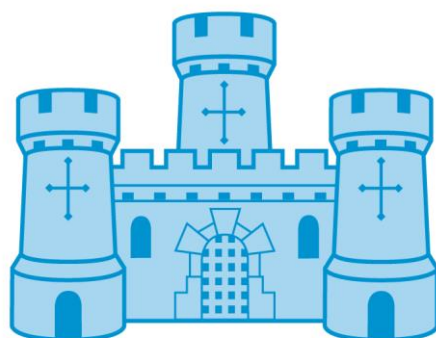


AUDITED

STATEMENT OF ACCOUNTS 2015/16



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

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Guide to the Statement of Accounts

The Statement of Accounts contains a number of different elements which are shown in the following table, together with an explanation of the purpose of each item. The various elements have been colour-coded to more easily identify them when reading through the Statement of Accounts, where the same colours are used to highlight subject headings, etc.

Throughout the Statement, various unusual or technical terms are employed which may not be familiar to all readers. A Glossary of Terms (Appendix 4 - page 81) has, therefore, been provided which explains the meaning of such items.

Page	Item	Purpose
5	Narrative Report by the Executive Director - Resources and Support Services	Provides a guide to the main features of the accounts and a commentary on the Council's financial position and the factors affecting its finances.
15	Statement of Responsibilities	Sets out the respective responsibilities of the Council and the Executive Director - Resources and Support Services in relation to financial administration and accounting.
16	Core Financial Statements	These are the Core Financial Statements which the Council must publish in its Statement of Accounts.
16	Movement in Reserves Statement	Shows movements in reserves split between usable and unusable reserves. It also reconciles the outturn on the Comprehensive Income and Expenditure Statement (CIES) to the General Fund Balance, by taking account of the adjustments necessary and made by transfers to or from reserves, either: <ul style="list-style-type: none"> To remove accounting charges, such as for the depreciation of assets, which are not chargeable according to regulations or To meet the cost of items charged to the CIES which the Council has decided to fund from reserves.
17	Comprehensive Income and Expenditure Statement	Shows the accounting cost of providing services in accordance with generally accepted accounting practice. This is not the same as the amount to be funded from taxation in accordance with regulations, which is shown in the Movement in Reserves Statement.
18	Balance Sheet	Sets out the Council's financial position on 31 March 2016. Provides details of the Council's balances, reserves and current assets employed in Council operations together with summarised information on the long term assets held and details of any current liabilities.
19	Cash Flow Statement	Summarises the total cash movement of the Council's Transactions.
20	Notes to the Core Financial Statements	These provide additional information and have been grouped into three categories as set out below.
20	Technical Issues	Outline technical issues such as the Council's accounting policies. Details are set out in Appendix 1.
20	Further Analysis of items included in the Core Financial Statements	Provide a breakdown of figures included in the Core Financial Statements.
54	Collection Fund and Notes	Reflecting the statutory requirement for the Council to maintain a separate account recording details of receipts of council tax and business rates and the associated payments to precepting authorities/central government.
57	Audit Certificate	The external auditor's opinion on the accounts and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
59	Appendices	
59	Appendix 1 Accounting Policies, Standards, Judgements, Assumptions and Adjustments	Information in relation to technical issues in order to provide a fuller understanding of the accounts and how they have been compiled.

72	Appendix 2 Supplementary Accounts	Information relating to the North Staffs Building Control Partnership and Trust Funds, whose transactions are not included in the Council's accounts.
73	Appendix 3 Annual Governance Statement	Provides an account of the processes, systems and records which demonstrate assurance for the effectiveness of the framework of governance of the Council's discharge of its responsibilities.
81	Appendix 4 Glossary of Terms	Explanation of technical or unusual terms used in the Statement of Accounts.

Narrative Report

Commentary 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 2015/16. 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 2016.

b) Regulations Governing the Production of the Statement of Accounts

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2015, the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2015/16" and the "Service Reporting Code of Practice 2015/16" published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the provisions of Sections 25/26 of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, the accounts were made available for inspection between 1 July and 11 August 2016, as advertised in the local press.

The accounts were approved by the Audit and Risk Committee on 26 September 2016 in accordance with paragraph 9 (2) of the Accounts and Audit Regulations 2015. The signature of the Committee Chair (who presided over the meeting) is included at the conclusion of this statement in line with these regulations as evidence of approval of the 2015/16 Statement of Accounts.

c) General Accounting Policies

The accounting policies (page 20) adopted by the Council comply with the relevant recommended accounting practices unless indicated otherwise. The Council's expenditure has been analysed in the Comprehensive Income and Expenditure Statement (page 17) according to the standard classification recommended by CIPFA. In addition, the analysis of capital expenditure (page 40) follows CIPFA's recommendations showing non-current and intangible assets separately. These recommended practices, classifications and recommendations are all designed to meet the requirements of International Financial Reporting Standards. There have been no changes in accounting policies or 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 and often the format and content of the statements, and notes is laid down in legislation and Codes of Practice, which does not always lead to a style which is easily understood. Accordingly a Guide to the Statement of Accounts (page 3) has been provided, preceding this statement, which is intended to explain the purpose and content of the statements and sections in this document.

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 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.

f) Economic Downturn and Public Expenditure Reductions

The current national economic climate continues to have an adverse effect upon the Council's finances, in common with other local authorities. In particular it has impacted upon the amount of income received from leisure centre fees, market stalls, rental from commercial properties and from car parks. Whilst there are some signs that the situation is improving, for example planning fees income has experienced a modest increase, it remains necessary to closely monitor and evaluate these areas in order to assess the risk to the Council's finances.

The amount of funding from central government to support the revenue budget was again reduced in 2015/16. This was offset by efficiency savings agreed when the budget for 2015/16 was set in February 2015 by the Full Council.

g) General Fund Revenue Budget Outturn

The outturn position in relation to the General Fund Revenue Budget was a positive variance of £2k, i.e. the net budget was £13.830m and the outturn was £13.828m.

This was in line with budget monitoring predictions of a final outturn close to the original budget for the year. The difficult operational conditions arising from the factors outlined previously meant from the outset that 2015/16 would be another challenging year financially for the Council. Members and officers have therefore continued to operate within an environment of tight budget management to, wherever possible, mitigate any adverse impact.

h) Financial Summary 2015/16

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 and Income

Where does the money come from?

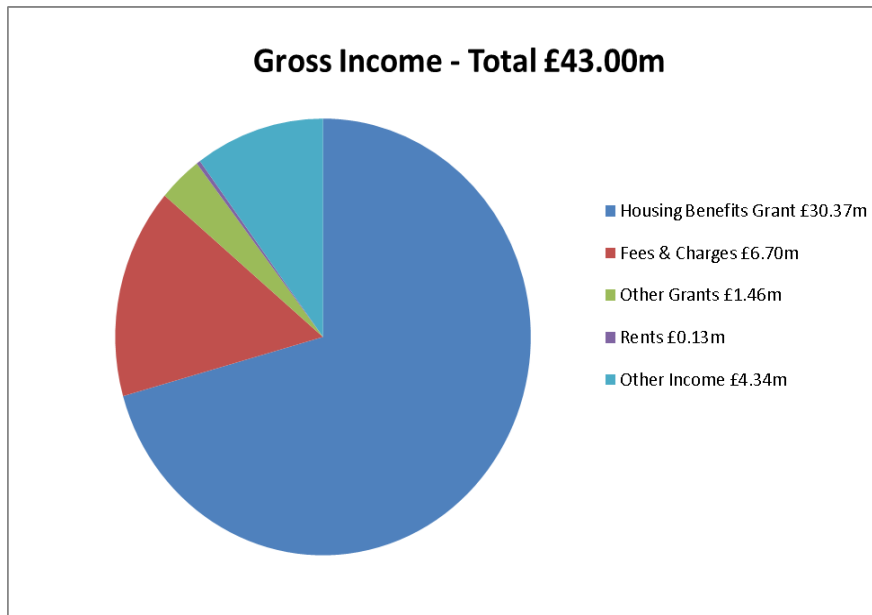
Local authorities receive income from a variety of sources, but chiefly from the Government in the form of grants, from households in the form of Council Tax, from consumers in respect of fees and charges, property rents and from a share of the business rates collected from occupiers of commercial premises within the Borough.

In accordance with the Business Rates Retention Scheme, the Council retains a share of the business rates collected after paying part over to the Government, Staffordshire County Council and the Staffordshire Fire and Rescue Authority. In 2015/16 additional rates income retained in excess of the amount included in the 2015/16 revenue budget amounted to £0.043m. This amount was paid into the Business Rates Reserve and is available for future use, particularly to meet the council's share of business rates collection fund deficits, which amounted to £0.292m in 2015/16 so this will be the first call on the reserve in 2016/17, and to meet shortfalls in business rates income which could arise in later years. If, in the longer term, it becomes apparent that a significant balance is likely to be built up in the reserve, it can be used to support revenue initiatives.

Alongside business rates arrangements, the Council receives Revenue Support Grant from the government, the amount of which is based on an assessment of the relative needs of local authorities, derived from such factors as population, deprivation levels, number of commuters, visitors to the area etc. In 2015/16 the Council received an amount of £2.371m in respect of Revenue Support Grant. In addition an amount of £0.381m was received in respect of Council Tax Freeze Grant because it held the Council Tax levies for 2015/16 at the same levels as in 2014/15 (£0.070m) and ongoing grant (£0.311m) payable because there was no increase in 2011/12 from 2010/11 levels and in 2013/14 and 2014/15.

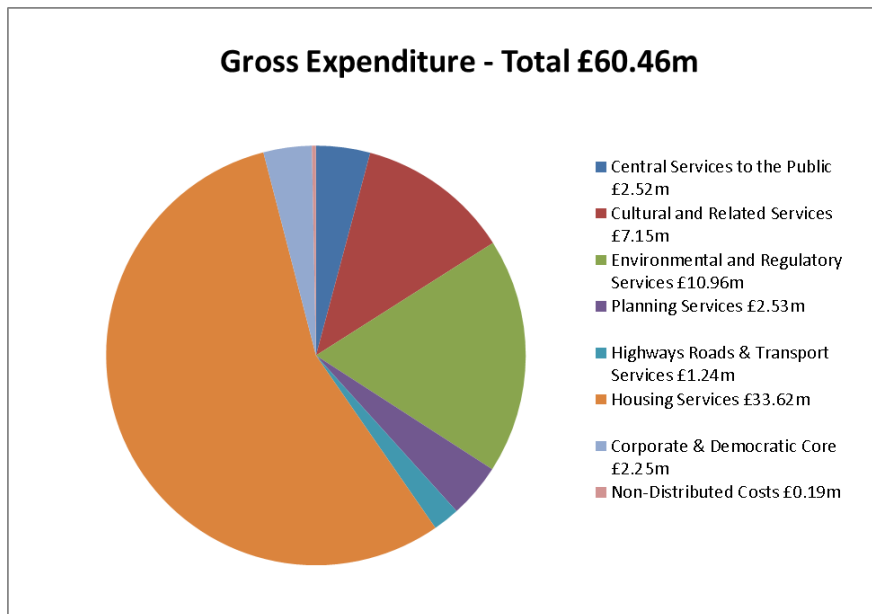
Council Tax is a property based charge payable by local residents and the amount payable depends on the value band that the property is placed into by the Valuation Office. National Non-Domestic Rates, known as Business Rates, are payable by owners of businesses and properties. The government determine the amount to be paid by setting an amount payable for each pound of rateable value of the properties concerned. The Valuation Office sets these values.

The gross income received by services, as shown in the Comprehensive Income and Expenditure Statement (page 17), is shown in the chart below analysed over sources of income:



How the money was spent

The Comprehensive Income and Expenditure Statement (page 17) Gross Expenditure for the year was £60.46m across defined service areas prescribed by CIPFA to facilitate comparison between councils and as set out in the following chart:



What we planned to spend

The Council set an original Net Revenue Budget for 2015/16 of £13.830m on 25 February 2015.

What we actually spent

Actual net expenditure was £13.828m. As mentioned earlier, this represents a positive variance compared to the original budget of £2,000.

This amount has been transferred into the Budget Support Fund. The balance on the Fund, as at 31 March 2016 is £0.341m, as against its balance at 1 April 2015, which was £0.297m. In addition to the transfer into the Fund of £2,000, a net transfer of some £42,000 was made into it largely comprising payments in respect of 2015/16 commitments carried forward and to finance invest to save projects.

The table below shows how the surplus arose in the context of the income and expenditure charts above:

	£m
Expenditure	60.459
Income	(42.999)
Net Service Expenditure	17.460
Non-Service Specific Income and Expenditure	
Interest Receivable	(0.256)
Investment Properties Net Expenditure	(1.829)
Council Tax Income	(6.373)
Non-Domestic Rates Net Income	(4.077)
Non-Ringfenced Government Grants	(4.257)
Pensions Net interest Cost	2.307
Other Items	(0.467)
Reversal of Pensions Net Interest Cost via Pensions Reserve	(2.307)
Reversal of Capital Charges included in Service Costs	(1.948)
Transactions with Earmarked Reserves	1.745
Out-turn	(0.002)

Capital Expenditure

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

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 "rolling" programme. This programme was last updated in February 2016.

There are a number of sources of funding which may be available to finance the Council's capital expenditure. In 2015/16 and previous years the major source of finance has been capital receipts. These have arisen from sales of land, property and other assets.

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 and by government departments where national policy dictates that local authorities should be assisted, by the payment of grant, to carry out desirable projects.

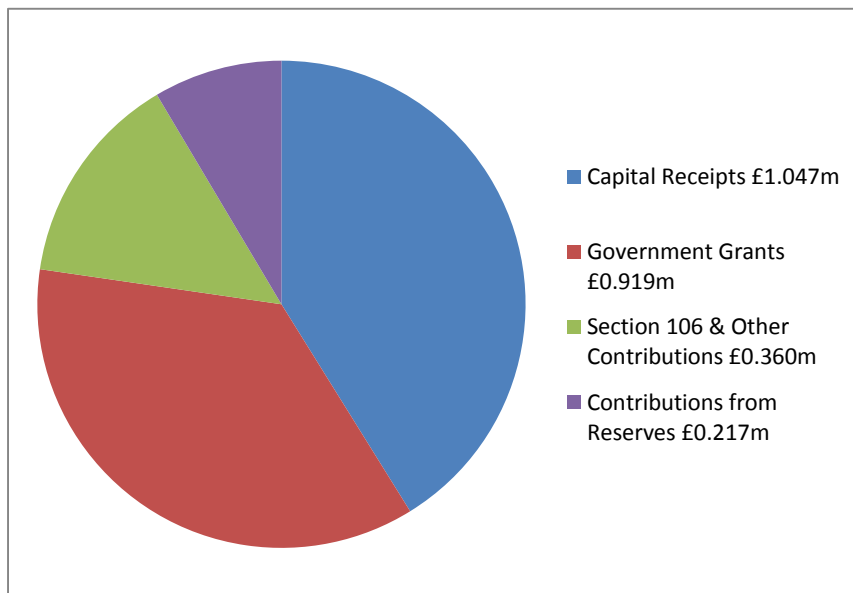
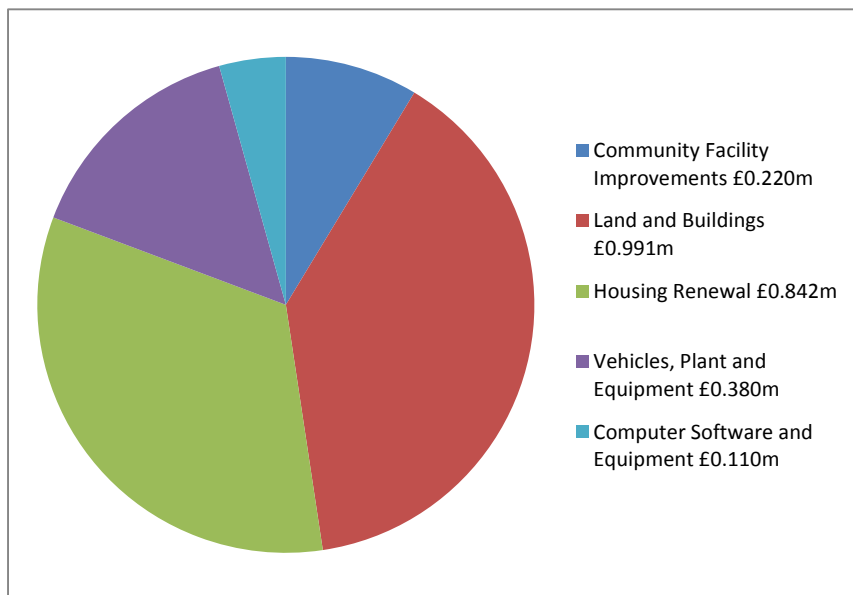
Some of the funds which the Council holds in reserves may be used to finance capital expenditure. Specific reserves which can be used for this purpose are the ICT Development Fund and the New Homes Bonus Reserve. In addition the Contingency Reserve may be used to meet capital costs. The balances on the Council's reserves are shown in note 2.3.7 (page 33) 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 presently employed by the Council and it currently has no long term debt. Whether it is employed in the future will depend upon its cost relative to other means of capital financing and the availability (or lack of it) of other sources of capital financing.

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.

In 2015/16 it was planned to spend £6.619m, including expenditure on projects brought forward from 2014/15 where under spending had occurred in that year. In fact £2.543m was spent, leaving the balance to be carried forward to 2015/16. The shortfall in spending occurred because some projects were not commenced or completed in 2015/16, for example; vehicles scheduled for replacement have been kept in use for as long as they are capable of being operated economically and the majority of the new vehicles and some of the equipment required for the new waste recycling service will not be delivered and paid for until 2016/17.

The charts below show the areas of capital investment in 2015/16 followed by the means employed to fund that investment.



i) Financial Prospects

Revenue

The Council is committed to the delivery of high quality services. Integral to this is the need to effectively target financial resources in line with stated aims and objectives working against the background of the adverse 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 2015/16 to 2019/20.

The forecast shortfall for 2016/17 was £1.834m. On 24 February 2016 the Council set a balanced budget. This was achieved by a 1.99% increase in council tax, efficiency savings and the identification of additional sources of income sufficient to meet the shortfall. The majority of these savings were identified through a review of the Council's services focussing on particular areas where it was felt savings could be achieved.

The government's continuing desire to achieve significant reductions in public expenditure will inevitably impact upon the Council's own finances. 2015/16 saw a continuing significant reduction in central government support by way of the formula grant which is repeated in 2016/17 (a reduction of some £1.1m (13.8%) from the 2015/16 level). The Council has been offered a four year funding settlement for the period up to and including 2019/20, this includes further significant reductions in government funding (specifically the Revenue Support Grant). The Council will give due consideration to the offer and respond accordingly ahead of the 1st October 2016 deadline. .

In view of the MTFs forecasts a project called Newcastle 2020 is ongoing. This is looking at how the Council's ever decreasing resource base can be best used to meet the needs of the Borough's residents and businesses. In particular it aims to identify means of closing the gaps revealed by the MTFs in the years leading up to 2020 and to define the likely service and budgetary characteristics of the Borough Council by that date. The project consists of a number of different work streams, including those outlined below, all of which will provide a perspective on the future role and funding of the Council.

- Modelling of services at a number of levels of resource reduction, from twenty up to sixty per cent. This work has already identified various savings opportunities which can be incorporated in next year's and future budgets in order to reduce the funding gaps.
- Predictive modelling of future tax base levels in relation to council tax, business rates and new homes bonus.
- Reducing the Burden - this aims to stop or reduce low value tasks across the Council which do not enhance outcomes for or experiences of customers or prevent staff from focussing on more important work.
- Looking at alternative service delivery models, such as demand management, sharing costs with other organisations, self-service for customers.
- Maximising income from fees and charges and exploring new means of income generation.
- Procurement savings - commissioning and procuring services and supplies as cost-effectively as possible.
- Staffing efficiencies - review of all vacant posts, restructures, flexible early retirements.
- Good housekeeping - reviewing all service expenditure.

Capital

The capital programme approved on 24 February 2016 provided for total capital spending of £17.980m over two financial years, this capital spending includes the Civic Hub and the new Recycling and Waste Service. The financing of the capital programme is dependent upon a number of sources of funding, including the generation of capital receipts from sales of assets. A number of sites in the Council's ownership have been approved for sale and these are being actively marketed with a view to achieving disposal and consequent capital receipts in 2016/17 and 2017/18. Further proposed sites for sale will need to be considered by the Council in order to maintain a flow of capital receipts to sustain funding for the current capital programme. Should further land sales not be made or any of the projected land sales do not proceed or are delayed, it will be necessary to either curtail capital spending or to borrow to fund it, which will incur a revenue cost.

There will, also be a continuing need for capital investment to maintain service continuity, particularly in replacement plant and equipment and to maintain operational buildings in a fit state. If this need is to be satisfied, it will be necessary to look to generate further capital receipts from sales of assets or to make use of prudential borrowing. For some projects it may be possible to obtain some grant income or contributions from partner organisations but in the current economic climate such opportunities are limited. The Council has determined that its capital investment needs will be met as a first resort from receipts from asset sales rather than through borrowing. The Council has recognised the need to continually monitor and review its capital programme and resources. The "Capital Programme Review Group" reviews the overall Capital Strategy within the context of the Medium Term Financial Strategy; ensures that projects are delivered against priorities and support service improvements; monitors the programme on a month by month basis and ensures value for money is achieved i.e. outcomes are fit for purpose and investment is targeted to maximise the needs and outcomes for local people. It also reviews the state of the Council's assets and the need for investment to keep them fit for continuing use and compiles the draft capital investment programme for submission to Cabinet for approval.

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 2.3.7 (page 33) 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. A review of their adequacy will be an important consideration when preparing the 2017/18 budget.

The General Fund Balance, originally built up out of past surpluses on the Revenue Account, 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 2016 is £1.2m. In addition the Budget Support Fund is available for supporting future years' revenue budgets.

Partnerships

The Council participates in a wide range of partnership arrangements. Some of these are formal partnerships regulated by an agreement between the partners and some are more informal in nature, many of them designed to facilitate community cohesion or to ensure that the Council is made aware of community needs or to enable more efficient working practices.

Its contributions towards 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 or the sharing of costs.

Examples of formal partnerships are: Local Enterprise Partnerships, a shared apprenticeship scheme in conjunction with Newcastle College and the administration of the Business Improvement District (BID) scheme for Newcastle town centre. The Council acts as an agent to the Newcastle-under-Lyme BID (page 72). Businesses within the BID area pay a supplementary business rate, collected by the Borough Council and passed over to the BID Board who use the money collected to provide services to promote the economic wellbeing and development of the town centre.

The Council works closely with other local authorities and bodies to obtain value for money in relation to supplies and services and to save money by standardising goods and services and wherever possible to provide the public with easy access to all of the partners' services from its facilities. Examples of this are the Staffordshire Connects Partnership intended to standardise ICT software use across Staffordshire authorities where this relates to customer facing services and the Locality Commissioning Partnership which co-ordinates grants to voluntary bodies across Staffordshire. There are also reciprocal arrangements between neighbouring authorities for providing assistance, such as seconding staff, to provide continuity of service where this could be affected by factors such as staff illness or maternity leave.

The regeneration of the Ryecroft area of Newcastle town centre currently underway is being carried out in partnership with Staffordshire County Council and the relocation of the Council's offices will be to a new "Civic Hub" where facilities will be shared with the County Council and Staffordshire Police.

j) Economy, Efficiency and Effectiveness in the Use of Resources

Local Authorities are obliged to achieve economy, efficiency and effectiveness in their use of resources. This means, in practical terms, that there are arrangements in place to ensure that value for money is obtained when Council resources are expended, that there is proper stewardship and governance in relation to these matters and that the arrangements are kept under review to ensure they are adequate and effective.

Financial Regulations, Contract Procedural Rules, Standing Orders and the Council's Constitution set out the basic framework and the necessary internal controls by which Council business and administration must be conducted and are binding on all employees and members of the Council. In particular, Financial Regulations and the Contract Rules lay down procedures which must be followed when obtaining supplies and services for use by the Council and are designed to ensure that transparent and effective processes are in place as a prerequisite for creating a value for money environment. These are supplemented by a number of policies and strategies which set out the way that the council will approach the issues concerned and which provide a guide for Council staff to follow when procuring, commissioning or operating services and ordering any goods required. Key examples are the Procurement Strategy and Principles, Third Sector Commissioning Framework and Partnerships Code of Practice.

The arrangements and their effectiveness are continually kept under review as part of the ongoing management of the Council's services and the application of continuous budgetary control procedures and regular internal audit reviews and reports. The Executive Management Team receive and review monthly budget monitoring reports and initiate action to deal with any significant variances revealed. Members are kept up to date regarding the budgetary position via quarterly performance monitoring reports to Cabinet, which also include non-financial performance indicators showing how services are delivering on their key targets. Members can also review any matters relating to service provision via the scrutiny process, consisting of five service area focussed scrutiny committees and an overarching Scrutiny Chairs/Vice Chairs Committee.

A Procurement Working Group meets regularly to consider procurement issues and has initiated a number of steps to achieve more efficient and effective procurement, such as investigating the possibility of consolidating contracts for similar goods and services and renegotiating contracts during their lifetime to achieve savings.

Formal review takes place via the Annual Governance Statement considered and approved by Council members, which is published within the Statement of Accounts (page 73). This is informed by the completion of a questionnaire by Executive Directors and senior managers to provide assurance that arrangements are in place and drawing attention to any areas where improvements may be required.

In addition to these established procedures, there are ad hoc reviews of services to identify opportunities for savings to be made, often linked to the revenue budget preparation process so that any savings can be incorporated in the Council's Medium Term Financial Strategy. The ongoing review is the 2020 exercise which sought to establish what the Borough Council would look like in terms of service provision by the year 2020 and to consider where savings might be required, and the impact of such savings, in order to continue to operate within an increasingly challenging resource environment where government funding reductions year on year are becoming a fact of life. Reviews may result in amendments to the staffing structures of departments delivering services to ensure that they are fit for purpose and deliver the service in the most economical and efficient way, for example where circumstances have changed or there are more modern ways of delivering the service, such as increasing the use of information technology. This should result in reduced costs and greater effectiveness. An example of a complete review of a discrete service resulting in changes to how services are delivered is the introduction of revised arrangements for the collection and disposal of recycling waste, moving from provision by an external contractor to in-house provision, which are due to commence in July 2016 and will result in significant savings (circa £0.500m per annum) being realised.

The Council also has an ongoing programme of using new information technology to streamline service delivery, to redesign services to remove manual intervention wherever possible and to encourage customers to contact and transact with the Council online. Progress to date in these areas has enabled more flexible, efficient and cost effective working and made it easier for customers to deal with the Council and further efficiencies and improvements in customer service are planned for the future.

The Medium Term Financial Strategy itself is an important element in the effective management of the Council's services in that it shows the projected cost of service provision over a five year period and how this compares with the resources which are likely to be available to finance those services. Where gaps between costs and resources available are identified in any of the years, this indicates the amount of savings, through efficiency measures or otherwise, which will be required to enable the Council to operate within its resources. Savings plans are compiled in order to reduce costs to cover the gaps. These plans are considered by a member led Budget Review Group which endorses the savings plans before they are submitted to Cabinet and Council for approval. The plans are also scrutinised by members through the scrutiny committee process. The Budget Review Group has also carried out work to prioritise services to enable resources to be directed to those which meet corporate priorities and represent the optimum use of resources.

The Capital Strategy and Asset Management Strategy set out the framework within which the capital programme is managed and resources made available to finance the programme. Approval to proceed with capital investment is only given provided the necessary resources are available or likely to be available to finance it. An important element providing assurance regarding resource availability is an approved realistic programme of asset disposals. Capital investment and resources are assessed and monitored by the Capital Programme Review Group. This oversight aims to ensure that the capital investment programme meets the Council's needs and priorities and is affordable and that approved projects are carried out on time and within budget.

There are ad hoc external reviews of services and procedures, for example a Planning Peer Review was carried out in respect of the planning service recently which resulted in the implementation of recommendations which improved the efficiency and effectiveness of the service. Benchmarking techniques are employed to compare the performance of Council services to those of other organisations and improvements can result from the lessons learned from these comparisons.

The Council's risk management procedures, overseen by the Audit and Risk Committee, have a role to play in ensuring that desired outcomes are realised and that additional unbudgeted costs are not incurred as a result of unpredicted or unmitigated risks materialising. Risks are drawn to the attention of members when proposals for incurring expenditure or raising income are considered by Cabinet or Full Council.

The external auditor is required to consider the Council's arrangements for securing economy, efficiency and effectiveness and report his conclusion in this regard formally to Council members as part of the annual audit of accounts. For 2015/16 the auditor concluded that the Council had in all significant respects put in place such proper arrangements.

k) Assets and Liabilities Acquired

There have been no significant assets or liabilities acquired during 2015/16.

l) Pensions Scheme Liability

The Liability relating to Defined Benefit Pension Schemes decreased from £74.019m to £68.428m. This decrease varies from the decrease in the Pensions Reserve balance as a result of the prepayment (in return for a significant discount) of pensions contributions for 2016/17; further details of the prepayment are included in note 3.4 (page 41). These amounts are required to be included in the Borough Council's accounts as a result of the application of International Accounting Standard 19 (IAS19) 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.

m) Specific Events in 2016/17 and Beyond

There are no significant finance-related legislative changes which will affect the Council in 2016/17. Longer term, the Chancellor announced several proposals in his Autumn Statement in November 2015 some of which will significantly affect local authorities. The most far-reaching of these is to permit local authorities to retain all of the business rates which are collected. This would enable the government to cease to pay revenue support grant and probably a number of other minor grants to authorities who would become dependent upon the income from business rates and council tax as the main source of their funding. As can be seen, this represents a fundamental change to the way authorities are funded and the government intends to consult on these proposals during 2016. It is also intended to abolish the uniform business rate, which requires one standard rate to be charged by all English billing authorities and allow individual authorities to set the rate themselves within their areas. This would provide opportunities for some authorities, for example to reduce rates to attract investment and commerce into their areas, but could present difficulties to authorities whose areas are less wealthy or economically successful since they would be unable to afford to reduce rates or restrain increases in the way that more fortunate authorities may be able to. The timescale for implementation of these changes has not yet been firmly established, although it is intended that they should be in place by the end of this Parliament, so it may be several years before they come into effect, although setting of the business rate by authorities could take effect before the major reforms to the finance system.

There are a couple of other proposals which are worthy of mention. It is proposed to change the basis of payment of New Homes Bonus, which rewards authorities and communities for the numbers of new homes which are built or become occupied after standing empty. An amount payable is calculated in respect of each year based on the criteria above and currently is paid each year for six years. The government proposes to reduce the payment period to four years but to sharpen the incentive so that the reward is greater for those authorities which enable greater development or actively work to eliminate empty homes. Overall it is intended to reduce the amount paid as New Homes Bonus and re-direct this saving towards social care. The government also wishes to encourage local authorities to dispose of surplus assets and is proposing to relax the rules relating to the use of the sale proceeds, which currently are classified as capital receipts and largely can only be used to finance capital investment. The proposal is to allow all of the receipts to be used to finance the revenue costs of "reform projects" intended to deliver more efficient and sustainable services.

New waste recycling arrangements will commence in July 2016, whereby the service will transfer from an external contractor to in house provision and the introduction of new ways of working will provide significant long term savings to the revenue budget. Around £2.6m will have been invested in new vehicles and equipment and alterations to facilities at the Knutton Lane depot, by the time the service commences in 2016/17.

Full Council has approved the move from the current administrative headquarters at the Civic Offices to a purpose built Civic Hub situated adjacent to the Queen's Gardens in the town centre. This building will accommodate Borough Council staff and services together with locally focussed ones of Staffordshire County Council and the Police. The cost of construction of the new building and subsequent running costs will be shared between the three partners, according to the amount of the accommodation they will occupy. The move is scheduled to take place in May 2017.

The site of the present Civic Offices will become part of a comprehensive redevelopment of the Ryecroft area to provide a mixture of retail and residential property. Capital receipts from the sale of the site to the Ryecroft developer will be used to partly finance the Council's share of the cost of building the Civic Hub. It is anticipated that revenue budget savings will be made owing to moving to a more modern and efficient building which will also facilitate more agile working practices to be introduced and provide improved facilities for customers. Once the Civic Hub is operational, the present customer facilities at the Guildhall will no longer be required and an alternative use sought for the building.

2016/17 will be the first full year of operation of the Business Improvement District (BID) covering Newcastle town centre (page 72).

Following the closure of the former municipal golf course situated at Keele Road, the Council has embarked upon a "master-planning" exercise in order to determine the most appropriate long term strategic solution for this land and other sites in the western and southern fringes of urban Newcastle, working with other strategic landowners in the locality and taking into account the current local plan process, with a budget of £0.139m being allocated for carrying out the process.

n) Audit of the Accounts

The Borough Council's appointed auditors, Grant Thornton UK LLP, currently undertake the annual audit of the accounts. Their contact details are:

John Gregory
Grant Thornton UK LLP
20 Colmore Circus
Birmingham
B4 6AT

o) 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

p) 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

q) Approval of Statement of Accounts

The Accounts and Audit Regulations 2015 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 at the meeting, which is shown below.

The Statement of Accounts was approved at a meeting of the Audit and Risk Committee on 26 September 2016

Signed: (Chair of the Audit and Risk Committee) Dated

Statement of Responsibilities

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 the United Kingdom (the Code) 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 2016.

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.
- 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 2016 and its income and expenditure for the year ended 31 March 2016.

Kelvin Turner

Executive Director - Resources and Support Services

Date:

Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (page 17). These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015 B/Fwd	(1,200)	(3,084)	(6,365)	(868)	(11,517)	18,099	6,582
Movement in Reserves 2015/16							
Surplus/(Deficit) on Provision of Services	2,508	-	-	-	2,508	-	2,508
Other Comprehensive Income & Expenditure	-	-	-	-	-	(8,933)	(8,933)
Total Comprehensive Income & Expenditure (page 17)	2,508	-	-	-	2,508	(8,933)	(6,425)
Adjustments Between Accounting & Funding Basis (Note 2.1.1, page 20)	(1,948)	-	(221)	(21)	(2,190)	2,190	-
Net Increase/Decrease Before Transfers to Earmarked Reserves	560	-	(221)	(21)	318	(6,743)	(6,425)
Transfers to/from Earmarked Reserves	(560)	777	-	-	217	(217)	-
Increase/Decrease in Year	-	777	(221)	(21)	535	(6,960)	(6,425)
Balance at 31 March 2016 C/Fwd	(1,200)	(2,307)	(6,586)	(889)	(10,982)	11,139	157

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2014 B/Fwd	(1,200)	(3,365)	(3,395)	(1,153)	(9,113)	9,068	(45)
Movement in Reserves 2014/15							
Surplus/(Deficit) on Provision of Services	2,773	-	-	-	2,773	-	2,773
Other Comprehensive Income & Expenditure	-	-	-	-	-	3,854	3,854
Total Comprehensive Income & Expenditure (page 17)	2,773	-	-	-	2,773	3,854	6,627
Adjustments Between Accounting & Funding Basis (Note 2.1.1, page 20)	(2,948)	-	(2,970)	285	(5,633)	5,633	-
Net Increase/Decrease Before Transfers to Earmarked Reserves	(175)	-	(2,970)	285	(2,860)	9,487	6,627
Transfers to/from Earmarked Reserves	175	281	-	-	456	(456)	-
Increase/Decrease in Year	-	281	(2,970)	285	(2,404)	9,031	6,627
Balance at 31 March 2015 C/Fwd	(1,200)	(3,084)	(6,365)	(868)	(11,517)	18,099	6,582

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (page 16).

2014/15			2015/16			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
2,315	1,349	966	Central Services to the Public	2,515	1,413	1,102
7,112	2,257	4,855	Cultural & Related Services	7,152	2,736	4,416
10,608	3,971	6,637	Environmental & Regulatory Services	10,963	3,898	7,065
2,812	824	1,988	Planning Services	2,533	772	1,761
1,334	1,518	(184)	Highways & Transport Services	1,243	1,352	(109)
32,445	31,095	1,350	Housing Services	33,621	32,561	1,060
2,106	92	2,014	Corporate & Democratic Core	2,246	267	1,979
86	-	86	Non-Distributed Costs	186		186
58,818	41,106	17,712	Cost of Services	60,459	42,999	17,460
297	362	(65)	Other Operating Expenditure (Note 2.2.1, page 23)	460	541	(81)
2,017	1,248	769	Financing & Investment Income/Expenditure (Note 2.2.2, page 24)	1,698	1,463	235
-	15,643	(15,643)	Taxation & Non-Specific Grant Income (Note 2.2.3, page 24)	-	15,106	(15,106)
		2,773	(Surplus)/Deficit on Provision of Services			2,508
		(201)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets			(253)
		4,055	Remeasurement of the Net Defined Benefit Liability/Asset (Note 3.4, page 41)			(8,680)
		3,854	Other Comprehensive Income & Expenditure			(8,933)
		6,627	Total Comprehensive Income & Expenditure			(6,425)

Note

The pension liability of the Council decreased during the financial year 2015/16 (remeasurement of the net defined benefit liability/asset). This is as a result of an increase in the net discount rate applied to pension fund assets over this period, the positive impact of which has outweighed the lower than expected pension fund asset returns.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' (page 16).

31/03/2015				31/03/2016	
£000	£000		Note	£000	£000
	40,755	Property, Plant & Equipment	2.3.1, page 27		40,323
	1,025	Surplus Assets	2.3.1, page 27		1,025
	14,218	Investment Property	2.3.2, page 30		14,527
	1,429	Heritage Assets	2.3.3, page 31		1,429
	217	Intangible Assets			158
	676	Long Term Debtors	2.3.4, page 32		591
	58,320	Long Term Assets			58,053
	8,808	Short Term Investments	3.7.1, page 48		7,549
	162	Inventories			206
	10,688	Short Term Debtors	2.3.4, page 32		9,306
	319	Cash and Cash Equivalents			595
	19,977	Current Assets			17,656
	(9,200)	Short Term Creditors	2.3.5, page 32		(5,495)
	(36)	Short Term Borrowing	3.7.1, page 48		(59)
	(196)	Deposits			(198)
	(9,432)	Current Liabilities			(5,752)
	(799)	Provisions	2.3.6, page 32		(1,290)
(74,019)		Net Pensions Liability	3.4, page 41	(68,428)	
(155)		Deferred Liabilities		-	
	(74,174)				(68,428)
	(474)	Capital Grants Receipts in Advance			(396)
	(75,447)	Long Term Liabilities			(70,114)
	(6,582)	Net Assets			(157)
		Usable Reserves	2.3.7, page 33		
1,200		General Fund Balance		1,200	
3,084		Other Usable Reserves		2,307	
6,365		Capital Receipts Reserve		6,586	
868		Capital Grants Unapplied Account		889	
	11,517	Total Usable Reserves			10,982
		Unusable Reserves	2.3.8, page 34		
14,458		Revaluation Reserve		14,711	
43,916		Capital Adjustment Account		43,634	
690		Deferred Capital Receipts Reserve		620	
(76,309)		Pensions Reserve		(69,628)	
(666)		Collection Fund Adjustment Account		(110)	
(188)		Accumulated Absences Account		(366)	
	(18,099)	Total Unusable Reserves			(11,139)
	(6,582)	Total Reserves			(157)

Note

The pension liability of the Council decreased during the financial year 2015/16. This is as a result of an increase in the net discount rate applied to pension fund assets over this period, the positive impact of which has outweighed the lower than expected pension fund asset returns.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2014/15		2015/16	
£000		£000	Note
2,773	Net (Surplus)/Deficit on the Provision of Services	2,508	
(10,353)	Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	(264)	2.4.1, page 38
3,075	Adjustments re. items in the Net Surplus/Deficit on the Provision of Services that are Investing/Financing Activities	1,299	2.4.1, page 38
<u>(4,505)</u>	Net Cash Flows from Operating Activities	<u>3,543</u>	
2,840	Investing Activities	(1,484)	2.4.3, page 39
<u>1,605</u>	Financing Activities	<u>(2,335)</u>	2.4.4, page 39
(60)	Net Increase or Decrease in Cash/Cash Equivalents	(276)	
<u>(259)</u>	Cash/Cash Equivalents brought forward	<u>(319)</u>	
<u>(319)</u>	Cash/Cash Equivalents carried forward	<u>(595)</u>	

Notes to the Financial Statements

These Notes are set out in the following Sections:

1. Technical Issues
2. Further Analysis of Items Included in the Financial Statements
3. Additional Information Supplementing the Financial Statements

1. Technical Issues

1.1 Accounting Policies, Standards, Judgements, Assumptions and Adjustments.

The Financial Statements and the financial records maintained by the Council must be prepared and maintained in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice for Local Authorities 2015/16 supported by International Financial Reporting Standards (IFRS).

Detailed information relating to the Accounting Policies employed and other technical accounting issues are set out at Appendix 1 (page 59), as follows:

- Accounting Policies
- Accounting Standards that have been issued but have not yet been adopted
- Critical Judgements in applying accounting policies
- Assumptions made about the future and other major sources of estimation uncertainty
- Events after the balance sheet date

2. Further Analysis of Items Contained in the Financial Statements

2.1 In Relation to the Movement in Reserves Statement

2.1.1 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2015/16

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account:				
Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement:				
Charges for Depreciation & Impairment of Non-Current Assets	(2,180)	-	-	2,180
Revaluation Losses on Property, Plant & Equipment	(34)	-	-	34
Movements in Fair Value of Investment Properties	1,471	-	-	(1,471)
Amortisation of Intangible Assets	(111)	-	-	111
Capital Grants & Contributions Applied	62	-	-	(62)
Amounts of Non-Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(881)	-	-	881
Capital Element of Finance Leases Where Council is the Lessor	(42)	-	-	42
Reversal of REFCUS expenditure	(1,272)	-	-	1,272
Reversal of REFCUS income	1,208	-	-	(1,208)
Insertion of Items Not Debited or Credited to the Comprehensive Income & Expenditure Statement				
Statutory Provision for the Financing of Capital Investment	155	-	-	(155)
Adjustments Primarily Involving the Capital Grants Unapplied Account:				
Capital Grants & Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	31	-	(31)	-
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	-	-	10	(10)
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	1,268	(1,268)	-	-
Use of the Capital Receipts Reserve to Finance Capital Expenditure	-	1,047	-	(1,047)
Contribution From the Capital Receipts Reserve to Finance Payments to the Government Capital Receipts Pool	(1)	1	-	-
Transfer from Deferred Capital Receipts Reserve on Receipt of Cash	-	(1)	-	1
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(5,063)	-	-	5,063
Employers pension contributions and direct payments to pensioners payable in the year	3,064	-	-	(3,064)
Adjustments Primarily Involving the Collection Fund Adjustment Account:				
Amount by Which Council Tax & Non-Domestic Rating Income Credited to the Comprehensive Income & Expenditure Statement Differs From Council Tax & Non-Domestic Rating Income Calculated for the Year in Accordance With Statutory Requirements	556	-	-	(556)
Adjustments Primarily Involving the Accumulated Absences Account:				
Amount by Which Officer Remuneration Charged to the Comprehensive Income & Expenditure Statement on an Accruals Basis Differs from Remuneration Chargeable in the Year in Accordance With Statutory Requirements	(179)	-	-	179
Total Adjustments	(1,948)	(221)	(21)	2,190

2014/15

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account:				
Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement:				
Charges for Depreciation & Impairment of Non-Current Assets	(2,594)	-	-	2,594
Revaluation Losses on Property, Plant & Equipment	(98)	-	-	98
Movements in Fair Value of Investment Properties	1,565	-	-	(1,565)
Amortisation of Intangible Assets	(106)	-	-	106
Capital Grants & Contributions Applied	128	-	-	(128)
Amounts of Non-Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(2,933)	-	-	2,933
Capital Element of Finance Leases Where Council is the Lessor	(50)	-	-	50
Insertion of Items Not Debited or Credited to the Comprehensive Income & Expenditure Statement				
Statutory Provision for the Financing of Capital Investment	143	-	-	(143)
Adjustments Primarily Involving the Capital Grants Unapplied Account:				
Capital Grants & Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	(220)	-	220	-
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	-	-	65	(65)
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	3,295	(3,295)	-	-
Use of the Capital Receipts Reserve to Finance Capital Expenditure	-	434	-	(434)
Contribution From the Capital Receipts Reserve to Finance Payments to the Government Capital Receipts Pool	(2)	2	-	-
Transfer from Deferred Capital Receipts Reserve on Receipt of Cash	-	(24)	-	24
Principal Repayments re Long Term Debtor (Loan)	-	(87)	-	87
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(5,096)	-	-	5,096
Employers pension contributions and direct payments to pensioners payable in the year	3,013	-	-	(3,013)
Adjustments Primarily Involving the Collection Fund Adjustment Account:				
Amount by Which Council Tax & Non-Domestic Rating Income Credited to the Comprehensive Income & Expenditure Statement Differs From Council Tax & Non-Domestic Rating Income Calculated for the Year in Accordance With Statutory Requirements	4	-	-	(4)
Adjustments Primarily Involving the Accumulated Absences Account:				
Amount by Which Officer Remuneration Charged to the Comprehensive Income & Expenditure Statement on an Accruals Basis Differs from Remuneration Chargeable in the Year in Accordance With Statutory Requirements	3	-	-	(3)
Total Adjustments	(2,948)	(2,970)	285	5,633

2.1.2 Transfers to/from Earmarked Reserves

Amounts are set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans amounts are posted back from earmarked reserves to meet General Fund revenue expenditure. The table below shows these transfers.

2015/16	Transfers Out £000	Transfers In £000	Net Movement £000
Equipment Replacement Fund	(141)	141	-
Renewals and Repairs Fund	(431)	430	(1)
ICT Development Fund	(27)	90	63
New Homes Bonus Reserve	-	126	126
New Initiatives Fund	(57)	-	(57)
General Fund Balance	-	-	-
Insurance Fund	-	-	-
Contingency Reserve Fund	(50)	-	(50)
Budget Support Fund	(28)	72	44
Conservation and Heritage Fund	(12)	10	(2)
Museum Purchases Fund	(8)	-	(8)
Maintenance Contributions	(50)	35	(15)
Mayors Charities Reserve	(1)	-	(1)
Standards Fund	-	-	-
Deposit Guarantee Scheme Reserve	-	-	-
Revenue Investment Fund	(76)	35	(41)
Keele Master Plan Reserve	-	139	139
Business Rates Reserve	(800)	43	(757)
Total	(1,681)	1,121	(560)

Details of all transfers to/from reserves, both usable and unusable, are shown in notes 2.3.7 (page 33) and 2.3.8 (page 34), together with a note of the nature and purpose of each reserve. The transfers shown above for both the ICT Development Fund and the New Homes Bonus Reserve exclude capital transfers.

2.2 In Relation to the Comprehensive Income and Expenditure Statement

2.2.1 Other Operating Expenditure

2014/15 £000	2015/16 £000
293 Parish Precepts	306
2 Payments to the Housing Capital Receipts Pool	1
85 (Gains)/Losses on Disposal of Non-Current Assets	112
(445) Capital Income not Arising from Asset Sales	(500)
(65) Total	(81)

2.2.2 Financing and Investment Income and Expenditure

2014/15		2015/16	
£000	£000	£000	£000
	24		13
	Interest Payable & Similar Charges		
	2,814		2,307
	Net Interest on the "Net Defined Benefit Liability (Asset)"		
	(169)		(256)
	Interest Receivable & Similar Income		
(1,079)		(1,207)	
	Investment Properties - Rental Income		
(1,565)		(1,471)	
	Investment Properties - Revaluations		
744	(1,900)	849	(1,829)
	Investment Properties - Expenses		
769 Total		235	

2.2.3 Taxation and Non Specific Grant Income

2014/15	2015/16
£000	£000
(6,585)	(6,679)
Council Tax Income	
(3,884)	(4,077)
Non Domestic Rates Income & Expenditure	
(5,016)	(4,257)
Non-Ringfenced Government Grants	
(158)	(93)
Capital Grants & Contributions	
(15,643) Total	(15,106)

2.2.4 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims by the Council's external auditors:

2014/15	2015/16
£000	£000
67	55
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	
8	6
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	
75	61

2.2.5 Members' Allowances

In 2015/16 a total of £323,126 was paid to members (including the Mayor and Deputy Mayor) in respect of allowances (£324,709 in 2014/15).

2.2.6 Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16, incurring liabilities of £100,743 (£8,216 in 2014/15). The termination benefits consisted of £96,084 for loss of office and £4,659 in relation to long service awards.

2.2.7 Officers' Remuneration

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

2015/16 Senior Officers - Salary Between £50,000 & £150,000 per year					
Post Holder	Salary	Benefits in Kind	Total exc. Employer's Pension Contributions	Employer Pension Contributions	Total inc. Employer's Pension Contributions
	(£)	(£)	(£)	(£)	(£)
Chief Executive *	113,139	-	113,139	19,368	132,507
Executive Directors:					
Regeneration & Development	85,673	2,750	88,423	15,724	104,147
Operational Services	85,673	1,375	87,048	14,753	101,801
Resources & Support Services	85,673	-	85,673	14,759	100,432
Heads of Service:					
Operations	56,174	1,650	57,824	9,852	67,676
Planning	56,174	-	56,174	9,606	65,780
Leisure and Cultural Services	56,174	-	56,174	9,606	65,780
Recycling and Fleet Services	53,360	1,650	55,010	9,222	64,232
Housing, Regeneration and Assets	51,236	1,650	52,886	8,843	61,729
Communications	50,518	1,650	52,168	8,645	60,813
Finance	50,518	1,650	52,168	8,639	60,807

2014/15 Senior Officers - Salary Between £50,000 & £150,000 per year					
Post Holder	Salary	Benefits in Kind	Total exc. Employer's Pension Contributions	Employer Pension Contributions	Total inc. Employer's Pension Contributions
	(£)	(£)	(£)	(£)	(£)
Chief Executive **	111,314	-	111,314	19,099	130,413
Executive Directors:					
Regeneration & Development	84,133	2,750	86,883	15,474	102,357
Operational Services	84,133	1,375	85,508	14,705	100,213
Resources & Support Services	84,133	-	84,133	14,572	98,705
Heads of Service:					
Business Improvement & Partnerships	55,165	-	55,165	-	55,165
Leisure and Cultural Services	55,165	-	55,165	9,481	64,646
Operations	55,165	1,650	56,815	9,752	66,567
Planning Services	55,165	-	55,165	9,428	64,593
Recycling and Fleet Services	50,081	1,650	51,731	8,692	60,423

* This includes salary of £99,736 plus Returning Officers fees for the Borough Council Elections.

** This includes salary of £99,736 plus Returning Officers fees for the Borough Council Elections.

One other Council employee received between £50,000 and £55,000 remuneration during 2015/16 (excluding employer's pension contributions), (compared to 5 employees in 2014/15).

2.2.8 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £000		2015/16 £000
	Credited to Taxation/Non Specific Grant Income	
158	Planning Obligations Contributions	93
34	Other Government Grants	13
311	Council Tax Freeze Grant	381
-	- New Burdens Grant (Land Charges)	85
733	Section 31/Business Rates Relief Grant	846
1,116	New Homes Bonus Scheme	1,407
125	Local Services Support Grant	124
3,551	Revenue Support Grant	2,371
6,028	Total	5,320
	Credited to Services	
28,997	Housing Subsidy - Rent Allowance	30,370
699	Housing Benefit/Council Tax Benefit Administration	619
536	Disabled Facilities Grant	654
48	New Burdens - Council Tax Reform	96
-	- New Homes Bonus	265
-	- Individual Electoral Registration Section 31 Grant	104
151	Discretionary Housing Grant	115
178	Other Grants	274
141	Contributions towards Community Safety Service	111
21	Other Contributions	-
30,771	Total	32,608

2.3 In Relation to the Balance Sheet

2.3.1 Property Plant and Equipment

Movements on Balances

2015/16	Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2015	30,682	1,337	13,844	6,874	1,025	53,762
Additions	775	-	539	(61)	-	1,253
Deletions	-	-	-	-	-	-
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	(425)	-	-	31	-	(394)
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(677)	-	-	66	-	(611)
Derecognition - Disposals	-	-	(809)	-	-	(809)
Transfers Between Asset Categories	230	-	-	(37)	-	193
Other Movements in Cost or Valuation	-	-	-	337	-	337
At 31 March 2016	30,585	1,337	13,574	7,210	1,025	53,731
Accumulated Depreciation & Impairment						
At 1 April 2015	(2,264)	(396)	(8,451)	(871)	-	(11,982)
Depreciation Charge	(520)	(26)	(857)	(131)	-	(1,534)
Derecognition - Disposals	-	-	582	4	-	586
Derecognition - Other	547	-	-	-	-	547
At 31 March 2016	(2,237)	(422)	(8,726)	(998)	-	(12,383)
Net Book Value						
As at 31 March 2015	28,418	941	5,393	6,003	1,025	41,780
As at 31 March 2016	28,348	915	4,848	6,212	1,025	41,348

2014/15

	Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2014	30,859	1,337	13,329	6,840	1,394	53,759
Additions	593	-	860	108	-	1,561
Deletions	-	-	-	-	-	-
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	(9)	-	(7)	-	(369)	(385)
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(761)	-	-	(103)	-	(864)
Derecognition - Disposals	-	-	(338)	-	-	(338)
Transfers Between Asset Categories	-	-	-	29	-	29
Other Movements in Cost or Valuation	-	-	-	-	-	-
At 31 March 2015	30,682	1,337	13,844	6,874	1,025	53,762
Accumulated Depreciation & Impairment						
At 1 April 2014	(1,698)	(371)	(7,554)	(739)	-	(10,362)
Depreciation Charge	(677)	(25)	(1,085)	(132)	-	(1,919)
Derecognition - Disposals	-	-	188	-	-	188
Derecognition - Other	111	-	-	-	-	111
At 31 March 2015	(2,264)	(396)	(8,451)	(871)	-	(11,982)
Net Book Value						
As at 31 March 2014	29,161	966	5,775	6,101	1,394	43,397
As at 31 March 2015	28,418	941	5,393	6,003	1,025	41,780

Depreciation

Depreciation is applied on a straight line basis. No depreciation is applied to land. Where an asset includes land, the value of this element is excluded before applying depreciation. A 10% residual value is assumed in most cases which is deducted from the depreciable amount before applying depreciation.

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

- Land and Buildings - 60 years, unless the valuation basis is depreciated replacement cost, where individual lives apply to each asset concerned;
- Vehicles, Plant, Furniture & Equipment - 5 years for most items, 15 years for wheeled bins;
- Infrastructure - no specific life. Depreciation is based on a historical composite calculation;
- Community Assets - 20 years.

Capital Commitments

At 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £2.542m. Similar commitments at 31 March 2015 were £0.088m. The major commitments are:

- £1.617m Recycling Waste vehicles
- £0.173m Recycling sorting equipment
- £0.349m Recycling waste bins
- £0.403m Vehicle fleet replacement

Asset Classes

For the purposes of valuation assets are grouped into classes. Assets within a class are all valued at the same time. The table below shows the different classes with the total valuation of assets within each as at 31 March 2016 and for the prior period.

31/03/2015		31/03/2016
£'000		£'000
1,025	Surplus Assets	1,025
	Land and Buildings	
2,742	Community Centres	2,795
7,020	Car Parks Charging	6,581
1,633	Car Parks Non-charging	1,655
1,500	Depot	1,500
3,937	Offices	4,011
380	Guildhall	380
294	Bus Station	294
1,248	Cemeteries	1,245
473	Crematorium	498
9,057	Leisure Centres	9,057
1,521	Parks and Sports Grounds	1,487
520	Museum	520
113	Public Toilets	113
-	Business Centre	157
245	Other Land and Buildings	293
1,337	Infrastructure Assets	1,337
13,843	Vehicles, Plant, Furniture, Equipment	13,574
	Community Assets	
564	Development Sites	570
6,310	Other	6,639
53,762	Total	53,731

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. All valuations are carried out internally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, and equipment are based on historic cost. The significant assumptions applied in estimating the fair values are, whether a property asset is a specialised asset, which governs its valuation treatment, whether an asset is still being used for operational purposes and whether there is any impairment applicable to the asset.

Valuations over the five year rolling period were as follows:

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Infrastructure Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	141	11,206	6,038	1,337	-	18,722
Valued at Fair Value at:						
31 March 2012	15,244	1,486	21	-	-	16,751
31 March 2013	4,002	420	561	-	-	4,983
31 March 2014	5,986	462	-	-	500	6,948
31 March 2015	1,228	-	-	-	525	1,753
31 March 2016	3,984	-	590	-	-	4,574
Total Cost or Valuation	30,585	13,574	7,210	1,337	1,025	53,731

Fair Value Measurement of Surplus Assets

Surplus Assets are measured at fair value. Level 3 of the Fair Value Hierarchy applies in estimating the fair values the highest and best use is the current use and the valuation technique employed is the investment basis, using the following unobservable inputs: rental value and yield. Significant changes in any of these unobservable inputs will result in a significantly lower or higher fair value. There have been no changes in any of the valuation techniques employed during the year.

2.3.2 Investment Properties

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year, showing the applicable fair value hierarchy level:

2014/15	2015/16
Level 3	Level 3
£000	£000
14,365	14,218
Additions:	
- Purchases	
5 Subsequent Expenditure	67
(2,788) Disposals	(660)
1,560 Net Gains/(Losses) From Fair Value Adjustments	820
1,105 Termination of Finance Leases	612
Transfers:	
(29) (To)/From Property, Plant & Equipment	(530)
14,218	14,527
Balance at 31 March	

For an explanation of the fair value hierarchy see the Glossary of Terms (page 81).

Gains or losses from changes in the fair value of investment property are recognised in Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure line (page 17).

Valuation Techniques used to determine Level 3 Fair Values for Investment Properties

Significant Unobservable Inputs - Level 3

The fair value for development sites has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the area. Local market conditions are such that similar land is not extensively purchased and sold and the level of observable inputs are not significant leading to categorisation at Level 3 in the fair value hierarchy.

Other Investment Properties are valued using the investment approach, whereby the actual or estimated rental income is capitalised to provide a capital value. The rental income is calculated by reference to actual or estimated values having regard to market evidence. The yield multiplier is based on comparable evidence. These properties are, therefore, categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

The following table shows quantitative information relating to fair value measurement of investment properties using significant unobservable inputs.

Investment Property Type	31/03/2016	Valuation technique used to measure fair value	Unobservable Inputs	Sensitivity
	£000			
Shops	3,617	Investment Method	Rental Values Yield	(a)
Offices	1,298	Investment Method	Rental Values Yield	(a)
Industrial Units	2,686	Investment Method	Rental Values Yield	(a)
Other	2,814	Investment Method	Rental Values Yield	(a)
Development Sites	4,112	Comparable Method	Capital Value	(a)
	14,527			

(a) Significant changes in rental value, yield or capital value will result in a significantly lower or higher fair value

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

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

The fair value of Investment Property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

2.3.3 Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council

The Council's collection of museum artefacts is reported in the Balance Sheet (page 18) at an insurance valuation of £1.429m, which is based on market values as assessed by an external valuer in October 2006..

These valuations are updated where necessary by the museum curator in respect of significant items and changes. New items are added at cost, if purchased and at valuation, if donated, where they are significant. Other Heritage assets, i.e. outdoor structures, are not recognised on the Balance Sheet because there is no reliable cost or valuation information to enable them to be valued. There have been no movements in the valuation of Heritage Assets during 2015/16.

Museum Exhibits

The museum holds a collection of around 20,000 objects, falling into the following categories:

Subject	Description	%
Social history	Domestic and working life, childhood, civic regalia, industry, crafts in the Borough	28%
Decorative Art	Ceramics, glass, costume and textiles, furniture, furnishings	8%
Militaria	Costume, medals, weapons, ephemera	3%
Fine Art	Oils, watercolours, prints, drawings, sketches of local scenes, local artists	3%
Archives	Documents, ephemera, prints, negatives, lantern slides, cine film, video, audio tapes connected to the local area	55%
Archaeology	Local excavated finds, chance finds	2%
Numismatics	A collection of local coinage/tokens, bank notes, commemorative medals	1%

In addition, the civic regalia and mayoral robes are kept in a secure location to be used on ceremonial occasions. Details of the policy for the acquisition, preservation, management and disposal of the Council's heritage assets are contained in two documents, the Acquisition and Disposal Policy and the Collection Management Plan.

Outdoor Structures

This category of heritage assets comprises of the Queen Victoria Statue and Sergeant Fred Kite Memorial, Queens Gardens; Fountains, Nelson Place; Castle Motte, Queen Elizabeth Park; Silverdale Cemetery Gazebo; Ice House, Chesterton Memorial Park; Mining Memorials at Bateswood and Silverdale; Lyme Valley Canal Basin.

2.3.4 Debtors

Long Term Debtors

31/03/2015 £000		31/03/2016 £000
283	Finance Lease Balances Outstanding	217
1	Right to Buy Mortgages	1
392	Kickstart Loans (re home improvements)	373
676	Total	591

Short Term Debtors

31/03/2015 £000		31/03/2016 £000
2,660	Central Government Bodies	2,173
2,140	Other Local Authorities	1,088
68	NHS Bodies	93
-	- Public Corporations & Trading Funds	-
5,820	Other Entities & Individuals	5,952
10,688	Total	9,306

2.3.5 Creditors

31/03/2015 £000		31/03/2016 £000
4,525	Central Government Bodies	1,893
1,515	Other Local Authorities	1,463
-	- NHS Bodies	-
57	Public Corporations & Trading Funds	57
3,103	Other Entities & Individuals	2,082
9,200	Total	5,495

2.3.6 Provisions

	NNDR Appeals Provision £000	Insurance Claims Provision £000	Employee Benefits £000	Land Charges £000	MMI Provision £000	Total £000
Balance at 1 April 2014	208	75	192	82	79	636
Additional Provisions Made	346	56	188	-	-	590
Amounts Used	(208)	(27)	(192)	-	-	(427)
Balance at 1 April 2015	346	104	188	82	79	799
Additional Provisions Made	773	4	366	7	-	1,150
Amounts Used	(346)	(36)	(188)	(89)	-	(659)
Unused Amounts Reversed	-	-	-	-	-	-
Balance at 31 March 2016	773	72	366	-	79	1,290

The NNDR Appeals provision has been created to provide for the Councils element of refunds payable to NNDR payers following successful appeals in relation to the rateable value of their properties.

The Insurance Claims 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 Employee Benefits Provision contains an amount equivalent to the accruals made in the Cost of Services within the Comprehensive Income and Expenditure Statement in respect of outstanding employee benefits (untaken leave, etc.) at the year end. This provision now includes an amount for compensatory leave untaken at 31st March.

The Land Charges Provision was created to provide for repayments of personal search fee income following a change in the law relating to charging for personal searches.

The MMI Provision has been created to provide for possible claw-back (levy) of sums paid out by the administrator of Municipal Mutual Insurance (MMI), in the event of MMI being assessed as "insolvent".

2.3.7 Usable Reserves

Movements in the Council's usable reserves, showing both capital and revenue reserves, are set out below:

	At 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	At 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	At 31 March 2016 £000
Capital:							
Capital Receipts Reserve	3,395	(456)	3,426	6,365	(1,047)	1,268	6,586
Capital Grants Unapplied	1,153	(460)	175	868	(221)	242	889
Both Revenue and Capital:							
Equipment Replacement Fund	350	(588)	614	376	(141)	141	376
Renewals and Repairs Fund	55	(412)	360	3	(431)	430	2
ICT Development Fund	321	(138)	70	253	(118)	90	225
New Homes Bonus Reserve	18	(363)	345	-	(186)	186	-
New Initiatives Fund	75	(18)	-	57	(57)	-	-
Revenue:							
General Fund Balance	1,200	-	-	1,200	-	-	1,200
Insurance Fund	215	(215)	-	-	-	-	-
Contingency Reserve Fund	291	(15)	-	276	(50)	-	226
Budget Support Fund	333	(77)	41	297	(28)	72	341
Conservation and Heritage Fund	62	(25)	-	37	(12)	10	35
Museum Purchases Fund	66	-	2	68	(8)	-	60
Maintenance Contributions	78	(17)	15	76	(50)	35	61
Mayors Charities Reserve	12	-	-	12	(1)	-	11
Standards Fund	15	(9)	-	6	-	-	6
Deposit Guarantee Scheme Reserve	32	-	4	36	-	-	36
Revenue Investment Fund	89	(77)	100	112	(76)	35	71
Keele Master Plan Reserve	-	-	-	-	-	139	139
Business Rates Reserve	1,353	(332)	454	1,475	(800)	43	718
Total	9,113	(3,202)	5,606	11,517	(3,226)	2,691	10,982

Note 2.1.2 (page 23) sets out the movements on Usable Reserves involving transactions with the General Fund Revenue Account. The nature and purpose of these reserves is as set out below:

- The Capital Receipts Reserve contains the balance of unapplied capital receipts arising from the disposal of fixed assets.
- The Capital Grants Unapplied Reserve contains the balance of unused grants and contributions which are available for use, i.e. they either have no conditions attached to them or any conditions have been met;
- 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.

- The ICT Development Fund is to be used to meet the costs of new IT requirements and the replacement of IT equipment;
- The New Homes Bonus Reserve was created to hold unused balances in relation to New Homes Bonus grant.
- The New Initiatives Fund was established to fund new initiatives, both capital and revenue, not currently provided for in the Council's budgets;
- The General Fund Balance exists to meet the cost of any unexpected adverse occurrences affecting the General Fund revenue budget or any of the occurrences materialising which are identified in the risk assessment relating to that budget;
- The Insurance Fund was used to meet the cost of the insurance cover required by the Council and any excesses for which the Council is liable. These costs are now met from the General Fund revenue budget.
- The Contingency Reserve Fund is used to finance expenditure in respect of contingencies that may arise in the future, for example redundancy payments consequent upon service reviews. £76,000 has been allocated to be used to fund the production of the local plan;
- The Budget Support Fund was created by crediting to it surpluses arising on the General Fund Revenue Account. It is to be used to support the revenue budget and the "Invest to Save" initiatives. 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 Revenue Grants Carried Forward Reserve has been created to hold revenue grants remaining unspent at the year-end which do not have any conditions attached.
- The Standards Fund is used to ensure that the Council meets its responsibilities under the Ethical and other standards frameworks;
- The Deposit Guarantee Reserve was created to hold the unspent balances relating to the Guarantee Scheme for landlord deposits in respect of homeless persons;
- The Revenue Investment Fund is used to fund projects in support of corporate priorities;
- The Keele Master Plan reserve was created to hold funds for expenditure incurred with the sale or development of land owned by various stakeholders including the land of the former Keele Golf Course site;
- The Business Rates Reserve was created as a consequence of the new rates retention arrangements. It will receive excess rates income above the budgeted amount. It may be used for any purpose but particularly to meet Business Rates Collection Fund deficits and future rate income shortfalls.

2.3.8 Unusable Reserves

Balances in relation to the Council's Unusable Reserves are shown below:

31/03/2015 £000		31/03/2016 £000
	Capital:	
14,458	Revaluation Reserve	14,711
43,916	Capital Adjustment Account	43,634
690	Deferred Capital Receipts Reserve	620
	Revenue:	
(76,309)	Pensions Reserve	(69,628)
(666)	Collection Fund Adjustment Account	(110)
(188)	Accumulated Absences Account	(366)
(18,099)	Total Unusable Reserves	(11,139)

The nature and purpose of these reserves and a summary of their transactions is as set out below:

Revaluation Reserve

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

2014/15			2015/16	
£000	£000		£000	£000
	14,257	Balance at 1 April		14,458
591		Upward Revaluation of Assets	283	
(390)		Downward Revaluation of Assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(30)	
	201	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		253
	14,458	Balance at 31 March		14,711

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 2.1.1 (page 20) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15		2015/16	
£000	£000	£000	£000
	45,838		43,916
	Balance at 1 April		
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,594)	Charges for depreciation/impairment of non-current assets	(2,180)	
(98)	Revaluation losses on Property, Plant and Equipment	(34)	
(106)	Amortisation of Intangible Assets	(111)	
-	Revenue Expenditure Funded from Capital Under Statute	(64)	
(2,933)	Amounts of non-current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(881)	
	(5,731)		(3,270)
	Capital financing applied in the year:		
434	Use of the Capital Receipts Reserve to finance new capital expenditure	1,047	
128	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	62	
65	Application of grants to capital financing from the Capital Grants Unapplied Account	10	
143	Statutory Provision for the financing of capital investment charged against the General Fund	155	
456	Capital expenditure charged against the General Fund	217	
	1,226		1,491
	1,565 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,471
	1,105 Reinstatement of Investment Properties at end of finance lease		26
	(87) Loan repayments		-
	43,916		43,634
	Balance at 31 March		

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2014/15		2015/16	
£000	£000	£000	£000
	1,869		690
	Balance at 1 April		
(24)	Transfer to the Capital Receipts Reserve upon receipt of cash	(1)	
(50)	Capital element of finance leases where Council is the lessor	(43)	
(1,105)	Reinstatement of Investment Properties at end of finance lease	(26)	
	690		620
	Balance at 31 March		

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15 £000		2015/16 £000
(70,171)	Balance at 1 April	(76,309)
(4,055)	Remeasurements of the net defined benefit liability/(asset)	8,680
(5,096)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,063)
3,013	Employers pensions contributions and direct payments to pensioners payable in the year	3,064
(76,309)	Balance at 31 March	(69,628)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2014/15 £000		2015/16 £000
(670)	Balance at 1 April	(666)
21	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-
(17)	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	556
(666)	Balance at 31 March	(110)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014/15			2015/16	
£000	£000		£000	£000
	(191)	Balance at 1 April		(188)
191		Settlement or cancellation of accrual made at the end of the preceding year	188	
<u>(188)</u>		Amounts accrued at the end of the current year	<u>(366)</u>	
	3	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration charge in the year in accordance with statutory requirements		(178)
	(188)	Balance at 31 March		(366)

2.4 In Relation to the Cash Flow Statement

2.4.1 Cash Flow Statement – Analysis of Adjustments

Adjustments to Net Surplus/Deficit on the Provision of Services for Non-Cash Movements

2014/15 £000		2015/16 £000
(1,714)	(Increase)/Decrease In Creditors	4,024
15	(Increase)/Decrease in Deposits	(2)
(2,393)	Increase/(Decrease) in Debtors	(125)
73	Increase/(Decrease) in Inventories	44
(163)	(Increase)/Decrease in Provisions	(491)
(2,594)	Charges for Depreciation/Impairment of Non-Current Assets	(2,180)
(98)	Revaluation Losses on Property, Plant & Equipment	(34)
1,565	Movements in fair value of Investment Properties	1,471
(106)	Amortisation of Intangible Assets	(111)
128	Capital Grants & Contributions applied	62
(50)	Capital Element of Finance Leases Where Council is Lessor	(42)
(2,083)	Reversal of Items re. Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(1,999)
(2,933)	Amounts of Non-Current Assets Written Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(881)
(10,353)		(264)

Adjustments for Items Included in Net Surplus/Deficit on the Provision of Services that are Investing & Financing Activities

2014/15 £000		2015/16 £000
(220)	Capital Grants & Contributions Unapplied Credited to Comprehensive Income & Expenditure Statement	31
3,295	Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	1,268
3,075		1,299

2.4.2 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
(169)	Interest Received	(232)
24	Interest Paid	13

2.4.3 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2014/15 £000		2015/16 £000
1,312	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	1,286
135,445	Purchase of Short & Long Term Investments	60,477
(3,712)	Proceeds from Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(1,376)
(130,195)	Proceeds from Short & Long Term Investments	(61,750)
(10)	Other Receipts From Investing Activities	(121)
<u>2,840</u>	Net Cash Flows from Investing Activities	<u>(1,484)</u>

2.4.4 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2014/15 £000		2015/16 £000
(11)	Cash Receipts of Short & Long Term Borrowing	(1,523)
(817)	Other Receipts from Financing Activities	(1,377)
143	Cash Payments for Liabilities re. Finance Leases	155
-	- Repayments of Short & Long Term Borrowing	1,500
2,290	Other Payments for Financing Activities	(1,090)
<u>1,605</u>	Net Cash Flows from Financing Activities	<u>(2,335)</u>

3. Additional Information Supplementing the Core Financial Statements

3.1 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the table below.

2014/15 £000		2015/16 £000
(360)	Opening Capital Financing Requirement	(503)
	- Correction of opening CFR balance*	(237)
		(740)
	<i>Capital Investment</i>	
988	Property, Plant & Equipment	1,172
5	Investment Properties	67
89	Intangible Assets	32
979	REFCUS	1,272
	<i>Sources of Finance</i>	
(433)	Capital Receipts	(1,047)
(1,172)	Government Grants & Other Contributions	(1,279)
(456)	Sums Set Aside From Revenue	(217)
(143)	Minimum Revenue Provision	(155)
(503)	Closing Capital Financing Requirement	(895)
	<i>Explanation of Movements in Year</i>	
(143)	Minimum Revenue Provision	(155)
(143)	Increase/(Decrease) in Capital Financing Requirement	(155)

* This correction relates to the de-recognition of assets leased in under a finance lease which terminated in 2010/11. Whilst the de-recognition arising from the termination was recorded in the accounts and reflected in the balance sheet, it was not reflected in this note. The effect of the adjustment is to reduce the capital financing requirement by £237k.

3.2 Impairment Losses

During 2015/16 the Council has recognised the following impairment losses in relation to capital expenditure incurred on the enhancement of non-current assets where such expenditure does not increase the value of the asset concerned. An amount equal to this is charged as an impairment loss to the service which uses the asset in the Comprehensive Income and Expenditure Statement.

The total amount of such impairment losses for 2015/16 was £0.645m (2014/15 £0.675m). The whole of the impairment loss is reversed out via the Movement in Reserves Statement (page 16) in accordance with statutory provisions so that it is not a charge against council tax.

3.3 Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

The UK government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 2.2.8 (page 26).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid in 2014/15 is shown in note 2.2.5 (page 24). During 2015/16, expenditure transactions with Keele University totalled £ £16,670. Two members are employed by Keele University, both as lecturers. One member is also a Non-Executive Director on the Board of Aspire Housing. Payments to Aspire Housing during 2015/16 amounted to £1,341,880. The majority of this is in relation to housing benefit rental payments.

Officers

Payments were made to one entity relating to a Council Officer. The Council Officer has no direct involvement in procuring the services concerned.

3.4 Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in:

- The Local Government Pension Scheme (LGPS), administered locally by Staffordshire County Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due;
- The Staffordshire Pension Scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Pensions Committee of Staffordshire County Council. Policy is determined in accordance with the Pension Fund Regulations;
- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

During 2014/15 a prepayment of pension contributions for 2015/16 and 2016/17, totalling £2.290m, was made. This was paid in 2014/15 in return for a discount from the pension fund, this significantly reduced the amounts to be charged to the general fund revenue account as pension contributions in 2015/16 and 2016/17.

In order to account for this transaction, the prepayment must be charged directly to the Pensions Liability, without any corresponding equal and opposite transaction in the Pensions Reserve. The prepayment of £1.090m in respect of 2015/16 has been transferred to the general fund revenue account via a transfer from the Pensions Reserve. As a result of this the balance of the Pensions Liability is shown as being £1.200m different than the balance of the Pensions Reserve.

In 2016/17 the prepayment of £1.200m relating to that year will be transferred to the general fund revenue account via a transfer from the Pensions Reserve. After this transaction has occurred, the two accounts will once more be mirror images of each other.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement (page 16). The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2014/15			2015/16	
LGPS	Discretionary		LGPS	Discretionary
£000	Benefits		£000	Benefits
	£000			£000
Comprehensive Income & Expenditure Statement				
<i>Cost of Services:</i>				
2,724	-	Current Service Cost	3,186	-
23	-	Past Service Costs/(Gains)	33	-
	(465)	Unfunded Benefit Contributions	-	(463)
<i>Financing and Investment Income & Expenditure</i>				
2,814	-	Net Interest Expense	2,307	-
5,561	(465)	Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services	5,526	(463)
<i>Remeasurement of the Net Defined Benefit Liability</i>				
<i>Comprising:</i>				
(10,359)	-	Return on Plan Assets (exc Net Interest Expense)	2,215	-
-	-	Actuarial Gains & Losses Arising on Changes of Demographic Assumptions	-	-
15,641	-	Actuarial Gains & Losses Arising on Changes in Financial Assumptions	(8,533)	-
(1,227)	-	Other	(2,362)	-
4,055	-	Total Post Employment Benefit Charged to Comprehensive Income & Expenditure Statement	(8,680)	-
Movement in Reserves Statement				
(5,561)	465	Reversal of Net Charges Made to the Surplus/Deficit on Provision of Services for Post Employment Benefits in Accordance with the Code	(5,526)	463
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:				
3,478	-	Employers' Contributions Payable to Scheme	3,527	-
-	(465)	Retirement Benefits Payable to Pensioners	-	(463)
(2,083)	-		(1,999)	-

Pensions Assets and Liabilities Recognised in the Balance Sheet

2014/15			2015/16	
LGPS	Discretionary		LGPS	Discretionary
£000	Benefits		£000	Benefits
	£000			£000
(183,056)	-	Present Value of the Defined Benefit Obligation	(174,601)	-
109,037	-	Fair value of Plan Assets	106,173	-
(74,019)	-	Net Liability Arising From Defined Benefit Obligation	(68,428)	-

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

2014/15		2015/16	
Funded Liabilities: LGPS	Unfunded Liabilities: Discretionary Benefits	Funded Liabilities: LGPS	Unfunded Liabilities: Discretionary Benefits
£000	£000	£000	£000
168,305	(2,700)	186,221	(3,165)
2,724	-	3,186	-
6,711	-	5,626	-
711	-	726	-
14,414	-	(10,895)	-
(6,667)	(465)	(6,668)	(463)
23	-	33	-
186,221	(3,165)	178,229	(3,628)

Local Government Pensions Scheme Assets comprised:

2014/15		2015/16	
Fair Value of Scheme Assets		Fair Value of Scheme Assets	
Quoted	Unquoted	Quoted	Unquoted
£000	£000	£000	£000
<i>Equities:</i>			
9,351	-	7,566	-
-	-	6,190	-
2,835	-	2,421	-
6,959	-	6,847	-
4,576	-	5,703	-
4,230	-	6,466	-
8,382	-	126	-
<u>36,333</u>	-	<u>35,319</u>	-
<i>Bonds</i>			
8,277	-	5,343	-
-	-	-	-
<u>8,277</u>	-	<u>5,343</u>	-
<i>Property</i>			
-	8,874	-	9,425
-	<u>8,874</u>	-	<u>9,425</u>
<i>Investment funds</i>			
36,134	-	36,087	-
5,829	-	5,422	-
-	2,607	-	2,485
-	3,211	-	2,971
<u>41,963</u>	<u>5,818</u>	<u>41,509</u>	<u>5,456</u>
-	3,464	-	3,322
4,308	-	5,799	-
90,881	18,156	87,970	18,203

Reconciliation of the Movements in the Fair Value of the Scheme Assets

2014/15		2015/16
£000		£000
95,434	Opening Value of Scheme Assets	109,037
	<i>Remeasurement Gain/(Loss):</i>	
3,897	Expected Rate of Return	3,319
10,359	Other	(2,215)
	<i>Actuarial Gains/(Losses)</i>	
5,303	Employer Contributions	1,974
711	Contributions by Scheme Participants	726
(6,667)	Benefits Paid	(6,668)
109,037	Closing Balance at 31 March	106,173

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013. The principal assumptions used by the actuary have been:

2014/15			2015/16	
LGPS	Discretionary Benefits		LGPS	Discretionary Benefits
		Longevity at 65 for current pensioners:		
22.1		Men	22.1	
24.3		Women	24.3	
		Longevity at 65 for future pensioners:		
24.3		Men	24.3	
26.6		Women	26.6	
2.1%	2.1%	Rate of Inflation	3.1%	3.1%
4.0%		Rate of Increase in Salaries	4.1%	
2.1%	2.1%	Rate of Increase in Pensions	2.1%	2.1%
3.1%	3.1%	Rate for Discounting Scheme Liabilities	3.4%	3.4%
50%		Take up re Converting Annual Pension to Lump Sum	50%	

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation
	£000
1 year increase in member life expectancy	5,238
0.5% decrease in real discount rate	16,066
0.5% increase in the salary increase rate	4,499
0.5% increase in the pension increase rate	11,321

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Staffordshire County Council has agreed a strategy with the scheme's actuary to achieve a funding strategy to recoup the past deficit over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed in 2016/17, to show the position as at 31 March 2016.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is £3.374m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2017 are £0.463m.

The weighted average duration of the defined benefit obligation for scheme members is 16.7 years.

3.5 Contingent Assets and Liabilities

The Council does not have any contingent assets. Contingent liabilities as at 31 March 2016 are:

(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 could be made on the Council. The exact amount cannot be quantified at the current time, although the maximum is £721,000. An amount of £180,000 has been set aside as a provision for these costs, of which £101,000 was paid to the administrator in 2014/15. This leaves a maximum contingent liability of £541,000.

(b) VAT

The computation of the Council's 2015/16 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.

(c) Land Sales Receipts

An agreement exists with a government department 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 department provided development funding. Some of the proceeds have already been paid over; the remaining amount may be around £57,000.

(d) Housing Stock Transfer Warranty

Liabilities in relation to a warranty given by the Council in respect of the transfer of its housing stock to a registered social landlord in February 2000 could arise. The amount of the potential liability cannot be quantified but could amount to several million pounds.

(e) Lancaster Buildings

There is a potential liability arising from the Council's obligation to repay part of a grant in respect of the refurbishment of Lancaster Buildings in the event that targets attached to the grant are not met.

(f) Planning Costs

There is a potential liability regarding the award of costs arising from planning appeals submitted relating to sites in Baldwin's Gate and Loggerheads. At the current time the amount of the potential liability cannot be quantified.

(g) Mandatory Relief from Business Rates – NHS Trusts

The Council has received requests for mandatory relief from NHS Trusts that if agreed would amount to a backdated refund of approximately £320,000. There is no certainty evident with the requests. A final adjudication would be required before the Council would make any kind of provision for this request.

3.6 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (page 17) is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are based on the reports made to the Council's Executive Management Team in the form of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

Please note that the method of compilation for 2015/16 has been amended from that in previous years, the restated 2014/15 note is shown for comparative purposes.

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

Directorate Income & Expenditure 2015/16	Chief Executive	Operational Services	Regeneration & Development	Corporate Items	Total
	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(1,243)	(5,914)	(3,423)	(1,323)	(11,903)
Government Grants	(104)	(76)	(339)	(31,310)	(31,829)
Recharges Income (Excluding Within Service)	(2,774)	(5,220)	(4,590)	(5,520)	(18,104)
Total Income	(4,121)	(11,210)	(8,352)	(38,153)	(61,836)
Employee Expenses	1,884	6,647	3,673	4,235	16,439
Other Service Expenses	2,592	9,450	3,948	32,932	48,922
Recharges Expenditure (Excluding Within Service)	1,640	3,453	4,051	2,566	11,710
Total Expenditure	6,116	19,550	11,672	39,733	77,071
Net Expenditure	1,995	8,340	3,320	1,580	15,235

Directorate Income & Expenditure 2014/15	Chief Executive	Operational Services	Regeneration & Development	Corporate Items	Total
	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(865)	(5,861)	(2,686)	(1,569)	(10,981)
Government Grants	(46)	(40)	(744)	(29,930)	(30,760)
Recharges Income (Excluding Within Service)	(2,554)	(5,359)	(4,249)	(5,145)	(17,307)
Total Income	(3,465)	(11,260)	(7,679)	(36,644)	(59,048)
Employee Expenses	1,748	6,523	3,578	3,975	15,824
Other Service Expenses	2,147	9,695	3,888	31,477	47,207
Recharges Expenditure (Excluding Within Service)	1,603	3,142	3,904	2,456	11,105
Total Expenditure	5,498	19,360	11,370	37,908	74,136
Net Expenditure	2,033	8,100	3,691	1,264	15,088

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

2014/15		2015/16
£000		£000
15,088	Net Expenditure in the Directorate Analysis	15,235
2,624	Amounts in Comprehensive Income & Expenditure Statement Not Reported to Management	2,225
17,712	Cost of Services in Comprehensive Income & Expenditure Statement	17,460

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

2015/16	Directorate Analysis	Amounts not Reported to Management for Decision Making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(11,903)	-	(11,903)	-	(11,903)
Interest & Investment Income	-	-	-	(256)	(256)
Income from Council Tax	-	-	-	(6,679)	(6,679)
Non Domestic Rates Income & Expenditure	-	-	-	(4,077)	(4,077)
Government Grants & Contributions	(31,829)	-	(31,829)	(4,257)	(36,086)
Investment Properties Income & Expenditure	-	-	-	(1,829)	(1,829)
Capital Income	-	-	-	(593)	(593)
Total Income	(43,732)	-	(43,732)	(17,691)	(61,423)
Employee Expenses	16,439	-	16,439	-	16,439
Other Service Expenses	48,922	-	48,922	-	48,922
Net Support Services Recharges	(6,394)	-	(6,394)	-	(6,394)
Depreciation, Amortisation & Impairment	-	2,225	2,225	-	2,225
Interest Payments	-	-	-	13	13
Precepts & Levies	-	-	-	306	306
Payments to Housing Capital Receipts Pool	-	-	-	1	1
Gain/Loss on Disposal of Fixed Assets	-	-	-	112	112
Pensions Interest Cost/Return on Assets	-	-	-	2,307	2,307
Total Expenditure	58,967	2,225	61,192	2,739	63,931
Surplus/Deficit on Provision of Services	15,235	2,225	17,460	(14,952)	2,508

2014/15

	Directorate Analysis	Amounts not Reported to Management for Decision Making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(10,981)	-	(10,981)	-	(10,981)
Interest & Investment Income	-	-	-	(169)	(169)
Income from Council Tax	-	-	-	(6,585)	(6,585)
Non Domestic Rates Income & Expenditure	-	-	-	(3,884)	(3,884)
Government Grants & Contributions	(30,760)	-	(30,760)	(5,016)	(35,776)
Investment Properties Income & Expenditure	-	-	-	(1,900)	(1,900)
Capital Income	-	-	-	(603)	(603)
Total Income	(41,741)	-	(41,741)	(18,157)	(59,898)
Employee Expenses	15,824	-	15,824	-	15,824
Other Service Expenses	47,207	-	47,207	-	47,207
Net Support Services Recharges	(6,202)	-	(6,202)	-	(6,202)
Depreciation, Amortisation & Impairment	-	2,624	2,624	-	2,624
Interest Payments	-	-	-	24	24
Precepts & Levies	-	-	-	293	293
Payments to Housing Capital Receipts Pool	-	-	-	2	2
Gain/Loss on Disposal of Fixed Assets	-	-	-	85	85
Pensions Interest Cost/Return on Assets	-	-	-	2,814	2,814
Total Expenditure	56,829	2,624	59,453	3,218	62,671
Surplus/Deficit on Provision of Services	15,088	2,624	17,712	(14,939)	2,773

3.7 Financial Instruments

3.7.1 Analysis and Values

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet (page 18):

31/03/2015		31/03/2016	
Long Term	Current	Long Term	Current
£000	£000	£000	£000
Investments			
-	8,808	-	7,549
-	8,808	-	7,549
Total Investments		Total Investments	
	11,364		9,897
Debtors *			
	36		59
Borrowings			
	9,200		5,495
Creditors			
	319		595
Cash/Cash Equivalent			

Income, Expense, Gains and Losses:

2014/15			2015/16		
Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans & Receivables	Total	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans & Receivables	Total
£000	£000	£000	£000	£000	£000
24	-	24	13	-	13
Interest Expense Included in Provision of Services					
24	-	24	13	-	13
Total Expense in Provision of Services					
-	(169)	(169)	-	(256)	(256)
Interest Income					
-	-	-	-	-	-
Interest Income re. Impaired Financial Assets					
-	-	-	-	-	-
Reversed Impairment					
-	(169)	(169)	-	(256)	(256)
Total Income in Provision of Services					
24	(169)	(145)	13	(256)	(243)
Net (Gain)/Loss for the Year					

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The impairment relating to the deposit with Heritable Bank is recognised;
- No early repayment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31/03/2015		31/03/2016	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£000	£000	£000	£000
Liabilities			
36	36	59	59
Financial Liabilities			
9,200	9,200	5,495	5,495
Creditors			
Assets			
8,808	8,808	7,549	7,549
Loans & Receivables			
11,364	11,364	9,897	9,897
Debtors *			
319	319	595	595
Cash/Cash Equivalents			

* Debtors include Long Term Debtors of £591k (31/03/16), £676k (31/03/15), these relate to mortgagors and finance leases.

3.7.2 Nature and Extent of Risks Arising from Financial Instruments

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

- 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;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides 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.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria.

The credit criteria in respect of financial assets held by the Council are as summarised below:

- Investment counterparties are assessed as to their suitability in relation to credit ratings supplied by the main ratings agencies, with the additional consideration of credit default swap data. A limit is placed on the amount which can in total be placed with individual counterparties and categories of counterparties;
- Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set where considered necessary. Credit references are obtained where contracts are entered into.

The Council's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £94k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2016	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2016	Estimated maximum exposure to default and uncollectability at 31 March 2016	Estimated maximum exposure at 31 March 2015
	£000	%	%	£000	£000
	A	B	C	(A X C)	
Deposits with Banks/Financial Institutions	7,522	0%	1.25%	94	110
Customers (Trade Debtors)	3,026	-	15%	454	629
				548	739

No credit limits were exceeded during the reporting period and, apart from the frozen investment with Heritable Bank, 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 customers, such that £2.451m of the £3.026m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31/03/2015	31/03/2016
	£000	£000
382	30 to 89 Days	141
127	90 to 180 Days	134
2,691	Over 180 Days	2,176
3,200		2,451

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. At present the Council has no intention of entering into any long term borrowing arrangements. The maturity analysis of financial liabilities is as follows:

31/03/2015		31/03/2016
£000		£000
8,808	Less Than One Year	7,549
8,808		7,549

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments (no long term money market borrowing at present). Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would increase interest income, but in relation to its investments at fixed rates, the fair value of the assets will fall.

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure. At 31 March 2016, if interest rates had been one per cent higher with all other variables held constant, the financial effect would be an increase of £139k.

Price Risk

The Council does not have any investment in equity shares or in joint ventures or local industry. Consequently, it is not exposed to losses arising from movements in share prices.

Foreign Exchange Risk

The Council has no financial assets or a liability denominated in foreign currencies and has no exposure to loss arising from movements in exchange rates.

3.8 Leases

Council as Lessee

Finance Leases

The Council has previously acquired a number of items of vehicles and equipment under finance leases. The assets acquired under these leases, for which 2015/16 was the final year of the leases, were carried as Property, Plant and Equipment in the Balance Sheet (page 18) at the following net amounts:

31/03/2015		31/03/2016
£000		£000
161	Vehicles, Plant, Furniture, Equipment	-
161		-

As at 31 March 2016 the Council no longer has a requirement to commit to making minimum payments under these leases (comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that would have been payable by the Council in future years were the liability to remain outstanding). The minimum lease payments at 31 March 2015 were therefore made up of the following amounts:

31/03/2015 £000		31/03/2016 £000
	Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):	
155	Current	-
-	- Non-current	-
6	Finance Costs Payable in Future Years	-
161	Minimum Lease Payments	-

Lease payments are no longer payable, the minimum lease payments at 31 March 2015 were payable as follows:

31/03/2015			31/03/2016	
Minimum Lease Payments £000	Finance Lease Liabilities £000		Minimum Lease Payments £000	Finance Lease Liabilities £000
155	6	Not Later Than One Year	-	-
-	-	- Later Than One Year, Not Later Than Five Years	-	-
-	-	- Later Than Five Years	-	-
155	6		-	-

Operating Leases

The Council no longer has any items of vehicles and equipment acquired by entering into operating leases. The future minimum lease payments due under non-cancellable leases at 31 March 2015 were:

31/03/2015 £000		31/03/2016 £000
22	Not Later Than One Year	-
-	- Later Than One Year, Not Later Than Five Years	-
-	- Later Than Five Years	-
22		-

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2014/15 £000		2015/16 £000
22	Minimum Lease Payments	17
22		17

Council as Lessor

Finance Leases

The Council has leased out 5 properties on a finance lease basis, with terms remaining from 15 to 75 years.

The Council has a total gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the properties acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31/03/2015		31/03/2016
£000		£000
	Finance Lease Debtor (Net Present Value of Minimum Lease Payments):	
42	Current	39
241	Non-current	155
602	Unearned Finance Income	557
885	Gross Investment in the Lease	752

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

31/03/2015			31/03/2016	
Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
£000	£000		£000	£000
94	52	Not Later Than One Year	87	48
250	154	Later Than One Year, Not Later Than Five Years	177	141
541	396	Later Than Five Years	488	368
885	602		752	557

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports facilities and community centres;
- To gain income from its investment properties;
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31/03/2015		31/03/2016
£000		£000
877	Not Later Than One Year	869
662	Later Than One Year, Not Later Than Five Years	856
1,232	Later Than Five Years	1,392
2,771		3,117

Collection Fund

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

2014/15 Council Tax £'000	2014/15 Business Rates £'000	2014/15 Total £'000		2015/16 Council Tax £'000	2015/16 Business Rates £'000	2015/16 Total £'000
Income						
(52,198)	-	(52,198)	Council Tax Payers	(53,488)	-	(53,488)
-	(33,075)	(33,075)	Business Rates Payers	-	(33,588)	(33,588)
<i>Transfer of Previous Years Deficit</i>						
-	(332)	(332)	- Newcastle-under-Lyme Borough Council	-	(800)	(800)
-	(75)	(75)	- Staffordshire County Council	-	(180)	(180)
-	-	-	- Office of Police & Crime Commissioner	-	-	-
-	(8)	(8)	- Staffordshire Fire and Rescue Authority	-	(20)	(20)
-	(415)	(415)	- Central Government	-	(1,000)	(1,000)
(52,198)	(33,905)	(86,103)	Total Income	(53,488)	(35,588)	(89,076)
Expenditure						
<i>Council Tax Precepts</i>						
6,466	-	6,466	- Newcastle-under-Lyme Borough Council	6,541	-	6,541
35,841	-	35,841	- Staffordshire County Council	36,907	-	36,907
6,197	-	6,197	- Office of Police & Crime Commissioner	6,259	-	6,259
2,360	-	2,360	- Staffordshire Fire and Rescue Authority	2,430	-	2,430
<i>Business Rates Apportionment</i>						
-	13,035	13,035	- Newcastle-under-Lyme Borough Council	-	13,144	13,144
-	2,933	2,933	- Staffordshire County Council	-	2,958	2,958
-	326	326	- Staffordshire Fire and Rescue Authority	-	328	328
-	16,293	16,293	- Central Government	-	16,430	16,430
<i>Other Expenditure</i>						
-	142	142	Cost of Collection	-	141	141
-	131	131	Transitional Protection	-	(230)	(230)
366	221	587	Provision for Bad Debts	202	359	561
-	865	865	Provision for Appeals	-	1,067	1,067
<i>Transfer of Previous Years Surplus</i>						
98	-	98	- Newcastle-under-Lyme Borough Council	140	-	140
567	-	567	- Staffordshire County Council	809	-	809
98	-	98	- Office of Police & Crime Commissioner	140	-	140
37	-	37	- Staffordshire Fire and Rescue Authority	54	-	54
52,030	33,946	85,976	Total Expenditure	53,482	34,197	87,679
(168)	41	(127)	Deficit/(Surplus) for the Year	(6)	(1,391)	(1,397)
(969)	2,081	1,112	Balance Brought Forward at 1 April	(1,137)	2,122	985
(168)	41	(127)	Deficit/(Surplus) for the year	(6)	(1,391)	(1,397)
(1,137)	2,122	985	Balance Carried Forward at 31 March	(1,143)	731	(412)
Allocation of Collection Fund Balance						
(145)	849	704	- Newcastle-under-Lyme Borough Council	(144)	292	148
(801)	191	(610)	- Staffordshire County Council	(809)	66	(743)
(53)	21	(32)	- Staffordshire Fire and Rescue Authority	(53)	7	(46)
-	1,061	1,061	- Central Government	-	366	366
(138)	-	(138)	- Office of Police & Crime Commissioner	(137)	-	(137)
(1,137)	2,122	985		(1,143)	731	(412)

NOTES

1. Business Rates

The Council collects business rates in its area based on non-domestic rateable values multiplied by a uniform business rate. The rate is specified by the Government and in 2015/16 was 49.3p, with a reduction for “small businesses” to 48.0p on application (48.2p in 2014/15 - “small business” reduction, 47.1p).

	2014/15 £	2015/16 £
Non Domestic Rateable Value at year-end	85,391,982	86,369,498

In 2013/14, the administration of business rates changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying business rates to a central pool, local authorities retain a proportion of the total collectable rates due. In the case of Newcastle-under-Lyme the local share is 40%. The remainder is distributed to preceptors, these are Central Government (50%), Staffordshire County Council (9%) and Stoke-on-Trent and Staffordshire Fire Authority (1%).

The business rates shares payable for 2015/16 were estimated, via the NNDR1 return, before the start of the financial year as £16.430m to Central Government, £2.958m to Staffordshire County Council, £0.328m to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and £13.144m to Newcastle-under-Lyme Borough Council.

The total of these sums (£32.860m) has been paid in 2015/16 and charged to the collection fund in year.

The actual business rates payable for 2015/16, as per the NNDR3 return, when taking into account the cost of collection, provisions for appeals and bad debts and transitional protection was calculated to be £32.251m.

The variance between the estimated business rates shared between Central Government, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and Newcastle-under-Lyme Borough Council as per the NNDR1 return (£32.860m) and the actual business rates payable per the NNDR3 return (£32.251m) is £0.609m - a deficit to the collection fund for 2015/16.

In addition to the business rates shares payable for 2015/16, the estimated 2014/15 deficit declared in January 2015 regarding business rates of £2.000m was repaid into the collection fund by Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

The actual 2014/15 deficit was calculated to be £2.122m, therefore there was a shortfall of £0.122m in the collection of this deficit in 2015/16 which will need to be recouped, along with the estimated 2015/16 deficit declared in January 2016, from Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority during 2016/17.

Taking into account the remaining 2014/15 deficit and the 2015/16 deficit, the business rates collection fund has a deficit of £0.731m as at 31 March 2016.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Newcastle-under-Lyme Borough Council paid a tariff in 2015/16 to the value of £9.508m.

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, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and Newcastle-under-Lyme Borough Council for the forthcoming year and dividing this by the council tax base. The average Band D tax in 2015/16 of £1,470.78 compared with £1,449.43 in 2014/15. Multiplication of this amount by the proportions set out in the Council Tax Base table below gives the amount due for a property in each band.

The Council Tax base for 2015/16 was 35,242 (34,890 in 2014/15), this was derived as follows:

Band & Value Range	Number of Dwellings	After Discounts & Exemptions	Ratio to Band D	Band D Equivalents
Band A-		54	5/9	30.07
Band A (Up to £40,000)	23,828	15,413	6/9	10,275.36
Band B (£40,001 - £52,000)	10,257	8,265	7/9	6,428.22
Band C (£52,001 - £ 68,000)	11,085	9,504	8/9	8,447.77
Band D (£68,001 - £88,000)	4,651	4,142	9/9	4,142.28
Band E (£88,001 - £120,000)	2,692	2,416	11/9	2,952.63
Band F (£120,001 - £160,000)	1,713	1,563	13/9	2,257.36
Band G (£160,001 - £320,000)	909	831	15/9	1,385.33
Band H (Over £320,000)	45	21	18/9	42.00
				35,961
Less non collection rate (2%)				(719)
Borough Council Tax Base				35,242

In addition to the Council Tax payable for 2015/16, the estimated 2014/15 surplus declared in January 2015 regarding Council Tax of £1.143m was repaid to the preceptors (Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council).

The actual 2014/15 surplus was calculated to be £1.137m, therefore there was a deficit of £0.006m on the payment of this surplus in 2015/16 which will need to be recouped during 2016/17, along with the estimated 2015/16 surplus declared in January 2016, to Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and Newcastle-under-Lyme Borough Council during 2015/16.

Taking into account the remaining 2014/15 surplus and the 2015/16 surplus of £1.137m, the Council Tax collection fund has a surplus of £1.143m as at 31 March 2016.

Audit Certificate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWCASTLE UNDER LYME BOROUGH COUNCIL

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

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

Respective responsibilities of the Executive Director - Resources and Support Services and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director - Resources and Support Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and auditor

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

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

Conclusion

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

Certificate

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

John Gregory
For and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

26 September 2016

Appendices

Appendix 1 – Accounting Policies, Standards, Judgements, Assumptions and Adjustments

1. Accounting Policies

i. General Principles

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

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

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with the Council's own bank which are repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's

financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

vi. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These are therefore reversed out by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements or other form of leave, e.g. time off in lieu earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits

Employees of the Council (unless they chose to opt out) are members of the Local Government Pensions Scheme, administered by Staffordshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

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

- The liabilities of the Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and forecasts of projected earnings for current employees;

- Liabilities are discounted to their value at current prices, using a discount rate of 3.1%. IAS19 states that the discount rate used to place a value on the liabilities should be “determined by reference to market yields at the end of the reporting period on high quality corporate bonds”. The calculation of the discount rate uses data intended to match to the duration of the pension liabilities of a typical employer together with the use of a weighted average duration to tailor the rate used to an individual employers liability duration profile. The data referred to is the government bond yield curve, which is readily available, and a corporate bond yield curve, constructed by the pension fund actuary based on the constituents of the iBoxx AA index.
- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unlisted securities – current bid price;
 - Property – market value.
- The change in the net pensions liability is analysed into the following components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - Net interest on the net defined benefit liability/asset, i.e. net interest expense for the Council - the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments;
 - The return on plan assets, excluding amounts included in net interest on the net defined benefit liability/asset, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Contributions paid to the Staffordshire Pension Fund - cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. 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 Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Short Term Investments

Short term investments include:

- Deposits with financial institutions repayable without penalty on notice of not more than 24 hours (except for such deposits held in the Council's own bank accounts);
- Investments that mature in less than twelve months from the date of acquisition.

Available-for-Sale Assets

The Council has no available for sale assets.

Instruments Entered Into Before 1 April 2006

The Council has entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that a contingent liability note (note 3.5) is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

x. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi. Government Grants and Contributions

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

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

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

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

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

xii. Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves

Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Heritage Assets

The Council's Heritage Assets are either held in its Museum or consist of outdoor structures of various kinds. All of these assets are tangible. The Museum's collection of heritage assets are described in note 2.3.3 to the accounts. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below:

Museum Collection

These items are reported in the Balance Sheet at insurance valuation, which is based on market values as assessed by an external valuer in October 2006. These valuations are updated where necessary by the museum curator in respect of significant items and changes. New items are added at cost, if purchased and at valuation, if donated, where they are significant. It is considered that obtaining a complete revaluation each year for all items would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. No depreciation is charged since the items in the collection are deemed to have indeterminate lives.

Outdoor Structures

There is no reliable cost or valuation information available to enable these items to be valued. Consequently, they are not recognised on the Balance Sheet.

General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment (see note 'xviii'). Heritage assets may occasionally be disposed of which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see note 'xviii').

xiv. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

xv. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated, however their values are considered each year according to market conditions at the year-end (i.e. if any properties or classes of properties, following consideration are thought likely to be subject to a valuation change, they are revalued). In any case every property is revalued once every five years according to a rolling programme of revaluations. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi. Leases

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

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset.

Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and, a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received);
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

Regulations were issued when IFRS was implemented that permit amounts receivable under leases (if they were in existence on or before 31 March 2010) that changed from operating leases to finance leases as a result of changes to proper practices to be treated as if the status of the lease had not changed. This means that amounts receivable under operating leases that became finance leases on transition to IFRS can continue to be credited to the General Fund balance as revenue income. Such leases will be accounted for in accordance with the current provisions of the Code, with any adjustments to the General Fund balance being made by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement.

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

Operating Leases

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2015/16 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and costs relating to long-term unused assets arising from reduced activity, the loss of a function or area of work.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xviii. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. No de minimis level, below which expenditure is not capitalised, applies. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost. Where the historical cost is unknown, a nominal value of £1 is attributed to the asset concerned;
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Assets within each asset class are revalued together to ensure consistency of valuation within class. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Revaluation gains or losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. They are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer;
- Infrastructure - straight-line allocation over estimated life of asset.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is not permitted by statutory arrangements to have an impact on the General Fund Balance. It is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the

gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

xix. Provisions, Contingent Liabilities and Contingent Assets

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in note 3.5 to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in note 3.5 to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xx. Reserves

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

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

xxi. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive

Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure (less any grant or contribution received towards it) from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxii. VAT

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

xxiii. Council Tax

The collection of Council Tax is, in substance, an agency arrangement, whereby the Borough Council as the Billing Authority collects the amounts of tax due, on behalf of itself and the major precepting authorities (Staffordshire County Council; Office of the Police and Crime Commissioner Staffordshire; Staffordshire Fire Authority) and pays over to the precepting authorities the amounts of their precept demands. Each of these bodies includes in their Comprehensive Income and Expenditure Statement their proportion of accrued council tax income for the year. The cash collected belongs proportionately to the Borough Council and the preceptors. There is, therefore, a debtor/creditor relationship between the billing authority and each major precepting authority recognised in their respective balance sheets. The Borough Council only recognises in its balance sheet its own share of any outstanding council tax arrears, receipts in advance and receivables impairment allowance.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Council Tax Collection Fund Adjustment Account and included in the Movement in Reserves Statement.

xxiv. National Non Domestic Rates (NNDR)

The collection of National Non Domestic Rates is, in substance, an agency arrangement, whereby the Borough Council as the Billing Authority collects the amounts of tax due, on behalf of itself, Central Government, Staffordshire County Council and the Staffordshire Fire Authority and pays over to these bodies their share of the amounts collected. Each of these bodies includes in their Comprehensive Income and Expenditure Statement their proportion of accrued NNDR income for the year. The cash collected belongs proportionately to the Borough Council and these other bodies. There is, therefore, a debtor/creditor relationship between the billing authority and each of them which will be recognised in their respective balance sheets. The Borough Council only recognises in its balance sheet its own share of any outstanding NNDR arrears, receipts in advance and receivables impairment allowance.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the NNDR Collection Fund Adjustment Account and included in the Movement in Reserves Statement.

The Borough Council is a member of the Stoke on Trent and Staffordshire Business Rates Pool into which the amount which would have otherwise been payable as a levy to central government is paid.

xxv. Fair Value Measurement

Some non-financial assets such as surplus assets and investment properties are measured at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market. Measurement uses the assumptions that market participants would use when pricing an asset or liability, assuming they are acting in their best economic interest and takes account of their ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Valuation techniques appropriate in the circumstances are used, and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date;

Level 2 - inputs other than quoted prices that are observable for the asset, either directly or indirectly;

Level 3 - unobservable inputs for the asset or liability.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards which will be incorporated within the 2016/17 Code:

- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of a new Expenditure and Funding Analysis. These changes to the statement of accounts are intended to make it more understandable by lay readers. They are presentational only and do not alter the reported net cost of services or the surplus or deficit on the provision of services.
- Minor changes to International Financial Reporting Standards These principally provide clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

The CIPFA Code of Practice on Transport Infrastructure Assets, which takes effect from 1 April 2016, will have no effect upon the Council's accounts because it does not have an integrated highway network.

3. Critical Judgements in Applying Accounting Policies

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

- Identifying whether leases of assets are operating or finance leases;
- Whether contractual arrangements have the substance of a lease;
- Whether land and buildings owned by the Council are investment properties;
- Whether the Council's exposure to possible losses is to be accounted for as a provision or a contingent liability.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The significant items in the Council's Balance Sheet at 31 March 2016 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- The recoverable amounts in relation to debtors;
- Principal actuarial assumptions used at the balance sheet date in respect of the defined benefit pension scheme;
- Fair values for property plant and equipment that are not based on recently observed market prices;
- Fair values for financial assets that are not based on recently observed market prices.
- The business rates retention scheme came into effect on 1 April 2013. The accounts include a provision for the estimated costs of appeals that have been lodged with the valuation office. This is a complex calculation based on past success levels. As at 31 March 2016 the Council's share of the estimated appeals against business rates is £0.733m.

5. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director - Resources and Support Services on 29th June 2016. Events taking place after this date are not reflected in the financial statements or notes. There were no material events taking place before this date about conditions existing at 31 March 2016 which required the amendment of figures in the financial statements or notes to the financial statements.

Appendix 2 – Supplementary Accounts

1. Building Control Account

NORTH STAFFORDSHIRE BUILDING CONTROL PARTNERSHIP, 2015-16 FINANCIAL YEAR

The Building (Local Authority Charges) Regulations 2010 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 carrying out enforcement.

The statement below combines the building control accounts for Stoke-on-Trent City Council and Newcastle Borough Council (The North Staffordshire Building Control Partnership) and shows the total cost of providing the service divided between chargeable and non-chargeable activities.

	Total	Fee Earning	Non-chargeable
	£000	£000	£000
Salaries	487	315	172
Premises	15	10	5
Transport	11	7	4
Supplies	8	5	3
Central Support	77	45	32
Structural Engineers	35	35	-
Total Expenditure	633	417	216
Building Regulation Charges	404	404	-
Miscellaneous Income	1	1	-
Total Income	405	405	-
Surplus/ (deficit)	(228)	(12)	(216)

2. Trusts and Other Similar Funds

The following statement summarises the balances and movements during the year of the various Funds for which the Council 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 2015	Expenditure	Income	Balance at 31 March 2016
	£000	£000	£000	£000
Newcastle Almshouses Trust (Accom. For Poor)	25	4	15	36
Sports Advisory Council (Assistance to Sport)	4	6	19	17
Museum Purchase Fund (Purchase of Exhibits)	6	-	-	6
United Charities Eliza Hinds Charity (Grave)	3	-	-	3
United Charities Relief in Need (Gifts - Elderly)	31	1	1	31
United Charities Relief in Sickness (Gifts - Elderly)	74	2	3	75
	143	13	38	168

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 2014 and the carried forward balances are those for 30 September 2015.

3. Business Improvement District

The Council provides services as an agent to the Newcastle-under-Lyme Business Improvement District. The Council collected income of £0.120m on behalf of the Business Improvement District during the financial year 2015/16, this amount was accordingly paid to the Business Improvement District.

Appendix 3 – Annual Governance Statement 2015/16

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 complies with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 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 2016 and up to the date of approval of the Statement of Accounts.

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 Plan sets out the vision for the council and includes the four corporate priorities in order to inform the overall business planning process for the organisation in terms of resource allocation and performance management. These corporate priorities were originally drawn from the borough's Sustainable Community Strategy (SCS), produced under the auspices of the Newcastle Partnership. The Strategy focuses on the Partnership's two priorities of enhancing economic growth and tackling vulnerability.</p>	
<p>The Borough Council has refreshed its Council Plan to take account of these developments, and has also developed a number of supporting strategies focused on Economic Development, Stronger and Safer Communities and Health and Well-Being. This strategic framework is supplemented by the Co-operative Strategy, which builds on the corporate priority of "becoming a co-operative council which delivers high-quality, community-driven services".</p>	
<p>The Council has developed targets against which progress is monitored throughout the year through the performance management framework. This framework focuses on outcomes which are important to the well-being of the borough. Targets and indicators have been matched to these outcomes and the Council Plan is focused and organised around these outcomes.</p>	
<p>Individual service plans are completed as part of the corporate planning process - they demonstrate how each service contributes to the overall delivery of the Council's vision and corporate priorities, as well as being focused on outcomes. Service Plans are translated and communicated to employees via the Appraisal Process, Team Briefings and the Core Brief via Heads of Service and Business Managers. This process and the overall governance arrangements for the Authority are undertaken annually. The Council also communicates via the website, corporate social media channels, posters, leaflets and The Reporter newspaper for the wider community.</p>	
<p>Service quality, and being able to demonstrate that services are providing the best value for money are key requirements of the Service Plans and value for money is a key outcome for the council. Managers are required to evidence clearly that the service they provide is making best use of available resources. Benchmarking exercises are undertaken by service areas and also corporately as a means of demonstrating value for money; the Council continues to learn more from best practice examples found elsewhere. The Council continues to monitor the delivery of its services, including ensuring that resources follow priorities (see above) and that customers are satisfied with services being delivered.</p>	
<p>In addition to engagement and consultation work, the council and its partners across all sectors seek to work together against the key partnership priorities as part of the Newcastle Partnership. A number of projects have been developed, framed by key strategic areas for the Borough Council and its partners. Partners have continued to develop service delivery approaches which are in line with citizen requirements and which meet the expectations of citizens. Positive engagement with communities is at the heart of how the Council and its partners work and is a key factor in the Borough Council's drive to become a co-operative council. Locality Action Partnerships continue to be reviewed in order to ensure that they are fit for purpose in delivering positive change for their communities.</p>	
<p>A programme of changes to the way consultation is carried out by the organisation has been devised and is in the process of being implemented. Moving away from 'paper and post' surveys, the focus of consultation is shifting towards community based engagement and an emphasis on the role of members as champions for their areas.</p>	
<p>The Corporate Complaints Compliments and Comments policy ensures 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 the Customer Standards and Access Strategy sets out the quality assurance process to ensure that customer needs are met through a variety of access channels in respect of the frontline services that we deliver and the Customer Promise ensures that the way in which we interact with our customers is done so in a consistent manner. A Customer Case Management Policy enables the Council to deal with customers who display unreasonable behaviour</p>	

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.
<p>and actions, in a fair and consistent way through adhering to sector guidelines and best practice.</p> <p>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 Council is putting in place a programme of 'channel choice' to increase access to its services by providing greater choice in the ways that customers can contact us, linked to customer preferences and needs. The Council has undertaken a major review of its online service provision and its website has been replaced and rebuilt to provide a greater focus on customer needs and service provision for the future.</p> <p>The Council has achieved the Customer Service Excellence standard in Customer Services for the fifth consecutive year. This year has also seen the start of a programme of mentoring to enable other main front line delivery service areas to achieve the standard, which has resulted in Planning and Leisure services attaining excellence.</p> <p>The Newcastle Partnership Commissioning & Delivery Group (NPCDG) demonstrates the Council's commitment to collaborative working. The Council also remains a part of the countywide Public Sector Commissioning in Partnership process (the only district or borough council in Staffordshire to do so) and continues to examine further ways to commissioning jointly with partners in order to deliver positive outcomes for the borough as a whole.</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 assist with this process guidelines have been produced. All of the Council's significant partnerships are assessed against the guidelines and all future proposals for partnership working will also be assessed in the same way.</p> <p>There are five Scrutiny Committees that reflect each of the Council's Corporate Priorities. The Scrutiny Process is internally and externally reviewed to ensure it continues to challenge policy development and decision making in a robust, constructive and purposeful way while developing a partnership with external agencies and authorities to reflect the concerns of the public and communities and impacts on the delivery of public services.</p>	

Core Principle 2	Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
<ul style="list-style-type: none"> • 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. <p>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. These documents are kept under review by Officers and Members.</p> <p>The issue of how Members and Officers work together is a key one for the organisation, in terms of having the right capacity and achieving maximum levels of performance. Work has progressed in terms of developing scrutiny in the Council, including liaison with chairs of Scrutiny Committees to ensure that the proper leadership is provided when it comes to identifying areas for scrutiny and pursuing lines of investigation. In addition, Members are encouraged to play a greater role in scrutiny and to recognise the positive impact of the scrutiny process on policy development and holding the executive to account. A number of areas of work have shown this to have developed well, including the Council's new Recycling and Waste Service and also greater scrutiny of the budget setting process. A number of areas, including those relating to health, have shown a willingness on the part of Members to work across party lines. There is now a much greater incidence of pre-decision scrutiny in a range of key areas of policy development, including work around the Housing Strategy and Homelessness Strategy. These changes have been reflected in significant developments constitutionally, a process which is ongoing and is now likely to include greater public access at meetings. Finally, Members have shown considerable interest in using more examples of technology to aid their role, including enhanced use of the 'modern gov' software and the use of iPads in order to access to agenda items and other information for use in their constituencies and at meetings. The Council has a Member Development Panel in place to support their needs.</p>	

Core Principle 3	Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
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- 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 Employees 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 Employees and through the Monitoring Officer and the Standards Committee in respect of Members.

Members receive training on an annual basis in respect of Ethical Standards. Specific training has been provided to officers in relation to contract management, which covered the principles, set out in the Council’s Contract Procedures and Financial Regulations and also incorporated the principles of the Bribery Act. . The Council’s Contract Procedures, 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 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 continues to be embedded throughout the organisation. Risk Champions work at both operational and strategic levels within all Directorates. All operational risks are aligned to business objectives, whilst at a strategic level risks 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. In addition, the Risk Management Strategy is reviewed annually, including changes to the risk rating process and also the way risks are escalated in the organisation.

Work has continued during 2015/16 to raise the awareness and profile of Information Security, this has included the bi annual Information Security sessions, a refresh of the Information Security posters displayed throughout all Council buildings and the designation of Information Security Champions for each of the councils directorates. .

Core Principle 4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
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- 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 Audit Manager has the statutory role of Monitoring Officer to ensure that relevant laws and regulations are complied with. 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. A Statutory Officers Group which comprises, the Monitoring Officer, Section 151 Officer and the

Core Principle 4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
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Head of Paid Service meets regularly to monitor the key Corporate Governance issues.

The Health & Safety policy has been updated. Further training on the use of Target 100 the corporate Health & Safety IT system has been undertaken and the use of the system has been extended to include accident and near miss reporting, risk assessments and action planning for Departments. Toolbox talks detailed in Target 100 are also being used to train staff in Health & Safety and safe working practices. A monthly audit monitoring report is created and reviewed at Corporate Health & Safety committee on the use of the system.

The Council acts and takes seriously its responsibilities to safeguard and promote the interests of all children and vulnerable adults. Children Acts 1989 and 2004 place a statutory obligation on local authorities to safeguard from harm all children and young people under the age of 18 and vulnerable adults irrespective of ability, family background, sexuality, lifestyle, religion, belief or culture. The Council has policies and procedures in place to guide elected members, staff, contractors and volunteers who come into contact with children, young people and vulnerable adults during their work with the Council. All relevant officers have been trained to Level 1 Introduction to Safeguarding Children.

The Authority continues to review and monitor its arrangements in respect of Information Security to ensure continued compliance to the Government security standards and continues to comply with the Government's Public Sector Network Code of Connection.

The Council has formalised and consolidated its complaints procedures to reflect best practice from the Local Government Ombudsman, which is under the corporate remit of the Customer Relations Officer.

The Council's Anti Fraud and Anti Corruption Framework, together with its Fraud Response plan are reviewed and updated bi-annually to ensure that they remain fit purpose. During the course of 2015/16 training in relation to Whistleblowing was rolled out across the organisation, this was via the use of an e-learning toolkit which had been developed by the CIPFA Counter Fraud Centre.

The council continues to work with Stoke-on-Trent City Council to develop the North West Staffordshire Corporate Fraud Team. This includes Staffordshire County Council and a number of Housing Associations, one of which is ASPIRE housing. This collaboration was successful in securing funding to set up a unit that is designed to tackle all aspects of 'corporate fraud'. The funding was made available by Department for Communities and Local Government (DCLG) to bridge the gap of local authority fraud investigators transferring to the Department for Work and Pensions (DWP) as part of the Single Fraud Investigation Service (SFIS). Operationally this joint venture will see the set-up of a data hub which will allow all the organisations to share information across the different service areas and will also incorporate the award winning 'Spot the Cheater' campaign being rolled out across Borough.

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. During 2015-16 the Council has received and dealt with a number of whistleblowing allegations.

Core Principle 5	Developing capacity and capability of members and officers to be effective
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- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

A robust recruitment process is followed up by induction training and ongoing training identified as part of the employee appraisal process ensuring that staff are appropriately qualified and trained to undertake the role for which they are employed and to aid succession planning. A Management Development Strategy is in place that incorporates a Competency Framework for senior officers. Senior managers are trained in specific management competencies.

All elected members receive induction training. Specific training is provided for members in relation to Financial Management and the Budget Process, as well as more detailed training for members of Audit and Risk Committee, Scrutiny Committees, Planning Committee, Public Protection and Licensing Committee in relation to their roles for those particular committees

A Member Development Programme is in place and Charter Status has been achieved. Work continues in this area towards the next level of Charter Status. A Member Development Panel ensures that Members receive guidance and support in their work as a councillor, including ICT.

Core Principle 6	Engaging with local people and other stakeholders to ensure robust public accountability
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- 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.

All meetings of the Authority are held in public, unless the Part II requirements of the Local Authorities (Executive Arrangements) (Access to Information) Regulations 2000, are met in terms of confidentiality. Copies of all the minutes and agendas for these meetings are available on the Council's website.

There are a number of ways of ensuring that the Authority communicates with all sections of the community, including the website, an E-panel, face-to-face engagement, corporate social media channels including Facebook and Twitter, posters, leaflets and the Reporter newspaper which is produced four times each year and distributed free with the aim of being delivered to all homes in the Borough. In addition the Council has a 'Compact' in place to guide the ways in which it engages with third sector organisations. Also the Newcastle-under-Lyme and Stoke-on-Trent Statement of Community Involvement contains the council's policies on engaging local communities, developers, key stakeholders and other agencies in the preparation of planning documents and in the determination of planning applications. In this sense it establishes the benchmark for consultation on planning matters and demonstrates the council's commitment to consultation on planning matters within available resources.

Consultation has been carried out with residents on the Councils recycling and waste service as part of a major service change process. The outcome of this work has been used by the all-party Cabinet Panel to agree and design a new improved service which will be implemented in July 2016. Further consultation and extensive awareness initiatives are planned as part of a communications plan for the service area. In addition consultations also took place in relation to the Thistleberry Parkway cycle lighting. Feedback on the outcomes from these consultations was provided through social media, the Council's website, The Reporter as well as reports to Cabinet and the relevant Scrutiny Committees.

The Council's Financial Regulations and Newcastle Partnership Constitution and Terms of Reference ensure that there are sound governance arrangements in place for all of the Council's significant partnerships.

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.
- 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.
- 4.3 The Audit and Risk Committee monitors effectively 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 2015/16.
- 4.4 The Scrutiny function continues to ensure effective monitoring and challenge. There are four Scrutiny Committees that reflect each of the Council's Corporate Priorities. The terms of reference for each of these committees ensure that performance is effectively monitored and challenged

- 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 challenge, 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. In addition quarterly reports on all outstanding recommendations are also presented to the Executive Management Team. Internal Audit has continued to receive very positive feedback from External Audit with regards to the coverage of their work and high professional standards.
- 4.6 Internal Audit can provide a level of assurance that the Council's systems of internal control are operating adequately, from their work in 2015/16. 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 2015/16. The internal review showed that the system of internal control can be relied upon when considering the Governance Statement for 2015/16. This was informed by the completion of a self-assessment against the checklist for compliance with the Public Sector Internal Audit Standards and Local Government Application Note.
- 4.8 An assessment of the role of the Chief Finance Officer (CFO) has been completed 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. It requires that the CFO is professionally qualified, reports directly to the Chief Executive and is a member of the Leadership team. Having undertaken the assessment of the role of the CFO within the Council it can be confirmed that the Authority complies with this statement.
- 4.9 The role of the Head of Internal Audit has been reviewed in accordance with 'CIPFA Statement on the role of the Head of Internal Audit'. The role of the Head of Internal Audit occupies a critical position within any organisation helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role on promoting good corporate governance. The main aim of the CIPFA statement is to promote and raise the profile of the Head of Internal Audit within public service organisations.
- 4.10 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 keeps the Constitution under review throughout the year, with a report setting out changes to be consolidated to Council on an annual basis.
- 4.11 Managers Assurance Statements are produced annually by both Executive Directors and Heads of Service. These statements provide a level of assurance with regards to the adequacy of internal controls within their own Directorate and Service areas.
- 4.12 There are various specialist working groups, i.e. Capital Programme Review Group, Corporate Governance, Information Security, Procurement, and Corporate Health and Safety, that agree, oversee and review the various disciplines giving assurance that the Council complies with statute, identifies and manages its risks.
- 4.13 The External Auditors, Grant Thornton gave an unqualified opinion on the 2014/15 accounts, in their Governance Report. In addition their review of the Council's arrangements for securing financial resilience concluded that the Council had robust financial systems and processes in place to manage its financial risks and opportunities and to secure a stable financial position that enabled it to continue to operate for the foreseeable future.
- 4.14 The Council has a zero tolerance to Fraud and Corruption, the Anti Fraud and Corruption Framework, Fraud Response Plan and Whistleblowing Policy are in place to help deliver our commitment to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The commitment to deterring fraud and corruption is

actively promoted throughout the organisation. Anyone who has any concerns about any aspect of the Council's work are encouraged to come forward and voice those concerns.

5.0 Significant governance issues

We have been advised on the results 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 is in place. The following matters 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. Working with our partners we will ensure that we can deliver effectively and co-operatively against citizen/customer requirements.
- 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 Service Plans, in addition we will seek to improve efficiencies across all council services and ensure that the savings identified from this process can be realised.
- To continue to raise the profile and status of Information Security and Governance throughout the Council.
- To work in partnership as part of the North West Staffordshire Corporate Fraud Team to ensure that the council remains vigilant in combating and tackling all aspects of fraud and corruption.
- To continue to develop the capability and capacity of officers through the application of the Workforce Development Strategy.
- To ensure that all relevant officers achieve Level 1 Introduction to Safeguarding Children through the Staffordshire e-learning portal.
- To ensure that funding required for the Councils Capital Programme is delivered through the sale of assets identified for disposal as part of the Asset Management Strategy.

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 _____ **Councillor Elizabeth Shenton, Leader of the Council**

Signed _____ **John Sellgren, Chief Executive**

Dated _____

Appendix 4 – 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);
- 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.

Business Improvement District (BID)

A BID is a defined area within which businesses are required to pay an additional business rates levy (a business rates supplement) in order to fund projects within the BID's boundaries. A completely separate body from the Council is responsible for operating the BID scheme. The BID is often funded primarily through the levy but can also draw on other public and private funding streams. The Council as billing authority collects the supplement and pays it over to the BID body, whose income it is, charging the body for the costs of collection.

Capital Expenditure

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

Capital Grants Receipts in Advance Account

An account which holds the balances of capital grants received where conditions apply and have not been satisfied meaning that the grants are not yet available for use to finance expenditure.

Capital Grants Unapplied Account

A usable reserve holding the balances of capital grants received or due to the Council at the year end where conditions do not apply to those grants or conditions have been satisfied meaning that the grant is available for use to finance expenditure.

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 shares of business rates receipts.

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;
- 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.

Creditors

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

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.

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 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 amounts outstanding in respect of finance leases.

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).

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

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market.

Fair Value Hierarchy

A three level classification of techniques used in order to measure the fair value of financial assets and liabilities. The highest level (Level 1) uses quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date, Level two uses inputs other than quoted prices that are observable for the asset, either directly or indirectly and Level 3 uses unobservable inputs for the asset or liability. Techniques employed should aim to maximise the use of observable inputs and minimise the use of unobservable inputs.

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 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 Year

The period of time to which the 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 Held for Sale.

Assets under construction are not shown separately. They are included in the balance relating to the category of operational asset where they will be included when completed.

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).

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.

Heritage Assets

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

Historical Cost

Actual cost of acquiring or constructing an asset.

iBoxx

iBoxx bond market indices are benchmarks for professional use and comprise liquid investment grade bond issues. They enable investors to analyse and select benchmarks that reflect their investment profile

Impairment

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

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.

Inventories

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. Inventories comprise the following categories:

- Goods or other assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances;
- Finished goods.

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:

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

Leasing

Method of financing the provision of capital assets which does not provide for the title to the asset to pass to the authority. In return for the use of the asset the Council pays rental charges over a specified period of time. There are two basic types of leasing arrangement:

- Finance leases which transfer the risks and rewards of ownership of an asset to the lessee (the Council) and such assets are included within the fixed assets in the Balance Sheet;
- Operating leases where the ownership of the asset remains with the lessor and annual rental is charged direct to the revenue account.

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.

Long Term Debtors

Comprises amounts which are owed to the Council which are not investments and which are not expected to be realised within the next financial year. The main items included in this heading are outstanding loans from the Council to other bodies and outstanding amounts in respect of finance leases of Council properties to other bodies.

Material Items

An item is material if its omission, non-disclosure or misstatement could be expected to lead to a distortion of the view given by the financial statements.

National Non-Domestic Rate (NNDR)

Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally. The amount collected is distributed via the business rates retention scheme to Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire Authority. The remainder is retained by the Borough Council but is subject to a tariff payment and pool levy.

Non-Distributed Costs

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

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.

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.

Provisions

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

Quoted Securities

Assets such as shares that are traded on financial exchanges.

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.

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

Reserves fall into two different categories:

- Usable Reserves representing sums set aside to meet future expenditure for specific purposes and which the Council is able to utilise to provide services.
- Unusable Reserves which the Council is not able to utilise to provide services. This category of reserves includes reserves which hold unrealisable gains and losses, such as the Revaluation Reserve and reserves which are adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by accounting standards, for example the Capital Adjustment Account.

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.

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.

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.

Unitised Securities

A fund that is sold in units specified by a fund manager, rather than shares of fund managed assets.

Unquoted Securities

Assets such as shares that are not traded on financial exchanges.

Useful Life

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