

Public Document Pack

Date of meeting Monday, 21st July, 2014
Time 7.00 pm
Venue Training Room 1 - Civic Offices, Merrial Street,
Newcastle-under-Lyme, Staffordshire, ST5 2AG
Contact Julia Cleary

Audit and Risk Committee

AGENDA

PART 1 – OPEN AGENDA

- 1 Apologies**
- 2 DECLARATIONS OF INTEREST**
To receive Declarations of Interest from Members on items included in the agenda
- 3 MINUTES OF PREVIOUS MEETINGS (Pages 3 - 4)**
To consider the minutes of the previous meeting.
- 4 Revised Terms of Reference for the Audit and Risk Committee (Pages 5 - 6)**
- 5 Plan of Work for the Audit Committee (Pages 7 - 8)**
- 6 Health and Safety Annual Report (Pages 9 - 18)**
 - a Newcastle Audit Committee update - Grant Thornton (Pages 19 - 30)
 - b Newcastle-under- Lyme Borough Council Planned Audit Fee for 2014 -2015 (Pages 31 - 36)
- 7 Corporate Risk Management Report (Pages 37 - 88)**
- 8 Treasury Management Annual Report (Pages 89 - 100)**
- 9 Statement of Accounts (Pages 101 - 188)**
- 10 Adoption of Internal High Risk Recommendations and Summary of Assurances (Pages 189 - 194)**
- 11 Internal Audit Annual Report (Pages 195 - 210)**
- 12 Review of the Effectiveness of the Audit Committee (Pages 211 - 218)**
- 13 Review of the Effectiveness of Internal Audit (Pages 219 - 290)**
- 14 Annual Governance Statement (Pages 291 - 304)**
- 15 URGENT BUSINESS**

To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors Loades, Taylor.J (Chair), Allport (Vice-Chair), Mrs Burgess and Jones

PLEASE NOTE: The Council Chamber and Committee Room 1 are fitted with a loop system. In addition, there is a volume button on the base of the microphones. A portable loop system is available for all other rooms. Should you require this service, please contact Member Services during the afternoon prior to the meeting.

Members of the Council: If you identify any personal training/development requirements from any of the items included in this agenda or through issues raised during the meeting, please bring them to the attention of the Democratic Services Officer at the close of the meeting.

Meeting Quorums :- 16+= 5 Members; 10-15=4 Members; 5-9=3 Members; 5 or less = 2 Members.

Officers will be in attendance prior to the meeting for informal discussions on agenda items.

AUDIT AND RISK COMMITTEE

Monday, 7th April, 2014

Present:- Councillor Paul Waring – in the Chair

Councillors Loades, Mrs Cornes, Hambleton, Taylor.J and Rout

9. APOLOGIES

Apologies were received from Cllr Mrs Peers.

10. DECLARATIONS OF INTEREST

There were no declarations of interest.

11. MINUTES OF PREVIOUS MEETINGS

Resolved: That the minutes of the previous meeting held on 17th February 2014 be agreed as a correct record.

12. CORPORATE RISK MANAGEMENT REPORT

Members queried whether the sale of council assets should be put down as a risk as any delay or failure to sell assets could be a risk to the Council's budget. Concerns were also raised regarding risks associated with the lack of a local plan. Officers stated that these areas were being monitored at present and if considered necessary they would be brought to the attention of the Committee.

Resolved: (a) That the committee note the progress that has been made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers where applicable.

(b) That the Committee note the new risks that have been identified between January to March 2014.

(c) That the Committee Identify, as appropriate, risk profiles to be scrutinised in more detail for next meeting.

13. PROTECTING THE PUBLIC PURSE

A report was submitted to inform Members of the report published by the Audit Commission in November 2013 entitled 'Protecting the Public Purse 2013'.

Resolved: That the report be noted.

14. ANTI FRAUD AND ANTI CORRUPTION POLICIES

A report was submitted to review the Councils Anti-Fraud & Anti-Corruption Framework. Theft, fraud, corruption and bribery were all criminal offences; the council was committed to the highest standards of integrity and would not tolerate them in any form. By having an anti fraud and anti corruption framework in place this demonstrated the Council's zero tolerance to any form of fraudulent activity, it was

important that the existing framework was constantly reviewed and updated to take into account new legislation, procedures and best practice.

Resolved: That the Anti-Fraud and Anti-Corruption Framework, the Whistleblowing Policy and the Fraud Response Plan be approved

15. ANTI MONEY LAUNDERING POLICY

A report was submitted in relation to the Council's Anti Money Laundering Policy. The Policy outlined the Council's commitment to creating an anti-fraud culture, and maintaining high ethical standards in its administration of public funds.

Resolved: That the Anti-Money Laundering Policy be approved

16. CODE OF CORPORATE GOVERNANCE

A report was submitted to remind Members of the requirements of the Code of Corporate Governance.

Resolved: a) That the requirements of the Code of Corporate Governance be noted.

b) That a covering letter signed by the Chair and Vice Chair of the Audit and Risk Committee be sent to all Members reminding them that a copy of the Code of Corporate Governance is available in the Members area on the Council's Intranet site

17. AUDIT PLAN 2013 - 2014

Resolved: That the plan be noted and agreed

18. EXTERNAL AUDIT PROGRESS REPORT AND COMMITTEE UPDATE

Resolved: That the report be noted

19. URGENT BUSINESS

The chair thanked officers for the hard work carried out over the year and members for their work at the meetings.

COUNCILLOR PAUL WARING
Chair

Newcastle-under-Lyme Borough Council – Audit & Risk Committee

Terms of Reference – July 2014

Audit Activity

- To receive, review and approve, but not direct the annual internal audit plan, annual strategy, terms of reference and audit protocol.
- To review quarterly Internal Audit progress reports and the main issues arising and to seek assurance that action has been taken where necessary.
- To consider reports from Internal Audit on agreed recommendations not implemented within a reasonable timescale and to monitor the Council's response to ensure that this is acceptable.
- To ensure that there are effective relationships between external and Internal Audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- To consider the Audit Managers annual report and opinion, and the level of assurance internal audit can give over the Council's corporate governance arrangements.
- To consider any reports dealing with the management or arrangements for the provision of the internal audit service.
- To ensure the internal audit section is adequately resourced and has appropriate standing within the Council.
- To receive, review and approve but not direct the annual external audit plan.
- To consider the external auditors annual audit and inspection letter, relevant reports to those charged with governance, delegating the consideration of such reports and any investigations to other committees as necessary.
- To consider specific reports as agreed with the external auditor.
- To monitor the Council's response to the external auditor's findings and the implementation of external audit recommendations.

Regulatory Framework

- To consider the internal control environment and the level of assurance that may be given as to its effectiveness, to include the review of the Annual Governance Statement and the recommendation to the Council of its adoption.
- To satisfy itself that the Council's assurance statements including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- To monitor the effectiveness of the Council's risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management. To review the effectiveness of corporate governance arrangements to ensure that the Council complies with best practice.
- To monitor the effectiveness of the Council's policies and arrangements for Anti-Fraud, Anti Corruption, Bribery and Anti Money Laundering.
- To review any issue referred to it by the Chief Executive, Section 151 Officer, Monitoring Officer, Executive Director or any Council body.
- **To maintain an overview of the Council's Constitution in respect of Standing Orders in relation to Contracts and Financial Regulations and make recommendations to Council in consultation with the Monitoring Officer and Section 151 Officer for any amendments.**
- **To receive annual reports on exceptions and exemptions to the Council's Financial Regulations and Standing Orders in Relation to Contracts**

Accounts

- To approve the Council's Statement of Accounts.
- To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

Other Areas

- To consider reports from external inspectors (for example Office of the Surveillance Commissioner, Health & Safety Executive).
- To receive reports from the Corporate Health & Safety Officer.
- To receive reports in respect of the Councils Treasury Management arrangements.

DRAFT

Audit & Risk Committee Plan of work

2014/15

Committee Date	Reports
21 July 2014	<ol style="list-style-type: none"> 1. Outstanding Recommendations & Assurance Qtr 4 2. Annual Report of Internal Audit Service 3. Review of Effectiveness of Audit Committee 4. Review of Effectiveness of Internal Audit/Updates & Action Plan 5. Annual Governance Statement with Supporting Evidence 6. Health and Safety Annual Report 2013-14 7. Risk Management Policy and Strategy 8. Unaudited Statement of Accounts 9. Work plan for 2014-15 10. Audit and Risk committee Terms of Reference 11. Treasury Management Annual Report 12. External Audit Fees 2015/16 13. External Audit – Progress Report
29 September 2014	<ol style="list-style-type: none"> 1. Qtr 1 Progress 2. Qtr 1 Outstanding Recommendations & Assurance 3. Risk Management Report – April to June 2014 4. Audited Statement of Accounts 5. External Audit – Audit Findings Report
17 November 2014	<ol style="list-style-type: none"> 1. Qtr2 Progress 2. Qtr 2 Outstanding Recommendations & Assurance 3. Health and Safety Half-Year Report April-September 2014 4. Risk Management Report – July to September 2014 5. Mid-Year Review of Treasury Management Activities 6. External Audit – Financial Resilience 7. External Audit - Annual Audit Letter 8. External Audit – Audit Progress
16 February 2015	<ol style="list-style-type: none"> 1. Qtr 3 Progress 2. Qtr 3 Outstanding Recommendations & Assurance(include Oct, Nov & Dec assurances) 3. Internal Plan 2015/16 4. Revised Audit Strategy and Terms of Reference 5. Risk Management Report – October to December 2014

	6. External Audit - Grant Claims Certification Report
16 April 2015	<ol style="list-style-type: none">1. Anti Fraud & Anti Corruption Polices – Review & Update2. Anti Money Laundering Policy3. Code of Corporate Governance4. Risk Management Report – January to March 20145. Certification of Claims and Returns (External Audit)6. Overview of the Councils Constitution in respect of Standing Orders and Financial Regulations.7. Protecting the Public Purse

AUDIT AND RISK COMMITTEE – 21st July 2014

HEALTH AND SAFETY ANNUAL REPORT

Submitted by: Claire Dodd – Corporate Health & Safety Officer

Portfolio: Finance & Resources

Ward(s) affected: None

Purpose of the Report

To inform Members of issues and trends regarding health and safety at the council.

Recommendation

That the report be noted.

1. **Background**

1.1 Attached at Appendix A is the health and safety report submitted to the council. It covers the period April 2013 to March 2014.

2. **Legal and Statutory Implications**

2.1 The council is required to comply with all relevant Health and Safety legislation.

3. **Equality Impact Assessment**

3.1 Our health and safety policy and procedures apply equally to all employees. Training is available to all employees as required.

4. **Financial & Resource Implications**

4.1 The majority of health and safety training courses are carried out in-house. On occasions, external providers are required to conduct specialist training courses i.e. First Aid. The cost of this is met from within the existing Corporate Training budget.

5. **Risks**

5.1 Failure to adopt best practice health and safety standards could result in wastage of council resources and the provision of an inefficient service.

6. **Issues**

6.1 Employee days lost at work has increased over the previous year the increase in numbers of days lost and subsequently average days lost per employee is mainly due to four long term lost time accidents where incidents have led to absence periods of 21 days, 26 days, 82 days and one absence of 184 days.

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Newcastle-under-Lyme Borough Council

HEALTH AND SAFETY ANNUAL REPORT APRIL 2013 – MARCH 2014.

1. INTRODUCTION

- 1.1 This report outlines the current state of health and safety matters during the year from 1st April 2013 to 31st March 2014.
- 1.2 There has been considerable progress made, most notably the completion of a large amount of training that has been carried out across the organisation, revision of the Corporate Health & Safety Policy, completion of Fire Evacuation Drills across the organisation, revisions and creations of policies and procedures, and the development of Target 100, the Councils Health and Safety Management System
- 1.3 Claire Dodd joined the organisation in July 2013 as the Corporate Health & Safety Officer reporting to the Head of Environmental Services.

2. POLICIES AND GUIDANCE

- 2.1 The Corporate Health and Safety Policy has been revised and is due to be presented at the Employee Consultative Committee and Joint Consultative Committee.
- 2.2 A Lone Working Policy and Guidance Document has been completed and published to coincide with the introduction of the Lone Working Devices (Identicom).
- 2.3 The Workplace No Smoking Policy has been revised and published.
- 2.4 A Draft Employee Protection Policy (how the Council will manage Potentially Violent Persons) has been written and is due to start the consultation process.

3. TARGET 100

- 3.1 Target 100 is the safety management system which the Council uses to manage and record health and safety policies, procedures, assess risk and organise routine assessments and tasks for the management and control of Health and Safety across the Council. This also provides practical Health and Safety advice and guidance to comply with the law. This was introduced in late 2010 and its use continues to be developed throughout the Council.
- 3.2 The Target 100 system providers undertake monthly independent audits on the Councils use of the system and score the performance of Health and Safety management. The monthly system usage audit reports are presented at, and monitored by, the Corporate Health and Safety Committee.

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- 3.3 The use of Target 100 includes the reporting and investigation of workplace accidents, incidents and near misses and has recently been developed to allow the recording of complaints, vehicle accidents and occupational health risk assessments.
- 3.4 To enable the Council to utilise the system fully Corporate Health and Safety have provided a number of workshops to provide 121 support for Target 100 users.

4. HEALTH AND SAFETY TRAINING

4.1 The following Health and Safety Training has been completed –

- ◆ First Aid at Work
- ◆ Streetscene/Waste services Refresher
- ◆ Fire Marshal Training (Guildhall / J2)
- ◆ Evac Chair Train the Trainer
- ◆ Fire Evacuation – Controlling Officers
- ◆ Apprentice Inductions
- ◆ Corporate Health & Safety Induction
- ◆ First Aid Refresher Training
- ◆ De-Fibrillator
- ◆ Evac Chair – operator training
- ◆ Target 100

5. ACCIDENT REPORTS

5.1 Please see below for a summary of average days lost per employee to date

Year	Number of Accidents	Number of Reportable	Total days lost	Average days lost per employee
2010/11	31	4	150	0.23
2011/12	35	3	60	0.10
2012/13	36	3	132	0.26
2013/14	43	4	355*	0.77

* The increase in numbers of days lost and subsequently average days lost per employee is mainly due to four long term lost time accidents where incidents have led to absence periods of 21 days, 26 days, 82 days and one absence of 184 days

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5.2 All accidents (staff & members of public)

Month	RIDDOR * Reportable	Non- Reportable	Near Miss	Dangerous Occurrence
April 2013	2	9	0	0
May 2013	0	6	0	0
June 2013	0	13	1	0
July 2013	1	22	2	0
August 2013	0	21	1	0
September 2013	0	18	0	0
October 2013	1	30	1	0
November 2013	2	23	0	0
December 2013	0	13	0	0
January 2014	2	25	0	0
February 2014	0	18	1	0
March 2014	0	22	0	0
TOTAL	8	220	6	0

* RIDDOR - Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (Accidents which result in over a 7 day absence from work of an employee; a member of the public taken from the premises by ambulance and major injuries (broken bones etc) would all be reportable to the Health & Safety Executive by the Local Authority.)

5.3 RIDDOR Summary

Month	Injured Person	Location	Incident Type
April 2013	Employee	Off Site Visit	Slip, trip or fall
April 2013	Member of the Public	Civic Centre	Hit by falling object
July 2013	Member of the Public	Kidsgrove Sports Centre	Hit by falling object
October 2013	Member of the Public	Kidsgrove Sports Centre	Slip, trip or fall
November 2013	Employee	Streetscene	Fall from Height
November 2013	Employee	Jubilee 2	Injured while handling
January 2014	Member of Staff	Jubilee 2	Other
January 2014	Employee	Jubilee 2	Slip, trip or fall

All RIDDOR Accidents have been reported to the HSE and full investigations have been completed by management.

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6. HEALTH AND SAFETY AUDITS & INSPECTIONS

6.1 The Corporate Health and Safety service, as part of the annual work plan, undertakes routine inspections of Council premises to identify and advise on any health and safety matters within the workplace. The following workplace inspections have been carried out during the year –

- Bradwell Crematorium
- Knutton Depot
- Museum and Art Gallery
- Kidsgrove Recreation Centre
- Knutton Lane Garage Workshops
- Knutton Recreation Centre

6.2 The Corporate Health and Safety Committee members also undertake inspections of Council premises to identify any Health and Safety matters, in order to remedy or alter the matters identified. Members of the committee carried out the following inspection –

- Kidsgrove Recreation Centre
- Customer Access – Guildhall
- Bradwell Crematorium
- Knutton Lane Garage Workshops
- Jubilee 2
- Kidsgrove Town Hall

6.3 Following the above inspections, reports were sent to the premises manager or other responsible officer outlining the findings and advising on any necessary corrective action.

6.4 The HSE carried out their final visit to Knutton Lane Depot on 28th June 2013. There were no further works required and the HSE were satisfied with the health and safety management within the service.

7. KNUTTON DEPOT

7.1 The Knutton Lane Health and Safety Committee held meetings on

- 14th June 2013
- 6th September 2013
- 4th December 2013
- 5th March 2014

7.2 Matters arising from the meetings included:-

- Traffic Management
- Site Safety Instructions
- Statutory Inspections
- Depot Inspection
- Training
- Accidents and Incidents
- Target 100

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- Visit from HSE Inspectors (Waste and Recycling Services) – health and safety in waste services is a priority area for the HSE. Following their previous inspection of the service a further and final follow up visit was undertaken. They did not identify any further works required and were satisfied with the management of health and safety within the service.

8 LEISURE (SHE) Safety, Health and Environment Meetings

The meetings have been established to oversee and monitor the implementation of British Standards for the management of Quality (ISO 9001), Environment (ISO 14001) and ISO 18001 (Health & Safety). Prior to each meeting the Corporate Health & Safety Officer meets with a service area manager to review the Health & Safety Documentation on Target 100.

During the Meetings the following points (regarding health and safety) are discussed

- Accident Statistics
- Accident / Incident Investigations
- Risk Assessments
- COSHH

9. CORPORATE HEALTH AND SAFETY COMMITTEE

9.1 The Corporate Health and Safety Committee held the following meetings during the period 1st April 2013 to 31st March 2014

- 25th June 2013
- 24th September 2013
- 17th December 2013
- 26th March 2014

9.2 Matters arising from the meetings included:-

- Kidsgrove Sports Centre – management of health and safety
- Winter Gritting
- Tenant Liaison Group
- Fire Evacuation and Training
- First Aid Provision and Training

9.3 The committee also discussed the following items, throughout the year:

- Identicom / Guardian 24
- Occupational Diseases
- Noise and Vibration
- Employee Protection Policy and Database
- Target 100
- Statutory Inspections
- Communications to / from the HSE
- Accident / Incident Statistics

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10. FIRE

- 10.1 A number of evacuations have taken place in the last 12 months including
- 6 month programmed Fire Drills across all sites
 - Evening evacuation for Elected Members and Officers
 - Evacuation of the Civic Centre due to an incident on Monday 14th October 2013
 - Evacuation of the Civic Centre due to an incident on Tuesday 20th May 2014

10.2 Incident on Monday 14th October 2013.

The Porters raised concerns that a strong smell of smoke was moving up the stairwell from the porters lodge, but the source could not be identified. The alarm was raised, building evacuated and the fire brigade was contacted. Further investigations by the fire service identified a smouldering electrical fire in a light fitting. Remedial action that has been completed as a result of this incident is

- Replacement of the faulty light fitting
- All similar fittings across the organisation have been checked for any defects.

10.3 Incident on 14th May 2014.

An evacuation of the Civic Offices (and other Council buildings) was undertaken on 14th May 2014. This was triggered by the following events; an explosion at an electricity substation in Burslem, Stoke-on-Trent, caused a power failure across the region. This power failure triggered the generator at the Civic Offices to start up, as intended. It is understood that upon the start-up of the generator there were emissions of dark smoke, upon observing this smoke, the fire alarm was activated at the Civic Offices at 17:09.

The evacuation of the building was undertaken and the controlling officer recorded that the building was reoccupied at 18:04.

11. FIRST AID

A review of First Aid Provision was undertaken to ensure that statutory obligations were being met. The review considered the following

- The need for primary base to be a specific location
- Number of employees at the location
- The risk at that location
- Current qualification and
- The individual being prepared to volunteer as a first aider

The review resulted in a number of first aiders no longer being required in some areas, whilst some areas required first aiders training where there were none already in place.

In addition to the First Aiders, the arboriculture team have undertaken job specific First Aid Training and as part of the Commercial Fleet Drivers Certificate of Professional Competence (CPC) all drivers undertake Emergency First Aid Training.

All first aid training has now been completed.

12. EVENT SAFETY

There have been a number of events over the past 12 months where Corporate Health & Safety Services and partners from Staffordshire Police and Staffordshire Fire and Rescue Service have provided advice and assistance to help event organisers carry out a safe event, including

- Mayors Charity Fireworks
- Rotary Club Bonfire / Fireworks – Clough Hall Park
- Betley Bonfire
- Global Groove
- Lyme Light Event
- Here and Now Event
- Christmas Light Switch on
- Lantern Parade

The Event Safety Guidance Document has been revised and made available for Event Organisers through the Borough Council Website.

13. CORPORATE HEALTH AND SAFETY SERVICES

- 13.1 Claire Dodd has been appointed as the Corporate Health & Safety Officer reporting to the Head of Environmental Services. Claire started in post on 1st July 2013. Claire has previously worked at Stoke on Trent City Council in the Health, Safety and Emergency Planning Team.

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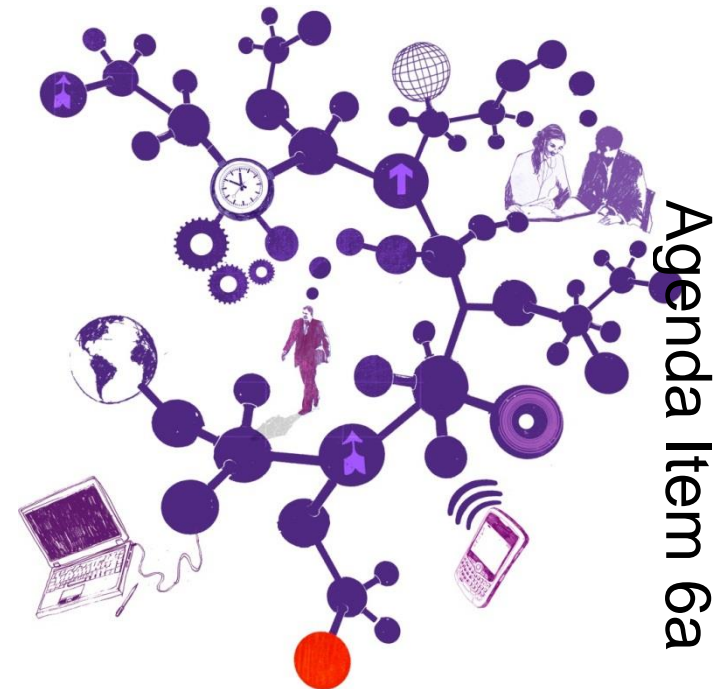
Audit Committee Update

Year ended 31 March 2014

July 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you; and

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress at July 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	April 2014	April 2014	
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	September 2014	N/A	We received the Council's financial statements on the 30 th June 2014 and we are part way through our onsite visit.
<p>Other work</p> <ul style="list-style-type: none"> • We have had regular meetings with the s151 and Monitoring Officer/Head of internal audit • Early consideration of the 14/15 pensions pre-payment 	n/a	n/a	

Understanding your accounts – member guidance

Accounting and audit issues

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your engagement lead and audit manager

Not to be rubbished, £464 million potential savings

Local government guidance

Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said

"in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive"

Blue Badge fraud prosecutions double in three years

Local government guidance

Fraud prevention

The Local Government Association has reported that Blue Badge fraud prosecutions have doubled in three years as councils crackdown on dishonest motorists robbing disabled people of their independence and their right to easier parking. - See more at:

http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/6186329/NEWS#sthash.Pllm4374.dpuf

Stoke-on-Trent City Council, Plymouth Council and Hull City Council recently secured their first prosecutions against fraudsters while Manchester City Council has a 100 per cent conviction rate with more than 500 prosecutions in the past five years. Councils are also using new powers to seize and confiscate badges suspected of being used illegally and some have set up specific enforcement teams to tackle Blue Badge fraud.

Cllr Peter Box, Chair of the LGA's Economy and Transport Board, said:

"Councils are determined to do everything in their power to protect the quality of life for our disabled and vulnerable residents and will not hesitate to take legal action against anyone caught abusing the scheme. With more of these fraudsters being brought to justice than ever before by councils, this is sending a strong message that we will come down hard on drivers illegally using Blue Badges."

Page 26 Consultation – Local Government Pension Scheme future structure

Page 26

Local government guidance

Local Government Pension Scheme (LGPS) reform

The DCLG (1 May 2014) published a summary of its 2013 call for evidence on the future structure of the local government pension scheme, along with its own conclusions and has launched a formal consultation on these. Consultation responses are required by 11 July 2014. <https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

Having considered a cost/benefit analysis of mergers from actuarial firm Hymans Robertson, the DCLG said it would not force funds to merge, but is instead consulting on the following proposals:

- Establishing common investment vehicles to provide funds with a mechanism to access economies of scale, helping them to invest more efficiently in listed and alternative assets and to reduce investment costs.
- Significantly reducing investment fees and other costs of investment by using passive management for listed assets, since the aggregate fund performance has been shown to replicate the market.
- Keeping asset allocation with the local fund authorities, and making available more transparent and comparable data to help identify the true cost of investment and drive further efficiencies in the Scheme.
- A proposal not to pursue fund mergers at this time.

The potential proposed changes, whilst not as radical as the previously considered merger proposals, remain nonetheless significant for the management of pension funds. DCLG believe the implementation of the proposed changes would significantly reduce investment costs across the LGPS nationally.

Assessing the costs and benefits of local partnerships

Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said

"this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

Grant Thornton

Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Events

Grant Thornton

Events

We are involved in organising and supporting various events for our local government clients including the following.

- Paul Grady, Grant Thornton's Head of Police, will be speaking at the third Annual National Conference on Police and Crime Commissioners on 10 July, in Nottingham
- We are hosting an Alternative Delivery Models seminar at our Birmingham office in 16 July where practitioners will share experiences of setting up and operating various alternative delivery models
- are organising a programme of events with the aim of creating networking opportunities with fellow Audit Committee Members across the Midlands. The next event is on 30th July and the topic is financial reporting in local government.



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2nd April 2014

Dear Kelvin

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £72,436, which compares to the audit fee of £72,436 for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and report as part of our Audit Findings Report.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £8,280 (a reduction from actual for 2012/13 of £13,500).

The indicative certification fees are based on the latest final certification fees available, for 2012/13 certification, and cover certification of housing benefit subsidy claims only. They have been reduced to reflect the removal of council tax benefit from subsidy claims and the removal of the requirement to certify the National Non Domestic Rates Return from April 2013.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	18,109
December 2014	18,109
March 2015	18,109
June 2015	18,109
	72,436
Grant Certification	
December 2015	8,280
Total	80,716

Outline audit timetable

We will undertake our audit planning and interim audit procedures in . Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in January-September 2015 and work on the whole of government accounts return will be completed in September 2015

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December – April 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to Sept 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2015	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2015	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	John Gregory	0121 232 5333	john.gregory@uk.gt.com
Engagement Manager	Suzanne Joberns	0121 232 5320	suzanne.joberns@uk.gt.com
Audit Executive	Naomi Povey	0121 232 5294	naomi.j.povey@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner (jon.roberts@uk.gt.com)

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Gregory', with a large, stylized initial 'J'.

John Gregory
Director
For Grant Thornton UK LLP

CORPORATE RISK MANAGEMENT REPORT

Submitted by: Head of Business Improvement, Central Services and Partnerships

Portfolio: Communications, Policy and Partnerships

Ward(s) affected: All

Purpose of the Report

To provide Members with the reviewed Risk Management Policy Statement and Strategy documents.

Recommendations

The Committee is asked to:-

- (a) **Approve the current Risk Management Policy and Strategy for the 2014/15 year, subject to changes listed in the documents, and ask that the Chief Executive and Leader of the Council agree and sign the Risk Management Policy Statement.**

Reasons

The risk management process previously adopted by the council has been reviewed to incorporate changes in the way the council works and to provide continuity and streamlined reporting of risks to the necessary stages so that it becomes further embedded at each level of the authority. This will further develop the identification of key risks that potentially threaten the delivery of the corporate priorities. The new Risk Management Strategy will provide a formal and proportionate framework to manage these identified risks and thus reduce the council's exposure.

To assist the council in its corporate ambitions by helping deliver effective corporate governance, this proactive approach also helps demonstrate good risk management in terms of evidencing that effective risk management is further embedded within corporate business processes.

1. **Background**

- 1.1 The council monitors and manages all its risks through the various risk profiles contained within GRACE (Governance Risk and Control Environment) – the council's software for recording and managing risk.

The council currently reviews its High Red 9 risks at least monthly and its Medium Amber risks at least quarterly.

The last review of these risks was reported to the Council's Audit & Risk Committee in April 2014. The next review will take place in September 2014.

Risk owners are challenged by the Risk Champions in respect of controls, further actions, ratings and emerging risks and challenge reasons for inclusion or non-inclusion and amendment of these.

Projects are managed to a high level in relation to risk and are reviewed in accordance with the Risk Management Strategy – monthly.

2. **Issues**

2.1 Since the last meeting, officers have rolled out a development of the GRACE system. The update is a web-based version of the system that allows easier access to users. A number of features have also been included, which allows for better governance of the system for officers. It allows officers to be advised of up-coming risk reviews and further actions, along with overdue reviews via the automatic email system. Functions are available for more than one action owner to be allocated against it – this is where cross-department actions need completing. The general “face” of the system is easier and cleaner to view – it now shows only the users’ risk profiles, instead of the whole structure (this is still available for officers to view if they need to).

2.2 This upgrade was at no further or increased cost to the council.

2.3 Strategic, Operational, Project and Partnership Risk Registers (Appendices)

The Council regularly reviews and refreshes its risk registers in accordance with the Risk Management Strategy. This is co-ordinated by the Strategic Risk Champion who works closely with the Directors, Operational Risk Champions and the Risk Owners.

The risk map below shows the descriptions of the ratings, for ease of use.

L I K E L I H O O D	High 3	7 Amber	8 Amber	9 High Red
	Medium 2	4 Green	5 Amber	6 Amber
	Low 1	1 Green	2 Green	3 Amber
		Low 1	Medium 2	High 3
IMPACT				

During this quarter there have been no additional risks added of a final rating of Medium 7, 8 or High 9.

2.4 Risk Management Policy and Strategy

Appendix A is the reviewed and updated policy to be accepted and communicated to all officers and Members.

2.5 Issues from last meeting

None were raised.

3. Outcomes Linked to Corporate and Sustainable Community Priorities

3.1 Good risk management is key to the overall delivery of Council and local improvement priorities.

4. Legal and Statutory Implications

4.1 The Accounts and Audit (England) Regulations 2011, state that:

*“The relevant body **is** responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control, which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk”*

5. **Equality Impact Assessment**

5.1 There are no differential equality impact issues in relation to this report.

6. **Financial and Resource Implications**

6.1 None where actions are to be taken in order to mitigate the risks as these will be met from within existing budgets. Where this is not possible, further reports will be submitted to Members.

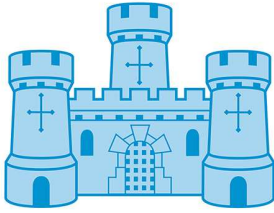
7. **List of Appendices**

Appendix A

8. **Background Papers**

None

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RISK MANAGEMENT POLICY STATEMENT **2014/15**

Date of Approval:	July 2014
Approved by:	Audit & Risk Committee
Next review due:	July 2015
Version	5.0
Changes:	See below

Date of Approval:	July 2013
Approved by:	Audit & Risk Committee
Next review due:	June 2014
Version:	4.0
Changes:	See below

Date of Approval:	July 2012
Approved by:	Audit & Risk Committee
Next review due:	June 2013
Version:	3.0
Changes:	See below

Date of Approval:	June 2011
Approved by:	Audit & Risk Committee
Next review due:	June 2012
Version:	2.1
Changes:	Compare with previous version 1.0 April 2010

Previous Date of Approval:	April 2010
Approved by:	Audit & Risk Committee
Next review due:	April 2011
Version:	1.0

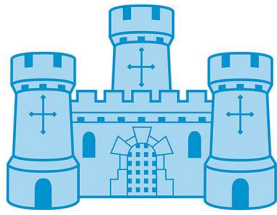
Changes	07/07/2011	1. Pg 6 – rating on matrix changed from Green 3 to Amber 3 – this is followed through on the Appendices as requested by Audit & Risk Committee
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Changes	08/06/2012	1. Page 1 – Title date changed to 2012/13
		2. Page 2 para 2.2 – changed transformation to change
		3. Page 3 para 3 – full stop inserted after third bullet point
		4. Page 4 para 6 – full stop inserted at end of list

Changes	12/06/2013	1. Page 1 – Title date changed to 2013/14
		2. Page 5 para 3d – amended corporate priority
		3. Page 7 para 7 – amended wording in 6th bullet point

Changes	30/06/2014	1. Page 1 – Title date changed to 2014/15
		2. Page 5 – Corporate priorities amended
		3. Page 7 – Leader of the Council details amended

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RISK MANAGEMENT POLICY STATEMENT 2014/15

1. Purpose

The purpose of this policy statement is to recognise and communicate the responsibility of Newcastle-under-Lyme Borough Council ('the council') in managing both external and internal risks through identified and endorsed best practice as described by the Association of Local Authority Risk Managers (ALARM), CIPFA and other relevant bodies connected to effective risk management. There is also an agreed responsibility on the council to identify, examine and cost effectively control risks to ensure they are eliminated or reduced to an acceptable level.

The overall policy, therefore, demonstrates the Council's ongoing commitment to maintain risk management as an important part of the daily operations of the council.

2. Commitment to Risk Management

The Leader of the council, the council's Cabinet portfolio holders and the council's Executive Management Team (EMT) are committed, collectively, to:-

- Identifying and adopting best practice, where possible, in the identification, evaluation and cost effective control of risks;
- Ensuring risks are reduced to a level that sits within the council's appetite, and/or eliminated; and;
- Maximising opportunities to achieve the council's corporate priorities and to deliver core service provisions at all times

2.1 It is acknowledged that some risks will always exist and will never be eliminated. These risks, therefore, will be tolerated or mitigated by the council and the council will ensure that they are reviewed and reported on a regular basis to ensure they do not worsen.

2.2 All employees must understand the nature of any risk and accept responsibility for those risks associated with their area of work. In doing so they will receive necessary support, assistance and commitment from senior management and elected Members.

2.3 The council's risk management objectives are an important part of good management and effective governance practices. These objectives need

the full and continuing support of elected Members and the active participation of Executive Directors and Heads of Service in ensuring that they are realised and actioned where possible.

Risk management is one of the principal elements of Corporate Governance and is a key contributor to ensuring a sound internal control environment at any organisation. Through the implementation and embedding of an effective risk management framework, the council will ensure that it is better placed to positively manage its levels of performance, achieve its corporate priorities and provide an enhanced level of service to its stakeholders, including the citizens of the Borough.

- 2.4 This strategy, therefore, sets out and demonstrates how the council is discharging its responsibility to manage risk effectively and also how it is maximising opportunities to do so by using a structured and focused approach to risk management.
- 2.5 The council will continue to develop and maintain a systematic framework and process for managing strategic, operational, project and partnership risks and will review this framework annually. This will include assessing risks for impact and likelihood, identifying and allocating responsibility for their mitigation and receiving assurances about ongoing management of these risks.
- 2.6 The key benefits of this framework and a strong risk culture throughout the organisation are:-
- A consistent focus on what needs to be done to achieve our objectives;
 - The encouragement of enhanced partnership working to identify, manage and mitigate the risks facing the community as a whole;
 - Delivering improvements in meeting the needs of the community, minimising complaints and achieving improvements in service delivery;
 - Supporting the use of innovative approaches to improving outcomes and achieving better value in the use of public money;
 - Better management and delivery of change programmes;
 - Greater control of insurance costs, including reductions/limitations in insurance premium costs;
 - Protection and enhancement of the reputation of the council; and
 - To anticipate and respond proactively and reactively to the changing social, environmental, political, legislative, economic, technological context the council works within and also to deal with a whole range of competitive and citizen-based requirements.
- 2.7 Newcastle-under-Lyme Borough Council is committed to genuinely embedding risk management and all its elected Members, employees, service providers, partners and stakeholders are encouraged and expected to commit to developing the culture, ethos and practice of risk management in every activity they undertake. The overall risk

management approach for the organisation will therefore focus on pragmatic, meaningful assessment and treatment of risks and will discourage the capturing of generic, intangible corporate risks or non-relevant information where possible.

- 2.8 Risk is not restricted to potential threats but can be connected with opportunities. Good risk management can facilitate proactive, rather than merely reactive, defensive responses. Measures to manage adverse risks are likely to help with managing opportunities both in the short and the long terms.

This policy, therefore, provides a clear statement of direction for risk management as it is operated in the council and also by the council in dealings with other bodies.

3. **The council**, in providing a risk management function: -

- Recognises that good risk management practice is an integral part of management responsibilities if the highest quality services are to be delivered to the community in the most cost effective way;
- Recognises that risk management can be used as a valuable tool at a corporate level as well as at operational/service/functional level;
- Is committed to manage all of its activities in a way which minimises risks to people, property, services and its finances and to protect its assets through effective and efficient risk management; and
- Recognises that effective risk management is an integral part of robust performance management and good governance within the Council, as managing identified risks and controlling the potential negative consequences, whilst identifying opportunities, helps to ensure the delivery of objectives and priorities.

The council's key corporate priorities, as set out in the Council Plan, are:-

- (a) A cleaner, safe and sustainable borough;
- (b) A borough of opportunity;
- (c) A healthy and active community; and
- (d) A co-operative council delivering high quality, community driven services

Each of these priority areas has a number of objectives within them which the council works towards on an on-going basis as part of service planning and organisational development. Progress against these is measured and publicly reported through a number of different channels.

The council has a statutory responsibility to have in place arrangements for managing risks as stated in the Accounts and Audit Regulations:-

‘A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.’

4. In order to manage risks the council has adopted an approach that is used across all services. The Council acknowledges that risks occur in the day to day delivery of services, the delivery of individual projects and initiatives and in relation to any important decisions facing the council and its key partners. We should do what is reasonable to prevent or minimise the impact of these risks and to maximise opportunities when they arise.
5. The rationale behind the risk management process is that the predictable risks are identified and managed, allowing the greatest level of control possible to be put in place. In this sense the risk management process then allows managers to free up capacity to deal with any as-yet unidentified risks as they emerge.
6. To meet the responsibilities above, the council will: -
 - Ensure that risk management retains a high profile in the culture of the council;
 - Ensure clarity as to what needs to be done to achieve objectives;
 - Manage risk in accordance with best practice in line with ALARM & CiPFA guidance and advice;
 - Anticipate and respond to changing social, environmental, legislative, political, economic, technological, competitive and citizen requirements;
 - Prevent injury, damage and losses and reduce the cost of risk where possible;
 - Protect the council’s assets;
 - Provide the best possible service to customers;
 - Maintain the reputation of the council;
 - Realise opportunities;
 - Promote innovation to achieve objectives; and
 - Ensure that risk management arrangements with our partners are robust.
7. The above will be achieved by:-
 - Reporting risk to individual Executive Directors and Heads of Service; Departmental Management Teams (DMTs), Wider Management Team (WMT), EMT and the council’s Audit & Risk Committee;
 - Implementing a Risk Management Strategy that establishes clear roles, responsibilities, escalation and reporting lines within the council for risk management;
 - Providing opportunities for shared learning around risk management across the council;

- Offering a platform for identifying and prioritising risk areas;
 - Reinforcing the importance of effective risk management as part of everyday work of employees;
 - Incorporating risk management considerations into all aspects of the council's work including risk management capabilities in to policy and strategy making, service plans and performance challenge of Heads of Service;
 - Monitoring arrangements on an ongoing basis;
 - Regularly reviewing its arrangements to ensure it is following best practice and will consult with stakeholders; and
 - Engaging with stakeholders, including key partners and contractors, to develop their understanding of risk management and to ensure that they are engaged in effective risk management themselves.
8. The Chief Executive and Leader of the Council will be asked to sign off the policy and strategy as part of displaying both their commitment to risk management and also the organisation's commitment to these processes.

Signed:

Date: 31/07/2013

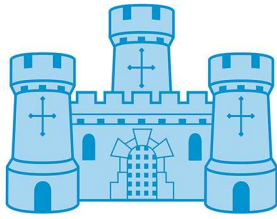
Councillor M Stubbs
Leader of the Council

Signed:

Date: 06/09/2013

Mr J Sellgren
Chief Executive

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RISK MANAGEMENT STRATEGY 2014/15

1. Purpose

The purpose of this strategy is to: -

- Demonstrate how the Risk Management policy is to be implemented through Newcastle-under-Lyme Borough Council's commitment to risk management;
- Describe the objectives of risk management and provide a framework for embedding risk management further across the organisation with defined roles and responsibilities and a structured process. This will then ensure that opportunities are maximised and risks minimised; and
- Enable the council to develop risk management further through its effective use in its management and decision making processes.

2. Objectives of the Risk Management Strategy

The objectives of the strategy are:-

- To clearly identify the roles and responsibilities of people at all levels and ensure that all parties understand how they should contribute to effective risk management;
- To ensure a consistent process for identifying, evaluating, controlling, reviewing, reporting and communicating risks across the council is implemented, understood and embraced by all staff and members;
- To embed risk management into the ethos, culture, policies and practices of the council;
- To ensure that risk management is a key and effective contributor to the Annual Governance Statement; and
- To manage risk in accordance with recognised best practice through guidance provided by the Association of Local Authority Risk Managers (ALARM) & CIPFA (together with other relevant bodies)

3. Achievement of objectives

- 3.1 *To clearly identify the roles and responsibilities of people at all levels and ensure that all parties understand that they should contribute to effective risk management.*

Responsibility for risk management runs throughout the council and involves elected Members, senior officers and all other employees (see Appendix A). Clear identification of roles and responsibilities will ensure that risk management is embedded in all policy making, decision making, policy approval (strategic) processes and service delivery (operational) processes, as well as providing sufficient resources to both implement this strategy and thus ensuring systems are sustainable.

The roles and responsibilities are outlined at appendix A.

3.2 *To ensure the implementation of a consistent process for the identifying, evaluating, controlling, reviewing, reporting and communicating of risks across the council that is understood and embraced by all key stakeholders*

To assist with the approach to risk management and to ensure consistency across the council, a guidance document (appendix B) on the council's risk management process has been devised and developed for use by relevant individuals, services and organisations.

By effectively managing risks and opportunities the council will be in a stronger position to deliver its: -

- Objectives;
- Services to the public;
- Partnership working agenda;
- Best value/value for money procedures and processes; and
- Identified outcomes

It will also inform the business processes of the council including: -

- Strategic/corporate planning;
- Financial planning;
- Service planning;
- Policy making and policy reviews;
- Performance management framework;
- Project management processes and frameworks;
- Partnership working;
- Internal controls and internal audit; and
- Business continuity and emergency planning arrangements

With responsibility for achieving objectives sits identifying risks, assessing them, developing controls and warning mechanisms, reviewing and reporting on progress by key individuals within the organisation.

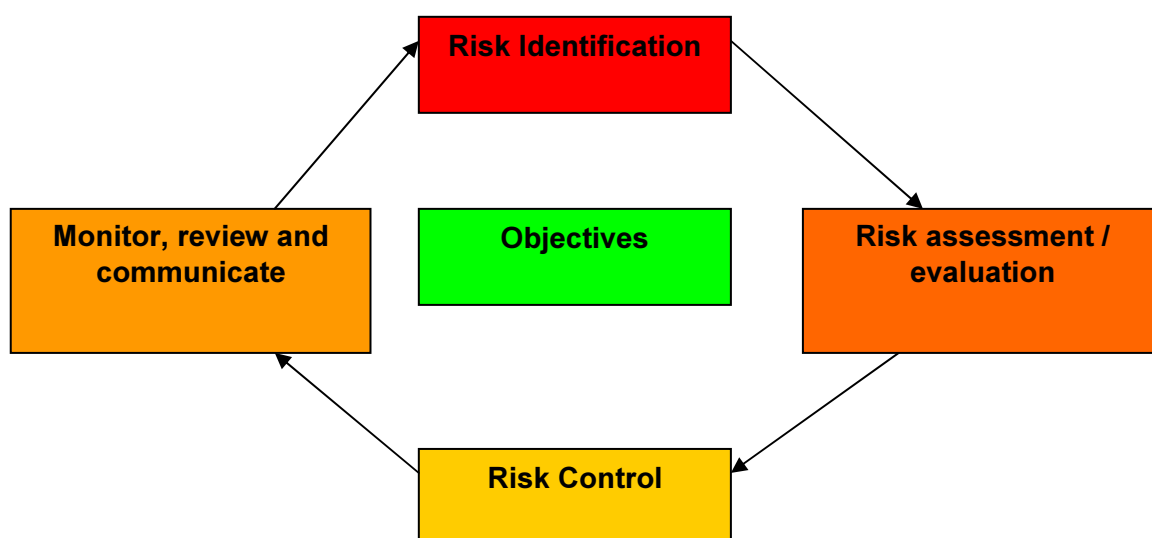
Some objectives, however, are reliant on external organisations with whom the council works e.g. key partners and contractors. Working with external organisations could affect the achievement of objectives and this also must be taken into account when delivering the key elements of this strategy.

The strategic risk champion and other nominated risk champions have responsibilities including the support, challenge and recording of risks within their directorates or service areas. They will assist in the compiling of risk registers, whilst ensuring that the risk management strategy is adhered to as far as is possible. Officers who are involved in specific projects or operational activities will be responsible for identifying, assessing, developing, reviewing and reporting of risks. This will enable constructive discussions of the identification of risks, further actions and controls for the profiles to be undertaken on an ongoing basis.

The management of risk is an important part of the corporate planning and policy making/decision making processes and also in the key areas of project and change management.

Below is a summary of the council's risk management process. For an in-depth explanation, please refer to appendix B.

Summary Guide



3.2.1 Objectives

Any organisation is primarily concerned with the achievement of objectives. You need to know what you are trying to achieve before you can start to think about the risks that could have an impact on your success.

The more clearly objectives are defined, the more it will help you consider those risks that could actually impact on your objectives. When setting objectives remember to make them **S**pecific, **M**easurable, **A**greed, **R**ealistic and **T**ime bound (SMART).

At strategic level - the Council has four Corporate Priorities to which strategic risks are linked.

At operational level - each service has a number of business objectives contained within each service and financial plan to which operational risks are linked.

At project level - the relevant project brief or project initiation document details the aims and objectives of the project.

At partnership level - the partnership agreement or other formally agreed arrangements will detail the aims and objectives of the partnership.

3.2.2 Risk identification

What could go wrong?	Use available documents e.g. Council Plan, Service Plan, appraisals etc to establish what is planned and start to identify what risks could occur as a result of these plans
Ensure risks are structured – what are the key elements to each risk?	E.g. if we don't review and manage our budgets, is there a risk we could overspend? What things are we looking at in terms of a risk like this?
What type of risk is it?	Strategic, Operational, Project
What category is it?	e.g. political, e-Government/ICT, regulatory, financial/fraud, opportunities, reputation, management, assets, new partnership/project, customer/client/citizen Environmental (see Appendix B(i))

At strategic level, Executive Directors identify strategic and cross-cutting risks through facilitated awareness sessions. The risks identified are:

- Those that could significantly impact on the achievement of the Council's overall priorities;
- Those that are recorded in the Strategic Risk Register; and
- Those that can be used to inform policy decisions.

At operational level - Business Managers identify operational risks which may prevent them from achieving business objectives identified in their service plans, as well as any measures and actions to manage these risks. The risks identified are: -

- Those that could significantly impact on the achievement of the Business objectives;
- Those that are recorded in each Directorate's Operational Risk Register; and
- Those that can be used to inform meetings/actions between Business Managers and Heads of Service, and completion of the day to day services.

At project level - Project Managers will identify the risks that could impact on the successful delivery of the project. The risks identified are: -

- Those that could significantly impact on the achievement of the project;
- Those that are recorded in the Project Risk Register;
- Those that can be used to inform both strategic and operational risk identification

At partnership level - the Council has developed a working agreement to instigate the Lead Partner risk management framework. This will deliver

- A framework for all staff involved in considering new partnership workings.
- Assist members and officers wishing to review existing arrangements.

3.2.3 Risk assessment/Evaluation

In assessing and evaluating the risks identified, you need to ask a number of fundamental questions. From this, you will get a risk 'score' (or rating). This 'score'/rating will determine your future actions.

What would be the impact on the council if the risk actually happened?

How likely is it to happen?

Based on the answers above, plot the rating on the table opposite

The bold line on the matrix is the limit of the council's risk appetite, i.e. how much risk it is willing to take before intervention begins. Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii))

L I K E L I H O O D	HIGH	Amber 7	Amber 8	RED 9
	MEDIUM	Green 4	Amber 5	Amber 6
	LOW	Green 1	Green 2	Amber 3
		Low	Medium	High
		Impact		

3.2.4 Risk Control

Risk control is the name given to the process of working towards mitigating the identified risks. This is done by identifying possible actions which may reduce either the impact or the likelihood of the risk and will therefore mean that the final rating is contained within the council's risk appetite (the green and amber sections of the table above). In undertaking risk control a number of questions can be asked as part of the risk management process.

Who owns the risk?

What could should be done to reduce the impact and/or likelihood of the risk?

What else do you need to do in controlling the risk?
(see Appendix B(iii))

Priority	Review Period (months)	Action			
		Tolerate	Treat	Transfer	Terminate
High	1		√	√	√
Medium	2 - 6	√	√	√	√
Low	9 - 12	√	√	√	√

3.2.5 Monitor, Review and Communicate

Key questions to consider as part of this process: -

- Are the controls you have put in place effective?

- Has the risk changed either as a result of what you have done or other factors?
- Does it need escalating, having gone through all the checks you need to make?
- Are new risks evolving as a result of the existing risk or due to other factors?
- Who do you need to inform – internally and externally to the council?

Key to what prompts what kind of action: -

Red	High risk, prompt action, contingency plan, monitor at least monthly
Amber	Medium Risk, contingency plan, monitor at least quarterly
Green	Low risk, monitor at least half annually

3.3 *To embed risk management into the ethos, culture, policies and practices of the council*

Risk management is well established at the council but this strategy is seeking to build on it. The aim is to ensure that risk management plays an integral part in decision making and the day to day business of the council in a structured uniform manner.

Risk management will be part of and included in the council's processes, policies and documents but not limited to: -

- Development and maintenance of the Constitution;
- Economic Development Strategy;
- Stronger and Safer Communities Strategy;
- Health and Well Being Strategy;
- Co-operative Strategy;
- Council Plan;
- Medium Term Financial Strategy;
- Service Plans;
- Code of Corporate Governance;
- Code of Practice on Procurement;
- Reports to support key decisions;
- Performance management;
- Policy planning; and
- Financial management

3.4 *To continue to ensure that risk management is a key and effective contributor to the Annual Governance Statement*

To achieve this: -

3.4.1 Heads of Service are required to make statements as to the effectiveness or otherwise of their systems for identifying, monitoring and managing corporate and operational risks. This is confirmed by each Executive Director signing a Controls Assurance Statement each year.

3.4.2 Confirmation is obtained from the Corporate Governance Working Group and the Audit & Risk Committee and internal Audit, who use CiPFA best practice that the council's risk management framework is judged to be sufficiently robust and that assurance statements properly reflect the risk environment and its management of those risks.

3.4.3 The risk registers of the council will be a factor in internal audit planning.

3.5 *To manage risk in accordance with best practice*

3.5.1 The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations:

‘A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk’.

Risk management is recognised as an important element of good governance. The CIPFA/SOLACE governance framework “Delivering Good Governance in Local Government” seeks to ensure that risk management is embedded into the culture of the authority with members and officers recognising that risk management is part of their jobs.

- 3.5.2 Good internal control ensures that the processes and procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded and records complete and accurate.
- 3.5.3 Performance monitoring ensures the treatment of risk remains effective and the benefit of implementing risk control measures outweighs the costs of doing so. It is a continual review not only of the whole process but also of individual risks or projects and of the benefits gained from implementing risk control measures.
- 3.5.4 Data quality needs to ensure that the data used for performance monitoring and to inform decision making is accurate, reliable, timely and fit for purpose. If data is misleading, it could lead to flawed decision making, wasted resources, services that may not improve and the development of ill-founded policy.
- 3.5.5 The business continuity process is a form of risk management applied to the whole council and its ability to continue with its service provision in the event something occurring which potentially affects that ability. The council must ensure risk management processes are applied throughout the business continuity lifecycle.
- 3.5.6 The achievement of effective Health and Safety policies, processes and procedures has been committed to by the council with the development of policy and guidance specifically addressing the management of health and safety risks.

4. Conclusion

By embracing risk management, the council will make the most of the opportunities which it faces whilst operating within a risk-aware environment.

Date of Approval:	July 2013
Approved by:	Audit & Risk Committee
Next review due:	June 2014
Version:	4.0
Changes:	See below

Date of Approval:	July 2012
Approved by:	Audit & Risk Committee
Next review due:	June 2013
Version:	3.0
Changes:	See below

Date of Approval:	June 2011
Approved by:	Audit & Risk Committee
Next review due:	June 2012
Version:	2.1
Changes:	Compare with previous version 1.0 April 2010

Previous Date of Approval:	April 2010
Approved by:	Audit & Risk Committee
Next review due:	April 2011
Version:	1.0

Changes	07/07/2011	1. Pg 6 – rating on matrix changed from Green 3 to Amber 3 – this is followed through on the Appendices as requested by Audit & Risk Committee
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Changes	04/07/2012	1. Pg 1 – Year amended from 2011/12 to 2012/13
		2. Pg 2 – para 3.2 comma removed
		3. Pg 4 – para 3.2.2 “At Operation Level” – removed ‘and financial’
		4. Appendix A – Portfolio Holder title amended to read Communications, Transformation and Partnerships Portfolio Holder, and grammer change in role description
		5. Appendix B – step 5 – grammatical changes to the fourth bullet point and a space removed from last para.

Changes	11/06/2013	1. Pg 1 – Year amended from 2012/13 to 2013/14
		2. Corporate Plan amended to Council Plan throughout document
		3. Pg 8 – para 3.3 – additions made to list of documents
		4. Appendix B(ii) – Cost impact levels reduced

		in response to the current financial situation imposed by the budget cuts
Changes	30/06/2014	1. Pg 1 – Year amended from 2013/14 to 2014/15
		2. Pg 5 – wording amended to Partnership level to reflect that the council follows the Lead Partner’s risk management framework.
		3. Foot amended to show author, page number and date of changes

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APPENDIX A

Group/Individual	Roles and Responsibility
Leader of the Council	<ul style="list-style-type: none"> • Promotes the concept and practice of risk management across the organisation and amongst all elected Members
Communications, Policy and Partnerships Portfolio Holder	<ul style="list-style-type: none"> • Member risk champion • Promotes the concept and practice of risk management across the organisation and amongst all elected Members • To receive quarterly updates on risk from the Head of Business Improvement and Partnerships for inclusion in Informal Cabinet meetings where appropriate
Audit & Risk Committee	<ul style="list-style-type: none"> • Approves and agrees changes to the risk management policy, strategy and action plan • Monitors the council's risk management arrangements • Monitors the council's high level risks as and when they occur • Provides independent assurance that the risk management framework and associated control environment is being managed effectively and the statement of internal control correctly reflects the risk environment
All elected Members	<ul style="list-style-type: none"> • Advocate good risk management processes • Ensure that risks have been robustly assessed in reports presented to elected Members
Chief Executive	<ul style="list-style-type: none"> • Ultimate responsibility for strategic and operational risk management across the council • Ensures that all strategies and policies contain risk management as an inherent part of their structure which helps drive the organisational change leading to excellence • Ensures that risk management practices across the council reflect best practice. • Ensures that risk management issues are fully considered in the decision making process. • Drives excellence through the council with strong support and well managed risk taking. • Ensures that the council manages its risks effectively through the development and monitoring of its risk management strategy.
Executive Director (Resources & Support Services) - Chair of Corporate Governance Working Group (CGWG)	<ul style="list-style-type: none"> • Ensures that Executive Management Team (EMT) are aware of any issues that have been escalated by the CGWG and cannot be resolved and ensures that these are noted in minutes of EMT and actioned accordingly either by or on behalf of EMT

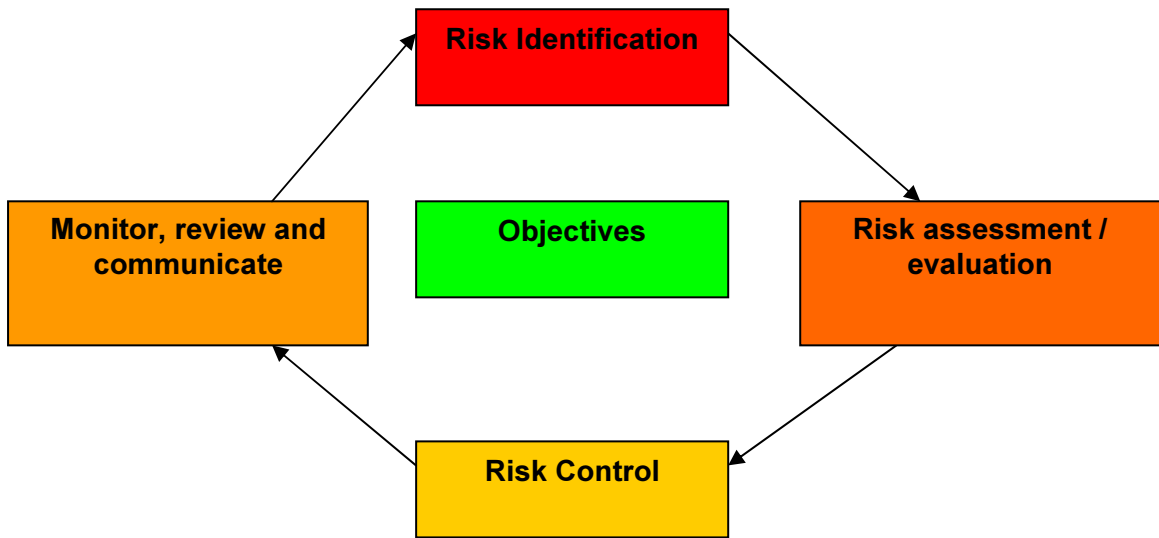
	<ul style="list-style-type: none"> • Provides assurance to the Audit & Risk Committee as appropriate that the risks are being managed in accordance with the Risk Management Strategy
<p>Executive Directors (EMT)</p>	<ul style="list-style-type: none"> • Ensure that the risk management process is promoted, developed, managed and implemented effectively in their service areas. • Make decisions with their heads of service as to which service risks may warrant inclusion on their strategic risk register • Take ownership of strategic risks in their directorates and include them in the strategic risk register • Disseminate relevant information to service managers and employees • Escalate where necessary any issues that cannot be resolved to the Audit & Risk Committee for advice on decisions • Establish and monitor a rolling programme of operational risk reviews • Promote good risk management practice throughout the council in conjunction with CGWG • Ensuring that when Cabinet reports are written by their officers, that a relevant up to date risk assessment is provided where applicable, before being signed off for submission to Cabinet • Ensure that the appropriate portfolio holder is aware of detailed risk assessments when discussions begin on any proposal
<p>Corporate Governance Working Group (CGWG)</p>	<ul style="list-style-type: none"> • Promote good risk management practice throughout the council in conjunction with EMT • Support the development of the risk management process, share experience on risk and aid/advise in the review of risk management reviews • To review the risk management policy and strategy where necessary • To identify trends and priorities across the council • Liaise with specialist risk groups in order to inform the strategic risk registers • Ensure processes are in place to report any new/perceived (key) risks or failures of existing control measures • Report on key performance results to EMT and Audit & Risk Committee • To accept and make decisions on the course of action of any issues brought to them by DMT or the strategic risk champion • To escalate any issues to EMT brought to the group by DMT or the strategic risk champion, where a stronger decision is needed and cannot be resolved

<p>Directorate Management Teams (DMTs)</p> <p>Wider Management Team (WMT)</p>	<p>at this level</p> <ul style="list-style-type: none"> • Ensure the completion of project risk registers where appropriate (DMT) • Liaise with specialist risk groups in order to inform the any relevant strategic and operational risk profiles (e.g. Health & Safety, legal, environmental) (DMT/WMT) • To accept and make decisions on any issues escalated to them by the risk champions (DMT) • To escalate, where necessary, any risks, overdue actions and reasons for such, overdue risk reviews to the CGWG, where a higher decision is needed and cannot be resolved at this level (DMT) • Monitor the implementation of action plans and control assurance programmes (DMT/WMT) • Report key performance results (DMT) • Promote and share best practice across the directorate (DMT) • Monitor (and share with the director) situations where: - <ul style="list-style-type: none"> - risks are rising in the level of security; - circumstances where managers have been unable to implement the agreed mitigating actions; - risks could potentially have an impact on other services (DMT) • To understand the escalation process of risks, action plans and issues (DMT/WMT) • To accept the notification of any incidents or near-misses reported to them by employees or risk champions, and record them appropriately (DMT)
<p>Head of Business Improvement & Partnerships (BIP)</p> <p>Business Improvement Manager (BIM)</p> <p>Business Improvement Officer (Risk) (BIO)</p>	<ul style="list-style-type: none"> • Develop and maintain a risk management process reflecting established best practice (BIP/BIM/BIO) • Lead on the annual review of the risk management policy, strategy and methodology, helping to ensure all aspects of the process remain robust. (BIP/BIM/BIO) • Ensure risks are reviewed and reported to management in line with the timelines in the risk management framework (BIM/BIO) • Collate and administer the strategic risk registers (BIO) • Prepare annual and quarterly risk management reports for the Audit & Risk Committee (BIM/BIO) • Identify and communicate risk management issues to DMT/EMT for dissemination to services and assist in undertaking risk management activity through guidance, training or direct support. (BIM/BIO) • Promote risk management process throughout the council with both members and officers ensuring the

	<p>process is embedded, effective and reflects best practice. (BIP/BIM/BIO)</p> <ul style="list-style-type: none"> • Consult with Executive Directors concerning risk issues (BIP) • Act as a lead support officer for the CGWG (BIP/BIO) • Manage the insurance fund and external insurance contract (BIO) • Liaise with external insurers to ensure that future premiums reflect all risk management activities being undertaken (BIO) • Administer the designated risk management system for managing and controlling risks (BIO) • Monitor and report to the CGWG any issues that arise either from strategic risk reviews, overdue risk review reports, non-compliance with guidelines laid out in the risk management framework/approach by employees of the council, reported to them by the operational risk champions (BIP/BIM/BIO) • Identify any emerging risks and incorporate into the relevant risk registers (BIO) • Report to the CGWG any further support required (BIP)
Operational Risk Champions	<ul style="list-style-type: none"> • Create and maintain operational risk registers in conjunction with heads of service. • Monitor and report to their respective DMTs any high risks and any issues that may arise in respect of overdue actions/overdue reviews and other problems they encounter for them to either deal with or to escalate to the CGWG via the strategic risk champion. • Update the operational risk profiles on the designated risk management system. • Report to the BIO any further support required. • Ensure that incidents occurring or near-misses are reported to DMT.
Employees	<ul style="list-style-type: none"> • Manage risks effectively in their jobs. • Raise any perceived/new risks for their service area with the appropriate line manager/business manager/head of service or risk champion for inclusion in the risk register. • Report any incidents or near-misses to their risk champion or head of service.

APPENDIX B

Risk Management Process



Step	Title	Description
1	Objectives	<p>Start of the process – concerned with achievement of objectives – the clearer the objectives then more chance there is of achieving them.</p> <p>Objectives must be <u>SMART</u> – <u>S</u>pecific, <u>M</u>easurable, <u>A</u>greed, <u>R</u>ealistic, <u>T</u>imeband.</p> <p><i>Strategic:</i> the council has four priorities to which strategic risks are linked</p> <p><i>Operational:</i> each service has a number of business objectives contained within the Service Plan to which operational risks are linked</p> <p><i>Project:</i> each project unitation document details the aims and objectives of the project</p> <p><i>Partnership:</i> the partnership agreement or formally agreed arrangements will details the aims and objectives of the partnership</p>
2	Risk identification	<p>Risk identification tries to identify the council’s exposure to uncertainty. You need to use your imagination, creativity, involvement and experience in this part of the process. Identify the risks that <i>may</i> stop you from meeting your objectives – it may be useful to use the list of risk categories as a guide: political; e-government; regulatory; financial/fraud; opportunities; reputation; management; assets; new partnerships/projects;</p>

		<p>customers/clients/citizens/children; environmental (a description of these can be found at appendix B(i).</p> <p>Strategic risks are those that</p> <ul style="list-style-type: none"> • Could impact significantly on the achievement of the council’s four priorities • Are recorded in the strategic director risk assessments • Used to inform policy decisions <p>Operational risks are those that</p> <ul style="list-style-type: none"> • Impact significantly on the business objectives • Are recorded in the individual service risk registers • Are used to inform the Heads of Service <p>Project risks are those that</p> <ul style="list-style-type: none"> • Could impact significantly on the achievement of the project • Are recorded in the project risk register • Are used to inform both strategic and operational risk identification <p>Partnership risks are those that</p> <ul style="list-style-type: none"> • Could significantly impact on the achievement of the partnerships aims and objectives • Are recorded in the partnership risk registers • Are used to inform both strategic and operational risk identification <p>There are three elements to any risk scenario</p> <ul style="list-style-type: none"> • The vulnerability describes the situation (that may be perceived) that exposes the council to risk • The trigger is an event or change in situation that has a negative/positive result • The consequences are the events that follow should the risk occur
3	Risk assessment/ evaluation	<p>Areas of potential risk need to be systematically and accurately assessed. The process requires an assessment of: -</p> <ul style="list-style-type: none"> • The <i>impact</i> it would have if a risk event occurs • The <i>likelihood</i> of the risk event occurring • Possible resources needed and other implications • The priority of the risk for action in relation to the

		<p>council’s risk tolerance level (amber and green areas on the table/matirx of risk ratings)</p> <p>Once threats and opportunities have been identified their potential “inherent” risk is evaluated – i.e. with no controls in place and using the matrix found in appendix B (ii).</p> <p>The risk is then re-evaluated taking into account the effectiveness of the controls in place. This result is the “residual” risk rating, or – put another way – the final risk rating.</p>
4	Risk control	<p>Some risks cannot be eliminated completely. Risk management is the process of taking action to minimise the likelihood of the risk occurring and/or to reduce the impact if it does happen.</p> <p>To control the possibility of the event occurring, you need to determine a course of action to try to reduce the risk. Such actions are likely to include the following: tolerate (live with the risk), treat (deal with the risk), transfer (move the risk onto another organisation) or terminate (stop doing whatever it is that is creating the risk) – those actions can be determined by the further action plans you put in place to control the risk further (if any). A description of the action categories can be found at appendix B(iii).</p> <p>Clear responsibility for managing the risk to an appropriate ‘risk owner’ must be assigned. The risk owner can then give responsibility of further action to designated officers that enable them to still influence the risk.</p> <p>The further actions must be <u>SMART</u> and must be developed appropriate to the risk identified.</p> <p>Any such actions are entered into the risk register and monitored.</p>
5	Monitor, review and communicate	<p>There must be monitoring and review of:</p> <ul style="list-style-type: none"> • The risk itself • The implementation of the <i>agreed</i> control measures • The effectiveness (or otherwise) of any further actions • Were an incident to occur, it is recorded and used to inform a lessons-learnt report <p>As part of the review cycle, risks and actions will be re-analysed and the cycle will continue as shown in the</p>

		<p>cycle at the top of this appendix.</p> <p>Review and communication of the risks, controls and actions must be reported in line with the timescales shown at appendix B(iv) and dealt with accordingly – i.e. escalated, received and agreed.</p>
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APPENDIX B(i)

Check List for Risk Identification – Categories (not exhaustive)

Political	Politicians and politics, including Member support/approval Electorate dissatisfaction, election changes and new political arrangements
E-Government	Using new or existing technology Lack of, or failure, of technology Lost or stolen data, Inaccurate or poor quality data, Disaster recovery, jacking or corruption of data, breach of security
Regulatory/Legislative	Central government policy, Legislation, internal policies and regulations, grant funding conditions, Data Protection, Freedom of Information, Race Equality and Diversity, Disability Discrimination, Human Rights, Employment Law, TUPE, Health & Safety, Potential for legal challenges, judicial reviews
Financial/Fraud	Budgetary pressures, loss of/reduction in income cost of living, interest rates, inflation etc Financial management arrangements, Investment decisions, Sustainable economic growth Affordability models and financial checks, Inadequate insurance cover External funding issues including loss of (or reduction in) funding System/procedure weaknesses that could lead to fraud
Opportunities	Opportunities to add value or improve customer experience/satisfaction Reduce social exclusion and disparities, Increase employment, education and training Improve health, reduce health inequalities and promote healthy lifestyles Opportunities to reduce waste and inefficiency and minimise the use of natural resources, increase Recycling, minimise air, soil, water, light, noise pollution, greenhouse gas emissions and energy use Reduce the need to travel and encourage the use of public transport, cycling and walking Encourage local sourcing of food, goods and materials, Conserve, restore and enhance biodiversity Reduce crime, fear of crime and anti-social behaviour
Reputation	Consultation and Communication, Negative publicity (local and national) from service or project failure, legal challenges
Management	Key personalities, loss of key staff, recruitment and retention, management arrangements/protocols Lack of/inadequate management support, poor communication Capacity issues – enough, training issues, availability, sickness absence etc Emergency preparedness/Business continuity
Assets	Land, property, listed buildings and ancient monuments, equipment, information, cultural and recreational assets. Includes health and safety or business continuity, abuse of intellectual property, data protection

<p>New/ongoing Partnerships/ Projects/Contracts</p>	<p>New initiatives, new ways of working, new arrangements/relationships New policies/procedures Managing change</p>
<p>Customers/Citizens Clients/Children</p>	<p>Demographic change, Current and changing needs and expectations of customers Impact on customer of service or project failure, Consumer protection Crime and disorder, Health and Safety risks, Impacts on health inequalities Effects on physical and mental health and sense of social wellbeing, loss of independence and need for social care support</p>
<p>Environment</p>	<p>Policies/plans that significantly affect the environment need a sustainability impact appraisal Recycling, green issues, energy efficiency, land use and green belt issues, noise, contamination, pollution, increased waste or emissions, conservation and wildlife, habitats and species issues Impact of planning or transportation policies Climate change such as increased temperatures and flooding, Ecological footprint, flood plains Environmental assets such as landscape, countryside, historic environment and open space</p>

IMPACT MEASURES AND CLASSIFICATION

APPENDIX B(ii)

	High (red)	Medium (amber)	Low (green)
Health & Safety	Death, abuse, life threatening <u>OR</u> permanent disability	Serious injury <u>OR</u> long-term absence from work (over 7 days)	Minor injury <u>OR</u> short-term absence from work (less than 7 days)
Cost	More than £300k	Between £50-£300k	Between £20-£50k
Reputation	National media attention, potential public interest report, third party intervention	Sustained local media attention, Executive Director reporting, Member interest	Short term local media attention, Wider Management Team reporting
Service Delivery	Serious service failure directly affecting partners, stakeholders (more than 1 month)	Service failure but not directly affecting partners or stakeholders (upto 1 month)	Service disruption (between 1 day to 2 weeks)
Project Delivery	Project failure impacting on council's priorities and performance	Project failure impacting on Directorate's performance and priorities	Project delay impacting on service performance and priorities
Legal implications	Statutory body, partner or enforcement agency	Member and Executive Management Team	Wider Management Team

Likelihood Measures

	High (red)	Medium (amber)	Low (green)
Timescale	Highly likely to occur (90%+ chance)	Likely to happen (50-89% chance)	Possible (1-49% chance)
	An incident has occurred in the past year <u>OR</u> is highly likely to occur in the next year	An incident has occurred in the past 2-5 years <u>OR</u> is likely to occur in the next 2-5 years	An incident has occurred in the past 6+ years <u>OR</u> is likely to occur in the next 6+ years

L I K E L I H O O D	High	7 Amber	8 Amber	9 Red
	Medium	4 Green	5 Amber	6 Amber
	Low	1 Green	2 Green	3 Amber
		Low	Medium	High
IMPACT				

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ACTION CATEGORIES

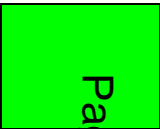
APPENDIX B(iii)

Action	Description
Tolerate	This action is appropriate when you judge that the control measures in place are sufficient to keep the risk at a tolerable level and there is no added value to doing more.
Treat	Some risks will need additional treatment to reduce their likelihood and/or impact to an acceptable level. This response is most likely where there have been further actions identified that are SMART and the risk rating has been identified as high (red) or in some cases medium (amber).
Transfer	Some risks can be transferred to an insurer or some other party eg legal liability, property and vehicles etc. Some service delivery risks can be transferred to a contractor by way of a contract or written agreement. However some risks cannot be transferred eg reputational risks.
Terminate	Sometimes a risk can be so serious that there is no option but to terminate the activity that is generating the risk.

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RISK MANAGEMENT REVIEWING & REPORTING, COMMUNICATING FRAMEWORK

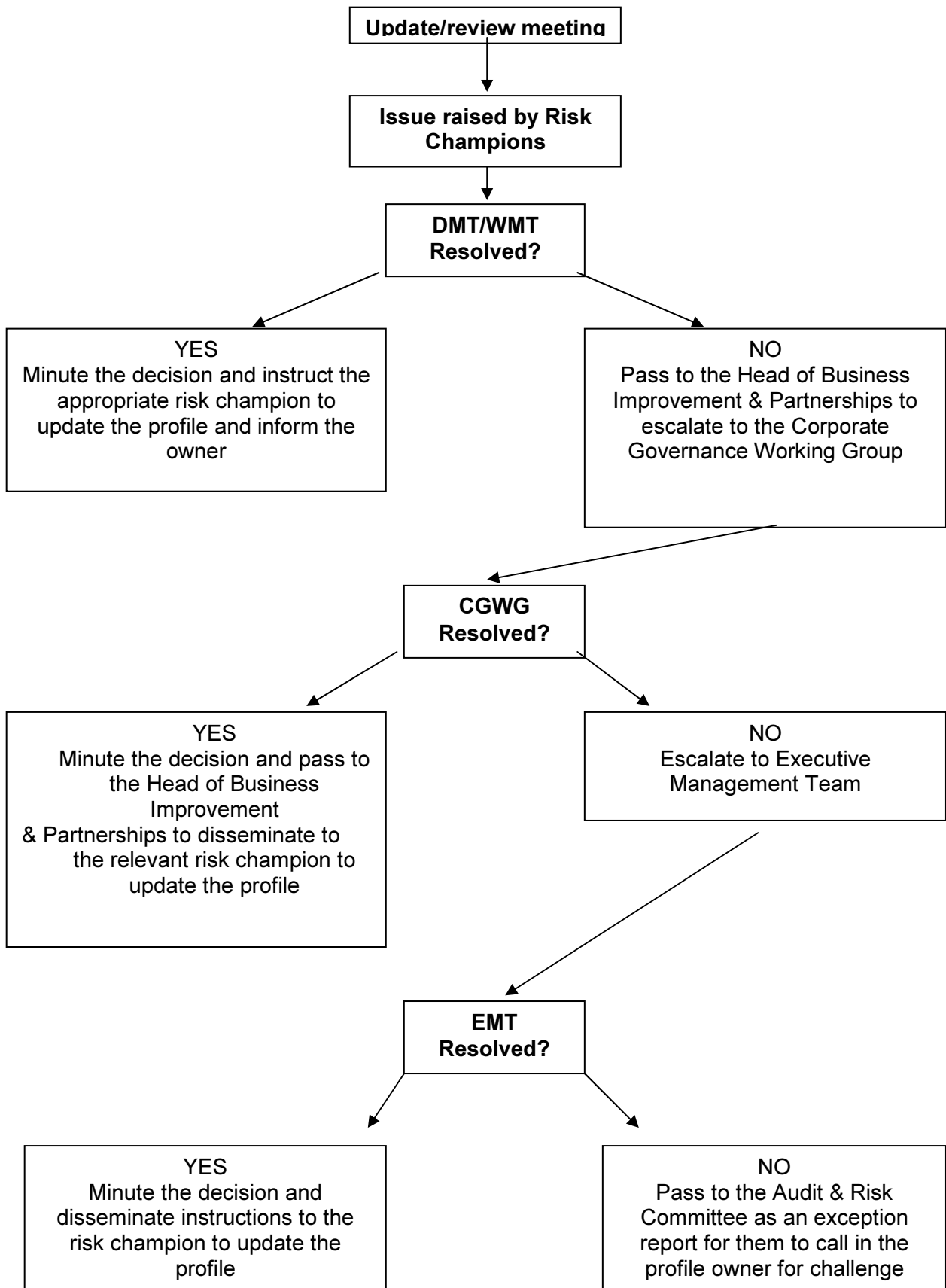
Final Risk Rating	Risk Action	Management Action required	Review/Reporting required
Red 9	Treat Terminate Transfer	<p>This level of risk is not acceptable and immediate action is required to assess how the risk can be reduced to an acceptable level. Where the impact might result in death, abuse, life threatening <u>OR</u> permanent disability, wherever possible the activity should cease until the risk is effectively managed.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution is found.</p>	<p>The appropriate Executive Director must be made aware immediately and the risk must be escalated to the appropriate group – the Departmental Management Team (DMT) or Corporate Governance Working Group (CGWG), where the effectiveness of the suggested further action, or a decision for the way forward, must be considered. If the risk could affect the whole council or, if wider support is required to manage it, the risk must be escalated to the Executive Management Team (EMT).</p> <p>Progress to manage this risk must be reviewed by the relevant DMT (or WMT where appropriate) and risk owner on a monthly basis and it is expected that the outcome of such a review will be minuted in the appropriate minutes and a comment recorded in the relevant risk register.</p>
Amber 8 Amber 6 Amber 5	Transfer Treat Tolerate	<p>Whilst this level of risk can be accepted, management must first consider all reasonable steps that could be taken to reduce this risk in terms of both likelihood and potential impact.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.</p>	<p>The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Corporate Governance Working Group.</p> <p>If wider support is required to control this risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.</p>
Amber 7 Amber 3	Transfer Treat Tolerate	<p>In view of the low likelihood of this risk occurring, this level of risk can be accepted, however management must first consider that all reasonable steps have been taken to reduce this risk in terms of the potential impact.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.</p>	<p>The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Corporate Governance Working Group.</p> <p>If wider support is required to control the risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.</p>
Green Page 75	Transfer Treat Tolerate	<p>Whilst this level of risk is generally acceptable, management should consider whether this risk could be reduced in terms of either likelihood or impact.</p> <p>Escalation of issues to go to DMT (via risk</p>	<p>The appropriate Business Manager must be made aware of the final rating of this risk and they must consider the effectiveness of the suggest further action (if applicable) and make a decision as to whether the risk should be escalated to the appropriate Head of Service.</p> <p>If wider support is required to control this risk, it must be escalated to the Departmental Management Team.</p>



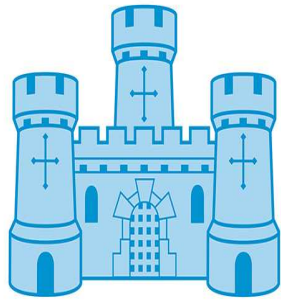
champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.

Progress to manage this risk must be reviewed at least annually (or sooner if circumstances change significantly) and a comment recorded in the relevant risk register.

ESCALATION PROCESS



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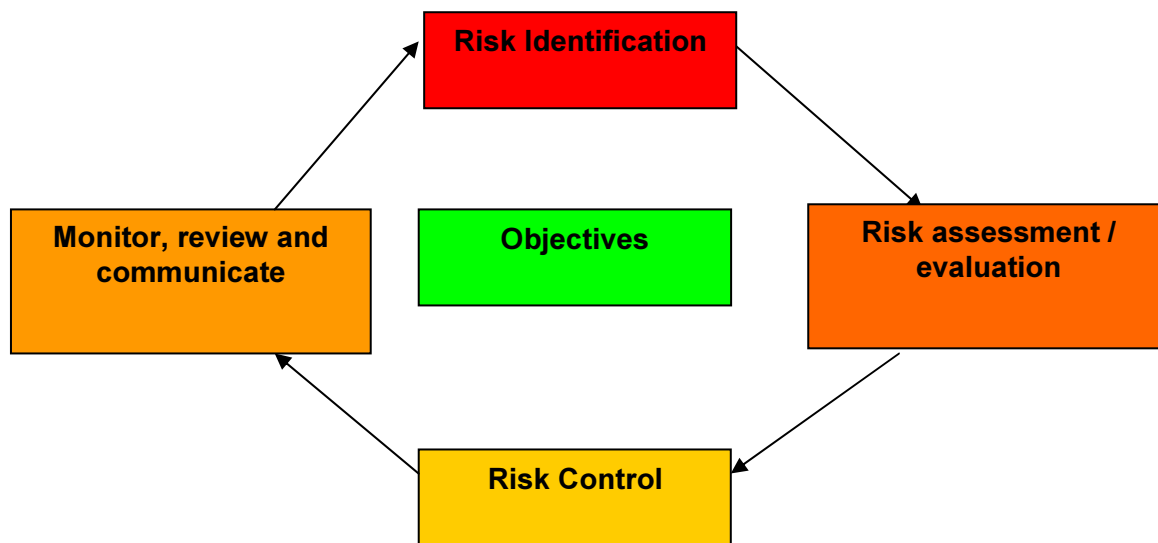
NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

A QUICK GUIDE TO THE COUNCIL'S
RISK MANAGEMENT PROCESS

Classification: NULBC **UNCLASSIFIED**
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Objectives

In developing our approach to risk management, a key part at all stages of the process is to identify SMART objectives - in other words the objectives need to be Specific, Measurable, Achievable, Realistic and Time-bound. In other words, they need to be structured in such a way that they can be assessed as to whether they have worked properly or not. This section takes into account all the objectives set out above and provides more information on each.

Risk identification

What could go wrong?	Use available documents e.g. Council Plan, Service Plan, appraisals etc to establish what is planned and start to identify what risks could occur as a result of these plans
Ensure risks are structured – what are the key elements to each risk?	E.g. if we don't review and manage our budgets, is there a risk we could overspend? What things are we looking at in terms of a risk like this?
What type of risk is it?	Strategic, Operational, Project
What category is it?	e.g. political, e-Government/ICT, regulatory, financial/fraud, opportunities, reputation, management, assets, new partnership/project, customer/client/citizen Environmental (see Appendix B(i))

In assessing and evaluating the risks identified, you need to ask a number of fundamental questions. From this, you will get a risk 'score' (or rating). This 'score'/rating will determine your future actions.

L I K E L I H O O D	HIGH	Amber 7	Amber 8	RED 9
	MEDIUM	Green 4	Amber 5	Amber 6
	LOW	Green 1	Green 2	Amber 3
	Low			Medium
Impact				

What would be the impact on the council if the risk actually happened?

How likely is it to happen?

Based on the answers above, plot the rating on the table opposite

The bold line on the matrix is the limit of the council's risk appetite, i.e. how much risk it is willing to take before intervention begins. Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii))

Risk Control

Risk control is the name given to the process of working towards mitigating the identified risks. This is done by identifying possible actions which may reduce either the impact or the likelihood of the risk and will therefore mean that the final rating is contained within the council's risk appetite (the green and amber sections of the table above). In undertaking risk control a number of questions can be asked as part of the risk management process.

Who owns the risk? What could should be done to reduce the impact and/or likelihood of the risk? What else do you need to do in controlling the risk? (see Appendix B(iii))	Priority	Review Period (months)	Action			
			Tolerate	Treat	Transfer	Terminate
	High	1		√	√	√
	Medium	2 - 6	√	√	√	√
Low	9 - 12	√	√	√	√	

Monitor, Review and Communicate

Key questions to consider as part of this process: -

- Are the controls you have put in place effective?
- Has the risk changed either as a result of what you have done or other factors?

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- Does it need escalating, having gone through all the checks you need to make?
- Are new risks evolving as a result of the existing risk or due to other factors?
- Who do you need to inform – internally and externally to the council?

Key to what prompts what kind of action: -

Red	High risk, prompt action, contingency plan, monitor at least monthly
Amber	Medium Risk, contingency plan, monitor at least quarterly
Green	Low risk, monitor at least half annually

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RISK ASSESSMENT IMPACT MEASURES AND CLASSIFICATION

	High (red)	Medium (amber)	Low (green)
Health & Safety	Death, abuse, life threatening OR permanent disability	Serious injury OR long-term absence from work (over 7 days)	Minor injury OR short-term absence from work (less than 7 days)
Cost	More than £300k	Between £50-£300k	Between £20-£50k
Reputation	National media attention, potential public interest report, third party intervention	Sustained local media attention, Executive Director reporting, Member interest	Short term local media attention, DMT/WMT reporting (depending on the issue)
Service Delivery	Serious service failure directly affecting partners, stakeholders (more than 1 month)	Service failure but not directly affecting partners or stakeholders (up to 1 month)	Service disruption (between 1 day to 2 weeks)
Project Delivery	Project failure impacting on council's priorities and performance	Project failure impacting on Directorate's performance and priorities	Project delay impacting on service performance and priorities
Legal implications	Statutory body, partner or enforcement agency	Member and/or EMT	DMT/WMT (where appropriate)

ALWAYS TAKE THE WORST CASE SCENARIO AS YOUR IMPACT LEVEL

Likelihood Measures

	High (red)	Medium (amber)	Low (green)
Timescale	Highly likely to occur (90%+ chance)	Likely to happen (50-89% chance)	Possible (1-49% chance)
	An incident has occurred in the past year OR is highly likely to occur in the next year	An incident has occurred in the past 2-5 years OR is likely to occur in the next 2-5 years	An incident has occurred in the past 6+ years OR is likely to occur in the next 6+ years

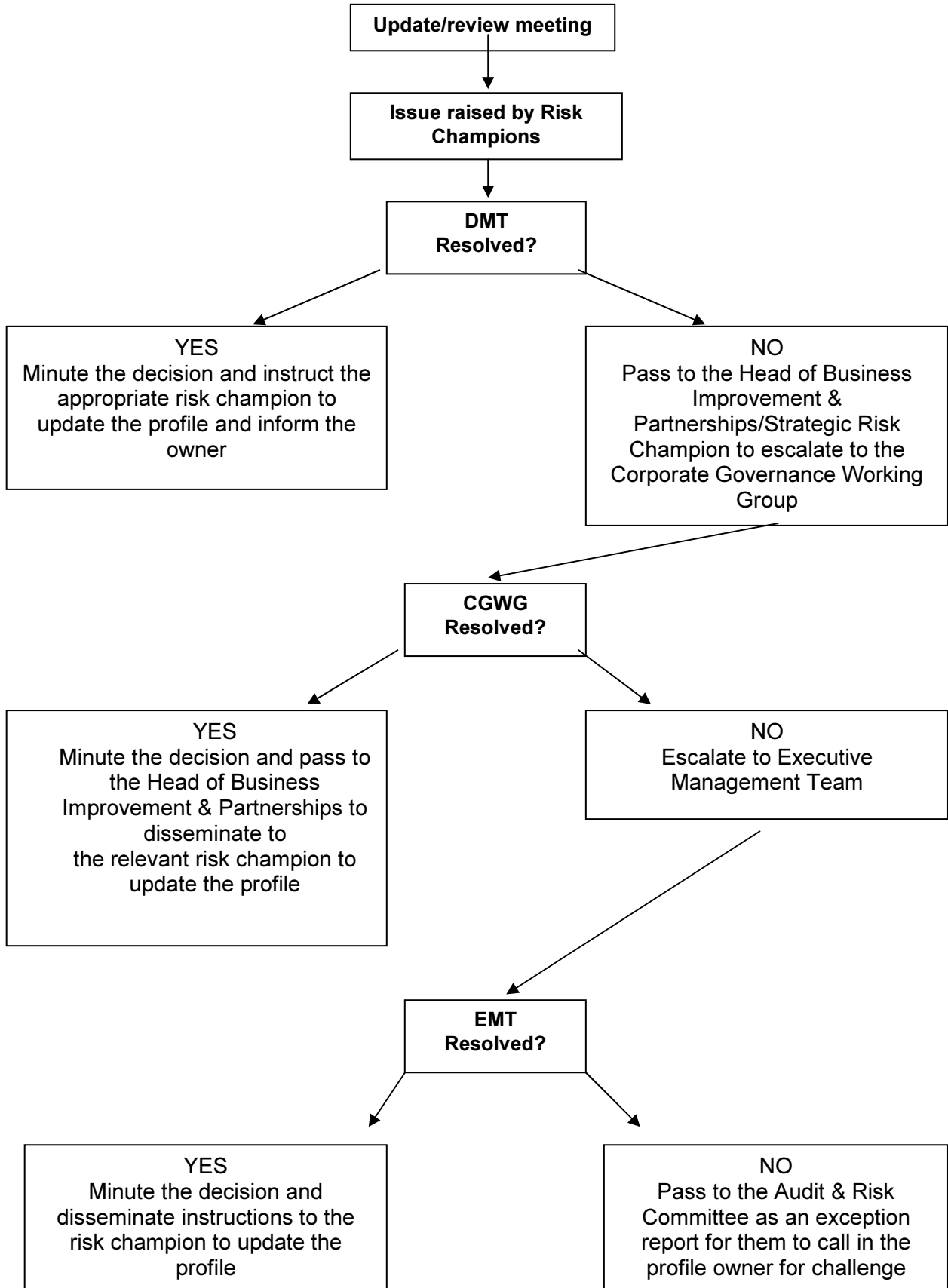
L I K E L I H O O D	High	7 Amber	8 Amber	9 Red
	Medium	4 Green	5 Amber	6 Amber
	Low	1 Green	2 Green	3 Amber
		Low	Medium	High

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RISK MANAGEMENT REVIEWING, REPORTING & COMMUNICATING FRAMEWORK

Final Risk Rating	Risk Action	Management Action required	Review/Reporting required
Red 9	Treat Terminate Transfer	This level of risk is not acceptable and immediate action is required to assess how the risk can be reduced to an acceptable level. Where the impact might result in death, abuse, life threatening OR permanent disability, wherever possible the activity should cease until the risk is effectively managed. Escalation of issues to go to DMT (via risk champion) CGWG (via strategic risk champion) EMT and Audit & Risk Committee if no resolution found.	The appropriate Executive Director must be made aware immediately and the risk must be escalated to the appropriate group – the Departmental Management Team or Corporate Governance Working Group, where the effectiveness of the suggested further action, or a decision for the way forward, must be considered. If the risk could affect the whole council or, if wider support is required to manage it, the risk must be escalated to the Executive Management Team. Progress to manage this risk must be reviewed by the DMT and risk owner on a monthly basis and it is expected that the outcome of such a review will be minuted in the appropriate minutes and a comment recorded in the relevant risk register.
Amber 8 Amber 6 Amber 5	Transfer Treat Tolerate	Whilst this level of risk can be accepted, management must first consider all reasonable steps that could be taken to reduce this risk in terms of both likelihood and potential impact. Escalation of issues to go to DMT (via risk champion) CGWG (via strategic risk champion) EMT and Audit & Risk Committee if no resolution found.	The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Corporate Governance Working Group. If wider support is required to control this risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.
Amber 7 Amber 3	Transfer Treat Tolerate	In view of the low likelihood of this risk occurring, this level of risk can be accepted, however management must first consider that all reasonable steps have been taken to reduce this risk in terms of the potential impact. Escalation of issues to go to DMT (via risk champion), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.	The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Corporate Governance Working Group. If wider support is required to control the risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.
Green 4 2 1	Transfer Treat Tolerate	Whilst this level of risk is generally acceptable, management should consider whether this risk could be reduced in terms of either likelihood or impact. Escalation of issues to go to DMT (via risk champion), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no	The appropriate Business Manager must be made aware of the final rating of this risk and they must consider the effectiveness of the suggest further action (if applicable) and make a decision as to whether the risk should be escalated to the appropriate Head of Service. If wider support is required to control this risk, it must be escalated to the Departmental Management Team. Progress to manage this risk must be reviewed at least annually (or sooner if circumstances change significantly) and a comment recorded in the relevant risk register.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL
EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT AND RISK COMMITTEE

21 July 2014

1. TREASURY MANAGEMENT ANNUAL REPORT 2013/14

Submitted by: Head of Finance

Portfolio: Finance and Resources

Ward(s) affected: All Indirectly

Purpose of the Report

To receive the Treasury Management Annual Report for 2013/14 and to review the Treasury Management activity for this period.

Recommendations

- (a) That the Treasury Management Annual Report for 2013/14 be received and be reported to Full Council on 17 September 2014.**

Reasons

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (revised in November 2011) recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Risk Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports. Following submission to the Audit and Risk Committee the Treasury Management Annual Report will be reported to Full Council on 17 September 2014.

1. Background

- 1.1 The CIPFA Code of Practice on Treasury Management (revised in November 2011) recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Risk Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.
- 1.2 This report therefore ensures that this Council is embracing Best Practice in accordance with CIPFA's recommendations in the CIPFA Code of Practice.
- 1.3 Treasury Management operations are carried out in accordance with policies laid down in the currently approved Treasury Management Policy Statement, backed up by approved Treasury Management Practices and Schedules thereto, and the Annual Treasury Management Strategy Report approved by Council on 27 February 2013.

2. **Issues**

2.1 The Treasury Management Annual Report for 2013/14 is attached at Appendix 1. The economic background and economic forecast included in the report has been provided by the Council's Treasury Management Advisors, Sector Treasury Services Ltd.

2.2 **Heritable Bank**

The original investment with Heritable Bank was £2,500,000. Fourteen dividends have been received so far from administrators Ernst and Young representing a return of 94%, compared to their estimated base case return of between 86% and 90%.

The bank's administrators have confirmed in their latest progress report that they do not intend to make any further distributions to unsecured creditors until the outcome of a court appeal in respect of intercompany liabilities is known. The administrators will report further on developments in their next progress report.

Annual impairments¹ of the original investment have been made in accordance with CIPFA's Local Authority Accounting Panel (LAAP) Bulletin 82. Impairments were made on the assumption of an estimated return of 88%. Since the actual repayment to date is now 94% this has resulted in an overall over impairment of approximately £150,000.

3. **Legal and Statutory Implications**

3.1 See Background for details.

4. **Financial and Resource Implications**

4.1 There are no specific financial implications arising from the report.

5. **Major Risks**

5.1 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.

5.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.

5.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

6. **List of Appendices**

6.1 Appendix 1, Treasury Management Annual Report 2013/14.

7. **Background Papers**

- CIPFA Treasury Management Code of Practice (revised November 2011),

¹ Impairment is the reduction in the value of an asset below its carrying amount in the Balance Sheet.

- Council’s Treasury Management Policy Statement,
- Council’s Treasury Management Strategy,
- Local Government Act 2003,
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,
- Guidance on Local Authority Investments issued by the Department for Communities and Local Government (revised March 2010),
- Ernst & Young Progress Report (25 March 2014)’
- CIPFA LAAP Bulletin 82 “Guidance on the impairment of deposits with Icelandic Banks” Update no.8 – September 2013.
- Sector Treasury Services Ltd Treasury Management Annual Report template (updated 30.05.14)

8. Management Sign-Off

Each of the designated boxes need to be signed off and dated before going to Executive Director/Corporate Service Manager for sign off.

	Signed	Dated
Financial Implications Discussed and Agreed		
Risk Implications Discussed and Agreed		
Legal Implications Discussed and Agreed		
H.R. Implications Discussed and Agreed		
ICT Implications Discussed and Agreed		
Report Agreed by: Executive Director/ Head of Service		

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ANNUAL TREASURY REPORT 2013/14

1. INTRODUCTION AND BACKGROUND

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2013/14. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 was adopted by this Council on 24 February 2010.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Full Council of an annual treasury management strategy report (including the annual investment strategy) for the year ahead and an annual review report of the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of the treasury management strategy to a specific named body which in this Council is the Finance, Resources and Partnerships Scrutiny Committee.
6. Delegation by the Council of the role of scrutiny of treasury management performance to a specific named body which in this Council is the Audit and Risk Committee, a midyear and year end review report is received by this Committee.

Treasury management in this context is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. "

The purpose of this report is to meet one of the above requirements of the CIPFA Code, namely the annual review report of treasury management activities, for the financial year 2013/14.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council has complied with the requirement under the Code to give prior scrutiny to the annual review report by reporting this to the Audit and Risk Committee prior to it being reported to Full Council.

2. THIS ANNUAL TREASURY REPORT COVERS

- ❖ The Council's treasury position as at 31st March 2014;
- ❖ The strategy for 2013/14;
- ❖ The economy in 2013/14;
- ❖ Investment rates in 2013/14;
- ❖ Compliance with treasury limits and Prudential Indicators;
- ❖ Investment outturn for 2013/14;
- ❖ Involvement of Elected Members;
- ❖ Other issues.

3. TREASURY POSITION AS AT 31 MARCH 2014

The Council's investment position at the beginning and the end of the year was as follows:

	At 31/3/14	Return	Average Life (Days)	At 31/3/13	Return	Average Life (Days)
Total Debt	£0m	N/A	N/A	£0m	N/A	N/A
Total Investments	£3.55m	0.69%	8	£4.90m	0.99%	16

It should be noted that the above table is only a snapshot of the Total Investments as at 31 March. Large fluctuations in cash inflows and outflows that occur throughout the month can have an impact on the figure reported.

4. THE STRATEGY FOR 2013/14

The strategy agreed by Council on 27 February 2013 was that:

- The Council's Borrowing Need (Capital Financing Requirement) was estimated at £1,000,000 to allow for the possibility that the Council may need to borrow to finance capital expenditure which cannot be funded from other revenue or capital resources;
- Short term borrowing would be required in the event to cover any temporary shortfalls in revenue income or to temporarily fund capital expenditure during the interim period before a permanent means of finance became available;
- All borrowing would be kept absolutely within the Authorised Limit of £15m and would not normally exceed the Operational Boundary of £5m (although it could for short periods of time be permitted to rise to a figure between £5m and £15m due to variations in cash flow);
- Temporary surpluses which might arise would be invested, either in short term deposits with the Council's various deposit accounts or in money market investments (cash deposits) if the size warranted this and for an appropriate period in order that these sums would be available for use when required;
- The proportions of loans and investments to be at fixed or variable rates were: fixed rate loans to be between 0% and 100% of the total and variable rate to be between 0% and 100% of the total, thus enabling maximum flexibility to take advantage of interest rate trends;
- Long term investments to be permitted as follows: maturing beyond 31/03/14 £5m, maturing beyond 31/03/15 £5m, maturing beyond 31/03/16, £5m;

- The overriding consideration in determining where to place the Council's surplus funds was to safeguard the Council's capital. Within this constraint the aim was to maximise the return on capital; and,
- Forward commitment of funds for investment is permitted in respect of in house investments.

Changes in strategy and credit Policy during the year

There have been no changes to the Treasury Management Strategy during the year. As approved by Council on 27 February 2013 the Council used the creditworthiness service provided by the Council's treasury management advisors, Sector Treasury Services which uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element, supplemented by additional data (credit watches and outlooks, Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings and Sovereign ratings to select counterparties from only the most creditworthy countries). This modelling approach results in a weighted scoring system providing a series of colour coded bands which indicate the relative creditworthiness of counterparties and a suggested maximum investment duration.

5. THE ECONOMY AND INTEREST RATES - narrative supplied by the Council's Treasury Management Advisors – Sector Treasury Services Limited

The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk had subsided somewhat. The original expectation was that Bank Rate would not rise during the year and for it only to start gently rising from quarter 1 2015. This forecast rise has now been pushed back to quarter 3 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during 2013/14. Consequently there was no additional quantitative easing during 2013/14 and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.

Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014. The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. The part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.

The UK Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative, (in the Autumn Statement and the March Budget), reduction in the forecasts for total borrowing, of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.

The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the ECB statement in July 2012 that it would do "whatever it takes" to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

6. INVESTMENT RATES IN 2013/14 – narrative supplied by the Council's Treasury Management Advisors – Sector Treasury Services Limited

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for five years. Market expectations as to the start of monetary tightening ended up unchanged at early 2015. The Funding for Lending Scheme resulted in deposit rates remaining depressed during the whole of the year, although the part of the scheme supporting provision of credit for mortgages came to an end in the first quarter of 2014.

7. COMPLIANCE WITH TREASURY LIMITS

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Annex 1.

8. INVESTMENT OUTTURN FOR 2013/14

Internally Managed Investments

The Council manages its investments in-house and invests with the institutions listed on the Council's approved lending list. The Council invested for a range of periods from overnight to up to three months dependent on the Council's cash flows, its interest rate view and the interest rates on offer. Four of the six fixed investments (excluding use of the Government's Debt Management Office Debt Management Account Deposit Facility) made in 2013/14 were for a period of three months, with the remaining two fixed investments being for less than three months.

The Council used the Government's Debt Management Office (DMO) Debt Management Account Deposit Facility (DMADF) on twelve occasions during the year with the longest deposit being made for fifteen days.

Aside from fixed investments and use of the DMO DMADF, the Council used its various deposit accounts on a frequent basis.

Investment Outturn for 2013/14

During 2013/14 an average rate of return of 0.69% was achieved on an average individual investment of £2.066m. This compared with the target of 0.70% included in the departmental service plan.

9. INVOLVEMENT OF ELECTED MEMBERS

Elected members have been involved in the treasury management process during 2013/14 including:

- Scrutiny of the treasury management strategy by the Transformation and Resources Overview and Scrutiny Committee prior to being submitted for approval by the Full Council.
- Scrutiny of treasury management performance by the Audit and Risk Committee through the receipt of a half yearly treasury management report.
- The Portfolio Holder for Finance and Resources received a monthly budget monitoring report which contains details of Treasury Management activity undertaken during the month; this is forwarded periodically to all Members.
- A quarterly budget monitoring and performance report is reported to Cabinet, this contains details of Treasury Management activity undertaken during the quarter.
- The Portfolio Holder for Finance and Resources was part of the interview process to appoint Treasury Management Advisors for a new contract commencing 1 April 2014. The

three year contract (with an option to extend for a further two years) was awarded to Sector Treasury Services for the three years until 31 March 2017.

10. HERITABLE BANK DEFAULTS

This authority currently has the following investment frozen in the Heritable Bank:

- Investment 5092, £2.5m, maturity date 14 September 2009.

Payments up to 31 March 2014 totalled £2,357,691 (94% return).

ANNEX 1: PRUDENTIAL INDICATORS

	Position/Prudential Indicator	2012/13 Actual	2013/14 Original Indicator	2013/14 Actual
1	Capital Expenditure	£2.533m	N/A	£3.283m
2	Capital Financing Requirement at 31 st March	(£0.197m)	(£0.350m)	(0.360m)
3	Treasury Position at 31 st March:			
	Borrowing	£0.0m	N/A	£0.0m
	Other long term liabilities	£0.5m	N/A	£0.3m
	Total Debt	£0.5m	N/A	£0.3m
	Investments	(£5.195m)	N/A	(£3.558m)
	Net Borrowing	(£4.695m)	N/A	(£3.258m)
4	Authorised Limit (against maximum position)	£0.0m	£15.0m	£2.75m
5	Operational Boundary (against maximum position)	£0.0m	£5.0m	£2.75m
6	Ratio of Financing Costs to Net Revenue Stream	(1.04%)	(0.02%)	(0.48%)
7	Upper Limits on Variable Interest Rates (against maximum position)			
	Loans	0%	100%	0%
	Investments	0%	100%	0%
8	Actual External Debt	£0.0m	N/A	£0.0m
9	Principal Funds Invested for Periods Longer than 364 days (against maximum position)	£0.0m	£5.0m	£0.0m

GLOSSARY

CPI – Consumer Price Index

The Consumer Price Index (CPI) is the main UK measure of inflation for macroeconomic purposes and forms the basis for the Government's inflation target. It is also used for international comparisons.

DMO and DMADF - Debt Management Office and Debt Management Account Deposit Facility

The DMO is an Executive Agency of Her Majesty's Treasury. The DMO provides the DMADF to support local authorities' cash management by providing a flexible and secure facility to supplement their existing range of investment options whilst saving interest costs for Central Government.

ECB – European Central Bank

The European Central Bank (ECB) is the central bank for the euro and administers the monetary policy of the EU member states which constitute the Eurozone, one of the largest currency areas in the world.

LIBID – London Interbank Bid Rate

Banks in the City of London tend to lend and borrow money from one another in the wholesale money markets. The rate at which a bank is willing to borrow money is called the London Interbank Bid Rate (LIBID).

LIBOR – London Interbank Offered Rate

This is the benchmark used by banks, securities houses and investors to gauge the cost of unsecured borrowing in the money markets. It is calculated each day by asking a panel of major banks what it would cost them to borrow funds for various periods of time and in various currencies, and then creating an average of the individual bank's figures.

MPC – Monetary Policy Committee

Interest rates are set by the Bank's Monetary Policy Committee (MPC). The MPC sets an interest rate it judges will enable the inflation target to be met. The Bank's MPC is made up of nine members – the Governor, the two Deputy Governors, the Bank's Chief Economist, the Executive Director for Markets and four external members appointed directly by the Chancellor. The appointment of external members is designed to ensure that the MPC benefits from thinking and expertise in addition to that gained inside the Bank of England.

PWLB – Public Works Loan Board

The Public Works Loan Board (PWLB) is a statutory body operating within the Debt Management Office and is responsible for lending money to local authorities and other prescribed bodies, as well as for collecting the repayments.

QE – Quantitative Easing

Quantitative Easing is an unconventional monetary policy used by central banks to stimulate the national economy when standard monetary policy has become ineffective. A central bank implements quantitative easing by buying financial assets from commercial banks and other private institutions, thus increasing the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity.

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REPORT TO THE AUDIT AND RISK COMMITTEE ON 21 JULY 2014

DRAFT STATEMENT OF ACCOUNTS 2013/14.

Submitted by: Head of Finance

Portfolio: Finance and Resources

Ward(s) affected: All

Purpose of the Report

To submit the draft Statement of Accounts 2013/14 for consideration by the Audit and Risk Committee and to gain approval for the financing of capital expenditure. The report highlights the key issues which are contained in these accounts including a commentary on the General Fund outturn, the Collection Fund and the Balance Sheet and to note the position regarding the Council's reserves.

At this stage the Statement of Accounts is in a draft stage and is subject to external audit. Once that audit is completed then the Statement will be submitted to this committee for formal scrutiny and approval.

A copy of the draft Statement of Accounts has already been provided to members of the Committee as part of the recent accounts scrutiny training session papers and they are requested to bring this with them to this meeting. For the benefit of other members a link to the draft Statement of Accounts is provided at the end of this report (paragraph 11.1).

Recommendations

(a) That the contents of the draft Statement of Accounts for 2013/14 be noted.

b) That the financing of capital expenditure incurred during 2013/14, as set out in Appendix 2 be approved.

Reasons

It is a statutory requirement, contained in the Accounts and Audit Regulations 2011 that the Council produces a Statement of Accounts detailing its financial transactions for the year and its position at the year end. It is also a requirement that the financing of capital expenditure incurred in 2013/14 is approved.

1. Background

1.1 The Accounts and Audit Regulations 2011 govern the way in which a local authority should present its financial affairs. These require that a local authority must produce a Statement of Accounts for each financial year detailing its financial transactions for the year and its position at the year end and that this Statement be scrutinised and approved by an appropriate committee, in this case the Audit and Risk Committee, by 30 September. The Statement is produced in a standardised form in line with CIPFA (the Chartered Institute of Public Finance and Accountancy) guidelines.

- 1.2 The Regulations require the draft Statement of Accounts to be certified by the responsible financial officer, who is the Executive Director (Resources and Support Services), as presenting a true and fair view of the Council's financial position by 30 June and this has been done. On presentation to the committee for approval the final audited version of the Statement will be recertified by him.
- 1.3 The annual statutory audit commenced on 30 June 2014 during which the external auditor is required to ascertain that the accounts present a true and fair view of the financial position of the Borough Council and to ensure that they have been produced in accordance with all relevant codes of practice. This should allow time for the audit to be concluded and any amendments required to be made and a final version of the Statement of Accounts produced for submission to the committee for scrutiny and approval at the meeting scheduled for 29 September 2014.
- 1.4 Whilst 30 September is the date by which formal approval must be given, it is felt that members will want to receive a report on the outturn position for 2013/14 before then. Accordingly, the draft Statement is being reported to you now, for information, together with a commentary on the main points of interest in the accounts. It should be noted that it is not intended that this meeting should be the forum for the formal scrutiny of the accounts, although if members wish to raise any queries these will, of course, be responded to. The intention is rather to report on the 2013/14 outturn and year end financial position and any ongoing financial implications arising therefrom.
- 1.5 Elsewhere on your agenda the Annual Governance Statement is being submitted for approval. Whilst the Accounts and Audit Regulations 2011 do not require this to be included in the Statement of Accounts, they require it to be published, so it is intended to include it in the published Statement of Accounts, as in previous years.
- 1.6 It is also required that the financing of capital expenditure incurred in the year be approved. Accordingly, Appendix 1 sets out the expenditure for 2013/14 and the ways in which it has been financed.

2. The General Fund Budget

- 2.1 The General Fund is the main account of the Council and relates to all of those services which are funded by the Council Tax, Retained Business Rates and Revenue Support Grant from the Government.
- 2.2 The budget for the General Fund for 2013/14 was originally set in February 2013 and amounted to a net total of £15,193,730. The eventual outturn for the year was a positive variance against this figure, of £6,554.

3. The General Fund Outturn

- 3.1 As mentioned above, the out-turn in respect of the General Fund Revenue Account was £6,554 better than the original estimate. Whilst there were adverse variances against some budget heads, these have been offset by positive variances against others.

A number of areas of income, the majority being ones that are sensitive to the state of the local and national economy, were particularly adversely affected as shown in the following table:

Type of Income	Budget	Outturn	Variance
	£000s	£000s	£000s
Local Land Charges	240	206	34
Commercial Properties Rents	1,129	983	146
Bereavement Services Income	1,381	1,328	53
Car Parking Income	1,323	1,204	119
Markets Stalls Income	200	155	45
Green Waste Recycling Credits	556	475	81
Investment Interest	100	73	27
Total	4,929	4,424	505

With reference to the Commercial Properties rents shortfall, this is particularly depressed by continuing vacancies in Lancaster Buildings where units remain unlet. However, this is largely offset by increased rental income of £0.117m in respect of The Square, shown under Additional Income in the third table below.

There was also additional expenditure on a number of headings, which is outlined in the following table:

Item	additional expenditure
	£000s
Golf Course Holding Costs	108
Kidsgrove Sports Centre Net Expenditure	135
Terms and Conditions Review - full amount of savings not realised until 2014/15	50
Waste Transfer Station - Recycling Contractor	100
Total	393

These adverse variances, shown in the two tables above, have however, been met by favourable variances on other budget heads, the more significant of which are highlighted in the table below.

Item	Saving or additional income
	£000s
Additional Income:	
Planning Fees	44
Hackney Carriage/Private Hire licences	67
Litter Enforcement Fines	17
Additional Rent in respect of The Square (Vue Cinema Car Park)	117
Litter Fines	24

Housing Benefits - Recovery of Overpayments	123
Streetscene - Additional Income	30
Procurement Savings:	
Computer Software, Licenses and other costs	77
Business Rates Reductions (Crematorium, Public Toilets, Commercial Properties)	81
Good Housekeeping Efficiencies:	
Multi-Functional Devices - Lease Payments	26
Homelessness - Other Fees for Services	42
Staffing Efficiencies:	
Assets and Property Management	39
Revenues Enquiries and Billing	37
Development Control	24
Corporate:	
Heritable Bank Impairment Written Back. Total £152k but £76k transferred to contingency reserve to meet Local Plan costs.	76
Additional Non-Specific Government Grants	53
Business Rates Discretionary Relief	30
Other Variances	(2)
Total	905

The outturn reflects the monitoring statements provided to members throughout the year.

- 3.2 An amount of £6,554 has been transferred into the Budget Support Fund in respect of the positive variance.
- 3.3 As can be seen in Note 22 to the Accounts, the balance on the Budget Support Fund now stands at £0.333m, a reduction of £0.093m from the 1 April 2013 balance. This movement comprises:
- £0.007m transferred into the Fund in respect of the positive variance;
 - £0.025m transferred out to finance brought forward expenditure;
 - £0.051m returned to the General Fund revenue account in respect of amounts paid into the Budget Support Fund in previous years to meet carried forward commitments but which are now no longer required for this purpose;
 - £0.009m transferred out in respect of invest to save expenditure financed from Fund (to be repaid when savings materialise);
 - £0.015m transferred out to finance expenditure per revenue budget.
- 3.4 Income levels continue to be depressed in the current 2014/15 financial year but there are signs of some recovery, for example in relation to land charges fee income. The ongoing situation will continue to be closely monitored and the budget monitoring reports provided by the Cabinet Portfolio Holder for Finance and Resources will keep

members updated as the year proceeds together with the quarterly monitoring reports to Cabinet. The likely levels of income will also be considered during the compilation of the Medium Term Financial Strategy which is part of the budget setting process for 2015/16.

- 3.5 As referred to at paragraph j) of the Foreword to the Statement of Accounts, the balance in relation to impairment relating to the frozen Heritable Bank investment has been written off, now that over 94% of the frozen amount has been repaid, resulting in a credit to the General Fund of £0.152m. £0.076m of this was subsequently transferred from the General Fund to the Contingency Reserve to be held there to meet the costs of preparation of the local plan. This was in accordance with the decision of Full council in February 2014 when setting the 2014/15 budget.

3.6 Business Rates Retention

There was a positive benefit to the General Fund arising from the commencement of the Business Rates Retention Scheme in 2013/14. This replaced the previous arrangement whereby the Borough Council collected business rates within the Borough and paid over what had been collected to the government, which then returned a part in the form of National Non-Domestic Rates Grant. Under the new arrangements the Council continues to collect business rates but is able to retain in the General Fund a share of the income after paying part to the government, Staffordshire County Council and the Staffordshire Fire and Rescue Authority. The amount retained by the Borough Council exceeded the amount budgeted for by £1.435m. £1.353m of this was set aside via a transfer to a new Business Rates Reserve (shown at Note 22 to the Statement of Accounts) after using £0.082m to meet the cost of setting up a Provision to meet the repayment of personal search fee income in 2014/15, following a change in the law (see Provisions bullet point under paragraph 6.1).

In the current year it is not expected that there will be as significant a variance compared to the budgeted amount for retained business rates income, although at present the indications are that any variance will be positive, based on the initial NNDR1 return to the government, compiled in January 2014, which was the basis for the budget calculation. It should be noted, however, that business rates income is subject to considerable volatility, particularly owing to successful appeals in relation to rateable values which may occur and businesses closing down etc leading to rates no longer being payable.

The Reserve will be available to meet any such shortfalls in business rates income and to meet the Council's share of business rates Collection Fund deficits, of which the Council's share in relation to 2013/14 was £0.832m. The regulations concerning the Collection Fund require this deficit share to be made good by a transfer from the General Fund into the Collection Fund in subsequent years, which will be the first call upon the Reserve. Because of the previously mentioned volatility in income and the time required to assess the longer term workings of the new rates retention system, it is considered prudent that the remaining balance on the Reserve should remain unused for the time being.

It is worth noting that by participating in the Stoke on Trent and Staffordshire Business Rates Pool, along with Staffordshire County Council, Stoke on Trent City Council, Stafford Borough Council, Staffs Moorlands DC, South Staffs DC and the Fire and Rescue Authority, and thereby avoiding the payment of a levy to the government, the Borough Council has achieved a worthwhile increase in the amount of rates retained. The amount of levy that would otherwise have been paid was £0.457m. Of this

£0.183m (40%) has been retained by the Borough Council, forming part of the £1.435m amount referred to above, with the balance of £0.274m being paid over to the Pool, £0.091m (20%) to be held as a reserve to meet any future business rates income shortfalls experienced by Pool members, and £0.183m (40%) in a reserve to fund economic development projects in Staffordshire. Overall, based on provisional figures from participating authorities the amount of the economic development reserve held by the Pool will total £0.531m as at 31 March 2014, which will be available to fund projects throughout the areas of the participating authorities.

- 3.7 The Statement of Accounts includes (at Note 42) the accounts of the North Staffordshire Building Control Partnership, the vehicle through which this Council delivers the Building Control service. Overall the Partnership made a £0.030m surplus in respect of fee earning activities, which is in line with the requirement contained in the Building Control Regulations that a break-even position should be achieved over a number of years.

4. The General Fund as shown in the Statement of Accounts

- 4.1 The transactions of the General Fund are shown in the Statement of Accounts in the Comprehensive Income and Expenditure Statement (CI&ES) and the Movement in Reserves Statement. Further detail of the reserves movements is given in notes 6, 7 and 22. In effect, the CI&ES contains all of the expenditure and income of the General Fund whilst the Movement in Reserves Statement shows the transfers from reserves which have taken place to arrive at the final balance for the year. The Movement in Reserves Statement also shows, at its foot, the final year-end balances on the different classes of reserve.
- 4.2 The CI&ES shows a deficit of £6.743m for the year. At first sight this may seem alarming but it should be remembered that this is the balance before transfers to and from reserves are taken into account, via the Movement in Reserves Statement. All of this balance has been reversed out by net transfers from reserves as shown in the Movement in Reserves Statement. These transfers are either to meet the cost of expenditure contained in the Cost of Services or to reverse out various charges representing proper accounting practice which have been made, as required by the CIPFA Accounting Code of Practice, but which are to be removed from the final total as such charges are, by law, not to be met by Council Tax Payers. Examples of these are various capital charges (such as in relation to depreciation of assets or where an asset has been revalued downwards) and pensions fund transactions. There are a number of notes set out beneath the CI&ES, which explain, in relation to some items contained in the account, why their amounts differ significantly from 2012/13 to 2013/14.
- 4.3 In addition the CI&ES includes the surplus or deficit on revaluation of fixed assets and actuarial gains or losses on pensions assets and liabilities. Both of these items can be subject to significant volatility, as can be seen from the revaluation amount increasing from £0.882m in 2012/13 to £1.177m in 2013/14. This occurs because each year different groups of assets, mostly land and property, are considered in detail and different market conditions, which affect the valuations, exist from one year to the next. All of the balance of £6.743m has been reversed out by net transfers from reserves as shown in the Movement in Reserves Statement.
- 4.4 Notes 8, 9 and 10 provide a breakdown of the Other Operating Expenditure, Financing and Investment Income and Expenditure and Taxation and Non-specific Grant Income, respectively, which appear in the bottom half of the CI&ES. The component of Financing and Investment Income and Expenditure shown at Note 9 relating to

Investment Properties shows a significant change from net income of £0.002m in 2013/14 to net income of £1.152m in 2014/15 owing largely to movements in investment asset valuations which have to be debited or credited to the General Fund, and which were overall downwards in 2012/13 and upwards in 2013/14. These debits and credits are reversed out of the General Fund via transfers from the Capital Adjustment Account included in the Movement in Reserves Statement and so do not impact on the final General Fund outturn. The narrative below Note 10 relating to Taxation and Non Specific Grant Income explains the differences from one year to the other in respect of rates income and government grant income which result from the changes with regard to business rates retention.

5. The Collection Fund

- 5.1 The Collection Fund is a separate account which contains the financial details which refer to the collection of Council Tax and Business Rates and a small balance brought forward in respect of residual Community Charge. The purpose of the account is to illustrate how much of the above income has been collected and to see how this compares to the amounts of the levies and other pre-determined payments that have been made for the Borough Council, the County Council, the Police Authority and the Fire Authority and to central government.
- 5.2 In previous years the business rates element of the Fund did not give rise to a surplus or deficit because all of the income collected was paid over to the government leaving a nil balance. However, with the introduction of the business rates retention scheme, there will be a balance at the year-end in respect of business rates. It is now necessary, therefore, to consider the two different elements of the Collection Fund, in relation to council tax and business rates separately.
- 5.3 Overall the Fund experienced a deficit of £0.918m for the year, leaving a balance of an accumulated deficit of £1.036m at the year-end. Separating this out into its individual components, the respective positions were as follows:

	Council Tax	Business Rates	Community Charge	Total
	£m	£m	£m	£m
Balance Brought Forward - Surplus/(Deficit)	(0.118)	0.000	(0.038)	(0.156)
Transfer of Community Charge balance to General Fund			0.038	0.038
Surplus/(Deficit) for Year	1.163	(2.081)		(0.918)
Balance Carried Forward	1.045	(2.081)	0.000	(1.036)

- 5.4 As can be seen the Council Tax element of the Fund achieved a surplus of £1.163m for the year, which compares to a surplus of £0.103m in 2012/13. This was mainly due to the implementation of council tax technical reforms which enable greater amounts of tax to be collected, for example with regard to empty properties. This will be shared with the precepting authorities (Newcastle Borough Council, Staffordshire County Council, Office of the Police and Crime Commissioner, Fire and Rescue Authority) and will be used in calculating how much Council Tax will be levied in 2014/15.
- 5.5 The Business Rates element of the Fund experienced a deficit of £2.081m for the first year of operation of the new arrangements. The deficit must be made good in

subsequent years by the four participants in the business rates retention scheme, the Borough Council (40%), Staffordshire County Council (18%), the Fire and Rescue Authority (2%) and central government (50%). The amounts each body must contribute are shown in brackets and are prescribed by regulations. The Borough Council's 40% share of the deficit amounts to £0.832m and will be met from the new Business Rates Reserve referred to in paragraph 3.6. The deficit arose because the Fund is required to pay a sum to each of the four bodies equating to their share of the estimated business rates which will be collected in the year. The estimate is made before the start of the year and if the actual rates collected are less than the estimated amount, there will be a deficit, which is what occurred in 2013/14. The reduced collectable amount occurred because of various factors, chiefly changes in reliefs, exemptions and appeals.

- 5.6 A provision has been created in relation to business rates property value appeals to the Valuation Agency which it is considered likely to represent the amount which may have to be refunded in respect of payments already made by ratepayers. This is intended to provide for appeals already lodged and appeals which may arise in the future relating to bills which have been paid. An amount of £0.520m has been paid into the provision out of the Collection Fund as the initial contribution to set it up. This amount was calculated on the basis of historical experience of appeals lodged and the success rate in terms of changes ultimately made by the Valuation Agency. The arrangements for business rates retention mean that only 40% of the cost of setting up the provision is borne by the Borough Council (because it affects the amount of rates retained), the rest falling to the other participants in the arrangements.
- 5.7 The small balance relating to Community Charge was eliminated by transferring it to the General Fund and then making a further transfer from the General Fund to the Community Charge Collection Fund Adjustment Account to eliminate the corresponding balance on that account, in other words a tidying up exercise to eliminate obsolete balances.

6. The Balance Sheet

6.1 The main features of the Balance Sheet are as follows

- There are Net Tangible Fixed Assets of £59.191m which consist of Plant, Property and Equipment, Investment Properties and Heritage Assets. Notes 11, 12 and 13 to the Statement of Accounts show an analysis of these assets, together with a summary of movements during 2013/14. The main reason for the decrease in the fixed assets balance compared to the 31 March 2013 value is the revaluation of assets, largely within the land and buildings category, whereby some of these assets have been revalued downwards, in particular the Guildhall and the Keele Cemetery car park, and the disposal of items in the vehicles, plant and equipment category.
- Investments (all short term at 31 March 2014 - i.e. with less than 1 year to run from that date) amounted to £3.558m and have reduced by £1.637m compared to 31 March 2013. In particular, this reflects the use of capital receipts and reserves balances in hand at the start of the year to finance projects in the capital programme (£0.974m) and the particular cash flow situation as at the balance sheet date. Owing to the current situation in the financial markets, the emphasis is now on short term investments as a means of reducing the risk of exposure to default by organisations with whom money has been placed.

- The balance shown as a Long Term Debtor of £1.923m relates to the balance owing to the Council in respect of properties let on finance lease terms (£1.438m), the outstanding loan to Kidsgrove Town Council in respect of works to the Victoria Hall Kidsgrove (£0.087m) and outstanding mortgages (£0.398m). The balance in relation to property leases arises because some of the council's leases are classified as finance leases rather than operating leases. This requires the amount remaining to be paid over the lease term to be shown in this way. The finance lease element has reduced by £0.72m reflecting payments made in 2013/14, whilst the mortgages balance has decreased by £0.022m, as a result of repayments made by mortgagors in 2013/14.
- The amount owed to the Council by its short term debtors (after a deduction for the estimated amount which might be at risk of non-payment) is £13.544m. Short Term Debtors have increased by £4.068m compared with 31 March 2013. This arises chiefly from the following changes. The Department for Work and Pensions (DWP) owes the Council £3.045m in respect of housing benefits reimbursement for 2013/14 (the comparable figure as at 31 March 2013 is £0.506m) and the Department of Communities and Local Government (DCLG) owes £1.040m in respect of its share (50%) of the business rates collection fund deficit for 2013/14 of £2.081m. Other changes to the amounts owed by DCLG in respect of business rates comparing the position under the new arrangements with the old ones involving the national rates pool, amount to changes in their debtor balance of £0.360m and the Department owe £0.248m in respect of transitional relief and small business rates reduction grants for 2013/14.
- The amount the Council owes to its creditors is £7.288m. Creditors have increased by £1.658m compared to 31 March 2013. This is mainly attributable to a new creditor amounting to £1.032m for the DCLG in relation to amounts owing to them in respect of the new business rates retention scheme and a new accrual, also in relation to the business rates retention scheme, in respect of the amount owing to the business rates pool for the notional levy amount of £0.457m.
- Inventories (stock) have increased from £0.036m as at 31 March 2013 to £0.088m as at 31 March 2014 owing to the creation of an inventory account in respect of waste containers held pending issue.
- Provisions show little movement in the balance sheet (£0.461m compared with £0.428m). However, as shown in Note 21 there have been some changes in relation to individual provisions included in the total. Firstly a new Land Charges Provision has been established, in the amount of £0.082m, to provide for the repayment of personal search fee income in 2014/15, following a change in the interpretation of the law governing what can be charged for by local authorities in relation to these searches. The amount of the provision is the estimated amount of fee income that has been received from customers which the Council will probably have to refund. Secondly, the Municipal Mutual Insurance (MMI) Provision has been called upon to meet a levy payment of £0.101m to the administrator of MMI in 2013/14, leaving a balance of £0.079m in the provision at 31 March 2014. Originally the provision was established at a level of 25% of the maximum outstanding liability to the administrator in respect of claims settled by him since the firm entered administration, i.e. 25 per cent of £0.721m, being £0.180m. It remains the view of the Council's insurance advisors and generally amongst councils affected that 25% is a prudent level of

provision to make, sufficient to cover likely levy payments demanded by the administrator, including the first paid in 2013/14.

- The Net Liability relating to Defined Benefit Pension Schemes (i.e. the difference between liabilities and assets of the pension scheme) increased from £63.523m to £70.171m. This increase is mirrored by an increase in the Pensions Reserve balance. The change mainly arises from the impact of the use of a reduced discount rate to be applied to the value of the Fund's liabilities, taking account of future financial assumptions made by the Fund actuary, which saw liabilities increase by £8.175m. This was offset to some extent by an increase in asset values of £1.627m. These amounts are required to be included in the Council's accounts as a result of the application of International Accounting Standard 19 (IAS19) and the CIPFA Code of Accounting Practice. Neither directly relate to Borough Council transactions - they relate to those of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities (after deduction of the value of scheme assets). Whilst the net liability indicates the Council's long term commitment to pay retirement benefits, statutory arrangements for funding the deficit mean that its financial position remains healthy. Further details relating to the Pension Fund are contained in Note 38 to the Accounts.

7. Reserves

7.1 The Council has usable reserves totalling £9.113m. Note 22 to the Accounts shows a full analysis of all these reserves. The main items, with their balances at 31 March 2014, are:

- General Fund Balance (£1.200m)
- Capital Receipts Reserve (£3.395m)
- Capital Grants Unapplied (£1.153m)
- Budget Support Fund (£0.333m)
- Contingency Reserve Fund (£0.291m)
- Insurance Fund (£0.215m)
- New Initiatives Fund (£0.075m)
- ICT Development Fund (£0.321m)
- Renewal and Repairs Fund (£0.055m)
- Equipment Replacement Fund (£0.349m)
- New Homes Bonus Reserve (£0.018m)
- Revenue Investment Fund (£0.089m)
- Business Rates Reserve (£1.353m)

7.2 Generally the level of reserves has reduced compared with their opening balances at the beginning of 2013/14.

7.3 The Capital Receipts Reserve is predominantly committed to financing the current capital programme, whilst the majority of the balance on the Capital Grants Unapplied Reserve is either already committed to finance current schemes or is earmarked for future schemes. The ICT Development Fund is also committed to finance new or replacement ICT software and hardware.

7.4 The balance of the Contingency Reserve remains above its agreed minimum level of £0.100m. £0.076m is committed to meet costs of local plan preparation.

- 7.5 The Budget Support Fund and Business Rates Reserve are discussed at paragraphs 3.2 to 3.3 above and 3.6, respectively.
- 7.6 The Insurance Fund is fully committed to funding insurance costs included in the 2014/15 revenue budget. Once the balance of £0.215m has been exhausted the Fund will be extinguished and all insurance costs will henceforth be met from the revenue budget, with any variances in those costs being included in the Medium Term Financial Strategy.
- 7.7 The Revenue Investment Fund balance is fully committed to funding approved investment projects, including £0.075m of costs relating to the Ryecroft development.
- 7.8 The levels of reserves will be considered as part of the budget preparation process for 2015/16. Some may require “topping up”, either from the revenue budget or a transfer from another reserve. In particular, the Renewals and Repairs Fund needs to be reviewed to ensure that it is adequate.
- 7.9 Unusable Reserves total (£9,068m). The Unusable Reserves were established as a result of the need to enable various accounting transactions and are not available for use to meet expenditure, either revenue or capital. The main reason for the change from the (£0.905m) balance at 31 March 2013 is the movement in the Pensions Reserve, which mirrors the Net Pensions Liability, discussed earlier in the final bullet point of paragraph 6.1.

8. Accounting Policies

- 8.1 New Policies xxiii and xxiv have been added in respect of Council Tax and Business Rates (National Non Domestic Rates) to reflect current arrangements.

9. Restated Amounts for the Previous Year (2012/13)

- 9.1 Note 44 to the Statement of Accounts sets out changes which have been made to the 2013/14 figures which were contained in the Statement of Accounts approved by the Audit and Risk committee in September 2013. These changes were necessary because of content and presentational changes required by the CIPFA Code of Accounting Practice to be implemented in 2013/14 affecting some of the information shown within Note 38 relating to Defined Benefit Pension Schemes. In order to enable comparability between years the relevant amounts for 2013/14 have been restated where necessary. There is no effect on the Council's balance sheet arising from these changes.

10. List of Appendices

Appendix 1: Financing of Capital Expenditure

11. Link to Draft Statement of Accounts

- 11.1 An electronic version of the Draft Statement of Accounts can be found on the Council's website at and is attached to the electronic version of this agenda.

<http://moderngov.newcastle-staffs.gov.uk/ieListDocuments.aspx?CId=122&MIId=2233>

APPENDIX 1

Capital Expenditure Financing 2013/14

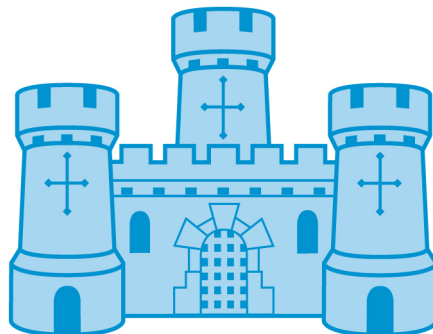
	Capital Expenditure	"Ex Deferred Charges"	Total
	£	£	£
<u>Capital Expenditure</u>			
Expenditure during 2013/14	2,342,701	940,410	3,283,111
Total to be Financed	2,342,701	940,410	3,283,111
<u>Financing of Expenditure</u>			
Capital Receipts	782,260	-	782,260
Government Grant -			
Housing Subsidies	-	518,717	518,717
Regional Housing Board Grant	-	-	-
Fuel Poverty Fund Grant Fund	-	48,238	48,238
Contributions from Other Bodies	904,484	31,170	935,654
Council's Reserves -			
ICT Development Fund	191,928	-	191,928
New Homes Bonus Reserve	464,029	342,285	806,314
Total Financing	2,342,701	940,410	3,283,111

Notes:

- Expenditure in respect of projects which would formerly have been classified as deferred charges is included in the above table, although it is no longer capital expenditure according to the current CIPFA Accounting Code of Practice, which now classifies such items as "revenue expenditure funded from capital under statute". This is mostly housing renewal type expenditure, for example on renovation grants, disabled facilities grants, etc., where there is no creation of an asset, and is currently included in the Council's capital programme.

Classification: NULBC UNCLASSIFIED

STATEMENT OF ACCOUNTS 2013/14



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

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Foreword

By the Executive Director - Resources and Support Services

a) Introduction

Welcome to Newcastle-under-Lyme Borough Council's Statement of Accounts for the financial year 2013/14. It sets out a summary of the money that the Council received and what it has been spent on and highlights specific issues regarding its financial position at 31 March 2014.

b) Regulations Governing the Production of the Statement of Accounts and changes arising from the adoption of International Financial Reporting Standards (IFRS)

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2011 and the requirements of the 2013/14 "Code of Practice on Local Authority Accounting" published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the provisions of Section 15/16 of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011, the accounts were made available for inspection between 2 June and 27 June 2014, as advertised in the local press.

The accounts were approved by the Audit and Risk Committee on 29 September 2014 in accordance with paragraph 8 (3) of the Accounts and Audit Regulations 2011. The signature of the Committee Chair (who presided over the meeting) is included at the conclusion of this foreword in line with the above regulations as evidence of approval of the 2013/14 Statement of Accounts.

c) General Accounting Policies

The accounting policies adopted by the Council comply with the relevant recommended accounting practices unless indicated otherwise and are explained in note 1 to the Accounts. The Council's expenditure has been analysed in the Comprehensive Income and Expenditure Statement according to the standard classification recommended by CIPFA. In addition, the analysis of capital expenditure follows CIPFA's recommendations showing non-current and intangible assets separately. These recommended practices, classifications and recommendations are all designed to meet IFRS requirements. There have been no changes in accounting policies.

There has been no change in the Council's statutory functions during the year other than it is now responsible for the calculation and administration of the Council Tax Support scheme rather than acting as an agent of the Department for Work and Pensions.

d) Statement of Accounts

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of a local authority are both technical and complex. This foreword explains the statements and sections in this document, and provides a summary of the Council's financial performance for 2013/14 and its financial prospects for future years.

The Borough Council's Accounts for the year 2013/14 are set out in the following pages and consist of the following:

Page	Statement	Purpose
12	Statement of Responsibilities	Setting out the Council and Executive Director – Resources and Support Services responsibilities in relation to financial administration and accounting.
13	Movement in Reserves Statement	Showing movements in reserves split between usable and unusable reserves. It also reconciles the outturn on the Comprehensive Income and Expenditure Statement to the General Fund Balance established by the relevant statutory provisions that specify the net expenditure the Council needs to take into account when setting local taxes.
14	Comprehensive Income and Expenditure Statement	Showing the net cost for the year of the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
15	Balance Sheet	Setting out the financial position of the Council on the 31 March 2014. It provides details of the Council's balances and reserves and current assets employed in Council operations together with summarised information on the fixed assets held.
16	Cash Flow Statement	Summarising the total cash movement of the Council's transactions.
17	Notes to the Accounts	Providing explanation and analysis of items contained in the above accounting statements. Note 1 details the accounting policies which have been employed in compiling the Council's accounts.
67	Collection Fund	Reflecting the statutory requirement for the authority to maintain a separate account providing details of receipts of Council Tax and Business Rates and the associated payments to precepting authorities and central government.
70	Audit Opinion	The External Auditor's opinion on the Accounts.

e) Accountability / Financial Reporting

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of the process of accountability, the Borough Council is required to produce a Statement of Accounts, in order to inform stakeholders that it has properly accounted for all the public money received and spent, and that the financial standing of the Council is on a secure basis.

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

f) Economic Downturn and Public Expenditure Reductions

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

The amount of funding from central government to support the revenue budget was again reduced in 2013/14. This was offset by efficiency savings agreed when the budget for 2013/14 was set in February 2013 by the Full Council.

g) General Fund Revenue Budget Outturn

The outturn position in relation to the General Fund Revenue Budget was a positive variance of £7k, i.e the net budget was £15.194m and the outturn was £15.187m.

This was in line with budget monitoring predictions of a final outturn close to the original budget for the year. The difficult operational conditions arising from the factors outlined previously meant from the outset that 2013/14 would be another challenging year financially for the Council. Members and officers have continued; therefore, to operate within an environment of tight budget management to, wherever possible, mitigate any adverse impact.

h) Financial Summary 2013/14

The financial activities of the Council can be categorised as either Revenue or Capital. Revenue spending represents the costs of consuming supplies and providing services delivered by the Council in its day to day business during the year. Capital spending relates to items which will provide benefit to the Borough over a number of years.

Revenue Expenditure and Income

Where does the money come from?

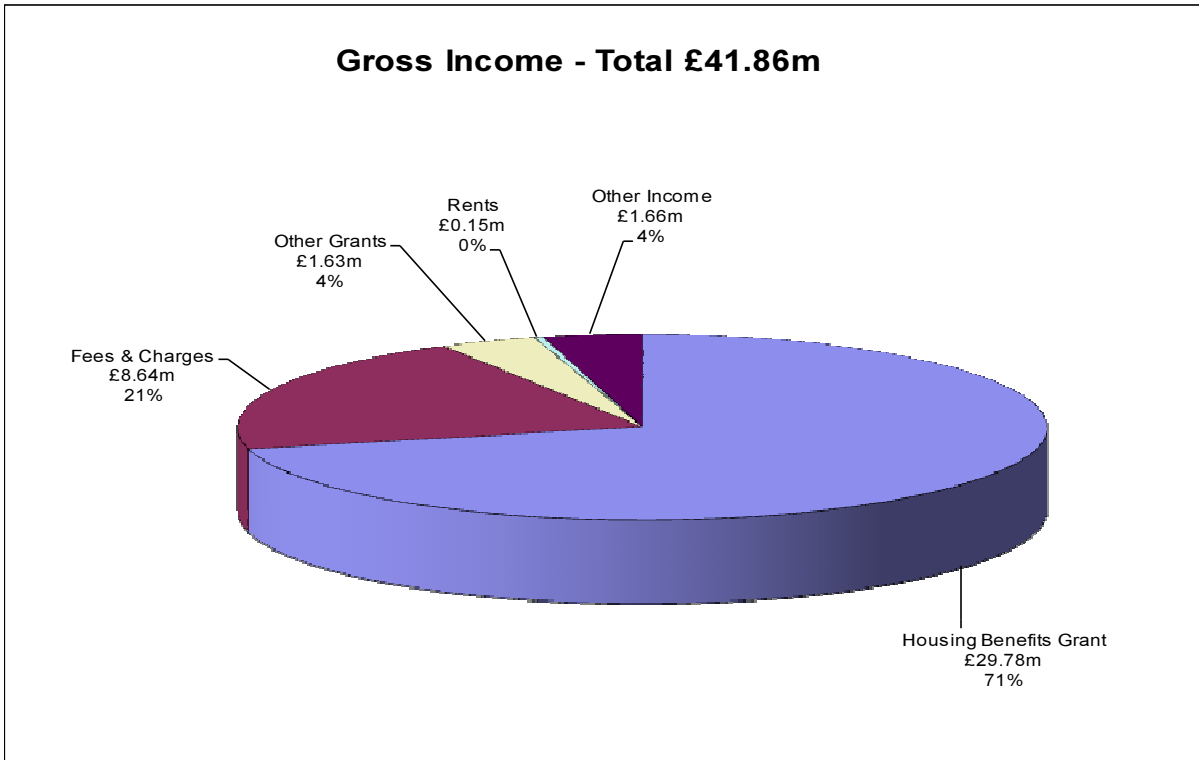
Local authorities receive income from a variety of sources, but chiefly from the Government in the form of grants, from households in the form of Council Tax, from consumers in respect of fees and charges, property rents and from a share of the business rates collected from occupiers of commercial premises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

This last source of income is a new development commencing in 2013/14 following the introduction of a scheme for business rates retention. Previously the Council collected business rates and paid over the whole of this amount to the government which then returned a part to the Council in the form of National Non-Domestic Rates Grant. Under the new arrangements the Council continues to collect the rates but is able to retain a share of the income after paying part to the government, Staffordshire County Council and the Staffordshire Fire and Rescue Authority. In 2013/14 additional rates income retained in excess of the amount included in the 2013/14 revenue budget amounted to £1.435m. This amount, after deducting £0.082m to cover the creation of a provision to cover land charges fees refunds due, was paid into a new Business Rates Reserve and is available for future use, particularly to meet the council's share of business rates collection fund deficits, which amounted to £0.832m in 2013/14 so this will be the first call on the reserve in 2014/15, and to meet shortfalls in business rates income which could arise in later years. If, in the longer term, it becomes apparent that a significant balance is likely to be built up in the reserve, it could be used to support revenue initiatives.

Alongside the new business rates arrangements, the Council continues to receive Revenue Support Grant from the government, the amount of which is based on an assessment of the relative needs of local authorities, derived from such factors as population, deprivation levels, number of commuters, visitors to the area etc. In 2013/14 the Council received an amount of £4.155m in respect of Revenue Support Grant. In addition an amount of £0.243m was received in respect of Council Tax Freeze Grant because it held the Council Tax levies for 2013/14 at the same levels as in 2012/13 (£0.070m) and ongoing grant (£0.173m) payable because there was no increase in 2011/12 from 2010/11 levels.

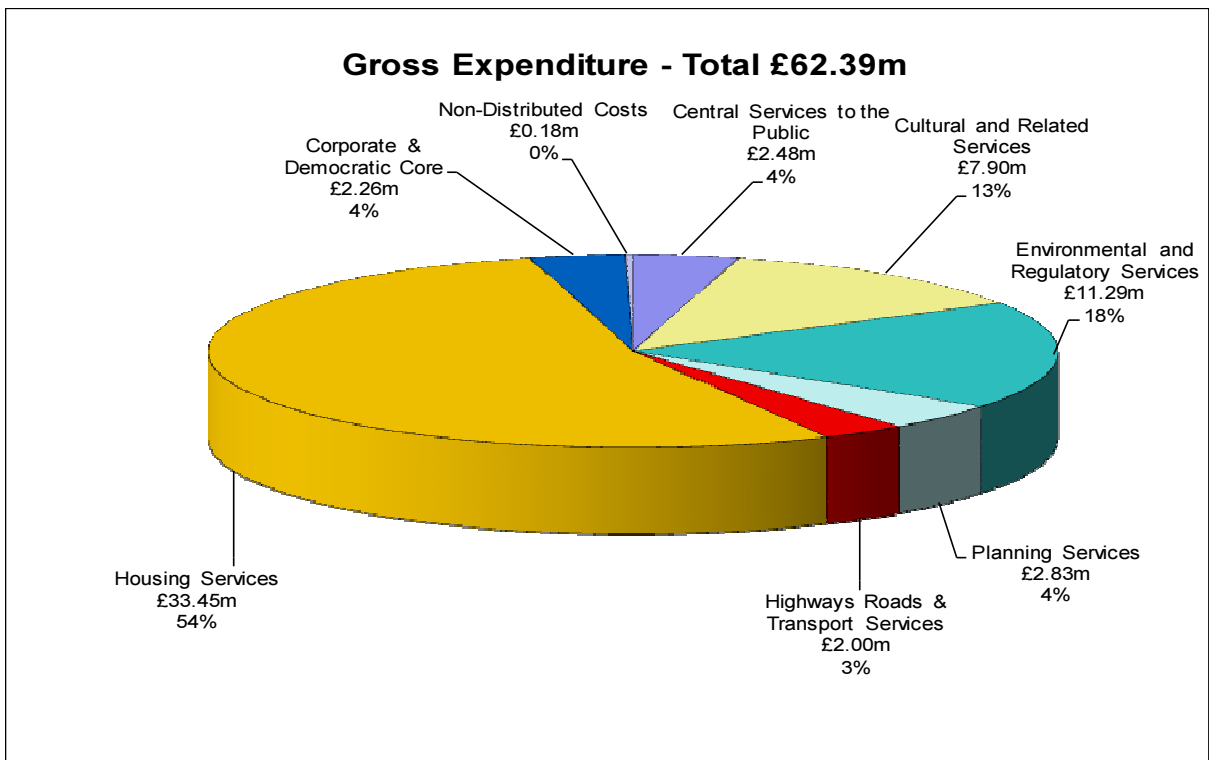
Council Tax is a property based charge payable by local residents and the amount payable depends on the value band that the property is placed into by the Valuation Office. National Non-Domestic Rates, known as Business Rates, are payable by owners of businesses and properties. The government determine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

The gross income received by services, as shown in the Comprehensive Income and Expenditure Statement (page 14), is shown in the chart below analysed over sources of income:



How the money was spent

The Comprehensive Income and Expenditure Statement (page 14) shows that Gross Expenditure for the year was £62.39m across defined service areas prescribed by CIPFA to facilitate comparison between councils and as set out in the following chart:



It should be noted that the gross expenditure and income totals shown in the two charts above are significantly less than those for the previous year 2012/13. This is because council tax benefit payments became the responsibility of the Borough Council in 2013/14, with the cost being shared with Staffordshire County Council and the Police and Fire services. Under the previous arrangements, the Borough Council met the full cost initially and was subsequently reimbursed by the Department for Work and Pensions for whom it was acting as an agent, the Department having ultimate responsibility. This meant that in 2012/13 payments of some £8.2m were included in gross expenditure with a similar amount included in gross income, which is no longer the case in 2013/14.

What we planned to spend

The Council set an original Net Revenue Budget for 2013/14 of £15.194m on 27 February 2013.

What we actually spent

Actual net expenditure was £15.187m. As mentioned earlier, this represents a positive variance compared to the original budget of £7,000.

This amount has been transferred into the Budget Support Fund. The balance on the Fund, as at 31 March 2014 is £0.333m, as against its balance at 1 April 2013, which was £0.426m. In addition to the transfer into the Fund of £7,000, a net transfer of some £0.086m was made from it to meet 2012/13 commitments carried forward and in respect of previous years' amounts carried forward which were no longer required.

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

	£m
Expenditure	62.388
Income	(41.856)
Net Service Expenditure	20.532
Non-Service Specific Income and Expenditure	
Interest Receivable	(0.382)
Investment Properties Net Expenditure	(1.152)
Council Tax Income	(6.079)
Non-Domestic Rates Net Income	(4.736)
Non-Ringfenced Government Grants	(5.979)
Transactions with Earmarked Reserves	1.524
Reversal of Capital Charges included in Service Costs	(4.124)
Other Items	0.389
Out-turn	(0.007)

Capital Expenditure

Capital expenditure includes expenditure such as the acquisition, construction, repair and maintenance of fixed assets. Notes 11, 12, 14 and 34 to the accounts show the Council's capital spending for 2013/14 together with the means by which it has been financed.

As capital spending contributes to the Council's aims and objectives over more than one year, the Council plans and budgets for expenditure by means of a "rolling" programme. This programme was last updated in February 2014.

There are a number of sources of funds which may be available to finance the Council's capital expenditure. In 2013/14 and previous years the major source of finance has been capital receipts. These have arisen from sales of land, property and other assets.

Another significant source of funding is contributions from external parties towards the cost of capital projects. Such contributions may be made by developers as part of planning agreements, by various statutory and non-statutory bodies towards projects which promote the aims with which those bodies are concerned, by grant-aiding bodies and by government departments where national policy dictates that local authorities should be assisted, by the payment of grant, to carry out desirable projects.

Some of the funds which the Council holds in reserves may be used to finance capital expenditure. Specific reserves which can be used for this purpose are the New Initiatives, and ICT Development Funds and the New Homes Bonus Reserve. In addition the Contingency Reserve may be used to meet capital costs. The balances on the Council's reserves are shown in note 22 (page 44) to the accounts. A small amount of capital expenditure may be financed directly from the General Fund Revenue Account.

Borrowing is another means that can be used to finance capital expenditure. This is not presently employed by the Council and it currently has no long term debt. Whether it is employed in the future will depend upon its cost relative to other means of capital financing and the availability (or lack of it) of other sources of capital financing.

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

i) Financial Prospects

Revenue

The Council is committed to delivering efficient, effective, high quality services, as evidenced by its service reviews and transformation programmes. Integral to this is the need to effectively target financial resources in line with stated aims and objectives working against the background of the adverse economic situation referred to earlier. The Council's Medium Term Financial Strategy (MTFS) - which forecasts future years' budgets taking into account the national and local financial situation together with the Council's priorities - identified shortfalls for each year from 2014/15 to 2018/19.

The forecast shortfall for 2014/15 was £2.0m. On 26 February 2014 the Council set a balanced budget without any increase in council tax. This was achieved by means of efficiency savings and the identification of additional sources of income sufficient to meet the shortfall. The majority of these savings were identified through a review of the Council's services focussing on particular areas where it was felt savings could be achieved.

The government's continuing desire to achieve significant reductions in public expenditure will inevitably impact upon the Council's own finances. 2013/14 saw a significant reduction in central government support by way of the formula grant which is repeated in 2014/15 (a reduction of some £1.1m (13.6%) from the 2013/14 level). Provisional data provided by central government indicates that a further reduction of just over £1.1m will occur in 2015/16, which represents a further 15.6% reduction in central government support. Indications for later years are that further reductions will continue to be made in this support for some time.

Work has taken place, and continues, to meet the challenge posed by the consequential need for budget reductions, in particular continuing to review services to identify savings, and seeking to identify additional sources of income. An exercise has been initiated to predict what the Council will look like by the year 2020 in terms of service provision, organisational structure and financial situation. The results of this work are likely to shape future budgets, in advance of 2020, in order to achieve the planned position by that year.

Capital

The capital programme approved on 26 February 2014 provided for total capital spending of £7.242m over two financial years. The Council will have sufficient available resources to finance this programme in the form of unapplied capital receipts, reserves, contributions and grants. However, following completion of the existing programme sources of capital funding held by the Council itself will be at extremely low levels. Specific reserves earmarked for meeting capital expenditure, which previously existed, have been exhausted, whilst the remaining balance on the ICT Development Fund is earmarked for funding ICT system replacement and enhancement rather

than general capital investment. Resources will, therefore, be limited to support a future programme of capital investment of any significant size.

There will, however, be a continuing need for capital investment to maintain service continuity, particularly in replacement plant and equipment and to maintain operational buildings in a fit state. If this need is to be satisfied, it will be necessary to look to generate capital receipts from sales of assets or to make use of Prudential (affordable) borrowing. For some projects it may be possible to obtain some grant income or contributions from partner organisations but in the current economic climate such opportunities are limited.

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

Reserves

The Council holds a number of reserves which have been established either to meet specific categories of expenditure or are of a general nature. These reserves are listed in note 22 (page 47) to the accounts. Some of the reserves may be used to finance both capital and revenue expenditure. The levels of reserves are kept under review to determine their adequacy to meet the Council's spending commitments and future plans. Overall, reserves balances are reducing and a review of their adequacy will be an important consideration when preparing the 2015/16 budget.

The General Fund Balance, originally built up out of past surpluses on the Revenue Account, can be used to contribute when required to a particular year's revenue account. The required level is determined by reference to a risk assessment of factors which might adversely impact upon a year's revenue budget on a "worst case" basis. The current level, as at 31 March 2014 is £1.2m. In addition the Budget Support Fund is available for supporting future years' revenue budgets.

Partnerships

The Council participates in a number of partnerships. Its contributions towards the partnerships with which it is involved may be "in kind", for example the provision of staff and services, or consist of meeting expenses or making contributions towards costs incurred by other partners or their associates.

j) Asset Impairment

The Council had to impair the value of the assets held in relation to its deposit in the Heritable Bank at the end of the 2008/09 financial year. An impairment is a reduction in the value of an asset below its carrying amount in the balance sheet. In doing this the Council followed the guidelines issued by CIPFA's Local Authority Accounting Panel on how to account for the deposit that is considered to be at risk, i.e. to assume that 88% of the deposit, plus interest accrued to the date the bank went into liquidation, would be repaid. As at 31 March 2014 just over 94% of the amount deposited has been repaid. In view of this a decision was taken to write off the impairment balance of some £0.152m as it was no longer applicable. This resulted in a credit back to the General Fund Revenue Account of this amount, of which £0.076m was transferred to the Contingency Reserve to be available to meet local plan preparation costs, with the balance remaining within the Revenue Account. These actions were formally approved by Full Council in February 2014

k) Assets and Liabilities Acquired

There have been no significant assets or liabilities acquired during 2013/14.

l) Pensions Scheme Liability

The Liability relating to Defined Benefit Pension Schemes increased from £63.523m to £70.171m. This increase is mirrored by an increase in the Pensions Reserve balance. These amounts are required to be included in the Borough Council's accounts as a result of the application of International Accounting Standard 19 (IAS19) and the

CIPFA Code of Accounting Practice. Neither directly relate to Borough Council transactions - they relate to those of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities (after deduction of the value of scheme assets). Whilst the net liability indicates the Council's long term commitment to pay retirement benefits, statutory arrangements for funding the deficit mean that its financial position remains healthy.

m) Specific Events in 2014/15

There are no significant finance-related legislative changes which will affect the Council in 2014/15:

By far the most significant event scheduled to occur during the year will be the selection of a developer to take forward the redevelopment of the former Sainsburys supermarket site at Ryecroft in Newcastle town centre. This site is jointly owned by the Borough Council and Staffordshire County Council. The two councils share expenses and income in relation to the site with the Borough Council having a 25 per cent interest. As part of this comprehensive redevelopment, the Borough Council may vacate its current administrative headquarters, the Civic Offices, which are adjacent to the Ryecroft site and relocate elsewhere, either in a joint development with other public sector bodies, principally the County Council, or utilising other property. The exact nature of the redevelopment and possible relocation will depend on the selected developer's proposal and financial offer. If it takes place, the project will span several years and involve significant capital and revenue spending

The Council also resumed responsibility, from the beginning of May 2013, for operating the municipal golf course situated at Keele Road. This follows the previous operator relinquishing the right to operate the course on the Council owned site due to entering into liquidation. Following an unsuccessful procurement exercise conducted to appoint a replacement operator, the Council will need to decide upon the future use of the site in order to mitigate the costs of holding a currently redundant asset.

n) Audit of the Accounts

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

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

o) Further Information

Further information about the Accounts is available from:

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

A Summary Financial Statement for 2013/14 is also available, being included in the Council's Annual Report which can be accessed via the Council's website: www.newcastle-staffs.gov.uk.

p) Comments

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

Kelvin Turner
Executive Director - Resources and Support Services

q) Approval of Statement of Accounts

The Accounts and Audit Regulations 2011 require the Statement of Accounts to be considered by and approved by a Council Committee or the Full Council and for the Statement to be signed at the meeting by the person presiding. This statement has been approved by the Audit and Risk Committee and this is evidenced by the signature of that Committee's Chair, who presided the meeting, which is shown below.

The Statement of Accounts was approved at a meeting of the Audit and Risk Committee on 29 September 2014

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

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required:

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

The Executive Director - Resources and Support Services' Responsibilities

- The Executive Director (Resources and Support Services) is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.
- Kept proper accounting records which were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Executive Director - Resources and Support Services Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Borough Council as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

Kelvin Turner

Executive Director - Resources and Support Services

Date:

Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012 Brought Forward	(1,400)	(2,931)	(2,420)	(1,321)	(8,072)	(9,497)	(17,569)
Movement in Reserves during 2012/13							
Surplus/(Deficit) on Provision of Services	4,822	-	-	-	4,822	-	4,822
Other Comprehensive Income & Expenditure	-	-	-	-	-	5,959	5,959
Total Comprehensive Income & Expenditure	4,822	-	-	-	4,822	5,959	10,781
Adjustments Between Accounting & Funding Basis (Note 6)	(4,438)	-	(280)	24	(4,694)	4,694	-
Net Increase/Decrease Before Transfers to Earmarked Reserves	384	-	(280)	24	128	10,653	10,781
Transfers to/from Earmarked Reserves (Note 7)	(184)	435	-	-	251	(251)	-
Increase/Decrease in Year	200	435	(280)	24	379	10,402	10,781
Balance at 31 March 2013 Carried Forward	(1,200)	(2,496)	(2,700)	(1,297)	(7,693)	905	(6,788)

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013 Brought Forward	(1,200)	(2,496)	(2,700)	(1,297)	(7,693)	905	(6,788)
Movement in Reserves during 2013/14							
Surplus/(Deficit) on Provision of Services	3,851	-	-	-	3,851	-	3,851
Other Comprehensive Income & Expenditure	-	-	-	-	-	2,892	2,892
Total Comprehensive Income & Expenditure	3,851	-	-	-	3,851	2,892	6,743
Adjustments Between Accounting & Funding Basis (Note 6)	(5,376)	-	(695)	144	(5,927)	5,927	-
Net Increase/Decrease Before Transfers to Earmarked Reserves	(1,525)	-	(695)	144	(2,076)	8,819	6,743
Transfers to/from Earmarked Reserves (Note 7)	1,525	(869)	-	-	656	(656)	-
Increase/Decrease in Year	-	(869)	(695)	144	(1,420)	8,163	6,743
Balance at 31 March 2014 Carried Forward	(1,200)	(3,365)	(3,395)	(1,153)	(9,113)	9,068	(45)

2012/13 has been restated in respect of changes relating to accounting for Employee Benefits. Details are provided in Note 44.

Comprehensive Income and Expenditure Statement

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

Gross Expenditure	2012/13			2013/14		
	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
10,743	9,601	1,142	Central Services to the Public	2,480	1,296	1,184
6,977	1,863	5,114	Cultural & Related Services	7,896	2,728	5,168
10,411	3,731	6,680	Environmental & Regulatory Services	11,288	3,886	7,402
2,714	546	2,168	Planning Services	2,829	783	2,046
1,165	1,273	- 108	Highways & Transport Services	2,000	1,526	474
34,328	32,917	1,411	Housing Services	33,458	31,619	1,839
2,741	28	2,713	Corporate & Democratic Core	2,261	18	2,243
132	-	132	Non-Distributed Costs	176	-	176
69,211	49,959	19,252	Cost of Services	62,388	41,856	20,532
393	774	(381)	Other Operating Expenditure (Note 8)	312	1,192	(880)
4,078	1,715	2,363	Financing & Investment Income/Expenditure (Note 9)	3,228	1,869	1,359
-	16,412	(16,412)	Taxation & Non-Specific Grant Income (Note 10)	-	17,160	(17,160)
		4,822	(Surplus)/Deficit on Provision of Services			3,851
		(882)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets			(1,177)
		6,841	Actuarial Gains/Losses on Pensions Assets/Liabilities			4,069
		5,959	Other Comprehensive Income & Expenditure			2,892
		10,781	Total Comprehensive Income & Expenditure			6,743

Notes

- 2012/13 has been restated in respect of changes relating to accounting for Employee Benefits. Details are provided in Note 44.
- Central Services to the Public. The 2012/13 figures include expenditure and income of some £8.2m in relation to Council Tax Benefits payment and reimbursement from the government. This has now been replaced by Council Tax Support which does not give rise to similar charges or income to services.
- Highways and Transport Services. Expenditure in 2013/14 includes around £0.62m in capital charges for impairment compared to £0.008m in 2012/13. These charges are reversed out of the accounts via the Movement in Reserves Statement.

Cash Flow Statement

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

2012/13 £000		2013/14 £000	Note
4,822	Net (Surplus)/Deficit on the Provision of Services	3,851	
(3,846)	Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	(3,924)	19
1,049	Adjustments re. items in the Net Surplus/Deficit on the Provision of Services that are Investing/Financing Activities	1,296	19
<u>2,025</u>	Net Cash Flows from Operating Activities	<u>1,223</u>	
(4,873)	Investing Activities	(1,605)	25
2,974	Financing Activities	351	26
126	Net Increase or Decrease in Cash/Cash Equivalents	(31)	
(354)	Cash/Cash Equivalents brought forward	(228)	
<u>(228)</u>	Cash/Cash Equivalents carried forward	<u>(259)</u>	18

2012/13 has been restated in respect of changes relating to accounting for Employee Benefits. Details are provided in Note 44.

Notes to the Accounts

1. Accounting Policies

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Best Value Accounting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

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

iv. Exceptional Items

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

- The liabilities of the Staffordshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and forecasts of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8%. IAS19 states that the discount rate used to place a value on the liabilities should be “determined by reference to market yields at the end of the reporting period on high quality corporate bonds”. The recommended discount rate was previously the iBoxx Sterling Corporates AA Over 15 Years index at the IAS19 valuation date with the removal of recently re-rated bonds from the index. However, it has been acknowledged that the constituents of the iBoxx 15 year index have terms that are somewhat shorter than those for the pension liabilities of a typical employer in the LGPS (which is estimated to be around 20 years). The revised approach, applicable from 31 March 2013, involves using a single average gilt yield which gives the same present value as the gilt curve applied to the cash flows of a typical LGPS employer with a duration of around 20 years, plus the median “credit spread” applying to AA corporate bonds within the iBoxx Over 15 Years Index. Therefore the recommended discount rate is no longer equivalent to the iBoxx Index yield at the accounting date. The new approach to the discount rate, together with falling bond yields has resulted in increasing the value of liabilities and having a negative impact on the Balance Sheet;
- 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 pensions liability is analysed into the following components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - Net interest on the net defined benefit liability/asset, i.e. net interest expense for the Council - the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments;
 - The return on plan assets, excluding amounts included in net interest on the net defined benefit liability/asset, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Contributions paid to the Staffordshire pension fund - cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii. Events After the Balance Sheet Date

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

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

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

ix. Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Short Term Investments

Short term investments include:

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

Available-for-Sale Assets

The Council has no available for sale assets.

Instruments Entered Into Before 1 April 2006

The Council has entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that a contingent liability note (note 39) is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that

specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

xii. Intangible Assets

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Heritage Assets

The Council's Heritage Assets are either held in its Museum or consist of outdoor structures of various kinds. All of these assets are tangible. The Museum's collection of heritage assets are described in note 13 to the accounts. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. Heritage assets are accounted for as follows.

Museum Collection

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

Outdoor Structures

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

General

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

xiv. Inventories

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

xv. Investment Property

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

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

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

xvi. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals

in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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

Operating Leases

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2013/14 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xviii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is

estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

Classification: NULBC UNCLASSIFIED

classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

xix. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in note 39 to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in note 40 to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xx. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in

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that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

xxi. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure (less any grant or contribution received towards it) from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxii. VAT

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

xxiii. Council Tax

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

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

xxiv. National Non Domestic Rates (NNDR)

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

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvement in joint arrangements and disclosure of involvements in other entities. These include:

- **IFRS 10 Consolidated Financial Statements** – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts.
- **IFRS 11 Joint Arrangements** – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities.
- **IFRS 12 Disclosures of Involvement with Other Entities** – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.
- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. It will be necessary to consider whether the Council participates in any material joint venture arrangements requiring the preparation of group accounts for inclusion in the Statement of Accounts. At this stage a definitive view cannot be formed.
- **IAS 32 Financial Instruments Presentation** – The code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- **IAS 1 Presentation of the Financial Statements** – The change clarifies the disclosure requirements in respect of comparative information relating to the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

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

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

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

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

The significant items in the Council's Balance Sheet at 31 March 2014 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.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director - Resources and Support Services on 27 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Since the balance sheet date a decision has been taken to clear a town centre development site owned jointly with Staffordshire County Council. The Council's share (25%) of the asset value at the balance sheet date, included in investment properties in the balance sheet, amounted to £893,750.

Following the clearance of the site, the Council's share of the asset has been revalued at £400,000.

6. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2013/14	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account:				
Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement:				
Charges for Depreciation & Impairment of Non-Current Assets	(2,490)	-	-	2,490
Revaluation Losses on Property, Plant & Equipment	(2,045)	-	-	2,045
Movements in Market Value of Investment Properties	495	-	-	(495)
Amortisation of Intangible Assets	(84)	-	-	84
Capital Grants & Contributions Applied	818	-	-	(818)
Amounts of Non-Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(178)	-	-	178
Capital Element of Finance Leases Where Council is the Lessor	(72)	-	-	72
Insertion of Items Not Debited or Credited to the Comprehensive Income & Expenditure Statement				
Statutory Provision for the Financing of Capital Investment	163	-	-	(163)
Adjustments Primarily Involving the Capital Grants Unapplied Account:				
Capital Grants & Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	(57)	-	57	-
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	-	-	87	(87)
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	1,354	(1,354)	-	-
Use of the Capital Receipts Reserve to Finance Capital Expenditure	-	782	-	(782)
Contribution From the Capital Receipts Reserve to Finance Payments to the Government Capital Receipts Pool	(2)	2	-	-
Transfer from Deferred Capital Receipts Reserve on Receipt of Cash	-	(38)	-	38
Principal Repayments re Long Term Debtor (Loan)	-	(87)	-	87
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(2,579)	-	-	2,579
Adjustments Primarily Involving the Collection Fund Adjustment Account:				
Amount by Which Council Tax & Non-Domestic Rating Income Credited to the Comprehensive Income & Expenditure Statement Differs From Council Tax & Non-Domestic Rating Income Calculated for the Year in Accordance With Statutory Requirements	(685)	-	-	685
Adjustments Primarily Involving the Accumulated Absences Account:				
Amount by Which Officer Remuneration Charged to the Comprehensive Income & Expenditure Statement on an Accruals Basis Differs from Remuneration Chargeable in the Year in Accordance With Statutory Requirements	(14)	-	-	14
Total Adjustments	(5,376)	(695)	144	5,927

2012/13

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account:				
Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement:				
Charges for Depreciation & Impairment of Non-Current Assets	(2,939)	-	-	2,939
Revaluation Losses on Property, Plant & Equipment	(334)	-	-	334
Movements in Market Value of Investment Properties	(395)	-	-	395
Amortisation of Intangible Assets	(73)	-	-	73
Capital Grants & Contributions Applied	248	-	-	(248)
Revenue Expenditure Funded from Capital Under Statute	(101)	-	-	101
Amounts of Non-Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(323)	-	-	323
Capital Element of Finance Leases Where Council is the Lessor	(72)	-	-	72
Insertion of Items Not Debited or Credited to the Comprehensive Income & Expenditure Statement				
Statutory Provision for the Financing of Capital Investment	166	-	-	(166)
Adjustments Primarily Involving the Capital Grants Unapplied Account:				
Capital Grants & Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	366	-	(366)	-
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	-	-	90	(90)
Grants & Contributions Brought Forward Reclassified as Revenue Income	(300)	-	300	-
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	983	(983)	-	-
Use of the Capital Receipts Reserve to Finance Capital Expenditure	-	731	-	(731)
Contribution From the Capital Receipts Reserve to Finance Payments to the Government Capital Receipts Pool	(1)	1	-	-
Principal Repayments re Long Term Debtor (Loan)	-	(29)	-	29
Adjustments Primarily Involving the Deferred Capital Receipts Reserve				
Establishment of Deferred Capital Receipts Balance re. Kickstart Loan Portfolio Transfer	53	-	-	(53)
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(1,731)	-	-	1,731
Adjustments Primarily Involving the Collection Fund Adjustment Account:				
Amount by Which Council Tax Income Credited to the Comprehensive Income & Expenditure Statement Differs From Council Tax Income Calculated for the Year in Accordance With Statutory Requirements	13	-	-	(13)
Adjustments Primarily Involving the Accumulated Absences Account:				
Amount by Which Officer Remuneration Charged to the Comprehensive Income & Expenditure Statement on an Accruals Basis Differs from Remuneration Chargeable in the Year in Accordance With Statutory Requirements	2	-	-	(2)
Total Adjustments	(4,438)	(280)	24	4,694

2012/13 has been restated in respect of changes relating to accounting for Employee Benefits. Details are provided in Note 44.

7. Transfers to/from Earmarked Reserves

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

2013/14	Transfers Out £000	Transfers In £000	Net Movement £000
Contingency Reserve Fund	(283)	472	189
Budget Support Fund	(100)	7	(93)
Conservation & Heritage Fund	(16)	14	(2)
ICT Development Fund	(223)	35	(188)
Equipment Replacement Fund	(78)	150	72
Insurance Fund	(441)	498	57
Museum Purchases Fund	(2)	2	-
Maintenance Contributions	(49)	44	(5)
Mayors Charities Reserve	(15)	16	1
New Initiatives Fund	(22)	-	(22)
RENEW Reserve	(122)	-	(122)
Renewals & Repairs Fund	(451)	460	9
Deposit Guarantee Scheme Reserve	-	4	4
New Homes Bonus Reserve	(1,404)	931	(473)
Revenue Investment Fund	(11)	100	89
Business Rates Reserve	(82)	1,435	1,353
Total	(3,299)	4,168	869

Details of all transfers to/from reserves, both usable and unusable, are shown in notes 22 and 23, together with a note of the nature and purpose of each reserve.

8. Other Operating Expenditure

2012/13 £000	2013/14 £000
331 Parish Precepts	293
1 Payments to the Housing Capital Receipts Pool	2
61 (Gains)/Losses on Disposal of Non-Current Assets	(228)
(774) Capital Income not Arising from Asset Sales	(947)
(381) Total	(880)

9. Financing and Investment Income and Expenditure

2012/13 £000	2013/14 £000
58 Interest Payable & Similar Charges	37
2,617 Pensions Interest Cost & Expected Return on Pensions Assets	2,851
(310) Interest Receivable & Similar Income	(377)
(2) Income & Expenditure re. Investment Properties & Changes in Fair Value	(1,152)
2,363 Total	1,359

2012/13 has been restated in respect of changes relating to accounting for Employee Benefits. Details are provided in Note 44.

10. Taxation and Non Specific Grant Income

2012/13 £000	2013/14 £000
(7,290) Council Tax Income	(6,516)
(7,346) Non Domestic Rates Income & Expenditure	(3,904)
(1,162) Non-Ringfenced Government Grants	(5,979)
(614) Capital Grants & Contributions	(761)
(16,412) Total	(17,160)

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme. 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. The baseline level of retained business rates is proportionately less of the local government finance settlement when compared to 2012/13 (when the NNDR pool was redistributed back to Local Authorities), whilst the amount of awarded revenue support grant is proportionately greater.

11. Property, Plant and Equipment**Movements on Balances**

2013/14	Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2013	33,675	1,340	12,862	6,236	54,113
Additions	178	-	1,404	1,023	2,605
Deletions	-	-	-	-	-
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	236	-	173	-	409
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(2,680)	-	(47)	(419)	(3,146)
Derecognition - Disposals	-	-	(1,063)	-	(1,063)
Transfers Between Asset Categories	-	(3)	-	-	(3)
Other Movements in Cost or Valuation	(50)	-	-	-	(50)
At 31 March 2014	31,359	1,337	13,329	6,840	52,865
Accumulated Depreciation & Impairment					
At 1 April 2013	(1,988)	(345)	(7,372)	(609)	(10,314)
Depreciation Charge	(558)	(26)	(1,117)	(130)	(1,831)
Derecognition - Disposals	-	-	935	-	935
Derecognition - Other	848	-	-	-	848
At 31 March 2014	(1,698)	(371)	(7,554)	(739)	(10,362)
Net Book Value					
As at 31 March 2013	31,687	995	5,490	5,627	43,799
As at 31 March 2014	29,661	966	5,775	6,101	42,503

2012/13	Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2012	33,565	1,340	11,999	6,983	53,887
Additions	342	-	934	323	1,599
Deletions	-	-	-	-	-
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	1,113	-	-	-	1,113
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(745)	-	(205)	(1,049)	(1,999)
Derecognition - Disposals	(150)	-	(286)	-	(436)
Derecognition - Other	-	-	-	-	-
Transfers Between Asset Categories	(450)	-	471	(21)	-
Other Movements in Cost or Valuation	-	-	(51)	-	(51)
At 31 March 2013	33,675	1,340	12,862	6,236	54,113
Accumulated Depreciation & Impairment					
At 1 April 2012	(1,539)	(316)	(6,199)	(487)	(8,541)
Depreciation Charge	(736)	(29)	(1,300)	(122)	(2,187)
Derecognition - Disposals	287	-	127	-	414
Derecognition - Other	-	-	-	-	-
Other Movements in Depreciation/Impairment	-	-	-	-	-
At 31 March 2013	(1,988)	(345)	(7,372)	(609)	(10,314)
Net Book Value					
At 31 March 2012	32,026	1,024	5,800	6,496	45,346
At 31 March 2013	31,687	995	5,490	5,627	43,799

Depreciation

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

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

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

Capital Commitments

At 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £0.413m. Similar commitments at 31 March 2013 were £0.351m. The major commitments are:

- Town Centre Works, £274,000;
- Wheelie Bins, £50,890; and,
- Lowlands Road Landscaping, £88,261.

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 were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, and equipment are based on historic cost.

The significant assumptions applied in estimating the fair values are, whether a property asset is a specialised asset, which governs its valuation treatment, whether an asset is still being used for operational purposes and whether there is any impairment applicable to the asset.

Valuations over the five year rolling period were as follows:

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Infrastructure Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	9	10,960	6,259	1,337	18,565
Valued at Fair Value at:					-
31 March 2010	2,182	456	17		2,655
31 March 2011	5,368	1,031	-		6,399
31 March 2012	13,157	420	3		13,580
31 March 2013	4,002	462	561		5,025
31 March 2014	6,641				6,641
Total Cost or Valuation	31,359	13,329	6,840	1,337	52,865

12. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2012/13	2013/14
£000	£000
1,403 Rental Income	1,644
(1,405) Direct Operating Expenses	(492)
(2) Net Gain/(Loss)	1,152

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

2012/13 £000		2013/14 £000
15,220	Balance at 1 April 2013	14,810
	Additions:	
-	- Purchases	-
15	Subsequent Expenditure	15
(15)	Disposals	(50)
(410)	Net Gains/(Losses) From Fair Value Adjustments	481
	Transfers:	
-	- To/(From) Property, Plant & Equipment	3
14,810	Balance at 31 March 2014	15,259

13. 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 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. 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.

The following table sets out the movements in respect of heritage assets for 2013/14 and the previous year.

Movements	£000
Cost or Valuation	
At 1 April 2012	1,429
Revaluations	-
Impairment Losses/(Reversals) Recognised in the Surplus/Deficit on the Provision of Services	-
At 31 March 2013	1,429
Cost or Valuation	
At 1 April 2013	1,429
Additions	-
Disposals	-
Revaluations	-
Impairment Losses/(Reversals) Recognised in the Revaluation Reserve	-
Impairment Losses/(Reversals) Recognised in the Surplus/Deficit on the Provision of Services	-
At 31 March 2014	1,429

Further Information

Museum Exhibits

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

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

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

Outdoor Structures

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

14. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Internally generated software is not included in intangible assets. There are no other types of asset classified as Intangible Assets. All software is assigned a finite useful life of 5 years, based on an assessment of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £84k charged to revenue in 2013/14 was charged to the ICT Services cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The movement on Intangible Asset balances during the year is as follows:

2012/13		2013/14	
£000	Balance at 1 April 2013	£000	
1,508	Gross Carrying Amounts	1,576	
1,336	Accumulated Amortisation	1,408	
172	Net Carrying Amount	168	
68	Additions	149	
-	- Disposals	-	
(72)	Amortisation for the Period	(84)	
168	Balance at 31 March 2014	233	
Comprising:			
1,576	Gross Carrying Amounts	1,725	
(1,408)	Accumulated Amortisation	(1,492)	
168		233	

15. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

31/03/2013			31/03/2014		
Long Term	Current		Long Term	Current	
£000	£000		£000	£000	
		Investments			
-	5,195	Loans & Receivables	-	3,558	
-	5,195	Total Investments	-	3,558	
	10,070	Debtors *		14,029	
	25	Borrowings		24	
	5,630	Creditors		7,288	
	228	Cash/Cash Equivalents		259	

* Debtors include Long Term Debtors of £485k (31/03/14), £594k (31/03/13), these relate to mortgagors and a loan to Kidsgrove Town Council.

Income, Expense, Gains and Losses:

2012/13				2013/14			
Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans & Receivables	Total		Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans & Receivables	Total	
£000	£000	£000		£000	£000	£000	
1	-	1	Interest Expense Included in Provision of Services	1	-	1	
1	-	1	Total Expense in Provision of Services	1	-	1	
-	(138)	(138)	Interest Income	-	(67)	(67)	
-	(21)	(21)	Interest Income re. Impaired Financial Assets	-	(6)	(6)	
-	-	-	Reversed Impairment	-	(152)	(152)	
-	(159)	(159)	Total Income in Provision of Services	-	(225)	(225)	
1	(159)	(158)	Net (Gain)/Loss for the Year	1	(225)	(224)	

Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

31/03/2013			31/03/2014	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
		Liabilities		
25	25	Financial Liabilities	24	24
5,630	5,630	Creditors	7,288	7,288
		Assets		
5,195	5,195	Loans & Receivables	3,558	3,558
10,070	10,070	Debtors *	14,029	14,029
228	228	Cash/Cash Equivalents	259	259

* Debtors include Long Term Debtors of £485k (31/03/14), £594k (31/03/13), these relate to mortgagors and a loan to Kidsgrove Town Council.

16. Inventories

2012/13			2013/14			
Fuel	ICT Consumables	Total	Fuel	ICT Consumables	Waste Receptacles	Total
£000	£000	£000	£000	£000	£000	£000
24	4	28	33	4	-	37
467	2	469	491	2	63	556
(490)	(2)	(492)	(481)	(1)	-	(482)
32	-	32	(23)	-	-	(23)
33	4	37	20	5	63	88

17. Debtors

31/03/2013		31/03/2014	
£000		£000	
1,446	Central Government Bodies	5,803	
2,839	Other Local Authorities	2,034	
24	NHS Bodies	46	
-	Public Corporations & Trading Funds	-	
5,167	Other Entities & Individuals	5,661	
9,476	Total	13,544	

18. Cash and Cash Equivalents

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

31/03/2013		31/03/2014	
£000		£000	
83	Cash Held by the Council	36	
145	Bank Current Accounts	223	
228	Total	259	

19. Cash Flow Statement - Analysis of Adjustments**Adjustments to Net Surplus/Deficit on the Provision of Services for
Non-Cash Movements**

2012/13	2013/14
£000	£000
520 (Increase)/Decrease In Creditors	(315)
(17) (Increase)/Decrease in Deposits	-
1,269 Increase/(Decrease) in Debtors	2,442
9 Increase/(Decrease) in Inventories	51
(61) (Increase)/Decrease in Provisions	33
(2,939) Charges for Depreciation & Impairment of Non-Current Assets	(2,490)
(334) Revaluation Losses on Property, Plant & Equipment	(2,045)
(395) Movements in Market value of Investment Properties	495
(73) Amortisation of Intangible Assets	(84)
- Value of Donated Assets	-
248 Capital Grants & Contributions applied	818
(72) Capital Element of Finance Leases Where Council is Lessor	(72)
(1,731) Reversal of Items re. Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(2,579)
(323) Amounts of Non-Current Assets Written Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(178)
53 Establishment of Deferred Capital Receipts Balance re. Kickstart Loan Portfolio Transfer	-
(3,846)	(3,924)

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

2012/13	2013/14
£000	£000
366 Capital Grants & Contributions Unapplied Credited to Comprehensive Income & Expenditure Statement	(57)
(300) Grant Brought Forward Transferred to Revenue (re. REFCUS)	-
983 Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	1,353
1,049	1,296

2012/13 has been restated in respect of changes relating to accounting for Employee Benefits. Details are provided in Note 44.

20. Creditors

31/03/2013 £000		31/03/2014 £000
1,829	Central Government Bodies	2,857
853	Other Local Authorities	1,611
32	NHS Bodies	4
258	Public Corporations & Trading Funds	157
2,658	Other Entities & Individuals	2,659
5,630	Total	7,288

21. Provisions

	Insurance Claims Provision £000	Employee Benefits £000	Land Charges £000	MMI Provision £000	Total £000
Balance at 1 April 2012	120	180	-	100	400
Additional Provisions Made	-	178	-	80	258
Amounts Used	(17)	(180)	-	-	(197)
Unused Amounts Reversed	-	-	-	-	-
Balance at 1 April 2013	103	178	-	180	461
Additional Provisions Made	-	192	82	-	274
Amounts Used	(28)	(178)	-	(101)	(307)
Unused Amounts Reversed	-	-	-	-	-
Balance at 31 March 2014	75	192	82	79	428

The Insurance Claims Provision has been created to meet the costs of claims which are likely to be settled but where the actual settlement date is uncertain.

The Employee Benefits Provision contains an amount equivalent to the accruals made in the Cost of Services within the Comprehensive Income and Expenditure Statement in respect of outstanding employee benefits (untaken leave, etc) at the year end.

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

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

22. Usable Reserves

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

	At 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	At 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	At 31 March 2014 £000
Capital:							
Capital Receipts Reserve	2,421	(732)	1,013	2,702	(827)	1,520	3,395
Capital Grants Unapplied	1,320	(639)	615	1,296	(1,141)	998	1,153
Both Revenue and Capital:							
Equipment Replacement Fund	229	(6)	54	277	(78)	150	349
Renewals & Repairs Fund	43	(492)	495	46	(451)	460	55
ICT Development Fund	732	(293)	70	509	(223)	35	321
New Homes Bonus Reserve	264	(551)	777	491	(1,404)	931	18
New Initiatives Fund	125	(27)	-	97	(22)	-	75
Planning Delivery Grant Reserve	73	(73)	-	-	-	-	-
Revenue:							
General Fund Balance	1,400	(200)	-	1,200	-	-	1,200
Insurance Fund	240	(438)	356	158	(441)	498	215
Contingency Reserve Fund	108	(6)	-	102	(283)	472	291
Budget Support Fund	624	(260)	62	426	(100)	7	333
Conservation and Heritage Fund	57	(3)	11	64	(16)	14	62
Museum Purchases Fund	77	(13)	2	66	(2)	2	66
Maintenance Contributions	98	(73)	58	83	(49)	44	78
Mayors Charities Reserve	10	(15)	16	11	(15)	16	12
RENEW Reserve	132	(10)	-	122	(122)	-	-
Standards Fund	95	(80)	-	15	-	-	15
Deposit Guarantee Scheme Reserve	24	-	4	28	-	4	32
Revenue Investment Fund	-	-	-	-	(11)	100	89
Business Rates Reserve	-	-	-	-	(82)	1,435	1,353
Total	8,072	(3,911)	3,533	7,693	(5,267)	6,686	9,113

Note 7 sets out the movements on Usable Reserves involving transactions with the General Fund Revenue Account. The nature and purpose of these reserves is as set out below:

- The Capital Receipts Reserve contains the balance of unapplied capital receipts arising from the disposal of fixed assets.
- The Capital Grants Unapplied Reserve contains the balance of unused grants and contributions which are available for use, i.e. they either have no conditions attached to them or any conditions have been met;
- The Equipment Replacement Fund is maintained to provide for the replacement of certain items of equipment, such as the crematorium cremators and printing equipment;
- The Renewals and Repairs Fund is maintained for the repair and maintenance of Council-owned buildings, structures and fixed plant. It is funded through a contribution from the General Fund revenue account, based on the estimated frequency and amount of future expenditure on repairs and maintenance for each building or structure, or item of fixed plant. During the year £100,000 has been transferred to the fund from the Contingency Reserve Fund.
- The ICT Development Fund is to be used to meet the costs of new IT requirements and the replacement of IT equipment;
- The New Initiatives Fund was established to fund new initiatives, both capital and revenue, not currently provided for in the Council's budgets;
- The Planning Delivery Grant Reserve was used to finance planning related activities of both a revenue and capital nature;

- The General Fund Balance exists to meet the cost of any unexpected adverse occurrences affecting the General Fund revenue budget or any of the occurrences materialising which are identified in the risk assessment relating to that budget;
- The Insurance Fund is used to meet the cost of the insurance cover required by the Council and any excesses for which the Council is liable. During the year £178,000 has been transferred to the fund from the Contingency Reserve Fund;
- The Contingency Reserve Fund is used to finance expenditure in respect of contingencies that may arise in the future, for example redundancy payments consequent upon service reviews. £118,000 has been transferred from the RENEW Reserve and £354,000 from the General Fund during the year. £278,000 has been subsequently transferred to the Insurance Fund (£178,000) and Repairs and Renewals Fund (£100,000), whilst £76,000 will be used to fund the production of the local plan;
- The Budget Support Fund was created by crediting to it surpluses arising on the General Fund Revenue Account. It is to be used to support the revenue budget and the “Invest to Save” initiatives. It is also used to enable budget provision to be carried forward to future years by appropriating to it unspent balances where a commitment exists;
- The Conservation and Heritage Fund exists to provide grants to the owners of buildings of historical significance to enable them to be maintained in a state of good repair;
- The Museum Purchases Fund was established by a small bequest which has been added to by contributions from revenue account and proceeds from the sale of exhibits surplus to requirements. It is to be used to purchase exhibits for the museum and to conserve and enhance the display of existing exhibits;
- Maintenance Contributions are received from developers of housing and other schemes and are to be used to fund the maintenance of open spaces taken over from those developers;
- The Mayors Charities Reserve represents the balance on the Mayors Charities activity;
- The RENEW Reserve was used to meet revenue costs arising from the Council’s participation in the Housing Market Renewal Pathfinder for North Staffordshire (RENEW). It has now been closed and transferred to the Contingency Reserve Fund;
- The Standards Fund is used to ensure that the Council meets its responsibilities under the Ethical and other standards frameworks;
- The Deposit Guarantee Reserve was created to hold the unspent balances relating to the Guarantee Scheme for landlord deposits in respect of homeless persons;
- The New Homes Bonus Reserve was created to hold unused balances in relation to New Homes Bonus grant.
- The Revenue Investment Fund is used to fund projects in support of corporate priorities.
- The Business Rates Reserve was created as a consequence of the new rates retention arrangements. It will receive excess rates income above the budgeted amount. It may be used for any purpose but particularly to meet Business Rates Collection Fund deficits and future rate income shortfalls.

23. Unusable Reserves

Movements in the Council's unusable reserves are shown below:

	At 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	At 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	At 31 March 2014 £000
Capital:							
Revaluation Reserve	12,198	(693)	1,575	13,080	(467)	1,644	14,257
Capital Adjustment Account	50,427	(6,236)	3,530	47,721	(5,324)	3,441	45,838
Deferred Capital Receipts Reserve	2,002	(74)	53	1,981	(112)	-	1,869
Revenue:							
Pensions Reserve	(54,951)	(8,572)	-	(63,523)	(10,140)	3,492	(70,171)
Collection Fund Adjustment	1	(1)	14	14	(832)	148	(670)
Accumulated Absences Account	(180)	(178)	180	(178)	(191)	178	(191)
Total	9,497	(15,754)	5,352	(905)	(17,066)	8,903	(9,068)

The nature and purpose of these reserves is as set out below:

The Revaluation Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). It is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the balance sheet is greater because they are carried at revalued amounts rather than depreciated historical cost. It was established with a nil balance on 1 April 2007.

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax

and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

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

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2012/13 £000		2013/14 £000
(134)	Interest Received	(277)
47	Interest Paid	37

25. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items:

2012/13 £000		2013/14 £000
1,906	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	2,212
111,636	Purchase of Short & Long Term Investments	123,719
(671)	Proceeds from Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(1,089)
(117,435)	Proceeds from Short & Long Term Investments	(125,330)
(309)	Other Receipts From Investing Activities	(1,117)
<u>(4,873)</u>	Net Cash Flows from Investing Activities	<u>(1,605)</u>

26. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items:

2012/13 £000		2013/14 £000
(9)	Cash Receipts of Short & Long Term Borrowing	(7,250)
(131)	Other Receipts from Financing Activities	(273)
166	Cash Payments for Liabilities re. Finance Leases	163
41	Repayments of Short & Long Term Borrowing	7,250
2,907	Other Payments for Financing Activities	461
<u>2,974</u>	Net Cash Flows from Financing Activities	<u>351</u>

27. Amounts Reported for Resource Allocation Decisions

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

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

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

Directorate Income & Expenditure 2013/14	Chief Executive	Resources & Support Services	Operational Services	Regeneration & Development	Corporate Items	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(1,055)	-	(6,329)	(4,686)	(1,389)	(13,459)
Government Grants	-	-	-	(594)	(30,616)	(31,210)
Total Income	(1,055)	-	(6,329)	(5,280)	(32,005)	(44,669)
Employee Expenses	607	-	3,283	854	155	4,899
Other Service Expenses	1,205	-	9,074	2,733	30,637	43,649
Support Service Recharges	1,407	-	3,001	4,312	3,318	12,038
Total Expenditure	3,219	-	15,358	7,899	34,110	60,586
Net Expenditure	2,164	-	9,029	2,619	2,105	15,917

Directorate Income & Expenditure 2012/13	Chief Executive	Resources & Support Services	Operational Services	Regeneration & Development	Corporate Items	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(1,083)	-	(4,986)	(4,248)	(1,498)	(11,815)
Government Grants	-	-	-	(746)	(41,467)	(42,213)
Total Income	(1,083)	-	(4,986)	(4,994)	(42,965)	(54,028)
Employee Expenses	716	-	2,817	821	77	4,431
Other Service Expenses	1,208	-	8,551	2,115	41,790	53,664
Support Service Recharges	1,355	-	2,453	4,414	3,004	11,226
Total Expenditure	3,279	-	13,821	7,350	44,871	69,321
Net Expenditure	2,196	-	8,835	2,356	1,906	15,293

All services under Resources and Support Services are recharged out to other services.

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

2012/13		2013/14
£000		£000
15,293	Net Expenditure in the Directorate Analysis	15,917
3,957	Amounts in Comprehensive Income & Expenditure Statement Not Reported to Management	4,615
2	Amounts in the Analysis not in Cost of Services in Comprehensive Income & Expenditure Statement	-
19,252	Cost of Services in Comprehensive Income & Expenditure Statement	20,532

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

2013/14	Directorate Analysis	Services & Support services in Analysis	Amounts not Reported to Management for Decision Making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(13,459)	(883)	-	-	(14,342)	-	(14,342)
Interest & Investment Income	-	-	-	-	-	(377)	(377)
Income from Council Tax	-	-	-	-	-	(6,516)	(6,516)
Non Domestic Rates Income & Expenditure	-	-	-	-	-	(3,904)	(3,904)
Government Grants & Contributions	(31,210)	(207)	-	-	(31,417)	(5,979)	(37,396)
Investment Properties Income & Expenditure	-	-	-	-	-	(1,152)	(1,152)
Capital Income	-	-	-	-	-	(1,708)	(1,708)
Total Income	(44,669)	(1,090)	-	-	(45,759)	(19,636)	(65,395)
Employee Expenses	4,899	11,514	-	-	16,413	-	16,413
Other Service Expenses	43,649	6,369	-	-	50,018	-	50,018
Support Service Recharges	12,038	-	-	(16,793)	(4,755)	-	(4,755)
Depreciation, Amortisation & Impairment	-	-	4,615	-	4,615	-	4,615
Interest Payments	-	-	-	-	-	37	37
Precepts & Levies	-	-	-	-	-	293	293
Payments to Housing Capital Receipts Pool	-	-	-	-	-	2	2
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	-	(228)	(228)
Pensions Interest Cost/Return on Assets	-	-	-	-	-	2,851	2,851
Total Expenditure	60,586	17,883	4,615	(16,793)	66,291	2,955	69,246
Surplus/Deficit on Provision of Services	15,917	16,793	4,615	(16,793)	20,532	(16,681)	3,851

2012/13 Comparative Figures	Directorate Analysis	Services & Support Services Not in Analysis	Amounts Not Reported to Management for Decision Making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(11,815)	(527)	-	-	(12,342)	-	(12,342)
Interest & Investment Income	-	-	-	-	-	(311)	(311)
Income From Council Tax	-	-	-	-	-	(7,290)	(7,290)
Government Grants & Contributions	(42,213)	(184)	-	-	(42,397)	(8,509)	(50,906)
Capital Income	-	-	-	-	-	(1,388)	(1,388)
Total Income	(54,028)	(711)	-	-	(54,739)	(17,498)	(72,237)
Employee Expenses	4,431	11,063	-	-	15,494	-	15,494
Other Service Expenses	53,664	4,843	2	-	58,509	-	58,509
Support Service Recharges	11,226	-	-	(16,290)	(5,064)	-	(5,064)
Depreciation, Amortisation & Impairment	-	1,095	3,957	-	5,052	-	5,052
Interest Payments	-	-	-	-	-	58	58
Precepts & Levies	-	-	-	-	-	331	331
Payments to Housing Capital Receipts Pool	-	-	-	-	-	1	1
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	-	61	61
Pensions Interest Cost/Return on Assets	-	-	-	-	-	1,874	1,874
Total Expenditure	69,321	17,001	3,959	(16,290)	73,991	2,325	76,316
Surplus/Deficit on Provision of Services	15,293	16,290	3,959	(16,290)	19,252	(15,173)	4,079

28. Trading Operations

The expenditure and income of trading operations is incorporated into the Cost of Services included in the Comprehensive Income and Expenditure Statement. The Council's market operates as a trading operation:

2012/13 £000	2013/14 £000
(148) Turnover	(156)
235 Expenditure	220
87 (Surplus)/Deficit	64

29. Members' Allowances

In 2013/14 a total of £328,545 was paid to members in respect of allowances (£325,430 in 2012/13).

30. Officers' Remuneration

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

2013/14 Senior Officers - Salary Between £50,000 & £150,000 per year					
Post Holder	Salary	Benefits in Kind	Total exc. Employer's Pension Contributions	Employer Pension Contributions	Total inc. Employer's Pension Contributions
	(£)	(£)	(£)	(£)	(£)
Chief Executive *	103,168	-	103,168	24,705	127,873
Executive Directors:					
Regeneration & Development	83,993	2,063	86,056	21,997	108,053
Resources & Support Services	83,993	-	83,993	20,746	104,739
Operational Services	83,993	2,063	86,056	20,746	106,802
Heads of Service:					
Leisure and Cultural Services	55,073	2,200	57,273	13,603	70,876
Customer & ICT Services	55,073	2,200	57,273	13,603	70,876
Operations	55,073	2,200	57,273	13,603	70,876
Business Improvement & Partnerships	53,694	2,200	55,894	-	55,894
Planning Services	53,694	-	53,694	13,262	66,956

2012/13 Senior Officers - Salary Between £50,000 & £150,000 per year					
Post Holder	Salary	Benefits in Kind	Total exc. Employer's Pension Contributions	Employer Pension Contributions	Total inc. Employer's Pension Contributions
	(£)	(£)	(£)	(£)	(£)
Chief Executive **	110,523	1,833	112,356	25,367	137,723
Executive Directors:					
Regeneration & Development	83,993	2,750	86,743	21,047	107,790
Resources & Support Services	83,993	-	83,993	19,906	103,899
Operational Services	83,993	2,750	86,743	19,906	106,649
Heads of Service:					
Central Services	55,073	2,750	57,823	13,052	70,875
Leisure and Cultural Services	55,073	2,750	57,823	13,052	70,875
Assets & Regeneration	55,073	-	55,073	13,052	68,125
Customer & ICT Services	55,073	2,663	57,736	13,052	70,788
Operations	53,694	2,750	56,444	12,726	69,170
Business Improvement & Partnerships	52,314	2,750	55,064	-	55,064
Planning Services	52,314	-	52,314	12,398	64,712

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

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

7 other Council employees received between £50,000 and £55,000 remuneration during 2013/14 (excluding employer's pension contributions), (compared to 4 employees in 2012/13).

31. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2012/13		2013/14
£000		£000
72	Services in Accordance with Section 5 of the Audit Commission Act 1998	72
39	Fees for Grant Certification Under Section 28 of the Audit Commission Act 1998	11
111		83

32. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14:

2012/13		2013/14
£000		£000
	Credited to Taxation/Non Specific Grant Income	
13	Contribution from West Midlands IEP	-
25	Lottery Fund Contribution	(25)
433	Planning Obligations Contributions	786
3	Other Contributions	-
474	Total	761
	Credited to Services	
31,261	Housing Subsidy - Rent Allowance	29,784
829	Housing Subsidy - Housing Benefit Administration	792
8,250	Council Tax Benefit Grant	-
142	Revenue Support Grant	4,156
7,173	National Non-Domestic Rates Grant	-
648	Disabled Facilities Grant	519
346	Council Tax Freeze Grant	242
	- Council Tax Support Grant	949
	- Section 31/Business Rates Relief Grant	411
777	New Homes Bonus Scheme	959
127	Local Services Support Grant	127
84	New Burdens - Council Tax Reform	72
26	Fuel Poverty Fund Grant	44
38	Discretionary Housing Grant	125
147	Other Grants	102
102	Contributions towards Community Safety Service	71
133	Other Contributions	11
50,083	Total	38,364

In 2013/14, the local government finance regime was revised and Council Tax Benefit Grant is no longer received by the Council. This has been replaced by a Council Tax Support Scheme which is administered directly by each authority.

Additionally, the administration of NNDR changed following the introduction of a business rates retention scheme. 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. In 2013/14 this has been classified as local taxation and not, grant income.

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned. The balances at the year-end are as follows:

31/03/2013 £000	31/03/2014 £000
Capital Grants Receipts in Advance	
38 Free Swimming Grant	38
24 Safer Communities Grant	24
- Deed of Release	20
77 Planning Obligations Contributions	225
10 Other Grants & Contributions	25
149 Total	332

33. 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

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid in 2013/14 is shown in note 29. During 2013/14, transactions with Aspire Housing totalled £18,735,504 (£18,824,272 expenditure; £88,768 income). The majority of the expenditure was in relation to housing benefits payable to Aspire as landlord. 4 members sit on the board of this organisation. Contracts were entered into in full compliance with the Council's standing orders. In addition, the Council had transactions totalling £221,855 (net) with voluntary and other organisations where 16 members had positions on the governing body and 1 was an employee of the organisation. Additionally transactions with the New Victoria Theatre totalled £96,607 (net) where 1 member sits on its Board and transactions with the Staffordshire Fire Authority totalled £61,752 (net) where 2 members sit on its Board. Details of members' relationships are recorded in the Register of Members' Disposable Pecuniary Interests, open to public inspection at the Council's Civic Offices during office hours.

Officers

Payments were made to an entity related to a Council officer. The officer has no direct involvement in procuring the services concerned.

34. 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.

2012/13 £000	2013/14 £000
(31) Opening Capital Financing Requirement	(197)
<i>Capital Investment</i>	
1,137 Property, Plant & Equipment	2,178
15 Investment Properties	15
68 Intangible Assets	150
1,313 REFCUS	940
<i>Sources of Finance</i>	
(732) Capital Receipts	(782)
(1,644) Government Grants & Other Contributions	(1,503)
(157) Sums Set Aside From Revenue	(998)
(166) Minimum Revenue Provision	(163)
(197) Closing Capital Financing Requirement	(360)
<i>Explanation of Movements in Year</i>	
- Assets Acquired Under Finance Leases	-
(166) Minimum Revenue Provision	(163)
(166) Increase/(Decrease) in Capital Financing Requirement	(163)

35. Leases

Council as Lessee

Finance Leases

The Council has acquired a number of items of vehicles and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31/03/2013 £000	31/03/2014 £000
433 Vehicles, Plant, Furniture & Equipment	302
433	302

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31/03/2013 £000		31/03/2014 £000
	Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):	
138	Current	173
298	Non-current	155
71	Finance Costs Payable in Future Years	37
507	Minimum Lease Payments	365

The minimum lease payments will be payable over the following periods:

31/03/2013			31/03/2014	
Minimum Lease Payments £000	Finance Lease Liabilities £000		Minimum Lease Payments £000	Finance Lease Liabilities £000
138	71	Not Later Than One Year	173	25
298	-	- Later Than One Year and Not Later Than Five Years	155	12
-	-	- Later Than Five Years	-	-
436	71		328	37

Operating Leases

The Council has acquired a number of items of vehicles and equipment by entering into operating leases, with typical lives of 4 years. The future minimum lease payments due under non-cancellable leases in future years are:

31/03/2013 £000		31/03/2014 £000
31	Not Later Than One Year	24
-	- Later Than One Year and Not Later Than Five Years	-
-	- Later Than Five Years	-
31		24

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

2012/13 £000		2013/14 £000
34	Minimum Lease Payments	24
34		24

Council as Lessor

Finance Leases

The Council has leased out 8 properties on a finance lease basis, with terms remaining from 12 to 125 years.

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

31/03/2013 £000		31/03/2014 £000
	Finance Lease Debtor (Net Present Value of Minimum Lease Payments):	
222	Current	222
11,908	Non-current	11,714
10,641	Unearned Finance Income	10,498
22,771	Gross Investment in the Lease	22,434

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

31/03/2013			31/03/2014	
Minimum Lease Payments £000	Finance Lease Liabilities £000		Minimum Lease Payments £000	Finance Lease Liabilities £000
372	150	Not Later Than One Year	372	150
1,567	677	Later Than One Year and Not Later Than Five Years	1,502	657
20,832	9,814	Later Than Five Years	20,560	9,691
22,771	10,641		22,434	10,498

Operating Leases

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

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

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

31/03/2013 £000		31/03/2014 £000
473	Not Later Than One Year	677
977	Later Than One Year and Not Later Than Five Years	1,268
1,577	Later Than Five Years	1,642
3,027		3,587

36. Impairment Losses

During 2013/14 the Council has recognised the following impairment losses in relation to capital expenditure incurred on the enhancement of non-current assets where such expenditure does not increase the value of the asset concerned. An amount equal to this is charged as an impairment loss to the service which uses the asset in the Comprehensive Income and Expenditure Statement. The total amount of such impairment losses for 2013/14 was £0.659m (2012/13 £0.701m).

37. Termination Benefits

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £20,462 (£162,133 in 2012/13). The termination benefits consisted of £13,050 loss of office and £7,412 long service awards.

38. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in:

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

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. 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:

2012/13		2013/14	
Local Government Pension scheme	Discretionary Benefits Arrangements	Local Government Pension scheme	Discretionary Benefits Arrangements
£000	£000	£000	£000
Comprehensive Income & Expenditure Statement			
<i>Cost of Services:</i>			
2,159	-	2,708	-
47	-	125	-
-	(461)	-	(458)
<i>Financing and Investment Income & Expenditure</i>			
2,617	-	2,851	-
4,823	(461)	5,684	(458)
Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services			
<i>Remeasurement of the Net Defined Benefit Liability</i>			
<i>Comprising:</i>			
8,402	-	(467)	-
-	-	(3,730)	-
(15,444)	-	(3,364)	-
201	-	3,492	-
(6,841)	-	(4,069)	-
Total Post Employment Benefit Charged to Comprehensive Income & Expenditure Statement			
Movement in Reserves Statement			
5,110	-	1,490	-
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:			
3,092		3,105	
	(461)		(458)

2012/13 has been restated in respect of changes relating to accounting for Employee Benefits. Details are provided in Note 44.

Pensions Assets and Liabilities Recognised in the Balance Sheet

2012/13			2013/14	
Local Government Pension scheme	Discretionary Benefits Arrangements		Local Government Pension scheme	Discretionary Benefits Arrangements
£000	£000		£000	£000
(157,330)	-	Present Value of the Defined Benefit Obligation	(165,605)	-
93,807	-	Fair value of Plan Assets	95,434	-
(63,523)	-	Sub-Total	(70,171)	-
-	-	Other Movements in the Liability (Asset)	-	-
(63,523)	-	Net Liability Arising From Defined Benefit Obligation	(70,171)	-

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

2012/13			2013/14	
Funded Liabilities: Local Government Pension scheme	Unfunded Liabilities: Discretionary Benefits Arrangements		Funded Liabilities: Local Government Pension scheme	Unfunded Liabilities: Discretionary Benefits Arrangements
£000	£000		£000	£000
140,241	(1,781)	Opening Balance	159,572	(2,242)
2,159	-	Current Service Cost	2,708	-
6,576	-	Interest Cost	7,023	-
702	-	Contributions by Scheme Participants	695	-
15,243	-	Actuarial (Gains)/Losses	3,602	-
(5,396)	(461)	Benefits Paid	(5,420)	(458)
47	-	Past Service Costs/(Gains)	125	-
159,572	(2,242)	Closing Balance	168,305	(2,700)

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

2012/13		2013/14
£000		£000
83,509	Opening Value of Scheme Assets	93,807
	<i>Remeasurement Gain/(Loss):</i>	
3,959	Expected Rate of Return	4,172
8,402	Other	(467)
	<i>Actuarial Gains/(Losses)</i>	
2,631	Employer Contributions	2,647
702	Contributions by Scheme Participants	695
(5,396)	Benefits Paid	(5,420)
93,807	Closing Balance at 31 March	95,434

Local Government Pensions Scheme Assets comprised:

2012/13			2013/14	
Fair Value of			Fair Value of	
Quoted	Unquoted		Quoted	Unquoted
£000	£000		£000	£000
<i>Equities:</i>				
8,629	-	Consumer	7,249	-
5,267	-	Manufacturing	6,778	-
3,930	-	Energy & Utilities	3,994	-
7,193	-	Financial	7,161	-
4,880	-	Health & Care	4,995	-
3,907	-	Information Technology	4,362	-
2,036	-	Other	2,011	-
<u>35,842</u>	-		<u>36,550</u>	-
<i>Bonds</i>				
7,107	-	Corporate (Investment)	7,142	-
-	-	Corporate (Non-Investment Grade)	-	-
<u>7,107</u>	-		<u>7,142</u>	-
<i>Property</i>				
-	7,301	UK	-	7,011
<u>-</u>	<u>7,301</u>		<u>-</u>	<u>7,011</u>
<i>Investment funds</i>				
28,721	-	Equities	28,239	-
4,774	-	Bonds	4,638	-
-	1,720	Hedge Funds	-	1,808
-	3,148	Other	-	3,006
<u>33,495</u>	<u>4,868</u>		<u>32,877</u>	<u>4,814</u>
-	3,000	Private Equity	-	2,990
2,194	-	Cash/Cash Equivalents	4,051	-
<u>78,638</u>	<u>15,169</u>	Total Assets	<u>80,620</u>	<u>14,815</u>

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2014. The principal assumptions used by the actuary have been:

2012/13			2013/14		
Local Government Pension scheme	Discretionary Benefits	Arrangements	Local Government Pension scheme	Discretionary Benefits	Arrangements
Longevity at 65 for current pensioners:					
21.2		Men	22.1		
23.4		Women	24.3		
Longevity at 65 for future pensioners:					
23.3		Men	24.3		
25.6		Women	26.6		
2.8%	2.8%	Rate of Inflation	2.6%	2.6%	
5.1%		Rate of Increase in Salaries	4.4%		
2.8%	2.8%	Rate of Increase in Pensions	2.6%	2.6%	
4.5%	4.5%	Rate for Discounting Scheme Liabilities	4.1%	4.1%	
50%		Take up re Converting Annual Pension to Lump Sum	50%		

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

	Impact on the Defined Benefit Obligation	
	Increase in Assumption	Decrease in Assumption
	£000	£000
Longevity (Increase/Decrease in 1 Year)	4,968	-
Increase in Salaries (Increase/Decrease by 1%)	4,078	-
Increase in Pensions (Increase/Decrease by 1%)	9,970	-
Discounting Liabilities (Increase/Decrease by 1%)	-	14,236

Impact on the Council's Cash Flows

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 is £2.817m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2015 are £458k.

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

39. Contingent Liabilities

(a) Municipal Mutual Insurance

In 1992/93 the Council's insurers, Municipal Mutual Insurance, ceased accepting new business. Under the Scheme of Arrangement that was established to ensure an orderly wind up of the company a levy could be made on the Council. The exact amount cannot be quantified at the current time, although the maximum is £721,000. An amount of £180,000 has been set aside as a provision for these costs, of which £101,000 has been paid to the administrator in 2013/14. This leaves a maximum contingent liability of £541,000.

(b) VAT

The computation of the Council's 2013/14 position in respect of exempt category Value Added Tax has yet to be agreed with Revenue and Customs. If the 5% allowance has been exceeded, up to £150,000 in VAT may become payable.

(c) Land Sales Receipts

An agreement exists with a government department to pay to them all of the proceeds to be received in respect of the sale, when it occurs, of a development site for which the department provided development funding. Some of the proceeds have already been paid over; the remaining amount may be up to around £157,000.

(d) Housing Stock Transfer Warranty

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

(e) Lancaster Buildings

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

40. Contingent Assets

The Council does not have any contingent assets.

41. Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £0.044m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

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

	Amount at 31 March 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectability at 31 March 2013	Estimated maximum exposure at 31 March 2013
	£000	%	%	£000	£000
	A	B	C	(A X C)	
Deposits with Banks/Financial Institutions	3,558	0%	1.25%	44	62
Heritable Bank	-	-	Impairment	-	301
Customers (Trade Debtors)	3,510	-	15%	527	523
				571	885

No credit limits were exceeded during the reporting period and, apart from the frozen investment with Heritable Bank, the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, such that £2.869m of the £3.510m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/2013		31/03/2014
£000		£000
39	31 to 89 Days	151
192	90 to 149 Days	134
2,681	Over 150 Days	2,584
2,912		2,869

Liquidity Risk

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

31/03/2013		31/03/2014
£000		£000
5,195	Less Than One Year	3,558
5,195		3,558

All trade and other payables 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 have the following effects:

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investments at fixed rates – the fair value of the assets will fall.

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure. At 31 March 2014, if interest rates had been one per cent higher with all other variables held constant, the financial effect would be an increase of £181,000. The impact of a one per cent fall in interest rates would be as above but with the movements being reversed.

Price Risk

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

Foreign Exchange Risk

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

42. Building Control Account

**NORTH STAFFORDSHIRE BUILDING CONTROL
PARTNERSHIP
2013-2014 FINANCIAL YEAR**

The Building (Local Authority Charges) Regulations 2010 require the disclosure of information regarding the setting of charges for the administration of the building control function, however, certain activities performed by the Building Control Division cannot be charged for, such as providing general advice and carrying out enforcement.

CIPFA guidance for local authority building control accounting states where local authorities enter into a formal arrangement to provide a single building control service, they should operate a single charging regime (i.e. one charging scheme and financial statement).

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

2013-14			
Newcastle & Stoke Partnership			
	Total	Fee Earning	Non-chargeable
	£000	£000	£000
Salaries	463	294	169
Premises	18	11	7
Transport	16	10	6
Supplies	6	4	2
Central Support	81	50	31
Structural Eng	16	16	-
Total Expenditure	600	385	215
Building Regulation Charges	414	414	-
Miscellaneous Income	1	1	-
Total Income	415	415	-
Surplus/ (deficit)	(185)	30	(215)

43. Trusts and Other Similar Funds

The following statement summarises the balances and movements during the year of the various Funds for which the Council assumes a supervisory role. Balances relating to these Funds are not included in the Consolidated Balance Sheet and their transactions are not included in the Consolidated Revenue Account.

	Balance at 1 April 2013	Expenditure	Income	Balance at 31 March 2014
	£000	£000	£000	£000
Newcastle Almshouses Trust (Accom. For Poor)	7	4	11	14
Sports Advisory Council (Assistance to Sport)	11	31	23	3
Museum Purchase Fund (Purchase of Exhibits)	6	-	-	6
United Charities Eliza Hinds Charity (Grave Upkeep)	3	-	-	3
United Charities Relief in Need (Gifts for Elderly)	29	2	3	30
United Charities Relief in Sickness (Gifts for Elderly)	70	4	7	73
	126	41	44	129

The United Charities financial year ends at 30 September each year. The balances brought forward in relation to these charities are, in fact, those at 30 September 2012 and the carried forward balances are those for 30 September 2013.

44. Prior Period Adjustments

Prior Period adjustments have been made to the Council's 2012/13 published financial statements in relation to changes required by the CIPFA Accounting Code to comply with International Accounting Standard IAS19, which relates to Employee Benefits. Together with certain presentational changes, the amended Standard requires altered the format of the first of the tables contained in Note 38 relating to Defined Benefit Pension Schemes. This table shows the transactions which have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year. There is no effect upon the Balance Sheet. In making the required changes, it has been necessary to restate some of the 2012/13 amounts. The impact of these changes on the published 2012/13 statements is shown in the table below.

Statement or Note Affected - showing item(s) concerned	2012/13 As Published £000	Change £000	Restated Amount £000
Movement in Reserves Statement			
Surplus or Deficit on Provision of Services	4,079	743	4,822
Other Comprehensive Income and Expenditure	6,702	(743)	5,959
Adjustments between accounting basis and funding basis - General Fund Balance column	(3,695)	(743)	(4,438)
Adjustments between accounting basis and funding basis - Total Usable Reserves column	(3,951)	(743)	(4,694)
Adjustments between accounting basis and funding basis - Unusable Reserves column	3,951	743	4,694
Comprehensive Income and Expenditure Statement			
Financing and Investment Income and Expenditure - Gross Expenditure	3,335	743	4,078
Financing and Investment Income and Expenditure - Net Expenditure	1,620	743	2,363
Surplus or Deficit on Provision of Services	4,079	743	4,822
Actuarial Gains/Losses on Pensions Assets/Liabilities	7,584	(743)	6,841
Cash Flow Statement			
Net (Surplus) or Deficit on the Provision of Services	4,079	743	4,822
Adjustments to Net Surplus or Deficit on the Provision of services for non-cash movements	(3,103)	(743)	(3,846)
Adjustments Between Accounting Basis and Funding Basis (Note 6)			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement - General Fund Balance column	(988)	(743)	(1,731)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement - Unusable Reserves column	988	743	1,731
Financing and Investment Income and Expenditure (Note 9)			
Pensions Interest Cost and expected Return on Pensions Assets	1,874	743	2,617
Cash Flow Statement Analysis of Adjustments (Note 19)			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(988)	(743)	(1,731)
Defined Benefit Pension Schemes (Note 38)			
(table showing transactions made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year)			
Interest Cost (item deleted)	6,576	(6,576)	-
Expected Return on Scheme Assets (item deleted)	(4,702)	4,702	-
Net Interest Expense (new item)	-	2,617	2,617
Actuarial Gains and Losses (item deleted)	(7,584)	7,584	-
Return on Plan Assets (new Item)	-	8,402	8,402
Actuarial Gains and Losses Arising on Changes in Financial assumptions (new item)	-	(15,544)	(15,544)
Other (new item)	-	201	201
Reversal of Net Charges made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	6,596	(1,486)	5,110

Collection Fund

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

2012/13 £000			2013/14 £000
	Expenditure		
7,256	Council Tax Precepts and Demands	- Borough Council	6,372
40,264		- County Council	35,297
6,951		- Police Authority	6,103
2,647		- Fire Authority	2,324
57,118			50,096
	- Business Rates Payment of Shares	- Borough Council	13,749
-		- County Council	3,093
-		- Fire Authority	344
-		- Central Government	17,186
-			34,372
	Business Rates		
30,880	- Contribution to National Pool		-
142	- Cost of Collection		142
-	- Provision for Appeals		520
-	- Transitional Protection		(73)
31,022			589
	Provision for Bad Debts		
344	- Council Tax		193
128	- Business Rates		211
	Contribution Towards Previous Years Surplus/(Deficit)		
170	- Council Tax		(30)
88,782	Total Expenditure		85,431
	Income		
31,367	Business Ratepayers		33,091
57,518	Council Taxpayers		51,422
88,885			84,513
88,885	Total Income		84,513
103	Surplus/(Deficit) For The Year		(918)
	Collection Fund Balance		
(259)	Balance at Beginning of Year		(156)
	- Transfer to General Fund (re. Community Charge)		38
103	Surplus/(Deficit) for the Year		(918)
(156)	Balance at end of Year		(1,036)

NOTES

1. Business Rates

The Council collects business rates in its area based on non-domestic rateable values multiplied by a uniform business rate. The rate is specified by the Government and in 2013/14 was 47.1p, with a reduction for “small businesses” to 46.2p on application (45.8p in 2012/13 - “small business” reduction, 45.0p).

	2012/13	2013/14
	£	£
Non Domestic Rateable Value at year-end	84,368,921	85,543,817

In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

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

The business rates shares payable for 2013/14 were estimated, via the NNDR1 return, before the start of the financial year as £17.186m to Central Government, £3.093m to Staffordshire County Council, £0.344m to Stoke-on-Trent and Staffordshire Fire Authority and £13.749m to Newcastle-under-Lyme Borough Council. These sums (total of £34.372m) have been paid in 2013/14 and charged to the collection fund in year.

The actual business rates payable for 2013/14, as per the NNDR3 return, when taking into account the cost of collection, provisions for appeals and bad debts and transitional protection was calculated to be £32.291m.

The variance between the estimated business rates shared between Central Government, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council as per the NNDR1 return (£34.372m) and the actual business rates payable per the NNDR3 return (£32.291m) is £2.081m - a deficit to the collection fund.

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 2013/14 to the value of £9.151m.

2. Council Tax

Council Tax Income is derived from charges raised according to the value of residential properties which have been classified into eight valuation bands for this purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire 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 2013/14 of £1,449.43 compared with £1,450.99 in 2012/13. Multiplication of this amount by the proportions set out below gives the amount due for a property in each band:

Band A-	5/9
Band A	6/9

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

The Council Tax base for 2013/14 was 34,361 (39,136 in 2012/13). This reduction between financial years is as a result of the Governments Council Tax benefit changes which revised the way Central Government pay Council Tax benefit compensation to the Council.

In 2013/14, the local government finance regime was revised and Council Tax Benefit Grant is no longer received by the Council. This has been replaced by a Council Tax Support Scheme which is administered in each authority.

The Council Tax Base for 2013/14 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)	23,786	14,743	6/9	9,829
Band B (£40,001 - £52,000)	10,070	8,115	7/9	6,311
Band C (£52,001 - £ 68,000)	10,836	9,311	8/9	8,276
Band D (£68,001 - £88,000)	4,466	4,024	9/9	4,024
Band E (£88,001 - £120,000)	2,639	2,392	11/9	2,923
Band F (£120,001 - £160,000)	1,703	1,559	13/9	2,252
Band G (£160,001 - £320,000)	904	828	15/9	1,380
Band H (Over £320,000)	47	21	18/9	42
				35,062
Less adjustment for collection rates (2%)				(701)
Borough Council Tax Base				34,361

A surplus of £1.163m (Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council), was generated on the Council Tax collection fund. This is as a result of the implementation of the Council Tax Technical Reforms implemented during 2013/14 which have enabled greater amounts of Council Tax to be collected.

Audit Certificate

Glossary of Terms

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

Accounting Policies

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

Accruals

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

Actuarial Gains and Losses

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

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

Amortisation

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

Assets Register

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

Balance Sheet

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

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.

Current Service Cost

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

Creditors

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

Curtailment

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

Debtors

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

Deferred Liabilities

These are liabilities which by arrangement are payable beyond the next year at some point in the future or are paid off by an annual sum over a period of time, specifically for this Council amounts outstanding in respect of finance leases.

Defined Benefit Pension Scheme

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

Depreciation

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

Discretionary Benefits

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

Expected Rate of Return on Pension Assets

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

Experience Gains and Losses

See Actuarial Gains and Losses

Financial Reporting Standards (FRSs)

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

Financial Instrument

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

Financial Year

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

Fixed Assets

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

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

Operational assets

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

Non operational assets

- Investment Properties;
- Assets Held for Sale.

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

General Fund Revenue Account

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

Government Grants

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

Heritage Assets

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

Historical Cost

Actual cost of acquiring or constructing an asset.

Impairment

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

Infrastructure Assets

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

Interest Cost

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

Insurance Value

The value placed upon an asset for insurance purposes.

Intangible Assets

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

Inventories

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

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

Investments

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

Investment Properties

Interest in land and/or buildings:

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

Leasing

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

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

Liquid Resources

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

Long Term Debtors

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

Material Items

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

National Non-Domestic Rate (NNDR)

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

Non-Distributed Costs

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

Past Service Cost

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

Precept

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

Prior Period Adjustments

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

Provisions

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

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

Revenue Expenditure Funded from Capital under Statute

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

Revenue Support Grant (RSG)

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

Scheme Liabilities

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

Settlement

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

Useful Life

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

Classification: NULBC UNCLASSIFIED

HEADING

QUARTERLY REPORT: ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 JANUARY TO 31 MARCH 2014

Submitted by: Audit Manager

Portfolio Finance and Resources

Ward(s) affected All

Purpose of the Report

To report on any outstanding high risk recommendations to the Audit and Risk Committee on a quarterly basis and where necessary to request Members' approval to the Executive Directors requested actions in respect of the recommendations and proposed target dates.

To provide Members with an assurance opinion on internal controls over Council Services.

Recommendations

A That the action of your officers and levels of assurance be noted

Reasons

High risk recommendations are those agreed with management that are key controls in providing assurance as to the efficiency and effectiveness of the system, service or process under review. By agreeing to prolong target dates Members are accepting the risk of not implementing the control. Delayed implementation of such controls should be challenged to identify reasons behind this and solutions to the delay. Delays may be a result of external or internal influences, lack of resources or inertia. Such delays in the implementation of recommendations will affect the assurance opinion provided on each Service.

1. **Background**

- 1.1 High risk recommendations are those where action is considered imperative to ensure that the authority is not exposed to high risks and to do this it needs to be implemented within 1 month of the recommendation being agreed with managers.
- 1.2 Recommendations are reported to committee on an exception basis, i.e. reports where high risk recommendations have been followed up with Managers on more than two occasions are brought to the attention of Members. In addition the Chair and Vice Chair receive exception reports quarterly where high risk recommendations have been followed up with Managers after the initial implementation date has expired.
- 1.3 With the production of the Annual Governance Statement in conjunction with the Statement of Accounts the follow up and implementation of recommendations is increasingly important, since they provide both officers and Members with assurance as to the effectiveness of key internal control.
- 1.4 Assurance is provided on an annual basis as part of the Annual Report on the Internal Audit Service. It is also provided to each Executive Director on a monthly basis, based on the number of recommendations that have been implemented, and where the target date has been changed more than twice on either medium or high risk recommendations.

2. **Issues**

- 2.1 At the end of quarter four there were three outstanding high risk recommendations. All of which were at their first target date change and as such do not need to be reported to the committee at this stage.
- 2.2 A summary of the assurance levels for each of the 4 directorates during quarter 4 can be found at Appendix A.
- 2.3 Given these results at the end of the fourth quarter there are no issues or concerns in relation to any outstanding recommendations within any of the Directorates.

3. **Reasons for Preferred Solution**

- 3.1 Reasons for each Director proposal are specific to the actions required.

4. **Outcomes Linked to Corporate Priorities**

- 4.1 The systems, services and processes reviewed by Internal Audit link to and support the four priority themes of the Council, by reviewing these Audit is making the best use of the Council's resources and improving efficiency and this is further reinforced by managers as they implement the recommendations made.

5. **Legal and Statutory Implications**

- 5.1 The Accounts and Audit Regulations 2011 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'.

6. **Equality Impact Assessment**

- 6.1 There are no differential equality impact issues identified from this proposal.

7. **Financial and Resource Implications**

- 7.1 The majority of recommendations are met within existing resources; where additional resources are required these will form part of a separate report.

8. **Major Risks**

- 8.1 The role of Internal Audit is to provide management with an objective assessment of whether systems and controls are working properly. High Risk Recommendations identify areas where action is required in order to avoid exposure to risk. If managers fail to act upon fundamental audit recommendations assurance cannot be given on the adequacy of the systems of internal control.

9. **Key Decision Information**

- 9.1 Not applicable

10. **Earlier Cabinet/Committee Resolutions**

- 10.1 Where fundamental recommendations show a target date change; this identifies the number of times the recommendation has been referred back to Executive

Classification: NULBC **UNCLASSIFIED**

Management Team and to members for consideration of the risks prior to agreeing an extended implementation date or other action.

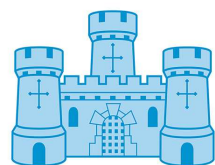
11. **List of Appendices**

Audit Recommendations Summary of Assurance for Quarter 4 2013/14

12. **Background Papers**

Internal Audit PI and Assurances file

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NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

Summary of Outstanding Audit Recommendations and Levels of Assurance – Quarter 4 2013-14

	Chief Executives			Resources & Support Services			Regeneration & Development Services			Operational Services		
	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar
Total number of Recommendations	22	22	22	106	108	95	29	40	41	92	92	73
Number of Recommendations Outstanding as at the end of month	2	2	4	17	11	11	3	3	10	33	9	6
% Implemented as at end of month	88	88	80	80	87	87	81	73	38	51	86	89
% Overdue for implementation as at the end of the month	12	12	20	20	13	13	19	27	62	49	14	11
No of recommendations with target date changed > 2	0	0	0	6	0	1	1	1	0	0	0	0
High Risk recommendations with target date changed > 2	0	0	0	0	0	0	1	1	0	0	0	0
Medium Risk recommendations with target date changed > 2	0	0	0	6	0	1	0	0	0	0	0	0

	Chief Executives			Resources & Support Services			Regeneration & Development Services			Operational Services		
Low Risk recommendations with target date changed > 2	0	0	0	0	0	0	0	0	0	0	0	0
Overall Assurance Level	Sub	Sub	Sub	Sub	Sub	Sub	Ltd	Ltd	Little	Ltd	Sub	Sub
Annual Audit Days for Directorate*	50			189			80			112		
Total number of audit reviews for the Directorate*	5			22			11			9		

* In addition to the audit days per directorate there are 99 days identified for Corporate Reviews – these being reviews that span across all services. There are 13 reviews that are undertaken corporately.

Opinions are classified as;

Full	The Internal Audit did not reveal any control weaknesses based on the samples at the time of the audit	94% - 100%
Substantial	The Internal Audit identified areas that required necessary action to avoid exposure to significant risk	70% - 93% or target changed > 2 on medium risk recommendations
Limited	The Internal Audit identified areas where it was imperative to act to avoid exposure to risk	50% - 69% or target changed > 2 on high risk recommendations
Little	The Internal Audit identified very little evidence of key controls being in place or a repetition of evidence that known action has not taken place to avoid exposure to high risk i.e.: as identified in previous audits. This exposes the Council to high risks that should have been managed.	Below 50%

Full assurance can be given where the Council achieves 94% of all recommendations implemented as the agreed performance measure for 2013-14.

Where target dates for the implementation of recommendations are changed or renegotiated we cannot give our full assurance. If the ongoing risk was considered as;

High Risk: (action that is considered imperative to ensure that the authority is not exposed to high risks; (Implemented within 1 month))

Medium Risk: (action that is considered necessary to avoid exposure to significant risks; (Implemented within 3 months)) By changing the date the risk is not being managed and therefore you may wish to seek additional assurance as to the security of the controls in place.

INTERNAL AUDIT SECTION ANNUAL REPORT 2013-14

Submitted by: Audit Manager

Portfolio: Finance and Resources

Ward(s) affected: All

Purpose of the Report

To consider the annual report of the Internal Audit Section for the financial year 2013-14 enclosed as Appendix A.

Recommendations

A That the Internal Audit Section Annual Report for 2013-14 be received.

Reasons

In accordance with the Internal Audit Charter our objective is *“To deliver a risk-based audit plan in a professional manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make the recommendations to improve it”*. This report outlines how Internal Audit has achieved this during the 2013-14 financial year.

1. Background

- 1.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 Internal Audit reports directly to the Section 151 Officer who is the Executive Director (Resources and Support Services).
- 1.3 The Section also provides a service to management by giving assurance that there are adequate internal controls in operation, ensuring the proper, economic, efficient and effective use of resources, to include the security of assets and data and to assist management in preventing and detecting fraud. This is achieved by the completion of routine system and regularity audits and, under a wider remit, by value for money and special audits
- 1.4 The Council’s Internal Audit Section consists of 3.5 FTE staff and is managed by the Audit Manager.
- 1.5 This report aims to provide information about the programme of work undertaken by Internal Audit during the financial year 2013-14, which has been extracted from the Internal Audit time monitoring system. Monitoring of the Section’s performance against plan is completed and an analysis undertaken of actual work areas across major audit areas.

- 1.6 The section has continued to contract in specialist external computer support. The contract for 2013-14 was awarded to CW Audit Services.
- 1.7 As required by the Public Sector Internal Audit Standards the Audit Manager has developed an Audit Charter in respect of delivering the Internal Audit Service. The internal audit charter is a formal document that defines internal audit's purpose, authority and responsibility. The charter establishes Internal Audit's position within the organisation, including the nature of the Audit Manager's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit's activities. It provides a framework for the conduct of the service and has been approved by the Council's Executive Management Team and the Audit Committee. The Charter was agreed by the Audit and Risk Committee on the 17 February 2014
- 1.8 The Internal Audit year-end report also builds upon the assurance given by the section in support of the Annual Governance Statement on internal control.

2. **Issues**

- 2.1 The Audit and Risk Committee approved the Audit Plan for 2013-14 on the 18 February 2013. The plan accounted for 530 audit days.
- 2.2 Internal Audit have maintained a good level of productivity, 79% against a target of 74%, and completed 92% of the audit plan. Productivity for Internal Audit is measured in terms of the available resource which is calculated in terms of audit days, with each day representing 7.4 working hours. The total available days is then adjusted to take into account annual leave, sickness, training, supervision, corporate work and a contingency allowance. The resulting sum is classed as productive days available for the year, for this reason it is not possible to achieve 100% staff productivity.
- 2.3 The percentage of Internal Audit recommendations implemented by your officers has slightly decreased to 89% against a target of 92%. This is due to an increase in the number of recommendations made and also an increase in requests to change the target dates which resulted in a larger number of recommendations that remained outstanding at the end of the year. There are no high or medium risk recommendations that are considered as not receiving adequate management attention.
- 2.4 The work of Internal Audit shows the Council to have an adequate, effective and reliable framework of internal control, which provides reasonable assurance regarding the effective and efficient achievement of the Council's objectives.

3. **Options Considered**

- 3.1 The provision of specialist computer skilled auditors is bought in as a more economically and effective option to training and trying to retain the same quality of staff internally.

4. **Proposal**

Not applicable

5. **Reasons for Preferred Solution**

Not applicable

6. **Outcomes Linked to Corporate Priorities**

- 6.1 Internal Audit contributes to the prevention, identification and investigation of fraud and corruption and contributes to promoting an anti-fraud culture.
- 6.2 Internal Audit helps to ensure that best use is made of the Council's resources and contributes to improving efficiency whilst underpinning the remaining priorities of the Council.

7. **Legal and Statutory Implications**

The Local Government Accounts and Audit Regulations 2011 require every Local Authority to maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with proper internal audit practices.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from this proposal.

9. **Financial and Resource Implications**

- 9.1 The total budget, for the Section for 2013/14 was £233,170

10. **Major Risks**

- 10.1 Risk issues are covered in the main report, attached Appendix A.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Report to Audit & Risk Committee 18 February 2013 – Internal Audit Plan 2013-14
Report to Audit & Risk Committee 17 February 2014– Internal Audit Charter

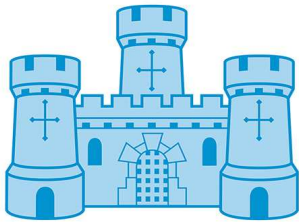
13. **List of Appendices**

- 13.1 Annual Report of the Internal Audit Section 2013-14

14. **Background Papers**

APACE time recording system
Public Sector Internal Audit Standards (PSIAS)

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NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

ANNUAL REPORT OF THE INTERNAL AUDIT SERVICE 2013/14

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1. INTRODUCTION

The Annual Reporting Process

- 1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit review, appraise and report on the effectiveness of the system of internal control. This report is the culmination of the work during the course of the year and seeks to:
- provide an opinion on the adequacy of the control environment;
 - comment on the nature and extent of significant risks; and
 - report the incidence of significant control failings or weaknesses.
- 1.2 This report is a summary of the work of the Section throughout 2013-14. As such it presents a snapshot picture of the areas at the time that they were reviewed and does not necessarily reflect the actions that have been or are being taken by Managers to address the weaknesses identified. The recommendations made will be progressing through the normal management processes.

Requirement for Internal Audit

- 1.3 The **role of internal audit** is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of a Council's internal control system because it measures and evaluates the adequacy and effectiveness of controls so that:
- Members and senior management can know the extent to which they can rely on the whole system; and
 - Individual managers can know how reliable the systems are and the controls for which they are responsible.
- 1.4 The internal control system is comprised of the whole network of systems and controls established to manage the Council to ensure that its objectives are met. It includes financial and non-financial controls, and also arrangements for ensuring that the Council is to achieve value for money from its activities.
- 1.5 The requirement for an Internal Audit function derives from local government legislation including Section 151 of the Local Government Act 1972 which requires authorities to "make arrangements for the proper administration of their financial affairs". Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2011, in that a relevant body must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control"

2. Adequacy and Effectiveness of the internal control environment

How Internal Control is reviewed

- 2.1 The Audit Manager prepares an annual risk based audit plan which takes into account the adequacy of the organisations risk management, and other assurance processes.

The plan outlines the areas that will be reviewed in terms of their priority and resources required to undertake the review.

2.2 The assessment comprises the two key elements of risk:-

(i) Impact i.e. the materiality/importance of the system in achieving the Council's objectives; and

(ii) Probability, which includes:-

- the results of previous work in the service area/system, both internal and external reviews and also takes into account the last time it was audited;
- the inherent risk, i.e. the underlying potential for fraud; and
- the nature and volume of the transactions, which includes financial materiality.

2.3 This risk based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:-

- system based reviews of all key financial systems that could have a material impact on the accounts e.g. payroll, creditors, council tax and housing benefits;
- regulatory audits of Council establishments e.g. leisure centres;
- systems based reviews of departmental systems/service areas e.g., planning, human resources, and health and safety;
- corporate reviews e.g. corporate governance arrangements and risk management, and
- a small contingency for special investigations and the provision of ad hoc advice.

Internal Audit Opinion for 2013-14 and the Annual Governance Statement (AGS)

2.4 Regulation 4 of the Accounts and Audit Regulations 2011 requires that:-

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes risk management arrangements.”

“The relevant body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall publish a statement on internal control, prepared in accordance with proper practices, with any statement of accounts it is obliged to publish.”

2.5 Internal Audit, along with other assurance processes of the Council, have a responsibility to provide assurance from the work they undertake during the year in respect of the internal control systems operating within the Council.

*Based on the work undertaken during the year and the implementation by management of the audit recommendations, Internal Audit can provide **reasonable assurance** that the Council's systems of internal control were operating adequately and there were no breakdown of controls resulting in material discrepancy.*

2.6 However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks. These risks are reflected in the audit plan and are the subject of separate reports during the course of the year.

3. SIGNIFICANT ISSUES ARISING 2013-14

3.1 Internal Audit examined 40 systems in 2013-14. During the conduct of our audit work we have had regard to the following objectives of internal audit:

- to review and appraise the soundness, adequacy and application of the whole system of internal control;
- to ascertain the extent to which the whole system of internal control ensures compliance with established policies and procedures;
- to ascertain the extent to which the assets and interests entrusted to or funded by the Authority are properly controlled and safeguarded from losses of all kinds;
- to ascertain that management information is reliable as a basis for the production of financial, statistical and other returns;
- to ascertain the integrity and reliability of information provided to management including that used in decision making, and
- to ascertain that systems of controls are laid down and operate to achieve the most economic, efficient and effective use of resources.

3.2 Within the Audit Plan there are 10 review areas that are categorised as High Risk Business Critical Systems. These reviews are undertaken annually, full reviews of all systems are conducted every other year with key controls being examined in between. A summary of the level of assurance for each review area together with the number of recommendations made is shown in the table below;

Audit Area	Level of Assurance Given	Number of Recommendations made		
		High	Medium	Low
Payroll*	Well Controlled	0	2	0
Asset Management (Capital)	Well Controlled	0	0	0
Cash Management*	Adequately controlled	0	2	0
Council Tax*	Adequately Controlled	0	2	0
Creditors*	Well controlled	0	0	0
Treasury	Well	0	0	0

Audit Area	Level of Assurance Given	Number of Recommendations made		
Management*	Controlled			
NNDR*	Adequately Controlled	1	0	0
Civica Financial System **	Well Controlled	0	0	0
Housing Benefits	Well Controlled	0	1	1
Sundry Debtors*	Adequately Controlled	0	4	1

* denotes systems where only key controls examined in 2013-14

** a reconciliation of the transfer from Agresso to Civica was undertaken – this was to ensure that all data had been accurately transferred between the two systems.

- 3.3 A summary of the level of assurance, for all of the systems covered in 2013/14 by risk category, is given in the table below:-

Risk	Assurance			
	Full	Substantial	Limited	Little
High (A)	9	4	3	0
Medium (B)	5	17	2	0
Low (C)	0	0	0	0
	14	21	5	0

Opinions are classified as:

- Full:** The audit did not reveal any control weaknesses based on the samples at the time of the audit.
- Substantial:** The audit identified areas that required necessary action to avoid exposure to significant risk.
- Limited:** The audit identified areas where it was imperative to act to avoid exposure to high risks.
- Little:** The audit identified very little evidence of key controls being in place or a repetition of evidence that known action has not taken place to avoid exposure to high risk, i.e. as identified in previous audits. This exposes the Council to high risks that should have been managed.

- 3.4 Whilst there are 5 audits that have been classified as Limited Assurance most of these do not have a significant impact on the Council as a whole, many require a small number of changes to be introduced which will lead to significant improvements in the control environment.

- 3.5 The main recurring themes across the audits are (figures in brackets demonstrate proportions of outstanding recommendations in these risk areas for 2013/14):

-
- The lack of written procedures and standards. Without these inconsistencies in working practices can develop, controls can be lost and cover in the event of absences can be haphazard. There is a need to ensure that all employees are made aware of the working practices that they should be following to ensure that they comply with the correct procedures. During 2013/14 procedure notes were found to be in place for the majority of the business critical systems, however in some instances it was found that these required updating. (33 per cent).
 - The completeness and accuracy of records within service areas is important. 15 per cent of the recommendations made during 2013/14 related to issues where records had not been completed correctly, or the correct information was not found. Whilst the categorisation of recommendation accounted for 15 per cent of those made during 2013/14 none of these were categorised as high risk, the majority of these were medium or low and served to act as reminders to staff to ensure care is taken over the recording of data in relation to their particular service areas.
 - Non compliance with Standing Orders and Financial Regulations was found in a number of areas particularly in relation to the lack of stock and inventory controls, there were also a few relatively minor issues in relation to compliance with contract procedures (14 per cent)
 - Another key area that Internal Audit reviews as part of their work is issues of Information Security. 19 per cent of the recommendations outstanding related to this area, and included issues such as ensuring compliance with the Council's policies on Information Security Management.
 - The remaining 19 per cent of recommendations were categorised in terms of incomplete management information (1 per cent) staffing issues, particularly in relation to training matters (12 per cent), issues of physical security (2 per cent), and business continuity (4 per cent)
- 3.6 In addition to the planned audits 12 special projects were carried out, these were due to various breaches of council policy, procedures and regulations. In all cases where a lack of managerial controls were found to contribute to the improper conduct of officers; a managerial report is completed which highlights the weakness and makes recommendations accordingly. The recommendations from these reports are followed up in the usual way.
- 3.7 Of the 12 special projects identified above, 5 were as a result of the Council's Whistleblowing Policy, and 7 from management.
- 3.8 In relation to main systems, recommendations arising are analysed further in the following section.

4 ANALYSIS OF COMMON OR MATERIAL WEAKNESSES

Analysis of recommendations

- 4.1 During the period 1/4/13 to 31/3/14 a total of 187 recommendations have been made, of these 20 recommendations were outstanding as at the 31 March 2014. In total 167 recommendations have been implemented, 89%.

Recommendations are classified as:

- High:** Action that is considered imperative to ensure that the authority is not exposed to high risks:
Medium: Action that is considered necessary to avoid exposure to significant risks:
Low: Action that is considered desirable and which should result on enhanced control or better value for money.

In this context, 'risk' may be viewed as the chance, or probability, of one or more of the association's objectives not being met. It refers both to unwanted outcomes that might arise, and to the potential failure to realise desired outcomes.

- 4.2 The following table shows the spilt of recommendations over high, medium and low for those that were due for implementation by the 31 March 2014:

	ALL	IMPLEMENTED	OUTSTANDING
High	13	13	0
Medium	108	97	11
Low	66	57	9
TOTAL	187	167	20
Target 2013/14		94%	
Proposed target 2014/15		95%	

- 4.3 Compliance with the agreed action plan will ensure that these risks are addressed. Management has given assurance that the action plans will be completed in accordance with the timetables specified.

Details of major findings not acted upon

Acceptance of recommendations

There were no recommendations rejected by Management during the year.

Recommendations not receiving adequate management attention

- 4.4 There are no high or medium risk recommendations that are considered as not receiving adequate management attention. Where appropriate outstanding high risk recommendations are reported to Audit and Risk Committee on a quarterly basis.

5 **AUDIT PERFORMANCE****Work planned to be completed**

- 5.1 The following table gives a summary of the results of the performance indicators since 2011/12, together with details of actual figures for 2013/14, and target for 2014/15;

Indicator	2011/12 actual	2012/13 actual	2013/14 actual	2014/15 target
Percentage of audit plan completed	92%	91%	92%	90%
Productivity of staff	83%	85%	79%	74%
Recommendations implemented	88%	91%	89%	91%
Medium to high satisfaction of the service from surveys	93%	91%	93%	90%

- 5.2 The table below indicates the performance against the audit plan for 2013/14, split over the 3 different risk categories for audits and for the audit plan in total.

	Planned	Actual	Actual (%)
High Risk Audits	25	23	92
Medium Risk Audits	35	33	94
Low Risk Audits	0	0	0
Achievement of the Audit Plan	60	55	92

- 5.3 The 2013/14 audit plan as approved by Audit and Risk Committee provided for 530 days of audit work.
- 5.4 The level of productivity within the Section was 79% against the target of 74% that was set at the start of the year. Each year the total resources available in Internal Audit are evaluated in terms of audit days, each day representative of 7.4 working hours. This figure is adjusted for leave, training, sickness, supervision, corporate work and a contingency allowance. The resulting sum is classed as productive days available for the year, for this reason it is not possible to achieve 100% staff productivity.
- 5.5 Out of 60 planned audits, 55 were completed, 92% against a target of 90%.

- 5.6 Completion of audits against the total plan does include some of the Audit Manager's time, since with the time being recorded direct to audit areas it is not practical to identify and remove it completely.
- 5.7 Satisfaction levels in terms of the service remained high at 93% this is above the set target of 85%. Any comments and feedback that is received following each audit is constantly reviewed to ensure that the service continues to meet the expectations of our customers

Factors affecting the extent of our internal audit work

- 5.8 There are a number of issues that have affected the extent of our internal audit work during the year, they are:
- the completion of work as part of a number of special investigations that has absorbed in excess of 71 days audit time, 14% of the original available planned time.
 -
 - The Audit Manager has mentored a student from Newcastle College's Career Academy programme.
 - The audit team also supported an Apprentice who was taken on as part of the corporate apprenticeship scheme and whom is being shared on a two year apprenticeship scheme with Newcastle College. The apprentice who is studying for the Association of Accounting Technicians qualification spent 3 months with the Audit Team before going to Newcastle College. He will return to the Council to spend time with the Finance Team in the latter part of 2014.
 - A series of staff briefings were completed in relation to Protective Marking and Information Security. The Audit Manager and the Head of Customer and ICT Services delivered a number of training sessions to both officers and members in respect of the roll out of the Government Protective Marking Scheme which we are required to have in place as part of our Public Sector Network compliance. In addition mandatory staff briefings were delivered by members of the Information Security Group (of which the Audit Manager is a member) in respect of Information Security, these briefings covered Data Protection, Freedom of Information and Use of Social Networking.
 - In June 2013 the Audit Manager took on the role of Monitoring Officer following the departure of the former Head of Central Services. Careful consideration was given to this to ensure that this did not undermine the independence role of the audit, however given the similarity in nature to both the roles it was felt that there would be no compromise to independence. In fact as part of the research for this it was found that there have been occasions in other authorities where the role of Monitoring Officer has also been undertaken by the Head of Audit, in a combined post.

6.0 **NON AUDIT AREAS**

- 6.1 This is work undertaken by the Internal Audit Section that is not directly related to audit areas and includes administration, supporting the corporate management of the authority, professional and staff training and attendance at Staffordshire Chief Auditors Group meetings. Non-audit work in 2013/14 accounted for 120 days.
- 6.2 The Internal Audit Section provides support; advice and guidance to corporate initiatives, this year this has included attendance at the Corporate Governance Working Group, the Procurement Working Group, the Health and Safety Committee and the Information Security Group. In addition the Audit Manager is a member of the Resources and Support Services Departmental Management Team and also a member of the corporate Wider Management Team.

7.0 **OPERATIONAL PLANS FOR 2014/15**

- 7.1 Internal Audit will continue to identify ways to actively promote awareness of risks in relation to fraud and corruption in line with the national strategy 'Fighting Fraud Locally'. Following on from the Fraud Awareness Campaign that was undertaken in 2013 a Staff Survey is planned for summer 2014, the survey is designed to test the knowledge and understanding amongst staff and will then enable any further training needs to be identified
- 7.2 The contract for computer auditing will be provided by Information Security Advice who successfully won the contract to provide computer audit services for 2014/15. Quotations for the computer audit work are sought on an annual basis.
- 7.3 The Section will continue to review and improve its service where appropriate. It will also ensure that adequate training is provided and the role of the Audit and Risk Committee is developed in line with best practice.
- 7.4 The Audit Manager will continue to mentor and coach staff within the section to ensure that the team continues to develop and improve its knowledge and experience in all aspects of audit work.
- 7.5 The Audit Manager will continue to raise the awareness of Information Security in order to ensure that the Authority maintains high standards in terms of the information/data that is held within the organisation, this will be increasingly important as we begin to share accommodation with external partners etc.
- 7.6 Internal Audit will continue to support students from Newcastle College's Career Academy Programme. The Audit Manager will again be mentoring a student from college, this involves meeting with the students twice a term to discuss issues in relation to their studies, career choice or university applications.
- 7.7 The Audit Manager is a member of the Staffordshire Information Governance Group; this looks at Information Governance issues across the county and in addition has developed an information sharing protocol that enables organisations to share information with partner agencies etc.

-
- 7.8 With effect from 1 April 2013 the CIPFA Code of Practice for Internal Audit in Local Government was replaced with a new set of standards. The Public Sector Internal Audit Standards (PSIAS) have been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA) to ensure a consistent set of standards for Internal Auditors irrespective of the sector in which they work. An initial assessment against the new standards was completed in respect of 2013/14, work will continue throughout 2014/15 in respect of developing a quality assurance regime for the audit service. This will be assisted by the completion of a training session that the Audit Manager will be attending in May 2014.

Classification: NULBC UNCLASSIFIED

HEADING Review of the Effectiveness of the Audit Committee

Submitted by: Audit Manager

Portfolio Finance and Resources

Ward(s) affected All

Purpose of the Report

In order to demonstrate that the Council has good governance and as part of providing evidence to support the Annual Governance Statement, the Council needs to demonstrate that it has an effective Audit Committee. An assessment has been completed on the effectiveness of the Audit Committee for 2013/14 and the results are summarised within this report.

Recommendations

A That the report outlining the findings from the review of the effectiveness of the Audit Committee for 2013/14 be noted.

Reasons

That members agree with the findings of the review which concludes that the effectiveness of the Audit Committee during 2013/14 can be relied upon when considering the Annual Governance Statement.

1. **Background**

- 1.1 In accordance with the Accounts and Audit (Amendment) (England) Regulations 2011 the Council is required to undertake an annual review of its governance arrangements, which involves the production of an Annual Governance Statement. In producing this statement various forms of assurance are gathered one of which is giving an assurance on the effectiveness of its Audit Committee.
- 1.2 This review of the effectiveness of the Council's Audit Committee is undertaken annually.
- 1.3 To assess the effectiveness of the Audit Committee the Audit Manager in consultation with the Chair and Vice Chair of the Committee has completed and formulated a file of evidence in accordance with the CIPFA Checklist for 'Measuring the Effectiveness of the Audit Committee'.

2. **Issues**

- 2.1 The results of this self-assessment are outlined in Appendix A, the supporting file of evidence has been collated and a copy is available in the Members' area on the intranet.
- 2.2 The results of the self assessment show that the Audit Committee **is effective** and can be relied upon when considering the Annual Governance Statement for 2013/14.

3. **Options Considered** (if any)

Classification: NULBC UNCLASSIFIED

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NOTE ALL PARAGRAPHS SHOULD BE NUMBERED WITH SUB-PARAGRAPHS BEING NUMBERED 2.1, 2.2 ETC.

Not to complete a self assessment would be in breach of the legislation already outlined in the background.

4. **Proposal**

The completed checklist against the self assessment together with the results have been included as Appendices to this report.

5. **Reasons for Preferred Solution**

The adoption of 'good practice' processes and procedures contributes to reducing risks and liabilities to the Council.

6. **Outcomes Linked to Corporate Priorities**

An effective Audit Committee means that the Authority can place reliance on the assurances of the systems of internal control. If controls are operating effectively the potential for fraud and corruption is reduced. There is also an assurance that resources are being used efficiently and effectively.

7. **Legal and Statutory Implications**

Under the Accounts and Audit Regulations 2011 the Council is required to undertake an annual assessment of the effectiveness of its Audit Committee.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from this proposal.

9. **Financial and Resource Implications**

There are no financial implications identified from this proposal.

10. **Major Risks**

- 10.1 If the Authority does not maintain an effective Audit Committee, reliance cannot be placed on the adequacy of the internal controls operating throughout the Authority.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Not applicable

13. **List of Appendices**

Appendix A Completed Self Assessment CIPFA checklist – Measuring the effectiveness of the Audit Committee

15. **Background Papers**

File of evidence compiled against the CIPFA Code of Practice Checklist

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SELF-ASSESSMENT CHECKLIST 2013/14– MEASURING THE EFFECTIVENESS OF THE AUDIT COMMITTEE

Ref.	Issue	Yes	No	N/A	Comment	Evidence Ref
1.0	Terms of Reference					
1.1	Have the Committee's terms of reference been approved by full Council?	✓			Yes, these were approved as part of the Constitution by Full council.	1
1.2	Do the terms of reference follow the CIPFA model?	✓				1,17
2.0	Internal Audit Process					
2.1	Does the Committee approve the strategic audit approach and the annual programme?	✓			The audit charter and audit plan are reported annually to the Committee.	2,3
2.2	Is the work of internal audit reviewed regularly?	✓			Regular progress reports are presented to the Committee.	4
2.3	Are summaries of quality questionnaires from managers reviewed?	✓			This is included in the annual report. Satisfaction scores are also one of the PI's for the services and again these are reported quarterly.	5
2.4	Is the annual report, from the Head of Audit, presented to the Committee?	✓				6
3.0	External Audit Process					
3.1	Are reports on the work of external audit and other inspection agencies presented to the Committee?	✓			All external audit reports are presented to committee	7
3.2	Does the Committee input into the external audit programme?	✓			The Committee does receive and provide feedback on the external audit plan. In addition the Committee does have a right to request that External Auditors undertake a specific piece of work if they have concerns over a specific issue.	
3.3	Does the Committee ensure that officers are acting on and monitoring action taken to implement recommendations?	✓			The Committee can request that Officers are in attendance at meeting to respond to any queries or concerns that they may have. Quarterly Reports regarding outstanding fundamental recommendations are presented to Committee.	8
74	Does the Committee take a role in overseeing:				All of these are reported to the Audit & Risk	

Page 216	• Risk Management Strategies	✓			Committee.	9 10
	• Internal Control Statements	✓				
	• Anti-Fraud Arrangements	✓				
	• Whistle-Blowing Strategies?	✓				

Ref.	Issue	Yes	No	N/A	Comment	Evidence Ref
4.0	Membership					
4.1	Has the membership of the Committee been formally agreed and a quorum set?	✓			See constitution.	12
4.2	Is the Chair free of executive or scrutiny functions?	✓			Chair is free of Executive functions.	13
4.3	Are members sufficiently independent of the other key Committees of the Council?	✓			All members sit on a Scrutiny Panel, however, a review of this, does not seem to affect the workings of the Committee.	
4.4	Have all members' skills and experiences been assessed and training given for identified gaps?	✓			A formal assessment of training requirements is undertaken by Member Services. As part of the Member Development Charter, all members will have their own Personal Development Plan. In addition specific training has been given to Members on the Annual Statement of Accounts, and the role of the Audit & Risk Committee.	14,15
4.5	Can the Committee access other Committees as necessary?	✓				
5.0	Meetings					
5.1	Does the Committee meet regularly?	✓			Yes the Committee meets 5 times per year.	16
5.2	Are separate, private meetings held with the external auditor and the internal auditor?	✓			Regular meetings are held between Chair, Vice Chair and the Audit Manager to discuss monthly assurance statements and outstanding audit recommendations.	
5.3	Are meetings free and open without political influences being displayed?	✓			All meetings are held in public unless there is a good reason for Confidentiality. All Members are aware of	

					the need to declare any interests.	
5.4	Are decisions reached promptly?	✓				
5.5	Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	✓			Papers are circulated 2 weeks in advance of the meeting.	4
5.6	Does the Committee have the benefit of attendance of appropriate officers at its meetings?	✓			All meetings of the committee are attended by the Executive Director (Resources & Support Services), as Section 151 Officer, the Audit Manager and a representative from the Councils External Auditors, Grant Thornton. In addition the Head of Business Improvement, Central Services & Partnerships attends in relation to Risk Management Reports and the Head of Environmental Services in respect of Corporate Health & Safety Reports.	
Ref.	Issue	Yes	No	N/A	Comment	Evidence Ref
6.0	Training					
6.1	Is induction training provided to members?	✓			All new members receive induction training. In addition as part of Member charter Status each member will have their own person specification/job description	14
6.2	Is more advanced training available as required?	✓			Specific training in relation to the Scrutiny of the Accounts, the role of the audit committee and risk management is provided annually for Members of the Audit & Risk Committee.	15
7.0	Administration					
7.1	Does the authority's S151 officer or deputy attend all meetings?	✓			The Executive Director (Resources and Support Services) as the Councils Section 151 Officer attends all the meetings of the Audit & Risk committee	
7.2	Are the key officers available to support the Committee?	✓				

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HEADING **Review of the Effectiveness of the System of Internal Audit**

Submitted by: Audit Manager

Portfolio Finance and Resources

Ward(s) affected All

Purpose of the Report

For members to consider the findings of the annual review of the effectiveness of the system of Internal Audit for 2013/14.

Recommendations

That the report outlining the findings from the review of the effectiveness of the system of Internal Audit for 2013/14, together with the action plan be agreed.

Reasons

That members agree with the findings of the review which concludes that the system of Internal Audit for 2013/14 can be relied upon when considering the Annual Governance Statement.

1. **Background**

- 1.1 In accordance with the Accounts and Audit Regulations 2011 the Council is required to undertake an annual review of the effectiveness of its system of Internal Audit.
- 1.2 A self-assessment against a checklist for compliance against the Public Sector Internal Audit Standards (PSIAS) has been completed by the Audit Manager in order to demonstrate this.
- 1.3 The PSIAS came into effect on 1 April 2013 and were produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA) to ensure a consistent set of standards for Internal Auditors irrespective of the sector in which they work. The new standards mean that a few changes will be required to be undertaken in terms of working practices; however the main changes seem to be in relation to the terminology used. CIPFA have produced an application note designed to assist/clarify the standards that have been produced. This guidance note has been applied during the completion of the assessment to ensure that Internal Audit is compliant with the new standards.

2. **Issues**

- 2.1 The results of the self-assessment review undertaken by the Audit Manager are outlined in Appendix A, a summary of the evidence, in the form of a list of contents has been provided at Appendix B. A folder of evidence to support the self-assessment is maintained electronically and can be made available to members on request.

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NOTE ALL PARAGRAPHS SHOULD BE NUMBERED WITH SUB-PARAGRAPHS BEING NUMBERED 2.1, 2.2 ETC.

- 2.2 On completing the checklist the Audit Manager is required to indicate whether or not there is compliance with the PSIAS by answering yes 'Y' partial 'P' or no 'N'. Where we have answered 'P' or 'N' these areas have been carried forward to an action plan which identifies areas for improvement. A copy of the Action plan can be found at Appendix C.
- 2.3 The main areas of improvement identified in the action plan that are required in order to demonstrate compliance with the PSIAS relate to the need for an external assessment and the development of a formal Quality Assurance Improvement Programme (QAIP) in relation to the Audit Service. These are areas that are currently being reviewed and developed by the Staffordshire Chief Auditors Group (SCAG).
- 2.4 The PSIAS require that an external assessment is undertaken every 5 years, SCAG are looking at the possibility of the external assessments being completed amongst ourselves. This will be done with the agreement of the Staffordshire Chief Finance Officers Group and a programme and timetable for these are to be discussed at a future meeting of the group.
- 2.5 With regards to the QAIP, a training course which was recently hosted by ourselves here at Newcastle and was attended by members of the SCAG and also Audit Managers from other Midland Authorities, the learning from which will be used to help formulate a QAIP and again via SCAG we are looking to develop this further.
- 2.6 Despite the fact that a detailed action plan has been completed in order to demonstrate full compliance with the PSIAS, it is felt that overall the internal review shows that the system of Internal Audit is operating effectively and therefore can be relied upon when considering the Annual Governance Statement for 2013/14. The areas identified in the action plan will seek to further improve and develop the audit service.

3. **Options Considered** (if any)

Not to complete a self assessment would be in breach of the legislation already outlined in the background.

4. **Proposal**

The completed checklist against the PSIAS and the action plan for improvement have been included as Appendices to this report.

5. **Reasons for Preferred Solution**

The adoption of 'good practice' processes and procedures inevitably contributes to reducing risks and liabilities to the Council. Internal Audit plays an important role in this regard and clearly its systems and processes should be effective.

6. **Outcomes Linked to Corporate Priorities**

An effective system of Internal Audit means that the Authority can place reliance on the assurances of the systems of internal control. If controls are operating effectively the potential for fraud and corruption is reduced. There is also an assurance that resources are being used efficiently and effectively as the Council transforms to achieve excellence.

7. **Legal and Statutory Implications**

Under the Accounts and Audit Regulations 2011 the Council is required to undertake an annual review of the effectiveness of its system of Internal Audit.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from this proposal.

9. **Financial and Resource Implications**

There are no financial implications identified from this proposal; the Action Plan will be resourced as part of the work plan for the Audit Manager.

10. **Major Risks**

- 10.1 If the Authority does not maintain an effective system of Internal Audit; reliance cannot be placed on the adequacy of the internal controls operating throughout the Authority.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Not applicable

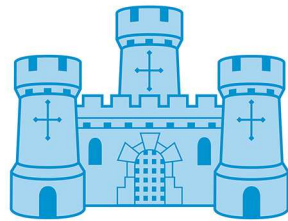
13. **List of Appendices**

Appendix A - Completed Self-Assessment Checklist against the PSIAS
Appendix B - Key to Evidence for Self Assessment
Appendix C - Action plan for 2014/15.

14. **Background Papers**

File of evidence compiled against the PSIAS

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BOROUGH COUNCIL

Compliance with the Public Sector Internal Audit Standards and the Local Government Application Note

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

Please Tick to indicate Y = Yes, P = Partial, N = No. Evidence for each response must be provided and reasons for any partial or full non-compliance should be given, together with any compensating measures in place or actions in progress to address this.

Key to Terminology used in the document;

PSIAS	Public Sector Internal Audit Standards	LGAN	Local Government Application Note
CIPFA	Chartered Institute of Public Finance & Accountancy	AAT	Association of Accounting Technicians
ACCA	Association of Certified Chartered Accountants	CPD	Continuing Professional Development
A&R	Audit and Risk Committee	EMT	Executive Management Team
WMT	Wider Management Team	HoS	Heads of Service
BM	Business Managers	SCAG	Staffordshire Chief Auditors Group
SCFOG	Staffordshire Chief Financial Officers Group	AGS	Annual Governance Statement
WP	Working Papers	CAE	Chief Audit Executive
CFO	Chief Finance Officer	QAIP	Quality Assurance Improvement Programme
GRACE	Councils Risk Management System		

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
1	Definition of Internal Auditing					
	Using evidence gained from assessing conformance with other Standards, is the internal auditing activity: a) Independent? b) Objective?	Y			The Internal Audit Charter approved by Executive Management Team and the Audit & Risk Committee sets out the purpose, objectives and scope of Internal Audit.	1
	Using evidence gained from assessing conformance with other Standards does the internal auditing activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	Y			There is an annual risk based audit plan this is based on a risk assessment methodology and audits are categorised as High Medium and Low. An audit management system APACE assists with this process.	2 3
2.	Code of Ethics					

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	<p>Integrity</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors:</p> <ul style="list-style-type: none"> a) Perform their work with honesty, diligence and responsibility? b) Observe the law and make disclosures expected by the law and the profession? c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation? d) Respect and contribute to the legitimate and ethical objectives of the organisation? 	Y			<p>The Audit Team are professionally qualified and members of CIPFA, ACCA and AAT and therefore have to comply with the relevant standards for these professional bodies.</p> <p>In addition the organisation has a range of policies that seek to ensure compliance with the law.</p> <p>Organisational policies include;</p> <ul style="list-style-type: none"> Employees Code of Conduct Information Security Policies Anti-Fraud & Anti-Corruption Polices Financial Regulations Contract Regulations 	<p>4</p> <p>5a-j</p> <p>6 a-e</p> <p>7</p> <p>8</p>

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	<p>Objectivity</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:</p> <ul style="list-style-type: none"> a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? b) Accepting anything that may impair or be presumed to impair their professional judgement? c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review? 	Y			Internal Auditors complete an annual declaration in relation to confidentiality and also potential interests that may conflict with their role.	9
	<p>Confidentiality</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <ul style="list-style-type: none"> a) Acting prudently when using information acquired in the course of their duties and protecting that information? b) Not using information for any personal gain or in any matter that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation? 	Y			Internal Auditors complete an annual declaration in relation to confidentiality and also potential interests that may conflict with their role.	9

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	<p>Competency</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <ul style="list-style-type: none"> a) Only carrying out services for which they have the necessary knowledge, skills and experience? b) Performing service in accordance with the PSIAS? c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes? 	Y			<p>The Audit Team are professionally qualified and members of CIPFA, ACCA and AAT and therefore have to comply with the relevant standards for these professional bodies.</p> <p>Annual appraisals identify areas of training that is required and provide the auditors with the opportunity to discuss what training needs they require. The organisations appraisal scheme is recognised by the relevant professional bodies for CPD purposes</p>	
	Do internal auditors have regard to the “On Standards of Public Life” <i>Seven Principles of Public Life</i> ?	Y			These are contained within the Council’s constitution and also various other Council policies that the internal auditors as well as all other employees of the Council have to adhere to	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Standards					
3.	Attribute Standards					
3.1	1000 Purpose, Authority and Responsibility					
	<p>Does the internal audit charter include a formal definition of:</p> <ul style="list-style-type: none"> a) The purpose b) The authority, and c) The responsibility <p>Of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)</p>	Y			Internal Audit Charter see reference 1	1
LGAN	<p>Does the internal audit charter define the terms “board” and “senior management”, for the purpose of the internal audit activity?</p> <p><i>Note that it is the expectation that the audit committee will fulfil the role of the board in the majority of instances.</i></p>	Y			Internal Audit Charter see reference 1	1

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Does the internal audit charter also:	Y			The objectives referred to are defined within the Internal Audit Charter, see reference 1.	
LGAN	a) Set out the internal audit activity's position with the organisation?					
LGAN	b) Establish the Chief Audit Executive's (CAE) functional reporting relationship with the board?				The Audit Manager is the CAE for the purpose of compliance with the PSAIS.	
LGAN	c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?					
LGAN	d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, monitoring officer and the head of paid service) with regards to Internal Audit?					
LGAN	e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information?					
LGAN	f) Define the scope of internal audit's activities?					
LGAN	g) Recognise that internal audit's remit extends to the entire control environment of the organisation					
LGAN	h) Identify internal audit's contribution to the review of the effectiveness of the control environment, as set-out in the Accounts and Audit (England) Regulations 2011?					
LGAN	i) Establish the organisational independence					
LGAN	j) Cover the arrangements for appropriate resourcing?					
LGAN	k) Define the role of internal audit in any fraud-related work?					
LGAN	l) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected fraud, corruption or impropriety?					

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Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?	Y			The Charter is reviewed and reported to Executive Management Team and the Audit and Risk Committee on an annual basis	1 12
	Does the CAE attend audit committee meetings?	Y			The Audit Manager as CAE attends and presents reports to the Audit and Risk Committee	
	Does the CAE contribute to audit committee agendas?	Y			The Audit Manager as CAE attends the Officer pre meetings that set the Agenda for the Audit and Risk Committee meetings	
3.2	1100 Independence and Objectivity					
	Does the CAE have unrestricted access to senior management and the board?	Y			The Audit Manager is a member of the Wider Management Team and also in her role as Monitoring Officer is a member of the Statutory Officer Group. Access rights are also formulated within the Audit Charter	1
	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	Y			See also the completion of the Self-assessment of the Audit and Risk Committee against the CIPFA code of practice	
	Are threats to objectivity identified and managed at the following levels? a) Individual auditor? b) Engagement? c) Functional? d) Organisational?	Y			These are managed through the declaration of interests and confidentiality statements that are completed annually by the auditors.	9

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	1100 Organisational Independence					
	Does the CAE report to an organisational level equal or higher to the corporate management team?	Y			The Audit Manager reports to the Section 151 Officer as Executive Director (Resources & Support Services) who is a member of the Executive Management Team.	
LGAN	Does the CAE's position in the management structure; a) Reflect the influence he or she has on the control environment? b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	Y			The self-assessment against CIPFA's Role of the Head of Internal Audit has been completed in respect of the Audit Manager which helps to demonstrate this. This is also set out in the Audit Charter. The Audit Manager as CAE is also a member of the Wider Management Team, the Departmental Management Team for Resources and Support Services and also the Statutory Officers Group.	13 1

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	<p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p> <p><i>The following example can be used by the CAE when assessing the organisational independence of the internal audit activity:</i></p> <p>The Board:</p> <ul style="list-style-type: none"> a) Approves the internal audit charter b) Approves the risk-based audit plan c) Approves the internal audit budget and resource plan d) Receives communications from the CAE on the activity's performance (in relation to the plan, for example) e) Approves decisions relating to the appointment and removal of the CAE f) Seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations 	Y			<p>This is set out in the Annual Report of the Internal Audit Service, the Annual Governance Statement.</p> <p>The Board for the purposes of compliance with the PSIAS is the Audit and Risk Committee. The Charter, Audit Plan and Performance against the Audit Plan are all reported here</p>	14 15 12 16 17
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	Y			Performance appraisal completed by S151 Officer (Executive Director Resources and Support Services)	
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?			N		
	1111 Direct Interaction with the Board					

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Does the CAE communicate and interact directly with the board?	Y			Monthly assurance statements with regards to the implementation of audit recommendations are emailed to the Chair and Vice Chair of the Audit and Risk Committee. Quarterly reports on assurance are then subsequently reported to the Audit and Risk Committee	18
	<i>1120 Individual Objectivity</i>					
	Do internal auditors have an impartial, unbiased attitude?	Y			Declaration of Interests and Confidentiality Statements completed annually	9
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	Y			Declaration of Interests and Confidentiality Statements completed annually	9
	<i>1130 Impairment to Independence or Objectivity</i>					
	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?				There has been no apparent impairment of independence or objectivity that required reporting to senior management. In the event that this did occur then a report would be submitted as appropriate.	
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?	Y				

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity	y			Internal Audit has a role with regards to Information Assurance with one of the audit technicians being 0.5 FTE of an Information Assurance officer. Information assurance/security forms parts of audits role and is covered in the CIPFA document Role of the Head of Internal Audit, this does not therefore compromise any of our independence.	13
LGAN	Are assignments for on-going assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	Y			Audit assignments are rotated as much as possible within the confines of a small team. Try to rotate as much as possible if resources and experience allow, depending on experience and work available. However limitations due to small team. Also there can be advantages to the same person doing an audit on a couple of consecutive occasions and this is done, although would try to rotate every so often to widen experience and to allow a fresh pair of eyes to look at the system. Sometimes there is a benefit to allow an auditor to complete a review on 2 consecutive occasions.	
LGAN	Have internal auditors declared interests in accordance with organisational requirements?	Y			Confidentiality Agreements are completed on an annual basis	9
LGAN	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?	Y			No Gifts or Hospitality have been received/offered to the internal auditors. There is a corporate policy on Gifts and Hospitality that is communicated annually to all staff. The Internal Auditors are aware of this.	19

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
LGAN	Have any instance been discovered where an internal auditor has used information obtained during the course of duties for personal gain?			N	None known	
LGAN	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	Y				
LGAN	Have internal auditors complied with the Bribery Act 2010?	Y			Bribery Act covered as part of mandatory briefings to all staff and also part of on-line e-learning package on Fraud & Corruption	6 a - ***
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?				N/A	
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?				N/A	
3.3	1200 Proficiency and Due Professional Care					
	<i>1210 Proficiency</i>					
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	Y			The Audit Manager is CIPFA qualified	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Is the CAE suitably experienced?	Y			Audit Manager – 22 years audit experience, 15 years at supervisory role, 7 years in Management capacity.	
LGAN	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	Y				
LGAN	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	Y			Job Descriptions and Person specifications are reviewed regularly to ensure they are up to date and in any event these would be done at the recruitment stage.	
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	Y				
	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	y				
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Y			Audit Manager undertaken Fraud Loss Measurement Training course with BDO & PKF The authority is a member of the Midlands Fraud Forum which comprises public and private sector organisations that come together to share best practice in relation to fraud and tackling fraud issues.	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Do internal auditors have sufficient knowledge of key information technology risks and controls?		P		This has been identified as an area of weakness within the team as it is such a specialist area of work. The size of the audit team does not justify a FTE Computer Audit Specialist therefore the Audit service currently buys in 30 days specialist computer audit work as part of the annual audit plan. In addition to this the Staffordshire Chief Auditors Group are trying to develop the IT skills within our own teams through an IT Sub Group which comprises auditors with some IT awareness – the aim of the group is to share best practice in order to enhance the skills in this area.	
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?		P		This is an area that needs to be developed.	
	1220 Due Professional Care					
	Do internal auditors exercise due professional care by considering the: <ul style="list-style-type: none"> a) Extent of work needed to achieve the engagement's objectives? b) Relative complexity, materiality or significance of matters to which assurance procedures are applied? c) Adequacy and effectiveness of governance, risk management, and control processes? d) Probability of significant errors, fraud, or non-compliance? e) Cost of assurance in relation to potential benefits? 	Y			Objectives for Audit Briefs and Audit Programmes are based on CIPFA control matrices. In addition to these discussions are held with the relevant Head of Service or Service Manager prior to the Audit Brief being issued in order to identify areas of concern/weakness that the management may have identified or need reviewing.	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Do internal auditors exercise due professional care during a consulting engagements by considering the: <ul style="list-style-type: none"> a) Needs and expectations of clients, including the nature, timing and communication of engagement results? b) Relative complexity and extent of work needed to achieve the engagement's objectives? c) Cost of the consulting engagement in relation to potential benefits? 	Y			An Audit protocol has been developed that provides for pre audit discussion with clients before audit brief produced to ensure objectives are agreed and any existing audit programmes are up to date.	20
	<i>1230 Continuing Professional Development</i>					
LGAN	Has the CAE defined the skills and competencies for each level of auditor?	Y			The CIPFA Excellent Internal Auditor competencies are applied	21
LGAN	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	Y			These are reviewed annually as part of employee appraisal process	
	Do internal auditors undertake a programme of continuing professional development?	Y			The work based employee appraisal scheme covers this and has been approved by the relevant professional organisations	10
	Do internal auditors maintain a record of their professional development and training activities?		P		Yes these are maintained in a training log – although this needs to be reviewed and updated	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
3.4	1300 Quality Assurance and Improvement Programme					
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?		P		The PSIAS are reviewed/updated annually – action plan is derived from this and report to A&R committee as part of the overall governance statement process. A more formalised QAIP needs to be developed in line with the PSIAS	
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?		P		The PSIAS are reviewed/updated annually – action plan is derived from this and report to A&R committee as part of the overall governance statement process. A more formalised QAIP needs to be developed in line with the PSIAS	
	Does the CAE maintain the QAIP		P		The PSIAS are reviewed/updated annually – action plan is derived from this and report to A&R committee as part of the overall governance statement process. A more formalised QAIP needs to be developed in line with the PSIAS	
LGAN	If the organisation is a “larger relevant body” in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011?				N/A	
	1310 Requirements of the Quality Assurance and Improvement Programme?					
	Does the QAIP include both internal and external assessments?		P		At present the QAIP is an internal assessment only which needs to be developed.	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	1311 Internal Assessments					
LGAN	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	Y				
	Do internal assessments include on-going monitoring of the internal audit activity, such as:- a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS?	Y	P		All reports are reviewed at the draft stage by the Audit Manager before they are issued. In addition a further review is made of the final report once the findings and recommendations have been discussed and agreed. Working papers are reviewed – however given that they are stored as word/excel documents within Microsoft office – it is not practical for the Audit Manager to go in and sign off every WP. The introduction of a fully integrated audit management system would assist with this process	
LGAN	Does on-going performance monitoring include comprehensive performance targets?	Y			Performance targets are set annually and progress against these are reported on a quarterly basis to Audit and Risk Committee	
LGAN	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	Y			Performance targets are discussed as part of the appraisal process and also reported to Audit and Risk Committee	
LGAN	Does the CAE measure, monitor and report on progress against these targets?	Y			Progress against performance targets are reported quarterly to the Audit and Risk Committee	22
LGAN	Does on-going performance monitoring include obtaining stakeholder feedback?	Y			Satisfaction surveys sent to clients at the end of each audit review, an annual survey is sent to EMT, WMT & BM	23 a&b

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Are periodic self-assessments or assessments carried out by people external to the internal activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.?			N	This is an area of work that is currently under development	
LGAN	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?			N	This will be included as part of the external assessment	
	1312 External Assessments					
	Has an external assessment been carried out, or is planned to be carried out, at least once every 5 years?			N	This is an area of work that is currently being developed in accordance with SCAG	
LGAN	Has the CAE considered the pros and cons for the different types of external assessment (i.e. “full” or self-assessment plus “independent validation)	Y			This is being looked at as part of the above.	
	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?			N	A report will be submitted to the Audit and Risk Committee with regards to the proposals for an external assessment	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
LGAN	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?			N	The scope of the assessment will be discussed and agreed with S151 officer who attends SCFOG	
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?			N	This is an area of work that is currently being developed	
	<p>Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process?</p> <p>Competence can be determined in the following ways:</p> <ul style="list-style-type: none"> a) experience gained in an organisation of similar size b) complexity c) sector (i.e. the public sector) d) industry (i.e. local government), and e) technical experience <p>Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.</p>			N	Assessment has not yet been undertaken	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?			N	Assessment has not yet been undertaken	
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being part of or under the control of the organisation to which the internal audit activity belongs.			N	Assessment has not yet been undertaken	
	<i>1320 Reporting on the Quality Assurance and Improvement Programme</i>					
	Has the CAE reported the result of the QAIP to senior management and the board? Note that: a) the results of both external and periodic internal assessment must be communicated upon completion b) the results of the on-going monitoring must be completed annually c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.		P		External Assessment has not yet been undertaken. However a report has been taken regarding the internal self-assessment against the PSIAS	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Has the CAE included the results of the QAIP and progress against any improvements plans in the annual report?	Y			An action plan following the internal self-assessment has been formulated	
	1321 Use of Conforms with the International Standards for the Professional Practice of Internal Auditing					
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	Y				
	1322 Disclosure of non-conformance					
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	Y			This is part of the action plan	
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	Y			No significant deviances identified as part of the self assessment	
4.	Performance Standards					
4.1	2000 Managing the Internal Audit Activity					
	Do the results of the internal audit activity's work achieve the purposes and responsibilities of the activity, as set out in the internal audit charter?	Y				
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> ?	Y				

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the <i>Code of Ethics</i> and the <i>Standards</i> ?	Y				
	Does the internal audit activity add value to the organisation and its stakeholders by a) Providing objective and relevant assurance? b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	Y			Annual Report of the Internal Audit Service Self-assessment against the PSIAS Annual Governance Statement	
	<i>2010 Planning</i>					
	Has the CAE determined the priorities of the internal audit activity in a risk based plan and are these priorities consistent with the organisations goals?	Y				
	Does the risk-based plan take account the requirement to produce an annual internal audit opinion?	Y				
	Does the risk-based plan take into account the organisations assurance framework?	Y			The criteria in risk assessment covers this	3

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Does the risk based plan incorporate or is it linked into a strategic or high-level statement of: <ul style="list-style-type: none"> a) How the internal audit service will be delivered? b) How the internal audit service will be developed in accordance with the internal audit charter? c) How the internal audit service links to organisational objectives and priorities? 	Y			The Audit Charter refers to the risk based audit methodology upon which the audit plan is formulated. The Charter also links to the organisations objectives and priorities.	1
	Does the risk based plan set-out how internal audit's work will identify and address local and national issues and risks?	Y			The criteria in risk assessment covers this	3
	In developing the risk based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	Y			The criteria in risk assessment covers this	3
	If such a risk-management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	Y			In addition to the risk based methodology the Audit Manager meets with Executive Directors and Heads of Service when formulating the plan and requests input from them.	24
LGAN	Does the risk based plan set-out the: <ul style="list-style-type: none"> a) Audit work to be carried out? b) Respective priorities of those pieces of audit work? c) Estimated resources needed for the work? 	Y			The Audit plan contains details of the risk categorisation and the estimated number of days required for each audit assignment	2

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
LGAN	Does the risk based plan differentiate between audit and other types of work?			N	The audit plan relates to those areas identified for review as a result of the risk assessment however the Audit Manager when calculating the resource available to complete the plan will have days set aside as a contingency to cover investigations and any consultancy work. The consultancy days are not detailed in the audit plan.	
LGAN	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	Y			Risk based model covers this and is reviewed annually to ensure that all risks have been adequately reviewed and are covered	
	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	Y			Progress against plan is reviewed quarterly and whenever large investigations/staffing issues arise to ensure that resources can be targeted accordingly.	
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	Y			Audit methodology risk assessment part of audit planning model in APACE	9
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	Y			Risk assessments are also reviewed and updated at the end of each audit assignment and then these are subsequently updated in APACE	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
LGAN	In developing the risk-based plan, has the CAE also considered the following: <ul style="list-style-type: none"> a) Any declarations of interest (for the avoidance of conflicts of interest)? b) The requirement to use specialists, e.g. IT or contract and procurement auditors? c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion? 	Y			The declarations of interest statements are reviewed. There is a provision within the audit budget to buy in 30 days specialist computer audit work. In calculating audit days available a contingency is taken out of this allocation to allow a small amount of contingency time for special investigations and projects etc.	
	Is the input of senior management and the board considered in the risk assessment process?	Y			Audit Manager meets with HoS to go through audit areas, requests made to HoS to identify new areas and where functions have ceased to exist etc. All these are fed into the Risk Assessment model	24
	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	Y			Audit Manager meets with HoS to go through audit areas, requests made to HoS to identify new areas and where functions have ceased to exist etc. All these are fed into the Risk Assessment model	
	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	Y			Audit Manager meets with HoS to go through audit areas, requests made to HoS to identify new areas and where functions have ceased to exist etc. All these are fed into the Risk Assessment model	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Are consulting engagements that have been accepted included in the risk-based plan?	Y			Areas put forward by HoS are risk assessed in the same way to ensure all reviews are treated consistently.	
	<i>2020 Communication and Approval</i>					
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	Y			A copy of the audit plan is circulated to Executive Management Team, Heads of Service and Business Managers	
	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	Y			Where changes to the plan are required these are reported to the A&R committee	
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	Y			Where changes to the plan are required these are reported to the A&R committee. The consequences of these changes are also included in this report	
	<i>2030 Resource Management</i>					
	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	Y				
LGAN	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	Y			Where possible audit reviews are scheduled in conjunction with management	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
LGAN	<p>If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?</p> <p>This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.</p>	Y			<p>Reports have been presented to EMT and where appropriate approval has been granted to buy in additional audit resource in the form of agency work</p>	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	<i>2040 Policies and Procedures</i>					
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?		P		<p>A folder is maintained electronically of all Audit Documentation – this contains audit briefs and programmes.</p> <p>CIPFA Audit Manual is available for all auditors</p> <p>Audit Protocol sets out procedures for auditors to follow – this document is also circulated to EMT, HoS & Business Managers as well as being available on the intranet.</p> <p>The audit documentation folder needs further development – this would be assisted with a fully integrated audit management system.</p>	
LGAN	<p>Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS?</p> <p>Examples include maintaining an audit manual and/or using electronic management systems.</p>		P		<p>A folder is maintained electronically of all Audit Documentation – this contains audit briefs and programmes.</p> <p>CIPFA Audit Manual is available for all auditors</p> <p>Audit Protocol sets out procedures for auditors to follow – this document is also circulated to EMT, HoS & Business Managers as well as being available on the intranet.</p> <p>The audit documentation folder needs further development – this would be assisted with a fully integrated audit management system.</p>	

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Appendix A

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	Y			Reviewed each time audit documentation is accessed from the folder to ensure these are updated. Audit Protocol reviewed as a minimum on an annual. Audit Protocol sets out procedures for auditors to follow – this document is also circulated to EMT, HoS & Business Managers as well as being available on the intranet.	
	<i>2050 Coordination</i>					
	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?			N	This needs to be developed	
LGAN	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?			N	This needs to be developed	
	Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	Y				
LGAN	Does the CAE meet regularly with he nominated external audit representative to consult on and coordinate their respective plans?	Y			Quarterly meetings held with External Auditors – Grant Thornton	
	<i>2060 Reporting to Senior Management and the Board</i>					

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Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	Y			Monthly reports are produced for EMT in relation to audit assurance and implementation of audit recommendations. Quarterly reports are presented to Audit and Risk Committee in relation to progress against the audit plan and performance indicators, and also levels of assurance	17 25
	Does the periodic reporting also include the significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	Y			Included in progress reports to Audit and Risk Committee. Risks and control issues included as part of risk assessment methodology which is reviewed at the end of each audit assignment and the risk model is then updated accordingly	
	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependant on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and the board?	Y			Monthly reports on outstanding recommendations reported to EMT and Heads of Service. In addition quarterly reports are presented to Audit and Risk Committee.	
	<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>					
	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining an effective internal audit activity remains with the organisation?				N/A	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
4.2	2100 Nature of Work					
	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	Y			Risk assessment methodology and consultation with relevant managers	
	Does the internal audit activity evaluate and contribute to the improvement of the above using a disciplined and systematic approach and is this evidenced?			N	Need to develop a way of evidencing this.	
	2010 Governance					
	Does the internal audit activity: a) Promote appropriate ethics and values within the organisation? b) Ensure effective organisational performance management and accountability? c) Communicate risk and control information to appropriate areas of the organisation? d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	Y			Annual Review of Code of Corporate Governance Governance evaluation is completed annually to support production of the Annual Governance Statement Risks are identified and reported accordingly to relevant managers as part of the audit reports	
	Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing those objectives?	Y			Where issues are identified these are reported as recommendations to the relevant managers.	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Has the internal audit activity evaluated the: a) Design b) Implementation, and c) Effectiveness of the organisation’s ethics related objectives, programmes and activities?			N	This needs to be developed	
	Has the internal audit activity assessed whether the organisation’s information technology governance supports the organisation’s strategies and objectives?	Y			A separate independent risk assessment is completed by an external computer auditor in relation to ICT areas – this informs the computer audit days that are brought in as part of the audit plan.	
LGAN	Has the CAE considered the proportionality of the amount of work required to assess the ethics and information governance of the organisation when developing the risk-based plan?	Y			All aspects are considered when formulating the audit plan	
	<i>2120 Risk Management</i>					

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	<p>Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:</p> <ul style="list-style-type: none"> a) Organisational objectives support and align with the organisation's mission? b) Significant risks are identified and assessed? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts? 	Y			Risk Management is included in the audit plan, in addition the risks in relation to service areas are reviewed as part of every audit assignment, the auditors have access to the risk management system GRACE.	
	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	Y			A fraud awareness guide has been produced and circulated to managers. This guide contains a risk assessment proforma which managers are requested to complete and return to the Audit Manager, these are then used to inform the audit planning process.	27 & 27a
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	Y				
	Are internal auditors alert to other significant risks when undertaking consulting engagements?	Y			Reports are obtained from the Risk Management System, GRACE	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	Y			Any issues identified would be reported to management and recommendations would be made accordingly.	
	2130 Control					
	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: <ul style="list-style-type: none"> a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts? 	Y			Risk Management and Strategic Risks are specific audit areas within the audit plan.	
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	Y				
4.3	2200 Engagement Planning					
	Do internal auditors develop and document a plan for each engagement?	Y			An audit brief is produced for each audit assignment – these are completed by reviewing previous audit report and in consultation with the relevant service manager.	28

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	<p>Does the engagement plan include the engagements:</p> <ul style="list-style-type: none"> a) Objectives? b) Scope? c) Timing? d) Resource allocations? 	Y			See copy of audit brief	28
	<p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <ul style="list-style-type: none"> a) The objectives of the activity being reviewed? b) The means by which the activity controls its performance? c) The significant risks to the activity being audited? d) The activity's resource e) The activity's operations f) The means by which the potential impact of the risk is kept to an acceptable level? g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? h) The opportunities for making significant improvements to the activity's governance, risk management and control processes? 	Y			Audit Brief covers all these areas; brief is discussed with relevant service manager before issue. To ensure that objectives timescales etc are agreed with management.	28

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	<p>Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following:</p> <ul style="list-style-type: none"> a) Objectives? b) Scope? c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)? 				<p>N/A</p> <p>No audits have been completed for a party outside of the organisation.</p>	
	<p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <ul style="list-style-type: none"> a) Objectives? b) Scope? c) The respective responsibilities of the internal auditors and the client and other client expectations? 	Y			<p>Audit Briefs are drawn up in consultation with the relevant service managers</p>	
	<p>For significant consulting engagements, has this understanding been documented?</p>		P		<p>This would normally be in the form of email correspondence nothing formal exists at present</p>	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	2210 Engagement Objectives					
	Have objectives been agreed for each engagement?	Y			Audit Brief covers these – initially these are formulated using CIPFA matrices. Heads of Service and Business Managers are also consulted in relation to these.	
	Have internal auditors carried out a preliminary risk assessment of the activity under review?	Y			Risks are identified as part of the control matrices	
	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	Y			Yes audit briefs are reviewed and updated for each audit assignment	
	Have internal auditors considered the probability of the following, when developing the engagement objectives: a) Significant errors? b) Fraud? c) Non-compliance? d) Any other risks?	Y				
	Have internal auditors ascertained whether managements and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	Y			These will be contained within service plans which again are reviewed as part of each audit assignment.	
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	Y				

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	Y			Audit testing and then recommendations will be developed accordingly	
LGAN	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	Y				
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	Y				
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	Y				
	2220 Engagement Scope					
	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	Y			Objectives discussed and agreed with management	
	Does the engagement scope include consideration of the following relevant areas of the organisation: a) Systems? b) Records? c) Personnel? d) Premises?	Y				

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate: a) Systems? b) Records? c) Personnel? d) Premises?	Y			The audit brief will consider all aspects of the audit and these issues will be discussed with the relevant manager prior to the audit commencing to ensure that all aspects are considered.	
	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?		P		Where additional issues arise that require consideration – Audit Manager will consult with management – dependent upon the issues that have been identified these will either be reviewed at the time as an additional piece of work or will be included in next year's audit plan. Resources within a small team do not allow every issue to be reviewed.	
	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?	Y			All issues identified will be included in the audit report	
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	Y			Scope and objectives would be agreed with management	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?	y			Auditors will in the first instance raise concerns with the Audit Manager who will inform the relevant managers if it is appropriate to do so.	
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	Y				
	During consulting engagements, were internal auditors alert to any significant control issues?	Y			Significant control issues if they exist will arise from assignment objectives	
	2230 Engagement Resource Allocation					
	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on: <ul style="list-style-type: none"> a) The nature and complexity of each individual engagement? b) Any time constraints? c) The resources available? 	Y			<p>This forms part of the audit needs assessment process that feeds into the audit planning model. The level of resource required for each audit assignment is determined at the outset. The audit brief does contain a note to the effect that the number of days is an estimate and may change dependent upon the findings of the review. Should the resources be insufficient this will be noted and the days altered in the planning model accordingly.</p> <p>Audit planning model is reviewed according to resources available and assignments prioritised in terms of risk category for the review.</p>	
	2240 Engagement Work Programme					

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Appendix A

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	Y			Audit programmes detailing key control objectives are available for each audit review – these are based on CIPFA control matrices	
	Do the engagement work programmes include the following procedures for: a) Identifying information? b) Analysing information? c) Evaluating information? d) Documenting information?	Y				
	Were work programmes approved prior to implementation for each engagement?	Y			These are discussed alongside audit brief, the audit manager will review the audit programmes before the review starts however the client does not receive a copy	
	Were any adjustments required to work programmes approved promptly?	Y			Programmes and are reviewed and updated at the start of the review, if issues are identified during the review these will be updated accordingly.	

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Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
4.4	2300 Performing the Engagement					
	Have internal auditors carried out the following in order to achieve each engagement's objectives: a) Identify sufficient information? b) Analyse sufficient information? c) Evaluate sufficient information? d) Document sufficient information?	Y				
	<i>2310 Identifying Information</i>					
	Have internal auditors identified the following in order to achieve each engagement's objectives: a) Sufficient information? b) Reliable information? c) Relevant information? d) Useful information?	Y				
	<i>2320 Analysis and Evaluation?</i>					
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	Y			Test sheets detailing tests undertaken are completed for each control identified and tested. Working papers are compiled to support this testing	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
LGAN	Have internal auditors remained alert to the possibility of the following: a) Intentional wrongdoing b) Errors and omissions c) Poor value for money d) Failure to comply with management policy, and e) Conflicts of interest when performing their individual audits, and has this been documented?	Y			Controls and objectives identified and detailed in the audit programmes are designed to identify these	
	<i>2330 Documenting Information</i>					
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	Y			Test sheets detailing tests undertaken are completed for each control identified and tested. Working papers are compiled to support this testing	
LGAN	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection to the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	Y			Test sheets detailing tests undertaken are completed for each control identified and tested. Working papers are compiled to support this testing. All working papers are filed electronically.	
	Does the CAE control access to engagement records?	Y			Internal Audit has a shared drive which is accessible to all the audit team	
	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?				This would be done in accordance with the Information Security Policies and compliance with the Data Protection Act.	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Has the CAE developed and implemented retention requirements for all types of engagement records?	Y			A records retention policy is in place for Internal Audit	
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	Y			The records of retention policy was formulated by Internal Audit following CIPFA guidelines	
	2340 Engagement Supervision					
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	Y				
	Is appropriate evidence of supervision documented and retained for each engagement?		P		There will be email correspondence that evidences this but nothing formal is in place. A process needs to be developed – the implementation of an integrated audit management system would assist with this.	
4.5	2400 Communicating Results					
	Do internal auditors communicate the results of engagements?	Y			A written report is completed at the end of each review	
	2410 Criteria for Communicating					

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Do the communications of engagement results include the following: a) The engagement's objectives? b) The scope of the engagement? c) Applicable conclusions? d) Recommendations and action plans, if appropriate?	Y			There is a standard report template that is used for all audit assignments; this provides details of the scope and objectives of the report together with a summary of findings and an action plan that details the recommendations made.	29
LGAN	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	Y			All reports are discussed in draft before being issued as a final – this gives management the opportunity to discuss findings/recommendations and where appropriate agree timescales for implementation of these	
LGAN	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	Y			Recommendations are categorised as High, Medium or Low	
LGAN	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	Y			Draft discussions allow for management to discuss and agree the findings and provide feedback on these. Management comments are recorded in the action plan.	
LGAN	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	Y			These would be recorded under management comments in the action plan.	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
LGAN	Do internal auditors disclose all material facts known to them in them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements?	Y			All findings are disclosed – even minor issues these are covered as a point to note within the report	
LGAN	Do final communications of engagement results contain, where appropriate, the internal auditor’s opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	Y			All reports contain a level of assurance based upon the number and categorisation of audit recommendations. Details of how the level of assurance is calculated is detailed in the audit protocol document that is communicated to all managers	20
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	Y			All reports contain a level of assurance based upon the number and categorisation of audit recommendations. Details of how the level of assurance is calculated is detailed in the audit protocol document that is communicated to all managers	
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	Y			All reports contain a level of assurance based upon the number and categorisation of audit recommendations. Details of how the level of assurance is calculated is detailed in the audit protocol document that is communicated to all managers	
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	Y			Reports will confirm where functions are reporting well.	
	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	Y			This would be done in accordance with the Information Security Policies and compliance with the Data Protection Act.	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
LGAN	If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit service?					
	2420 Quality of Communications					
	Are communications: a) Accurate? b) Objective? c) Clear? d) Concise? e) Constructive? f) Complete? g) Timely?	Y			The standard report template ensures consistency in the way that findings from the review are communicated. Draft discussions on the audit findings are completed within 10 working days of the draft being agreed by the Audit Manager. Audit satisfaction surveys allow managers to feed back any concerns they have in relation to the way the audit was conducted.	
	2421 Errors and Omissions					
	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	Y			If errors are identified these are corrected and an updated version of the reports is reissued	
	2430 Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"					

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Do internal auditors report that engagements are “conducted in conformance with the PSIAS” only if the results of the QAIP support such a statement?			N	Internal Audit reports do not state that they have been conducted in accordance with the PSIAS standards	
	<i>2431 Engagement Disclosure of Non-conformance</i>					
	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: <ul style="list-style-type: none"> a) The principle rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results? 			N	This is not done at present consideration will be given to the need to disclose such information as part of the audit assignments – in the event that this should occur	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	2440 Disseminating Results					
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	Y			This is set out in the Audit Protocol. Where corporate reviews are undertaken – reporting is done at directorate level so as to maintain confidentiality within the directorates	20
	Has the CAE communicated engagement results to all appropriate parties?	Y			This is set out in the Audit Protocol. Where corporate reviews are undertaken – reporting is done at directorate level so as to maintain confidentiality within the directorates Summaries of reviews are presented quarterly to the Audit and Risk Committee as part of the Internal Audit progress reports.	
	Before releasing engagement results to parties outside the organisation did the CAE: a) Assess the potential risk to the organisation? b) Consult with senior management and/or legal counsel as appropriate? c) Control dissemination by restricting the use of results?	Y			This would be considered in accordance with the Council's Information Security Policies and the requirements of the Data Protection Act.	
	Where any significant governance, risk and control issues were identified during consulting engagements, were these communicated to senior management and the board?	Y				
	2450 Overall Opinion					

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Has the CAE delivered an annual internal audit opinion?	Y			An annual Internal Audit Opinion is included in the Annual report of the Internal Audit Service.	14
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	Y			An annual Internal Audit Opinion is included in the Annual report of the Internal Audit Service.	14
	Does the annual audit opinion take into account the expectations of senior management, the board and other stakeholders?	Y				
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	Y			This is supported by the work of the audit team, completion of audit assignments contained within the annual audit plan.	
	Does the communication identify the following: a) The scope of the opinion, including the time period to which the opinion relates? b) Any scope limitations? c) The consideration of all related projects including the reliance on other assurance providers? d) The risk or control framework or other criteria used as a basis for the overall opinion?	Y			See Annual Report of the Internal Audit Service	
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	Y			Where applicable reasons would be documented and evidenced	

Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	Y			The annual report forms part of the evidence that supports the AGS	
LGAN LGAN LGAN LGAN LGAN LGAN	Does the annual report incorporate the following: a) The annual internal audit opinion b) A summary of the work that supports that opinion? c) A disclosure of any qualifications to the opinion? d) The reasons for any for any qualifications to the opinion? e) A disclosure of any impairments or restrictions in scope? f) A comparison or work actually carried out with the work planned? g) A statement on conformance with the PSIAS h) The results of the QAIP i) Progress against any improvement plans resulting form the QAIP? j) A summary of the performance of the internal audit activity against its performance measures and targets? k) Any other issues which the CAE judges is relevant to the preparation of the governance statement?		P		At present there is no formal QAIP therefore this is not included in the annual report	

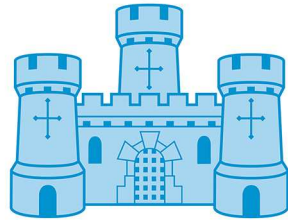
Ref	Conformance with the Standard	Y	P	N	Evidence	Ref
4.6	2500 Monitoring Progress					
	Has the CAE established a process to monitor and follow-up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	Y			Monthly assurance statements are prepared on a Directorate basis – these are based on the number of recommendations implemented and those outstanding in a given month. Reports of the recommendations that require action during the month are also sent to managers as a reminder. In addition monthly reports are also produced for EMT	30 25
	Where issues have changed during the follow-up process, has the CAE considered revising the internal audit opinion?			N	Audit opinion is based on findings at time of review – this would be reviewed as part of the next audit assignment	
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	Y				
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	Y			These would be monitored in the same way as audit assignments	
4.7	2600 Communicating the Acceptance of Risks					
	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	Y			This would be discussed with the relevant Director and Head of Service	
	If, after discussion with senior management, the CAE continues to conclude that they level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	Y			These would be included in relevant reports to the Audit and Risk Committee	

**Internal Audit – Self Assessment against
Public Sector Internal Audit Standards and the Local Government Application Note for 2013-14**

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NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

Action Plan to ensure Compliance with the Public Sector Internal Audit Standards and the Local Government Application

Note

This action plan has been produced following the completion of the checklist that was developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. The action plan identifies those areas where at present Internal Audit do not fully meet the requirements of the standards and as such a programme of work is now required to ensure compliance.

Key to Terminology used in the document;

PSIAS	Public Sector Internal Audit Standards	LGAN	Local Government Application Note
CIPFA	Chartered Institute of Public Finance & Accountancy	AAT	Association of Accounting Technicians
ACCA	Association of Certified Chartered Accountants	CPD	Continuing Professional Development
A&R	Audit and Risk Committee	EMT	Executive Management Team
WMT	Wider Management Team	HoS	Heads of Service
BM	Business Managers	SCAG	Staffordshire Chief Auditors Group
SCFOG	Staffordshire Chief Financial Officers Group	AGS	Annual Governance Statement
WP	Working Papers	CAE	Chief Audit Executive
CFO	Chief Finance Officer	QAIP	Quality Assurance Improvement Programme
GRACE	Councils Risk Management System		

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?			N		March 2015
	Do internal auditors have sufficient knowledge of key information technology risks and controls?		P		<p>This has been identified as an area of weakness within the team as it is such a specialist area of work. The size of the audit team does not justify a FTE Computer Audit Specialist therefore the Audit service currently buys in 30 days specialist computer audit work as part of the annual audit plan.</p> <p>In addition to this the Staffordshire Chief Auditors Group are trying to develop the IT skills within our own teams through an IT Sub Group which comprises auditors with some IT awareness – the aim of the group is to share best practice in order to enhance the skills in this area.</p>	March 2015
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?		P		This is an area that needs to be developed further and is an area of work being considered by the Staffordshire Chief Auditors IT Sub Group	March 2015
	Do internal auditors maintain a record of their professional development and training activities?		P		Training records need to be reviewed and updated	March 2015

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?		P		A more formalised QAIP needs to be developed in line with the PSIAS	March 2015
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?		P		A more formalised QAIP needs to be developed in line with the PSIAS	March 2015
	Does the CAE maintain the QAIP		P		A more formalised QAIP needs to be developed in line with the PSIAS	March 2015
	Does the QAIP include both internal and external assessments?		P		At present the QAIP is an internal assessment only, the SCAG is currently looking at how external assessments can be developed.	March 2015
	Do internal assessments include on-going monitoring of the internal audit activity, such as:- a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS?	Y	P		All reports are reviewed at the draft stage by the Audit Manager before they are issued. In addition a further review is made of the final report once the findings and recommendations have been discussed and agreed. Working papers are reviewed – however given that they are stored as word/excel documents within Microsoft office – it is not practical for the Audit Manager to go in and sign off every WP. The introduction of a fully integrated audit management system would assist with this process	March 2016

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
	Are periodic self-assessments or assessments carried out by people external to the internal activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.?			N	This is on the work programme for SCAG and is to be discussed at their July meeting	March 2015
LGAN	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?			N	This will be included as part of the external assessment work that SCAG are currently looking at.	March 2015
	Has an external assessment been carried out, or is planned to be carried out, at least once every 5 years?			N	A timetable for the completion of external assessments will be looked at by SCAG.	March 2015
	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?			N	A report will be submitted to the Audit and Risk Committee with regards to the proposals for an external assessment	March 2015
LGAN	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?			N	The scope of the assessment will be discussed and agreed with S151 officer who attends SCFOG	March 2015
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?			N	The external assessment programme that is being looked at with SCAG will define the scope of the assessment.	March 2015

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
	<p>Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process?</p> <p>Competence can be determined in the following ways:</p> <ul style="list-style-type: none"> a) experience gained in an organisation of similar size b) complexity c) sector (i.e. the public sector) d) industry (i.e. local government), and e) technical experience <p>Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.</p>			N	Assessment has not yet been undertaken. These issues will be incorporated into the scope of the external assessment	March 2015
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?			N	The criteria for this will be defined by SCAG	March 2015
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being part of or under the control of the organisation to which the internal audit activity belongs.			N	The external assessment team will not be part of the organisation to which internal audit belongs	March 2015

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
	<p>Has the CAE reported the result of the QAIP to senior management and the board?</p> <p>Note that:</p> <ul style="list-style-type: none"> a) the results of both external and periodic internal assessment must be communicated upon completion b) the results of the on-going monitoring must be completed annually c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS. 		P		<p>External Assessment has not yet been undertaken.</p> <p>However a report has been taken regarding the internal self-assessment against the PSIAS</p>	March 2015
LGAN	Does the risk based plan differentiate between audit and other types of work?			N	The audit plan relates to those areas identified for review as a result of the risk assessment however the Audit Manager when calculating the resource available to complete the plan will have days set aside as a contingency to cover investigations and any consultancy work. The consultancy days are not detailed in the audit plan. The Audit Manager will look to identify these days with the plan	March 2015

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
	<p>Has the CAE developed and put into place policies and procedures to guide the internal audit activity?</p>		P		<p>A folder is maintained electronically of all Audit Documentation – this contains audit briefs and programmes.</p> <p>CIPFA Audit Manual is available for all auditors</p> <p>Audit Protocol sets out procedures for auditors to follow – this document is also circulated to EMT, HoS & Business Managers as well as being available on the intranet.</p> <p>The audit documentation folder needs further development – this would be assisted with a fully integrated audit management system.</p>	<p>March 2015</p>

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
LGAN	<p>Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS?</p> <p>Examples include maintaining an audit manual and/or using electronic management systems.</p>		P		<p>A folder is maintained electronically of all Audit Documentation – this contains audit briefs and programmes.</p> <p>CIPFA Audit Manual is available for all auditors</p> <p>Audit Protocol sets out procedures for auditors to follow – this document is also circulated to EMT, HoS & Business Managers as well as being available on the intranet.</p> <p>The audit documentation folder needs further development – this would be assisted with a fully integrated audit management system.</p>	March 2015
	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?			N	An assurance mapping process needs to be developed	March 2015
LGAN	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?			N	An assurance mapping process needs to be developed	March 2015
	Does the internal audit activity evaluate and contribute to the improvement of the above using a disciplined and systematic approach and is this evidenced?			N	Evidence of the assurance mapping process will be documented.	March 2015

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
	<p>Has the internal audit activity evaluated the:</p> <ul style="list-style-type: none"> a) Design b) Implementation, and c) Effectiveness <p>of the organisation's ethics related objectives, programmes and activities?</p>			N	<p>The Audit Manager will look to incorporate an audit of 'ethical governance' in the audit plan for 2015/16</p>	March 2016
	<p>For significant consulting engagements, has this understanding been documented?</p>		P		<p>This would normally be in the form of email correspondence.</p> <p>A formal process will be defined along similar lines to the audit briefs that are produced for the audit areas contained within the audit plan.</p>	March 2015

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?		P		Where additional issues arise that require consideration – Audit Manager will consult with management – dependent upon the issues that have been identified these will either be reviewed at the time as an additional piece of work or will be included in next year’s audit plan. Resources within a small team do not allow every issue to be reviewed.	March 2015
	Is appropriate evidence of supervision documented and retained for each engagement?		P		There will be email correspondence that evidences this but nothing formal is in place. A process needs to be developed – the implementation of an integrated audit management system would assist with this.	March 2015
	Do internal auditors report that engagements are “conducted in conformance with the PSIAS” only if the results of the QAIP support such a statement?			N	Internal Audit reports do not state that they have been conducted in accordance with the PSIAS standards. The audit manager will review the report template and look to include a suitable form of words that will cover this.	March 2015

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
	<p>Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:</p> <ul style="list-style-type: none"> a) The principle rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results? 			N	<p>This is not done at present consideration will be given to the need to disclose such information as part of the audit assignments – in the event that this should occur</p>	<p>March 2015</p>

Ref	Conformance with the Standard	Y	P	N	Action Required	Implementation Date
LGAN LGAN LGAN LGAN LGAN LGAN	<p>Does the annual report incorporate the following:</p> <ul style="list-style-type: none"> a) The annual internal audit opinion b) A summary of the work that supports that opinion? c) A disclosure of any qualifications to the opinion? d) The reasons for any for any qualifications to the opinion? e) A disclosure of any impairments or restrictions in scope? f) A comparison or work actually carried out with the work planned? g) A statement on conformance with the PSIAS h) The results of the QAIP i) Progress against any improvement plans resulting from the QAIP? j) A summary of the performance of the internal audit activity against its performance measures and targets? k) Any other issues which the CAE judges is relevant to the preparation of the governance statement? 		P		At present there is no formal QAIP therefore this is not included in the annual report. Once developed, the QAIP will ensure that these issues are covered.	March 2015
	Where issues have changed during the follow-up process, has the CAE considered revising the internal audit opinion?			N	Audit opinion is based on findings at time of review – this would be reviewed as part of the next audit assignment	March 2015

Classification: NULBC UNCLASSIFIED

HEADING **ANNUAL GOVERNANCE STATEMENT**

Submitted by: Audit Manager

Portfolio Finance and Resources

Ward(s) affected All

Purpose of the Report To recommend that the Annual Governance Statement 2013/14 be approved for inclusion in the financial statements.

Recommendations

That Members approve the Annual Governance Statement 2013/14(AGS)

Reasons

To seek members approval of the Annual Governance Statement 2013/14 based upon their satisfaction that it is based upon relevant and reliable evidence.

1. **Background**

- 1.1 Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.
- 1.2 The Council has approved and adopted a Code of Corporate Governance. A copy of the Code is on our website.
- 1.3 Under the Accounts and Audit Regulations 2011 the Council is required to publish an AGS with the financial statements and emphasise the importance of embedding internal control, including the process of risk management throughout the Council. In response the Council produced an Annual Governance Statement for 2013/14 covering corporate governance, financial and other key control issues.
- 1.4 The AGS is published with the financial statements. In considering the approval of the AGS Members should satisfy themselves that the statement is based upon relevant and reliable evidence. Details of the evidence relied upon when collating the AGS will be placed in the members' area on the Council's intranet site, and can also be made available by contacting the Audit Manager.
- 1.5 The AGS includes the following headings:
 - Scope of responsibility;
 - Delivering Good Governance in Local Government: Framework;
 - The governance framework;
 - Review of effectiveness and
 - Significant governance issues.

2. **Issues**

- 2.1 In preparing the AGS your officers have considered the Chartered Institute of Public Finance and Accountancy's (C.I.P.F.A.'s) and the Society of Local Authority Chief Executives (S.O.L.A.C.E) 'Delivering Good Governance Framework' guidance document
- 2.2 The AGS has been produced combining findings from a Corporate Governance review, Assurance statements from Executive Directors, informed by Heads of Service, the work of Internal Audit and various corporate working parties and comments from external auditors and other review agencies.
- 2.3 Section 5 of the AGS identifies those areas, following the review of internal controls for the financial year 2013/14 that need addressing. Action plans where not already in place will be drawn up by your officers to address the issues highlighted.

3. **Options Considered** (if any)

Not to complete an AGS would be in breach of the legislation already outlined in the background. Completion of the Statement is best practice and demonstrates the transparency of the Council's Governance arrangements for 2013/14.

4. **Proposal**

The statement is provided as Appendix A.

5. **Reasons for Preferred Solution**

The statement identifies areas of good practice provided from various sources where internal controls are strong and those areas for improvement.

6. **Outcomes Linked to Corporate Priorities**

- 6.1 The Council has adopted a Code of Corporate Governance which demonstrates that it is complying with the principles of openness and inclusivity, integrity and accountability.
- 6.2 By managers ensuring that they have strong controls in all their systems, processes and activities the potential for fraud and error can be reduced whilst providing value for money services.

7. **Legal and Statutory Implications**

Under the Accounts and Audit Regulations 2011 the Council is required to publish an AGS with the financial statements.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from this proposal.

9. **Financial and Resource Implications**

There are none for the AGS, resource requirements linked to action plans will be brought to members as separate projects if required.

10. **Major Risks**

10.1 If internal controls are not managed effectively and within the law, public resources will not be safeguarded from waste or properly accounted for.

10.2 If internal controls are not reviewed regularly, continuous improvement may not be exercised.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

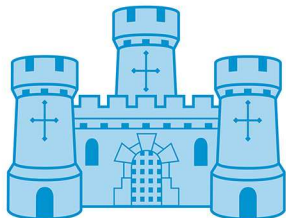
Not applicable

13. **List of Appendices**

Appendix A: Annual Governance Statement 2013/14

14. **Background Papers**

Executive Directors, Corporate and Service Managers - Assurance Statements
Corporate Governance Reviews
CIPFA/SOLACE guidance – Delivering Good Governance in Local Government



ANNUAL GOVERNANCE STATEMENT 2013/14

1.0 Scope of responsibility

- 1.1 Newcastle-under-Lyme Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newcastle-under-Lyme Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Newcastle-under-Lyme Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Newcastle-under-Lyme Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on the Council's website at <http://www.newcastle-staffs.gov.uk/corporategov> or can be obtained from the Audit Manager. This statement explains how Newcastle-under-Lyme Borough Council complies with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 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 2014 and up to the date of approval of the Statement of Accounts.

3.0 The governance framework

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

Core Principle 1	Focusing on the purpose of the Authority and on the outcomes for the community and implementing a vision for the local area.
	<ul style="list-style-type: none"> • Identifying and communicating the authority’s vision of its purpose and intended outcomes for citizens and service users • Reviewing the authority’s vision and its implications for the authority’s governance arrangements • Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority’s objectives and for ensuring that they represent the best use of resources <p>The Council Plan sets out the vision for the council and includes the four corporate priorities in order to inform the overall business planning process for the organisation in terms of resource allocation and performance management. These corporate priorities were originally drawn from the borough’s Sustainable Community Strategy (SCS), produced under the auspices of the Newcastle Partnership. The Strategy is in the final stages of being reviewed and focuses on the Partnership’s two priorities of enhancing economic growth and tackling vulnerability.</p> <p>The Borough Council has refreshed its Council Plan to take account of these developments, and has also developed a number of supporting strategies focused on Economic Development, Stronger and Safer Communities and Health and Well-Being. This strategic framework is supplemented by the Co-operative Strategy, which builds on the new corporate priority of “becoming a co-operative council which delivers high-quality, community-driven services”.</p> <p>The Council has developed targets against which progress is monitored throughout the year through the performance management framework. This framework focuses on outcomes which are important to the well-being of the borough. Targets and indicators have been matched to these outcomes and the Council Plan is focused and organised around these outcomes.</p> <p>Individual service plans are completed as part of the corporate planning process - they demonstrate how each service contributes to the overall delivery of the Council’s vision and corporate priorities, as well as being focused on outcomes. Service Plans are translated and communicated to employees via the Appraisal Process, Team Briefings and the Core Brief via Heads of Service and Business Managers. This process and the overall governance arrangements for the Authority are undertaken annually. The Council also communicates via the website and the Reporter Newspaper for the wider community.</p> <p>Service quality, and being able to demonstrate that services are providing the best value for money are key requirements of the Service Plans and value for money is a key outcome for the council. Managers are required to evidence clearly that the service they provide is making best use of available resources. Benchmarking exercises are undertaken by service areas and also corporately as a means of demonstrating value for money; but the organisation needs to continue to learn more from best practice examples found elsewhere and also needs to understand and reflect customer needs more effectively.</p> <p>The Council continues to monitor the delivery of its services, including ensuring that resources follow priorities (see above) and that customers are satisfied with services being delivered.</p> <p>In addition to engagement and consultation work, the council and its partners across all sectors seek to work together against the key partnership priorities as part of the Newcastle Partnership. A number of projects have been developed, framed by key strategic areas for the Borough Council and its partners. Partners have continued to develop service delivery approaches which are in line</p>

Core Principle 1	Focusing on the purpose of the Authority and on the outcomes for the community and implementing a vision for the local area.
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with citizen requirements and which meet the expectations of citizens. Positive engagement with communities is at the heart of how the Council and its partners work and is a key factor in the Borough Council's drive to become a co-operative council. Locality Action Partnerships continue to be reviewed in order to ensure that they are fit for purpose in delivering positive change for their communities.

A programme of changes to the way consultation is carried out by the organisation has been devised and is in the process of being implemented. Moving away from 'paper and post' surveys, the focus of consultation is shifting towards community based engagement and an emphasis on the role of members as champions for their areas.

The Corporate Complaints Compliments and Comments policy ensures continuous improvement in the services that we deliver by responding and reflecting on the challenges raised by our customers. As part of the Council's continued commitment to improving its services for the customer a Customer Standards Access Strategy ensures a quality assurance process customer needs are met through a variety of access channels in respect of the frontline services that we deliver and a Customer Charter ensures quality assurance and consistency in our interactions with customers. A Customer Case Management Policy enables the Council to deal with customers who display unreasonable behaviour and actions, in a fair and consistent way through adhering to industry guidelines and best practice.

Technology is in place that measures customer demand and preferences and this is used to identify avoidable contact that can be used to enhance our services.

The Council is putting in place a programme of 'channel choice' to increase access to its services by providing greater choice in the ways that customers can contact us, linked to customer preferences and needs

The Council has achieved the Customer Service Excellence award in Customer Services for the third consecutive year

The Third Sector Commissioning Framework continues to demonstrate the Council's commitment to collaborative working. The Council is also a part of the countywide Public Sector Commissioning in Partnership process (the only district or borough council in Staffordshire to do so) and is now examining further ways to commissioning jointly with partners in order to deliver positive outcomes for the borough as a whole.

The Council's Constitution commits the organisation to working in partnership with others to assist with the delivery of its priorities. Before entering into any partnership a full assessment of the aims, objectives, and risks to the Authority of entering into that Partnership is completed. To assist with this process a toolkit is available. All of the Council's significant partnerships have been assessed against the toolkit and all future proposals for partnership working will also be assessed in the same way.

There are four Scrutiny Committees that reflect each of the Council's Corporate Priorities. The Scrutiny Process is internally and externally reviewed to ensure it continues to challenge policy development and decision making in a robust, constructive and purposeful way while developing a partnership with external agencies and authorities to reflect the concerns of the public and communities and impacts on the delivery of public services.

Core Principle 2	Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
<ul style="list-style-type: none"> • Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. <p>The Council's Constitution and Scheme of Delegation set out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to the local people. Further detail is provided via the Council's Financial Regulations. These documents are kept under review by Officers and Members.</p> <p>The issue of how Members and Officers work together is a key one for the organisation, in terms of having the right capacity and achieving maximum levels of performance. Work has progressed in terms of developing scrutiny in the Council, including liaison with chairs of Scrutiny Committees to ensure that the proper leadership is provided when it comes to identifying areas for scrutiny and pursuing lines of investigation. In addition, Members are encouraged to play a greater role in scrutiny and to recognise the positive impact of the scrutiny process on policy development and holding the executive to account. A number of areas of work have shown this to have developed well, including the Council's scrutiny of the HS2 issue and also greater scrutiny of the budget setting process. A number of areas, including those relating to health, have shown a willingness on the part of Members to work across party lines. There is now a much greater incidence of pre-decision scrutiny in a range of key areas of policy development, including work around the Asset Management Strategy. These changes have been reflected in significant developments constitutionally, a process which is ongoing and is now likely to include greater public access at meetings. Finally, Members have shown considerable interest in using more examples of technology to aid their role, including enhanced use of the 'modern gov' software and also the ongoing pilot around the use of iPads in order to access agenda items and other information.</p>	

Core Principle 3	Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
<ul style="list-style-type: none"> • Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff • Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks <p>The Authority's Codes of Conduct for Employees and Members are regularly reviewed and updated. Both Officers and Members are reminded annually of their need to ensure compliance with these codes, and the need to declare any outside interests, private work or the receipt of any gift or acceptance of hospitality. Any instances of non compliance are dealt with under the Council's disciplinary process in respect of Employees and through the Monitoring Officer and the Standards Committee in respect of Members.</p> <p>Members receive training on an annual basis in respect of Ethical Standards. Specific training has been provided to officers in relation to contract management, which covered the principles, set out in the Council's Standing Orders and Financial Regulations and also incorporated the principles of the Bribery Act. AAs part of the Workforce Development Plan a formal training programme for employees will be put in place.</p> <p>The Council's Standing Orders, Financial Regulations and Scheme of Delegation are all reviewed annually and approved as part of the Council's Constitution.</p> <p>A regular programme of work is completed by Internal Audit which reviews the compliance with established procedures.</p>	

Core Principle 3	Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
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All new employees go through a corporate induction process to ensure they are informed of all corporate policies and procedures. In addition regular reminders are given to all employees via the Appraisal Process, Team Briefings and Executive Bulletins. A copy of all Council policies and procedures are available on the internet and intranet sites.

Risk Management continues to be embedded throughout the organisation. Risk Champions work at both operational and strategic levels within all Directorates. All operational risks are aligned to business objectives, whilst at a strategic level risks are linked to the Council's corporate priorities. Risk assessments are in place for all of the Council's significant partnerships and in addition a formal risk assessment is required to be completed for all major projects which are being undertaken within the Council. All reports to members contain a section on risk implications. In addition, the Risk Management Strategy is reviewed annually, including changes to the risk rating process and also the way risks are escalated in the organisation.

Work has continued during 2013/14 to raise the awareness and profile of Information Security. A programme of mandatory training in respect of Data Protection was rolled out via the Council's e-learning facility STeP and all staff have attended Information Security Briefings. The information Security Policies have been communicated to all staff via the 'core brief' from Executive Management Team. In addition all employees are encouraged to report any concerns they have, such concerns or security incidents can be logged via an on-line form on the council's intranet. Members have also undertaken information security briefings to ensure they are aware of and practice the principles of the Data Protection Act. The Council has introduced Policy Management software as a means of communicating and informing staff of its core policies on a regular basis to ensure continued awareness and compliance. The Council has also introduced software in compliance with the Government's Protective Marking Scheme (GPMS).

Core Principle 4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
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- Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Whistle-blowing and for receiving and investigating complaints from the public

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

The Audit Manager has the statutory role of Monitoring Officer to ensure that relevant laws and regulations are complied with and performs this role in conjunction with the Head of Business Improvement, Central Services and Partnerships who has responsibility for the Council's Legal Service. The Executive Director (Resources and Support Services) has the statutory responsibility under Section 151 of Local Government Act to ensure the proper administration of the Council's financial affairs. A Statutory Officers Group which comprises, the Monitoring Officer, Section 151 Officer and the Head of Paid Service meets regularly to monitor the key Corporate Governance issues.

The suggested improvements from the independent health & safety audit have been implemented and a further internal audit of the corporate health and safety function has been undertaken, identifying this service as being 'adequately controlled'. The recommendations arising from this review have in the main now been adopted.

In addition, the Health & Safety policy has been updated. Further training on the use of Target 100 the corporate Health & Safety IT system has been undertaken and the use of the system has been

Core Principle 4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
<p>extended to include accident and near miss reporting, risk assessments and action planning for Departments. Toolbox talks detailed in Target 100 are also being used to train staff in Health & Safety and safe working practices. A monthly audit monitoring report is created and reviewed at Corporate Health & Safety committee on the use of the system.</p> <p>The Authority continues to review and monitor its arrangements in respect of Information Security to ensure continued compliance to the Government security standards and has recently obtained Government's Public Sector Network Code of Connection (GCSx/PSN) compliance. and to enable the smooth transition to the Public Sector Network (PSN) code of connection</p> <p>The Council has formalised and consolidated its complaints procedures to reflect best practice from the Local Government Ombudsman, which is under the corporate remit of the Customer Relations Officer.</p> <p>The Council's Anti Fraud and Anti Corruption Framework, together with its Fraud Response plan are reviewed and updated annually to ensure that they remain fit purpose. During the course of 2013/14 the Council ran a fraud awareness campaign utilising the National Fraud Authority Toolkit which included a poster campaign and the use of the Councils intranet to deliver daily messages on issues of fraud during the week of the campaign. Work will continue in 2014/15 with a staff survey again designed to assess the level of awareness within the organisation. The results from the survey will then be used to tailor future training and awareness programmes</p> <p>The Authority's Whistleblowing Policy actively promotes officers, members, contractors and the public to report any concerns they may have in respect of any potential wrong doing. A helpline number is included amongst the A-Z list of Council Services. The policy is also available on the Council's website, in addition to this the Authority subscribes to Public Concern at Work, an independent charity set up to deal with any concerns that the Public may have in respect of any potential fraud, corruption or wrong doing. During 2013-14 the Council has received and dealt with 4 whistleblowing allegations.</p>	

Core Principle 5	Developing capacity and capability of members and officers to be effective
<ul style="list-style-type: none"> • Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training <p>A robust recruitment process is followed up by induction training and ongoing training identified as part of the employee appraisal process ensuring that staff are appropriately qualified and trained to undertake the role for which they are employed and to aid succession planning. A Management Development Strategy is in place that incorporates a Competency Framework for senior officers. Senior managers are trained in specific management competencies.</p> <p>All elected members receive induction training. Specific training is provided for members in relation to Financial Management and the Budget Process, as well as more detailed training for members of Audit and Risk Committee, Scrutiny Committees, Planning Committee and Licensing Committee in relation to their roles for that particular committee.</p> <p>A Member Development Programme is now in place and Charter Status has been achieved. Work continues in this area towards the next level of Charter Status. A Member Development Panel ensures that Members receive guidance and support in their work as a councillor, including ICT.</p>	

Core Principle 6	Engaging with local people and other stakeholders to ensure robust public accountability
<ul style="list-style-type: none"> • Establishing clear channels of communication with all sections of the community and other 	

Core Principle 6	Engaging with local people and other stakeholders to ensure robust public accountability
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stakeholders, ensuring accountability and encouraging open consultation

- Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.

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

There are a number of ways of ensuring that the Authority communicates with all sections of the community, including the website, an E-panel, face-to-face engagement and the Reporter newspaper. In addition the Council has a 'Compact' in place to guide the ways in which it engages with third sector organisations. Also the Council's Statement of Community Involvement helps to support its statutory Local Development Scheme.

The Council has carried out a number of significant consultation exercises during the year which have included a public consultation on the budget. This process involved a series of public meetings led by Cabinet members; face to face "come and meet" consultations at locations throughout the borough; turning part of the Civic Offices into a living room for a public drop in coffee morning; the council's website; e-Panel, councillors distributing "mini" budget Reporter and questionnaire in their wards; press and media coverage and use of social media channels.

Consultation on Community Centre provision continued from 2012-13 as well as an extensive consultation with Taxi Drivers regarding disabled access provision for Taxi's that operated within the Borough. In addition consultations also took place in relation to the Cotswold Avenue Play Area in Knutton, play facilities at the Whammy and Dog Control Orders.

Feedback on the outcomes from these consultations was provided by the Councils Website, the Reporter as well as reports to Cabinet and the relevant Scrutiny Committees.

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

4.0 Review of effectiveness

- 4.1 Newcastle-under-Lyme Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive directors within the authority who have responsibility for the development and maintenance of the governance and internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The Code of Corporate Governance adopted by Newcastle-under-Lyme Borough Council demonstrates the Council is committed to ensuring that the principles of good governance flow from a shared ethos or culture, as well as from sound management systems, structures, and processes that are transparent to all its stakeholders. By making explicit the high standards of self-governance the Council aims to provide a lead to potential partners, to the public, private or voluntary sectors and to all citizens.
- 4.3 The Audit and Risk Committee effectively monitors the system of internal control, this has been demonstrated through the completion of a self assessment against CIPFA's checklist on 'Measuring the Effectiveness of the Audit Committee'. The Committee receives regular reports on both the Audit and Risk issues and has demonstrated effective challenge to senior officers in instances of non-compliance; it can therefore be relied upon when considering the Annual Governance Statement for 2013/14.

- 4.4 The Scrutiny function continues to ensure effective monitoring and challenge. There are four Scrutiny Committees that reflect each of the Council's Corporate Priorities. The terms of reference for each of these committees set out to ensure that performance is effectively monitored and challenged
- 4.5 Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. A risk model is used to formulate a twelve month plan which is approved by the Audit and Risk Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Executive Director. The report includes recommendations for improvements that are included within an action plan and require agreement, or challenge, by Directors. The process includes follow ups on a monthly basis, the results of which are reported quarterly to the Audit and Risk Committee in terms of fundamental recommendations and the level of assurance that can be given for that directorate based on the implementation of their recommendations. 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 2013/14. Whilst the Internal Audit Service has identified some material deficiencies in controls, the service is satisfied that based upon assurances from Management, action is now being taken to address the issues raised.
- 4.7 A self assessment on the effectiveness of the system of internal control has been completed in respect of the financial year 2013/14. The internal review showed that the system of internal control can be relied upon when considering the Governance Statement for 2013/14. This was informed by the completion of a self-assessment against the checklist for compliance with the Public Sector Internal Audit Standards and Local Government Application Note.
- 4.8 An assessment of the role of the Chief Finance Officer (CFO) has been completed in accordance with the 'CIPFA Statement on the role of the Chief Financial Officer in public service organisations'. The statement produced by CIPFA seeks to strengthen governance and financial management throughout the public sector, in addition it sets out the core responsibilities, personal skills and professional standards that are crucial to the role. It requires that the CFO is professionally qualified, reports directly to the Chief Executive and is a member of the Leadership team. Having undertaken the assessment of the role of the CFO within the Council it can be confirmed that the Authority complies with this statement.
- 4.9 The role of the Head of Internal Audit has been reviewed in accordance with 'CIPFA Statement on the role of the Head of Internal Audit'. The role of the Head of Internal Audit occupies a critical position within any organisation helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role on promoting good corporate governance. The main aim of the CIPFA statement is to promote and raise the profile of the Head of Internal Audit within public service organisations.
- 4.10 The Monitoring Officer and Head of Business Improvement, Central Services and Partnerships have 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 taken to Council on an annual basis.
- 4.11 Managers Assurance Statements are produced annually by both Executive Directors and Heads of Service. These statements provide a level of assurance with regards to the adequacy of internal controls within their own Directorate and Service areas.
- 4.12 There are various specialist working groups, i.e. Capital Programme Review Group, Corporate Governance, Information Security, Procurement, and Corporate Health and Safety, that agree, oversee and review the various disciplines giving assurance that the Council complies with statute, identifies and manages its risks.

- 4.13 The External Auditors, Grant Thornton gave an unqualified opinion on the 2012/13 accounts, in their Governance Report. In addition their review of the Council's arrangements for securing financial resilience concluded that the Council had robust financial systems and processes in place to manage its financial risks and opportunities and to secure a stable financial position that enabled it to continue to operate for the foreseeable future.
- 4.14 The Council has a zero tolerance to Fraud and Corruption, the Anti Fraud and Corruption Framework, Fraud Response Plan and Whistleblowing Policy are in place to help deliver our commitment to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The commitment to deterring fraud and corruption is actively promoted throughout the organisation. Anyone who has any concerns about any aspect of the Council's work are encouraged to come forward and voice those concerns.

5.0 Significant governance issues

We have been advised on the results of the review of the effectiveness of the governance framework as set out in Section 3 of this Statement and a plan to address weaknesses and ensure continuous improvement is in place. The following issues have been identified as issues that need to be addressed in order to further improve the Council's overall governance arrangements;

- To ensure that the Council continues to deliver services that meet the needs of our customers and respond to any issues our customers may have with the current level of service provision. Working with our partners we will ensure that we can deliver effectively and co-operatively against citizen/customer requirements.
- To ensure that our services demonstrate value for money we will continue to review all service areas against best practice and implement actions outlined in Service Plans, in addition we will seek to improve efficiencies across all council services and ensure that the savings identified from this process can be realised.
- To continue to raise the profile and status of Information Security and Governance throughout the Council.
- To continue to raise the profile and increase the awareness among both Officers and Members in relation to Fraud.
- To continue to develop the capability and capacity of officers through the application of the Workforce Development Strategy.

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

Signed _____ **Councillor Mike Stubbs, Leader of the Council**

Signed _____ **John Sellgren, Chief Executive**

Dated _____

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