

# Statement of Accounts

2018/19



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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. Throughout the Statement, various unusual or technical terms are employed which may not be familiar to all readers. A Glossary (page 76) has therefore been provided which explains the meaning of such items.

Page	Item	Purpose
5	Narrative Report	A guide to the main features of the accounts and a commentary on the Council's financial position and the factors affecting its finances.
14	Statement of Responsibilities	Sets out the responsibilities of the Council and the Executive Director (Resources and Support Services) in relation to financial administration and accounting.
15	Annual Governance Statement	Explains the processes and procedures in place to enable the Council to carry out its functions effectively. Produced following a review of the Council's governance arrangements.
22	Restatements Note	Note clearly explaining restatements relating to prior period adjustments.
28	Financial Statements	The Financial Statements which the Council must publish.
28	Comprehensive Income and Expenditure Statement	Shows the accounting cost of providing services in accordance with accounting practice.
29	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.
30	Balance Sheet	Sets out the Council's financial position on 31 March 2019. Provides details of the Council's balances, reserves and assets employed in Council operations together any liabilities.
31	Cash Flow Statement	Details the total cash movement of the Council's transactions.
32	Notes to the Financial Statements	Provide additional information in relation to the Financial Statements and outline technical issues such as the Council's accounting policies.
70	Collection Fund	Records details of receipts of council tax and business rates and the associated payments to precepting authorities/central government.
73	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.
76	Glossary	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 2018/19. The accounts give a summary of the money that the Council has received, what it has been spent on during the year, and its financial position at 31 March 2019. This Narrative Report provides a context to the accounts by presenting a summary of the Council's financial activities and its prospects for future years.

### b. Regulations governing the production of the Statement of Accounts

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2015 and the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2018/19" 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 3 June and 12 July 2019, as notified on the Council's website and advertised in the local press.

The accounts were approved by the Audit and Standards Committee on 29 July 2019 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 report in line with these regulations as evidence of approval of the 2018/19 Statement of Accounts.

### c. General Accounting Policies

The accounting policies adopted by the Council comply with the relevant recommended accounting practice. The Council's service costs have been analysed in the Comprehensive Income and Expenditure Statement according to the Council's management reporting structure. Materiality considerations follow the policies set out in the CIPFA Code of Accounting Practice. In addition, the analysis of capital expenditure follows CIPFA's recommendations showing non-current and intangible assets separately. These recommended practices are all designed to meet the requirements of International Financial Reporting Standards (IFRS).

There have been no changes in the Council's statutory functions during the year.

Expenditure incurred by the Council on the construction of Castle House has previously been accounted for in 2016/17 and 2017/18 as Revenue Expenditure Funded from Capital under Statute (REFCUS).

The expenditure has been restated for 2017/18 to reverse REFCUS and to create an Asset under Construction as at 31 March 2017 and 31 March 2018. Castle House became operational during 2018/19 and has accordingly been transferred from the asset category Asset under Construction to Land and Buildings (at its valuation).

The Executive Director of Resources and Support Services informed the Ministry of Housing, Communities and Local Government by letter on 5 December 2018 of the Council's intention to make flexible use of up to £0.500m of capital receipts in each of the financial years 2018/19 and 2019/20. The flexible use of capital receipts has been utilised in 2018/19 for expenditure that meets the eligibility criteria, in that it relates to initiatives that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery.

### 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, which does not always lead to a style which is easily understood. Accordingly a Guide to the Statement of Accounts (page 4) has been provided.

## **e. Accountability/financial reporting**

Local authorities are governed by a rigorous structure of controls to provide stakeholders with confidence that public money has been properly accounted for. As part of the process of accountability, the 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 secure.

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. Newcastle under Lyme Borough Council**

The Council is a second tier district council within the County of Staffordshire, with a population of around 129,000. It consists of the urban areas of Newcastle and Kidsgrove, with a town council, and an extensive rural area containing nine parishes, each with a parish council.

The Council has 44 members representing residents in 21 wards following elections in May 2018. Full Council, consisting of all members, is responsible for setting Council policy, whilst other decisions within the policy framework set by Full Council are determined by a Cabinet, currently consisting of 6 members.

Operational management is carried out under the direction of the Chief Executive and three Executive Directors who currently comprise the Executive Management Team (EMT).

The Council employed 526 people (414 full time equivalents), as at 31 March 2019.

The Council Plan 2018-2022 details the Council's plans for the period. The plan sets out the Council's aspirations and priorities.

It sets out the new vision of the Council as, 'good local services, a prosperous borough, and safe and welcoming places for all'. It also focuses the work of everyone in the Council on four key priorities:

- Local services that work for local people
- Growing our people and places
- A healthy, active and safe borough
- A town centre for all

The plan sets out how the Council will work to make the borough an even better place for everyone who lives, works, studies or visits here. The Council's aims can only be achieved by taking advantage of every opportunity available and developing new ones through innovation and a more collaborative approach.

The Council is committed to strong and sustainable economic growth for the borough, focusing upon opportunities around Keele University, Newcastle Town Centre and Kidsgrove.

Equally the Council is committed to achieving visible improvements in service delivery. The most recent can be seen with the opening of the impressive Castle House, the new home for the Council and other public services set in Queen's Gardens. This move allows the Council to embrace a new way of working and opportunities for better service delivery both amongst our own teams and with our partners who share the space with us. It also sets the standard for future developments and partnership working in the borough.

Further details can be found in the Council Plan which can be viewed on the Council's website.

Details of the services which the Council provides and their budgets are set out in budget books for each financial year which are also available on the website.

## g. Financial summary 2018/19

The financial activities of the Council can be categorised as either revenue or capital. Revenue spending represents the cost of 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 such as buildings, plant and equipment.

### Revenue expenditure and income

#### General Fund Revenue Budget outturn

The outturn position in relation to the General Fund Revenue Budget was initially a positive variance (surplus) of £0.008m, i.e. expenditure was £0.008m less than the net budget. This amount has been transferred into the Budget Support Fund.

The main adverse variances (overspends) incurred primarily related to shortfalls of income in Waste Services (recycled material prices), Jubilee 2 (climbing wall and gym), Car Parks (town centre car parks) and Court Summons (due to fewer people being summonsed for non-payment of Council Tax due to higher collection rates). Overspends were also incurred on cover for staff sickness, particularly within Waste Services and Jubilee 2.

These adverse variances have been offset by a number of underspends which include employee costs in respect of a number of vacant posts and flexible retirements that have taken place across the Council. Planning Application Fee income has also significantly exceeded the budget due to the Council receiving an unusually high number of large development planning applications.

The Executive Director of Resources and Support Services informed the Ministry of Housing, Communities and Local Government by letter on 5 December 2018 of the Council's intention to make flexible use of up to £0.500m of capital receipts in each of the financial years 2018/19 and 2019/20. The flexible use of capital receipts has been utilised in 2018/19 for expenditure that meets the eligibility criteria, in that it relates to initiatives that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery.

A reconciliation of the Comprehensive Income and Expenditure Statement to the surplus declared above can be seen in the table below, further information can be obtained from the statements and notes referenced:

	£000
Service provision (per CIES-p28)	9,257
Adjustments between accounting basis and funding basis (note 8-p48)	(8,368)
Movement in useable reserves (excluding transfer of surplus) (note 9-p50)	(897)
<b>Surplus for 2018/19</b>	<b>(8)</b>

### Where does the money come from, and where is it spent?

Local authorities receive income from a variety of sources, from the Government in the form of grants, from households in the form of Council Tax (a property based charge payable by local residents dependent upon the Valuation Office's valuation band for their property), from consumers in respect of fees and charges and rents and from a share of business rates from occupiers of commercial premises within the Borough (based upon the rateable value set by the Valuation Office in respect of the properties concerned).

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.

Alongside business rates arrangements, the Council receives Revenue Support Grant (£0.589m in 2018/19) from the government, based on an assessment of the relative needs of local authorities, derived from factors such as population, deprivation levels, number of commuters and visitors to the area.

The gross income (£42.520m) and expenditure (£63.577m) attributable to management reporting areas is shown in the Comprehensive Income and Expenditure Statement (page 28).

## 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 priorities and vision over the short, medium and long term, the Council plans and budgets for expenditure by means of a rolling programme.

In 2018/19 the Council planned to spend £2.549m. Of this total £1.502m related to the total cost of new schemes for 2018/19 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants), and £0.047m brought forward from the original 2017/18 Capital Programme. In addition £0.348m slippage was incurred in 2017/18, and £0.446m additional Disabled Facilities Grant was received, this resulted in a total Capital Programme of £3.343m for 2018/19.

Actual capital expenditure during 2018/19 was £2.980m, leaving a balance of £0.363m to be carried forward to 2019/20. This expenditure was financed entirely by capital receipts and government grants and other contributions. Borrowing to finance the 2018/19 expenditure was not required. The capital investment and financing of this expenditure is shown in Note 26 (page 61).

## h. 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 an adverse economic situation.

The Council's Medium Term Financial Strategy (MTFS) - which forecasts future years' budgets taking into account national and local financial situations together with the Council's priorities - has identified shortfalls for each year from 2019/20 to 2023/24. The MTFS initially forecast a shortfall of £1.891m for 2019/20, between the approval of the MTFS and the setting of the 2019/20 budget a number of changes were made which increased the shortfall to £2.220m, these changes included measures to address the shortfalls in budgeted income within Waste Services and in relation to Court Summons.

On 20 February 2019 the Council set a balanced budget. This was achieved by increasing council tax, efficiency savings, the identification of additional sources of income sufficient to meet the shortfall and the flexible use of capital receipts in order to capitalise expenditure intended to deliver more efficient and sustainable services. The majority of the savings were identified through a review of the Council's services focussing on particular areas where it was felt that savings could be achieved.

As part of the 2019/20 budget a 'Borough Growth' fund of £304,000 has been established, which will be used to invest in initiatives that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income. The 'Borough Growth' fund will be used to enable investment in the following corporate priorities:

#### **A town centre for all (£104,000)**

- Developing and implementing a 10 year Parking Strategy aimed at supporting the local economy. Cabinet has set out a number of areas of focus for the new strategy; these were detailed at 2.14 to 2.17 of the 16 October 2018 Cabinet report 'Review of town centre car parks'.
- Revitalising the market, developing with traders a clear programme for improvement. At its 7 November 2018 meeting Cabinet agreed to review the management and operation of the market in Newcastle town centre in co-operation and consultation with local interested parties to revitalise our historic market.
- Facilitating bids for grants, including the Future High Street Fund (FHSF). FHSF is a government initiative announced in 2018 budget to help local areas regenerate high streets and town centres. Bids will be considered for both Kidsgrove and Newcastle town centres.

#### **Council transformation (£100,000)**

- Digital Delivery Programme. The Council is committed to introducing more streamlined and speedy processes to improve service delivery to residents, particularly in recycling and waste, environmental services and planning. Residents will be able to customise, via 'My Account', how they get up to date information on particular Council services.



- Establishing capacity to develop commercial working practices to reduce costs and generate improved revenue streams. This includes creating a work force fit for the future by developing the skills of our staff and also investing in apprenticeship opportunities.

### **Building for the future (£100,000)**

- Enable Residential & Commercial Development to generate improved revenue streams. We will use innovative models to ensure that when development opportunities arise the Council retains an income stream or reinvests the income into further opportunities.

The government's continuing drive to reduce public expenditure will impact upon the Council's finances. 2018/19 saw a significant reduction in central government support by way of the formula grant which is repeated in 2019/20 (a reduction of £0.526m to just £0.063m (89.3%) from the 2018/19 level).

The Council receives a New Homes Bonus grant from central government. The objective of the grant is to incentivise housing growth within the borough. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use above a baseline established by the government of 0.4%.

As reported to Cabinet on 16 January 2019, in July 2018, Government invited local authorities to bid for the opportunity to undertake a pilot of 75% Business Rates Retention for 2019/20 only. As part of the Staffordshire and Stoke-on-Trent Business Rates pool, the Council has been successful in its application. The pilot scheme will enable 75% of future growth in Business Rates to be retained within Staffordshire. An estimated £200,000 of additional resources will be generated as a result of this for the Council in 2019/20.

The Finance Settlement for 2018/19 announced that by 2020/21 local government will retain 75% of business rate revenues; this will be a significant reform of local government finance and is likely to come with additional responsibilities for local authorities (details of which have yet to be announced). This may further empower local authorities to deliver services in a way that is right for their area, whilst also significantly increasing the risks associated with the levels of business rates collected (i.e. the less collected due to non-payment or appeals against revaluations by businesses, the less business rates the Council will retain).

The forthcoming Spending Review will confirm overall local government resourcing from 2020/21. The Government is working towards significant reform in the local government finance system in 2020/21, including an updated, more robust and transparent distribution methodology to set baseline funding levels. For the purposes of the Medium Term Financial Strategy it has been assumed that the Council will be in a cost neutral position following the reform of local government finance and the introduction of 75% business rates retention, however, this cannot be guaranteed and funding streams may differ significantly from this neutral position.

In view of the MTFs forecasts work continues in looking at how the Council's resources can be best used to meet the needs of the Borough's residents and businesses and to define the broad shape of the Council's budget over the next 3 years. Further impacts that will be considered are shown below.

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. The results of the master-planning exercise are due to be received in the near future.

A new chargeable green waste service was introduced in February 2019. To date more than 17,000 households have signed up to the new service generating additional income of £0.630m. This additional income will be used to address shortfalls in income from the sale of recycled materials and to put the waste and recycling service on a more sustainable footing. The waste and recycling service is due to be overhauled to improve operational efficiency over the next 2 years and a new kerbside recycling and residual waste collection service will be introduced for all households.

The Council intends to consider ways it can facilitate and participate in the commercial and industrial development of the Borough and thereby gain access to income streams to contribute to a sustainable revenue budget. The basis for this is set out in the Investment Strategy. As a first step, it is intended to establish a Revolving Investment Fund to invest in suitable projects. Any additional income or capital appreciation generated will either be reinvested to fund further developments or used to support the Council's revenue budget.

Further steps have also been taken to strengthen the Council's financial position. These include a significant increase in the provision for doubtful debts (from £0.104m to £0.275m) and the write off of a large number of historical debts that are not collectible for which all recovery options have been exhausted. Capital funds have been set aside to allow for significant repairs to the Jubilee 2 Health Suite in the event that attempts to reach agreement with the building contractor about liability are unsuccessful.

The introduction of the Flexible Use of Capital Receipts Strategy during 2018/19 has enabled the Council to increase the minimum level of un-earmarked reserves and contingencies from £1.300m to £1.548m in line with the Council's Section 151 Officer's recommendation to reflect the levels of risk shown to the revenue budget.

## Capital

The Capital Programme for 2019/20 to 2021/22 is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2018-22 approved by Cabinet on 19 September 2018. These schemes total £19.301m.

The Capital Programme is produced in line with the new Capital Strategy for 2019/20 to 2028/29 which was approved by Full Council on 20 February 2019. In addition to the Council's corporate and service objectives, as set out in the Council Plan 2018-22, the Capital Programme is also influenced by a number of external parties and factors:

- Central government and its agencies;
- Legislation requiring capital works;
- Partner organisations, Businesses and Developers; and,
- The needs and views of other interested parties, particularly those of Borough residents.

The capital programme for 2019/20 will be funded without the need for long term prudential borrowing. If the anticipated capital receipts are delayed the Council will manage the resulting cash-flow impact by re-profiling expenditure or undertaking temporary borrowing. It is not expected that this will have a material impact on the revenue budget, given the current low level of interest rates.

In the longer term prudential borrowing will be required by the Council in order to fund the ongoing maintenance of assets and planned investment once capital receipts have been exhausted. Advice will be sought from the Council's Treasury Management advisors, Arlingclose, as to the most beneficial method of capital financing and timing of any prudential borrowing.

There may be revenue implications arising from new capital projects and the requirement to spend capital funds will lessen the ability to earn interest on the cash that is invested. It is therefore vital that the revenue and capital budgets are integrated.

The Capital Programme Review Group reviews and monitors the overall Capital, Assets Management and Investment Strategies within the context of the Medium Term Financial Strategy; ensures that projects are delivered against priorities; monitors the programme monthly 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 Council's assets and the need for investment to keep them fit for use and compiles the draft capital investment programme for submission to Cabinet for approval.

## Strategic risks

Major strategic risks affecting the Council which could impact on future service provision are currently as set out in the table below, which shows for each risk its potential impact and measures to mitigate the risk:

Risk	Impact	Mitigation
Failure to realise potential for land sales to provide funding for capital investment	Insufficient resources to fund capital investment needed to maintain service provision or to achieve objectives	Asset Management Plan, Cabinet decisions to sell, planning approvals
Failure to recruit and retain staff with required experience and skills	Reduced amount and quality of service provision. Inability to provide services	Workforce development plan, business continuity planning
Major incident	Unable to provide services during and for some time after the incident	Major incident and emergency response plans in place, incident response guide, business continuity planning,
Long term decline in income including reduction in government funding and failure to provide funding for new initiatives	Pressure on revenue budget	Included in calculation of prudent minimum balances
Pay and price increases	Pressure on revenue budget	Included in calculation of prudent minimum balances
ICT - system/software failure or malicious software incursion	Unable to provide services during and after the failure. Loss of data, corruption of data, ransom demands, unable to provide service after incursion.	Business continuity planning, back up servers
Failure to comply with legislation including data protection breaches	Legal action, compensation claims, fines, reputational damage	Standing orders and financial regulation, training, internal audit, monitoring officer
Overall budget realisation fails	Reduction in reserves, unplanned cuts to services, impact on future budgets	Budget monitoring, adequate reserves levels
Business rates retention	If overall funding reduces, there will be pressure on the revenue budget	Medium term financial strategy, modelling, business rates reserve
Failure of major contractor	Unable to provide services, additional unbudgeted costs	Market intelligence, credit checks, procurement rules and procedures

## Reserves

The Council holds a number of reserves which have been established either to meet specific categories of expenditure or of a general nature. Levels of reserves are reviewed to determine their adequacy to meet the Council's commitments and future plans and are an important consideration when preparing the budget.

The Council's Section 151 Officer has recommended that a minimum level of un-earmarked reserves and contingencies of £1.548m be held to reflect the Council's levels of revenue risk. Therefore, there should be a minimum General Fund balance of £1.448m and a Contingency Reserve of £0.100m.

The un-earmarked portion of the General Fund balance can be used to contribute to the revenue account. The required level is determined by a risk assessment of factors which might adversely impact upon the revenue budget on a worst case basis. These factors are set out in an appendix to the council tax setting report considered by the Full Council on 20 February 2019, which is available on the Council's website. The current level, as at 31 March 2019 is £1.448m, with a Contingency Reserve balance of £0.100m, an increase of £0.248m on 2017/18.

A new reserve, the Borough Growth Fund, was established at the end of 2018/19. This is intended to be used to invest in activities that are forecast to generate ongoing revenue savings through reducing the costs of service delivery or the generation of additional income.

## Partnerships

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

Examples of formal partnerships are a shared apprenticeship scheme in conjunction with Newcastle College and the administration of the Business Improvement District (BID) scheme for Newcastle town centre. Businesses within the BID area pay a supplementary business rate, collected by the Borough Council and used by the BID Board to promote the economic wellbeing and development of the town centre.

The Council works closely with other public sector organisations to obtain value for money in relation to supplies and services and to provide the public with easy access to all of the partners' services from its facilities. An example of this is the Locality Commissioning Partnership which co-ordinates contributions to third sector organisations. There are also reciprocal arrangements between neighbouring authorities for providing assistance, such as the secondment of staff, to provide continuity of service.

The Council's offices at Castle House are shared with Staffordshire County Council, Staffordshire Police and Aspire Housing.

## **i. Economy, efficiency and effectiveness in the use of resources**

Local authorities are obliged to achieve economy, efficiency and effectiveness in their use of resources. Arrangements are 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 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 internal controls by which Council business and administration must be conducted and are binding on all employees and members of the Council. Financial Regulations and the Contract Rules lay down procedures which must be followed when obtaining supplies and services for use by the Council to ensure that transparent and effective processes are in place.

The arrangements and their effectiveness are continually kept under review as part of the ongoing management of the Council's services, medium term financial planning, 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. The quarterly reports are available on the Council's website. There is also a formal member led scrutiny process, with key priority focussed Scrutiny Committees enabling service delivery to be monitored.

Formal review takes place via the Annual Governance Statement considered and approved by Council members, which is published within the Statement of Accounts (page 15). This is informed by Executive Directors, Heads of Service and Business Managers to provide assurance that governance arrangements are in place and to identify required improvements.

The Capital Strategy, Investment 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 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. The group aims to ensure that the capital investment programme meets the Council's priorities, is affordable and that projects are carried out on time and within budget.

## **j. Assets and liabilities acquired**

Castle House has been transferred from the classification 'Asset under construction' to the classification 'Land and buildings' during 2018/19, the building became operational during the summer.

## **k. Pensions scheme liability**

The liability relating to defined benefit pension schemes increased from £68.025m at 31 March 2018 to £76.140m at 31 March 2019. 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. They relate to transactions of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities.

## **l. 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:

Phil Jones, Grant Thornton UK LLP, 20 Colmore Circus, Birmingham, B4 6AT

## **m. Further information**

Further information about the accounts is available from:

Jan Willis, Interim Executive Director (Resources and Support Services), Castle House, Newcastle, Staffordshire, ST5 1BL

## **n. 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.

## **o. 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 Standards Committee and this is evidenced by the signature of that Committee's Chair.

Delegated authority was given to the Chair of the Audit and Standards Committee at the meeting held on 29 July 2019 to approve and sign the Statement of Accounts following completion of the audit.

Signed: (Chair of the Audit and Standards 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 the Council's statutory Section 151 Officer and as such 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) are 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 2019.

In preparing the 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 2019 and its income and expenditure for the year ended 31 March 2019.

Jan Willis

Dated:

Interim Executive Director (Resources and Support Services)

# Annual Governance Statement 2018/19

## 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 or can be obtained from the Executive Director (Resources and Support Services). 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 2019 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:

<b>Core Principle A</b>	<b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b>
<ul style="list-style-type: none"> <li>• <b>Behaving with integrity:</b> <ul style="list-style-type: none"> <li>• The Council has in place Codes of Conduct for both Members and Officers which set out requirements that support the need to behave with integrity.</li> <li>• The Council has a set of values which are underpinned by a set of expected behaviours.</li> <li>• All new members and officers are made aware of the Code of Conduct when they join the council.</li> </ul> </li> <li>• <b>Demonstrating strong commitment to ethical values:</b> <ul style="list-style-type: none"> <li>• The council has a framework of policies that incorporate Anti-Fraud &amp; Corruption, Anti- Money Laundering and a Whistleblowing Policy all of which are designed to in the first instance discourage inappropriate behaviour and then secondly encourage both Members and Officers to voice any concerns they have and</li> </ul> </li> </ul>	

<b>Core Principle A</b>	<b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b>
<p>report any instances found.</p> <ul style="list-style-type: none"> <li>• Members are required to renew their declaration of interest annually and also at any meetings.</li> <li>• Employees are required to notify their Executive Director or Head of Service about any potential conflict of interest.</li> <li>• A register of gifts and hospitality is maintained by the Monitoring Officer, an annual reminder is issued to all Employees.</li> </ul> <ul style="list-style-type: none"> <li>• <b>Respecting the rule of law;</b> <ul style="list-style-type: none"> <li>• The Council has in place a Monitoring Officer who works with Members and Officers to ensure that the law is adhered to.</li> <li>• There is a protocol in place for the Monitoring Officer, which sets out their role and supports them in fulfilling their responsibilities.</li> <li>• Legal advice is given in reports for all decisions to be taken by Members.</li> </ul> </li> </ul>	

<b>Core Principle B</b>	<b>Ensuring openness and comprehensive stakeholder engagement</b>
<ul style="list-style-type: none"> <li>• <b>Openness:</b> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Copies of all minutes and agendas are available on the Councils website. All reports contain details of options considered and the advice provided by officers regarding legal and financial implications. The minutes include the reasons behind the decisions made.</li> <li>• The Council has a Freedom of Information Scheme in place and seeks to publish information openly on its website wherever possible and practicable to do so.</li> </ul> </li> <li>• <b>Engaging comprehensively with institutional stakeholders:</b> <ul style="list-style-type: none"> <li>• The Council has in place a Communications Strategy which sets out how we will communicate with our citizens, service users and stakeholders.</li> </ul> </li> <li>• <b>Engaging with individual citizens and service users effectively:</b> <ul style="list-style-type: none"> <li>• The Council has a consultation framework and toolkit in place and provides details of all on-going consultation exercises/surveys on its website.</li> <li>• Whenever we seek the views from the community we provide feedback on the information received and let our citizens know how it has or will be used to help shape Council decisions.</li> </ul> </li> </ul>	

<b>Core Principle C</b>	<b>Defining outcomes in terms of sustainable economic, social and environmental benefits</b>
<ul style="list-style-type: none"> <li>• <b>Defining outcomes:</b> <ul style="list-style-type: none"> <li>• The Council has a clear vision of what it wants to achieve, which is set out in its Council Plan. The vision and priorities have been informed by an analysis of needs for the Borough and also via consultation with key stakeholders and the public.</li> <li>• Each service has a Service Plan that outlines outcomes to be achieved and how they link to the Council Plan.</li> </ul> </li> <li>• <b>Sustainable economic, social and environmental benefits:</b> <ul style="list-style-type: none"> <li>• A Sustainable Community Strategy is in place which aims to create an environment where local people can articulate their priorities, needs and aspirations.</li> <li>• In addition the capital strategy sets out the principles and objectives which the Council has identified for its capital investment and how its capital plans link to other strategies and areas of activity of the Council and its partners, this now extends to a 10 year period.</li> <li>• The Councils day to day services support the delivery of the Council Plan, performance in delivering the objectives are monitored by the Executive Management Team (officers), the Cabinet and Scrutiny Committees (Members).</li> </ul> </li> </ul>	

<b>Core Principle D</b>	<b>Determining and planning the actions necessary to optimise the achievement of the intended outcomes</b>
<ul style="list-style-type: none"> <li>• <b>Determining Interventions:</b> <ul style="list-style-type: none"> <li>• The principles of decision making are detailed in the Councils constitution.</li> <li>• A calendar of meetings is approved and agreed by annual Council in May each year.</li> </ul> </li> </ul>	



<b>Core Principle D</b>	<b>Determining and planning the actions necessary to optimise the achievement of the intended outcomes</b>
<ul style="list-style-type: none"> <li>• <b>Planning Interventions:</b> <ul style="list-style-type: none"> <li>• The Councils Forward Plan details all the reports relating to key decisions and the timescales within which they will be presented.</li> <li>• Service Plans are produced annually which set out the planned activities for each service area for that year.</li> </ul> </li> <li>• <b>Optimising the achievement of intended outcomes:</b> <ul style="list-style-type: none"> <li>• The Medium Term Financial Strategy considers any changes that are required to be made to the base budget to ensure that service priorities are affordable and achievable.</li> <li>• The budget process takes account of the full cost of service delivery over the medium and longer terms.</li> <li>• The budget setting process ensures that a robust and balanced budget is approved.</li> <li>• The budget setting process allows for investment which is intended to bring future efficiencies.</li> </ul> </li> </ul>	

<b>Core Principle E</b>	<b>Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Members and Officers.</b>
<ul style="list-style-type: none"> <li>• <b>Developing the councils capacity:</b> <ul style="list-style-type: none"> <li>• The Council regularly reviews its activities to ensure continuous improvement of service delivery.</li> <li>• The Council works closely with its partners to ensure the delivery of agreed outcomes to the community.</li> </ul> </li> <li>• <b>Developing the capability of the entity's leadership and other individuals:</b> <ul style="list-style-type: none"> <li>• The roles of Members, Committees, Officers and Statutory Officers are set out in the Councils Constitution, which is available on the Councils website.</li> <li>• The Council has a scheme of delegation in place which forms part of the Constitution, this sets out the types of decision made by the council and who can make these.</li> <li>• The Constitution also contains Financial Regulations and Contract Procedures which provide a framework for Officers to follow when running their services and making decisions.</li> <li>• An induction programme is in place to provide training and support for all new members and officers.</li> <li>• All officers have an annual appraisal to review performance identify any training and development needs.</li> <li>• A member development programme is in place in respect of members to identify all their training needs.</li> <li>• The Council is committed to supporting the health and well-being of the workforce through appropriate Human Resource policies, working practices and access to an occupational health service.</li> </ul> </li> </ul>	

<b>Core Principle F</b>	<b>Managing risks, performance and data through robust internal control and strong public financial management.</b>
<ul style="list-style-type: none"> <li>• <b>Managing Risk:</b> <ul style="list-style-type: none"> <li>• The Council has a risk management policy and strategy in place.</li> <li>• A strategic risk register is maintained by the Executive Management Team, progress is monitored on a quarterly basis by the Audit and Standards Committee.</li> <li>• Operational risks are identified and managed by Heads of Service; these are reviewed and monitored quarterly.</li> </ul> </li> <li>• <b>Managing Performance:</b> <ul style="list-style-type: none"> <li>• Heads of Service and Business Managers are responsible operationally for the performance in delivering day to day services. This in turn is monitored by Executive Directors and the Executive Management Team.</li> <li>• The performance of delivering the Councils priorities is monitored by Cabinet.</li> <li>• There are Scrutiny Committees in place to monitor the performance of the Council and hold the Cabinet to account for the decisions that it makes.</li> </ul> </li> <li>• <b>Robust internal control:</b> <ul style="list-style-type: none"> <li>• The internal control framework comprises a range of policies and procedures to ensure sound management of the Councils operation and delivery of services.</li> <li>• Internal Audit undertakes reviews of systems that comprise the internal control and governance framework, it provides assurance and where necessary makes recommendations for improvement.</li> <li>• The Audit and Standards Committee receives reports with regards to the internal control framework. In addition quarterly reports are presented in respect of the progress and completion of the audit plan and the implementation of outstanding recommendations.</li> </ul> </li> <li>• <b>Managing Data:</b> <ul style="list-style-type: none"> <li>• The Council has a suite of Information Security Policies to ensure and maintain the integrity of the data that</li> </ul> </li> </ul>	

<b>Core Principle F</b>	<b>Managing risks, performance and data through robust internal control and strong public financial management.</b>
<p>it holds.</p> <ul style="list-style-type: none"> <li>• In addition the Council has a Data Protection Officer in place to ensure that personal data is held securely and managed appropriately.</li> <li>• The Council has prepared for the implementation of the new General Data Protection Regulations (GDPR).</li> </ul> <ul style="list-style-type: none"> <li>• <b>Strong public financial management:</b> <ul style="list-style-type: none"> <li>• The Executive Director (Resources &amp; Support Services) as the Councils Section 151 Officer is appropriately qualified and complies with the CIPFA statement on the Role of the Chief Finance Officer.</li> <li>• The Executive Director (Resources &amp; Support Services) prepares and advises the Council on its Medium Term Financial Strategy and the Budget.</li> <li>• Regular budget monitoring reports are provided to Members and Officers.</li> <li>• Financial Regulations and Contract procedures provide a framework for the day to day management of the Councils financial transactions.</li> </ul> </li> </ul>	

<b>Core Principle G</b>	<b>Implementing good practices in transparency, reporting and assurance (including audit) to deliver effective accountability.</b>
<ul style="list-style-type: none"> <li>• <b>Implementing good practice in transparency and reporting:</b> <ul style="list-style-type: none"> <li>• The following information is reported annually to Members and is available on the Councils website; <ul style="list-style-type: none"> <li>• Performance in delivering the Council's priorities;</li> <li>• Statement of Accounts;</li> <li>• Annual Governance Statement;</li> <li>• Annual Internal Audit Report</li> <li>• Annual External Audit Letter</li> </ul> </li> <li>• In addition to the above, the Council has a transparency page on the website which provides public access to information in accordance with the Local Government Transparency Code.</li> </ul> </li> <li>• <b>Assurance and effective accountability</b> <ul style="list-style-type: none"> <li>• Internal Audit provides assurance throughout the year on the key systems of internal control.</li> <li>• The External Auditor provides assurance on the Councils financial statement.</li> <li>• The Councils governance arrangements are reviewed on an annual basis.</li> <li>• There is a Corporate Complaints, Compliments and Comments Policy in place.</li> <li>• Independent reviews of council services are undertaken from time to time, any feedback in respect of such reviews are noted and acted upon accordingly.</li> </ul> </li> </ul>	

3.2 A key element of the Councils governance arrangements concerns safeguarding. Newcastle-under-Lyme Borough Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across all its services. As a Council we are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by us. We ensure this by;

- Having a Safeguarding Policy in place,
- Mandatory training in place for all Members and Officers,
- Carrying out the appropriate level of Disclosure and Barring Service (DBS) checks for employees, and
- Working closely with the Staffordshire Safeguarding Children's Board & Staffordshire and Stoke-on-Trent Adult Safeguarding Partnership.

#### 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 Standards 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 2018/19.
- 4.4 The Scrutiny function continues to ensure effective monitoring and challenge. There are 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 Standards 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 Standards Committee in terms of fundamental recommendations and the level of assurance that can be given for that directorate based on the implementation of their recommendations. Internal Audit has continued to receive very positive 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 2018/19. 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 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.
- 4.8 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. The Council's current arrangements for the provision of Internal Audit, in partnership with Stoke-on-Trent City Council, ensure that the objectives of this role are achieved.
- 4.9 The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council keeps the Constitution under review throughout the year, with a report setting out changes to be consolidated to Council on an annual basis.
- 4.10 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.
- 4.11 There are various specialist working groups, i.e. Capital Programme Review Group, Corporate Governance, Information Governance, 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.
- 4.12 The External Auditors, Grant Thornton gave an unqualified opinion on the 2017/18 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.

- 4.13 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 is actively encouraged to come forward and voice those concerns.
- 4.14 Action has been taken after the Council received a report which it commissioned from the Association of Electoral Administrators (AEA) ("the Scallan Report"). It identified a number of issues linked to how Council staff prepared for and ran the Parliamentary election in June 2017 and recommended a number of actions which the Council incorporated into an action plan ("the Council's elections action plan") for delivery at the May 2018 elections and subsequent elections.

## 5.0 Significant governance issues

- 5.1 The former Chief Executive of the Council left the Council's employment during 2018/19 and was replaced by a new Chief Executive, Martin Hamilton.
- 5.2 The Executive Director (Resources and Support Services) was suspended from his role during 2018/19, this post is being undertaken by the Interim Executive Director (Resources and Support Services), Jan Willis during the period of suspension.
- 5.3 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 funding required for the Councils Capital Programme is maximised through the sale of assets identified for disposal as part of the Asset Management Strategy.
  - To ensure that the Council's Constitution is fit for purpose and up to date, regular reviews of its appropriateness will continue to be undertaken.
  - To continue to raise the profile and status of Information Security and Governance throughout the Council. Work to ensure that information security and data protection requirements and legislation are complied with, is to be continued.
  - 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 efficiently 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 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 address the capacity of Senior Management within the Council to and develop the capability of officers.
  - To ensure that the Council is committed to the safeguarding of all children and vulnerable adults and that they are protected and kept safe from harm whilst engaged in services organised and provided by us.
  - To develop the commercial skill sets of Officers and the Council's investment capacity in order to support the Council's long term financial sustainability.

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 Simon Tagg, Leader of the Council**

**Signed** \_\_\_\_\_

**Martin Hamilton, Chief Executive**

**Dated** \_\_\_\_\_

## Restatements Note

Expenditure incurred by the Council on the construction of Castle House has previously been accounted for in 2016/17 (£2.159m) and 2017/18 (£2.035m) as Revenue Expenditure Funded from Capital under Statute (REFCUS).

The expenditure has been restated for 2017/18 to reverse REFCUS and to create an Asset under Construction as at 31 March 2017 (£2.159m) and 31 March 2018 (£4.194m). Castle House became operational during 2018/19 and has accordingly been transferred from the asset category Asset under Construction to Land and Buildings (at its valuation).

The following statements and notes have been restated to reflect the above:

- Income and Expenditure Statement;
- Movement in Reserves Statement;
- Balance Sheet;
- Cash Flow Statement;
- Note 6, Expenditure and Funding Analysis;
- Note 8, Adjustments between accounting basis and funding basis;
- Note 19, Property, plant and equipment;
- Note 25, Unusable reserves;
- Note 26, Capital expenditure and capital financing.

The previously audited/published financial statements and the restated financial statements are shown below – restated figures, and the amendments made, have been highlighted in yellow - :

## Income and Expenditure Statement

	Published Gross Expenditure	Amendment	Restated Gross Expenditure	Published Gross Income (Unchanged)	Published Net Expenditure	Amendment	Restated Net Expenditure
2016/17	£000	£000	£000	£000	£000	£000	£000
Chief Executive	3,791		3,791	1,090	2,701		2,701
Resources & Support Services	35,123		35,123	31,469	3,654		3,654
Regeneration & Development	9,656	(2,159)	7,497	4,653	5,003	(2,159)	2,844
Operational Services	12,720		12,720	6,161	6,559		6,559
Corporate	870		870	226	644		644
<b>Cost of Services</b>	<b>62,160</b>	<b>(2,159)</b>	<b>60,001</b>	<b>43,599</b>	<b>18,561</b>	<b>(2,159)</b>	<b>16,402</b>
Other Operating Expenditure (Note 3.2.1-p26)	395		395	312	83		83
Financing & Investment Income/Expenditure (Note 3.2.2-p26)	6,964		6,964	9,204	(2,240)		(2,240)
Taxation & Non-Specific Grant Income (Note 3.2.3-p27)	9,951		9,951	25,436	(15,485)		(15,485)
<b>(Surplus)/Deficit on Service Provision</b>					<b>919</b>	<b>(2,159)</b>	<b>(1,240)</b>
(Surplus)/Deficit on Revaluation of Assets					(144)		(144)
Remeasurement of the Defined Benefit Liability/Asset (Note 4.4-p42-p45)					312		312
<b>Other Income &amp; Expenditure</b>					<b>168</b>	<b>-</b>	<b>168</b>
<b>Total Income &amp; Expenditure</b>					<b>1,087</b>	<b>(2,159)</b>	<b>(1,072)</b>

	Published Gross Expenditure	Amendment	Restated Gross Expenditure	Published Gross Income (Unchanged)	Published Net Expenditure	Amendment	Restated Net Expenditure
2017/18	£000	£000	£000	£000	£000	£000	£000
Chief Executive	3,455		3,455	968	2,487		2,487
Resources & Support Services	35,483		35,483	30,782	4,701		4,701
Regeneration & Development	10,685	(2,035)	8,650	5,457	5,228	(2,035)	3,193
Operational Services	12,572		12,572	5,726	6,846		6,846
Corporate	763		763	169	594		594
<b>Cost of Services</b>	<b>62,958</b>	<b>(2,035)</b>	<b>60,923</b>	<b>43,102</b>	<b>19,856</b>	<b>(2,035)</b>	<b>17,821</b>
Other Operating Expenditure (Note 3.2.1-p26)	411		611	981	(570)		(570)
Financing & Investment Income/Expenditure (Note 3.2.2-p26)	6,447		6,447	4,281	2,166		2,166
Taxation & Non-Specific Grant Income (Note 3.2.3-p27)	9,279		9,279	24,251	(14,972)		(14,972)
<b>(Surplus)/Deficit on Service Provision</b>					<b>6,480</b>	<b>(2,035)</b>	<b>4,445</b>
(Surplus)/Deficit on Revaluation of Assets					1,083		1,083
Remeasurement of the Defined Benefit Liability/Asset (Note 4.4-p42-p45)					(3,084)		(3,084)
<b>Other Income &amp; Expenditure</b>					<b>(2,001)</b>	<b>-</b>	<b>(2,001)</b>
<b>Total Income &amp; Expenditure</b>					<b>4,479</b>	<b>(2,035)</b>	<b>2,444</b>

## Movement in Reserves Statement

	Published General Fund Balance	Amendment	Restated General Fund Balance	Published Capital Receipts Reserve (Unchanged)	Capital Grants Unapplied (Unchanged)	Published Total Usable Reserves	Amendment	Restated Total Usable Reserves
2017/18	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017 B/Fwd</b>	(3,075)		(3,075)	(1,611)	(1,126)	(5,812)		(5,812)
<b>Movement in Reserves 2017/18</b>								
Total Comprehensive Income & Expenditure	6,480	(2,035)	4,445	-	-	6,480	(2,035)	4,445
Adjustments Between Accounting & Funding Basis (Note 3.1.1-p24-p25)	(7,424)	2,035	(5,389)	(551)	(32)	(8,007)	2,035	(5,972)
<b>Increase/Decrease in Year</b>	<b>(944)</b>		<b>(944)</b>	<b>(551)</b>	<b>(32)</b>	<b>(1,527)</b>		<b>(1,527)</b>
<b>Balance at 31 March 2018 C/Fwd</b>	<b>(4,019)</b>		<b>(4,019)</b>	<b>(2,162)</b>	<b>(1,158)</b>	<b>(7,339)</b>		<b>(7,339)</b>
<b>2016/17</b>								
<b>Balance at 31 March 2016 B/Fwd</b>	(3,507)	-	(3,507)	(6,586)	(889)	(10,982)	-	(10,982)
<b>Movement in Reserves 2016/17</b>								
Total Comprehensive Income & Expenditure	919	(2,159)	(1,240)	-	-	919	(2,159)	(1,240)
Adjustments Between Accounting & Funding Basis (Note 3.1.1-p24-p25)	(487)	2,159	1,672	4,975	(237)	4,251	2,159	6,410
<b>Increase/Decrease in Year</b>	<b>432</b>	<b>-</b>	<b>432</b>	<b>4,975</b>	<b>(237)</b>	<b>5,170</b>	<b>-</b>	<b>5,170</b>
<b>Balance at 31 March 2017 C/Fwd</b>	<b>(3,075)</b>	<b>-</b>	<b>(3,075)</b>	<b>(1,611)</b>	<b>(1,126)</b>	<b>(5,812)</b>	<b>-</b>	<b>(5,812)</b>

	Published Unusable Reserves	Amendment	Restated Unusable Reserves	Published Total Council Reserves	Amendment	Restated Total Council Reserves
2017/18	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017 B/Fwd</b>	7,056	(2,159)	4,896	1,244	(2,159)	(915)
<b>Movement in Reserves 2017/18</b>						
Total Comprehensive Income & Expenditure	(2,001)		(2,001)	4,479	(2,035)	2,444
Adjustments Between Accounting & Funding Basis (Note 3.1.1-p24-p25)	8,007	(2,035)	5,972		-	-
<b>Increase/Decrease in Year</b>	<b>6,006</b>	<b>(2,035)</b>	<b>3,971</b>	<b>4,479</b>	<b>(2,035)</b>	<b>2,444</b>
<b>Balance at 31 March 2018 C/Fwd</b>	<b>13,062</b>	<b>(4,194)</b>	<b>8,867</b>	<b>5,723</b>	<b>(4,194)</b>	<b>1,529</b>
<b>2016/17</b>						
<b>Balance at 31 March 2016 B/Fwd</b>	11,139	-	11,138	157	-	157
<b>Movement in Reserves 2016/17</b>						
Total Comprehensive Income & Expenditure	168		168	1,087	(2,159)	(1,072)
Adjustments Between Accounting & Funding Basis (Note 3.1.1-p24-p25)	(4,251)	(2,159)	(6,410)	-	-	-
<b>Increase/Decrease in Year</b>	<b>(4,083)</b>	<b>(2,159)</b>	<b>(6,242)</b>	<b>1,087</b>	<b>(2,159)</b>	<b>(1,072)</b>
<b>Balance at 31 March 2017 C/Fwd</b>	<b>7,056</b>	<b>(2,159)</b>	<b>4,896</b>	<b>1,244</b>	<b>(2,159)</b>	<b>(915)</b>



## Balance Sheet

Published 31/03/2017	Amendments	Restated 31/03/2017		Published 31/03/2018	Amendments	Restated 31/03/2018
£000	£000	£000		£000	£000	£000
43,899		43,899	Property, Plant & Equipment (Note 3.3.1-p29)	42,837		42,837
1,025		1,025	Surplus Assets (Note 3.3.1-p29)	830		830
18,893		18,893	Investment Property (Note 3.3.2-p32)	17,835		17,835
1,429		1,429	Heritage Assets (Note 3.3.3-p33)	1,429		1,429
81		81	Intangible Assets	77		77
-	2,159	2,159	Assets Under Construction	-	4,195	4,195
545		545	Long Term Debtors (Note 3.3.4-p33)	444		444
<b>65,872</b>	<b>2,159</b>	<b>68,031</b>	<b>Long Term Assets</b>	<b>63,452</b>	<b>4,195</b>	<b>67,647</b>
3,460		3,460	Short Term Investments (Note 4.6.1-p46-p47)	81		81
236		236	Inventories	194		194
8,359		8,359	Short Term Debtors (Note 3.3.4-p33)	8,570		8,570
376		376	Cash/Cash Equivalents (Note 4.6.1-p46-p47)	930		930
<b>12,431</b>	-	<b>12,431</b>	<b>Current Assets</b>	<b>9,775</b>	-	<b>9,775</b>
(6,469)		(6,469)	Short Term Creditors (Note 3.3.5-p34)	(5,876)		(5,876)
(70)		(70)	Short Term Borrowing (Note 4.6.1-p46-p47)	(2,555)		(2,555)
(725)		(725)	Provisions (Note 3.3.6-p34)	(1,004)		(1,004)
<b>(7,264)</b>	-	<b>(7,264)</b>	<b>Current Liabilities</b>	<b>(9,435)</b>	-	<b>(9,435)</b>
(173)		(173)	Provisions (Note 3.3.6-p34)	(1,047)		(1,047)
(71,709)		(71,709)	Net Pensions Liability (Note 4.4-p42-p45)	(68,025)		(68,025)
(401)		(401)	Capital Grants Receipts in Advance	(443)		(443)
<b>(72,283)</b>	-	<b>(72,283)</b>	<b>Long Term Liabilities</b>	<b>(69,515)</b>	-	<b>(69,515)</b>
<b>(1,244)</b>	<b>2,159</b>	<b>915</b>	<b>Net Assets</b>	<b>(5,723)</b>	<b>4,195</b>	<b>(1,528)</b>
			<b>Usable Reserves (Note 3.3.7-p35-p36)</b>			
1,200		1,200	General Fund Balance	1,200		1,200
1,875		1,875	Other Usable Reserves	2,819		2,819
1,611		1,611	Capital Receipts Reserve	2,162		2,162
1,126		1,126	Capital Grants Unapplied Account	1,158		1,158
<b>5,812</b>	-	<b>5,812</b>	<b>Total Usable Reserves</b>	<b>7,339</b>	-	<b>7,339</b>
			<b>Unusable Reserves (Note 3.3.8-p36-p39)</b>			
14,855		14,855	Revaluation Reserve	13,772		13,772
49,632	2,159	51,791	Capital Adjustment Account	44,819	4,195	49,014
545		545	Deferred Capital Receipts Reserve	443		443
(71,709)		(71,709)	Pensions Reserve	(71,155)		(71,155)
(7)		(7)	Collection Fund Adjustment Account	(558)		(558)
(372)		(372)	Accumulated Absences Account	(383)		(383)
<b>(7,056)</b>	<b>2,159</b>	<b>(4,897)</b>	<b>Total Unusable Reserves</b>	<b>(13,062)</b>	<b>4,195</b>	<b>(8,867)</b>
<b>(1,244)</b>	<b>2,159</b>	<b>915</b>	<b>Total Reserves</b>	<b>(5,723)</b>	<b>4,195</b>	<b>(1,528)</b>

## Cash Flow Statement

Published 2016/17 £000	Amendments £000	Restated 2016/17 £000		Published 2017/18 £000	Amendments £000	Restated 2017/18 £000
919	(2,159)	(1,240)	Net (Surplus)/Deficit on the Provision of Services (per CIES - p16)	6,480	(2,035)	4,445
(760)		(760)	<b>Adjustments</b> (Note 3.4.1-p39) For non-cash movements	(7,512)		(7,512)
831		831	For items that are Investing/Financing Activities	1,502		1,502
<b>990</b>	<b>(2,159)</b>	<b>(1,169)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>470</b>	<b>(2,035)</b>	<b>(1,565)</b>
554	2,159	2,713	Investing Activities (Note 3.4.3-p40)	(1,893)	(2,035)	142
(1,325)		(1,325)	Financing Activities (Note 3.4.4-p40)	(3,713)		(3,713)
-		-	Local Government Pension Scheme Deficit Contribution	4,582		4,582
<b>219</b>		<b>219</b>	<b>Net Increase or Decrease in Cash &amp; Equivalents</b>	<b>(554)</b>		<b>(554)</b>
(595)		(595)	Cash & Equivalents brought forward	(376)		(376)
<b>(376)</b>		<b>(376)</b>	<b>Cash &amp; Equivalents carried forward</b>	<b>(930)</b>		<b>(930)</b>

## Expenditure and Funding Analysis

	Published Net Expenditure Chargeable to the General Fund (Unchanged)	Published Adjustments between Funding & Accounting Basis	Amendment	Restated Adjustments between Funding & Accounting Basis	Published Net Expenditure - Comprehensive Inc & Exp Statement	Amendment	Restated Net Expenditure - Comprehensive Inc & Exp Statement
2016/17	£000	£000	£000	£000	£000	£000	£000
Chief Executive	2,703	(2)	-	(2)	2,701		2,701
Resources & Support Services	3,517	137	-	137	3,654		3,654
Regeneration & Development	2,390	2,613	(2,159)	454	5,003	(2,159)	2,844
Operational Services	5,678	881	-	881	6,559		6,559
Corporate	1,320	(676)	-	(676)	644		644
<b>Net Cost of Services</b>	<b>15,608</b>	<b>2,953</b>	<b>(2,159)</b>	<b>794</b>	<b>18,561</b>	<b>794</b>	<b>16,402</b>
<b>Other Income and Expenditure</b>	<b>(15,176)</b>	<b>(2,466)</b>	<b>-</b>	<b>(2,466)</b>	<b>(17,642)</b>	<b>-</b>	<b>(17,642)</b>
<b>Surplus or Deficit</b>	<b>432</b>	<b>487</b>	<b>(2,159)</b>	<b>(1,672)</b>	<b>919</b>	<b>(2,159)</b>	<b>(1,240)</b>
<b>Opening General Fund/Other Useable Reserves Balance (MIRS - p17)</b>	<b>3,507</b>						
<b>Less/Plus Surplus or Deficit on General Fund Balance in Year</b>	<b>(432)</b>						
<b>Closing General Fund/Other Useable Reserves Balance (MIRS - p17)</b>	<b>3,075</b>						

	Published Net Expenditure Chargeable to the General Fund (Unchanged)	Published Adjustments between Funding & Accounting Basis	Amendment	Restated Adjustments between Funding & Accounting Basis	Published Net Expenditure - Comprehensive Inc & Exp Statement	Amendment	Restated Net Expenditure - Comprehensive Inc & Exp Statement
2017/18	£000	£000	£000	£000	£000	£000	£000
Chief Executive	2,371	116		116	2,487		2,487
Resources & Support Services	3,432	1,269		1,269	4,701		4,701
Regeneration & Development	2,055	3,173	(2,035)	1,138	5,228	(2,035)	3,193
Operational Services	5,511	1,335		1,335	6,846		6,846
Corporate	931	(337)		(337)	594		594
<b>Net Cost of Services</b>	<b>14,300</b>	<b>5,556</b>	<b>(2,035)</b>	<b>3,521</b>	<b>19,856</b>	<b>(2,035)</b>	<b>17,821</b>
<b>Other Income and Expenditure</b>	<b>(15,244)</b>	<b>1,868</b>	<b>-</b>	<b>1,868</b>	<b>(13,376)</b>	<b>-</b>	<b>(13,376)</b>
<b>Surplus or Deficit</b>	<b>(944)</b>	<b>7,424</b>	<b>(2,035)</b>	<b>5,389</b>	<b>6,480</b>	<b>(2,035)</b>	<b>4,445</b>
<b>Opening General Fund/Other Useable Reserves Balance (MIRS - p17)</b>	<b>3,075</b>						
<b>Less/Plus Surplus or Deficit on General Fund Balance in Year</b>	<b>944</b>						
<b>Closing General Fund/Other Useable Reserves Balance (MIRS - p17)</b>	<b>4,019</b>						

# Financial Statements

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost of providing services in accordance with 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 both the Movement in Reserves Statement (page 29) and the Expenditure and Funding Analysis (page 45).

Restated 2017/18				2018/19		
Gross expenditure £000	Gross income £000	Net expenditure £000		Gross expenditure £000	Gross income £000	Net expenditure £000
3,455	968	2,487	Chief Executive	3,080	510	2,570
35,483	30,782	4,701	Resources & Support Services	33,878	30,246	3,632
8,650	5,457	3,193	Regeneration & Development	10,851	5,979	4,872
12,572	5,726	6,846	Operational Services	14,256	5,677	8,579
763	169	594	Corporate	1,512	108	1,404
<b>60,923</b>	<b>43,102</b>	<b>17,821</b>	<b>Cost of services</b>	<b>63,577</b>	<b>42,520</b>	<b>21,057</b>
411	981	(570)	Other operating expenditure (Note 10-p50)	972	375	597
6,447	4,281	2,166	Financing & investment income/expenditure (Note 11-p50)	6,775	4,386	2,389
9,279	24,251	(14,972)	Taxation & non-specific grant income/expenditure (Note 12-p50)	8,826	23,612	(14,786)
		<b>4,445</b>	<b>(Surplus)/deficit on service provision</b>			<b>9,257</b>
		1,083	(Surplus)/deficit on revaluation of assets			(5,046)
		(3,084)	Remeasurement of the defined benefit liability/asset (Note 29-p62)			3,640
		<b>(2,001)</b>	<b>Other income &amp; expenditure</b>			<b>(1,406)</b>
		<b>2,444</b>	<b>Total income &amp; expenditure</b>			<b>7,851</b>

- Resources and Support Services includes housing benefits grant income and expenditure of circa £29m.

## 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 unusable reserves. The movements in the year are broken down between gains and losses incurred in accordance with accounting practices and statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease line shows the statutory General Fund balance movements in the year following those adjustments.

	General Fund balance	Capital receipts reserve	Capital grants Unapplied	Total usable reserves	Unusable reserves	Total Council reserves
2018/19	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018 b/fwd</b>	<b>(4,019)</b>	<b>(2,162)</b>	<b>(1,158)</b>	<b>(7,339)</b>	<b>8,867</b>	<b>1,528</b>
<b>Movement in Reserves 2018/19</b>						
Total comprehensive income & expenditure	9,257	-	-	9,257	(1,406)	7,851
Adjustments between accounting & funding basis (Note 8-p49)	(8,368)	(80)	126	(8,322)	8,322	-
<b>Increase/decrease in year</b>	<b>889</b>	<b>(80)</b>	<b>126</b>	<b>935</b>	<b>6,916</b>	<b>7,851</b>
<b>Balance at 31 March 2019 c/fwd</b>	<b>(3,130)</b>	<b>(2,242)</b>	<b>(1,032)</b>	<b>(6,404)</b>	<b>15,783</b>	<b>9,379</b>
<b>Restated 2017/18</b>						
<b>Balance at 31 March 2017 b/fwd</b>	<b>(3,075)</b>	<b>(1,611)</b>	<b>(1,126)</b>	<b>(5,812)</b>	<b>4,896</b>	<b>(916)</b>
<b>Movement in Reserves 2017/18</b>						
Total comprehensive income & expenditure	4,445	-	-	4,445	(2,001)	2,444
Adjustments between accounting & funding basis (Note 8-p49)	(5,389)	(551)	(32)	(5,972)	5,972	-
<b>Increase/decrease in year</b>	<b>(944)</b>	<b>(551)</b>	<b>(32)</b>	<b>(1,527)</b>	<b>3,971</b>	<b>2,444</b>
<b>Balance at 31 March 2018 c/fwd</b>	<b>(4,019)</b>	<b>(2,162)</b>	<b>(1,158)</b>	<b>(7,339)</b>	<b>8,867</b>	<b>1,528</b>

- The General Fund balance includes £1.682m of earmarked reserves, leaving a general balance of £1.448m.

## 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 and funding basis' (page 29).

Restated 31/03/2017 £000	Restated 31/03/2018 £000		31/03/2019 £000
43,899	42,837	Property, plant & equipment (Note 19-p53)	47,534
1,025	830	Surplus assets (Note 19-p53)	676
18,893	17,835	Investment property (Note 20-p56)	16,415
2,159	4,195	Assets under construction (Note 19-p53)	-
1,429	1,429	Heritage assets (Note 21-p57)	1,429
81	77	Intangible assets	93
545	444	Long term debtors (Note 22-p57)	442
<b>68,031</b>	<b>67,647</b>	<b>Long term assets</b>	<b>66,589</b>
3,460	81	Short term investments (Note 31-p66)	-
236	194	Inventories	215
8,359	8,570	Short term debtors (Note 22-p57)	7,968
376	930	Cash/cash equivalents (Note 31-p66)	2,223
<b>12,431</b>	<b>9,775</b>	<b>Current assets</b>	<b>10,406</b>
(6,469)	(5,876)	Short term creditors (Note 23-p57)	(7,355)
(70)	(2,555)	Short term borrowing (Note 31-p66)	(77)
(725)	(1,004)	Provisions (Note 24-p58)	(1,216)
<b>(7,264)</b>	<b>(9,435)</b>	<b>Current liabilities</b>	<b>(8,648)</b>
(173)	(1,047)	Provisions (Note 24-p58)	(1,020)
(71,709)	(68,025)	Net pensions liability (Note 29-p62)	(76,140)
(401)	(443)	Capital grants receipts in advance	(566)
<b>(72,283)</b>	<b>(69,515)</b>	<b>Long term liabilities</b>	<b>(77,726)</b>
<b>915</b>	<b>(1,528)</b>	<b>Net assets</b>	<b>(9,379)</b>
		<b>Usable reserves (MIRS-p29)</b>	
1,200	1,200	General Fund balance	1,448
1,875	2,819	Other usable reserves	1,682
1,611	2,162	Capital receipts reserve	2,242
1,126	1,158	Capital grants unapplied account	1,032
<b>5,812</b>	<b>7,339</b>	<b>Total usable reserves</b>	<b>6,404</b>
		<b>Unusable reserves (Note 25-p58)</b>	
14,855	13,772	Revaluation reserve	18,818
51,791	49,014	Capital adjustment account	42,913
545	443	Deferred capital receipts reserve	443
(71,709)	(71,155)	Pensions reserve	(77,741)
(7)	(558)	Collection fund adjustment account	107
(372)	(383)	Accumulated absences account	(323)
<b>(4,897)</b>	<b>(8,867)</b>	<b>Total unusable reserves</b>	<b>(15,783)</b>
<b>915</b>	<b>(1,528)</b>	<b>Total reserves</b>	<b>(9,379)</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The 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 from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Restated 2017/18 £000		2018/19 £000
<b>4,445</b>	<b>Net (surplus)/deficit on the provision of services (per CIES-p28)</b>	<b>9,257</b>
2,977	(Increase)/decrease In creditors	(2,844)
(1,448)	Increase/(decrease) in debtors	1,460
(41)	Increase/(decrease) in inventories	19
(1,153)	(Increase)/decrease in provisions	(184)
(2,248)	Charges for depreciation/impairment of non-current assets	(2,809)
(617)	Revaluation losses on property, plant & equipment	(2,591)
(508)	Movements in fair value of investment properties	(471)
(73)	Amortisation of intangible assets	(74)
(39)	Capital element of finance leases where Council is lessor	7
(3,982)	Movement in pension liability	(4,475)
(380)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,563)
<b>(7,512)</b>	<b>Adjustments for non-cash movements</b>	<b>(13,525)</b>
142	Capital grants & contributions unapplied credited to Comprehensive Income & Expenditure Statement	15
1,360	Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1,339
-	Transfer from deferred capital receipts reserve on receipt of cash	-
1,502	<b>Adjustments for items that are investing/financing activities</b>	1,354
<b>(1,565)</b>	<b>Net cash flows from operating activities</b>	<b>(2,914)</b>
4,708	Purchase of property, plant & equipment, investment property & intangible assets	1,568
36,021	Purchase of short & long term investments	38,919
(1,003)	Proceeds from sale of property, plant & equipment, investment property & intangible assets	(1,810)
(39,400)	Proceeds from short & long term investments	(39,000)
(184)	Other receipts from investing activities	(139)
<b>142</b>	<b>Net cash flows from investing activities</b>	<b>(462)</b>
(3,500)	Cash receipts of borrowing	-
(1,634)	Other receipts from financing activities	(653)
1,015	Repayments of borrowing	2,478
406	Other payments for financing activities	258
<b>(3,713)</b>	<b>Net cash flows from financing activities</b>	<b>2,083</b>
4,582	Local Government Pension Scheme deficit contribution	-
<b>(554)</b>	<b>Net increase or decrease in cash &amp; equivalents</b>	<b>(1,293)</b>
(376)	Cash & equivalents brought forward	(930)
<b>(930)</b>	<b>Cash &amp; equivalents carried forward</b>	<b>(2,223)</b>

The cash flows for operating activities include the following items:

2017/18 £000		2018/19 £000
(66)	Interest received	(75)
-	Interest paid	6

# Notes to the Financial Statements

## 1. Accounting Policies

### i. General principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which is required to be prepared in accordance with accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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.

Materiality levels throughout the accounts are based upon the relevance to the users of the accounts and notes and the amounts advised to the Council by its external auditors (£1.250m), triviality levels are advised to be £0.062m.

### 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and used, 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 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 financial institutions 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.

### iv. Prior period adjustments, changes in Accounting Policies and estimates and errors

Prior period adjustments may arise from changes 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 made when required by 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.

## v. 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 amortisation. These are therefore reversed out by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

## vi. Council Tax and Non Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 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 benefits such as wages and salaries, annual leave and sick leave and non-monetary benefits for current employees that 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 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 at the earlier of when the Council can no longer withdraw the offer of those benefits or costs for a restructuring are recognised.

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 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 2.4% (2.4% for the unfunded scheme);
- 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;
  - Unitised securities – current bid price;
  - Property – market value.

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

- Service Cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost - the increase in liabilities 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;

- Remeasurements comprising
  - 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 are 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 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 (CIES) 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The financial assets that the Council holds are measured at amortised cost.

### Financial assets measured at amortised cost

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.

Financial assets measured at amortised cost 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

### Short term investments

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. Lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of a 12 month expected loss.

### 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 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 (CIES) 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-ring fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, 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. 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. 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. 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').

## **xiii. 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 (CIES). 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 CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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.

#### **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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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) and 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.

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 service segments in accordance with the authority's arrangements for accountability and financial performance.

## 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 price;
- 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 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 and assets under construction – depreciated historical cost. Where the historical cost is unknown, a nominal value of £1 is attributed to the asset concerned;
- Community assets - depreciated historical cost, or the valuation option as per section 4.10 of the Code of Practice on local government accounting 2018/19 (this permits valuations by any method that is appropriate and relevant);
- All other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. 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.

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.

### **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.

### **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**

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.

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.

## **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. 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 transferred back into the General Fund balance 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, local taxation 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. 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

At the balance sheet date the following new standards and amendments to existing standards that are deemed to have material significance to the Council, have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). Implementation for local government has been deferred to 1 April 2020.

## 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:

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

- Expenditure incurred by the Council on the construction of Castle House has previously been accounted for in 2016/17 (£2.159m) and 2017/18 (£2.035m) as Revenue Expenditure Funded from Capital under Statute (REFCUS).
- From advice supplied by the District Valuer and discussion between the partners taking account of accounting rules and guidance it was agreed to treat Castle House as a finance lease and to recognise the asset in the balance sheet.
- Taking into account the fact that at the end of the lease term, the asset transfers to the Borough Council and any gains or losses from the fluctuation in value of the residual asset accrue to the Council, we classified this on the balance sheet as an Asset under Construction (on the understanding that the asset will become the Borough Councils), and that in our judgement this classification is the most suitable and logical to users of the Council's accounts.
- The expenditure has been restated for 2017/18 to reverse REFCUS and to create an Asset under Construction as at 31 March 2017 (£2.159m) and 31 March 2018 (£4.194m). Castle House became operational during 2018/19 and has accordingly been transferred from the asset category Asset under Construction to Land and Buildings (at its valuation).

#### **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 2019 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 2019 the Council's share of the estimated appeals against business rates is £2.029m.

#### **5. Events after the reporting period**

The Statement of Accounts was authorised for issue by the Executive Director (Resources and Support Services) on 30 May 2019. 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 2019 which required the amendment of figures in the financial statements or notes to the financial statements.

## 6. Expenditure and Funding Analysis

This analysis shows how expenditure is used and funded from resources (government grants, council tax and business rates) by the Council compared to resources consumed or earned in accordance with accounting practices. It also shows how expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under accounting practice is presented fully in the Comprehensive Income and Expenditure Statement (page 28).

Restated 2017/18				2018/19		
Net expenditure chargeable to the General Fund £000	Adjustments between funding & accounting Basis £000	Net Expenditure - Comprehensive Inc & Exp Statement £000		Net expenditure chargeable to the General Fund £000	Adjustments between funding & accounting basis £000	Net expenditure - Comprehensive Inc & Exp Statement £000
2,371	116	2,487	Chief Executive	2,533	37	2,570
3,432	1,269	4,701	Resources & Support Services	3,310	322	3,632
2,055	1,138	3,193	Regeneration & Development	1,871	3,001	4,872
5,511	1,335	6,846	Operational Services	6,117	2,462	8,579
931	(337)	594	Corporate	781	623	1,404
<b>14,300</b>	<b>3,521</b>	<b>17,821</b>	<b>Net cost of services</b>	<b>14,612</b>	<b>6,445</b>	<b>21,057</b>
<b>(15,244)</b>	<b>1,868</b>	<b>(13,376)</b>	<b>Other income and expenditure</b>	<b>(13,723)</b>	<b>1,923</b>	<b>(11,800)</b>
<b>(944)</b>	<b>5,389</b>	<b>4,445</b>	<b>Surplus or deficit</b>	<b>889</b>	<b>8,368</b>	<b>9,257</b>
<b>3,075</b>			<b>Opening General Fund/other useable reserves balance (MIRS-p29)</b>	<b>4,019</b>		
<b>944</b>			<b>Less/plus surplus or deficit on General Fund balance in year</b>	<b>(889)</b>		
<b>4,019</b>			<b>Closing General Fund/other useable reserves balance (MIRS-p29)</b>	<b>3,130</b>		

- The General Fund balance includes £1.682m of earmarked reserves, leaving a general balance of £1.448m.

## 6a. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for capital purposes (Note 1)	Net change for the pensions adjustments (Note 2)	Other differences (Note 3)	Total adjustments
2018/19	£000	£000	£000	£000
Chief Executive	3	41	(7)	37
Resources & Support Services	239	125	(42)	322
Regeneration & Development	2,896	119	(14)	3,001
Operational Services	2,224	236	2	2,462
Corporate	-	623	-	623
<b>Net cost of services</b>	<b>5,362</b>	<b>1,144</b>	<b>(61)</b>	<b>6,445</b>
<b>Other income and expenditure</b>	<b>1,161</b>	<b>1,802</b>	<b>(1,040)</b>	<b>1,923</b>
<b>Difference between General Fund surplus or deficit &amp; Comprehensive Income &amp; Expenditure Statement surplus or deficit on the provision of services</b>	<b>6,523</b>	<b>2,946</b>	<b>(1,101)</b>	<b>8,368</b>

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for capital purposes (Note 1)	Net change for the pensions adjustments (Note 2)	Other differences (Note 3)	Total adjustments
Restated 2017/18	£000	£000	£000	£000
Chief Executive	29	84	3	116
Resources & Support Services	1,009	241	19	1,269
Regeneration & Development	912	236	(9)	1,139
Operational Services	861	475	(1)	1,335
Corporate	(71)	(266)	-	(337)
<b>Net cost of services</b>	<b>2,740</b>	<b>770</b>	<b>12</b>	<b>3,522</b>
<b>Other income and expenditure</b>	<b>(484)</b>	<b>1,762</b>	<b>590</b>	<b>1,868</b>
<b>Difference between General Fund surplus or deficit &amp; Comprehensive Income &amp; Expenditure Statement surplus or deficit on the provision of services</b>	<b>2,256</b>	<b>2,532</b>	<b>602</b>	<b>5,390</b>

### Notes

#### 1. Adjustments for capital purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable

without conditions or for which conditions were satisfied. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable without conditions or for which conditions were satisfied.

## 2. Net change for the pensions adjustments

This column shows the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

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

## 3. Other differences

This column shows other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable recognised under statute.

The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

## 7. Segmental income and expenditure

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 requires that where certain items of significant income and expenditure are included in the 'net expenditure chargeable to the general fund' as shown in the Expenditure and Funding Analysis, these must be disclosed in a separate note as shown below:

2017/18 £000	Segment	2018/19 £000
	<b><i>Depreciation &amp; amortisation</i></b>	
29	Chief Executive	3
165	Resources & Support Services	165
301	Regeneration & Development	190
837	Operational Services	1,189
<b>1,332</b>	<b>Total</b>	<b>1,547</b>
	<b><i>Impairment</i></b>	
-	- Chief Executive	-
844	Resources & Support Services	74
-	- Regeneration & Development	512
15	Operational Services	638
<b>859</b>	<b>Total</b>	<b>1,224</b>
	<b><i>External Income</i></b>	
736	Chief Executive	302
925	Resources & Support Services	1,180
5,048	Regeneration & Development	5,055
5,716	Operational Services	5,451
169	Corporate	108
<b>12,594</b>	<b>Total</b>	<b>12,096</b>

## 8. Adjustments between accounting basis and funding basis

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 accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2018/19	General Fund balance	Capital receipts reserve	Capital grants unapplied	Unusable reserves
	£000	£000	£000	£000
<b>Adjustments primarily involving - capital adjustment account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Charges for depreciation & impairment of non-current assets	(2,809)	-	-	2,809
Revaluation losses on property, plant & equipment	(2,591)	-	-	2,591
Movements in fair value of investment properties	(471)	-	-	471
Amortisation of intangible assets	(74)	-	-	74
Reversal of REFCUS expenditure	(1,574)	-	-	1,574
Reversal of REFCUS income	1,574	-	-	(1,574)
Non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(1,563)	-	-	1,563
Capital element of finance leases where Council is the lessor	7	-	-	(7)
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Statutory provision for the financing of capital investment	-	-	-	-
Capital expenditure charged in year to the General Fund	-	-	-	-
<b>Adjustments primarily involving - capital grants unapplied account</b>				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	15	-	(15)	-
Application of grants to capital financing transferred to the capital adjustment account	-	-	141	(141)
<b>Adjustments primarily involving - capital receipts reserve</b>				
Transfer of sales proceeds from revenue to the capital receipts reserve	1,339	(1,339)	-	-
Use of the capital receipts reserve to finance capital	-	1,266	-	(1,266)
Transfer from deferred capital receipts reserve on receipt of cash	-	(7)	-	7
<b>Adjustments primarily involving - pensions reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(6,875)	-	-	6,875
Employers pension contributions and direct payments to pensioners payable in the year	3,929	-	-	(3,929)
<b>Adjustments primarily involving - collection fund adjustment account</b>				
Amount That 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	665	-	-	(665)
<b>Adjustments primarily involving - accumulated absences account</b>				
Amount by which Officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from remuneration chargeable calculated for the year	60	-	-	(60)
<b>Total adjustments</b>	<b>(8,368)</b>	<b>(80)</b>	<b>126</b>	<b>8,322</b>



Restated 2017/18	General Fund balance	Capital receipts reserve	Capital grants unapplied	Unusable reserves
	£000	£000	£000	£000
<b>Adjustments primarily involving - capital adjustment account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Charges for depreciation & impairment of non-current assets	(2,248)	-	-	2,248
Revaluation losses on property, plant & equipment	(617)	-	-	617
Movements in fair value of investment properties	(508)	-	-	508
Amortisation of intangible assets	(73)	-	-	73
Reversal of REFCUS expenditure	(1,670)	-	-	1,670
Reversal of REFCUS income	1,666	-	-	(1,666)
Non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(380)	-	-	380
Capital element of finance leases where Council is the lessor	(39)	-	-	39
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Statutory provision for the financing of capital investment	-	-	-	-
Capital expenditure charged in year to the General Fund	71	-	-	(71)
<b>Adjustments primarily involving - capital grants unapplied account</b>				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	142	-	(142)	-
Application of grants to capital financing transferred to the capital adjustment account	-	-	110	(110)
<b>Adjustments primarily involving - capital receipts reserve</b>				
Transfer of sales proceeds from revenue to the capital receipts reserve	1,360	(1,360)	-	-
Use of the capital receipts reserve to finance capital	-	871	-	(871)
Transfer from deferred capital receipts reserve on receipt of cash	-	(62)	-	62
<b>Adjustments primarily involving - pensions reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(6,328)	-	-	6,328
Employers pension contributions and direct payments to pensioners payable in the year	3,798	-	-	(3,798)
<b>Adjustments primarily involving - collection fund adjustment account</b>				
Amount That 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	(551)	-	-	551
<b>Adjustments primarily involving - accumulated absences account</b>				
Amount by which Officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from remuneration chargeable calculated for the year	(12)	-	-	12
<b>Total adjustments</b>	<b>(5,389)</b>	<b>(551)</b>	<b>(32)</b>	<b>5,972</b>

## 9. Movements in earmarked reserves

2017/18				2018/19		
Transfers out £000	Transfers in £000	Net movement £000		Transfers out £000	Transfers in £000	Net movement £000
-	-	-	General Fund	-	248	248
(120)	191	71	Equipment replacement fund	(111)	91	(20)
(272)	270	(2)	Renewals and repairs fund	(191)	191	-
-	70	70	ICT development fund	(92)	74	(18)
(36)	-	(36)	Deposit guarantee reserve	-	-	-
(72)	147	75	Contingency reserve fund	(110)	-	(110)
(83)	169	86	Budget support fund	(205)	152	(53)
(10)	10	-	Conservation and heritage fund	(17)	10	(7)
(3)	-	(3)	Museum purchases fund	-	-	-
(42)	42	-	Maintenance contributions	(75)	-	(75)
-	5	5	Mayors charities reserve	(4)	-	(4)
(105)	-	(105)	Revenue investment fund	-	-	-
-	-	-	Borough growth fund	-	56	56
-	-	-	Standards reserve	(7)	-	(7)
(57)	-	(57)	Keele masterplan reserve	(46)	-	(46)
-	911	911	Business Rates reserve	(853)	-	(853)
<b>(800)</b>	<b>1,815</b>	<b>1,015</b>	<b>Total</b>	<b>(1,711)</b>	<b>822</b>	<b>(889)</b>

## 10. Other operating expenditure

2017/18 £000		2018/19 £000
411	Parish precepts	559
(142)	(Gains)/losses on disposal of non-current assets	413
(839)	Capital income not arising from asset sales	(375)
<b>(570)</b>	<b>Total</b>	<b>597</b>

## 11. Financing and investment income and expenditure

2017/18 £000		2018/19 £000
1	Interest payable & similar charges	5
1,762	Interest on the net defined benefit liability	1,802
(65)	Interest receivable & similar income	(83)
(1,144)	Investment properties - rental income	(1,025)
675	Investment properties - revaluations	471
937	Investment properties - expenses	1,219
<b>2,166</b>	<b>Total</b>	<b>2,389</b>

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

2017/18 £000		2018/19 £000
(7,421)	Council Tax income	(7,519)
8,791	Non Domestic Rates expenditure	9,470
(13,295)	Non Domestic Rates income	(14,519)
(2,905)	Non-ringfenced Government grants	(2,203)
(142)	Capital grants & contributions	(15)
<b>(14,972)</b>	<b>Total</b>	<b>(14,786)</b>

### 13. Expenditure and income analysed by nature

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

Restated 2017/18 £000		2018/19 £000
	<b>Expenditure</b>	
18,718	Employees	18,489
2,405	Premises	2,499
827	Transport	857
6,484	Supplies and services	5,494
1,600	Grants	1,689
258	Contributions	229
816	Agency and contracted services	833
29,430	Housing Benefits payments	28,566
3,447	Capital financing	5,944
1	Capital financing costs	6
9,691	Sources of finance expenditure	9,385
4,873	Pensions interest cost	5,080
<b>78,550</b>	<b>Total expenditure</b>	<b>79,071</b>
	<b>Income</b>	
839	Capital income not arising from asset sales	375
142	Gains/(losses) on disposal of non current assets	(600)
20,134	Sources of finance income	20,063
33,772	Government grants	32,789
138	Transfer from Collection Fund	140
1,064	Other grants and contributions	1,780
3,223	Reimbursements	1,802
8,010	Customer receipts	8,363
1,044	Rents	898
65	Interest and investment income	83
500	Summons costs	473
3,111	Pensions return on assets	3,278
28	Other income	370
<b>72,070</b>	<b>Total income</b>	<b>69,814</b>
<b>6,480</b>	<b>Surplus or deficit on provision of services</b>	<b>9,257</b>

### 14. 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 (Grant Thornton):

2017/18 £000		2018/19 £000
55	External audit services carried out	42
6	Certification of grant claims and returns	9
<b>61</b>		<b>51</b>

### 15. Members' allowances

In 2018/19 a total of £251,097 was paid to members (including the Mayor and Deputy Mayor) in respect of allowances (£316,437 in 2017/18). In addition expenses of £2,734 were paid to members (£2,937 in 2017/18).

### 16. Termination benefits

The Council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £140,317 (£92,721 in 2017/18). The termination benefits consisted of £139,492 for loss of office and £825 in relation to long service awards.

## 17. Officers' remuneration

Remuneration between £50,000 and £150,000 per annum was paid to the Council's senior employees as follows:

2018/19 - Post holder	Salary (£)	Benefits in kind (£)	Total exc. employer pension (£)	Employer pension (£)	Total inc. employer pension (£)
Chief Executive <sup>^</sup>	53,698	-	53,698	9,034	62,732
<b>Executive Directors</b>					
Operational Services	89,143	1,247	90,390	15,243	105,633
Resources & Support Services	89,143	-	89,143	15,243	104,386
Regeneration & Development <sup>^</sup>	66,857	2,049	68,906	12,920	81,826
<b>Heads of Service</b>					
Operations	56,207	1,338	57,545	9,611	67,156
Recycling and Fleet Services	54,059	422	54,481	9,244	63,725
Planning	58,449	-	58,449	9,995	68,444
Leisure and Cultural Services	58,449	-	58,449	9,995	68,444
Communications	52,861	-	52,861	9,039	61,900
Environmental Health	58,352	-	58,352	9,996	68,348
Audit & Elections <sup>^</sup>	21,902	687	22,589	3,745	26,334
Human Resources <sup>^</sup>	43,803	-	43,803	6,741	50,544
Customer & ICT <sup>**^</sup>	8,952	-	8,952	1,531	10,483
Finance <sup>**^</sup>	18,259	-	18,259	-	18,259

2017/18 - Post Holder	Salary (£)	Benefits in kind (£)	Total exc. employer pension (£)	Employer pension (£)	Total inc. employer pension (£)
Chief Executive <sup>*</sup>	107,494	-	107,494	17,397	124,892
<b>Executive Directors</b>					
Regeneration & Development	88,080	1,375	89,455	14,945	104,399
Operational Services	87,458	-	87,458	14,945	102,402
Resources & Support Services	87,395	2,750	90,145	16,594	106,739
<b>Heads of Service</b>					
Operations	60,286	1,650	61,936	10,164	72,100
Recycling and Fleet Services	51,155	688	51,843	8,695	60,538
Planning	57,303	-	57,303	9,799	67,102
Leisure and Cultural Services	57,303	-	57,303	9,799	67,102
Communications	51,533	1,650	53,183	8,812	61,995
Environmental Health	55,490	-	52,357	9,446	61,322
Audit & Elections	55,053	1,650	56,703	8,593	65,296
Human Resources	50,253	-	50,253	8,593	58,846
Customer & ICT <sup>**</sup>	26,632	841	27,473	4,187	31,660
Finance <sup>**</sup>	19,499	-	19,499	-	19,499

\* This includes salary of £101,740 plus Returning Officers fees for the Borough Council elections.

\*\* These staff work part time, their full time equivalent salary would exceed £50,000 per annum.

<sup>^</sup> These post holders either left during the year or two officers held the post resulting in a gap during the year.

## 18. Grant income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure:

2017/18 £000		2018/19 £000
	<b>Credited to taxation/non specific grant</b>	
142	Planning obligations contributions	15
221	Other Government grants	174
1,064	Section 31/Business Rates relief grant	1,331
1,630	New Homes Bonus scheme	1,262
1,060	Revenue Support Grant	589
<b>4,117</b>	<b>Total</b>	<b>3,371</b>
	<b>Credited to services</b>	
29,055	Housing Benefits subsidy/grants	28,258
513	Housing Benefit/Council Tax Benefit admin	484
1,452	Disabled Facilities Grant	1,574
53	Individual Electoral Registration Section 31	48
-	Air Quality	500
40	Homelessness	77
135	Other grants and contributions	206
137	Contributions towards Community Safety	50
<b>31,385</b>	<b>Total</b>	<b>31,197</b>

## 19. Property, plant and equipment

### Movements on balances

2018/19	Land & buildings	Infrastructure assets	Vehicles, plant, furniture & equipment	Community assets	Assets under construction	Surplus assets	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>							
<b>At 1 April 2018</b>	<b>28,286</b>	<b>1,338</b>	<b>17,820</b>	<b>7,779</b>	<b>4,194</b>	<b>830</b>	<b>60,247</b>
Additions	172	-	423	171	-	-	766
Revaluation increases/(decreases) - revaluation reserve	3,219	1	-	105	-	-	3,325
Revaluation increases/(decreases) - surplus/deficit on provision of services	(3,755)	-	(77)	(171)	-	-	(4,003)
Derecognition - disposals	(221)	-	(435)	(10)	-	-	(666)
Transfers between asset categories	4,537	-	-	-	(4,194)	(154)	189
<b>At 31 March 2019</b>	<b>32,238</b>	<b>1,339</b>	<b>17,731</b>	<b>7,874</b>	<b>-</b>	<b>676</b>	<b>59,858</b>
<b>Accumulated depreciation &amp; impairment</b>							
<b>At 1 April 2018</b>	(2,923)	(474)	(7,809)	(1,180)	-	-	(12,386)
Depreciation charge	(665)	(26)	(594)	(216)	-	-	(1,501)
Write out of accumulated depreciation	1,831	-	-	154	-	-	1,985
Derecognition - disposals	-	-	254	-	-	-	254
<b>At 31 March 2019</b>	<b>(1,757)</b>	<b>(500)</b>	<b>(8,149)</b>	<b>(1,242)</b>	<b>-</b>	<b>-</b>	<b>(11,648)</b>
<b>Net book value</b>							
As at 31 March 2018	25,363	864	10,011	6,599	4,194	830	47,861
As at 31 March 2019	30,481	839	9,582	6,632	-	676	48,210

Restated 2017/18	Land & buildings	Infrastructure assets	Vehicles, plant, furniture & equipment	Community assets	Assets under construction	Surplus assets	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>							
<b>At 1 April 2017</b>	<b>30,471</b>	<b>1,338</b>	<b>17,262</b>	<b>7,302</b>	<b>2,159</b>	<b>1,025</b>	<b>59,557</b>
Additions	16	-	2,272	108	2,035	-	4,431
Revaluation increases/(decreases) - revaluation reserve	(1,459)	-	-	376	-	-	(1,083)
Revaluation increases/(decreases) - surplus/deficit on provision of services	(928)	-	(845)	(7)	-	(195)	(1,975)
Derecognition - disposals	-	-	(869)	-	-	-	(869)
Transfers between asset categories	186	-	-	-	-	-	186
<b>At 31 March 2018</b>	<b>28,286</b>	<b>1,338</b>	<b>17,820</b>	<b>7,779</b>	<b>4,194</b>	<b>830</b>	<b>60,247</b>
<b>Accumulated depreciation &amp; impairment</b>							
<b>At 1 April 2017</b>	(2,827)	(448)	(8,110)	(1,089)	-	-	(12,474)
Depreciation charge	(595)	(26)	(551)	(91)	-	-	(1,263)
Derecognition - disposals	-	-	852	-	-	-	852
Derecognition - Other	499	-	-	-	-	-	499
<b>At 31 March 2018</b>	<b>(2,923)</b>	<b>(474)</b>	<b>(7,809)</b>	<b>(1,180)</b>	<b>-</b>	<b>-</b>	<b>(12,386)</b>
<b>Net book value</b>							
As at 31 March 2017	27,644	890	9,152	6,213	2,159	1,025	47,083
As at 31 March 2018	25,363	864	10,011	6,599	4,194	830	47,861

## 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:

- Land and buildings - 60 years, unless the valuation basis is depreciated replacement cost, where individual lives apply to each asset;
- Vehicles, plant, furniture and 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

There are no capital commitments at 31 March 2019. There were no capital commitments at 31 March 2018.

## 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 2019 and for the prior period.

Restated 31/03/2018 £000		31/03/2019 £000
830	Surplus assets	676
	<b>Land and buildings</b>	
2,795	Community Centres	3,793
5,891	Car Parks charging	5,891
1,518	Car Parks non-charging	634
1,378	Depot	1,650
2,672	Offices	5,505
380	Guildhall	221
221	Bus Station	221
1,264	Cemeteries	970
521	Crematorium	533
8,936	Leisure Centres	9,930
1,487	Parks and Sports grounds	1,771
520	Museum	520
114	Public toilets	60
157	Business Centre	95
432	Other land and buildings	444
1,338	Infrastructure assets	1,339
17,820	Vehicles, plant, furniture, equipment	17,731
4,194	Assets under construction	-
7,779	Community assets	7,874
<b>60,247</b>	<b>Total</b>	<b>59,858</b>

## 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 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 being used for operational purposes and whether there is any impairment applicable to the asset.

Valuations over the rolling period were as follows:

	Land & buildings £000	Vehicles, plant, furniture & equipment £000	Community assets £000	Infrastructure assets £000	Surplus assets £000	Total £000
Carried at historical cost	9	17,731	4,469	1,267	-	23,476
Valued at fair value at:						
31 March 2015	18	-	-	-	-	18
31 March 2016	3,442	-	61	-	-	3,503
31 March 2017	270	-	-	-	-	270
1 April 2017	5,068	-	930	-	675	6,673
1 April 2018	23,432	-	2,414	72	-	25,918
<b>Total cost or valuation</b>	<b>32,239</b>	<b>17,731</b>	<b>7,874</b>	<b>1,339</b>	<b>675</b>	<b>59,858</b>

## 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 and the valuation technique employed is the investment basis, using the rental value and yield as unobservable inputs. Significant changes in any of these inputs will result in a lower or higher fair value. There have been no changes in any of the valuation techniques employed during the year.

## 20. Investment properties

There are no restrictions on the Council's ability to realise the value of its investment property or on the Council's right to the receipt 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 level 3 investment properties over the year:

2017/18 £000		2018/19 £000
<b>18,893</b>	<b>Balance at 1 April</b>	<b>17,835</b>
126	Additions - subsequent expenditure	477
(363)	Disposals	(1,152)
(635)	Net gains/(losses) - fair value adjustments	(556)
(186)	Transfers (to)/from property, plant & equipment	(189)
<b>17,835</b>	<b>Balance at 31 March</b>	<b>16,415</b>

### Valuation techniques used to determine Level 3 fair values for investment properties

The fair value for development sites is based on the market approach using current market conditions, 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 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.

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

Investment property type	31/03/2019 £000	Valuation technique used to measure fair value	Unobservable Inputs	Sensitivity
Shops	2,596	Investment method	Rental values yield	(a)
Offices	1,187	Investment method	Rental values yield	(a)
Industrial units	2,930	Investment method	Rental values yield	(a)
Other	1,902	Investment method	Rental values yield	(a)
Development sites	7,800	Comparable method	Capital value	(a)
	<b>16,415</b>			

(a) Significant changes in rental value, yield or capital value will result in a varied 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 professional standards of the Royal Institution of Chartered Surveyors.



## 21. 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 30) 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 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 2018/19.

### 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.

### 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.

## 22. Debtors

31/03/2018 £000	Short term	31/03/2019 £000
2,225	Trade receivables	1,636
6,345	Other receivable amounts	6,332
<b>8,570</b>	<b>Total</b>	<b>7,968</b>

31/03/2018 £000	Long term	31/03/2019 £000
140	Finance lease balances outstanding	146
1	Right to buy mortgages	-
303	Kickstart loans (re. home improvements)	296
<b>444</b>	<b>Total</b>	<b>442</b>

## 23. Creditors

31/03/2018 £000		31/03/2019 £000
300	Trade payables	274
5,576	Other payables	7,081
<b>5,876</b>	<b>Total</b>	<b>7,355</b>

## 24. Provisions

	Short term	Long term			Total long term £000
	NDR appeals £000	Insurance claims £000	MMI £000	NDR appeals £000	
<b>Balance at 1 April 2017</b>	<b>725</b>	<b>148</b>	<b>25</b>	<b>-</b>	<b>173</b>
Additional provisions made	735	33	-	874	907
Amounts used	(456)	(33)	-	-	(33)
<b>Balance at 1 April 2018</b>	<b>1,004</b>	<b>148</b>	<b>25</b>	<b>874</b>	<b>1,047</b>
Additional provisions made	741	14	9	-	23
Amounts used	(529)	(19)	-	(31)	(50)
<b>Balance at 31 March 2019</b>	<b>1,216</b>	<b>143</b>	<b>34</b>	<b>843</b>	<b>1,020</b>

The NDR appeals provision provides for the Councils element of refunds payable following successful appeals in relation to the rateable value of business rates payer's 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 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 becoming insolvent.

## 25. Unusable reserves

Balances in relation to the Council's unusable reserves are shown below:

Restated 31/03/2018 £000		31/03/2019 £000
	<b>Capital:</b>	
13,772	Revaluation reserve	18,818
49,014	Capital adjustment account	42,913
443	Deferred capital receipts reserve	443
	<b>Revenue:</b>	
(71,155)	Pensions reserve	(77,741)
(558)	Collection fund adjustment account	107
(383)	Accumulated absences account	(323)
<b>(8,867)</b>	<b>Total unusable reserves</b>	<b>(15,783)</b>

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

### Revaluation reserve

The revaluation reserve records unrealised gains in the value of property, plant and equipment. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or assets are revalued downwards or disposed of. The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

2017/18 £000		2018/19 £000
<b>14,855</b>	<b>Balance at 1 April</b>	<b>13,772</b>
808	Upward revaluation of assets not charged to the surplus/deficit on the provision of services	5,662
(1,891)	Downward revaluation of assets & impairment losses not charged to the surplus/deficit on the provision of services	(616)
<b>13,772</b>	<b>Balance at 31 March</b>	<b>18,818</b>

## Capital adjustment account

The capital adjustment account is used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system. Statute requires that the charge to the General Fund is determined by the capital controls system. The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

Restated 2017/18 £000		2018/19 £000
<b>51,792</b>	<b>Balance at 1 April</b>	<b>49,014</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>	
(2,248)	Charges for depreciation/impairment of non-current assets	(2,809)
(73)	Amortisation of intangible Assets	(74)
(1,670)	REFCUS expenditure	(1,574)
(380)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(1,563)
(508)	Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	(471)
(617)	Revaluation losses on property, plant and equipment	(2,591)
<b>(5,496)</b>		<b>(9,082)</b>
	<b>Capital financing applied in the year:</b>	
871	Use of the capital receipts reserve to finance new capital expenditure	1,266
110	Application of grants to capital financing from the capital grants unapplied account	141
1,666	REFCUS income	1,574
71	Capital expenditure charged against the General Fund	-
<b>2,718</b>		<b>2,981</b>
<b>49,014</b>	<b>Balance at 31 March</b>	<b>42,913</b>

## Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Statute requires that 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 takes place, amounts are transferred to the capital receipts reserve.

2017/18 £000		2018/19 £000
<b>545</b>	<b>Balance at 1 April</b>	<b>443</b>
(62)	Transfer to the capital receipts reserve upon receipt of cash	7
(40)	Capital element of finance leases where Council is the lessor	(7)
<b>443</b>	<b>Balance at 31 March</b>	<b>443</b>

## Pensions reserve

The pensions reserve is used to reconcile payments made for the year to statutory pension schemes in accordance with the schemes requirements, and the net change in the authority's recognised liability under the Code's adoption of IAS19 – *Employee Benefits*. A transfer is made to or from the pensions reserve to ensure that the charge to the General Fund reflects the amount required to be raised in taxation. For example, the debit balance on the reserve shows that the authority has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.

2017/18 £000		2018/19 £000
<b>(71,709)</b>	<b>Balance at 1 April</b>	<b>(71,155)</b>
3,084	Remeasurements of the net defined benefit liability/(asset)	(3,640)
(6,328)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services	(6,875)
3,798	Employers pensions contributions and direct payments to pensioners payable in the year	3,929
<b>(71,155)</b>	<b>Balance at 31 March</b>	<b>(77,741)</b>

### Collection fund adjustment account

The collection fund adjustment account is used to reconcile differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement to those amounts required to be charged by statute to the General Fund. For example, the debit balance on the Account shows that less tax has been collected on behalf of the authority and the precepting bodies (and central government in England for non-domestic rates income) than an authority is permitted to transfer out of the Collection Fund by 31 March.

2017/18 £000		2018/19 £000
<b>(7)</b>	<b>Balance at 1 April</b>	<b>(558)</b>
189	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year	(55)
(740)	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	720
<b>(558)</b>	<b>Balance at 31 March</b>	<b>107</b>

### Accumulated absences account

The accumulated absences account absorbs the differences that would 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.

2017/18 £000		2018/19 £000
<b>(372)</b>	<b>Balance at 1 April</b>	<b>(383)</b>
372	Settlement or cancellation of accrual made at the end of the preceding year	383
(383)	Amounts accrued at the end of the current year	(323)
<b>(383)</b>	<b>Balance at 31 March</b>	<b>(323)</b>

## 26. 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.

Restated 2017/18 £000		2018/19 £000
<b>828</b>	<b>Opening capital financing requirement</b>	<b>4,405</b>
	<b>Capital investment</b>	
4,431	Property, plant & equipment	766
126	Investment properties	477
69	Intangible assets	163
1,670	REFCUS	1,574
	<b>Sources of finance</b>	
(871)	Capital receipts	(1,266)
(1,777)	Government grants & other contributions	(1,715)
(71)	Sums set aside from revenue	-
<b>4,405</b>	<b>Closing capital financing requirement</b>	<b>4,404</b>
	<b>Explanation of movements in year</b>	
3,577	Capital expenditure financed from internal borrowing	-
<b>3,577</b>	<b>Increase/(decrease) in capital financing requirement</b>	<b>(1)</b>

## 27. Impairment losses

During 2018/19 the Council has recognised the following impairment losses in relation to capital expenditure incurred on enhancing non-current assets that 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 impairment losses for 2018/19 was £1.308m (2017/18 £0.986m). The whole of the impairment loss is reversed out via the Movement in Reserves Statement (page 29) in accordance with statutory provisions so that it is not a charge against council tax.

## 28. 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 (e.g. council tax bills, housing benefits).

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid is shown in Note 15 (page 51). One member is a Director on the Board of the New Victoria Theatre, payments to the New Victoria Theatre during 2018/19 amounted to £58,320. The majority of this is in relation to the annual grant that is provided to the Theatre. The member's term of office commenced 3 May 2018, and the annual grant has been issued for several years before this date. Another member is employed by the HM Courts & Tribunal

Service, however the £12,756 of payments made to the service were in relation to court fees and as such the member would have no influence. Several members of the Council also have a relationship with the Aspire Housing, Staffordshire County Council and Stoke-on-Trent City Council, through either their board membership, work as a County Councillor or regular employment. Those who have board membership or regular employment have no direct influence on the operations involving the Council.

## Officers

No payments have been made to any entities that have a relationship with Council officers during 2018/19.

## 29. Defined benefit pension schemes

### Participation in pension schemes

As part of the terms and conditions of employment of its employees, 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 disclose the payments 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 has a career average revalue earnings (CARE) benefit design, 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 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 as described in the accounting policies note.

During 2017/18 an advance payment of pension contributions for 2018/19 (£1.529m) and 2019/20 (£1.601m), totalling £3.130m, was made. This was paid in 2017/18 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 2018/19 and 2019/20.

In order to account for this transaction, the advance payment must be charged directly to the Pensions Liability, without any corresponding equal and opposite transaction in the pensions reserve. As a result of this the balance of the pensions liability at 31/03/19 is shown as being £1.601m different than the balance of the pension reserve.

During 2018/19 the advance payment relating to this year (£1.529m) has been transferred to the general fund revenue account via a transfer from the pensions reserve with a similar transaction required in 2019/20. After the final transaction in 2019/20 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 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 benefits is reversed out of the General Fund via the Movement in Reserves Statement (page 29). 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:

2017/18			2018/19	
LGPS £000	Unfunded benefits £000		LGPS £000	Unfunded benefits £000
		<b>Comprehensive Income &amp; Expenditure Statement</b>		
		<b>Cost of services:</b>		
4,544	-	Current service cost	4,084	
22	-	Past service costs/(gains)	989	
-	(434)	Unfunded benefit contributions	-	(440)
		<b>Financing and investment income &amp; expenditure</b>		
1,762	-	Net interest expense	1,802	-
<b>6,328</b>	<b>(434)</b>	<b>Total pension benefit charged to the surplus/deficit on provision of services</b>	<b>6,875</b>	<b>(440)</b>
		<b>Remeasurement of the net defined benefit liability comprising:</b>		
246	-	Return on plan assets	(6,901)	-
-	-	Changes in demographic assumptions	-	-
(3,257)	-	Changes in financial assumptions	10,394	-
(73)	-	Other experience	147	-
<b>(3,084)</b>	<b>-</b>	<b>Total pension benefit charged to Comprehensive Income &amp; Expenditure Statement</b>	<b>3,640</b>	<b>-</b>
		<b>Movement in Reserves Statement</b>		
(6,328)	434	Reversal of net charges made to the surplus/deficit on provision of services for pension benefits	(6,875)	440
		<b>Actual amount charged against the General Fund balance for pensions</b>		
-	-	Employers' contributions payable to scheme	3,929	-
3,798	(434)	Retirement benefits payable to pensioners	-	(440)
<b>(2,530)</b>	<b>-</b>		<b>(2,946)</b>	<b>-</b>

### Pensions assets and liabilities recognised in the Balance Sheet

2017/18 £000		2018/19 £000
(196,030)	Present value of defined benefit obligation	(210,635)
128,005	Fair value of plan assets	134,495
<b>(68,025)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(76,140)</b>

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

2017/18 £000		2018/19 £000
188,455	Present value of funded liabilities	189,202
7,189	Present value of unfunded liabilities	6,828
<b>195,644</b>	<b>Opening position as at 1 April</b>	<b>196,030</b>
4,544	Current service cost	4,084
22	Past service cost	989
4,873	Interest cost	5,080
713	Contributions by scheme participants	656
(3,330)	Actuarial (gains)/losses	10,541
(6,002)	Benefits paid	(6,305)
(434)	Unfunded benefits paid	(440)
<b>196,030</b>	<b>Closing balance as at 31 March</b>	<b>210,635</b>
189,202	Present value of funded liabilities	203,854
6,828	Present value of unfunded liabilities	6,781

## Local Government Pensions Scheme assets comprised

2017/18 Fair value of scheme assets			2018/19 Fair value of scheme assets	
Quoted £000	Unquoted £000		Quoted £000	Unquoted £000
		<b>Equities:</b>		
5,548	-	- Consumer	6,004	-
5,346	-	- Manufacturing	5,145	-
1,568	-	- Energy & utilities	2,155	-
5,195	-	- Financial	4,975	-
3,789	-	- Health & care	3,860	-
3,626	-	- Information technology	3,834	-
139	-	- Other	127	-
25,211	-		26,100	-
		<b>Bonds</b>		
9,712	-	- Corporate (investment)	9,985	-
-	-	- Corporate (non-investment grade)	-	-
9,712	-		9,985	-
		<b>Property</b>		
-	9,902	UK	-	11,433
-	9,902		-	11,433
		<b>Investment funds</b>		
60,493	-	- Equities	60,540	-
7,532	-	- Bonds	10,177	-
-	2,247	- Hedge funds	-	2,350
-	3,303	- Other	-	5,415
68,025	5,550		70,717	7,765
-	3,738	Private equity	-	4,815
5,867	-	Cash/cash equivalents	3,682	-
<b>108,815</b>	<b>19,190</b>	<b>Total assets</b>	<b>110,484</b>	<b>24,013</b>

## Reconciliation of the Movements in the fair value of the scheme assets

2017/18 £000		2018/19 £000
123,935	<b>Opening value of scheme assets</b>	128,005
	<b>Remeasurement gain/(loss):</b>	
3,111	Interest Income on plan assets	3,278
(246)	Return on assets excluding net interest	6,901
	<b>Actuarial gains/(losses)</b>	
6,494	Employer contributions	1,960
713	Contributions by scheme participants	656
(6,002)	Benefits paid	(6,305)
<b>128,005</b>	<b>Closing balance at 31 March</b>	<b>134,495</b>

## 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, 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 2019. The principal assumptions used by the actuary have been:



2017/18			2018/19	
LGPS	Unfunded		LGPS	Unfunded
		<b>Longevity at 65 for current pensioners:</b>		
22.1		Men	22.1	
24.4		Women	24.4	
		<b>Longevity at 65 for future pensioners:</b>		
24.1		Men	24.1	
26.4		Women	26.4	
3.4%	3.4%	Rate of inflation	3.5%	3.5%
2.8%		Rate of increase in salaries	2.9%	
2.4%	2.4%	Rate of increase in pensions	2.5%	2.5%
2.6%	2.6%	Rate for discounting scheme liabilities	2.4%	2.4%
50%		Take up 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 is based on possible changes of the assumptions occurring 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.

	Impact on defined benefit obligation £000
0.5% decrease in real discount rate	18,843
0.5% increase in the salary increase rate	2,912
0.5% increase in the pension increase rate (CPI)	15,598

### 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 valuation is due to be completed during 2019/20 to determine contribution required from 1 April 2020.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £1.752m. Expected contributions for the discretionary benefits scheme in the year to 31 March 2019 are £0.440m. The weighted average duration of the defined benefit obligation for scheme members is 15.3 years.

## 30. Contingent assets and liabilities

The Council does not have any contingent assets. Contingent liabilities as at 31 March 2019 are:

### (a) Municipal Mutual Insurance

In 1992/93 the Council's insurers, Municipal Mutual Insurance, ceased accepting business. The Scheme of Arrangement that was established to ensure an orderly wind up of the company determined that a levy could be made on the Council. The exact amount cannot be quantified, although the maximum is £745,971. £207,652 has been set aside as a provision for these costs, of which £173,933 has been paid to the administrator. This leaves a maximum contingent liability of £538,319.

### (b) VAT

The computation of the Council's 2018/19 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) Housing stock transfer warranty

Liabilities in relation to a 40 year 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.

#### (d) 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 £440,000. There is no certainty evident with the requests. Legal proceedings against local authorities have been commenced by a number of NHS trusts for which further direction is required to be given.

#### (e) Jubilee 2 Health Suite

The Health Suite is in need of significant repairs following the discovery of water damage, for which a contractual dispute has been raised with the contractor responsible for the construction of Jubilee 2. A review and further investigations will be required and it is considered prudent to estimate that these additional unforeseen costs could be in the region of £200,000 if they cannot be recovered from the contractor. An earmarked capital reserve has been established to allow for these costs.

### 31. Financial instruments

#### Categories and fair values of financial Instruments

The following categories of financial instruments are carried in the Balance Sheet at amortised cost (page 30); the table below also shows the fair values of these financial instruments:

2017/18		Measured at amortised cost	2018/19	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
81	81	Investments (loans and receivables)	-	-
9,014	9,014	Debtors	8,410	8,410
2,555	2,555	Borrowings	77	77
5,876	5,876	Creditors	7,355	7,355
930	930	Cash/cash equivalents	2,223	2,223

#### Income, expense, gains and losses

2017/18				2018/19		
Expenses & losses £000	Income & gains £000	Total £000		Expenses & losses £000	Income & gains £000	Total £000
-	-	-	Net loss on financial assets measured at amortised cost	-	-	-
1	-	1	Interest expense on financial assets measured at amortised cost	5	-	5
<b>1</b>	-	<b>1</b>	<b>Total expense in provision of services</b>	<b>5</b>	-	<b>5</b>
-	(65)	(65)	Interest income on financial assets measured at amortised cost	-	(83)	(83)
-	<b>(65)</b>	<b>(65)</b>	<b>Total income in provision of services</b>	-	<b>(83)</b>	<b>(83)</b>
<b>1</b>	<b>(65)</b>	<b>(64)</b>	<b>Net (gain)/loss for the year</b>	<b>5</b>	<b>(83)</b>	<b>(78)</b>

### 32. 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 aims to minimise adverse effects on the resources available. Risk management is carried out 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 risks arise 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 policy regarding the write off of debtors is that all possible recovery procedures must have been exhausted, significant staffs resources are committed to the recovery of debtors by the Revenues Section. Indicators that are considered when write offs are recommended include insolvency or other legal proceedings being commenced and the death of the debtor.

The following significant inputs, assumptions and estimation techniques have been used in calculating the Council's approach to impairment loss allowances:

- Debtors relating to public sector organisations are not impaired;
- A provision matrix is utilised to estimate expected credit losses based on the 'age' of debtors. The matrix identifies the relationship between the age of the Council's debtors and the risk of non-payment based on historical losses;
- Any reasonable and supportable information relating to individual debtors in terms of past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort.

The changes in the lifetime expected credit loss allowance for debtors measured at amortised costs are as follows:

2017/18 £000		2018/19 £000
<b>191,273</b>	<b>Balance at 1 April</b>	<b>104,047</b>
(177,527)	Amounts written off	(553,230)
90,301	Changes in models/risk parameters	724,335
<b>104,047</b>	<b>Balance at 31 March</b>	<b>275,152</b>

### 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 borrowing 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. The maturity analysis of borrowing is as follows:

31/03/2018 £000		31/03/2019 £000
2,555	Less than one year	77
<b>2,555</b>		<b>77</b>

All trade creditors are due to be paid in less than one year.

### 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.

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 market price will be reflected in other comprehensive income and expenditure. At 31 March 2019 the Council had no investments.

### Price risk

The Council does not have any investment in equity shares, 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.

## 33. Leases

### Council as lessee

#### Finance leases

As at 31 March 2019 the Council has no requirement to commit to making minimum payments under finance leases.

#### Operating leases

The Council has 3 items of equipment acquired by entering into operating leases (postage franking machines). The minimum lease payments as at 31 March 2019 are shown below:

31/03/2018 £000		31/03/2019 £000
-	- Not later than one year	1
-	- Later than one year, less than five years	2
-	- Later than five years	-
-		<b>3</b>

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

31/03/2018 £000		31/03/2019 £000
-	- Minimum lease payments	1
-		<b>1</b>

### Council as lessor

#### Finance leases

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

The Council has a 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 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 whilst the debtor remains outstanding. The gross investment is made up of:

31/03/2018 £000		31/03/2019 £000
	<b>Finance lease debtor (net present value of minimum lease payments):</b>	
20	Current	20
141	Non-current	130
462	Unearned finance income	431
<b>623</b>	<b>Gross investment in the lease</b>	<b>581</b>

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

31/03/2018			31/03/2019	
Minimum lease payments £000	Finance lease liabilities £000		Minimum lease payments £000	Finance lease liabilities £000
51	31	Not later than one year	51	31
168	122	Later than one year, less than five years	162	118
404	309	Later than five years	369	283
<b>623</b>	<b>462</b>		<b>582</b>	<b>432</b>

### Operating leases

The Council leases out property and equipment under operating leases for the purposes of providing community services, such as sports facilities and community centres; to gain income from its investment properties; and for economic development purposes to provide accommodation for local businesses.

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

31/03/2018 £000		31/03/2019 £000
783	Not later than one year	398
412	Later than one year, less than five years	383
1,025	Later than five years	914
<b>2,220</b>		<b>1,695</b>

## Collection Fund

The Collection Fund 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.

2017/18 Council Tax £000	2017/18 Business Rates £000	2017/18 Total £000		2018/19 Council Tax £000	2018/19 Business Rates £000	2018/19 Total £000
(58,343)	-	(58,343)	<b>Income</b>	(61,928)	-	(61,928)
-	(34,777)	(34,777)	Council Tax Payers	-	(33,725)	(33,725)
-	-	-	Business Rates Payers	-	(25)	(25)
-	-	-	<b>Transfer of previous years deficit</b>	-	(5)	(5)
-	-	-	- Newcastle-under-Lyme Borough Council	-	-	-
-	-	-	- Staffordshire County Council	-	(1)	(1)
-	-	-	- Office of Police & Crime Commissioner	-	(31)	(31)
-	-	-	- Staffordshire Fire and Rescue Authority	-		
-	-	-	- Central Government	-		
<b>(58,343)</b>	<b>(34,777)</b>	<b>(93,120)</b>	<b>Total income</b>	<b>(61,928)</b>	<b>(33,787)</b>	<b>(95,715)</b>
			<b>Expenditure</b>			
			<b>Council Tax precepts</b>			
7,188	-	7,188	- Newcastle-under-Lyme Borough Council	7,570	-	7,570
41,748	-	41,748	- Staffordshire County Council	44,562	-	44,562
6,620	-	6,620	- Office of Police & Crime Commissioner	7,088	-	7,088
2,615	-	2,615	- Staffordshire Fire and Rescue Authority	2,707	-	2,707
			<b>Business Rates apportionment</b>			
-	12,946	12,946	- Newcastle-under-Lyme Borough Council	-	12,493	12,493
-	2,913	2,913	- Staffordshire County Council	-	2,811	2,811
-	324	324	- Staffordshire Fire and Rescue Authority	-	312	312
-	16,182	16,182	- Central Government	-	15,617	15,617
			<b>Other expenditure</b>			
-	138	138	Cost of Collection	-	140	140
-	907	907	Transitional Protection	-	22	22
(1,828)	288	(1,540)	Provision for Bad Debts	501	140	641
-	2,883	2,883	Provision for Appeals	-	452	452
			<b>Transfer of previous years surplus</b>			
44	19	63	- Newcastle-under-Lyme Borough Council	5	-	5
260	4	264	- Staffordshire County Council	28	-	28
44	-	44	- Office of Police & Crime Commissioner	4	-	4
17	1	18	- Staffordshire Fire and Rescue Authority	2	-	2
-	24	24	- Central Government	-	-	-
<b>56,708</b>	<b>36,629</b>	<b>93,337</b>	<b>Total expenditure</b>	<b>62,467</b>	<b>31,987</b>	<b>94,454</b>
<b>(1,635)</b>	<b>1,852</b>	<b>217</b>	<b>Deficit/(surplus) for the year</b>	<b>539</b>	<b>(1,800)</b>	<b>(1,261)</b>
<b>(364)</b>	<b>131</b>	<b>(233)</b>	<b>Balance brought forward at 1 April</b>	<b>(1,999)</b>	<b>1,983</b>	<b>(16)</b>
<b>(1,635)</b>	<b>1,852</b>	<b>217</b>	<b>Deficit/(surplus) for the year</b>	<b>539</b>	<b>(1,800)</b>	<b>(1,261)</b>
<b>(1,999)</b>	<b>1,983</b>	<b>(16)</b>	<b>Balance carried forward at 31 March</b>	<b>(1,460)</b>	<b>183</b>	<b>(1,277)</b>
			<b>Allocation of Collection Fund balance</b>			
(235)	793	558	- Newcastle-under-Lyme Borough Council	(179)	73	(106)
(1,445)	178	(1,267)	- Staffordshire County Council	(1,055)	17	(1,038)
(90)	20	(70)	- Staffordshire Fire and Rescue Authority	(64)	2	(62)
-	992	992	- Central Government	-	91	91
(229)	-	(229)	- Office of Police & Crime Commissioner	(162)	-	(162)
<b>(1,999)</b>	<b>1,983</b>	<b>(16)</b>		<b>(1,460)</b>	<b>183</b>	<b>(1,277)</b>

## Notes

### 1. Business Rates

The Council collects business rates in its area based on non-domestic rateable values (£90.289m at 31 March 2019 and £89.868m at 31 March 2018) multiplied by a uniform business rate. The rate is specified by the Government, in 2018/19 the rate was 49.3p, with a reduction for “small businesses” to 48.0p on application (47.9p in 2017/18 - “small business” reduction, 46.6p).

The administration of business rates aims to give Councils a greater incentive to grow businesses but also results in financial risks relating to volatility in appeals and non-collection of rates. 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 2018/19 were estimated, via the NNDR1 return, before the start of the financial year as £15.617m to Central Government, £2.811m to Staffordshire County Council, £0.312m to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and £12.493m to Newcastle-under-Lyme Borough Council.

The total of these sums (£31.233m) has been paid in 2018/19 and charged to the collection fund in year.

The actual business rates payable for 2018/19, 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 £33.033m.

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 (£31.233m) and the actual business rates payable per the NNDR3 return (£33.033m) is £1.800m - a surplus to the collection fund for 2018/19 due to a reduced contribution to the appeals provision when compared to that anticipated on the NNDR1 return.

In addition to the business rates shares payable for 2018/19, the estimated 2017/18 deficit declared in January 2018 regarding business rates of £0.062m was paid to the collection fund from Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

The actual 2017/18 deficit was calculated to be £1.983m, therefore there was a shortfall of £1.921m in the collection of this deficit in 2018/19 which will need to be recouped, along with the estimated 2018/19 deficit declared in January 2019, from Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority during 2018/19.

Taking into account the remaining 2017/18 deficit and the 2018/19 surplus, the business rates collection fund has a deficit of £0.183m as at 31 March 2019.

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 2018/19 to the value of £9.006m.

### 2. Council Tax

Council Tax Income is derived from charges raised, in eight valuation bands, according to the value of residential properties. 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 2018/19 of £1,667.06 compared with £1,580.71 in 2017/18. 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 2018/19 was 36,812 (36,540 in 2017/18), this was derived as follows:

Band & value range	Number of dwellings	After discounts/exemptions	Ratio to band D	Band D equivalents
Band A-	-	46	5/9	25
Band A (Up to £40,000)	24,125	16,213	6/9	10,809
Band B (£40,001 - £52,000)	10,461	8,663	7/9	6,738
Band C (£52,001 - £ 68,000)	11,285	9,859	8/9	8,764
Band D (£68,001 - £88,000)	5,001	4,573	9/9	4,573
Band E (£88,001 - £120,000)	2,713	2,487	11/9	3,040
Band F (£120,001 - £160,000)	1,733	1,609	13/9	2,324
Band G (£160,001 - £320,000)	920	857	15/9	1,428
Band H (Over £320,000)	48	28	18/9	55
				<b>37,756</b>
Less non collection rate (2.5%)				(944)
<b>Borough Council Tax base</b>				<b>36,812</b>

In addition to the Council Tax payable for 2018/19, the estimated 2017/18 surplus declared in January 2018 regarding Council Tax of £0.039m 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 2017/18 surplus was calculated to be £1.999m; therefore there was a balance of £1.960m on the payment of this surplus in 2017/18 which will need to be paid during 2019/20 to the preceptors.

Taking into account the remaining 2017/18 surplus, the surplus declared to the preceptors for 2018/19 in January 2019 was £2.000m. The actual balance of the Council Tax collection fund as at 31 March 2019 is £1.460m. This reduced surplus, when compared to the declared amount, is due to the increased contribution to the provision for bad debts.



# Audit Certificate

## Independent Auditors report to the Members of Newcastle under Lyme Borough Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Newcastle Under Lyme Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Restatement Note, the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements and Notes to the Collection Fund Statement. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Interim Executive Director (Resources and Support Services)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Executive Director (Resources and Support Services) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Interim Executive Director (Resources and Support Services) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the interim Executive Director (Resources and Support Services) and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 14, 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 Interim Executive Director (Resources and Support Services). The Interim 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Interim Executive Director (Resources and Support Services) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Interim Executive Director (Resources and Support Services) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing 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.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Newcastle Under Lyme Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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.

*Phil Jones*

Phil Jones, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

**05 September 2019**

## Glossary

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, the passing 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.

## **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 2 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.

## Formula grant

A formula grant is paid by central government to local authorities. Formula grant is largely funded by local business rates income (which is ultimately collected for central government). Revenue Support Grant and business rates are added together to make up the formula grant, which is then distributed to local authorities using a complex formula.

## 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.

## Impairment

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

## Infrastructure assets

Fixed assets that are not able to be taken away, 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.

## 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 (NDR)

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 employer's 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 day-to-day running of the Council, including employee costs, running expenses and capital financing costs.

### Revenue expenditure funded from capital under statute (REFCUS)

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 are 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.