	
Reductions and refunds	Evidence of eligibility for reductions was retained on the system in cases other than where discounts and exemptions began before 2012, exceeding the system retention period. Limited period exemptions and discounts were end-dated on the system. Refunds were approved, in credit at the time of refund and supported by an appropriate reason.	
Property inspection	A risk assessment of inspections during the pandemic concluded that only "drive by" inspections should be undertaken. Restrictions were subsequently relaxed and inspections took place, including of empty properties, although no inspection timetable was prepared. Properties not able to be inspected in 2020 were reviewed in 2021.	
Debt recovery	Council debt management procedures were not operated in 2020-21 due to the pandemic. Reminders were issued to residents with arrears but summons were not issued as courts were closed. This approach was reported to Cabinet in October 2020 and recovery action recommenced in 2021. Aged debt reports were used to monitor outstanding debt and write-offs complied with policy and were approved. The increase in overall debt justifies further reporting but this may be better achieved by developing and reporting a key performance indicator.	
Key performance indicators	Council tax collection rate performance was reported quarterly to Overview & Scrutiny Committee in 2020-21. The annual target of 96.7% was missed by 1% due to the suspension of normal operations during the pandemic. Consideration was being given to reducing the target to 94.7% for 2021-22 to give time for collection rates to recover, and to be increased incrementally over the next three years.	

Internal Audit

National non-domestic  
rates

2021/22

Rossendale  
BOROUGH COUNCIL

Internal Audit service provided by:

Overall assurance rating	Audit findings requiring action			
 <b>Moderate</b>	<b>Extreme</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
	0	0	2	1

The business rate system parameters are correctly input, bills are calculated accurately, and exemptions and discounts are applied appropriately. Refund and write off procedures are compliant with debt management policy and while standard recovery procedures were suspended during 2020-21 we confirmed Members were aware of this and the impact on collection and outstanding debt. Members have adequate oversight of key performance indicators, and missed targets are explained with context. However, we identified issues with the valuation office reconciliation, debt management policy review and user access that should be addressed. The debt management policy has not been revised or approved by members since 2008. In our 2018-19 debt management audit (July 2019) we agreed an action with the previous finance manager to address the need to review and update policy which had not been implemented. We restated that action in our Council Tax audit (Ref. 2021-24). We were unable to confirm that Valuation Office Agency (VOA) reports were reconciled to the NNDR database, though the absence of key staff and working from home arrangements had impacted this control. The reconciliation process should therefore be modified to support completion when working from home, including recording and retaining approval in emails. We notified to managers two active user accounts for officers who no longer work for the council, which have now been closed. Capita could not confirm access approval for eight accounts. All user access users should be reviewed to ensure they are appropriate and necessary, and a process between the council and Capita should be established to ensure appropriate oversight of requests.

Agreed actions from the audit	Priority
The debt management policy (2008) should be reviewed and revised to ensure it is up-to-date, to correct any inaccuracies and to ensure policy reflects relationship between the council and the service provider Capita. The revised policy should be considered and approved by Members.	
The VOA reconciliation process should support completion when working remotely, including recording and retaining evidence in email chains.	
User access accounts should be reviewed periodically to ensure officers have appropriate access.	

**Background**

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit & Governance Committee. .

**Context**

The council outsource the NNDR service to Capita PLC and re-awarded the contract in 2019. The council's service assurance (SA) team monitor contract performance through key performance indicators which are reported to members quarterly and were kept the same as in 2019/20 due to the Covid19 pandemic. The systems used are Northgate and the Anite document management system.

**Previous audit**

Our 2019 audit also gave moderate assurance and raised one low risk improvement action.

**Scope of Audit**

This audit addressed the design and effectiveness of the council tax control framework and was completed during July and August 2021.

Rateable value	Comparison of VOA reports to the Northgate database had not been carried out under working from home arrangements as the process relied on paper reports to evidence reconciliation and approval. We were told an officer did check the figures periodically but these checks were not documented. More recent VOA reports had been compared to Northgate. We proposed that the annual comparison is reintroduced using emails to record evidence of reconciliation workings and totals and senior manager approval.	
System accuracy and access	Business rates multipliers input to Northgate for 2020-21 complied with Ministry of Housing, Communities & Local Government. Current system user access was appropriate to roles and responsibilities but there were two users with access who no longer work for the council or Capita. These were subsequently deactivated. Evidence of line management approval of user access requests was not always retained.	
Reductions and refunds	Exemption and discount eligibility was correctly established prior to bill reductions or exemptions and in most cases were supported by evidence. Those usually reconfirmed annually were covered by Covid-19 relief schemes and those that were time-limited had an end-date entered.	
Property inspection	Risk assessments of inspection procedures in 2020 and 2021 determined that only "drive by" inspections should be undertaken but internal inspections were reintroduced later in 2021 as restrictions eased. Of 14 accounts requiring annual inspection in this period accounts were inspected in 2020 and one was empty for a short period. Officers also covered One Stop Shop services due to staff shortages, further reducing capacity to visit properties.	
Debt recovery	Normal debt management activity was curtailed in 2020-21 due to the pandemic. Reminders were issued to residents with arrears but summons were not issued as courts were closed. This approach was reported to Cabinet in October 2020 and recovery action recommenced in 2021. Aged debt reports were used to monitor outstanding debt and write-offs complied with policy and were approved. The increase in overall debt justifies further reporting but this may be better achieved by developing and reporting a key performance indicator. The debt management policy had not been reviewed and approved since 2008. We agreed an action to address this in our 2018-19 debt management report, but this was not implemented and we restated it in a subsequent audit. The policy defines procedures well but includes inaccuracies such as summons cost and lack of review schedule.	

<p>Key performance indicators</p>	<p>The Operational and Governance Board were informed in May 2020 that revised KPI's would not be set for 2020/21 due to Covid19's impact on revenues and benefits, but this would be reviewed when the situation normalised, and 2020/21 performance was measured against the 2019/20 target. Performance was reported quarterly to Overview &amp; Scrutiny committee with context and explanations for the missed collection rate. The quarterly collection rate target was missed for the first three quarters of 2020-21 and the annual target of 98.60% was not achieved, with 94.2% reported to the Strategic Governance Board and Overview &amp; Scrutiny Committee, due largely to suspension of recovery procedures and increased write offs. A decision was pending on whether the target will be lowered and monitored over the next three years as pre-Covid 19 collection levels recover.</p>	
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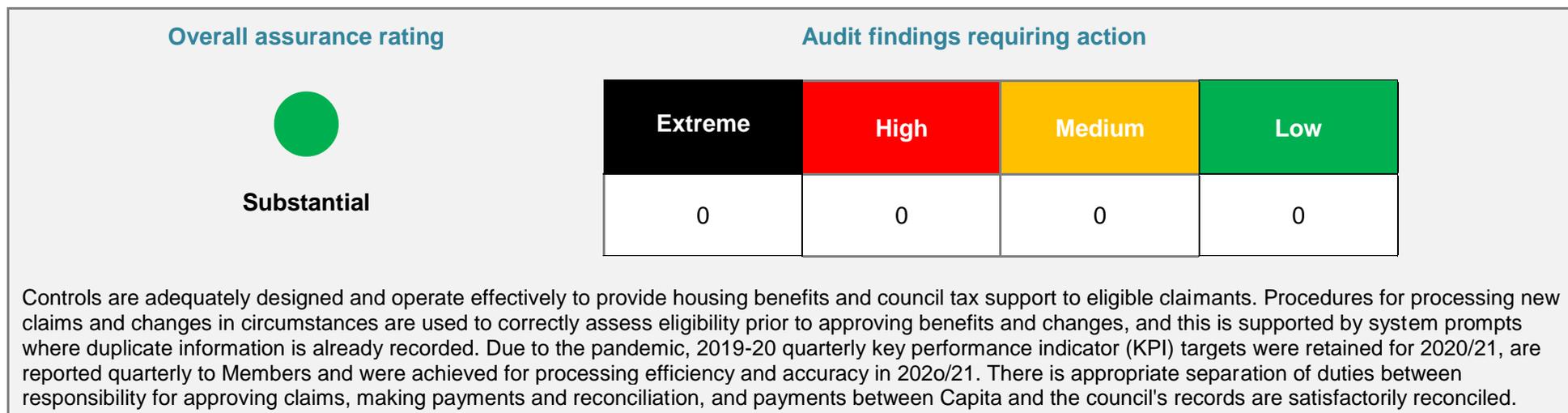
Internal Audit

Housing Benefit

2021/22

Rossendale  
BOROUGH COUNCIL

Internal Audit service provided by:



**Background**

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit & Governance Committee. .

**Context**

The council outsource the housing benefit claims service to Capita PLC, with a new contract awarded in 2019. The council's Service Assurance (SA) team monitor performance against this contract through key performance indicators and thematic exercises, and report quarterly to Members for oversight. Capita use the Northgate system to input and manage housing benefit and the Anite system to store evidence.

**Previous audit**

Our 2019 audit gave substantial assurance and agreed no improvement actions.

**Scope of Audit**

This audit addressed the design and effectiveness of the council tax control framework and was completed during July and August 2021.

Processing of applications	Overall, eligibility decisions were made correctly and in line with policy. Amendments were supported by a change in circumstances notification and appropriate evidence of eligibility, other than for claimants in receipt of universal credit (UC), the process for which also checks eligibility. Only claimants of state pension age or currently in supported, sheltered or temporary accommodation are eligible for housing benefits, and other claimants are referred to the UC process. UC eligibility is checked by the Department of Work and Pensions. Processing quality was checked by a more senior officer and monthly quality checks are undertaken, with errors identified and promptly addressed.	
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System access	User access was appropriate to officer's role and responsibilities apart from two users who had left the council, and these accounts were subsequently deactivated. User access requests and approval were not routinely retained and the user access report should in future be reviewed to confirm all current users have appropriate access. An access request form that will be used for Northgate access requests and will be retained.	
Housing Benefits Matching Service	Housing benefit matching service notifications highlight matches or inconsistencies between the Northgate and DWP databases to identify potential fraud, and we confirmed that notifications are correctly actioned. Due to the pandemic matches are now actioned by Capita, who notify the council's Fraud and Compliance Officer for further investigation. Only referral was made in the past year which was under review at the time of the audit..	
Separation of Duties	There was adequate separation of duties between Capita and council officers with approval given by the accountant prior to payment. As a "Benefits Payment Run BACS File Transmission" form could not be provided we evidenced approval through email correspondence between the Finance officer and accountant, which we considered to be reasonable under working from home arrangements.	
Review and reconciliation	Payment totals reconciled between Capita and the council for all months except for April 2020, where there was a variance of £1979.46 between council and Capita totals, due to a single occasion where manual payments were made to two customers ahead of a bank holiday weekend.	
Key performance indicators	Housing benefit KPI's for processing efficiency and accuracy were reported to Overview & Scrutiny Committee quarterly, and targets were all achieved. Targets for processing efficiency and accuracy will be made more challenging to reflect improved performance. One indicator - 'less than 5% of new Housing Benefit claims outstanding over 50 days' - will remain the same as a safeguard against significantly delayed claims.	

## IT AUDIT ASSURANCES

The following are summaries of assurance provided by the work of Mersey Internal Audit Agency:

### **Critical application review: Civica (Moderate)**

Civica is used to deliver and access all financial transactions including creditors, debtors, purchasing, and reporting. It is critical to operations and data use must comply with GDPR legislation to minimise the risk of downtime or data breach. An Information Asset Owner (IAO) has been appointed and is reviewing the governance structure and operational roles and responsibilities. System access is controlled and reviewed, and leavers are removed from Active Directory. Application processes and procedures are not formalised or performed routinely, and the IAO is reviewing housekeeping procedures. Certifications and assurances are held for the Public Service Network, Civica HQ and third-party data centre but there is limited evidence of assurance over system support, such as penetration tests. Disaster recovery tests are performed and a business continuity plan should be agreed with regular testing. While backups are taken and checked daily, the data cleansing process and retention, archiving and destruction policy should be approved. A draft migration plan has been produced but we were unable to confirm that all migration risks were included.

### **Mobile (remote) working (Substantial)**

Overall, the system of internal control meets system objectives and controls are consistently applied. The increase in mobile working during the pandemic was supported by remote access to the council network on laptops, tablets and smart phones which may not integrate with security and support frameworks, increasing the risk of data breaches. Policy, guidance and training is in place, but should include areas such as home working risks. Users valued the benefits of flexible working and understood security requirements. A Virtual Private Network operates for remote connections, access to secure emails is through Mimecast and MS Teams is used, although a corporate background should be enabled. ICT had provided required equipment, addressed technical queries and rolled out updates but the management of offsite assets could be improved.

### **Resilience and service continuity (Moderate)**

The council uses its network IT environment to store and access applications and data which is critical and sensitive, and effective service continuity and recovery arrangements minimise the impact from system disruption. The IT service uses resilient technologies to provide resilience and contingency, including backup processes and multiple internal and outsourced computer rooms. There has been no reported outage since 2018. An ICT Disaster Recovery Plan is in place and remote working and new cloud-based services were quickly deployed during the pandemic. The Public Services Network has been re-certified, emails are held securely and forensic services and data backups are contracted out. The two third-party data centres are 27001:2013 compliant. A new supplier assurance process is being matured and embedded and disaster recovery/ offline backup is being procured. Areas for improvement include annual Business Continuity Plan testing, updates to disaster recovery/ incident management documentation, risk assessing the new disaster recovery/ backup solution, formalising and approving monitoring and logging, backup and scanning strategies, approval of a draft hardening policy and upgrading a legacy server.

## **Scope, responsibilities and assurance**

### **Approach**

- 1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit work encompasses all of the council's operations, resources and services including where they are provided by other organisations on its behalf.

### **Responsibilities of management and internal auditors**

- 2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.
- 3 However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.
- 4 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- 5 Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing to ensure those controls were operating effectively for the period under review.

### **Basis of our assessment**

- 6 My opinion on the adequacy of control arrangements is based upon the result of internal audit work undertaken and completed during the period in accordance with the plan approved by the Audit, Risk and Governance Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

### **Limitations to the scope of our work**

- 7 Other than as set out in the audit plan for the year there have been no limitations to the scope of the audit work.

### **Limitations on the assurance that internal audit can provide**

- 8 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Further, there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.

## **Scope, responsibilities and assurance**

- 9 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

## **Access to this report and responsibility to third parties**

- 10 This report has been prepared solely for Lancashire County Council. It forms part of a continuing dialogue between the Internal Audit Service, the chief executive, Audit, Risk and Governance Committee and management of the council. It is not therefore intended to include every matter that came to our attention during each internal audit assignment.
- 11 This report may be made available to other parties, such as the external auditors. However no responsibility is accepted to any third party who may receive this report for any reliance that may be placed on it and, in particular, the external auditors must determine the reliance placed on the work of the Internal Audit Service.

### Audit assurance and residual risks

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

- **Substantial assurance:** the framework of control is adequately designed and/ or effectively operated.
- **Moderate assurance:** the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout.
- **Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its objectives at risk.
- **No assurance:** there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve its objectives.

### Classification of residual risks requiring management action

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

- **Extreme residual risk:** critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the county council's services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the council's reputation. *Remedial action must be taken immediately.*
- **High residual risk:** critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the council's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation. *Remedial action must be taken urgently.*
- **Medium residual risk:** failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*
- **Low residual risk:** matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*

<b>Subject:</b>	Internal Audit Progress Report Qtr 1 2022/23	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts Committee	<b>Date:</b>	27 July 2022
<b>Report of:</b>	Head of Internal Audit (Internal Audit Service)	<b>Portfolio Holder:</b>	Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	No	Attached: No
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
<b>Contact Officer:</b>	Mark Baskerville, Audit Manager	<b>Telephone:</b>	01772 538615
<b>Email:</b>	<b>Mark.Baskerville@lancashire.gov.uk</b>		

<b>1.</b>	<b>RECOMMENDATION</b>
1.1	The committee are asked to consider the internal audit progress report for Qtr 1 2022/23

**2. PURPOSE OF REPORT**

2.1 To support the Audit and Accounts Committee in fulfilling its responsibility to monitor performance against the internal audit plan, and to consider a summary of internal audit activity and the level of assurance it gives over the council's governance, risk management and internal control arrangements.

**3. BACKGROUND AND OPTIONS**

3.1 In the context of fulfilling its responsibility to monitor the adequacy and effectiveness of the internal audit service, and to review internal audit reports, the Committee is asked to consider the assurance provided by the Internal Audit Service.

**4. RISK**

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- This report addresses the adequacy of the council's management of risks in respect of the areas subject to audit.

**5. FINANCE**

5.1 Any financial implications are commented upon in the report.

**6. LEGAL**

6.1 Any legal implications are commented upon in the report.

**7. POLICY AND EQUALITIES IMPLICATIONS**

7.1 Reported findings have been discussed and agreed, including management responses to the recommendations, with respective service managers and heads of service prior to reporting.

**8. CONCLUSION**

8.1 The audit programme is progressing in line with the plan.

**Rossendale Borough Council**

**Internal Audit Service**

**Progress report on delivery of the 2022/23 internal audit plan**

**Quarter 1 April – June 2022**



## Internal Audit Service

### 1. Introduction

- 1.1. This report supports Audit and Accounts Committee's responsibility under its terms of reference to consider performance reports from internal audit on progress with delivery of the 2022/23 audit plan, agreed at the March 2022 Committee meeting. Our annual assurance opinion report, also submitted to this Committee, reports delivery of the 2020/21 audit plan.

### 2. Summary of progress against the 2022/23 audit plan

- 2.1. Work on the plan has started, though it has been delayed to an extent by the need to complete 2021/22 audits. We have completed two unplanned grant certifications and we have started five audits, including the IT audits which Mersey Internal Audit Agency (MIIA) will undertake. We are not yet at the stage where we can report assurances from the work started. The table below shows the current status of all audits.

Audit Title	Status	Audit Type	Assurance Opinion
<b>Governance and democratic oversight</b>			
Delegated decision making by officers	Not started	1+2	
Leisure Trust	Not started	1+2	
Performance management	Not started	F	
GDPR/ information security policies	Not started	F	
<b>Business effectiveness</b>			
Financial sustainability	Not started	1+2	
IT threat and vulnerability management (MIIA)	Progressing	1+2	
IT critical application review of payroll (MIIA)	Planning	1+2	
Procurement	Not started	F	
IT Critical application review of Civica (MIAA)	Not started	F	
IT Homeworking arrangements (MIIA)	Not started	F	
IT Service Continuity (MIAA)	Not started	F	
<b>Service delivery</b>			
Corporate project delivery	Not started	1+2	

Internal Audit Service - Progress Report 2022/23 Quarter 1

Audit Title	Status	Audit Type	Assurance Opinion
Planning controls	Not started	F	
Commercial rents	Not started	F	Substantial
<b>Service support</b>			
Health and safety (deferred from 2021/22)	Not started	1+2	
Sickness absence	Not started	1+2	
<b>Business processes (follow up and compliance)</b>			
Accounts payable	Not started	2	
Accounts receivable	Not started	2	
General ledger, budget setting and monitoring	Not started	2	
Income collection/ banking	Not started	2	
Payroll	Not started	2	
Council tax	Progressing	2	
Business rates/ NNDR	Progressing	2	
Housing benefits	Progressing	2	
COMF grant certification (unplanned work)	Completed	2	
Protect and Vaccinate Grant certification (unplanned work)	Completed	2	
<b>Stage of audit process</b>	<b>Number of audits</b>		
Completed (no report necessary)/ Final Report delivered	2		
Draft report	0		
Progressing	5		
Not started	19		
Deferred/ cancelled	0		
<b>Total number of audits</b>	<b>26</b>		

Audit type: '1' - phase one/ consultancy work; '2' - phase two/ compliance testing; '1+2' - full risk and control evaluation; 'F' - follow-up work.

### 3. Update on the National Fraud Initiative (NFI)

3.1. The main exercise is run every two years. Matches were released in February 2021 but there were subsequent releases during the year and all datasets have now been uploaded to the NFI website.

2021/22 biennial exercise	Number					Savings
	Reports	Matches	Processed	Frauds	Errors	£
Housing benefit	15	133	133	1	1	2,210
Payroll to payroll/ creditors	2	8	8	0	0	0
Council tax reduction scheme	14	206	193	0	7	23,292
Creditors - duplicates	6	266	239	0	0	0
SBGF/ RHLG - Duplicates	4	38	33	0	5	40,815
Discretionary/ Other Grants	1	8	8	0	0	0
Value Added Tax	1	23	23	0	0	0
Procurement – payroll	2	13	13	0	0	0
Unknown grant types (between)	1	1	1	0	0	0
Individuals - more than one report	1	19	0	0	0	0
<b>Total</b>	<b>47</b>	<b>715</b>	<b>651</b>	<b>1</b>	<b>13</b>	<b>66,317</b>

3.2. Separate matching is undertaken of council tax data to the electoral roll. Data is released in December when the process to check matches begins. The council also buys a comparison against a range of other data sets in all local authorities and a new premium single person discount match. The table below shows the latest matches, numbers processed and outcomes.

3.3. Premium Council Tax data is re-matched against data from a credit agency, for which the council pays a fee. Checks are now progressing on data. Council Tax matches were released in February 2021 and the table below shows statistics as at July 2022. Checks are being completed and outstanding matches are under investigation. Council tax and the electoral register have now been uploaded to the NFI website.

Data categories	Number					Savings
	Reports	Matches	Processed	Frauds	Errors	£
Premium council tax – SPD	4	1270	1270	18	33	25,798
Council Tax to HMRC household composition	3	2766	2496	68	79	67,467

Internal Audit Service - Progress Report 2022/23 Quarter 1

Data categories	Number					Savings
	Reports	Matches	Processed	Frauds	Errors	£
Premium council tax – SPD electoral register	4	1053	1022	41	120	47,579
Council Tax rising 18s	4	108	108	0	64	77
Council Tax – Other datasets	5	6674	5791	6	50	17,255
Council Tax – All datasets	1	1780	1780	0	0	0
<b>Total</b>	<b>21</b>	<b>13651</b>	<b>12467</b>	<b>127</b>	<b>346</b>	<b>158,176</b>

#### 4. Audit assurance levels and classification of residual risk

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

- **Substantial assurance:** the framework of control is adequately designed and/ or effectively operated.
- **Moderate assurance:** the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout.
- **Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its objectives at risk.
- **No assurance:** there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve its objectives.

#### Classification of residual risks requiring management action

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

- **Extreme residual risk:** critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the county council's services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the council's reputation. *Remedial action must be taken immediately.*
- **High residual risk:** critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the council's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation. *Remedial action must be taken urgently.*
- **Medium residual risk:** failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*
- **Low residual risk:** matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*

<b>Subject:</b>	Internal Audit Charter	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts Committee	<b>Date:</b>	27 July 2022
<b>Report of:</b>	Head of Internal Audit	<b>Portfolio Holder:</b>	Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	No	Attached: No
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
<b>Contact Officer:</b>	Mark Baskerville, Internal Audit Manager	<b>Telephone:</b>	<b>01772 534898</b>
<b>Email:</b>	<b>Mark.Baskerville@lancashire.gov.uk</b>		

<b>1. RECOMMENDATION</b>
1.1 The committee should consider and approve the Internal Audit Charter.

## 2 PURPOSE OF REPORT

- 2.1 The Audit and Accounts Committee's terms of reference require it to advise the Council on planned internal audit activity and results including the standards within which the service operates.

## 3 BACKGROUND AND OPTIONS

- 3.1 The Internal Audit Service is a key element of the council's governance arrangements and is a statutory service in the context of the Accounts and Audit Regulations 2015. The standard setters responsible for defining proper practices in terms of the Accounts and Audit Regulations have issued Public Sector Internal Audit Standards (PSIAS) requiring Internal Audit to establish and periodically review a Charter, which is attached at Appendix A.

## 4 RISK

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- Failure to comply with the Public Sector Internal Audit Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) would undermine the ability to provide the Council with the necessary level of assurance in relation to their governance, risk management and internal control arrangements;
  - The report supports the Leader and Chief Executive's report in the Annual Governance Statement.

## 5 FINANCE

- 5.1 Any financial implications are commented upon in the report.

## 6 LEGAL

- 6.1 Any legal implications are commented upon in the report.

## 7 POLICY AND EQUALITIES IMPLICATIONS

- 7.1 Any implications are commented upon in the report.

## 8 CONCLUSION

- 8.1 The Internal Audit Charter is appended for consideration and approval.

## Rossendale Borough Council

### Internal Audit Service Charter

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#### 1 Introduction

- 1.1 This charter establishes the framework within which Lancashire County Council's Internal Audit Service operates to best serve Rossendale Borough Council, and to meet its professional obligations under applicable professional standards. It defines the purpose, authority and responsibility of internal audit activity, establishes the Internal Audit Service's position in relation to Rossendale Borough Council; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- 1.2 It will be subject to periodic review by the Head of Internal Audit and presented to the Audit and Accounts Committee for approval.
- 1.3 Where the Internal Audit Service provides the internal audit function for other organisations external to the county council, the purpose, authority and responsibility of internal audit activity for those organisations is set out in separate charters for those organisations and its work is set out in an engagement letter agreed with that organisation.

#### 2 Relevant regulations and interpretation

- 2.1 The requirement for an internal audit function in local government is set out in the Accounts and Audit Regulations 2015 ('the Regulations').
- "Internal audit: A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."  
*Regulation 5. (1)*  
*Accounts and Audit Regulations 2015*
- 2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for internal audit in local government in the United Kingdom. CIPFA has published Public Sector Internal Audit Standards ('PSIAS'), which encompass the Mission of Internal Audit and the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). These documents are therefore mandatory for internal audit in local government in the United Kingdom, and they are supplemented within PSIAS by additional public sector interpretation and guidance. CIPFA has also published a Local Government Advisory Note setting out sector-specific requirements for local government within the United Kingdom.
- 2.3 Rossendale Borough Council's Internal Audit Service operates in accordance with this mandatory definition, code, standards and advice.
- 2.4 Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should "make arrangements for the

proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". In its Statement on the Role of the Chief Financial Officer in Local Government CIPFA has defined 'proper administration' as including compliance with the statutory requirements for accounting and internal audit. It also requires the chief executive and director of resources (S151) to ensure an effective internal audit function is resourced and maintained.

### **3 Definitions**

- 3.1 Both the Global Institute of Internal Auditors and PSIAS set out the following definition of internal auditing:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

*Global Institute of Internal Auditors, and  
Public Sector Internal Audit Standards, 2017*

- 3.2 The Global Institute of Internal Auditors and PSIAS also refer to the 'board' and 'senior management' and PSIAS recognises that these terms need to be interpreted in the context of the council's own governance arrangements.

- 3.3 PSIAS defines the board as:

"The highest level of governing body charged with the responsibility to direct and/ or oversee the activities and management of the organisation. [...] 'Board' may refer to an audit committee to which the governing body has delegated certain functions."

*Public Sector Internal Audit Standards, 2017*

- 3.4 For Rossendale Borough Council, the board is defined as the Audit and Accounts Committee.
- 3.5 Senior management is defined as the council's Corporate Management Team. This consists of the chief executive and director of resources (S151); executive director of growth, environment & transport; executive director of education & children's services, executive director of adult services and health & wellbeing, director of finance, director of strategy and performance, and director of corporate services.
- 3.6 PSIAS also refers to the 'chief audit executive' who, at Rossendale Borough Council, is deemed to be the head of internal audit.

### **4 Responsibilities**

- 4.1 The Regulations set out that the council must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.
- 4.2 Rossendale Borough Council has taken the decision to outsource its internal audit provision to Lancashire County Council's Internal Audit

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Service. However responsibility for maintaining an adequate and effective system of internal audit remains with the borough council.

- 4.3 It is the role of the Internal Audit Service to provide independent assurance that risk management, control and governance processes are adequately designed and effectively operated. PSIAS makes clear that the provision of this assurance is internal audit's primary role and that this requires the head of internal audit to provide an annual opinion based on an objective assessment of the framework of governance, risk management and control.
- 4.4 This assessment will be supported by the identification, analysis, evaluation and documentation of sufficient information on each individual audit assignment, and the completion of sufficient assignments to support an overall opinion for the organisation as a whole. The scope of internal audit's work therefore encompasses all of the council's functions and services and all of its activities.
- 4.5 The requirement to be independent and objective means that the Internal Audit Service cannot assume management responsibility for risk management, control or governance processes. However, the Service may support management by providing consultancy services. These are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control. They will also contribute to the overall assurance opinion.
- 4.6 Accountability for responses to the Internal Audit Service's advice and recommendations for action lies with the council's managers, who either accept and implement the advice or accept the risks associated with not taking action. Advice, including where the Service has been consulted about significant changes to internal control systems, is given without prejudice to the Service's right to review and recommend further action on the policies, procedures, controls and operations at a later date.
- 4.7 The head of internal audit will provide an annual report incorporating an overall opinion, a summary of the work that supports that opinion, a statement of conformity with PSIAS, and the results of the quality assurance and improvement programme.
- 4.8 A note of the responsibilities of the senior management team and the Audit and Accounts Committee ('the board') in relation to the internal audit function are set out in the appendix to this charter. Internal Audit Service's responsibilities are set out in PSIAS, and are supported by detailed operational policies and procedures that are regularly reviewed and updated as necessary.

## **5 Independence, objectivity and integrity**

- 5.1 The Internal Audit Service remains independent of the council's other functions and, with the exception of its support to management in relation to counter fraud and investigatory work, no member of the Internal Audit Service has any executive or operational responsibilities. Auditors are expected to deploy impartial and objective professional judgement in all their work, whether on audit work or investigations.
- 5.2 The Internal Audit Service's work programme and priorities are

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determined in consultation with the senior management team and the Audit and Accounts Committee, but remain a decision for the head of internal audit. The head of internal audit has direct access to and freedom to report in their own name and without fear or favour to officers and members, and specifically the Audit and Accounts Committee. They have the formal opportunity prior to each committee meeting to meet with the chair and deputy chair of the Audit and Accounts Committee.

- 5.3 The independence of the head of internal audit is further safeguarded by ensuring that their remuneration and performance assessment are not inappropriately influenced by those subjects to audit.
- 5.4 All auditors make an annual declaration of their interests and update this during the year as necessary, and where any auditor has a real or perceived conflict of interest this is managed to maintain the operational independence of the service as a whole. If independence or objectivity are impaired in fact or appearance, then the nature of the impairment is disclosed as appropriate. The head of internal audit makes an annual declaration that the internal audit function is operationally independent.
- 5.5 All auditors also make an annual declaration that they have read and are aware of the obligations placed on them by the Public Sector Internal Audit Standards and, specifically the Code of Ethics. They each acknowledge that they must adhere to the Code of Ethics and demonstrate integrity, objectivity, competence and confidentiality in the discharge of all their duties.

## **6 Reporting lines and relationships**

- 6.1 The head of internal audit reports functionally to the Audit and Accounts Committee. They have direct access to the chief executive and head of finance, who is also the council's s.151 officer under the Local Government Act, 1972.
- 6.2 The head of internal audit has, in addition, regular access to the chair of the Audit and Accounts Committee which normally meets at least four times each year, and the head of internal audit reports to each meeting of that committee under its terms of reference. The Audit and Accounts Committee is responsible for approving the annual audit plan
- 6.3 The head of internal audit and the Internal Audit Service as a whole adhere to the requirements of CIPFA's Statement on the Role of the Head of Internal Audit.
- 6.4 The Internal Audit Service works with the council's external auditor, and other review bodies as necessary, to provide an efficient and effective approach to audit and inspection, which is intended to deliver effective performance and avoid any duplication of work.

## **7 Access to information**

- 7.1 The Internal Audit Service has the right of unrestricted and direct access to the council's records however held, its assets, premises and officers. In entering into partnership arrangements with external organisations the council ensures that the same rights of audit access apply to partners' records, assets, premises and officers. The Internal Audit Service has the authority to obtain all such information and explanations as it

considers necessary to fulfil its responsibilities.

- 7.2 Internal auditors respect the value and ownership of information they receive and the reports they produce, and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. They are prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the council's legitimate and ethical objectives.

## **8 Internal audit resources**

- 8.1 The council has taken the strategic decision to outsource its internal audit service and is committed to providing a service that meets the best quality standards. However the council has decided that, to meet the requirement that assignments are performed with proficiency and due professional care, it will obtain additional support where specialist knowledge is required. This is obtained specifically in respect of assurance over the council's information technology management and control systems.
- 8.2 The chief executive and head of finance ensure that internal audit resources are sufficient to meet its responsibilities and achieve its objectives. If the head of internal audit or the Audit and Accounts Committee consider that the level of audit resources in any way limits the scope of internal audit, or prejudices the ability of the Internal Audit Service to deliver a service consistent with its statutory and related requirements, they will advise the council accordingly.
- 8.3 Nonetheless, the Internal Audit Service has finite resources and its workforce is therefore deployed to meet an annual audit plan that pays regard to the relative risks accepted, and levels of assurance required, by the council.

## **9 Competency**

- 9.1 The head of internal audit and audit managers are required to hold appropriate professional audit qualifications. These are defined as full membership of one of the institutes of the Consultative Committee of Accountancy Bodies or professional membership of the Chartered Institute of Internal Auditors. It is expected that senior auditors will either hold, or be close to and actively working towards full professional qualification but, exceptionally, they may be qualified by experience at a demonstrably professional level.
- 9.2 The county council's performance and development opportunities are applicable to all staff within the Internal Audit Service, which supports continuous staff performance appraisal and development.

## **10 Quality assurance and improvement**

- 10.1 The head of internal audit operates a quality assurance and improvement programme that both monitors the on-going performance of internal audit activity and periodically assesses the Internal Audit Service's compliance with PSIAS. This includes both internal and external assessments and is set out in a separate quality assurance and

improvement programme.

10.2 The results of the quality assurance and improvement programme including any areas of non-conformance with PSIAS are reported annually to the senior management team and the Audit and Accounts Committee. This report will include information regarding:

- The scope and frequency of both the internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

## **11 Non-audit work: investigations and counter-fraud services**

11.1 PSIAS recognises that the Internal Audit Service may go beyond the work needed to meet its assurance responsibilities and provide services to support management, including consultancy services and or investigating suspected fraud or corruption. Such services apply the professional skills of internal audit and contribute to the overall assurance opinion.

11.2 The Internal Audit Service operates the council's whistle-blowing helpline and, where appropriate, supports and advises on investigation of suspected or actual fraud, corruption or impropriety. It also facilitates the council's participation in the National Fraud Initiative, which matches data from the council's information systems with information held by other bodies to identify potentially fraudulent activity.

11.3 The Internal Audit Service is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is management's responsibility. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

11.4 The head of internal audit should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications for their opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.

## **Responsibilities in relation to the internal audit function**

### **The council's senior management team ('senior management')**

The senior management team will:

- Consider, and contribute to the development of the risk-based internal audit plan, supporting its completion within the organisation;
- Make appropriate enquiries to determine whether there are inappropriate scope and/ or resource limitations to the internal audit function;
- Consider the scope of the external assessment, and internal quality assurance and improvement programme, and receive and consider the results of both, including areas of non-conformance with PSIAS.

### **The Audit and Accounts Committee ('the board')**

The Committee will:

- 1 Approve the internal audit charter.
- 2 Approve the risk-based internal audit plan, including the Internal Audit Service's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 3 Approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 4 Make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 5 Consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - a. Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - b. Regular reports on the results of the quality assurance and improvement programme.
  - c. Reports on instances where the Internal Audit Service does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
- 6 Consider the head of internal audit's annual report:
  - a. The statement of the level of conformance with Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement.
  - b. The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion, which will assist the committee in reviewing the annual governance statement.

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- 7 Consider summaries of specific internal audit reports as requested.
- 8 Receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the council or there are concerns about progress with the implementation of agreed actions.
- 9 Contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 10 Support the development of effective communication with the head of internal audit.
- 11 Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.