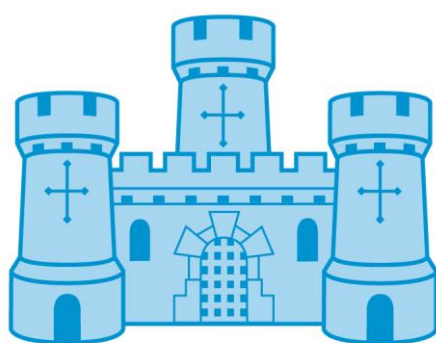


AUDITED

**STATEMENT
OF
ACCOUNTS
2009/10**



**NEWCASTLE
UNDER LYME
BOROUGH COUNCIL**

Explanatory Foreword

Explanatory Foreword by the Executive Director

– Resources and Support Services

a) Introduction

Welcome to Newcastle-under-Lyme Borough Council's Statement of Accounts for the financial year 2009/10. It sets out a summary of the money that the Council received and what it has been spent on and highlights specific issues regarding its financial position at 31 March 2010.

b) Regulations Governing the Production of the Statement of Accounts

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2003. The format reflects the requirements of the "Code of Practice on Local Authority Accounting" published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the provisions of Section 15/16 of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003, the accounts were made available for inspection between 7 June 2010 and 2 July 2010, as advertised in the local press.

The accounts were approved by the Audit and Risk Committee on 29 June 2010 in accordance with paragraphs 10 (3) (a) and (b) of the Accounts and Audit Regulations 2003. The signature of the Committee Chair (who presided over the meeting) is included at the conclusion of this foreword in line with the above regulations as evidence of approval of the 2009/10 Statement of Accounts.

c) General Accounting Policies

The accounting policies adopted by the Council comply with the relevant recommended accounting practices (except where indicated) and are explained in the Notes to the Accounts. The Council's expenditure has been analysed in the Income and Expenditure Account according to the standard classification recommended by CIPFA. In addition, the analysis of the Council's capital expenditure follows CIPFA's recommendations showing tangible and intangible fixed assets separately. There has been no change in the Council's statutory functions during the year.

d) Statement of Accounts

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of a local authority are both technical and complex. This foreword explains the statements and sections in this document, and provides a summary of the authority's financial performance for 2009/10 and its financial prospects for future years.

The Borough Council's Accounts for the year 2009/10 are set out in the following pages and consist of the following: -

Page

10	Statement of Accounting Policies	– Setting out the accounting policies which have been employed in compiling the Council's accounts.
----	----------------------------------	---

Explanatory Foreword

18	Statement of Responsibilities	– Setting out the Council and Executive Director – Resources and Support Services responsibilities in relation to financial administration and accounting.
19	Income and Expenditure Account	– Showing the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
20	Statement of Movement on the General Fund Balance	– Reconciling the outturn on the Income and Expenditure Account to the General Fund Balance established by the relevant statutory provisions that specify the net expenditure the Council needs to take into account when setting local taxes.
21	Statement of Total Recognised Gains and Losses	– Bringing together all the gains and losses of the Council for the year and showing the aggregate change in its net worth identifying items that have not been recognised as cash changes within the Income and Expenditure Account.
22	Balance Sheet	– Which sets out the financial position of the Council on the 31 March 2010. It provides details of the Council's balances and reserves and current assets employed in Council operations together with summarised information on the fixed assets held.
24	Cash Flow Statement	– Summarising the total cash movement of the Council's transactions.
26	Notes to the Accounts	– To provide explanation and analysis of items contained in the above accounting statements.
56	Collection Fund	– Reflecting the statutory requirement for the authority to maintain a separate account providing details of receipts of Council Tax and Business Rates and the associated payments to precepting authorities and to the National Non-Domestic Rate (NNDR) Pool.
59	Audit Opinion	– The External Auditor's opinion on the Accounts.
62	Annual Governance Statement	– Setting out the framework within which financial and other control is managed and reviewed and the main components of the system and reporting on any control weaknesses and action to rectify them.
69	Glossary of Terms	– An explanation of terms used in the Statement of Accounts.

e) Accountability / Financial Reporting

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of the process of accountability, the Borough Council is required to produce a Statement of Accounts, in order to

Explanatory Foreword

inform stakeholders that it has properly accounted for all the public money received and spent, and that the financial standing of the Council is on a secure basis.

The Statement of Accounts concentrates on clear and accurate reporting of the financial position of the Council in relation to a particular year. It does not, however, aim to fulfil the role of an annual report of a company. This would duplicate much of the work published in other documents produced by the Council, in particular, the Corporate Plan and the Annual Report.

f) Economic Downturn

The financial crisis, commonly known as the “credit crunch”, has continued to have an adverse effect upon the Council’s finances, in common with other local authorities. In particular this has impacted upon the amount of income received from land charges, building control and planning fees together with reduced rental income from commercial properties and income from car parks. Another significant area where the Council has seen a fall in its income is the reducing amount of interest from its investments due to the continuing reduction in interest rates. The scale, length and depth of the recession are difficult to accurately predict. The impact is being closely monitored and evaluated in order to assess the financial risk to the Council’s finances.

Despite the above, I am pleased to report that the Council’s General Fund achieved a favourable outturn position of £6,208, i.e. the net budget was £17.564m and the outturn was £17.558m. Members and officers across the Council deserve credit for their tight budget management in what was a difficult operational year.

The authority had to impair the value of the assets held in relation to its deposit in the Heritable Bank at the end of the previous financial year. An impairment is a reduction in the value of a fixed asset below its carrying amount in the balance sheet. In doing this the Council followed the guidelines issued by CIPFA’s Local authority Accounting Panel on how to account for the deposit that is considered to be at risk, i.e. to assume that 80% of the deposit, plus interest accrued to the date the bank went into liquidation, would be repaid. Because the outlook for the repayment of the frozen deposit has improved somewhat and payments already made by the Administrator exceeded the amounts predicted a year ago, revised guidance from CIPFA has allowed the impairment to be reduced as at 31 March 2010. Further details are provided in Note 1 of the accounts on page 26.

g) Financial Summary 2009/10

The financial activities of the Council can be categorised as either Revenue or Capital:

- Revenue spending represents the costs of consuming supplies and providing services delivered by the Council in its day to day business during the year
- Capital spending relates to items which will provide benefit to the Borough over a number of years

Revenue Expenditure

Where does the money come from?

Local authorities receive income from the Government in the form of grants, from households in the form of Council Tax and from consumers in respect of fees and charges.

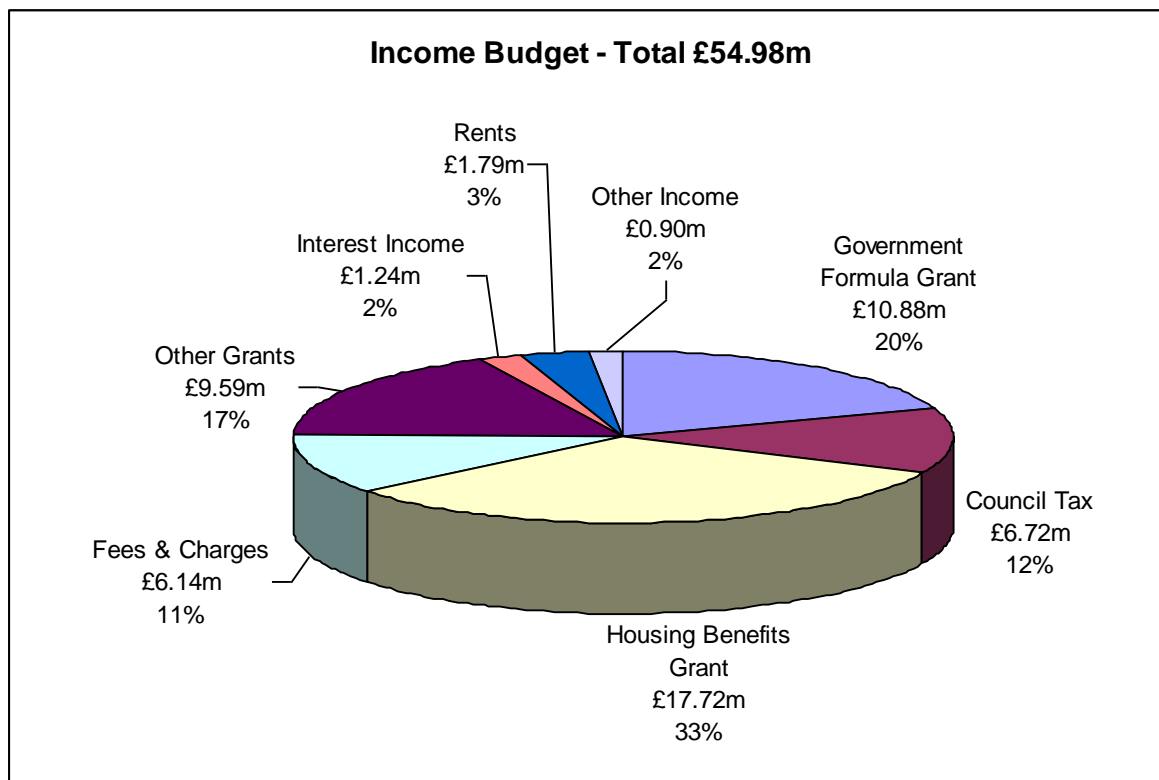
Each year the Government works out the amount of local government spending it is prepared to support through grant. Each local authority is allocated what is known as Formula Grant, which comprises revenue support grant and redistributed business rates income. In determining formula grant allocation, the Government takes into account the relative needs of different authorities, including population, deprivation levels, number of commuters, visitors to an area etc. In 2009/10, the Borough Council received a formula grant allocation of £10.88m.

Explanatory Foreword

Local residents pay Council Tax. This is a property based charge and the amount payable depends on the value band that the property is placed into by the Valuation Office.

Owners of businesses and properties pay the National Non-Domestic Rate (NNDR) set by Central Government, again based on values set by the Valuation Office. These “business rates” are collected by the Borough Council and paid over to the Government, who then redistribute the national pool to each local authority as part of their total formula grant income.

The gross income to pay for its services which was included in the Borough Council’s Revenue Budget for 2009/10 was £54.98m, made up as follows:-



What we planned to spend

The Council set an original Net Revenue Budget for 2009/10 of £17.564m on 25 February 2009.

What we actually spent

Actual net expenditure was £17.558m. As mentioned earlier, this represents a positive variance compared to the original budget of some £6,000.

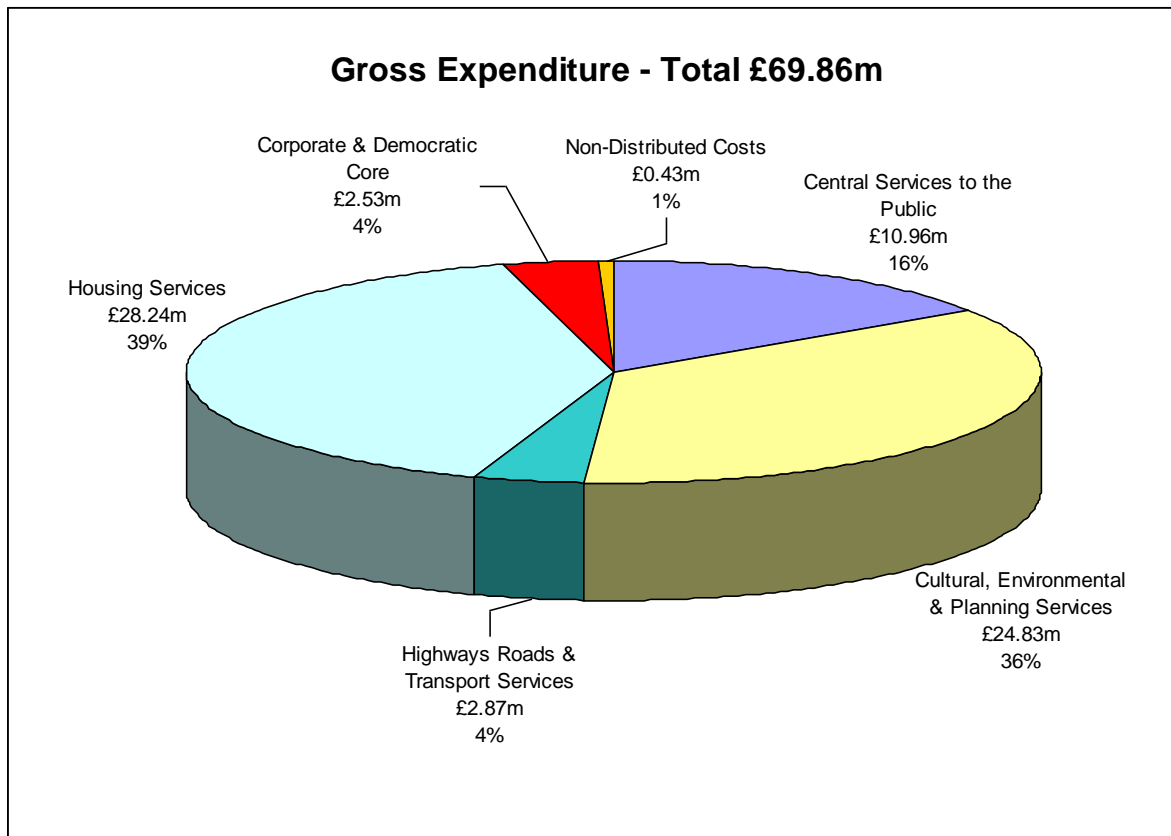
This amount has been transferred to the Budget Support Fund. The balance on the Fund, as at 31 March 2010 is £1.628m, as against its balance at 1 April 2009, which was £2.407m. In addition to the transfer into the Fund of £6,208 some £0.083m was transferred from it to meet 2008/09 commitments brought forward. £0.702m of the Fund was also used, to provide general support for the budget in accordance with the approved budget for 2009/10.

How the money was spent

The Income and Expenditure Account (page 19) summarises the resources that have been generated and consumed in providing services and managing the Council during 2009/10. It

Explanatory Foreword

shows that Gross Expenditure for the year was £69.86m across defined service areas prescribed by CIPFA to facilitate comparison between councils.



Actual Gross Expenditure is higher than the budgeted income for a number of reasons, chiefly additional charges to the revenue account required by capital accounting rules and additional expenditure relating to rent allowances (which are compensated for by additional transfers from reserves or additional housing benefits grant income). It is also not possible to make a strict comparison between the two figures as the income total shown in the earlier chart is after allowing for transfers to or from reserves whilst the Gross Expenditure total includes expenditure which is to be met from reserves.

Capital Expenditure

Capital expenditure includes expenditure such as the acquisition, construction, repair and maintenance of fixed assets.

Note 12 to the accounts (page 32) shows the Council's capital spending for 2009/10 together with the means by which it has been financed. It also lists the significant projects upon which capital expenditure has been incurred during 2009/10.

As capital spending contributes to the Council's aims and objectives over more than one year, the Council plans and budgets for expenditure by means of a three year "rolling" programme. This programme was last updated in February 2010.

The Council has a number of sources of funds available to it to finance its capital expenditure.

The major source of finance is unapplied capital receipts. These have arisen from sales of land, property and the sale of its housing stock a number of years ago. At 31 March 2010 the Council had £11.51m of unapplied capital receipts.

Explanatory Foreword

Another significant source of funding is contributions from external parties towards the cost of capital projects. Such contributions may be made by developers as part of planning agreements, by various statutory and non-statutory bodies towards projects which promote the aims with which those bodies are concerned, by grant-aiding bodies, such as the National Lottery Fund, and by government departments where national policy dictates that local authorities should be assisted, by the payment of grant, to carry out desirable projects. At 31 March 2010 the Council had £1.76m of contributions in hand and £0.67m government capital grants unapplied.

Some of the funds which the Council holds in reserves may be used to finance capital expenditure. Significant specific reserves which can be used for this purpose are the New Initiatives, Special Projects (Economic Development), LSVT Capital and ICT Development Funds. In addition the Contingency Reserve may be used to meet capital costs. The balances on the Council's reserves are shown in Note 18 (page 36) to the accounts.

A small amount of capital expenditure may be financed directly from the General Fund Revenue Account.

Borrowing is another means that can be used to finance capital expenditure. This is not currently employed by the Council. Whether it is employed in the future will depend upon its cost relative to other means of capital financing. Therefore, the Council currently has no long term debt. This situation arose as a result of the sale of its housing stock in 2000 when a part of the capital receipt received was used to repay all of the outstanding long term loans which had been raised in previous years to finance capital expenditure. Since then the Council has chosen not to use borrowing as a means of financing any of its capital expenditure.

Short term loans, of less than 365 days, are however, an important means of stabilising the Council's bank balance and such loans are taken, at commercial rates via the money market, as and when necessary, according to the cash flow situation pertaining at any particular time. In addition, the Council has an overdraft facility arranged with its bankers which can be used to cover any unexpected shortfalls of income.

h) Financial Prospects

Revenue

The Borough Council is committed to achieving excellence in its service delivery and considerable progress has been made over the last year with improvements in performance indicators and positive feedback from the Audit Commission, in particular in respect of the Council's Use of Resources assessment.

Integral to this ambition is the need to effectively target its financial resources in line with its stated aims and objectives against the background of an unprecedented economic situation referred to earlier.

The Council's Medium Term Financial Strategy (MTFS) - which forecasts future years' budgets taking into account the national and local financial situation together with the Council's priorities - identified shortfalls for each year from 2010/11 to 2014/15.

The original forecast shortfall for 2010/11 was £2.4m. On 24 February 2010 the Council set a balanced budget incorporating a council tax increase of 1.5%. This was mainly due to efficiency savings of £1.8m. The majority of these were identified through a review of the Council's services focussing on particular areas where it was felt savings could be achieved.

The continuing poor state of the nation's finances resulting in the need to achieve significant reductions in public expenditure will inevitably impact upon the Council's own finances. It seems highly likely that the support given by central government by way of the formula grant will be considerably reduced, perhaps by as much as 20% or more over the two years 2011/12

Explanatory Foreword

to 2012/13. Work is already underway to meet the challenge posed by the consequential need for budget reductions, in particular the commencement of a comprehensive review of all services to identify further savings, to take effect in the 2011/12 and 2012/13 budgets. The Council has also instituted a Transformation Programme to effect improvements to working practices and to make optimum use of new technology, which should have a beneficial effect on its budgets through reducing overall costs.

Capital

The capital programme approved on 24 February 2010 provided for total capital spending of £34.9m over three financial years. The Council will have sufficient available resources to finance the programme in the form of unapplied capital receipts, reserves, contributions and grants.

The Council has recognised the need to continually monitor and review its capital programme and resources. The "Capital Programme Review Group" which meets every month sets the overall Capital Strategy and Asset Management Plan within the context of the Medium Term Financial Strategy; to ensure that projects are delivered against priorities and support service improvements; to monitor the programme on a month by month basis and to ensure value for money is achieved ie outcomes are fit for purpose and investment is targeted to maximise the needs and outcomes for local people.

Reserves

The Council holds a number of reserves which have been established either to meet specific categories of expenditure or are of a general nature. These reserves are listed in Note 18 (page 36) to the accounts. Some of the reserves may be used to finance both capital and revenue expenditure. The levels of reserves are kept under review to determine their adequacy to meet the Council's spending commitments and future plans.

The results of past surpluses on the Revenue Account are held as a Fund Balance which can be used to contribute when required to a particular year's revenue account. The required level is determined by reference to a risk assessment of factors which might adversely impact upon a year's revenue budget on a "worst case" basis. The current level, as at 31 March 2010 is £1.75m.

The Council participates in a number of significant partnerships, notably the North Staffordshire Housing Market Renewal Pathfinder (RENEW) and the Local Strategic Partnership. Its contributions towards the partnerships with which it is involved may be "in kind", for example the provision of staff and services, or consist of meeting expenses or making contributions towards costs incurred by other partners or their associates.

i) Assets and Liabilities Acquired

The following significant assets were acquired during 2009/10: Waste Management Vehicles, Recycling Containers.

j) Pensions Scheme Liability

The Liability relating to Defined Benefit Pension Schemes increased from £40.157m to £68.703m. This increase is mirrored by an increase in the Pensions Reserve balance. These amounts are required to be included in the Borough Council's accounts as a result of the application of Financial Reporting Standard 17 (FRS17) and the CIPFA Code of Accounting Practice. Neither directly relate to Borough Council transactions - they relate to those of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities (after deduction of the value of scheme assets). Whilst the net liability indicates the Council's long term commitment to pay retirement benefits, statutory arrangements for funding the deficit mean that its financial position remains healthy.

Explanatory Foreword

k) Audit of the Accounts

The Borough Council's appointed auditors, the Audit Commission, currently undertake the annual audit of the accounts. Their contact details are:-

Grant Patterson
District Auditor, Audit Commission
Opus House
Priestley Court
Stafford Technology Park
Beaconside
Stafford
ST18 0LQ

l) Further Information

Further information about the Accounts is available from:

Kelvin Turner
Executive Director - Resources and Support Services
Civic Offices
Merrial Street
Newcastle,
Staffs ST5 2AG

A Summary Financial Statement for 2009/10 is also available, being included in the Council's Annual Report which can be accessed via the Council's website: www.newcastle-staffs.gov.uk.

m) Comments

If you have any comments about the way that the information is presented in this Statement of Accounts, or about possible alternative ways of making the information available, we would be pleased to receive them, at the above address.

Kelvin Turner
Executive Director - Resources and Support Services

n) Approval of Statement of Accounts

The Accounts and Audit Regulations 2003, together with the Accounts and Audit (Amendment) (England) Regulations 2006, require the Statement of Accounts to be considered by and approved by a Council Committee or the Full Council and for the Statement to be signed at the meeting by the person presiding. This statement has been approved by the Audit and Risk Committee and this is evidenced by the signature of that Committee's Chair, who presided over the meeting, which is shown below.

Explanatory Foreword

The Statement of Accounts was approved at a meeting of the Audit and Risk Committee on 27 September 2010

Signed:

(Chair of the Audit and Risk Committee) Dated:

Statement of Accounting Policies

1. General

Except where noted, the accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards. The accounting convention adopted is historical cost modified by the revaluation of certain categories of assets.

2. Capital Accounts

(a) Fixed Assets

Fixed Assets are split between Intangible and Tangible Assets. Intangible Fixed Assets are defined as non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. The main example of an Intangible Fixed Asset is computer software purchased by the Council. Intangible Fixed Assets are capitalised at cost and included in the Council's Asset Register. All other assets not fitting this definition are tangible fixed assets.

Tangible Fixed Assets are recorded in the accounts at the valuations placed upon them in the Council's Assets Register. There are a number of different valuation bases, depending upon the category of fixed assets and the nature of the asset itself, as follows:

- i) Land and Buildings - In most cases these are valued on the basis of Depreciated Replacement Cost. Investment values are also employed in some instances. Three assets are valued on a basis comparable to market value and in the case of one low value item Historical Cost has been used. In addition one asset has been valued on a nominal (£1) basis.
- ii) Infrastructure Assets - Historical Cost, apart from four assets at nominal value.
- iii) Vehicles, Plant and Equipment - Net Realisable Value apart from:
 - computer hardware which is valued at replacement cost (insurance value);
 - fitness equipment, playground equipment, vehicles, wheelie bins and the emergency generator which are valued at historic cost.
- iv) Community Assets - Many Assets are valued at Nominal Value, although some (such as recently acquired assets) are valued at historic cost. In addition museum exhibits are valued at the 31 March 2007 Insurance value and one minor asset is valued at investment value.
- v) Non Operational Assets, including investment properties, surplus assets and assets under construction have been valued at the lower of net current replacement cost or net realisable value in existing use.

In the Balance Sheet, Fixed Assets are shown on the above valuation basis. Some of the bases used may not in every case comply with the 2009 Code of Practice but have been selected as best representing the value of the asset concerned to the Council. It is not possible to quantify variances between policies applied and those required by the Code but these are not considered to be material.

Statement of Accounting Policies

Surpluses arising on revaluation of Fixed Assets are credited to the Revaluation Reserve. In cases of downward revaluation there will be a debit to the Income and Expenditure Account where there has been consumption of economic benefits, otherwise the debit will be to the Revaluation Reserve, except where the devaluation is greater than any accumulated revaluation gains kept in the Revaluation Reserve for that particular asset when the excess amount is debited to the Income and Expenditure Account. All debits to the Income and Expenditure Account are compensated for by a credit from the Capital Adjustment Account within the Statement of Movement on the General Fund Balance.

Surplus assets which are to be disposed of are revalued at the time that they are determined to be surplus. The proceeds received as a result of disposal are compared to this value and any variance (gain or loss on disposal) will be credited (if a gain) or debited (if a loss) to the Income and Expenditure Account. These amounts will be reversed out via the Statement of Movement on the General Fund Balances to ensure that there is no overall effect on the General Fund Revenue Account.

Newly acquired or constructed assets are brought into the Assets Register valued on the basis appropriate to the class of asset to which they belong. Assets under construction will be brought into the Register valued at an amount which reflects the value of the construction completed at the date of the valuation.

On disposal of an asset Fixed Assets are written down by the value of the asset disposed of and any accumulated revaluation gains relating to the asset are written out of the Revaluation Reserve.

(b) Revenue Expenditure Funded from Capital under Statute

Where expenditure which is classed as capital for funding and government control purposes does not create a tangible fixed asset, as in the case of renovation grants, it is treated as revenue expenditure in the accounts and is charged to the Income and Expenditure Account. Any grants or contributions towards such expenditure are treated as revenue income and credited to the Income and Expenditure Account. Any other financing of the expenditure from capital resources, for example from capital receipts, is accounted for via the capital adjustment account in the same way as for capital expenditure financing. The net cost to the Income and Expenditure Account is reversed out by means of a credit to the Statement of Movement on the General Fund Balance from the Capital Adjustment Account.

(c) Borrowing

The Council's borrowing is managed centrally by the Council's Treasury Management function in accordance with the approved Treasury Management Policy and Strategy. The cost of interest payments incurred in servicing loans is charged directly to the Revenue Account.

(d) Basis of Charges for Capital

Depreciation, on a straight line basis, has been charged to service revenue accounts in respect of most operational assets with a determinable finite useful life. Asset lives employed in the calculation of depreciation are:

10 years for equipment and related assets apart from computer equipment which is 4 years and vehicles where lorries, tractors and mowers are assigned a 7 year life and pick-ups and sweepers 5 years and wheelie bins which have a life of 16 years.

60 years for other assets.

Statement of Accounting Policies

Where an asset has been revalued, any accumulated depreciation relating to the asset will be written off to the Revaluation Reserve. Since revaluation dates are as at 31 March, there will be no depreciation charge made in the year in which the revaluation takes place as this has been taken account of in assessing the new value, unless this would materially affect the depreciation charge for the year.

Intangible Assets are not depreciated, rather they are written down (amortised) to the revenue account on a straight line basis according to their estimated economic lives. The life assigned to computer software is 5 years. No further capital charges are made to services in respect of intangible assets.

The depreciation charges and amounts written off in relation to the amortisation of Intangible Assets are compensated for by an appropriation from the Capital Adjustment Account.

(e) Capital Receipts

Capital Receipts, largely arising from the disposal of fixed assets, are credited to the Capital Receipts Unapplied Account and are held there until such time as they are used to finance further capital expenditure. Until such utilisation takes place these Unapplied Capital Receipts are applied to reduce the Council's borrowing requirement. Where a disposal gives rise to a receipt of less than £10,000, this is credited to the General Fund Revenue Account.

(f) Government Grants

Grants are accounted for on an accruals basis with the amount due being credited to a Government Grants Unapplied Account. Upon application to finance expenditure the amounts so applied are transferred to a Government Grants Deferred account. The balance on this account will be written down to service revenue accounts where assets acquired with grant aid have been depreciated, to offset the depreciation charges made to those revenue accounts.

(g) Capital Transactions

Capital transactions (expenditure and income) have been recorded on an accruals basis in accordance with the requirements of the 2009 CIPFA Code of Practice on Local Authority Accounting.

(h) Impairment

Where a loss in asset value occurs as a result of physical damage or other impairment, this will be reflected in an increased in-year charge to the appropriate service revenue account to reflect the amount of the loss in value. An annual review of assets included in the Assets Register is carried out in order to identify any assets which have suffered impairment during the year. In addition, where capital expenditure is incurred in relation to fixed assets which does not result in a corresponding increase in the asset value as recorded in the Asset Register, there is deemed to have been impairment of the asset of this amount, which is written off to the appropriate service revenue account.

3. Revenue Accounts

(a) Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis, in accordance with the Code of Accounting Practice. That is sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar

Statement of Accounting Policies

quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts. Rent income is brought into account when payable and is not apportioned between financial years. This policy is applied consistently and does not have a material effect on the year's accounts. The amounts of the accruals made in respect of individual amounts due to be paid or received are based on either the amount outstanding according to the official order, actual amounts which have been paid/received in the following financial year or on a reasonable estimate of the amount due by reference to factors such as past experience, agreed price, valuation of work done, etc. In accordance with the requirements of the Code of Practice relating to financial instruments debtors and creditors are carried in the balance sheet at amortised cost with a deduction for impairment in the case of debtors.

(b) Stocks

Stocks are valued at latest purchase price. This is a departure from the Code of Practice but is not material given the size of stocks held by the Council.

(c) Costs of Support Services

All costs of management and administration have been fully allocated to services. The bases of allocation used for the main costs are outlined below: -

<u>Cost</u>	<u>Basis of Allocation</u>
Service and Central Departments	Estimated time spent by staff.
Miscellaneous Administrative costs	Pro-Rata to other administrative costs.
Administrative Buildings	Area Occupied.
Telephones	Extent of Use.
Computing	Estimated use of Computer Processing and Programming Facilities.
Centralised Printing Services	Estimated use.

(d) Provisions

The Council has set aside provisions for specific future expenses that are likely or certain to be incurred, but the amount of which cannot yet be determined accurately. The purpose and operation of these provisions is described in Note 17 (page 34).

(e) Reserves

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The purpose and operation of the specific reserves is explained in Note 18 (page 36).

Statement of Accounting Policies

(f) Investments

Investments are shown in the balance sheet as follows:

Those classed as loans and receivables: at amortised cost which includes any accrued interest as at the year end.

Those classed as available for sale: at fair value

(g) Internal Interest

Interest is paid in respect of those Trust and Similar Funds and the Insurance Fund whose balances are utilised in lieu of external borrowing. Interest is credited to the relevant Trusts, etc. and to the Fund. The amounts are calculated with reference to the Seven Day London Inter-Bank Offer Rate (L.I.B.O.R.) prevailing during the year.

(h) Leased Assets

The Council has acquired certain assets by means of operating leases and by use of an internal leasing fund. The rental charges are debited to the appropriate revenue accounts.

(i) Pensions

In 2009/10 the Council paid an employer's contribution of 20.52% of superannuable employees' reckonable pay into the Staffordshire County Council's Superannuation Fund. The costs of inflation awards (Pensions Increase Act Payments) to pensioners of the Fund are charged directly to the General Fund.

In accordance with Financial Reporting Standard 17 (FRS17) the current service cost of pensions is included in the cost of services. This has been done by adjusting the amount charged to services in respect of employer's superannuation contributions by the difference between current service cost, as calculated by the Superannuation Fund Actuary, and the actual employer contributions made to the Fund during the year.

Also in accordance with FRS17, interest costs in relation to scheme liabilities have been charged to the Revenue Account and an amount representing the expected return on assets has been credited to the Revenue Account. These amounts are not attributable to services.

Past Service Costs and the impact of any Settlements or Curtailments are charged to the Revenue Account under the heading of Non Distributed Costs.

The net amount of these adjustments required as a result of the application of FRS17 has been compensated for by an appropriation from the Pensions Reserve.

See Note 26 (page 42) for further details of FRS17 and its treatment.

4. Financial Instruments

Financial Instruments are defined as: any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial instruments are: Liabilities - trade payables, borrowings, financial guarantees; Assets - bank deposits, trade receivables, investments; derivatives, such as forward investment deals. Financial instruments are recognised on the balance sheet when the holder becomes party to the contractual provisions of the instrument and are to be measured, initially, at fair value, less transaction costs

Statement of Accounting Policies

that are directly attributable to the acquisition or issue of the instrument. They are classified as either financial liabilities or financial assets. Within these classifications they are further classed as:

- amortised cost; fair value through profit or loss (financial liabilities)
- loans and receivables; available for sale; fair value through profit or loss; held to maturity (financial assets)

The Council has financial instruments which fall into the following classes:

- Financial Liabilities - amortised cost (borrowings; creditors)
- Financial Assets - loans and receivables (investments; long term debtors; debtors); available for sale (investments)

Following initial measurement at fair value, the carrying amount for balance sheet purposes is determined as follows:

- Amortised Cost Financial Liabilities are measured at amortised cost using the effective interest rate method, except where the instrument is a short duration payable with no stated interest rate or it is obvious that the nominal interest rate equals the calculated effective interest rate.
- Loans and Receivables are measured at amortised cost using the effective interest rate method, except where the instrument is a short duration receivable or payable with no stated interest rate or it is obvious that the nominal interest rate equals the calculated effective interest rate.
- Available for Sale Financial Assets are measured at fair value.

Loans and receivables with more than 1 year remaining before repayment as at the balance sheet date will be split between a short term element and a long term element and shown in the balance sheet as such together with accrued interest

Any impairment relating to financial assets or liabilities will be assessed and, if applicable reduces the carrying amount by the impairment figure.

Interest payable and receivable has been included in the Income and Expenditure Account on the basis of the amount due in relation to the accounting year (accruals basis).

5. Interests in Companies

The Council has an interest in one limited company. The nature of the Council's interest is equity. The equity interest is shown in the accounts at nominal value as long-term investments.

6. Prior Period Adjustments

Material adjustments applicable to prior years arising from changes in accounting policies or the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period and adjusting the opening balance of reserves for the cumulative effect. Where any adjustments are made, reference to these is made in a note to the accounts.

7. Changes in Accounting Policies

(a) The 2009 Code of Practice specifies that separation should be applied to individual elements of financial instruments such as loans and investments to separate out their short and long term elements. Accordingly, loans and investments with more than 1 year remaining before repayment is due, as at the balance sheet date, will in future be split and

Statement of Accounting Policies

each element included in the balance shown for short or long term investments/loans, with any interest accrued being included in the short term balance. There is no effect from applying this policy in 2009/10 as all loans and investments are for periods less than 12 months and no separation is therefore required,

(b) The 2009 Code of Practice has changed the way that Council Tax income and Collection Fund transactions and balances are to be accounted for. This change has been made in order to recognise that the Borough Council, as the billing authority, acts as agent for the major precepting authorities (Staffordshire County Council, Staffordshire Police Authority and Staffordshire Fire Authority) in collecting and distributing income on their behalf as well as for itself. Accordingly, the balances relating to council tax arrears (included in debtors in the balance sheet), overpayments and prepayments (included in creditors), impairment allowance (bad debts provision netted off debtors in the balance sheet), collection fund balance and cash are to be apportioned between the Borough Council and the three major precepting authorities. The proportion which relates to the major precepting authorities is to be removed from the Borough Council's accounts, being shown in the preceptors' balance sheets instead. These balances are replaced in the Borough Council's accounts by a debtor for each of the preceptors equating to the difference between the sums paid over to them and the actual amounts collected on their behalf. The remaining balance on the council tax element of the Collection Fund attributable to the Borough Council after removal of the preceptors' share is to be transferred to a new reserve called the "Council Tax Adjustment Account" which is shown separately in the balance sheet. There are also consequential changes to the way that transactions are to be accounted for within the Income and Expenditure Account and the Statement of Movement on the General Fund Balance. These are required to reconcile the new agency based accounting laid down by the Code of Practice with the statutory provisions contained in the legislation relating to the Collection Fund. Accordingly, the Income and Expenditure Account will recognise the amounts due to be credited or debited to this account in respect of surpluses or deficits on the basis of the actual out-turn. An adjustment will be made, via a transfer between the Statement of Movement on the General Fund Balance and the Council Tax Adjustment Account to adjust for the difference between the statutory basis, which requires debits or credits to be made on the basis of estimated out-turn and the actual out-turn basis. There is no overall effect on the General Fund Revenue Account from applying these policy changes owing to the adjustment referred to above, which restores the position to what it would have been under the previous policies. The changes to the way that balances are recorded in the balance sheet makes no overall difference to the Council's year end position as recorded in its balance sheet since it substitutes a debtor or creditor in relation to the major precepting authorities for the debtor/creditor balances (less the bad debts provision) relating to individual taxpayers and for the proportion of the Collection Fund balance attributable to those authorities. There are no changes to the way that the council tax entries are shown in the Collection Fund accounts on pages 55 to 57 as these are still required to be compiled on the statutory basis. This accounting change requires adjustment of the comparative figures for 2008/09 and details of this are given at Note 36 relating to Prior Period Adjustments. The prior period adjustment has no effect on the results for 2008/09.

(c) The 2009 Code of Practice has changed the way that National Non Domestic Rates (NNDR) income and balances are to be accounted for. This change has been made in order to recognise that the Borough Council, as the billing authority, acts as agent for the Department of Communities and Local Government (DCLG) in collecting income on the Department's behalf. The previous practice of including balances relating to NNDR payers arrears in the debtors balance, NNDR payers' overpayments and prepayments in the creditors balance and the amount due to or from the DCLG National Pool in creditors or debtors, as appropriate, no longer applies. Instead a debtor or creditor in respect of DCLG is to be recognised. This represents the amount by which the cash collected from NNDR payers exceeds or falls short of the cash paid to DCLG. Where the cash collected exceeds that paid over a creditor is recognised, otherwise a debtor exists. There is no effect on the General Fund Revenue Account, which will continue to be credited with the cost of collection allowance and bear the non-mandatory part of the cost of relief given to

Statement of Accounting Policies

taxpayers. The changes to the way that balances are recorded in the balance sheet makes no overall difference to the Council's year end position as recorded in its balance sheet since it substitutes one debtor/creditor for DCLG for the debtor/creditor balances (less the bad debts provision) relating to individual taxpayers and that relating to over or under payments to the National Pool. There are no changes to the way that the NNDR entries in the Collection Fund accounts are shown on pages 55 to 57 as these are still required to be compiled on the statutory basis. This accounting change requires adjustment of the comparative figures for 2008/09 and details of this are given at Note 36 relating to Prior Period Adjustments. The prior period adjustment has no effect on the results for 2008/09.

(d) In order to be consistent with the treatment of council tax any residual balance on the community charge element of the Collection Fund will be posted to the Income and Expenditure Account. It will then be neutralised in the Statement of Movement on the General Fund Balance by a transfer to or from the Collection Fund Adjustment Account. This will mean that there will no longer be a balance shown for this item in the Balance Sheet. There is no overall effect on the General Fund Revenue Account arising from this change. Whilst not in itself constituting an item requiring adjustment of the prior year comparative figures, because it is closely related to the council tax and NNDR adjustments referred to above, the comparatives have been restated.

(e) Housing and Planning Delivery Grant (HPDG) is now to be shown as a general government grant in the Income and Expenditure Account (I&E Account). This is in accordance with advice contained in the Guidance Notes to the 2009 Code of Practice. Previously HPDG was credited to the Government Grants Unapplied Account upon receipt and then released to the appropriate service revenue account within the I&E Account as expenditure to be met from HPDG was incurred. The amount of HPDG received in the year will now be appropriated from the I&E Account to a new reserve, the "Housing and Planning Delivery Grant Reserve". Appropriations will be made from this reserve to meet expenditure incurred.

Statement of Responsibilities

for the Statement of Accounts

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 Executive Director - Resources and Support Services.

to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

to approve the Statement of Accounts.

The Executive Director - Resources and Support Services' Responsibilities

The Executive Director (Resources and Support Services) is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

In preparing this statement of accounts, the Executive Director (Resources and Support Services) has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the Code.

The Executive Director - Resources and Support Services has also:

Kept proper accounting records which were up-to-date;

taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Executive Director - Resources and Support Services Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Borough Council as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Kelvin Turner

Executive Director - Resources and Support Services

Date:

Income and Expenditure Account

2008/09 Net Expenditure (Restated) £		2009/10 Gross Expenditure £	2009/10 Income £	2009/10 Net Expenditure £
930,832	Central Services to the Public	10,959,349	9,562,678	1,396,671
18,524,500	Cultural, Environmental & Planning Services	24,823,084	6,630,976	18,192,108
1,897,580	Highways Roads & Transport Services	2,865,152	1,574,787	1,290,365
2,396,283	Housing Services	28,244,820	26,553,837	1,690,983
2,549,536	Corporate & Democratic Core	2,533,829	56,514	2,477,315
1,027,754	Non-Distributed Costs	428,949	-	428,949
27,326,485		69,855,183	44,378,792	25,476,391
259,569	Parish Council Precepts			295,944
842,953	Interest Payable and Similar Charges			7,304
152,040	Loss on Disposal of Fixed Assets			-
2,023	Contribution of Housing Capital Receipts to Government Pool			1,064
(2,489,817)	Interest & Investment Income			(1,161,884)
(462,263)	Other Income			(655,085)
1,430,000	Pensions Interest Costs & Expected Return on Assets			2,949,000
27,060,990	Net Operating Expenditure			26,912,734
(6,817,542)	Demand on the Collection Fund			(7,001,199)
(2,067,665)	General Government Grants			(2,832,197)
(9,330,240)	Non-Domestic Rates Redistribution			(8,840,441)
8,845,543	(Surplus)/Deficit for the Year			8,238,897

Notes:

1. The amount shown for 2008/09 as the Demand on the Collection Fund has been restated because of the change to accounting for council tax transactions on an agency basis. Note 36 gives more details of this prior period adjustment.

2. The Net Expenditure figures shown above against the various service groups in most cases display a significant degree of variation as between 2008/09 and 2009/10. The reasons for this variance can largely be attributed to the following factors:

Central Services shows an increase largely because net expenditure for 2008/09 includes one-off income of £585,528 relating to the transfer of a creditor for government grant to the Contingency Reserve which had to be processed via the cost of services within the Income and Expenditure Account to comply with the Accounting Code of Practice.

Cultural, etc, Highways and Housing are not comparable because of the differing amounts of charges for items associated with accounting for capital expenditure and fixed assets, such as depreciation and amortisation of fixed assets, revenue expenditure funded by capital under statute (formerly deferred charges), the amount of downward revaluations, which are chargeable to the revenue account and the amount of capital expenditure which does not result in an increase in asset values. These charges are required to be made to the Income and Expenditure Account by the Accounting Code of Practice.

Non Distributed Costs differ between years owing to transactions required to be debited or credited to this service heading by Financial Reporting Standard 17 (FRS17) relating to pension costs. The net amounts are a debit of £287,000 in 2008/09 and a credit of £195,000 in 2009/10 and are derived from the annual report of the actuary to the pension fund.

3. Other Income comprises capital income received where no asset has been disposed of, for example: share of right to buy sales or the repayments of capital grants and will vary from one year to another, depending on activity.

4. Pensions costs supplied by the Pension Fund actuary comprise £6,640,000 Interest Costs less £3,691,000 Return on Assets.

5. General Government Grants comprise Revenue Support Grant £2,040,489, LABGI Grant £38,443, Area Based Grant £71,340, Housing & Planning Delivery Grant £681,925 (of which £467,000 was received in year and £214,925 was transferred from the Government Grants Unapplied Account)

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Note 11 (page 31) gives further information regarding the composition of the £6,918,897 credit shown in the statement.

2008/09		2009/10
(Restated)		
£		£
8,845,543	Deficit for the Year on the Income and Expenditure Account	8,238,897
(9,095,543)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(8,238,897)
(250,000)	(Increase)/Decrease in General Fund Balance for the Year	-
(1,500,197)	General Fund Balance brought forward	(1,750,197)
(1,750,197)	General Fund Balance carried forward	(1,750,197)
(1,750,197)	Amount of General Fund Balance generally available for new expenditure	(1,750,197)

The amounts shown for 2008/09 as the Deficit for the Year on the Income and Expenditure Account and the Net additional amount required to be debited or credited to the General Fund Balance for the year have been restated as a result of the change to accounting for council tax transactions on an agency basis. See Note 36 which gives more details of this prior period adjustment.

Statement of Total Recognised Gains and Losses

2008/09 (Restated)		2009/10
£		£
8,845,543	(Surplus)/Deficit for the year on the Income and Expenditure Account	8,238,897
(3,482,295)	Surplus arising on revaluation of fixed assets	(860,313)
14,576,000	Actuarial (gains)/losses on pension fund assets and liabilities	27,025,000
	Other (Gains) and Losses:	
	- Collection Fund Movement	-
19,939,248	Total recognised (gains)/losses for the year	34,403,584

Reconciliation of the Balance Sheet showing the effect of Prior Period Adjustments

Restated Balance sheet total for "Financed By" as at 31/03/2009	£ 43,824,992
Less: Balance Sheet total for "Financed By" as at 31/03/2009, as published	(43,394,723)
Total Gains and Losses recognised since published Statement of Accounts for 2008/09 **	430,269

** This amount (£430,269) is the prior period adjustment relating to the proportion of the Collection Fund balance which is attributable to the major precepting authorities

Balance Sheet

31/03/2009 (Restated)		31/03/2010
£		£
79,993	Intangible Assets (Note 12)	79,267
	Net Fixed Assets (Notes 12, 14 & 15)	
	Operational Assets -	
20,699,001	Land & Buildings	22,460,009
1,110,432	Infrastructure	1,081,477
3,593,313	Vehicles, Plant, & Equipment	5,595,929
4,611,927	Community Assets	4,971,872
	Non Operational Assets	
15,528,761	Investment Properties	16,129,372
2,031,301	Assets Under Construction	2,135,432
4,611,762	Surplus Assets held for Disposal	4,611,762
<u>52,186,497</u>		56,985,853
5,164,471	Long Term Investments	676,358
305,131	Long Term Debtors	273,948
57,736,092	Total Long Term Assets	58,015,426
	Current Assets	
31,106,789	Short Term Investments	24,050,535
40,852	Stocks in hand	45,000
7,924,864	Debtors (Net of Bad Debt Provisions) (Notes 17 & 23)	10,507,473
878,741	Cash in Hand	<u>356,262</u>
<u>39,951,246</u>		34,959,270
	Current Liabilities	
(8,481,482)	Creditors (Note 23)	(9,132,400)
(91,513)	Temporary Loans	(54,192)
(1,101,261)	Deposits	(376,516)
-	Cash Overdrawn	<u>-</u>
<u>(9,674,256)</u>		(9,563,108)
88,013,082	Total Assets less Current Liabilities	83,411,588
(301,102)	Provisions (Note 17)	(305,060)
(3,729,988)	Government Grants Deferred	(4,982,120)
(40,157,000)	Liabilities Re Defined Benefit Pension Schemes	(68,703,000)
£43,824,992	Total Assets less Liabilities	£9,421,408
	Financed By	
7,650,540	Revaluation Reserve	8,515,683
17,809,577	Usable Capital Receipts	11,511,769
43,897,042	Capital Adjustment Account	47,140,173
26,845	Deferred Credits (Principal o/s re Council Hse Sales)	24,962
12,873,170	Reserves (Note 18)	9,185,317
(40,157,000)	Pensions Reserve	(68,703,000)
(25,379)	Collection Fund Adjustment Account	(3,693)
	Fund Balances -	
1,750,197	General Fund	1,750,197
£43,824,992		£9,421,408

Balance Sheet

Note:

The amounts shown as comparative figures as at 31 March 2009 have been restated to reflect the 2009 Code of Practice which requires a change to agency accounting for council tax and NNDR transactions. Note 36 (Prior Period Adjustment) and section 7 of the Statement of Accounting Policies give more information about this change. In particular, debtors and creditors have been restated, to remove balances relating to council tax payers which relate to the major precepting authorities (Staffordshire County Council, Fire Authority and Police Authority) and National Non Domestic Rate Payers and substitute these with debtors relating to the major precepting authorities and the Department of Communities and Local Government respectively. In addition, the Collection Fund balance is no longer shown in the Balance Sheet, whilst a new account, the Collection Fund Adjustment Account is now shown. This account absorbs the effects of timing differences between statutory requirements and full accruals accounting.

Cash Flow Statement

2008/09 (Restated) £		2009/10 £
(150,242)	Net Cash Flow From Revenue Activities (Note 28)	3,229,761
	Servicing Of Finance	
	Cash Outflows	
3,508	Interest Paid	2,931
	Cash Inflows	
<u>(1,547,524)</u>	Interest Received	<u>(804,926)</u>
(1,544,016)	Net Servicing of Finance	(801,995)
	Capital Activities	
	Cash Outflows	
6,045,837	Purchase of Fixed Assets	8,213,369
(5,444,294)	Purchase of Long-Term Investments	(5,159,937)
-	Other Capital Cash Payments	-
<u>601,543</u>		<u>3,053,432</u>
	Cash Inflows	
(1,955,635)	Sale of Fixed Assets	(2,104,137)
318,301	Capital Grants Received (Note 27)	(582,214)
<u>(734,207)</u>	Other Capital Cash Receipts	<u>(1,235,776)</u>
<u>(2,371,541)</u>		<u>(3,922,127)</u>
(1,769,998)	Net Cash Flow From Capital Activities	(868,695)
(3,464,256)	Net Cash Flow/(Inflow) Before Financing	1,559,071
	Management of Liquid Resources	
432,833	Increase/(decrease) in short term investments (Note 30)	(6,697,361)
1,914,113	Net increase/(decrease) in other liquid resources	5,623,448
	Financing	
	Cash Outflows	
2,000,000	Repayment of Amounts Borrowed	6,037,321
	Cash Inflows	
<u>(2,003,176)</u>	New Loans Raised	<u>(6,000,000)</u>
(3,176)	Net Financing Activities	37,321
(1,120,486)	(Inc)/Dec in Cash and Cash Equivalents (Note 29)	522,479

Cash Flow Statement

Some of the comparative figures for 2008/09 have been restated so that the Cash Flow Statement only contains those cash flows which are attributable to Newcastle Borough Council, as a result of the change to agency accounting in respect of council tax and National Non Domestic Rates transactions. Further details are given in Note 36.

The method of calculation of the Cash Flow Statement has also been changed from the direct to the indirect method in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 and as such some items which were published in the 2008/09 Statement of Accounts have now been excluded.

Notes to the Accounts

1. Heritable Bank Investment Impairment

Early in October 2008, the Icelandic bank Landsbanki collapsed and its UK subsidiary, Heritable Bank went into administration. The Council had an investment with Heritable Bank, details of which are as follows:

Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount (at 31/3/10)	Impairment Adjustment
15/09/08	14/09/09	£2,500,000	6.1%	£999,921	(£155,085)

All monies with this institution are subject to the administration process. The amounts and timing of payments to depositors such as the Council will be determined by the administrators.

The Council considered that it was appropriate to set an impairment adjustment for the deposit. As the available information was not definitive as to the amounts and timings of payments to be made by the administrators, it was assumed likely that further adjustments will be made to the accounts in future years.

Heritable Bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young (April 2009), outlined that the return to creditors was projected to be 80p in the £ by the end of 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The Council therefore, decided to recognise an impairment based on it recovering 80p in the £. Accordingly an impairment adjustment of £795,202 was made in the 2008/09 accounts.

The first interim payment was made in July 2009 for 16.13% of the claim. Since then, further dividends have been paid (12.66% in December 2009 and 6.19% in March 2010), bringing the total dividends paid to date to 34.98% of the claim.

The latest creditors progress report issued by the administrators Ernst and Young (January 2010) noted that current projections suggest a base case return to creditors of 85p in the £.

In calculating the adjustment to impairment the Council has made the following assumptions regarding timing of recoveries, the schedule is based on expected total dividends of 84.98% of the claim:

<u>Date</u> <u>Repayment</u>	<u>Repayment</u>	<u>Date</u>	
June 2010,	5%	September 2011,	5%
September 2010,	5%	December 2011,	5%
December 2010,	5%	March 2012,	5%
March 2011,	5%	June 2012,	5%
June 2011,	5%	September 2012,	5%

Notes to the Accounts

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008.

2. Markets Undertaking

The Council operates the open Market in Newcastle Town Centre. The financial results of this operation were as follows: -

2008/09		2009/10
£		£
297,379	Expenditure	286,616
(232,608)	Income	(197,371)
£64,771	(Surplus)/Deficit	£89,245

3. Operating Leases

Operating Lease payments were as follows: -

2008/09		2009/10
£		£
586,740	Vehicles & Plant	441,853
9,995	Refuse Collection "Wheelie Bins"	-
£596,735		£441,853

4. Agency Services

The Council has no agency agreements.

5. Minimum Revenue Provision

The Council's Capital Financing Requirement is now a negative amount as a result of the capital receipt from Housing Stock Transfer. This means that there is no longer any requirement to set aside a minimum revenue provision for the redemption of external debt. Accordingly, this has not been done.

6. Employees' Remuneration Over £50,000

The numbers of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 were:

Number of Employees		Number of Employees
2008/09		2009/10
4	£50,000 - £54,999	1

The above table shows the remuneration of senior employees which has not been disclosed individually in the next table.

Notes to the Accounts

The following table sets out the remuneration disclosures for senior officers whose salary is less than £150,000 but equal to or more than £50,000 per year:

<u>2009/10 Senior Officers - salary between £50,000 and £150,000 per year</u>					
Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding employer's pension contributions 2009/10	Employer Pension Contributions	Total Remuneration including employer's pension contributions 2009/10
	(£)	(£)	(£)	(£)	(£)
Chief Executive *	112,426	3,245	115,671	23,047	138,718
Executive Directors:					
Regeneration & Development	82,242	2,320	84,562	18,135	102,697
Resources & Support Services	83,993	0	83,993	17,219	101,212
Operational Services	80,490	1,229	81,719	16,500	98,219
Heads of Service:					
Central Services	50,935	2,457	53,392	10,442	63,834
Assets and Regeneration	50,993	2,320	53,313	10,454	63,767
Operations	50,245	2,457	52,702	10,300	63,002
Leisure and Cultural Services	50,935	0	50,935	10,442	61,377

The following table provides the equivalent disclosure for the previous year:

<u>2008/09 Senior Officers - salary between £50,000 and £150,000 per year</u>					
Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding employer's pension contributions 2008/09	Employer Pension Contributions	Total Remuneration including employer's pension contributions 2008/09
	(£)	(£)	(£)	(£)	(£)
Chief Executive **	108,191	3,245	111,436	21,055	132,491
Executive Directors:					
Regeneration & Development	80,490	2,320	82,810	16,821	99,631
Resources & Support Services	83,993	0	83,993	16,295	100,288
Operational Services	80,490	0	80,490	15,615	96,105

* 2009/10 - This includes salary of £99,736 and Returning Officer fees for the European and County Council elections and Borough Council by-elections.

** 2008/09 - this includes salary of £99,736 and Returning Officer fees for Borough Council elections and by-elections.

Notes to the Accounts

7. Related Party Transactions

The information to be disclosed under related party transactions is shown below for items which exceed £10,000 (in terms of either income or expenditure to the Council). Other transactions are considered to be immaterial:

2008/09 £'000s		2009/10 £'000s
	Organisations where members of the Council are also members of the organisation's governing body or equivalent and where there exists a financial relationship between the organisation and the Council. The net amount paid by the Council to each body is shown. Further details of membership of each body can be made available, if required.	
10,680	Aspire Housing	14,786
81	New Victoria Theatre	119
20	Instaffs	25
22	Newcastle-under-Lyme College	-
55	Newcastle Play Council	-
22	Newcastle Council for Voluntary Services	12
22	Newcastle Sports Council	22
37	Kidsgrove Town Council	22
22	Newcastle Community and Voluntary Support	-
58	Audley Parish Council	57
(13)	Primary Care Trust	-
18	North Staffs Special Adventure Playground	16
(63)	Keele University	17
18	Local Government Association	16
15	Whitmore Parish Council	15
-	Age Concern	19
-	North Staffs Combined Healthcare NHS Trust	20
25	Staffordshire Credit Union	53

It should be noted that in respect of Aspire Housing, there are additional transactions where the Council acts on an agency basis for that body. These amount to payments of £1,240,324 (2008/09, £2,168,755).

There are no other related party transactions other than those disclosed elsewhere (for example transactions with the Pensions Fund and in respect of Government grants)

No disclosure has been made of amounts owing to or due from related parties at 31 March 2010 since insufficient information is available.

8. Members Allowances

In 2009/10 a total of £289,664 was paid (2008/09, £314,623).

Notes to the Accounts

9. Audit Commission Fees

The following fees were payable to the Audit Commission:

2008/09 £		2009/10 £
124,122	Services in accordance with Section 5 of the Audit Commission Act 1998	124,510
13,077	Statutory Inspection Fees under Section 10 of the Local Government Act 1999	27,914
53,334	Fees for Grant Certification under Section 28 of the Audit Commission Act 1998	29,285
£190,533		£181,709

10. Building Control Account

The Local Authority Building Control regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Division cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the service divided between the chargeable and non-chargeable activities. The small deficit recorded by the chargeable activity is within the parameters permitted by the applicable regulations.

	Chargeable 2009/10 £	Non-Chargeable 2009/10 £	Total 2009/10 £
Expenditure			
Employees	123,299	60,729	184,028
Transport	6,466	3,185	9,651
Supplies & Services	8,328	6,021	14,349
Support Service Charges	43,547	42,474	86,021
Total Expenditure	181,640	112,409	294,049
Income			
Building Regulation Charges	(159,761)	-	(159,761)
Total Income	(159,761)	-	(159,761)
(Surplus)/Deficit	21,879	112,409	134,288
Comparatives for 2008/09			
Expenditure	162,903	118,105	281,008
Income	(159,450)	-	(159,450)
(Surplus)/Deficit for Year	3,453	118,105	121,558

Notes to the Accounts

11.Reconciling Items for the Statement of Movement on the General Fund Balance

2008/09 (Restated)		2009/10
£		£
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(152,662)	Amortisation of Intangible Fixed Assets	(79,993)
(6,128,718)	Depreciation and Impairment of Fixed Assets	(5,323,421)
176,851	Government Grants Deferred amortisation	664,115
(972,153)	Revenue expenditure funded by capital under statute	(734,112)
(1,009,000)	Net charges made for retirement benefits in accordance with FRS17	(1,521,000)
169,000	Proceeds of Sale of Fixed Assets	-
<u>(321,040)</u>	<u>Fixed Assets Disposed of</u>	<u>(161,914)</u>
(8,237,722)		(7,156,325)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
(2,023)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,064)
<u>(2,023)</u>		<u>(1,064)</u>
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
(1,258,424)	Net transfer to/(from) earmarked reserves	(1,736,593)
<u>462,263</u>	<u>Other Income transferred to Usable Capital Receipts</u>	<u>655,085</u>
<u>(9,035,906)</u>		<u>(8,238,897)</u>

The amount for 2008/09 relating to the Net transfer to/(from) earmarked reserves has been restated as result of the change to agency accounting for council tax. See Note 36 and section 7 of the Statement of Accounting Policies for more details of this change.

Notes to the Accounts

12. Capital Transactions During Year

The following tables summarise the movements in Fixed Assets during the year: -

Intangible Assets	Software £	Total £
Net Book Value at 01/04/2009	79,993	79,993
Additions	79,267	79,267
Disposals	-	-
Amortisation	(79,993)	(79,993)
Net Book Value at 31/03/2010	79,267	79,267

Historical Cost at 01/04/2009	1,197,249
Cumulative Amortisation at 01/04/2009	(1,117,256)
Historical Cost at 31/03/2010	1,276,516
Cumulative Amortisation at 31/03/2010	(1,197,249)

Tangible Fixed Assets

Assets	Gross Book Value at 01/04/2009	Additions	Impairment	Adjustments & Transfers Between Asset Types	Disposals	Revaluation	Gross Book Value at 31/03/2010
	£	£	£	£	£	£	£
Land & Buildings	21,674,141	3,200,698	(1,123,398)	98,826	(31,284)	150,288	23,969,271
Infrastructure	1,339,379	16,774	(16,774)	17	-	-	1,339,396
Vehicles, Plant & Equipment	7,082,608	3,210,258	(202,204)	56,484	(326,567)	-	9,820,579
Community Assets	4,765,545	503,868	(55,182)	53	-	6,375	5,220,659
Non Operational Assets -							
Investment Properties	15,528,761	2,077,978	(1,638,584)	-	(14,573)	175,791	16,129,373
Assets under Construction	2,031,301	409,971	(305,840)	-	-	-	2,135,432
Surplus Assets	4,611,762	-	-	-	-	-	4,611,762
	57,033,497	9,419,547	(3,341,982)	155,380	(372,424)	332,454	63,226,472

Depreciation

	At 01/04/2009	Depreciation Written Off	Transfers	Depreciation for Year	Depreciation at 31/03/2010
Land & Buildings	(975,140)	68,371	-	(602,493)	(1,509,262)
Infrastructure	(228,947)	-	-	(28,972)	(257,919)
Vehicles, Plant & Equipment	(3,489,294)	201,124	-	(936,480)	(4,224,650)
Community Assets	(153,619)	-	-	(95,169)	(248,788)
	(4,847,000)	269,495	-	(1,663,114)	(6,240,619)
Net Book Value	52,186,497				56,985,853

NOTES

- The basis of the depreciation charge is explained in the Statement of Accounting Policies.

Notes to the Accounts

Capital Expenditure

	£
Expenditure on acquisition/enhancement of fixed assets	9,419,547
Intangible Assets	79,267
	£9,498,814

The above Capital Expenditure was financed as follows: -

	£
Capital Receipts	6,243,767
Grants & Contributions	1,325,469
Reserves	1,929,578
	£9,498,814

The main items of Capital Expenditure were: -

	£
Lancaster Buildings Refurbishment	2,077,978
Replacement Cemetery	1,795,000
Waste Management Vehicles	1,428,333
Recycling Containers	941,494
Replacement Cremators	437,243
Kidsgrove Customer Services Centre/ICT Disaster Recovery Facility	345,179
Stock Condition Survey Repairs - Phases 1 and 2	320,808
Health and Wellbeing Centre	304,640
The Wammy - Improvements	301,802
Chesterton Park Replacement Pavilion	262,300

13. Commitments Under Capital Contracts

The following commitments exist relating to capital contracts entered into by the Council at 31 March 2010.

	£
Replacement Cremators	425,800
Replacement Cemetery - landscaping	43,000
Bradwell Lodge works	32,000

14. Valuation of Fixed Assets

Fixed Assets are shown in the Consolidated Balance Sheet at the values placed upon them in the Council's Assets Register, less cumulative depreciation.

Assets are revalued over a five year rolling period. The last full valuation of the whole asset portfolio was at 31 March 1995 when the Assets Register was introduced.

The valuation methods used are set out in the "Statement of Accounting Policies" on page 10.

Valuations in relation to land and property were carried out by the Council's own valuation staff all of whom are professionally qualified Associates or Fellows of the Incorporated

Notes to the Accounts

Society of Valuers and Auctioneers or the Royal Institution of Chartered Surveyors. Other assets are valued at cost or insurance value.

There has been no material change in the value of infrastructure assets.

15. Analysis of Fixed Assets

The following statement summarises the major fixed assets of the Council: -

31/03/2009		31/03/2010
1	Council Offices	1
1	Customer Service Centre (Guildhall and Kidsgrove)	2
2	Depots	1
	Commercial Properties Rented Out	
46	Shops, etc	46
17	Offices	17
68	Industrial Units	68
1	Multiplex Cinema	1
11	Car Parks (Fee Paying)	11
1	Swimming Baths	1
1	Sports Centre	1
1	Museums	1
1	Markets – Open	1
6	Cemeteries	6
1	Crematorium	1
1	Golf Course – 18 Holes	1
17	Community Centres	17
14	Parks, Gardens & Sports Grounds	14

16. Long Term Borrowing

The Council has no long term external borrowing repayable within a period in excess of 12 months.

17. Provisions

Provisions for Bad Debts are made to accommodate amounts that become irrecoverable, each year's write-offs being charged to the Account, with an annual contribution being made from Revenue Accounts to maintain the provisions. These provisions have been netted off the Debtors shown in the Consolidated Balance Sheet. The Insurance Provision has been created to meet the costs of claims which are likely to be settled but where the actual settlement date is uncertain. The Planning Appeals Provision has been created to meet the costs of planning appeals where it is likely that a payment will have to be made but where the timing of the payment is uncertain. No reimbursement is expected in relation to any item for which provision has been made. The timing of the individual payments out of provisions cannot be predicted, however, guideline periods are as follows: Bad Debts, 1 to 2 years; Insurance Provision, 1 to 5 years; Planning Appeals, 1 to 2 years (all measured from the date the provision was made for an individual item). A summary of the balances and movements relating to the various Provisions is given below: -

Notes to the Accounts

	Balance at 1 April £	Net Movement £	Balance at 31 March £
Provision for Bad Debts			
NNDR	413,373	44,271	457,644
Sundry Debtors	638,628	(56,125)	582,503
Council Tax	1,261,696	120,718	1,382,414
Total Provision for Bad Debts	£2,313,697	£108,864	£2,422,561
Insurance Claims Provision	276,072	3,958	280,030
Planning Appeals Provision	25,030	-	25,030
Total Provisions	£2,614,799	£112,822	£2,727,621

Council tax and National Non Domestic Rates (NNDR) are accounted for on an agency basis. This means that, whilst the Borough Council calculates and maintains the bad debts provisions for these activities, the amounts included in its Balance Sheet are adjusted to include only the Borough Council's interest in them. This results in the following position in the Balance Sheet:

	31/03/09 £	31/03/10 £
Council Tax	161,098	176,161
NNDR	Nil	Nil
Sundry Debtors	638,628	582,503
Total Bad Debts Provisions deducted from Debtors in the Balance Sheet	799,726	758,664

Notes to the Accounts

18. Movements on Reserves

The Council keeps a number of Reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. The table below summarises the balances and movements during the year relating to Reserves.

	Balance at 1 April (Restated) £	Transactions with Other Reserves £	Other Transactions £	Balance at 31 March £
Revaluation Reserve	7,650,539	865,144	-	8,515,683
Capital Adjustments Account	43,897,042	3,243,131	-	47,140,173
Usable Capital Receipts	17,809,577	(6,297,808)	-	11,511,769
Pensions Reserve	(40,157,000)	(28,546,000)	-	(68,703,000)
Collection Fund Adjustment Account	(25,379)	-	21,686	(3,693)
General Fund	1,750,197	-	-	1,750,197
Special Projects (Economic Development) Fund	883,330	-	-	883,330
LSVT Capital Fund	2,130,796	-	-	2,130,796
Insurance Fund	966,304	(12,990)	(324,913)	628,401
Contingency Reserve Fund	1,073,757	-	(534,196)	539,561
Equipment Replacement Fund	511,194	(437,243)	69,813	143,764
Renewals & Repairs Fund	269,010	(30,000)	60,795	299,805
ICT Development Fund	1,492,075	(184,674)	(52,770)	1,254,631
New Initiatives Fund	766,609	(135,000)	(310,452)	321,157
Organisational Development Fund	335,451	-	(182,120)	153,331
Budget Support Fund	2,407,350	-	(779,062)	1,628,288
Conservation and Heritage Fund	65,727	-	(22,124)	43,603
Museum Purchases Fund	87,490	-	(4,838)	82,652
Maintenance Contributions	204,934	-	(25,080)	179,854
Mayors Charities Reserve	18,011	-	(1,600)	16,411
RENEW Reserve	250,378	-	(79,782)	170,596
Change Management Fund	163,088	-	-	163,088
Standards Fund	100,000	-	(3,000)	97,000
LABGI Reserve	1,129,667	(1,129,667)	-	-
Deposit Guarantee Scheme Reserve	17,999	-	1,145	19,144
Housing & Planning Delivery Grant Res	-	-	429,905	429,905
	£43,798,146	(£32,665,107)	(£1,736,593)	£9,396,446

In the table above "Other Transactions" comprises gains and losses transferred during the year from revenue or credited/debited direct to the reserve.

Further details in relation to specific reserves:

The Revaluation Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). It is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the balance sheet is greater because they are carried at revalued

Notes to the Accounts

amounts rather than depreciated historical cost. It was established with a nil balance on 1 April 2007.

The Capital Adjustment Account was created on 1 April 2007 on the implementation of the Revaluation Reserve. The opening balance on the reserve was created by transferring to it the balances on the former Fixed Asset Restatement Reserve and the Capital Financing Account (which were both abolished) as at 1 April 2007. The Account is to be debited with the historical cost of acquiring, creating or enhancing fixed assets, over the life of those assets. It will also be debited with the historical cost of deferred charges. It will be credited with resources set aside to finance capital expenditure.

Usable Capital Receipts contains the balance of unapplied capital receipts arising from the disposal of fixed assets.

The Pensions Reserve is a balancing account to allow the inclusion of the Pensions Liability in the Balance Sheet.

The Collection Fund Adjustment Account has been established following the change to agency accounting for council tax transactions introduced by the 2009 Code of Practice. It absorbs the effects of timing differences between statutory requirements and full accruals accounting.

The General Fund Balance represents resources available to meet future running costs. Further details of movements are shown in the Statement of Movement on the General Fund Balance.

The Special Projects (Economic Development) Fund comprised monies originally provided from Revenue. Its intended purpose is to finance capital expenditure. However, because the balance on the Fund is of Revenue origin, the Fund can be used to finance Revenue expenditure should the Council so decide.

The LSVT Capital Fund was originally established to receive the principal element of the internal leasing charges made by the ICT Leasing Fund to service revenue accounts. The Fund is available to finance capital expenditure.

The Insurance Fund is used to meet the cost of the insurance cover required by the Council and any excesses for which the Council is liable.

The Contingency Reserve Fund is to be used to finance expenditure in respect of contingencies that may arise in the future, for example redundancy payments consequent upon Council Tax Capping or Contract loss. £400,000 has been transferred to the Renewals and Repairs Fund.

The Equipment Replacement Fund is maintained to provide for the replacement of certain items of equipment, such as the crematorium cremators and printing equipment.

The Renewals and Repairs Fund is maintained for the repair and maintenance of Council-owned buildings, structures and fixed plant. It is funded through a contribution from the General Fund revenue account, based on the estimated frequency and amount of future expenditure on repairs and maintenance for each building or structure, or item of fixed plant. £400,000 was transferred from the Contingency Reserve to top up the fund to ensure a sufficient balance to meet commitments.

The ICT Development Fund is to be used to meet the costs of new IT requirements.

The New Initiatives Fund has been established to fund new initiatives, both capital and revenue, not currently provided for in the Council's budgets.

Notes to the Accounts

The Organisational Development Fund is to be used to meet costs arising from the implementation of the Single Status arrangements for employees and other organisational developments

The Budget Support Fund has been created by crediting to it surpluses arising on the General Fund Revenue Account. It is to be used to support the revenue budget. It is also used to enable budget provision to be carried forward to future years by appropriating to it unspent balances where a commitment exists.

The Conservation and Heritage Fund exists to provide grants to the owners of buildings of historical significance to enable them to be maintained in a state of good repair.

The Museum Purchases Fund was established by a small bequest which has been added to by contributions from revenue account and proceeds from the sale of exhibits surplus to requirements. It is to be used to purchase exhibits for the museum and to conserve and enhance the display of existing exhibits.

Maintenance Contributions are received from developers of housing and other schemes and are to be used to fund the maintenance of open spaces taken over from those developers.

The Mayors Charities Reserve represents the balance on the Mayors Charities activity.

The RENEW Reserve is to be used to meet revenue costs arising from the Council's participation in the Housing Market Renewal Pathfinder for North Staffordshire (RENEW). Amounts are to be transferred into this reserve annually from the General Fund related to notional interest on the unspent balance of RENEW capital provision included in the capital programme.

The Change Management Fund is to be used to support the Council's change management programme.

The Standards Fund is to be used to ensure that the Council meets its responsibilities under the Ethical and other standards frameworks

The LABGI Reserve has been created to hold the unused portion of the Local Authority Business Growth Incentive Grants received by the Council.

The Deposit Guarantee Reserve has been created to hold the unspent balances relating to the Guarantee Scheme for landlord deposits in respect of homeless persons.

The Housing and Planning Delivery Grant Reserve receives the grant paid to the Council. It is to be used to finance planning related activities of both a revenue and capital nature.

Notes to the Accounts

19. Trust & Other Similar Funds

The following statement summarises the balances and movements during the year of the various Funds for which the Council acts as Sole Trustee (indicated by *) or otherwise assumes a supervisory role. Balances relating to these Funds are not included in the Consolidated Balance Sheet and their transactions are not included in the Consolidated Revenue Account.

	Balance at 1 April	Expenditure	Income	Balance at 31 March
	£	£	£	£
John Bentley Gifts (*) (School Prizes)	7,512	7,565	53	-
William Meadon Charity (*) (Educational Excursions)	31,977	32,142	165	-
Newcastle Almshouses Trust (Accom. For Poor Widows)	(5,382)	5,785	7,064	(4,103)
Sports Advisory Council (Advice/Assistance to Sport)	10,013	20,723	22,275	11,565
Museum Purchase Fund (Maintenance and Purchase of Museum Exhibits)	6,304	-	-	6,304
United Charities - Eliza Hinds Charity (grave upkeep)	2,692	203	130	2,619
United Charities - Relief in Need Charity (Christmas gifts for elderly)	24,995	914	3,330	27,411
United Charities - Relief in Sickness Charity (Christmas gifts for elderly)	59,250	2,917	6,324	62,657
Barracks Trust (management of Barracks and charitable disbursements)	181,503	68,454	2,933,899	3,046,948
Mayors Air Raid Distress, etc Fund (*)	649	652	3	-
Newcastle, Staffs. Services Entertainment (1940/45) Fund (*) (School Prizes)	11	11	-	-
	£319,524	£139,366	£2,973,243	£3,153,401

Notes

(a) The balances relating to the John Bentley, William Meadon, Mayors Air Raid Distress and Services Entertainment funds were transferred to the Staffordshire Community Foundation (SCF) on 31 March 2010. SCF are responsible for the administration of these funds from that date.

(b) The United Charities financial year ends at 30 September each year. The balances brought forward in relation to these charities are, in fact, those at 30 September 2008 and the carried forward balances are those for 30 September 2009.

(c) A revaluation of the Barracks Trust assets was undertaken during the financial year; as such the assets were re-valued at £3m, an increase of £2,887,459 from their previous value of £112,541.

20. Operating Lease Commitments

(a) Municipal Mutual Insurance

In 1992/93 the Council's Insurers Municipal Mutual Insurance, ceased accepting new business. Under the Scheme of Arrangement that was established to ensure an orderly wind up of the Company a levy of £69,459 could be made on the Council.

Notes to the Accounts

(b) Insurance Fund

It is estimated that claims totalling circa £60,000 will arise from incidents that had occurred up to 31 March 2010 but have not yet been reported.

(c) VAT

The computation of the Council's 2009/10 position in respect of exempt category Value Added Tax has yet to be agreed with Revenue and Customs. If the 5% allowance has been exceeded, up to £150,000 in VAT may become payable.

(d) Equal Opportunities Claims

A liability may exist to pay compensation to some Council employees in respect of equal pay/back pay claims, following the completion of job evaluation in October 2005. At present it is not possible to quantify either the number or amount of any such claims.

(e) Land Sales Receipts

An agreement exists with a government development agency to pay to them all of the proceeds to be received in respect of the sale, when it occurs, of a development site for which the agency has provided development funding. Some of the proceeds have already been paid over; the remaining amount is in the region of £3,600,000.

(f) Other

Liabilities in respect of warranties given as part of the Housing Stock transfer could amount to £10,000,000.

21. Operating Lease Commitments

The Council is committed to make further payments of £41,682 in respect of operating leases in 2010/11. Of this commitment £nil expires within 2010/11, £41,682 expires by 31 March 2015 and £nil after that date. None of these leases relate to land or buildings.

For 2008/09 the comparative figures were as follows:

The Council was committed to make further payments of £15,581 in respect of operating leases in 2009/10. Of this commitment £nil expired within 2009/10 and £15,581 expires by 31 March 2014 and £nil after that date. None of these leases relate to land or buildings.

22. Investments in Related Companies

The Council is a partner and shareholder, holding 1 'C' share (out of 18 active shares) of Instaffs (UK) Ltd. This company was established in 1996 to provide a focus for inward investment activities in Staffordshire. The position at 31 March 2009 was the same.

Partners in the company make contributions towards its running costs in proportion to their shareholdings. Similarly, in the event of the Company ceasing to trade, the partners will be responsible for receiving or meeting any net surplus or deficit in proportion to their shareholding.

The latest accounts for the Company are not currently available as there is the possibility that it may be dissolved in the near future. Copies of previous years' accounts can be obtained from the Company Secretary, County Buildings, Martin Street, Stafford ST16 2LH.

Notes to the Accounts

23. Debtors and Creditors Analysis

Balance at 1 April 2009 (Restated) £		Balance at 31 March 2010 £
	<u>Debtors</u>	
4,024,297	Sundry Debtors	3,382,807
734,441	Prepayments and Accrued Income	561,316
71,517	Value Added Tax	173,610
445,433	Council Tax Payers	433,798
1,378,223	Major Precepting Authorities Council Tax Cash	975,958
535,890	Dept of Communities & Local Govt (NNDR Cash)	4,647,490
655	Community Charge Payers	487
384,906	Aspire Housing - share of Right to Buy Receipts	253,203
256,833	Government Grant - Housing Benefits - Council Tax Benefit	274,821
889,415	Staffs County Council	562,648
2,980	Contributions to Capital Schemes	-
<hr/>		
8,724,590	Total Debtors	11,266,138
799,726	Less Provision for Bad Debts	758,665
<hr/>		
7,924,864	Balance Sheet Net Debtors	10,507,473
<hr/>		
	<u>Creditors</u>	
1,126,501	Sundry Creditors (suppliers)	1,225,100
2,177,868	Accruals	1,996,747
145,581	Council Tax Payers	156,679
-	Department of Communities and Local Gov	95,579
7,635	Community Charge Payers	8,040
2,002	Parishes	2,008
51,230	Joint Use Sports Centre Repairs Funds	43,880
1,181,353	Government Grant - Housing Benefit - Rent Allowances	273,847
573,412	Staffs County Council	442,133
600,000	LABGI Grant Repayment	300,000
251,857	Housing Benefits Paid in Arrears	155,438
338,090	Inland Revenue	26,252
211,153	Building Control Partnership	202,902
375,150	Capital Schemes	2,391,573
231,000	Land Purchase	-
557,258	Homes & Communities Agency - Grant repayment	-
300,000	Renewal Grants	73,693
351,392	Credit Balances on Sundry Debtors Accounts	418,529
-	Advantage West Midlands	1,320,000
<hr/>		
8,481,482	Balance Sheet Creditors	9,132,400
<hr/>		

The comparative figures for the previous year have been amended to remove council tax payers' balances attributable to the major precepting authorities and all National Non Domestic Rate (NNDR) payers' balances and replace these with a debtor in respect of the major precepting authorities in relation to council tax and a debtor in respect of the

Notes to the Accounts

Department of Communities and Local Government relation to NNDR. This is to reflect the 2009 Code of Practice which requires a change to agency accounting for council tax and NNDR transactions. Note 36 (Prior Period Adjustment) and section 7 of the Statement of Accounting Policies give more information about this change.

24. Contingent Assets

The Council has approved the sale of a number of plots of land for industrial/commercial use. The likely total capital receipt (net of repayment of government grant received towards the laying out of the land concerned) which will accrue to the Council will be around £163,000. There is one outstanding plot remaining to be sold, for which the proceeds are due to be received in 2010/11 and are contingent upon agreement of detailed arrangements with the prospective purchasers.

25. Date of Issue of the Statement of Accounts

The Statement of Accounts was authorised for issue on 29 June 2010 by the Executive Director - Resources and Support Services who is the Council's Section 151 Officer.

26. Pension Costs

The Council is a member of the Staffordshire County Council Pension Fund, part of the Local Government Pension Scheme. The Fund, a defined benefit statutory scheme, is administered by Staffordshire County Council.

In 2009/10 the Council paid an employer's contribution of £2,534,621 into the Staffordshire County Superannuation Fund, representing 20.52% of pensionable pay (2008/09, £2,318,637, 18.41%).

The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations. Under Superannuation Fund Regulations contribution rates are set to ensure that the Fund is solvent.

In addition, the Council is responsible for all pension payments relating to added years and other discretionary benefits it has awarded, together with the related increases. In 2009/10 these amounted to £747,519 representing 6.05% of pensionable pay (2008/09, £752,941, 5.98%).

The Fund's actuary has advised that the pension costs that it would have been necessary to provide for in the year in accordance with SSAP24, "Accounting for Pension Costs" are £2,531,901 representing 20.5% of pensionable pay (2008/09, £2,443,259, 19.4%).

Current Service Costs for 2009/10 were £1,458,000 (£1,667,000, 2008/09).

The actual amount charged to revenue accounts in the period was £2,534,621.

Notes to the Accounts

Information relating to the Council's share of scheme assets and liabilities is as follows:

Reconciliation of present value of the scheme liabilities:

	Year to 31/03/10 £000s	Year to 31/03/09 £000s
Opening Balance at 1 April	97,573	100,640
Current Service Costs	1,458	1,667
Interest Cost	6,640	6,881
Contributions by scheme participants	804	767
Actuarial Gains/(Losses)	47,450	(8,090)
Losses on Curtailments	16	-
Benefits Paid	(4,780)	(4,741)
Unfunded Benefits Paid	(443)	(424)
Past Service Costs	232	873
Closing Balance at 31 March	148,950	97,573

Reconciliation of fair value of the scheme assets:

	Year to 31/03/10 £000s	Year to 31/03/09 £000s
Opening Balance at 1 April	57,416	76,408
Adjustment in Year	-	(340)
Expected Return on Assets	3,691	5,451
Actuarial Gains/(Losses)	20,425	(22,666)
Employer Contributions	2,691	2,537
Contributions in respect of Unfunded Benefits	443	424
Contributions by scheme participants	804	767
Benefits Paid	(4,780)	(4,741)
Unfunded Benefits Paid	(443)	(424)
Closing Balance at 31 March	80,247	57,416

Analysis of Assets

	Percentage of Total Assets	
	31/03/10 %	31/03/09 %
Equities	79.0	72.0
Bonds	11.0	18.0
Property	6.0	8.0
Cash	4.0	2.0
	100.0	100.0

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The actual return on scheme assets in the year was £24.117m.

Notes to the Accounts

The following table shows the net pensions liability attributable to this Council:

	Year to 31/03/10 £000s	Year to 31/03/09 £000s	Year to 31/03/08 £000s	Year to 31/03/07 £000s	Year to 31/03/06 £000s
Present Value of Liabilities in the scheme	(148,950)	(97,573)	(100,640)	(111,065)	(111,512)
Fair Value of Assets in the scheme	80,247	57,416	76,068	82,777	79,906
Surplus/(deficit) in the scheme	(68,703)	(40,157)	(24,572)	(28,288)	(31,606)

The liability will have no effect on overall reserves.

The detailed movement in the net pension liability from the opening position at 1 April 2009 to the closing position at 31 March 2010 below shows the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £68.70m has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in an overall balance of £10.74m. However, statutory arrangements for funding the deficit mean that the financial position of the Council 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.

The estimated amount of total employers contributions expected to be made to the pension scheme in the year to 31 March 2010 is £2.661m.

FRS 17 also requires the disclosure of the history of experience gains and losses arising on the scheme liabilities. This information is set out below:

	Year to 31/03/10	Year to 31/03/09	Year to 31/03/08	Year to 31/03/07	Year to 31/03/06
	Percentage of Assets or Liabilities				
	%	%	%	%	%
Difference between the expected and actual return on assets	25.5	(39.5)	(14.0)	(0.7)	16.6
Experience Gains and (Losses) on Liabilities	(0.2)	0.2	(1.6)	(0.3)	(2.8)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses contained in the scheme actuary's report is £41.237m. £27.025 is recognised in the Council's Statement of Total Recognised Gains and Losses, as shown on page 29. This variance arises from the differing treatment of some of the components contained within the separate calculations.

All of the information shown above has been provided by the actuaries to the Staffordshire County Council Pension Fund. The valuations have been made solely for the purposes of FRS17. The actuaries have made the following assumptions:

Notes to the Accounts

	31/03/10	31/03/09
	%	%
Price Increases (per annum)	3.8	3.1
Salary Increases (per annum)	5.3	4.6
Expected Return on Assets (per annum)	7.2	6.5
Discount Rate in respect of scheme liabilities (per annum)	5.5	6.9
Expected Rate of Return on Assets:		
Equities	7.8	7.0
Bonds	5.0	5.4
Property	5.8	4.9
Cash	4.8	4.0
Take-up of option to convert annual pension into retirement lump sum:		
To calculate service costs	50.0	50.0
To calculate assets/liabilities	50.0	50.0
Mortality assumptions:	Years	Years
Life Expectancy at age 65 for current pensioners:		
Men	20.8	19.6
Women	24.1	22.5
Life Expectancy at age 65 for future pensioners:		
Men	22.3	20.7
Women	25.7	23.6

Further information can be found in Staffordshire County Council's Superannuation Fund Annual Report which is available from the County Treasurer's Department, Eastgate Street, Stafford.

27. Analysis of Government Grants shown in the Cash Flow Statement

2008/09	2009/10
£	£
(10,309) Planning Delivery Grant	(215,275)
(60,000) DEFRA Contaminated Land Grant	-
(14,543) Smokefree Grant	-
(317,460) Regional Housing Grant	629,939
66,000 Regional Choice Fund	(32,450)
(19,500) LPSA2 Streetscene	-
37,511 Free Swimming Programme Pot 3	-
- Waste & Resources Action Programme	200,000
(318,301)	582,214

The method of calculation of the Cash Flow Statement has been changed from the direct to the indirect method in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009. Only capital grants are now shown in the Cash Flow Statement so the above table is not comparable to that published in the 2008/09 Statement of Accounts.

Notes to the Accounts

28.Reconciliation of Revenue Cash Flow shown in the Cash Flow Statement to the Income and Expenditure Account Surplus/Deficit

2008/09 (Restated) £	£	2009/10 £
Surplus/(Deficits)		
(8,845,543) Income and Expenditure Account	(8,238,897)	
651,919 Collection Fund	-	
(8,193,624)		(8,238,897)
Non-Cash Transactions		
6,128,718 Depreciation and Impairment of Fixed Assets	5,323,421	
152,662 Amortisation of Intangible Fixed Assets	79,993	
(176,852) Government Grants Deferred Amortisation	(664,115)	
795,202 Impairment of Investment	(155,085)	
152,040 Loss on Disposal of Fixed Assets	-	
(462,263) Other Income transferred to Usable Capital Receipts	(1,975,085)	
1,009,000 FRS17 Retirement Benefits	1,521,000	
59,637 Derecognition of Fixed Assets	161,914	
(88,138) Prior Year Transfer to Collection Fund Adjustment Account	-	
7,570,006		4,292,043
Movements in Assets & Liabilities		
(1,142,359) Increase/(Decrease) in Provisions	(37,102)	
469,869 Increase/(Decrease) in Investments & Deposits	(724,745)	
(1,276,984) Increase/(Decrease) in Creditors	(634,525)	
4,263,183 (Increase)/Decrease in Debtors	2,919,608	
4,167 (Increase)/Decrease in Stocks	(4,148)	
2,317,876		1,519,088
(1,544,016) Servicing of Finance		(801,995)
150,242 Net Cash Flow from Revenue Activities		(3,229,761)

29.Movement in Cash and Cash Equivalents shown in the Cash Flow Statement

	As at 31/03/2009 £	As at 31/03/2010 £	Movement £
Cash in Hand	878,741	356,262	(522,479)
Bank Overdraft	-	-	-
Balances/Net Cash Flow	878,741	356,262	(522,479)

Notes to the Accounts

30. Management of Liquid Resources - Reconciliation between the Cash Flow Statement and the Balance Sheet

	£	£
Short Term Investments Outstanding at 01/04/2009		31,106,789
Less Reclassified as Long Term		(671,824)
Plus Accrued Interest		157,846
Impairment of Investment		155,085
New Investments	101,182,308	
Disinvestments	<u>(107,879,669)</u>	
		(6,697,361)
Short Term Investments Outstanding at 31/03/2010		24,050,535

31. Financing- Reconciliation between the Cash Flow Statement and the Balance Sheet

	£	£
Loans Outstanding at 01/04/2009		91,513
New Loans Raised	6,000,000	
Loans Repaid	<u>(6,037,321)</u>	
		(37,321)
Loans Outstanding at 31/03/2010		54,192

32. Composition of Liquid Resources as shown in the Cash Flow Statement

Liquid Resources shown in the Cash Flow Statement comprise short term investments (invested for 364 days or less) via money market deposits and in bank deposit accounts. As a result of accounting changes introduced by the 2009 Code of Practice, council tax and National Non Domestic Rates receipts under or overpaid to the major precepting authorities and the Department of Communities and Local Government, respectively, are included in the Management of Liquid Resources section of the Cash Flow Statement.

33. Local Area Agreements and Local Strategic Partnerships

The Council participates in the Staffordshire Local Strategic Partnership. The associated Staffordshire Local Area Agreement (LAA) provides access to LAA Grant which is paid to the Council via Staffordshire County Council, who are the Accountable Body for the LAA. For 2009/10 the amount of LAA Grant payable to the Council was £544,793. This was allocated to four themes, as follows:

Community Safety Grant: £83,551 Revenue; £36,604 Capital

Community Cohesion Grant: Revenue £48,529

Notes to the Accounts

Domestic Violence Grant: Revenue £15,450; Capital £5,000

The L.A.A. aims to deliver against 35 National Indicators which have been agreed with the West Midlands Government Office.

Partners in the L.A.A. include: Staffordshire Fire and Rescue Service, Staffordshire Police, Learning Skills Council, Jobcentre Plus, Connexions, Cannock Chase District Council, East Staffordshire Borough Council, Lichfield District Council, Newcastle Borough Council, South Staffordshire District Council, Stafford Borough Council, Staffordshire Moorlands District Council, Tamworth Borough Council, South Staffordshire PCT, North Staffordshire PCT, Staffordshire Consortium of Infrastructure Organisations and Staffordshire Wildlife Trust.

34. Financial Instruments Balances

The Borrowings and Investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31/03/09 £'000s	31/03/10 £'000s	31/03/09 £'000s	31/03/10 £'000s
Financial Liabilities (principal amount) (see Note 1 below)	-	-	92	54
Total Borrowings	-	-	92	54
Loans and Receivables (principal amount)	5,000	-	31,200	25,205
Loans and Receivables	5,159	-	31,107	24,722
Available for Sale Financial Assets	5	5	-	-
Total Investments	5,164	5	31,107	24,722

Notes:

1. The amounts in relation to Financial Liabilities are considered to be immaterial. Accordingly these are shown in the balance sheet at the value of the principal amount.
2. The carrying value of loans and receivables in the balance sheet (£24.722m) is net of impairment of £0.640m in relation to Heritable Bank.

Notes to the Accounts

The items of income, expense, gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses are made up as follows:

	Financial Liabilities £'000s	Financial Assets			Total £'000s
		Loans and Receivables £'000s	Available for Sale Assets £'000s	Fair Value through the I&E £'000s	
Interest Expense	(5)	-	-	-	(5)
Interest Income	-	902	-	-	902
Gains on Revaluation	-	-	-	-	-
Net Gain/(Loss) for the Year	(5)	902	-	-	897

Fair Value of Assets and Liabilities carried at amortised cost.

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

- The fair value of borrowings is taken to be the capital sum;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months the fair value is taken to be the principal outstanding plus interest due but not yet paid for the year (interest accrued);
- For trade or other receivables the fair value is taken to be the billed amount;
- For Long Term debtors, which comprise loans to individuals or organisations, the fair value is taken to be the amount of the outstanding advance.

The Fair Values calculated are as follows:

Financial Liabilities

31/03/09			31/03/10	
Carrying Amount (Restated) £'000s	Fair Value (Restated) £'000s		Carrying Amount £'000s	Fair Value £'000s
92	92	Borrowings	54	54
8,481	8,481	Creditors	7,812	7,812
8,573	8,573	Total Financial Liabilities	7,866	7,866

Creditors figures as at 31/03/09 have been restated to reflect the change to agency accounting for council tax and NNDR (see Note 36)

Notes to the Accounts

Loans and Receivables

31/03/09			31/03/10	
Carrying Amount (Restated) £'000s	Fair Value (Restated) £'000s		Carrying Amount £'000s	Fair Value £'000s
5,159	5,159		Money Market Investments with more than 1 Year to Maturity	672
31,107	31,107	Money Market Investments with less than 1 Year to Maturity	24,050	24,050
5	5	Other Investments (Government Stock)	5	5
305	305	Long Term Debtors	274	274
7,925	7,925	Debtors	10,507	10,507
44,501	44,501	Total Loans and Receivables	35,508	35,508

Notes:

1. Fair values for loans and receivables include interest accrued.
2. Debtors figures as at 31/03/09 have been restated to reflect the change to agency accounting for council tax and NNDR (see Note 36)

35. Nature and extent of Risks arising from Financial Instruments and how those risks are managed

Key Risks

The Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any debt exposure. As such the key risks are in relation to financial assets and 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 risk – the possibility that the Council might be requiring 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 Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. 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:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures the maturity structure of its debt;

Notes to the Accounts

- Its 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 Government Guidance;

These items are reported with the annual Treasury Management Strategy, approved by Full Council on 25 February 2009, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

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

Credit Risk

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

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 five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2010	Historical experience of default**	Adjustment for market conditions at 31 March 2010	Estimated maximum exposure to default
	£000s	%	%	£000s
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	0	0%	0%	0
AA rated counterparties	23,500	0%	1.25%	294
A rated counterparties	0	0%	1.25%	0
Other counterparties (Heritable Bank)	1,705	0%	impairment	640
Trade debtors	3,701	-	15.00%	555
	28,906			1,489

No breaches of the Council's counterparty criteria occurred during the reporting period. Other than with regard to its frozen investment with Heritable Bank (see Note 1) the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its trade debtors, such that £3.236m of the £3.701m balance is past its due date for payment. The past due amount can be analysed by age as follows:

Notes to the Accounts

	£000s
31 to 90 Days	250
90 to 149 Days	352
150 Days and over	2,634
	<u>3,236</u>

During the reporting period the council held no collateral as security.

Liquidity risk

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 and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

In the event of an unexpected cash requirement the Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains an investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial assets.

The approved prudential indicator limiting investments placed for greater than one year in duration are the key parameters used to address this risk. The approved Treasury Management and Investment Strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has no longer term financial liabilities. The maturity analysis of financial assets is as follows:

	£000s
Less than one year	23,500
Between one and two years	0
Between two and three years	0
More than three years	1,705
	<u>25,205</u>

All trade and other payables are due to be paid in less than one year and trade debtors of £3.7m are not shown in the table above.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and

Notes to the Accounts

- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher with all other variables held constant the financial effect in 2009/10 would have been:

	£000s
Increase in interest receivable on variable rate investments	(472)
Impact on Income and Expenditure Account	(472)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on a comparison with the interest earned in 2009/10 at an average overall rate of 2.46%.

Price risk - The Council does not invest in equity shares and, therefore is not exposed to losses arising from movements in the prices of shares.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

36. Prior Period Adjustment

The 2009 Code of Practice has changed the way that council tax and NNDR income and balances are to be accounted for. This change has been made to recognise that the Borough Council acts as agent in collecting these taxes on behalf of the major precepting authorities and the Department of Communities and Local Government. The detailed changes are set out in section 7 (Changes in Accounting Policies) of the Statement of Accounting Policies. The changes are of sufficient significance to require adjustment to the comparative figures for 2008/09. A related change in respect of the residual Community Charge Collection Fund balance has also been adjusted for and is reflected in the restated amounts. The following extracts from the statements affected show the changes from the position shown in the published Statement of Accounts for 2008/09:

Notes to the Accounts

Income and Expenditure Account (Extract)			
2008/09 before adjustment	2008/09 restated		2009/10
£	£		£
(6,754,783)	(6,817,542)	Demand on the Collection Fund	(7,001,199)
8,908,302	8,845,543	(Surplus)/Deficit for the Year	(7,001,199)
Statement of Movement on the General Fund Balance (Extract)			
2008/09 before adjustment	2008/09 restated		2009/10
£	£		£
8,908,302	8,845,543	Deficit for the Year on the Income and Expenditure Account	8,238,897
(9,158,302)	(9,095,543)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(8,238,897)
(250,000)	(250,000)	(Increase)/Decrease in General Fund Balance for the Year	-
Statement of Total Recognised Gains and Losses (Extract)			
2008/09 before adjustment	2008/09 restated		2009/10
£	£		£
8,908,302	8,845,543	(Surplus)/Deficit for the year on the Income and Expenditure Account	8,238,897
(196,271)	-	Collection Fund Movement	-
19,805,736	19,939,248	Total recognised (gains)/losses for the year	34,403,584
Balance Sheet (Extract)			
31/03/2009 before adjustment	31/03/2009 restated		31/03/2010
£	£		£
9,163,334	7,924,864	Debtors (Net of Bad Debt Provisions)	10,507,473
(10,150,221)	(8,481,482)	Creditors	9,132,400
43,394,723	43,824,992	Total Assets less Liabilities	9,421,408
-	25,379	Collection Fund Adjustment Account	3,693
455,648	-	Fund Balances - Collection Fund	-
(43,394,723)	(43,824,992)	Financed By	(9,421,408)

In addition, the Cash Flow Statement has been restated to show the receipts and payments in respect of council tax which are attributable to the major precepting authorities and all those relating to NNDR as net increases in liquid resources under the Management of Liquid Resources section of the Statement instead of as cash outflows and inflows in the Revenue Activities section of the Statement.

37. Post Balance Sheet Events

The following two events have occurred since the balance sheet date of 31st march 2010 which could affect readers' understanding of the financial statements and are, therefore, disclosed:

Notes to the Accounts

- (a) The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%
- (b) Following a legal judgement, in relation to charging for land charges searches, there may be a liability for the Council to refund some fees already paid. This liability could amount to some £70,000.

Collection Fund

2008/09 £		2009/10 £
	Expenditure	
6,783,783	Precepts and Demands - Borough Council	7,014,664
37,802,609	- County Council	38,709,781
6,373,896	- Police Authority	6,622,425
<u>2,425,759</u>	- Fire Authority	<u>2,520,450</u>
53,386,047		54,867,320
	Business Ratepayers	
30,026,593	- Contribution to National Pool	28,674,235
<u>143,734</u>	- Cost of Collection	<u>148,432</u>
30,170,327		28,822,667
<u>600,000</u>	Provision for Bad Debts	529,542
	Contribution towards Previous Years Surplus/(Deficit)	
(247,487)	- Re Council Tax	(35,150)
<u>2,000</u>	- Re Community Charge	<u>-</u>
		(35,150)
83,910,887	Total Expenditure	84,184,379
	Income	
30,531,793	Business Ratepayers	29,132,667
<u>46,121,323</u>	Council Taxpayers	<u>47,011,975</u>
76,653,116		76,144,642
	Transfers from General Fund	
7,423,262	- Council Tax Benefit	8,207,030
30,780	- Discretionary NNDR Relief	<u>-</u>
7,454,042		8,207,030
	- Transfer from/(to) Bad Debts Provision	-
84,107,158	Total Income	84,351,672
£196,271	Surplus/(Deficit) For The Year	£167,293
	Collection Fund Balance	
(651,919)	Balance at Beginning of Year	(455,648)
<u>196,271</u>	Surplus/(Deficit) for the Year	<u>167,293</u>
(£455,648)	Balance at end of Year	(£288,355)

NOTES

1. Business Rates

The Council collects business rates in its area on behalf of the Government based on non-domestic rateable values multiplied by a uniform business rate. The rate is specified by the Government and in 2009/10 was 48.5p, with a reduction for "small businesses" to 48.1p on application (46.2p in 2008/09 - "small business" reduction, 45.8p). The Council is responsible for collecting rates due from the ratepayers in its area and the total amount

Collection Fund

collected, less certain reliefs and deductions is paid into the NNDR Pool. The Council then receives a share of the pool on the basis of a fixed amount per head of population.

	2009/10 £	2008/09 £
Non Domestic Rateable Value at year-end	73,290,105	74,173,305

The government has introduced a Business Rates Deferral Scheme, which permits ratepayers to defer payment of part of the amount due. No adjustment has, however, been made to the debtors balance in respect of the deferred amount as the 2009 Code of Accounting Practice indicates that the full amount should be recorded.

2. Council Tax

Council Tax Income is derived from charges raised according to the value of residential properties which have been classified into eight valuation bands for this purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Staffordshire County Council, Staffordshire Police Authority, Staffordshire Fire Authority and the Borough Council for the forthcoming year and dividing this by the council tax base. The average Band D tax in 2009/10 of £1,422.37 compared with £1,384.91 in 2008/09. Multiplication of this amount by the proportions set out below gives the amount due for a property in each band:

Band A	6/9
Band B	7/9
Band C	8/9
Band D	9/9
Band E	11/9
Band F	13/9
Band G	15/9
Band H	18/9

The Council Tax Base for 2009/10 was derived as follows:

Band and Value Range	Number of Dwellings	After Discounts & Exemptions	Ratio to Band D	Band D Equivalents
Band A (Up to £40,000)	23,719	19,830	6/9	13,263
Band B (£40,001 - £52,000)	9,698	8,692	7/9	6,760
Band C (£52,001 - £ 68,000)	10,589	9,591	8/9	8,525
Band D (£68,001 - £88,000)	4,240	3,928	9/9	3,928
Band E (£88,001 - £120,000)	2,561	2,342	11/9	2,863
Band F (£120,001 - £160,000)	1,686	1,546	13/9	2,232
Band G (£160,001 - £320,000)	880	792	15/9	1,320
Band H (Over £320,000)	44	21	18/9	41
				38,932
Less adjustment for collection rates (1%)				(389)
Borough Council Tax Base				38,543

Collection Fund

Council Tax Base analysed over Parished and Unparished Areas of the Borough

	Equivalent Band D Dwellings
Newcastle	38,543
Kidsgrove	7,211
Loggerheads	1,941
Audley	2,656
Balterley, Betley & Wrinehill	574
Chapel & Hill Chorlton	183
Keele	335
Madeley	1,495
Maer	247
Silverdale	1,395
Whitmore	808
Total Council Tax Base	55,388

3. Precepts

The following authorities made demands (precepts) on the Collection Fund:-

2008/09 £		2009/10 £
6,783,783	Newcastle Borough Council	7,014,664
37,802,609	Staffordshire County Council	38,709,781
6,373,896	Staffordshire Police Authority	6,622,425
2,425,759	Staffordshire Fire Authority	2,520,450
£53,386,047		£54,867,320

4. Write-Offs

During the year the following amounts were written-off to the relevant Bad Debts Provisions in respect of irrecoverable debt:

Council Tax: £99,282 (£51,389, 2008/09)

NNDR: £265,729 (£313,029, 2008/09)

Community Charge: £Nil (£Nil, 2008/09)

All outstanding Community Charge debts were written off to the Community Charge Bad Debts Provision in 2008/09.

5. Accounting Changes

There have been changes to the way that Council Tax and NNDR income and balances have been accounted for, arising from the 2009 Code of Practice. The Statement of Accounting Policies (section 7, "Changes in Accounting Policies") and Note 36 to the Balance Sheet ("Prior Period Adjustments") give details of these. These changes do not affect the Collection Fund accounts which continue to be compiled on the statutory basis.

Audit Opinion

Independent auditor's report to the Members of Newcastle Under Lyme Borough Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Newcastle Under Lyme Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Newcastle Under Lyme Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Executive Director (Resources and Support Services) and auditor

The Executive Director's (Resources and Support Services) responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the

Audit Opinion

Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources.

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Newcastle Under Lyme Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Audit Opinion

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Grant Patterson

Date 29 September 2010

District Auditor
(Officer of the Audit Commission)

Audit Commission, Opus House, Priestly Court, Staffordshire Technology Park, Beaconside,
Stafford ST18 0LQ

This is an electronic copy of the opinion and certificate without an electronic signature. The original was signed as dated above and a copy can be obtained from the Executive Director (Resources and Support Services).

Annual Governance Statement

1.0 Scope of responsibility

- 1.1 Newcastle-under-Lyme 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. Newcastle-under-Lyme 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.
- 1.2 In discharging this overall responsibility, Newcastle-under-Lyme Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Newcastle-under-Lyme 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. A copy of the Code is on the Council's website at <http://www.newcastle-staffs.gov.uk/corporategov> or can be obtained from the Audit Manager. This statement explains how Newcastle-under-Lyme Borough Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

2.0 Delivering Good Governance in Local Government: Framework

2.1 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. 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, cost-effective services.

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing and embedded process designed to identify and prioritise the risks to the achievement of Newcastle-under-Lyme Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Newcastle-under-Lyme Borough Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

Annual Governance Statement

3.0 The governance framework

3.1 The Council operates a number of systems, policies and procedures that constitute or contribute to the operation of the internal control environment and support the principles set out in the Code of Corporate Governance as detailed in the tables below:

Core Principle 1	Focusing on the purpose of the Authority and on the outcomes for the community and implementing a vision for the local area.
<ul style="list-style-type: none"> • Identifying and communicating the authority’s vision of its purpose and intended outcomes for citizens and service users • Reviewing the authority’s vision and its implications for the authority’s governance arrangements • 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 	
<p>The Council’s Corporate Plan and Corporate Priorities clearly define the purpose and vision for the organisation and inform the overall business planning process for the organisation. These priorities are drawn from the Sustainable Community Strategy that was produced under the auspices of the Newcastle Local Strategic Partnership. Each of the Council priorities has identified targets against which progress is monitored throughout the year. The Service and Financial Plans which are completed as part of the overall Budget Preparation process are required to clearly demonstrate how each service contributes to the overall delivery of the Council’s vision. In turn the Service and Financial Plans are translated into Business and Operational Service Plans and communicated to employees by the Appraisal Process, Team Briefings and Executive Bulletins. This process and the overall governance arrangements for the Authority are undertaken annually. The Council also communicates via the Reporter Newspaper and its Annual Report both produced for the wider community and both available in different formats to suit all needs.</p> <p>Service quality and being able to demonstrate that services are providing the best value for money are again essential key requirements to the Service and Financial Plans. As part of these plans, managers are required to clearly evidence that the service they provide is a best use of resources. Benchmarking exercises are undertaken by a number of services as a means of demonstrating value for money; however it has been acknowledged that as an area for improvement the organisation needs to learn more from best practice and customer needs.</p> <p>Measuring the satisfaction levels of service provision is also key to ensuring that services are meeting the expectations of users. A toolkit to measure customer satisfaction is being rolled out across the Council.</p> <p>The Corporate Complaints Compliments and Comments policy continues to ensure continuous improvement in the services that we deliver by responding and reflecting on the challenges raised by our customers. As part of the Council’s continued commitment to improving its services for the customer a Customer Standards Strategy ensures a quality assurance process in respect of frontline services that we deliver and a Customer Charter ensures consistency in our interactions with customers. Technology is in place that measures customer demand and preferences and this is used to identify avoidable contact that can be used to enhance our services.</p> <p>The Third Sector Commissioning Framework continues to demonstrate the Council’s commitment to collaborative working.</p> <p>The Council’s Constitution commits the organisation to working in partnership with others to assist with the delivery of its priorities. Before entering into any partnership a full assessment of the aims, objectives, and risks to the Authority of entering into that Partnership is completed. To</p>	

Annual Governance Statement

assist with this process a toolkit has been developed. All of the Council's significant partnerships have been assessed against the toolkit.

There are four Overview and Scrutiny Committees that reflect each of the Council's Corporate Priorities. The terms of reference for each of these committees set out to ensure that performance is effectively monitored and challenged.

Core Principle 2	Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
-------------------------	--

- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Council's Constitution and Scheme of Delegation set out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to the local people. Further detail is provided via the Council's Financial Regulations.

Core Principle 3	Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
-------------------------	---

- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Authority's Codes of Conduct for Officers and Members are regularly reviewed and updated. Both Officers and Members are reminded annually of their need to ensure compliance with these codes, and the need to declare any outside interests, private work or the receipt of any gift or acceptance of hospitality. Any instances of non compliance are dealt with under the Council's disciplinary process in respect of Officers and the Standards Committee in respect of Members.

All new Members receive training on an annual basis in respect of Ethical Standards. It has been acknowledged that a formal training programme for Officers needs to be put in place and this will form part of the Workforce Development Plan.

The Council's Standing Orders, Financial Regulations and Scheme of Delegation are all reviewed annually and approved as part of the Council's Constitution.

A regular programme of work is completed by Internal Audit which reviews the compliance with established procedures.

All new employees go through a corporate induction process to ensure they are informed of all corporate policies and procedures. In addition regular reminders are given to all employees via

Annual Governance Statement

the Appraisal Process, Team Briefings and Executive Bulletins. A copy of all Council policies and procedures are available on the internet and intranet sites.

Risk Management is now embedded throughout the organisation. Risk Champions have been identified at both operational and strategic levels within all Directorates. All operational risks are aligned to the business objectives, whilst at a strategic level risks these are linked to the Council's corporate priorities. Risk assessments are in place for all of the Council's significant partnerships and in addition a formal risk assessment is required to be completed for all major projects which are being undertaken within the Council. All reports to members contain a section on risk implications.

During 2009/10 work has been undertaken to raise the awareness of Information Security throughout the Council, this involved delivering briefing sessions to 470 members of staff, a poster campaign throughout all Council buildings and general awareness raising through team briefings, news bulletins and use of the Council's intranet site.

Core Principle 4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
-------------------------	--

- Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Whistle-blowing and for receiving and investigating complaints from the public

The terms of reference for the Audit and Risk Committee are in accordance with the CIPFA model. A self assessment to ensure compliance with the CIPFA model has been completed by the Audit Manager in consultation with the Chair of the Audit and Risk Committee. This self assessment concluded that the Audit and Risk Committee is effective and can be relied upon when considering this Annual Governance Statement.

The Head of Central Services has the statutory role of Monitoring Officer to ensure that the relevant laws and regulations are complied with, whilst the Executive Director (Resources and Support Services) has the statutory responsibility under Section 151 of Local Government Act to ensure the proper administration of the Council's financial affairs.

Following the completion of an independent review of the Authority's arrangements for Health and Safety it has been acknowledged that there is a requirement to strengthen the Authority's arrangements in respect of this matter. An action plan to address the issues is in place together with a programme of training for all managers and proposals to implement a software package that will assist with the management of all Health and Safety issues.

The Authority continues to review and monitor its arrangements in respect of Information Security to ensure continued compliance to the Government's Code of Connection.

The Authority's Whistleblowing Policy actively promotes officers, members, contractors and the public to report any concerns they may have in respect of any potential wrong doing. A helpline number is included amongst the A-Z list of Council Services. The policy is also available on the Council's website, in addition to this the Authority subscribes to Public Concern at Work, an independent charity set up to deal with any concerns that the Public may have in respect of any potential fraud, corruption or wrong doing.

Annual Governance Statement

Core Principle 5	Developing capacity and capability of members and officers to be effective
<ul style="list-style-type: none"> Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training 	
<p>A robust recruitment process is followed up by induction training and ongoing training identified as part of the employee appraisal process ensuring that officers are appropriately qualified and trained to undertake the role for which they are employed. A Management Development Strategy is in place that incorporates a Competency Framework for senior officers. Senior managers are trained in specific management competencies.</p> <p>All elected members receive induction training. Specific training was provided for members in relation to Financial Management and Treasury Management, as well as more detailed training for members of Audit and Risk Committee, Scrutiny Committee, Planning Committee and Licensing Committee in relation to their roles for that particular committee.</p> <p>An assessment of member training needs has been undertaken as part of the Member Development Programme and work in relation to achieving a Member Development Charter is continuing.</p>	

Core Principle 6	Engaging with local people and other stakeholders to ensure robust public accountability
<ul style="list-style-type: none"> Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements. 	
<p>All meetings of the Authority are held in public, unless there are good reasons for ensuring confidentiality, and copies of all the minutes and agendas for these meetings are available on the Council's website.</p> <p>There are a number of ways of ensuring that the Authority communicates with all sections of the community, including the website, the Newcastle People's Panel, and the Reporter newspaper. In addition the Council has a 'Compact' in place to guide the ways in which it engages with third sector organisations. Also the Council's Statement of Community Involvement helps to support its statutory Local Development Scheme.</p> <p>The Council's Financial Regulations and Partnership Toolkit ensure that there are sound governance arrangements in place for all of the Council's significant partnerships.</p>	

4.0 Review of effectiveness

4.1 Newcastle-under-Lyme Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive directors within the authority who have responsibility for the development and maintenance of the governance and internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Annual Governance Statement

- 4.2 The Code of Corporate Governance adopted by Newcastle-under-Lyme Borough Council demonstrates the Council is committed to ensuring that the principles of good governance flow from a shared ethos or culture, as well as from sound management systems, structures, and processes that are transparent to all its stakeholders. By making explicit the high standards of self-governance the Council aims to provide a lead to potential partners, to the public, private or voluntary sectors and to all citizens. T
- 4.3 The Audit and Risk Committee effectively monitors the system of internal control, this has been demonstrated through the completion of a self assessment against CIPFA's checklist on 'Measuring the Effectiveness of the Audit Committee'. The Committee receives regular reports on both the Audit and Risk issues and has demonstrated effective challenge to senior officers in instances of non-compliance; it can therefore be relied upon when considering the Annual Governance Statement for 2009/10.
- 4.4 The Overview and Scrutiny function continues to ensure effective monitoring and challenge. There are four Overview and Scrutiny Committees that reflect each of the Council's Corporate Priorities. The terms of reference for each of these committees set out to ensure that performance is effectively monitored and challenged. An annual report in respect of the Overview and Scrutiny function has been produced in respect of 2009/10.
- 4.5 Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. A risk model is used to formulate a twelve month plan which is approved by the Audit and Risk Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Executive Director. The report includes recommendations for improvements that are included within an action plan and require agreement, or rejection, by Directors. The process includes follow ups on a monthly basis, the results of which are reported quarterly to the Audit and Risk Committee in terms of fundamental recommendations and the level of assurance that can be given for that directorate based on the implementation of their recommendations. Internal Audit has continued to receive very positive reports from the Audit Commission in respect to the coverage of their work and high professional standards.
- 4.6 Internal Audit can provide reasonable assurance that the Council's systems of internal control are operating adequately, from their work in 2009/10. Whilst the Internal Audit Service has identified some material deficiencies in controls, the service is satisfied that based upon assurances from Management, action is now being taken to address the issues raised.
- 4.7 A self assessment on the effectiveness of the system of internal control has been completed in respect of the financial year 2009/10. The internal review showed that the system of internal control can be relied upon when considering the Governance Statement for 2009/10. This was informed by the completion of the CIPFA checklist on 'Code of Practice for Internal Audit in Local Government 2006'.
- 4.8 The role of the Chief Finance Officer has been reviewed in accordance with the 'CIPFA Statement on the role of the Chief Financial Officer in public service organisations'. The statement produced by CIPFA seeks to strengthen governance and financial management throughout the public sector, in addition it sets out the core responsibilities, personal skills and professional standards that are crucial to the role.
- 4.9 The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting.
- 4.10 The refinement and annual use of specific statements of assurance from Executive Directors, informed by Heads of Service with regard to the adequacy of internal controls in their area of responsibility.

Annual Governance Statement

4.11 There are various specialist working groups, i.e. Risk Management, Capital Assets Review Group, Corporate Governance, ICT, Health and Safety and Employee's Consultative Committee that agree, oversee and review the various disciplines giving assurance that the Council complies with statute, identifies and manages its risks.

4.12 The Annual Audit and Inspection letter from the Audit Commission gave an unqualified opinion on the 2008/09 accounts. Internal Audit work was relied upon by the Audit Commission. The Letter contained some recommendations which will inform future plans. It recognised improvements and emphasised the need to continue with these.

5.0 Significant governance issues

We have been advised on the implications of the result of the review of the effectiveness of the governance framework as set out in Section 3 of this Statement and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The following issues have been identified as issues that need to be addressed in order to further improve the Council's overall governance arrangements;

- To ensure that the Council continues to deliver services that meet the needs of our customers and respond to any issues our customers may have with the current level of service provision we will review our Community Engagement and Involvement Strategy;
- To ensure that our services demonstrate value for money we will continue to review all service areas against best practice and implement actions outlined in the Service Improvement Plans, this will further be supported by the Budget Service Review process that will seek to improve efficiencies across all council services.
- To ensure that the actions identified in respect of Health and Safety are addressed and that the system to improve the management of Health and Safety is implemented.
- To continue to raise the profile of Information Security throughout the Council to ensure continued compliance with the requirements of the Government's Code of Connection.
- To continue to raise awareness among both Officers and Members in relation to Fraud. A training programme will be developed and rolled out across the Council.
- To continue to develop the capability and capacity of both Officers and Members through the application of the Workforce Development Strategy and to achieve a recognised Member Charter.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed _____
Council

Councillor Simon Tagg, Leader of the

Signed _____

Mark Barrow, Chief Executive

Glossary of Terms

To assist readers of the Statement of Accounts to understand its contents the following definitions are provided of terms used in the text.

Accounting Policies

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

Accruals

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

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- the actuarial assumptions have changed.

Amortisation

An annual charge to a revenue account to reduce the value of an asset to zero over a period of years.

Assets Register

A register of the Council's fixed assets which records their essential details, including their description and location, valuation, basis of valuation, life and service chargeable for their use.

Balance Sheet

This shows a summary of the overall financial position of the Council at the end of the financial year.

Capital Adjustment Account

The Account is debited with the historical cost of acquiring; creating or enhancing fixed assets, over the life of those assets. It is also debited with the historical cost of deferred charges. It is credited with resources set aside to finance capital expenditure.

Capital Expenditure

Expenditure on the acquisition of fixed assets or expenditure, which adds to and does not merely maintain existing assets.

Capital Receipts

Income received from the sale of capital assets which may be used to finance new capital expenditure.

CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is one of the leading accountancy bodies in the United Kingdom and specialises in public services.

Collection Fund

A fund accounting for Council Tax and Non-Domestic Rates received by the Council and the payments which are made from the fund including precepts to other authorities, the Council's own demand and payments to the NNDR pool.

Glossary Of Terms

Community Assets

Assets which 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.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

Contingent Liability

A contingent liability is either: -

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Current Service Cost

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Creditors

Amounts owed by the Council for goods and services, where payments have not been made at the end of the financial year.

Curtailement

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include termination of employees' services earlier than expected, for example as a result of discontinuing a segment of the business and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors

Amounts owed to the Council for goods and services, where the income has not been received at the end of the financial year.

Deferred Credits

These consist of deferred capital receipts, which are amounts derived from the sales of assets which will be received in instalments over agreed periods of time.

Deferred Liabilities

These are liabilities which by arrangement are payable beyond the next year at some point in the future or are paid off by an annual sum over a period of time, specifically for this Council premiums written back as a result of loan rescheduling.

Defined Benefit Pension Scheme

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

Glossary Of Terms

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Expected Rate of Return on Pension Assets

For a funded defined benefit pension scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Experience Gains and Losses

See Actuarial Gains and Losses

Financial Reporting Standards (FRSs)

Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

Financial Instrument

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial instruments are: Liabilities - trade payables, borrowings, financial guarantees; Assets - bank deposits, trade receivables, investments; Derivatives - forward investment deals.

Financial Year

Period of time to which a Statement of Accounts relates. The financial year of the Council runs from 1 April to 31 March.

Fixed Assets

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

The classes of fixed assets required to be included in the accounting statements are:

Operational assets

- Other land and buildings (excluding Council Dwellings)
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets

Non operational assets

- Investment Properties
- Assets Under Construction
- Surplus Assets Held for Disposal

General Fund Revenue Account

This account records the expenditure and income incurred by the Council in operating its services during the year. It does not record any capital expenditure or income but does include the costs associated with capital expenditure in the form of capital financing costs (mostly related to interest, capital charges for the use of assets by services and depreciation charges).

Glossary Of Terms

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Historical Cost

Actual cost of acquiring or constructing an asset.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Income and Expenditure Account

An account showing income and expenditure relating to all of the Council's functions.

Infrastructure Assets

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

Interest Cost

For a defined benefit pension scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Insurance Value

The value placed upon an asset for insurance purposes.

Intangible Assets

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Specifically purchased software licenses are included in this category of asset.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be qualified as current assets.

Investment Properties

Interest in land and/or buildings:

- (a) in respect of which construction work and development have been completed; and
- (b) which is held for its investment potential, any rental income being negotiated at arm's length; and
- (c) which do not support the service or strategic objectives of the Council.

Leasing

Method of financing the provision of capital assets, in the form of an operating lease, which do not provide for the title to the asset to pass to the authority.

Liquid Resources

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or are traded in an active market. Council tax and National Non Domestic Rates receipts under or overpaid to the major precepting authorities and the Department of Communities and Local Government, respectively, are also included in the Management of Liquid Resources section of the Cash Flow Statement.

Glossary Of Terms

National Non-Domestic Rate (NNDR)

Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally and amounts collected by local authorities are pooled, via the NNDR Pool, and then redistributed by the Government to local authorities based on the local resident population.

Net Book Value

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

Net Current Replacement Cost

Cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

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

Nominal Value

A value (normally £1) placed upon a fixed asset, which has no realistic means of valuation, in order to recognize it for inclusion in the Assets Register

Non-Distributed Costs

Overheads from which no user now benefits and which are not apportioned to services.

Non-Operational Assets

Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the Council. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending their sale.

Operating Leases

A lease other than a finance lease.

Operational Assets

Fixed 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 or for the service or strategic objectives of the Council.

Past Service Cost

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

Demands made upon the Collection Fund by other authorities (Staffordshire County Council, Police and Fire Authorities and Parish Councils) for the services that they provide.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring conditions or adjustments of accounting estimates made in prior years.

Glossary Of Terms

Provisions

Amounts set aside to meet liabilities or losses which are likely to be incurred but where the amount remains uncertain.

Related Parties

Two or more parties are related when at any time during the financial period:

- One party has direct or indirect control over the other party, or
- The parties are subject to common control from the same source, or
- One party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests, or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

For individuals identified as related parties, the following are also presumed to be related parties:

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

Related Party Transaction

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.

Reserves

Sums set aside to meet future expenditure for specific purposes.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employers decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revaluation Reserve

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). It is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the balance sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

Revenue Contributions to Capital Outlay (RCCO)

Method of financing capital expenditure directly from revenue.

Revenue Expenditure

Expenditure on the day-to-day running of the Council, including employee costs, running expenses and capital financing costs.

Revenue Expenditure Funded from Capital under Statute

Expenditure which does not result in the creation of a fixed asset and which is classified as capital for funding purposes but is chargeable to the Income and Expenditure Account (I&E Account) as revenue expenditure. Any grants or contributions towards such expenditure are also chargeable to the I&E Account. An appropriation is made to the I&E Account from the Capital Adjustment Account of the amount of expenditure financed from capital resources. Such expenditure was formerly referred to as deferred charges.

Glossary Of Terms

Revenue Support Grant (RSG)

Grant paid to local authorities by Central Government to help finance its general expenditure.

Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits, the purchase of an irrevocable annuity contract sufficient to cover vested benefits and the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- (a) goods or other assets purchased for resale;
- (b) consumable stores;
- (c) raw materials and components purchased for incorporation into products for sale;
- (d) products and services in intermediate stages of completion;
- (e) long-term contract balances; and
- (f) finished goods

Useful Life

Period over which the local authority will derive benefits from the use of a fixed asset.