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Date of meeting	**Monday, 28th September, 2015**
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	**MINUTES OF PREVIOUS MEETINGS** To consider the minutes of the previous meeting(s).	**(Pages 3 - 6)**
3	**DECLARATIONS OF INTEREST** To receive Declarations of Interest from Members on items included in the agenda	
4	**Corporate Risk Management Report April to June 2015**	**(Pages 7 - 12)**
5	**Planned Audit Fee for 2015/2015**	**(Pages 13 - 16)**
6	**Statement of Accounts 2014/2015 and External Auditor's Audit Findings Report**	**(Pages 17 - 134)**
7	**Consultation re "Telling the Story" in Relation to the format of the Statement of Accounts**	**(Pages 135 - 154)**
8	**Internal Audit Progress Report**	**(Pages 155 - 164)**
9	**Quarterly Report: Adoption in Internal Audit High Risk Recommendations and Summary of Assurance 1st April to 30th June 2015**	**(Pages 165 - 170)**
10	**URGENT BUSINESS** To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972	

Members: Councillors Burgess, Dymond (Vice-Chair), Loades, Owen, Pickup (Chair), Waring and Hambleton

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.

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

FIELD_TITLE

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

AUDIT AND RISK COMMITTEE

Monday, 6th July, 2015

Present:- Councillor Ms Sarah Pickup – in the Chair

Councillors Burgess, Loades, Owen and Hambleton

1. **APOLOGIES**

Apologies were received from Cllr Waring. Cllr Sweeney was in attendance as a substitute for Cllr Waring.

2. **MINUTES OF PREVIOUS MEETINGS**

Resolved: That the minutes of the previous meeting be agreed as a correct.

3. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

4. **AUDIT AND RISK COMMITTEE TERMS OF REFERENCE**

Resolved: That the terms of reference be agreed.

5. **AUDIT AND RISK COMMITTEE PLAN OF WORK**

Resolved: That the plan of work be agreed.

6. **HEALTH AND SAFETY ANNUAL REPORT**

A report was submitted to inform Members of issues and trends regarding health and safety at the council.

Members considered community centres and concerns were raised as to whether all centres were checked.

Officers stated that at the moment the Health and Safety Committee chose a cross section and that the responsibility for the community centres was with the Council's leisure department which had produced a handbook for all community centres.

Members requested that a report relating to this be brought to a future meeting.

Officers confirmed that the Council was covered should an accident occur.

Members also queried whether public buildings were checked for legionella. Officers confirmed that yes this was required by law and carried out by the facilities management team.

Resolved: a) That the report be noted
b) That a report be brought back to a future meeting of the Committee in relation to community centres.

7. **CORPORATE RISK MANAGEMENT REPORT JANUARY TO MARCH 2015**

Members queried the progress of the Planning Peer Review Action Plan and it was stated that a report on this would be going to Cabinet in July. Officers agreed that an update report on this could be brought to the next meeting. Members also queried why actions relating to the plan had taken so long.

Resolved:

(a) That the Committee note the new risks that have been identified between January to March 2015

(b) That an update on the Planning Peer Review be brought to the next meeting.

(c) That the Committee note the point 2.1.1 showing no overdue risk reviews.

(d) That the Committee note the report showing risk rating changes

8. **TREASURY MANAGEMENT REPORT 2014/2015**

A report was submitted in relation to the Treasury Management Annual Report for 2014/15 and to review the Treasury Management activity for this period.

Members were pleased to note the seamless change in banking services and the savings that had been made.

Resolved: (a) That the Treasury Management Annual Report for 2014/15 be received and be reported to Full Council on 15 July 2015.

9. **STATEMENT OF ACCOUNTS**

A report was submitted requesting the Committee to consider the draft Statement of Accounts 2014 and to gain approval for the financing of capital expenditure. The report highlighted the key issues which were contained in the accounts including a commentary on the General Fund outturn, the Collection Fund and the Balance Sheet.

Members thanked Dave Roberts and his team for their hard work regarding the accounts and welcomed the user friendly format.

Resolved: a) That the contents of the draft Statement of Accounts for 2014/15 be noted.

b) That the financing of capital expenditure incurred during 2014/15, as set out in Appendix 2 be approved.

10. **ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE**

A report was submitted 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.

Resolved:

That the action of your officers and levels of assurance be noted

11. **INTERNAL AUDIT ANNUAL REPORT**

A report was submitted requesting members to consider the annual report of the Internal Audit Section for the financial year 2014-15 enclosed as Appendix A.

Members queried whether officers had any concerns regarding section 2.3 of the report which highlighted the percentage of Internal Audit recommendations implemented by your officers. Officers stated that this had now improved and was under control.

Resolved: That the Internal Audit Section Annual Report for 2014-15 be received.

12. **REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE**

A report was submitted to demonstrate that the Council had good governance and as part of providing evidence to support the Annual Governance Statement, the Council needed to demonstrate that it had an effective Audit Committee. An assessment had been completed on the effectiveness of the Audit Committee for 2014/15 and the results were summarised within this report.

Members queried the section regarding skills and training in relation to ICT. Officers stated that the size of the audit team did not justify a FTE Computer Audit Specialist therefore the Audit service currently bought in 30 days specialist computer audit work as part of the annual audit plan.

In addition to this the Staffordshire Chief Auditors Group were trying to develop the IT skills within our own teams through an IT Sub Group which comprised auditors with some IT awareness – the aim of the group was to share best practice in order to enhance the skills in this area.

Members requested that this be looked at as a possible risk.

Resolved:

That the report outlining the findings from the review of the effectiveness of the Audit Committee for 2014/15 be noted.

13. **SELF ASSESSMENT OF INTERNAL AUDIT**

A report was submitted for members to consider the findings of the annual review of the effectiveness of the system of Internal Audit for 2014/15.

Resolved:

That the report outlining the findings from the review of the effectiveness of the system of Internal Audit for 2014/15, together with the action plan be agreed.

14. **ANNUAL GOVERNANCE STATEMENT**

A report was submitted to recommend that the Annual Governance Statement 2014/15 be approved for inclusion in the financial statements.

Resolved:

That Members approve the Annual Governance Statement 2014/15(AGS)

15. **LOCAL GOVERNMENT ASSOCIATION PEER REVIEW**

A report was submitted to advise Members on the recommendations of the LGA Peer Review and to request feedback on the recommendations.

Resolved:

That Members agreed in principle with the merging of the Audit and Risk Committee and the Standards Committee.

16. **URGENT BUSINESS**

There was no Urgent Business.

COUNCILLOR MS SARAH PICKUP
Chair

**REPORT OF THE EXECUTIVE MANAGEMENT TEAM
TO THE AUDIT AND RISK COMMITTEE**

28 September 2015

CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD April to June 2015

Submitted by: **Simon Sowerby - Business Improvement Manager**

Portfolio: **Policy, People and Partnerships**

Ward(s) affected: **All**

Purpose of the Report

To inform Members of the progress made by the Council in enhancing and embedding risk management for the period April to June 2015, including progress made in managing identified corporate risks.

Recommendations

The Committee is asked to:-

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

(b) Note the point 2.1.1 showing no overdue risk reviews.

(c) Note the point 2.2.1 showing risk rating changes.

(d) Note the explanation at point 2.3 for the delay in implementing the Planning Peer Review Action Plan.

(d) Note the new risks that have been identified between April to June 2015.

(e) Identify, as appropriate, individual risk profiles to be scrutinised in more detail at the next meeting of the Committee.

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 allow the process to become further embedded at each level of the authority. This will also aid the identification of key risks that potentially threaten the delivery of the Council's corporate priorities. The Risk Management Strategy provides a formal and proportionate framework to manage these identified risks and thus reduce the Council's exposure.

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 used to record and manage risks.

1.2 The Council currently reviews its high (red 9) risks at least monthly and its medium (amber) risks at least quarterly.

1.3 The last review of these risks was reported to the Council's Audit & Risk Committee in July 2015.

1.4 Risk owners are challenged by the Council's Risk Champions in respect of the controls, further actions, ratings and emerging risks related to their risks, and are also challenged on the reasons for inclusion or non-inclusion and amendment of these.

1.5 Projects are managed to a high level in relation to risk and are reviewed in accordance with the Risk Management Strategy (i.e. at least monthly).

2. **Issues**

2.1 Further to an Audit Assurance recommendation, your officer has been asked to report on overdue risk reviews that are 6 months out of date.

2.1.1 At the time of the running report, there were NO overdue risks.

2.2 Following a previous review a report was produced to show any risks where the risk level has increased.

2.2.1 Your officer can report that there has been one (1) risk level increase during the period April to June 2015 in relation to immigration.

2.2.2 There were no new risks added to any profiles during April to June 2015.

2.2.3 Should there be any increase during July to September 2015 these will be reported to the next Committee meeting.

2.3 At the July 2015 meeting, members requested a specific response in relation to the delay in implementing the Planning Peer Review Action Plan.

2.3.1 Your officer has enquired with the Executive Director – Regeneration and Development as to the reasons for this and was advised that due to the number of actions and other issues (financial, resources, timings etc) actions were prioritised accordingly.

2.3.2 During July 2015 a report was received by Cabinet on the progress of implementing the action plan. The report confirmed that the majority of actions had been completed and that there were clear plans in place to address outstanding actions. Further report are being submitted to Cabinet during October and November in this regard.

3. Strategic, Operational, Project and Partnership Risk Registers (Appendices)

3.1 The Council regularly reviews and refreshes its risk registers in accordance with the Risk Management Strategy.

3.2 These reviews are co-ordinated by the Strategic Risk Champion who works closely with Directors, Operational Risk Champions and Risk Owners.

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

LIKELIHOOD	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		

3.4 During this quarter there has been one additional risk added of a final rating of medium amber 8 in relation to the Climate Change profile, where the risk is highlighted as a potential for mass immigration. In light of the Government's request for support to address the current Syrian Refugee Crisis, the Cabinet received a briefing report at its meeting on 16th September 2015 with a further report to follow that will clarify the proposed response by this Council and local partners. In view of the nature of the issues raised it is intended to re-designate the risk profile under the Strategic Housing lead role.

3.5 Appendix A now highlights the risks that fall into the top line of the above risk map.

4. Issues from last meeting

4.1 None.

5. Outcomes Linked to Corporate and Sustainable Community Priorities

5.1 Good risk management is a key part of the overall delivery of the Council's four corporate priorities of:

- Borough of Opportunity
- A Clean, Safe and Sustainable Borough
- A Healthy and Active Community
- Becoming a Co-operative Council, which delivers high quality, community-driven services

6. Legal and Statutory Implications

6.1 The Accounts and Audit (England) Regulations 2015, 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 facilities the effective exercise of that body's functions and which includes arrangements for the management of risk"*

7. **Equality Impact Assessment**

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

8.1 **Financial and Resource Implications**

8.1 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.

9. **List of Appendices**

Appendix A – Notable High and Medium risks

10. **Background Papers**

None

Notable High and Medium Risks - Appendix A

(red)	High 9 risks
(orange)	Medium 7 & 8 risks
(green)	Risks to be deleted from next 1/4 profile
(yellow)	Risk reduced from last 1/4 profile
(grey)	New risks

	Appendix A Risks and Action Plan **Risk Identified**	**Risk Owner**	**Action Required to Address Risk** in order to reduce the risk	**Target Date** for action completion	**Risk Category** Strategic, Operational, Project	**Current position / progress** as at 01/09/2015	**Status** as at Dec 14	**Status** as at March 15	**Current Rating** as at June 15
1	Potential Claims growth	Chief Executive	The Council has robust systems in place both to deal with claims when they happen and also to prevent, where possible, the circumstances where claims could arise. In doing so, the Council has in place policies and procedures designed to enhance safety at work and also to advise staff and others when driving or operating machinery. The Council checks, on a regular basis, that it is up to date on best practice in this area and that systems reflect changes in the local, national or international environments		Strategic	Risks reviewed and noted that this area is of growing significance with the number and value of claims increasing. Further actions reviewed. Consideration was given to potential control measures, but these are addressed by the existing further actions.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9

Notable High and Medium Risks - Appendix A

	Appendix A Risks and Action Plan **Risk Identified**	**Risk Owner**	**Action Required to Address Risk** in order to reduce the risk	**Target Date** for action completion	**Risk Category** Strategic, Operational, Project	**Current position / progress** as at 01/09/2015	**Status** as at Dec 14	**Status** as at March 15	**Current Rating** as at June 15
2	Members not adhering to Officers advice	Resources & Support Services	Planning Peer Review Action Plan approved including a timetable for implementation, included training programme for elected members.	Throughout the year	Strategic	The progress on implementing the Action Plan was reported to Cabinet in July 2015, indicating completion of most actions. Further reports are to be considered by Cabinet in September and October 2015 to enable completion of any outstanding actions.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9
3	Failure to engage or consult with key stakeholders	Communication Strategy			Project	Consultation framework and toolkit in place and available for staff on the Intranet to assist with correct approach.		I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8
4	Immigration issues - from countries affected by Civil unrest or wars	Strategic Housing	To support Staffordshire County Council (as lead organisation) and other local partners in responding to the Government's request for support in relocating Syrian Refugees.	Dec-15	Strategic	Government 'Gateway' programme to support refugee resettlement			I = 2 L = 3 Medium 8

Grant Thornton
An instinct for growth™

Kelvin Turner
Newcastle Under Lyme Borough Council
Civic Offices
Merrial Street
Newcastle Under Lyme
Staffordshire
ST5 2AG

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

T +44 (0)121 212 4000
F +44 (0)121 212 4014
DX 13174 Birmingham
www.grant-thornton.co.uk

16th April 2015

Dear Kelvin

Planned audit fee for 2015/16

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. 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 2015/16 has been set by the Audit Commission at £55,002, which compares to the audit fee of £73,336 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives http://webarchive.nationalarchives.gov.uk/*/http:/www.audit-commission.gov.uk/ and on the Public Sector Audit Appointments PSAA website psaa.co.uk

The audit planning process for 2015/16, 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 provide feedback a separate report.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by the Audit Commission at £6,210.

Billing schedule

Fees will be billed as follows:

Main Audit fee	**£**
September 2015	13,750.50
December 2015	13,750.50
March 2016	13,750.50
June 2016	13,750.50
Grant Certification	
December 2016	6,210.00
Total	**61,212.00**

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2015 to March 2016. 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 July 2016 and work on the whole of government accounts return in September 2016.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2015-March 2016	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	July 2016	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 2016	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2016	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June - December 2016	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2015/16 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
In Charge Auditor	Naomi Povey	0121 232 5294	Naomi.j.povey@uk.gt.com

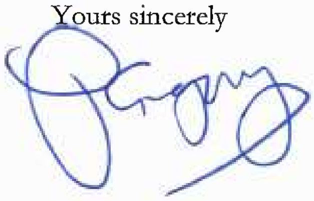
Additional work

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



John Gregory
Engagement Lead
For Grant Thornton UK LLP

ITEM FOR AUDIT AND RISK COMMITTEE 28/09/15

Statement of Accounts 2014/15 and External Auditor's Audit Findings Report

Submitted by: Head of Finance

Portfolio Finance IT and Customer

Ward(s) affected All indirectly

Purpose of the Report

To approve the statement of accounts, receive the external auditor's Audit Findings Report for 2014/15 and to agree the Letter of Representation to the Auditor.

Recommendations

a) **That the Statement of Accounts 2014/15 be approved and signed by the person presiding at the meeting.**
b) **That the Audit Findings Report for 2014/15 be received.**
c) **That the Letter of Representation be approved for signature by the Council's Section 151 Officer.**

Reasons

It is a statutory requirement, contained in the Accounts and Audit Regulations 2015, that the Council produces a Statement of Accounts detailing its financial transactions for the year and its position at the year end and that this is approved by a Committee no later than 30 September in the year following that to which the Statement relates.

The external auditor is required, according to the International Standard on Auditing (UK & Ireland) 260 (ISA 260), to report to you on matters affecting governance via an Audit Findings Report.

The Letter of Representation is a formal letter from the Council to the External Auditor stating various matters which the auditor needs to have confirmed in order to gain sufficient assurance to be able to certify the Council's accounts.

1. Background

1.1 The Committee received a report on 6 July in relation to the draft Statement of Accounts and the Outturn position for 2014/15. The report explained that the 2014/15 Statement of Accounts does not have to be formally approved by a Council Committee until 30 September 2015. However, it was felt that members needed an earlier update on the position for 2014/15, which was the reason for this earlier report. The report set out information in relation to the outturn position and the main features of the Statement of Accounts, such as the balance sheet position, reserves levels and income and expenditure for the year. A copy of Sections 3 to 8 of this report, which outline the main features of the 2014/15 accounts is attached at Appendix 1.

1.2 The Committee now needs to formally receive the Statement of Accounts for 2014/15 for scrutiny and approval. Accordingly a copy of the Statement is appended at Appendix 2 for your consideration.

1.3 The external auditor appointed by the Audit Commission (Grant Thornton) is required, according to the International Standard on Auditing 260 (UK & Ireland) (ISA 260), to report to you on matters affecting governance via an Audit Findings Report.

1.4 The purpose of the report is primarily to allow the auditor to bring to the attention of the Committee any material mis-statements in the accounts for 2014/15, which your officers have declined to amend and any significant material mis-statements in the accounts submitted for audit which have been amended, together with any material weaknesses in internal control or areas of uncertainty. The report also contains the auditor's opinion on the Council's arrangements for achieving Value for Money.

2. Statement of Accounts 2014/15

2.1 The Statement of Accounts now submitted to you has been audited by the Council's external auditor, Grant Thornton. As a result amendments, agreed with the auditor, have been made to five notes to the accounts (Notes 2.2.4, 2.3.1, 3.3, 3.5 and 3.6) plus an addition to the Accounting Policies in respect of surplus assets and the re-formatting of the Collection Fund Account to show the split between the Council Tax and Non Domestic Rates elements. The Statement is, therefore, substantially the same document as you considered in July. The Audit Findings Report sets out the amendments which have been made. In addition, it has been agreed to review two qualitative issues in relation to heritage assets valuations and finance leases and to ensure that all staff dealing with expenditure accruals are aware of the relevant criteria and processes. There have been no alterations to entries in the underlying accounts, all of the changes being related to presentation and disclosure within the Statement of Accounts.

2.2 None of these agreed amendments change the amount of the positive variance on the General Fund Revenue Account (£7,327) reported to you in July.

2.3 The Council's Annual Governance Statement, which you approved at your July meeting, will be incorporated in the Statement of Accounts as in previous years. Please note that this has not been included in the Statement appended to this report, however, in order to save paper.

2.4 The Audit Certificate to be included in the Statement will be provided after this meeting, following receipt by the auditors of the agreed and signed Letter of Representation, subject to their final satisfaction with the accounts.

3. Audit Findings Report

3.1 The external auditor's Audit Findings Report is attached at Appendix 3. The external auditor will present the report and attend the meeting, together with officers, to answer any questions raised by the Committee.

3.2 As stated earlier, the agreed amendments to the accounts referred to in the Audit Findings Report do not change the amount of the positive variance (budget compared to outturn), i.e. the bottom line, in relation to the General Fund Revenue Account from that previously reported to members in July.

4. Letter of Representation

4.1 The Letter of Representation is a formal letter from the Council to the external auditor stating various matters which the auditor needs to have confirmed in order to gain sufficient assurance to be able to certify the Council's accounts. It has to be approved by your

Committee and then signed by the Council's Section 151 Officer, i.e. the Executive Director - Resources and Support Services.

4.2 The proposed Letter of Representation is set out at Appendix 4.

5. Appendices

Appendix 1: Extract from Report to Audit and Risk Committee 6 July 2015
Appendix 2: Statement of Accounts 2014/15
Appendix 3: Audit Findings Report Year Ended 31 March 2015
Appendix 4: Letter of Representation

6. Background Papers

Report to Audit and Risk Committee 6 July 2015 "Draft Statement of Accounts 2014/15"; Audit Findings Report Year Ended 31 March 2015 produced by the External Auditor appointed by the Audit Commission; Letter of Representation 2014/15.

APPENDIX 1

3. The General Fund Outturn

3.1 As mentioned above, the outturn in respect of the General Fund Revenue Account was £7,327 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
Commercial Properties Rents	1,385	1,162	223
Bereavement Services Income	1,414	1,319	95
Car Parking Income	1,154	1,072	82
Markets Stalls Income	200	148	52
Kidsgrove Sports Centre Income	399	290	109
Jubilee 2 Income	1,426	1,303	123
Council Tax and Business Rates Summons Costs	670	617	53
Total	**6,648**	**5,911**	**737**

With reference to the Commercial Properties rents shortfall, this is particularly depressed by continuing vacancies in Lancaster Buildings where units remain unlet.

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

Item	Additional expenditure
	£000s
Kidsgrove Sports Centre Expenditure	44
Terms and Conditions Review in respect of overtime - full amount of savings not realised until 2016/17	47
Contribution to Insurance Provision	57
Total	**148**

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, e.g. Planning fees, VAT refund	164
Business rates reductions	204

Good Housekeeping Efficiencies, e.g. corporate printing and publicity, water courses maintenance, CCTV costs, horticultural materials and supplies	191
Staffing Efficiencies, e.g. re vacant posts and voluntary early retirements	277
Corporate, e.g. additional Non-Specific government grants	17
Other Variances	39
Total	**892**

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

3.2 An amount of £7,327 has been transferred into the Budget Support Fund in respect of the positive variance. As can be seen in Note 2.3.7 to the Accounts, the balance on the Budget Support Fund now stands at £0.297m, a reduction of £0.036m from the 1 April 2014 balance.

3.3 Some income streams continue to be affected by the adverse economic climate in the current financial year. The ongoing situation will be monitored and any significant shortfalls will be reported in 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 2016/17.

3.4 Business Rates Retention

There was a positive benefit to the Council arising from the Business Rates Retention Scheme in 2014/15, which is the second year that these arrangements have applied. The Council collects business rates and 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 Authority. The amount retained by the Borough Council exceeded the amount budgeted for by £0.454m. This was set aside via a transfer to the Business Rates Reserve (shown at Note 2.3.7 to the Statement of Accounts).

In the current year it is not expected that there will be a significant variance compared to the budgeted amount for retained business rates income, based on the initial NNDR1 return to the government, compiled in January 2015, 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 2014/15 was £0.348m. 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 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 £0.234m. Of this £0.094m (40%) has been retained by the Borough Council, forming part of the £0.454m amount referred to above, with the balance of £0.140m being paid over to the Pool, £0.046m (20%) to be held as a reserve to meet any future business rates income shortfalls experienced by Pool members, and £0.094m (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 £0.713m as at 31 March 2015, which will be available to fund projects throughout the areas of the participating authorities.

3.5 The Statement of Accounts includes (in Appendix 2) 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 £0.013m 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 2.1.1, 2.1.2 and 2.3.7. 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 £6.627m 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.

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 surplus decreasing from £1.177m in 2012/13 to £0.201m in 2014/15. 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 £6.627m has been reversed out by net transfers from reserves as shown in the Movement in Reserves Statement.

4.4 Notes 2.2.1, 2.2.2 and 2.2.3 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 2.2.2 relating to Investment Properties rental income shows a significant change from income of £1.644m in 2013/14 to income of £1.046m in 2014/15 owing largely to the inclusion in 2013/14 of backlog rents relating to The Square in Newcastle town centre. The component relating to investment properties revaluations also significantly differs from the 2013/14 amount owing to a stronger upward movement in valuations and the revaluation upwards of The Square, which was disposed of during 2014/15, to reflect its market value. Revaluations of investment properties have to be credited (if the movement is upwards) or debited (if it is downwards) to the CI&ES but are subsequently reversed out by a transfer from reserves as shown in the Movement in Reserves and so do not impact on the final General Fund outturn.

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. 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 Office of the Police and Crime Commissioner and the Fire Authority and to central government.

5.2 Overall the Fund experienced a surplus of £0.127m for the year, leaving a balance of an accumulated deficit of £0.985m at the year-end. Separating this out into its individual components, the respective positions were as follows:

	Council Tax		Business Rates			Total
	£m	£m	£m	£m		£m
Balance Brought Forward - Surplus/(Deficit)		0.969		(2.081)		(1.112)
Contribution towards previous year's surplus/deficit (A)	(0.800)		0.830			
Surplus/(Deficit) relating to 2014/15 (B)	0.968		(0.871)			
Overall Surplus/(Deficit) for Year (A + B)		0.168		(0.041)		0.127
Balance Carried Forward		1.137		(2.122)		(0.985)

5.4 As can be seen the Council Tax element of the Fund achieved a surplus of £0.968m for the year, which compares to an in-year surplus of £0.965m in 2013/14. This will be shared with the precepting authorities (Newcastle Borough Council, Staffordshire County Council, Office of the Police and Crime Commissioner, Fire Authority) and will be used in calculating how much Council Tax will be levied in 2015/16.

5.5 The Business Rates element of the Fund experienced an in-year deficit of £0.871m. 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 (9%), the Fire Authority (1%) 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 £0.348m and will be met from the Business Rates Reserve referred to in paragraph 3.5. 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 2014/15. 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 was paid into the provision out of the Collection Fund in 2013/14 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. In fact this proved to be insufficient since the actual value of appeals experienced in 2014/15 was greater than anticipated and the provision was, therefore, fully utilised. A further contribution to the provision was required and this was assessed, using data supplied by a specialist firm, at £0.865m. The arrangements for business rates retention mean that only 40% of the cost of contributions to 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.

6. The Balance Sheet

6.1 The main features of the Balance Sheet are as follows

- There are Net Tangible Fixed Assets of £57.427m which consist of Plant, Property and Equipment, Investment Properties and Heritage Assets. Notes 2.3.1, 2.3.2 and 2.3.3 to the Statement of Accounts show an analysis of these assets, together with a summary of movements during 2014/15. The main reason for the decrease in the fixed assets balance compared to the 31 March 2014 value is an increase in the amount of depreciation deducted from the asset values (which only decreased by £0.144m) in order to show the net value in the balance sheet, as required by accounting practice. The depreciation amount has increased by £1.620m, largely accounted for by the addition of the 2014/15 depreciation charge.

- The balance shown as a Long Term Debtor of £0.676m (31/03/2014 £1.923m) relates to the balance owing to the Council in respect of properties let on finance lease terms (£0.283m) and outstanding mortgages (£0.393m). 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 £1.155m reflecting the sale of "The Square", which was let as a finance lease which has now terminated and payments made in 2014/15 in respect of other properties, whilst the mortgages balance has decreased by £0.005m, as a result of repayments made by mortgagors in 2014/15. The balance at 31 March 2014 included £0.087m in respect of a loan outstanding to Kidsgrove Town Council, which was repaid in full in 2014/15.

- Investments (all short term at 31 March 2015 - i.e. with less than 1 year to run from that date) amounted to £8.808m and have increased by £5.25m compared to 31 March 2014. In particular, this reflects the receipt of sales proceeds in respect of "The Square" and Hassell Street properties, which have not yet been applied to finance capital investment and the underspend on the 2014/15 capital programme, which means that capital receipts have not been used as soon as expected, together with 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.

- Inventories (stock) have increased from £0.088m as at 31 March 2014 to £0.162m as at 31 March 2015 owing to the creation of an inventory account in respect of vehicle spares held in the transport workshop pending use.

- 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 £10.688m. Short Term Debtors have decreased by £3.064m compared with 31 March 2014. This arises chiefly because the balance at 31 March 2014 included a debtor of £3.045m in respect of the amount owed to the Council by the Department for Work and Pensions (DWP) relating to housing benefits reimbursements for 2013/14. At 31 March 2015, the position has reversed in that the Council owes DWP £1.923m because the Department has overpaid the Council this amount in relation to 2014/15 benefits payments. Therefore, the Department is a creditor at 31 March 2015.

- The amount the Council owes to its creditors is £7.288m. Creditors have increased by £1.658m compared to 31 March 2014. This is mainly attributable to the addition of a creditor in respect of the DWP of £1.923m, referred to in the previous bullet point.

- Provisions, as shown in Note 2.3.6, show little movement in the balance sheet (£0.799m compared with £0.636m), apart from the NNDR Appeals Provision. This had to be increased to reflect the higher than anticipated level of appeals and subsequent refunds paid to business ratepayers experienced in 2014/15 and which is likely to continue into 2015/16.

- The Net Liability relating to Defined Benefit Pension Schemes (i.e. the difference between liabilities and assets of the pension scheme) increased from £70.171 to £74.019m. Normally this increase would be mirrored by an increase in the Pensions Reserve balance of the same amount, the two accounts appearing in the balance sheet as equal and opposite amounts. However, for the first time this is not the case because of the prepayment of pension contributions in respect of 2015/16 and 2016/17 totalling £2.290m. These were paid in 2014/15 in return for a discount paid by the pension fund which significantly reduced the cost to the Borough Council and consequently the amounts to be charged in the 2015/16 and 2016/17 revenue account as pension contributions. In order to account for this transaction, the prepayment must be charged directly to the Pensions Liability, without any corresponding equal and opposite transaction in the Pensions Reserve. In 2015/16 the prepayment relating to that year will be transferred to the general fund revenue account via a transfer from the Pensions Reserve with a similar transaction in 2016/17. After these transactions have occurred, the two accounts will once more be mirror images of each other. Without the charge of £2.290m, the Pensions Liability would have shown an increase of £6.138m, reflecting other factors. 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 £17.451m. This was offset to some extent by an increase in asset values of £11.313m. 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 3.4 to the Accounts.

7. Reserves

7.1 The Council has usable reserves totalling £11.515m. Note 2.3.7 to the Accounts shows a full analysis of all these reserves. The main items, with their balances at 31 March 2015, are:

- General Fund Balance (£1.200m)
- Capital Receipts Reserve (£6.364m)
- Capital Grants Unapplied (£0.868m)
- Budget Support Fund (£0.297m)

- Contingency Reserve Fund (£0.276m)
- New Initiatives Fund (£0.057m)
- ICT Development Fund (£0.253m)
- Renewal and Repairs Fund (£0.003m)
- Equipment Replacement Fund (£0.375m)
- Revenue Investment Fund (£0.112m)
- Business Rates Reserve (£1.475m)

7.2 The General Fund Balance remains the same (£1.200m) as at 31 March 2014. The amount required to be held in this reserve is assessed each year when the revenue budget is compiled, by identifying and quantifying the risks applicable to the revenue budget and using this information as the basis to calculate a prudent sum to keep in reserve to meet those risks should they arise.

7.3 The Capital Receipts Reserve is predominantly committed to financing the current capital programme, the year-end balance reflecting underspending in relation to the 2014/15 capital programme, which will largely be spent in 2015/16 and receipts from the sale of “The Square” and Hassell Street property, which are required to support 2015/16 capital investment. 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.

7.5 The Budget Support Fund and Business Rates Reserve are discussed at paragraphs 3.2 to 3.3 above and 3.5, respectively.

7.6 The Revenue Investment Fund balance is fully committed to funding approved investment projects, including £0.075m of costs relating to the Ryecroft development.

7.7 The levels of reserves will be considered as part of the budget preparation process for 2016/17. 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.

7.8 Unusable Reserves total (£18.099m) and are shown at note 2.3.8 to the accounts. 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 (£9.068m) balance at 31 March 2014 is the movement in the Pensions Reserve, which mirrors the Net Pensions Liability, apart from the amount of the pre-paid contributions, discussed earlier in the final bullet point of paragraph 6.1.

8. Accounting Policies

8.1 Only two amendments have been made to the Policies. Firstly, Policy vii, which refers to Employee Benefits, has been amended in relation to post employment benefits to reflect changes in the method of valuation used by the actuary in respect of scheme liabilities. Secondly Policy xviii, referring to Property, Plant and Equipment, has been amended to add that in the case of infrastructure, community assets and assets under construction, which are normally carried in the balance sheet at historical cost, where the historical cost is unknown they shall be carried at a £1 nominal value.

STATEMENT OF ACCOUNTS 2014/15

NEWCASTLE UNDER LYME
BOROUGH COUNCIL

Contents

Guide to the Statement of Accounts

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

Throughout the Statement, various unusual or technical terms are employed which may not be familiar to all readers. A Glossary of Terms (page 70) has, therefore, been provided which explains the meaning of such items.

Page	Item	Purpose
5	Foreword by the Executive Director - Resources and Support Services	Provides a guide to the main features of the accounts and a commentary on the Council's financial position and the factors affecting its finances.
14	Statement of Responsibilities	Sets out the respective responsibilities of the Council and the Executive Director - Resources and Support Services in relation to financial administration and accounting.
15	Core Financial Statements	These are the Core Financial Statements which the Council must publish in its Statement of Accounts.
15	Movement in Reserves Statement	Shows movements in reserves split between usable and unusable reserves. It also reconciles the outturn on the Comprehensive Income and Expenditure Statement (CIES) to the General Fund Balance, by taking account of the adjustments necessary and made by transfers to or from reserves, either: • To remove accounting charges, such as for the depreciation of assets, which are not chargeable according to regulations or • To meet the cost of items charged to the CIES which the Council has decided to fund from reserves.
16	Comprehensive Income and Expenditure Statement	Shows the accounting cost of providing services in accordance with generally accepted accounting practice. This is not the same as the amount to be funded from taxation in accordance with regulations, which is shown in the Movement in Reserves Statement.
17	Balance Sheet	Sets out the Council's financial position on 31 March 2015. It provides details of the Council's balances and reserves and current assets employed in Council operations together with summarised information on the long term assets held and details of any current liabilities.
18	Cash Flow Statement	Summarises the total cash movement of the Council's transactions.
19	Notes to the Core Financial Statements	These provide additional information and have been grouped into three categories as set out below.
19	Technical Issues	Outline technical issues such as the council's accounting policies.
19	Further Analysis of items included in the Core Financial Statements	Provide a breakdown of figures included in the Core Financial Statements.
37	Additional Information supplementing the Core Financial Statements	Provide additional information to assist in understanding the Council's finances.
50	Collection Fund and Notes	Reflecting the statutory requirement for the Council to maintain a separate account recording details of receipts of council tax and business rates and the associated payments to precepting authorities and central government.

53	Audit Certificate	The external auditor's opinion on the accounts and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
54	Accounting Policies, Standards, Judgements, Assumptions and Adjustments	Information in relation to technical issues in order to provide a fuller understanding of the accounts and how they have been compiled.
67	Supplementary Accounts	Information relating to the North Staffs Building Control Partnership and Trust Funds, whose transactions are not included in the Council's accounts.
69	Annual Governance Statement	Provides an account of the processes, systems and records which demonstrate assurance for the effectiveness of the framework of governance of the Council's discharge of its responsibilities.
70	Glossary of Terms	Explanation of technical or unusual terms used in the Statement of Accounts.

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 2014/15. 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 2015.

b) Regulations Governing the Production of the Statement of Accounts

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2011 and the requirements of the 2014/15 "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 15 June and 10 July 2015, as advertised in the local press.

The accounts were approved by the Audit and Risk Committee on 28 September 2015 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 these regulations as evidence of approval of the 2014/15 Statement of Accounts.

c) General Accounting Policies

The accounting policies adopted by the Council comply with the relevant recommended accounting practices unless indicated otherwise. The Council's expenditure has been analysed in the Comprehensive Income and Expenditure Statement 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 the requirements of International Financial Reporting Standards. There have been no changes in accounting policies or the Council's statutory functions during the year.
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d) Statement of Accounts

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of a local authority are both technical and complex and often the format and content of the statements, notes and elsewhere is laid down in legislation and Codes of Practice, which does not always lead to a style which is easily understood. Accordingly a Guide to the Statement of Accounts has been provided, preceding this foreword, which is intended to explain the purpose and content of the statements and sections in this document.

e) Accountability / Financial Reporting

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

The Statement of Accounts concentrates on clear and accurate reporting of the financial position of the Council in relation to a particular year. It does not, however, aim to fulfil the role of an annual report of a company.

f) Economic Downturn and Public Expenditure Reductions

The current national economic climate continues to have an adverse effect upon the Council's finances, in common with other local authorities. In particular it has impacted upon the amount of income received from leisure centre fees, market 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 2014/15. This was offset by efficiency savings agreed when the budget for 2014/15 was set in February 2014 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 £14.894m and the outturn was £14.887m.

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 2014/15 would be another challenging year financially for the Council. Members and officers have therefore continued to operate within an environment of tight budget management to, wherever possible, mitigate any adverse impact.

h) Financial Summary 2014/15

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?

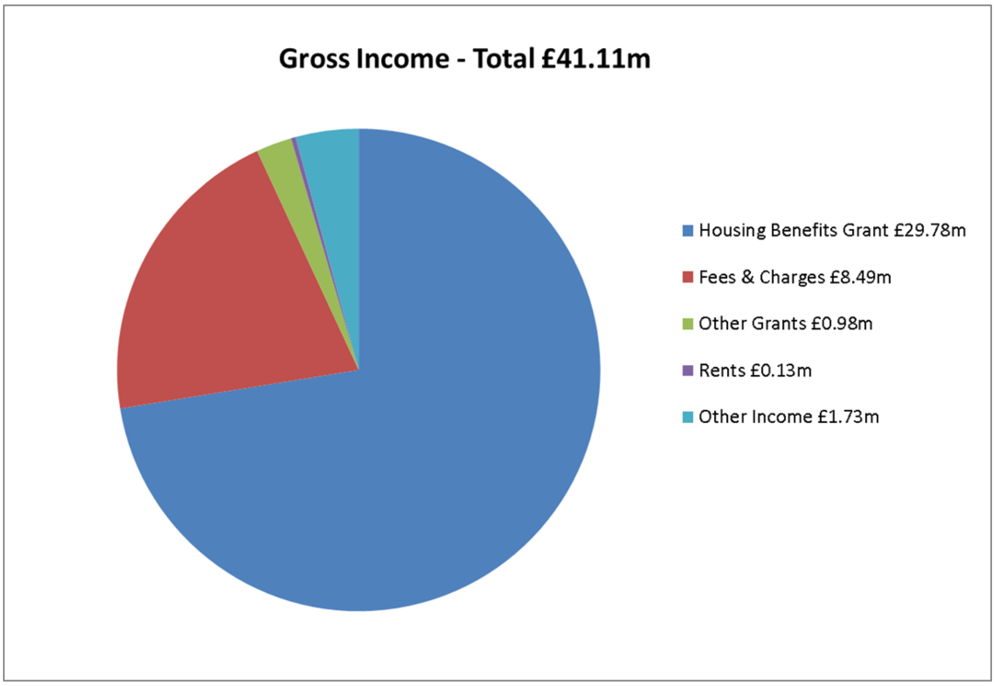
Local authorities receive income from a variety of sources, but chiefly from the Government in the form of grants, from households in the form of Council Tax, from consumers in respect of fees and charges, property rents and from a share of the business rates collected from occupiers of commercial premises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

This is the second year of the Business Rates Retention Scheme, whereby the Council retains a share of the business rates collected after paying part over to the Government, Staffordshire County Council and the Staffordshire Fire and Rescue Authority. In 2014/15 additional rates income retained in excess of the amount included in the 2014/15 revenue budget amounted to £0.454m. This amount was paid into the Business Rates Reserve and is available for future use, particularly to meet the council's share of business rates collection fund deficits, which amounted to £0.871m in 2014/15 so this will be the first call on the reserve in 2015/16, and to meet shortfalls in business rates income which could arise in later years. If, in the longer term, it becomes apparent that a significant balance is likely to be built up in the reserve, it can be used to support revenue initiatives.

Alongside 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 2014/15 the Council received an amount of £3.551m in respect of Revenue Support Grant. In addition an amount of £0.311m was received in respect of Council Tax Freeze Grant because it held the Council Tax levies for 2014/15 at the same levels as in 2013/14 (£0.070m) and ongoing grant (£0.241m) payable because there was no increase in 2011/12 from 2010/11 levels and in 2013/14.

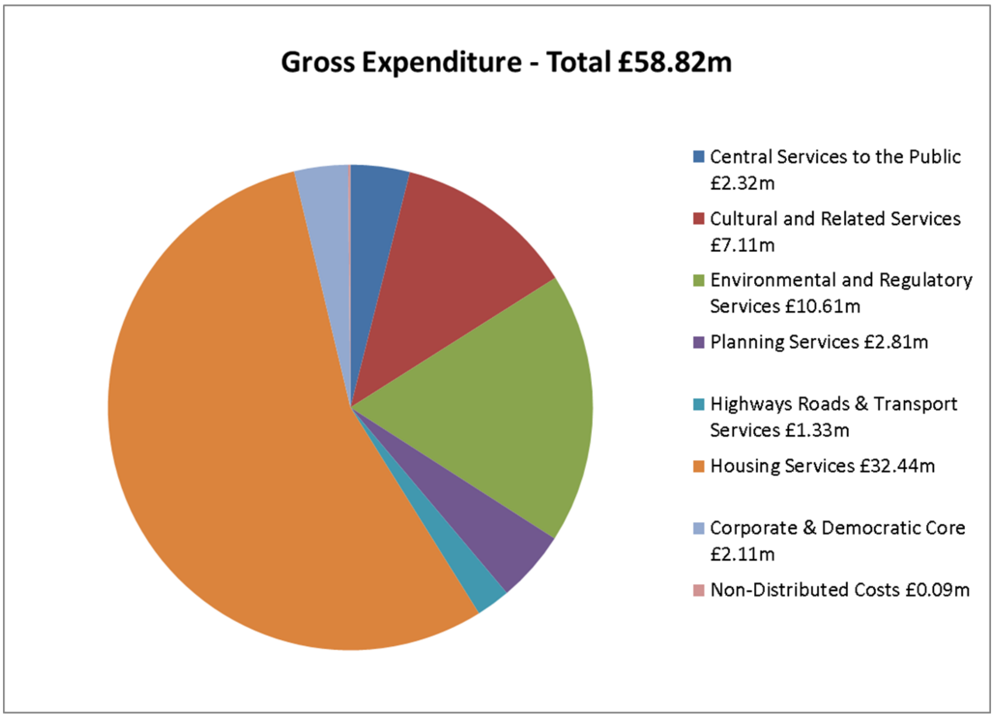
Council Tax is a property based charge payable by local residents and the amount payable depends on the value band that the property is placed into by the Valuation Office. National Non-Domestic Rates, known as Business Rates, are payable by owners of businesses and properties. The government determine 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 16), is shown in the chart below analysed over sources of income:



How the money was spent

The Comprehensive Income and Expenditure Statement (page 16) shows that Gross Expenditure for the year was £58.82m across defined service areas prescribed by CIPFA to facilitate comparison between councils and as set out in the following chart:



What we planned to spend

The Council set an original Net Revenue Budget for 2014/15 of £14.894m on 26 February 2014.

What we actually spent

Actual net expenditure was £14.887m. 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 2015 is £0.297m, as against its balance at 1 April 2014, which was £0.333m. In addition to the transfer into the Fund of £7,000, a net transfer of some £43,000 was made into it comprising payments in respect of 2014/15 commitments carried forward and to finance invest to save projects and £36,500 to meet planning appeal costs, together with repayments into the Fund in relation to savings arising from previous invest to save projects.

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

	£m
Expenditure	58.818
Income	(41.106)
Net Service Expenditure	17.712
Non-Service Specific Income and Expenditure	
Interest Receivable	(0.169)
Investment Properties Net Expenditure	(1.900)
Council Tax Income	(6.292)
Non-Domestic Rates Net Income	(3.884)
Non-Ringfenced Government Grants	(5.016)
Pensions Net interest Cost	2.814
Other Items	(0.491)
Reversal of Pensions Net Interest Cost via Pensions Reserve	(2.814)
Reversal of Capital Charges included in Service Costs	(2.949)
Transactions with Earmarked Reserves	2.982
Out-turn	(0.007)

Capital Expenditure

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

As capital spending contributes to the Council's aims and objectives over more than one year, the Council plans and budgets for expenditure by means of a "rolling" programme. This programme was last updated in February 2015.

There are a number of sources of funds which may be available to finance the Council's capital expenditure. In 2014/15 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.

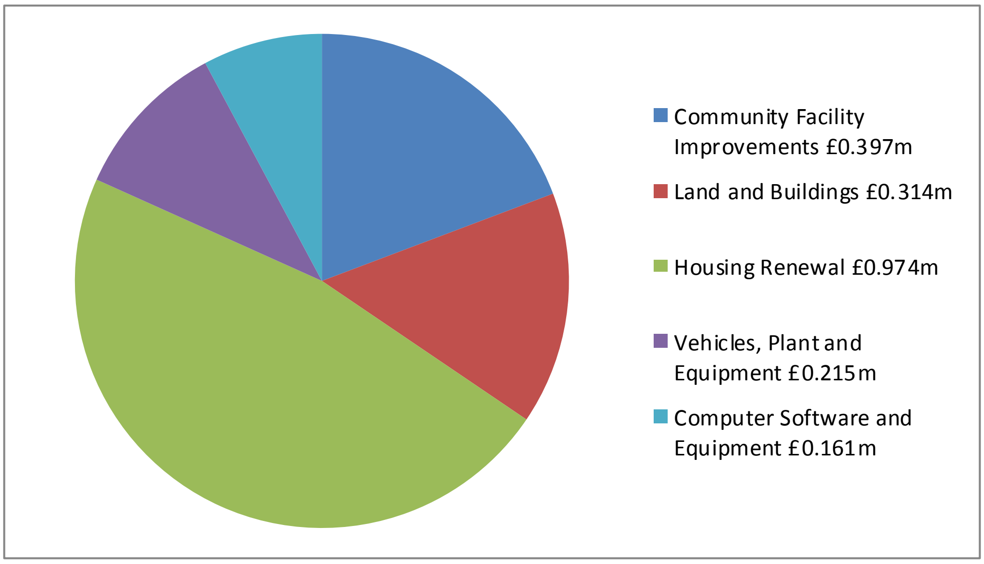
Some of the funds which the Council holds in reserves may be used to finance capital expenditure. Specific reserves which can be used for this purpose are the New Initiatives, and ICT Development Funds and the New Homes Bonus Reserve. In addition the Contingency Reserve may be used to meet capital costs. The balances on the Council's reserves are shown in note 2.3.7 (page 32) to the accounts. A small amount of capital expenditure may be financed directly from the General Fund Revenue Account.

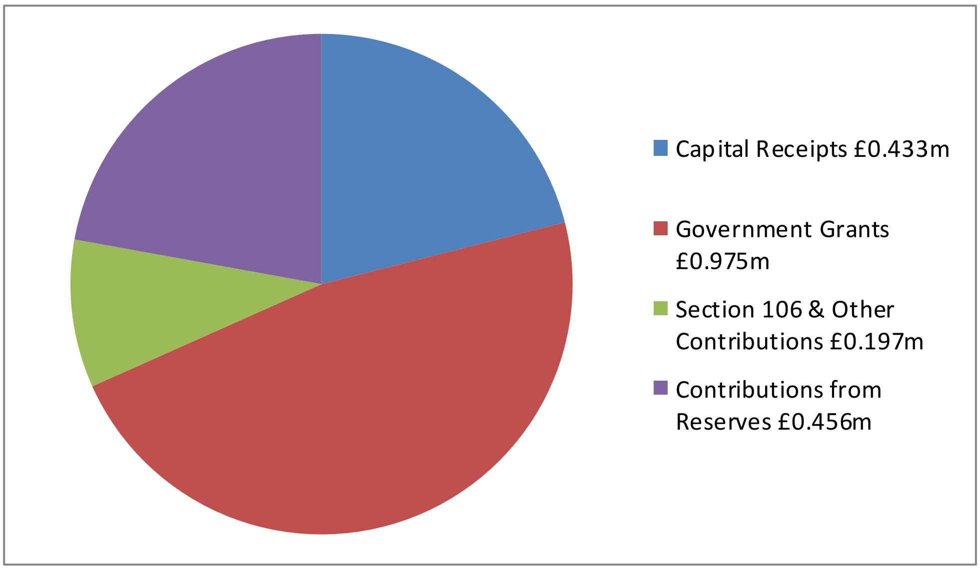
Borrowing is another means that can be used to finance capital expenditure. This is not presently employed by the Council and it currently has no long term debt. Whether it is employed in the future will depend upon its cost relative to other means of capital financing and the availability (or lack of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

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

In 2014/15 it was planned to spend £4.067m, including expenditure on projects brought forward from 2013/14 where under spending had occurred in that year. In fact £2.061m was spent, leaving most of the balance to be carried forward to 2015/16. The shortfall in spending occurred because some projects were unable to be commenced or completed in 2014/15, for example; vehicles scheduled for replacement have been kept in use for as long as they are capable of being operated economically; the results of consultation regarding the replacement/repair of play equipment are awaited; external funding has yet to be confirmed or received (Madeley Extracare contribution, Pooldam Marshes nature reserve); further work that is dependent upon the completion of works by other parties (Lowlands Road); and, the finalisation of scheme design and costs/contributions (Clayton Sports Centre, Brampton Park).

The charts below show the areas of capital investment in 2014/15 followed by the means employed to fund that investment.





i) Financial Prospects

Revenue

The Council is committed to the delivery of 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 2015/16 to 2019/20.

The forecast shortfall for 2015/16 was £2.15m. On 25 February 2015 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. 2014/15 saw a continuing significant reduction in central government support by way of the formula grant which is repeated in 2015/16 (a reduction of some £1.1m (15.6%) from the 2014/15 level). The government has given limited information about the amounts of funding for subsequent years but indications are that further reductions will continue to be made in this support for some time.

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

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

Capital

The capital programme approved on 26 February 2015 provided for total capital spending of £9.390m 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 will be reduced to seriously low levels unless significant sales of assets are completed. 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 may, 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 determined that its capital investment needs will be met as a first resort from receipts from asset sales rather than through borrowing. Already, a number of sites in its ownership have been approved for sale and these are being actively marketed with a view to achieving disposal and consequent capital receipts in 2015/16 and 2016/17. Further proposed sites for sale will be considered by the Council in order to maintain a flow of capital receipts to sustain a capital programme to at least cover these essential investments.

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. An "Assets Review Group" reviews the state of the Council's assets and the need for investment to keep them fit for continuing use and compiles the draft capital investment programme for submission to Cabinet for approval.

Reserves

The Council holds a number of reserves which have been established either to meet specific categories of expenditure or are of a general nature. These reserves are listed in note 2.3.7 (page 31) to the accounts. Some of the reserves may be used to finance both capital and revenue expenditure. The levels of reserves are kept under review to determine their adequacy to meet the Council's spending commitments and future plans. A review of their adequacy will be an important consideration when preparing the 2016/17 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 2015 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) Assets and Liabilities Acquired

There have been no significant assets or liabilities acquired during 2014/15.

k) Pensions Scheme Liability

The Liability relating to Defined Benefit Pension Schemes increased from £70.171m to £74.019m. This increase varies from the increase in the Pensions Reserve balance as a result of the prepayment (in return for a significant discount) of pensions contributions for 2015/16 and 2016/17, further details of the prepayment are included in note 3.4. 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.

l) Specific Events in 2015/16

There are no significant finance-related legislative changes which will affect the Council in 2015/16 apart from a change in the method of funding of disabled facilities grants (DFGs). Hitherto these have been partially funded by government grant payable directly to the Council but this will change from 2015/16 whereby funding will be from the newly established Staffordshire Better Care Fund. Funding will be from an overall pot held by the Fund which is available to fund a wide variety of health related functions of which DFGs are only one element in competition with the others. For 2015/16 £0.654m will be received from the Fund, which is in line with previous levels. However, it will be up to the Fund to determine how much will be made available for DFGs and it remains to be seen whether the Council will continue in future years to receive funding at similar levels to those experienced previously.

A developer has now been selected 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 former municipal golf course situated at Keele Road has now been closed The Council is to embark upon a “master-planning” exercise in order to determine the most appropriate long term strategic solution for this land and other sites in the western and southern fringes of urban Newcastle, working with other strategic landowners in the locality and taking into account the current local plan process, with a budget of £0.139m being allocated in 2015/16 for carrying out the process.

Work will take place in 2015/16 to prepare for the new waste recycling service approved by Cabinet on 23 July 2014, whereby this will transfer from an external contractor to in house provision and by introducing new ways of working will provide significant long term savings to the revenue budget. Whilst the restyled service will commence in 2016/17 much of the capital investment of around £2.000m in new vehicles and equipment and alterations to facilities at the Knutton Lane depot will take place in 2016/17.

m) Audit of the Accounts

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

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

n) 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

o) 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

p) 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 at the meeting, which is shown below.

The Statement of Accounts was approved at a meeting of the Audit and Risk Committee on 28 September 2015

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 2015.

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 2015 and its income and expenditure for the year ended 31 March 2015.

Kelvin Turner

Executive Director - Resources and Support Services

Date:

Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. 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 2013 Brought Forward	(1,200)	(2,495)	(2,702)	(1,296)	(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 2.1.1)	(5,376)	-	(693)	143	(5,926)	5,926	-
Net Increase/Decrease Before Transfers to Earmarked Reserves	(1,525)	-	(693)	143	(2,075)	8,818	6,743
Transfers to/from Earmarked Reserves	1,525	(870)	-	-	655	(655)	-
Increase/Decrease in Year	**-**	**(870)**	**(693)**	**143**	**(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)

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2014 Brought Forward	(1,200)	(3,365)	(3,395)	(1,153)	(9,113)	9,068	(45)
Movement in Reserves during 2014/15							
Surplus/(Deficit) on Provision of Services	2,773	-	-	-	2,773	-	2,773
Other Comprehensive Income & Expenditure	-	-	-	-	-	3,854	3,854
Total Comprehensive Income & Expenditure	**2,773**	**-**	**-**	**-**	**2,773**	**3,854**	**6,627**
Adjustments Between Accounting & Funding Basis (Note 2.1.1)	(2,948)	-	(2,970)	285	(5,633)	5,633	-
Net Increase/Decrease Before Transfers to Earmarked Reserves	(175)	-	(2,970)	285	(2,860)	9,487	6,627
Transfers to/from Earmarked Reserves (Note 2.1.2)	175	281	-	-	456	(456)	-
Increase/Decrease in Year	**-**	**281**	**(2,970)**	**285**	**(2,404)**	**9,031**	**6,627**
Balance at 31 March 2015 Carried Forward	(1,200)	(3,084)	(6,365)	(868)	(11,517)	18,099	6,582

Comprehensive Income and Expenditure Statement

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

2013/14 Gross Expenditure	2013/14 Gross Income	2013/14 Net Expenditure		2014/15 Gross Expenditure	2014/15 Gross Income	2014/15 Net Expenditure
£000	**£000**	**£000**		**£000**	**£000**	**£000**
2,480	1,296	1,184	Central Services to the Public	2,315	1,349	966
7,896	2,728	5,168	Cultural & Related Services	7,112	2,257	4,855
11,288	3,886	7,402	Environmental & Regulatory Services	10,608	3,971	6,637
2,829	783	2,046	Planning Services	2,812	824	1,988
2,000	1,526	474	Highways & Transport Services	1,334	1,518	(184)
33,458	31,619	1,839	Housing Services	32,445	31,095	1,350
2,261	18	2,243	Corporate & Democratic Core	2,106	92	2,014
176	-	176	Non-Distributed Costs	86	-	86
62,388	**41,856**	**20,532**	**Cost of Services**	**58,818**	**41,106**	**17,712**
312	1,192	(880)	Other Operating Expenditure (Note 2.2.1)	297	362	(65)
3,228	1,869	1,359	Financing & Investment Income/Expenditure (Note 2.2.2)	2,017	1,248	769
-	17,160	(17,160)	Taxation & Non-Specific Grant Income (Note 2.2.3)	-	15,643	(15,643)
		3,851	**(Surplus)/Deficit on Provision of Services**			**2,773**
		(1,177)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets			(201)
		4,069	Remeasurement of the Net Defined Benefit Liability/Asset			4,055
		2,892	**Other Comprehensive Income & Expenditure**			**3,854**
		6,743	**Total Comprehensive Income & Expenditure**			**6,627**

Balance Sheet

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

31/03/2014			**Note**	**31/03/2015**	
£000	**£000**			**£000**	**£000**
	42,003	Property, Plant & Equipment	2.3.1		40,755
	1,394	Surplus Assets	2.3.1		1,025
	14,365	Investment Property	2.3.2		14,218
	1,429	Heritage Assets	2.3.3		1,429
	233	Intangible Assets			217
	1,923	Long Term Debtors	2.3.4		676
	61,347	**Long Term Assets**			**58,320**
	3,558	Short Term Investments	3.7.1		8,808
	88	Inventories			162
	13,752	Short Term Debtors	2.3.4		10,688
	259	Cash and Cash Equivalents			319
	17,657	**Current Assets**			**19,977**
	(7,288)	Short Term Creditors	2.3.5		(9,200)
	(24)	Short Term Borrowing	3.7.1		(36)
	(211)	Deposits			(196)
	(7,523)	**Current Liabilities**			**(9,432)**
	(636)	Provisions	2.3.6		(799)
(70,171)		Net Pensions Liability	3.4	(74,019)	
(297)		Deferred Liabilities		(155)	
	(70,468)				(74,174)
	(332)	Capital Grants Receipts in Advance			(474)
	(71,436)	**Long Term Liabilities**			**(75,447)**
	45	**Net Assets**			**(6,582)**
		Usable Reserves	2.3.7		
1,200		General Fund Balance		1,200	
3,365		Other Usable Reserves		3,084	
3,395		Capital Receipts Reserve		6,365	
1,153		Capital Grants Unapplied Account		868	
	9,113	Total Usable Reserves			**11,517**
		Unusable Reserves	2.3.8		
14,257		Revaluation Reserve		14,458	
45,838		Capital Adjustment Account		43,916	
1,869		Deferred Capital Receipts Reserve		690	
(70,171)		Pensions Reserve		(76,309)	
(670)		Collection Fund Adjustment Account		(666)	
(191)		Accumulated Absences Account		(188)	
	(9,068)	**Total Unusable Reserves**			**(18,099)**
	45	**Total Reserves**			**(6,582)**

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.

2013/14 £000		2014/15 £000	Note
3,851	Net (Surplus)/Deficit on the Provision of Services	2,773	
(3,924)	Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	(10,353)	2.4.1
1,296	Adjustments re. items in the Net Surplus/Deficit on the Provision of Services that are Investing/Financing Activities	3,075	2.4.1
1,223	Net Cash Flows from Operating Activities	(4,505)	
(1,605)	Investing Activities	2,840	2.4.3
351	Financing Activities	1,605	2.4.4
(31)	Net Increase or Decrease in Cash/Cash Equivalents	(60)	
(228)	Cash/Cash Equivalents brought forward	(259)	
(259)	**Cash/Cash Equivalents carried forward**	**(319)**	

Notes to the Financial Statements

These Notes are set out in the following Sections:

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

1.Technical Issues

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

The Financial Statements and the financial records maintained by the Council must be prepared and maintained in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Best Value Code of Practice 2014/15 supported by International Financial Reporting Standards (IFRS).

Detailed information relating to the Accounting Policies employed and other technical accounting issues are set out on page 54, as follows:

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

2. Further Analysis of Items Contained in the Financial Statements

2.1 In Relation to the Movement in Reserves Statement

2.1.1 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2014/15	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account:				
Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement:				
Charges for Depreciation & Impairment of Non-Current Assets	(2,594)	-	-	2,594
Revaluation Losses on Property, Plant & Equipment	(98)	-	-	98
Movements in Market Value of Investment Properties	1,565	-	-	(1,565)
Amortisation of Intangible Assets	(106)	-	-	106
Capital Grants & Contributions Applied	128	-	-	(128)
Amounts of Non-Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(2,933)	-	-	2,933
Capital Element of Finance Leases Where Council is the Lessor	(50)	-	-	50
Insertion of Items Not Debited or Credited to the Comprehensive Income & Expenditure Statement				
Statutory Provision for the Financing of Capital Investment	143	-	-	(143)
Adjustments Primarily Involving the Capital Grants Unapplied Account:				
Capital Grants & Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	(220)	-	220	-
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	-	-	65	(65)
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	3,295	(3,295)	-	-
Use of the Capital Receipts Reserve to Finance Capital Expenditure	-	434	-	(434)
Contribution From the Capital Receipts Reserve to Finance Payments to the Government Capital Receipts Pool	(2)	2	-	-
Transfer from Deferred Capital Receipts Reserve on Receipt of Cash	-	(24)	-	24
Principal Repayments re Long Term Debtor (Loan)	-	(87)	-	87
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(5,096)	-	-	5,096
Employers pension contributions and direct payments to pensioners payable in the year	3,013	-	-	(3,013)
Adjustments Primarily Involving the Collection Fund Adjustment Account:				
Amount by Which Council Tax & Non-Domestic Rating Income Credited to the Comprehensive Income & Expenditure Statement Differs From Council Tax & Non-Domestic Rating Income Calculated for the Year in Accordance With Statutory Requirements	4	-	-	(4)
Adjustments Primarily Involving the Accumulated Absences Account:				
Amount by Which Officer Remuneration Charged to the Comprehensive Income & Expenditure Statement on an Accruals Basis Differs from Remuneration Chargeable in the Year in Accordance With Statutory Requirements	3	-	-	(3)
Total Adjustments	**(2,948)**	**(2,970)**	**285**	**5,633**

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	(5,226)	-	-	5,226
Employers pension contributions and direct payments to pensioners payable in the year	2,647			(2,647)
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**

2.1.2 Transfers to/from Earmarked Reserves

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

2014/15	Transfers Out £000	Transfers In £000	Net Movement £000
Contingency Reserve Fund	15	-	15
Budget Support Fund	77	(41)	36
Conservation & Heritage Fund	25	-	25
ICT Development Fund	28	(70)	(42)
Equipment Replacement Fund	588	(614)	(26)
Insurance Fund	215	-	215
Museum Purchases Fund	-	(2)	(2)
Maintenance Contributions	17	(15)	2
Mayors Charities Reserve	-	-	-
New Initiatives Fund	18	-	18
Standards Fund	9	-	9
Renewals & Repairs Fund	412	(360)	52
New Homes Bonus Reserve	18	-	18
Revenue Investment Fund	77	(100)	(23)
Business Rates Reserve	332	(454)	(122)
Total	**1,831**	**(1,656)**	**175**

Details of all transfers to/from reserves, both usable and unusable, are shown in notes 2.3.7 and 2.3.8, together with a note of the nature and purpose of each reserve.

2.2 In Relation to the Comprehensive Income and Expenditure Statement

2.2.1 Other Operating Expenditure

2013/14 £000		2014/15 £000
293	Parish Precepts	293
2	Payments to the Housing Capital Receipts Pool	2
(228)	(Gains)/Losses on Disposal of Non-Current Assets	85
(947)	Capital Income not Arising from Asset Sales	(445)
(880)	**Total**	**(65)**

2.2.2 Financing and Investment Income and Expenditure

2013/14 £000	2013/14 £000		2014/15 £000	2014/15 £000
	37	Interest Payable & Similar Charges		24
	2,851	Net Interest on the "Net Defined Benefit Liability (Asset)"		2,814
	(377)	Interest Receivable & Similar Income		(169)
(1,644)		Investment Properties - Rental Income	(1,079)	
(496)		Investment Properties - Revaluations	(1,565)	
988	(1,152)	Investment Properties - Expenses	744	(1,900)
	1,359	**Total**		**769**

2.2.3 Taxation and Non Specific Grant Income

2013/14 £000		2014/15 £000
(6,516)	Council Tax Income	(6,585)
(3,904)	Non Domestic Rates Income & Expenditure	(3,884)
(5,979)	Non-Ringfenced Government Grants	(5,016)
(761)	Capital Grants & Contributions	(158)
(17,160)	**Total**	**(15,643)**

2.2.4 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:

2013/14 £000		2014/15 £000
72	Services in Accordance with Section 5 of the Audit Commission Act 1998	67
11	Fees for Grant Certification Under Section 28 of the Audit Commission Act 1998	8
83		**75**

The agreed fees for external audit and statutory inspection services in 2014/15 were £81,616. This differs from the amount stated above due to a rebate from the Audit Commission of £6,204.

2.2.5 Members' Allowances

In 2014/15 a total of £324,709 was paid to members (including the Mayor and Deputy Mayor) in respect of allowances (£328,545 in 2013/14).

2.2.6 Termination Benefits

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £8,216 (£20,462 in 2013/14). The termination benefits consisted of £2,200 loss of office and £6,016 long service awards.

2.2.7 Officers' Remuneration

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

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

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

* 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.

5 other Council employees received between £50,000 and £55,000 remuneration during 2014/15 (excluding employer's pension contributions), (compared to 7 employees in 2013/14).

2.2.8 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14 £000		2014/15 £000
	Credited to Taxation/Non Specific Grant Income	
(25)	Lottery Fund Contribution	-
786	Planning Obligations Contributions	158
19	Other Government Grants	34
242	Council Tax Freeze Grant	311
949	Council Tax Support Grant (merged with Revenue Support Grant)	-
411	Section 31/Business Rates Relief Grant	733
959	New Homes Bonus Scheme	1,116
127	Local Services Support Grant	125
4,156	Revenue Support Grant	3,551
7,624	**Total**	**6,028**
	Credited to Services	
29,784	Housing Subsidy - Rent Allowance	28,997
792	Housing Subsidy - Housing Benefit Administration	699
519	Disabled Facilities Grant	536
72	New Burdens - Council Tax Reform	48
44	Fuel Poverty Fund Grant	-
125	Discretionary Housing Grant	151
83	Other Grants	178
71	Contributions towards Community Safety Service	141
11	Other Contributions	21
31,501	**Total**	**30,771**

2.3 In Relation to the Balance Sheet

2.3.1 Property Plant and Equipment

Movements on Balances

2014/15	**Land & Buildings**	**Infrastructure Assets**	**Vehicles, Plant, Furniture & Equipment**	**Community Assets**	**Surplus Assets**	**Total Property, Plant & Equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation						
At 1 April 2014	30,859	1,337	13,329	6,840	1,394	53,759
Additions	593	-	860	108	-	1,561
Deletions	-	-	-	-	-	-
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	(9)	-	(7)	-	(369)	(385)
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(761)	-	-	(103)	-	(864)
Derecognition - Disposals	-	-	(338)	-	-	(338)
Transfers Between Asset Categories	-	-	-	29	-	29
Other Movements in Cost or Valuation	-	-	-	-	-	-
At 31 March 2015	**30,682**	**1,337**	**13,844**	**6,874**	**1,025**	**53,762**
Accumulated Depreciation & Impairment						
At 1 April 2014	(1,698)	(371)	(7,554)	(739)	-	(10,362)
Depreciation Charge	(677)	(25)	(1,085)	(132)	-	(1,919)
Derecognition - Disposals	-	-	188	-	-	188
Derecognition - Other	111	-	-	-	-	111
At 31 March 2015	**(2,264)**	**(396)**	**(8,451)**	**(871)**	**-**	**(11,982)**
Net Book Value						
As at 31 March 2014	29,161	966	5,775	6,101	1,394	43,397
As at 31 March 2015	28,418	941	5,393	6,003	1,025	41,780

2013/14	Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2013	33,175	1,340	12,862	6,236	1,394	55,007
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	**30,859**	**1,337**	**13,329**	**6,840**	**1,394**	**53,759**
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	31,187	995	5,490	5,627	1,394	44,693
As at 31 March 2014	29,161	966	5,775	6,101	1,394	43,397

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 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £0.088m. Similar commitments at 31 March 2014 were £0.413m. The major commitment is:

- £88,261 relating to Landscaping works at Lowlands Road.

Asset Classes

For the purposes of valuation assets are grouped into classes. Assets within a class are all valued at the same time. The table below shows the different classes with the total valuation of assets within each as at 31 March 2015 and for the prior period.

31/03/2014 £'000		31/03/2015 £'000
1,394	Surplus Assets	1,025
	Land and Buildings	
2,742	Community Centres	2,742
7,022	Car Parks Charging	7,020
1,633	Car Parks Non-charging	1,633
1,500	Depot	1,500
3,937	Offices	3,937
380	Guildhall	380
294	Bus Station	294
1,341	Cemeteries	1,248
473	Crematorium	473
9,057	Leisure Centres	9,057
1,521	Parks and Sports Grounds	1,521
520	Museum	520
192	Public Toilets	113
247	Other Land and Buildings	245
1,337	Infrastructure Assets	1,337
13,329	Vehicles, Plant, Furniture and Equipment	13,843
	Community Assets	
224	Development Sites	564
6,616	Other	6,310
53,759	**Total**	**53,762**

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 £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Infrastructure Assets £000	Surplus Assets £000	Total £000
Carried at Historical Cost	9	11,476	6,293	1,337	-	19,115
Valued at Fair Value at:						-
31 March 2011	6,190	1,486	17	-	-	7,693
31 March 2012	13,112	420	3	-	-	13,535
31 March 2013	4,002	462	561	-	-	5,025
31 March 2014	6,141	-	-	-	500	6,641
31 March 2015	1,228	-	-	-	525	1,753
Total Cost or Valuation	**30,682**	**13,844**	**6,874**	**1,337**	**1,025**	**53,762**

2.3.2 Investment Properties

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

2013/14 £000		2014/15 £000
13,916	Balance at 1 April 2014	14,365
	Additions:	
-	Purchases	-
15	Subsequent Expenditure	5
(50)	Disposals	(2,788)
481	Net Gains/(Losses) From Fair Value Adjustments	1,560
-	Termination of Finance Leases	1,105
	Transfers:	-
3	(To)/From Property, Plant & Equipment	(29)
14,365	**Balance at 31 March 2015**	**14,218**

2.3.3 Heritage Assets

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

The Council's collection of museum artefacts is reported in the Balance Sheet at insurance valuation, which is based on market values as assessed by an external valuer in October 2006. It is intended to update the valuations by means of a peer review undertaken by another local authority.

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 2014/15 and the previous year.

Movements	**£000**
Cost or Valuation	
At 1 April 2013	1,429
Revaluations	-
Impairment Losses/(Reversals) Recognised in the Surplus/Deficit on the Provision of Services	-
At 31 March 2014	**1,429**
Cost or Valuation	
At 1 April 2014	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 2015	**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.

2.3.4 Debtors

Long Term Debtors

31/03/2014 £000		31/03/2015 £000
1,438	Finance Lease Balances Outstanding	283
87	Loan to Kidsgrove Town Council	-
4	Right to Buy Mortgages	1
394	Kickstart Loans (re home improvements)	392
1,923	**Total**	**676**

Short Term Debtors

31/03/2014 £000		31/03/2015 £000
5,803	Central Government Bodies	2,660
2,034	Other Local Authorities	1,486
46	NHS Bodies	68
-	Public Corporations & Trading Funds	-
5,869	Other Entities & Individuals	6,474
13,752	**Total**	**10,688**

2.3.5 Creditors

31/03/2014 £000		31/03/2015 £000
2,857	Central Government Bodies	4,525
1,611	Other Local Authorities	1,515
4	NHS Bodies	-
157	Public Corporations & Trading Funds	57
2,659	Other Entities & Individuals	3,103
7,288	**Total**	**9,200**

2.3.6 Provisions

	NNDR Appeals Provision	Insurance Claims Provision	Employee Benefits	Land Charges	MMI Provision	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	208	103	178	-	180	669
Additional Provisions Made	-	-	192	82	-	274
Amounts Used	-	(28)	(178)	-	(101)	(307)
Unused Amounts Reversed	-	-	-	-	-	-
Balance at 1 April 2014	208	75	192	82	79	636
Additional Provisions Made	346	56	188	-	-	590
Amounts Used	(208)	(27)	(192)	-	-	(427)
Unused Amounts Reversed	-	-	-	-	-	-
Balance at 31 March 2015	**346**	**104**	**188**	**82**	**79**	**799**

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

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

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

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”.

2.3.7 Usable Reserves

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

	At 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	At 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	At 31 March 2015 £000
Capital:							
Capital Receipts Reserve	2,702	(827)	1,520	3,395	(456)	3,426	6,365
Capital Grants Unapplied	1,296	(1,141)	998	1,153	(460)	175	868
Both Revenue and Capital:							
Equipment Replacement Fund	277	(78)	150	350	(588)	614	376
Renewals & Repairs Fund	46	(451)	460	55	(412)	360	3
ICT Development Fund	509	(223)	35	321	(138)	70	253
New Homes Bonus Reserve	491	(1,404)	931	18	(363)	345	-
New Initiatives Fund	97	(22)	-	75	(18)	-	57
Revenue:							
General Fund Balance	1,200	-	-	1,200	-	-	1,200
Insurance Fund	158	(441)	498	215	(215)	-	-
Contingency Reserve Fund	102	(283)	472	291	(15)	-	276
Budget Support Fund	426	(100)	7	333	(77)	41	297
Conservation and Heritage Fund	64	(16)	14	62	(25)	-	37
Museum Purchases Fund	66	(2)	2	66	-	2	68
Maintenance Contributions	83	(49)	44	78	(17)	15	76
Mayors Charities Reserve	11	(15)	16	12	-	-	12
RENEW Reserve	122	(122)	-	-	-	-	-
Standards Fund	15	-	-	15	(9)	-	6
Deposit Guarantee Scheme Reserve	28	-	4	32	-	4	36
Revenue Investment Fund	-	(11)	100	89	(77)	100	112
Business Rates Reserve	-	(82)	1,435	1,353	(332)	454	1,475
Total	**7,693**	**(5,267)**	**6,686**	**9,113**	**(3,202)**	**5,606**	**11,517**

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

- The Capital Receipts Reserve contains the balance of unapplied capital receipts arising from the disposal of fixed assets.
- The Capital Grants Unapplied Reserve contains the balance of unused grants and contributions which are available for use, i.e. they either have no conditions attached to them or any conditions have been met;
- The Equipment Replacement Fund is maintained to provide for the replacement of certain items of equipment, such as the crematorium cremators and printing equipment;
- The Renewals and Repairs Fund is maintained for the repair and maintenance of Council-owned buildings, structures and fixed plant. It is funded through a contribution from the General Fund revenue account, based on the estimated frequency and amount of future expenditure on repairs and maintenance for each building or structure, or item of fixed plant.
- The ICT Development Fund is to be used to meet the costs of new IT requirements and the replacement of IT equipment;
- The New Homes Bonus Reserve was created to hold unused balances in relation to New Homes Bonus grant.
- The New Initiatives Fund was established to fund new initiatives, both capital and revenue, not currently provided for in the Council's budgets;
- The General Fund Balance exists to meet the cost of any unexpected adverse occurrences affecting the General Fund revenue budget or any of the occurrences materialising which are identified in the risk assessment relating to that budget;
- The Insurance Fund was used to meet the cost of the insurance cover required by the Council and any

excesses for which the Council is liable. For future years this will be accounted for via the general 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. £76,000 has been allocated to be used to fund the production of the local plan;
- The Budget Support Fund was created by crediting to it surpluses arising on the General Fund Revenue Account. It is to be used to support the revenue budget and the "Invest to Save" initiatives. It is also used to enable budget provision to be carried forward to future years by appropriating to it unspent balances where a commitment exists;
- The Conservation and Heritage Fund exists to provide grants to the owners of buildings of historical significance to enable them to be maintained in a state of good repair;
- The Museum Purchases Fund was established by a small bequest which has been added to by contributions from revenue account and proceeds from the sale of exhibits surplus to requirements. It is to be used to purchase exhibits for the museum and to conserve and enhance the display of existing exhibits;
- Maintenance Contributions are received from developers of housing and other schemes and are to be used to fund the maintenance of open spaces taken over from those developers;
- The Mayors Charities Reserve represents the balance on the Mayors Charities activity;
- The 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 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.

2.3.8 Unusable Reserves

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

	At 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	At 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	At 31 March 2015 £000
Capital:							
Revaluation Reserve	13,080	(467)	1,644	14,257	(676)	877	14,458
Capital Adjustment Account	47,721	(5,324)	3,441	45,838	(6,437)	4,515	43,916
Deferred Capital Receipts Reserve	1,981	(112)	-	1,869	(1,179)	-	690
Revenue:							
Pensions Reserve	(63,523)	(10,140)	3,492	(70,171)	(18,703)	12,565	(76,309)
Collection Fund Adjustment	14	(832)	148	(670)	(17)	21	(666)
Accumulated Absences Account	(178)	(191)	178	(191)	(188)	191	(188)
Total	**(905)**	**(17,066)**	**8,903**	**(9,068)**	**(27,200)**	**18,169**	**(18,099)**

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 2.1.1 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.

2.4 In Relation to the Cash Flow Statement

2.4.1 Cash Flow Statement – Analysis of Adjustments

2013/14 £000		2014/15 £000
(315)	(Increase)/Decrease In Creditors	(1,714)
-	(Increase)/Decrease in Deposits	15
2,442	Increase/(Decrease) in Debtors	(2,393)
51	Increase/(Decrease) in Inventories	73
33	(Increase)/Decrease in Provisions	(163)
(2,490)	Charges for Depreciation & Impairment of Non-Current Assets	(2,594)
(2,045)	Revaluation Losses on Property, Plant & Equipment	(98)
495	Movements in Market value of Investment Properties	1,565
(84)	Amortisation of Intangible Assets	(106)
818	Capital Grants & Contributions applied	128
(72)	Capital Element of Finance Leases Where Council is Lessor	(50)
(2,579)	Reversal of Items re. Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(2,083)
(178)	Amounts of Non-Current Assets Written Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(2,933)
(3,924)		**(10,353)**

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

2013/14 £000		2014/15 £000
(57)	Capital Grants & Contributions Unapplied Credited to Comprehensive Income & Expenditure Statement	(220)
1,353	Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	3,295
1,296		**3,075**

2.4.2 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2013/14 £000		2014/15 £000
(277)	Interest Received	(169)
37	Interest Paid	24

2.4.3 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2013/14 £000		2014/15 £000
2,212	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	1,312
123,719	Purchase of Short & Long Term Investments	135,445
(1,089)	Proceeds from Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(3,712)
(125,330)	Proceeds from Short & Long Term Investments	(130,195)
(1,117)	Other Receipts From Investing Activities	(10)
(1,605)	**Net Cash Flows from Investing Activities**	**2,840**

2.4.4 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2013/14 £000		2014/15 £000
(7,250)	Cash Receipts of Short & Long Term Borrowing	(11)
(273)	Other Receipts from Financing Activities	(817)
163	Cash Payments for Liabilities re. Finance Leases	143
7,250	Repayments of Short & Long Term Borrowing	-
461	Other Payments for Financing Activities	2,290
351	**Net Cash Flows from Financing Activities**	**1,605**

3. Additional Information Supplementing the Core Financial Statements

3.1 Capital Expenditure and Capital Financing

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

2013/14 £000		2014/15 £000
(197)	**Opening Capital Financing Requirement**	**(360)**
	Capital Investment	
2,178	Property, Plant & Equipment	988
15	Investment Properties	5
150	Intangible Assets	89
940	REFCUS	979
	Sources of Finance	
(782)	Capital Receipts	(433)
(1,503)	Government Grants & Other Contributions	(1,172)
(998)	Sums Set Aside From Revenue	(456)
(163)	Minimum Revenue Provision	(143)
(360)	***Closing Capital Financing Requirement***	**(503)**
	Explanation of Movements in Year	
-	Assets Acquired Under Finance Leases	-
(163)	Minimum Revenue Provision	(143)
(163)	**Increase/(Decrease) in Capital Financing Requirement**	**(143)**

3.2 Impairment Losses

During 2014/15 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 2014/15 was £0.675m (2013/14 £0.659m). The whole of the impairment loss is reversed out via the Movement in Reserves Statement in accordance with statutory provisions so that it is not a charge against council tax.

3.3 Related Parties

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

Central Government

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 2.2.8.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid in 2014/15 is shown in note 2.2.5. During 2014/15, expenditure transactions with Keele University totalled £12,115. One member is employed by Keele University as a lecturer.

Officers

Payments were made to two entities relating to two Council Officers totalling £14,146. Officers had no direct involvement in procuring the services concerned.

3.4 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in:

- The Local Government Pension Scheme (LGPS), administered locally by Staffordshire County Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;

- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due;

- The Staffordshire Pension Scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Pensions Committee of Staffordshire County Council. Policy is determined in accordance with the Pension Fund Regulations;

- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

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

In order to account for this transaction, the prepayment must be charged directly to the Pensions Liability, without any corresponding equal and opposite transaction in the Pensions Reserve. As a result of this the balance of the Pensions Liability is shown as being £2.290m different than the balance of the Pension Reserve.

In 2015/16 the prepayment relating to that year will be transferred to the general fund revenue account via a transfer from the Pensions Reserve with a similar transaction in 2016/17. After these transactions have occurred, the two accounts will once more be mirror images of each other.

Transactions Relating to Post-employment Benefits

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

2013/14 LGPS £000	2013/14 Discretionary Benefits £000		2014/15 LGPS £000	2014/15 Discretionary Benefits £000
		Comprehensive Income & Expenditure Statement		
		Cost of Services:		
2,708	-	Current Service Cost	2,724	-
125	-	Past Service Costs/(Gains)	23	-
-	(458)	Unfunded Benefit Contributions		(465)
		Financing and Investment Income & Expenditure	-	-
2,851	-	Net Interest Expense	2,814	-
5,684	**(458)**	**Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services**	**5,561**	**(465)**
		Remeasurement of the Net Defined Benefit Liability Comprising:		
(467)	-	Return on Plan Assets (exc Net Interest Expense)	10,359	-
(3,730)	-	Actuarial Gains & Losses Arising on Changes of Demographic Assumptions	-	-
(3,364)	-	Actuarial Gains & Losses Arising on Changes in Financial Assumptions	(15,641)	-
3,492	-	Other	1,227	-
(4,069)	**-**	*Total Post Employment Benefit Charged to Comprehensive Income & Expenditure Statement*	**(4,055)**	**-**
		Movement in Reserves Statement		
(5,684)	458	Reversal of Net Charges Made to the Surplus/Deficit on Provision of Services for Post Employment Benefits in Accordance with the Code	(5,561)	465
		Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
3,105		Employers' Contributions Payable to Scheme	3,478	-
	(458)	Retirement Benefits Payable to Pensioners	-	(465)
(2,579)	**-**		**(2,083)**	**-**

Pensions Assets and Liabilities Recognised in the Balance Sheet

2013/14 LGPS £000	2013/14 Discretionary Benefits £000		2014/15 LGPS £000	2014/15 Discretionary Benefits £000
(165,605)	-	Present Value of the Defined Benefit Obligation	(183,056)	-
95,434	-	Fair value of Plan Assets	109,037	-
(70,171)	-	Sub-Total	(74,019)	-
-	-	Other Movements in the Liability (Asset)	-	-
(70,171)	**-**	**Net Liability Arising From Defined Benefit Obligation**	**(74,019)**	**-**

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

2013/14 Funded Liabilities: LGPS £000	2013/14 Unfunded Liabilities: Discretionary Benefits £000		2014/15 Funded Liabilities: LGPS £000	2014/15 Unfunded Liabilities: Discretionary Benefits £000
159,572	(2,242)	Opening Balance	168,305	(2,700)
2,708	-	Current Service Cost	2,724	-
7,023	-	Interest Cost	6,711	-
695	-	Contributions by Scheme Participants	711	-
3,602	-	Actuarial (Gains)/Losses	14,414	-
(5,420)	(458)	Benefits Paid	(6,667)	(465)
125	-	Past Service Costs/(Gains)	23	-
168,305	**(2,700)**	**Closing Balance**	**186,221**	**(3,165)**

Local Government Pensions Scheme Assets comprised:

2013/14 Fair Value of Quoted £000	2013/14 Fair Value of Unquoted £000		2014/15 Fair Value of Quoted £000	2014/15 Fair Value of Unquoted £000
		Equities:		
7,249	-	Consumer	9,351	-
6,778	-	Manufacturing	-	-
3,994	-	Energy & Utilities	2,835	-
7,161	-	Financial	6,959	-
4,995	-	Health & Care	4,576	-
4,362	-	Information Technology	4,230	-
2,011	-	Other	8,382	-
36,550	-		36,333	-
		Bonds		
7,142	-	Corporate (Investment)	8,277	-
-	-	Corporate (Non-Investment Grade)	-	-
7,142	-		8,277	-
		Property		
-	7,011	UK	-	8,874
-	7,011		-	8,874
		Investment funds		
28,239	-	Equities	36,134	-
4,638	-	Bonds	5,829	-
-	1,808	Hedge Funds	-	2,607
-	3,006	Other	-	3,211
32,877	4,814		41,963	5,818
-	2,990	Private Equity	-	3,464
4,051	-	Cash/Cash Equivalents	4,308	-
80,620	**14,815**	**Total Assets**	**90,881**	**18,156**

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

2013/14 £000		2014/15 £000
93,807	Opening Value of Scheme Assets	95,434
	Remeasurement Gain/(Loss):	
4,172	Expected Rate of Return	3,897
(467)	Other	10,359
	Actuarial Gains/(Losses)	
2,647	Employer Contributions	5,303
695	Contributions by Scheme Participants	711
(5,420)	Benefits Paid	(6,667)
95,434	**Closing Balance at 31 March**	**109,037**

Basis for Estimating Assets and Liabilities

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

2013/14 LGPS	2013/14 Discretionary Benefits		2014/15 LGPS	2014/15 Discretionary Benefits
		Longevity at 65 for current pensioners:		
22.1		Men	22.1	
24.3		Women	24.3	
		Longevity at 65 for future pensioners:		
24.3		Men	24.3	
26.6		Women	26.6	
2.6%	2.6%	Rate of Inflation	2.1%	2.1%
4.4%		Rate of Increase in Salaries	4.0%	
2.6%	2.6%	Rate of Increase in Pensions	2.1%	2.1%
4.1%	4.1%	Rate for Discounting Scheme Liabilities	3.1%	3.1%
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 £000
1 year increase in member life expectancy	5,492
0.5% decrease in real discount rate	16,589
0.5% increase in the salary increase rate	4,971
0.5% increase in the pension increase rate	11,291

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 2016 is £3.095m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2016 are £465k.

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

3.5 Contingent Assets and Liabilities

The Council does not have any contingent assets. Contingent liabilities as at 31 March 2015 are:

(a) Municipal Mutual Insurance

In 1992/93 the Council's insurers, Municipal Mutual Insurance, ceased accepting new business. Under the Scheme of Arrangement that was established to ensure an orderly wind up of the company a levy could be made on the Council. The exact amount cannot be quantified at the current time, although the maximum is £721,000. An amount of £180,000 has been set aside as a provision for these costs, of which £101,000 was paid to the administrator in 2014/15. This leaves a maximum contingent liability of £541,000.

(b) VAT

The computation of the Council's 2014/15 position in respect of exempt category Value Added Tax has yet to be agreed with Revenue and Customs. If the 5% allowance has been exceeded, up to £150,000 in VAT may become payable.

(c) Land Sales Receipts

An agreement exists with a government department to pay to them all of the proceeds to be received in respect of the sale, when it occurs, of a development site for which the department provided development funding. Some of the proceeds have already been paid over; the remaining amount may be around £57,000.

(d) Housing Stock Transfer Warranty

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

(e) Lancaster Buildings

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

(f) Planning Costs

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

3.6 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement 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 2014/15	**Chief Executive**	**Operational Services**	**Regeneration & Development**	**Corporate Items**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, Charges & Other Service Income	(818)	(5,683)	(2,468)	(1,376)	(10,345)
Government Grants	(46)	(41)	(745)	(29,930)	(30,762)
Recharges Income (Excluding Administration)	(223)	(5,106)	(3,581)	(2,321)	(11,231)
Total Income	**(1,087)**	**(10,830)**	**(6,794)**	**(33,627)**	**(52,338)**
Employee Expenses	610	6,250	2,785	1,554	11,199
Other Service Expenses	1,210	9,426	3,237	30,158	44,031
Recharges Expenditure (Excluding Administration)	1,301	3,250	4,464	3,181	12,196
Total Expenditure	**3,121**	**18,926**	**10,486**	**34,893**	**67,426**
Net Expenditure	2,034	8,096	3,692	1,266	15,088

Directorate Income & Expenditure 2013/14	**Chief Executive**	**Operational Services**	**Regeneration & Development**	**Corporate Items**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, Charges & Other Service Income	(769)	(6,082)	(2,490)	(1,097)	(10,438)
Government Grants	-	-	(594)	(30,823)	(31,417)
Recharges Income (Excluding Administration)	(286)	(5,308)	(5,051)	(2,928)	(13,573)
Total Income	**(1,055)**	**(11,390)**	**(8,135)**	**(34,848)**	**(55,428)**
Employee Expenses	606	6,362	2,800	1,718	11,486
Other Service Expenses	1,205	10,118	2,996	31,493	45,812
Recharges Expenditure (Excluding Administration)	1,407	3,939	4,958	3,743	14,047
Total Expenditure	**3,218**	**20,419**	**10,754**	**36,954**	**71,345**
Net Expenditure	2,163	9,029	2,619	2,106	15,917

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.

2013/14 £000		2014/15 £000
15,917	Net Expenditure in the Directorate Analysis	15,088
4,615	Amounts in Comprehensive Income & Expenditure Statement Not Reported to Management	2,624
20,532	**Cost of Services in Comprehensive Income & Expenditure Statement**	**17,712**

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.

2014/15	**Directorate Analysis**	**Amounts not Reported to Management for Decision Making**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, Charges & Other Service Income	(7,267)	-	(7,267)	-	(7,267)
Interest & Investment Income	-	-	-	(169)	(169)
Income from Council Tax	-	-	-	(6,585)	(6,585)
Non Domestic Rates Income & Expenditure	-	-	-	(3,884)	(3,884)
Government Grants & Contributions	(33,840)	-	(33,840)	(5,016)	(38,856)
Investment Properties Income & Expenditure	-	-	-	(1,900)	(1,900)
Capital Income	-	-	-	(603)	(603)
Total Income	**(41,107)**	**-**	**(41,107)**	**(18,157)**	**(59,264)**
Employee Expenses	11,199	-	11,199	-	11,199
Other Service Expenses	44,031	-	44,031	-	44,031
Net Support Services Recharges	965	-	965	-	965
Depreciation, Amortisation & Impairment	-	2,624	2,624	-	2,624
Interest Payments	-	-	-	24	24
Precepts & Levies	-	-	-	293	293
Payments to Housing Capital Receipts Pool	-	-	-	2	2
Gain/Loss on Disposal of Fixed Assets	-	-	-	85	85
Pensions Interest Cost/Return on Assets	-	-	-	2,814	2,814
Total Expenditure	**56,195**	**2,624**	**58,819**	**3,218**	**62,037**
Surplus/Deficit on Provision of Services	**15,088**	**2,624**	**17,712**	**(14,939)**	**2,773**

3.7 Financial Instruments

3.7.1 Analysis and Values

Categories of Financial Instruments

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

31/03/2014 Long Term £000	31/03/2014 Current £000		31/03/2015 Long Term £000	31/03/2015 Current £000
		Investments		
-	3,558	Loans & Receivables	-	8,808
-	3,558	**Total Investments**	-	8,808
	14,029	**Debtors ***		11,364
	24	**Borrowings**		36
	7,288	**Creditors**		9,200
	259	**Cash/Cash Equivalents**		319

* Debtors include Long Term Debtors of £676k (31/03/15), £485k (31/03/14), these relate to mortgagors and finance leases.

Income, Expense, Gains and Losses:

2013/14 Financial Liabilities Measured at Amortised Cost £000	2013/14 Financial Assets: Loans & Receivables £000	2013/14 Total £000		2014/15 Financial Liabilities Measured at Amortised Cost £000	2014/15 Financial Assets: Loans & Receivables £000	2014/15 Total £000
1	-	1	Interest Expense Included in Provision of Services	-	-	-
1	-	1	Total Expense in Provision of Services	-	-	-
-	(67)	(67)	Interest Income	-	(35)	(35)
-	(6)	(6)	Interest Income re. Impaired Financial Assets	-	-	-
-	(152)	(152)	Reversed Impairment	-	-	-
-	(225)	(225)	Total Income in Provision of Services	-	(35)	(35)
1	**(225)**	**(224)**	**Net (Gain)/Loss for the Year**	**-**	**(35)**	**(35)**

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:

31/03/2014 Carrying Amount £000	31/03/2014 Fair Value £000		31/03/2015 Carrying Amount £000	31/03/2015 Fair Value £000
		Liabilities		
24	24	Financial Liabilities	36	36
7,288	7,288	Creditors	9,200	9,200
		Assets		
3,558	3,558	Loans & Receivables	8,808	8,808
14,029	14,029	Debtors *	11,364	11,364
259	259	Cash/Cash Equivalents	319	319

* Debtors include Long Term Debtors of £676k (31/03/15), £485k (31/03/14), these relate to mortgagors and finance leases.

3.7.2 Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £0.110m 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 2015 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 2015	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2015	Estimated maximum exposure to default and uncollectability at 31 March 2015	Estimated maximum exposure at 31 March 2015
	£000	**%**	**%**	**£000**	**£000**
	A	B	C	(A X C)	
Deposits with Banks/Financial Institutions	8,808	0%	1.25%	110	44
Customers (Trade Debtors)	4,192	-	15%	629	527
				739	**571**

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

The Council does not generally allow credit for customers, such that £3.2m of the £4.192m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/2014 £000		31/03/2015 £000
151	31 to 89 Days	509
134	90 to 149 Days	550
2,584	Over 150 Days	2,141
2,869		**3,200**

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:

31/03/2014 £000		31/03/2015 £000
3,558	Less Than One Year	8,808
3,558		**8,808**

Interest Rate Risk

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

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure. At 31 March 2015, if interest rates had been one per cent higher with all other variables held constant, the financial effect would be an increase of £76k.

Price Risk

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

Foreign Exchange Risk

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

3.8 Leases

Council as Lessee

Finance Leases

The Council has 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:

31/03/2014 £000		31/03/2015 £000
302	Vehicles, Plant, Furniture & Equipment	161
302		**161**

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:

31/03/2014 £000		31/03/2015 £000
	Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):	
173	Current	155
155	Non-current	-
37	Finance Costs Payable in Future Years	6
365	**Minimum Lease Payments**	**161**

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

31/03/2014			31/03/2015	
Minimum Lease Payments £000	Finance Lease Liabilities £000		Minimum Lease Payments £000	Finance Lease Liabilities £000
173	25	Not Later Than One Year	155	6
155	12	Later Than One Year and Not Later Than Five Years	-	-
-	-	Later Than Five Years	-	-
328	**37**		**155**	**6**

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:

31/03/2014 £000		31/03/2015 £000
24	Not Later Than One Year	-
-	Later Than One Year and Not Later Than Five Years	-
-	Later Than Five Years	-
24		**-**

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

2013/14 £000		2014/15 £000
24	Minimum Lease Payments	22
24		**22**

Council as Lessor

Finance Leases

The Council has leased out 6 properties on a finance lease basis, with terms remaining from 15 to 75 years.

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

31/03/2014 £000		31/03/2015 £000
	Finance Lease Debtor (Net Present Value of Minimum Lease Payments):	
222	Current	42
11,714	Non-current	241
10,498	Unearned Finance Income	602
22,434	**Gross Investment in the Lease**	**885**

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

31/03/2014			31/03/2015	
Minimum Lease Payments £000	Finance Lease Liabilities £000		Minimum Lease Payments £000	Finance Lease Liabilities £000
372	150	Not Later Than One Year	94	52
1,502	657	Later Than One Year and Not Later Than Five Years	250	154
20,560	9,691	Later Than Five Years	541	396
22,434	**10,498**		**885**	**602**

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:

31/03/2014 £000		31/03/2015 £000
677	Not Later Than One Year	877
1,268	Later Than One Year and Not Later Than Five Years	662
1,642	Later Than Five Years	1,232
3,587		**2,771**

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.

2013/14 Council Tax £'000	2013/14 Business Rates £'000	2013/14 Total £'000		2014/15 Council Tax £'000	2014/15 Business Rates £'000	2014/15 Total £'000
			Income			
(51,422)	-	(51,422)	Council Tax Payers	(52,198)	-	(52,198)
-	(33,091)	(33,091)	Business Rates Payers	-	(33,075)	(33,075)
			Transfer of Previous Years Deficit			
(4)	-	(4)	- Newcastle-under-Lyme Borough Council	-	(332)	(332)
(21)	-	(21)	- Staffordshire County Council	-	(75)	(75)
(4)	-	(4)	- Staffordshire Police Authority	-	-	-
(1)	-	(1)	- Staffordshire Fire Authority	-	(8)	(8)
-	-	-	- Central Government	-	(415)	(415)
(51,452)	**(33,091)**	**(84,543)**	**Total Income**	**(52,198)**	**(33,905)**	**(86,103)**
			Expenditure			
			Council Tax Precepts			
6,372	-	6,372	- Newcastle-under-Lyme Borough Council	6,466	-	6,466
35,297	-	35,297	- Staffordshire County Council	35,841	-	35,841
6,103	-	6,103	- Staffordshire Police Authority	6,197	-	6,197
2,324	-	2,324	- Staffordshire Fire Authority	2,360	-	2,360
			Business Rates Apportionment			
-	13,749	13,749	- Newcastle-under-Lyme Borough Council	-	13,035	13,035
-	3,093	3,093	- Staffordshire County Council	-	2,933	2,933
-	344	344	- Staffordshire Fire Authority	-	326	326
-	17,186	17,186	- Central Government	-	16,293	16,293
-	142	142	Cost of Collection	-	142	142
-	(73)	(73)	Transitional Protection	-	131	131
193	211	404	Provision for Bad Debts	366	221	587
-	520	520	Provision for Appeals	-	865	865
			Transfer of Previous Years Surplus			
-	-	-	- Newcastle-under-Lyme Borough Council	98	-	98
-	-	-	- Staffordshire County Council	567	-	567
-	-	-	- Staffordshire Police Authority	98	-	98
-	-	-	- Staffordshire Fire Authority	37	-	37
-	-	-	- Central Government	-	-	-
50,289	**35,172**	**85,461**	**Total Expenditure**	**52,030**	**33,946**	**85,976**
(1,163)	**2,081**	**918**	**Deficit/(Surplus) for the Year**	**(168)**	**41**	**(127)**
156	**-**	**156**	**Balance Brought Forward at 1 April**	**(969)**	**2,081**	**1,074**
38	**-**	**38**	**Transfer to General Fund**	**-**	**-**	**-**
(969)	**2,081**	**1,074**	**Balance Carried Forward at 31 March**	**(1,137)**	**2,122**	**947**
			Allocation of Collection Fund Balance			
(123)	832	709	- Newcastle-under-Lyme Borough Council	(145)	849	704
(683)	188	(495)	- Staffordshire County Council	(801)	191	(610)
(45)	21	(24)	- Staffordshire Fire Authority	(53)	21	(32)
-	1,040	1,040	- Central Government	-	1,061	1,061
(118)	-	(118)	- Staffordshire Police Authority	(138)	-	(138)
(969)	**2,081**	**1,112**		**(1,137)**	**2,122**	**985**

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 2014/15 was 48.2p, with a reduction for "small businesses" to 47.1p on application (47.1p in 2013/14 - "small business" reduction, 46.2p).

	2013/14 £	2014/15 £
Non Domestic Rateable Value at year-end	85,543,817	85,391,982

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 a central pool, local authorities retain a proportion of the total collectable rates due. In the case of Newcastle-under-Lyme the local share is 40%. The remainder is distributed to preceptors, these are Central Government (50%), Staffordshire County Council (9%) and Stoke-on-Trent and Staffordshire Fire Authority (1%).

The business rates shares payable for 2014/15 were estimated, via the NNDR1 return, before the start of the financial year as £16.293m to Central Government, £2.933m to Staffordshire County Council, £0.326m to Stoke-on-Trent and Staffordshire Fire Authority and £13.035m to Newcastle-under-Lyme Borough Council.

The total of these sums (£32.587m) has been paid in 2014/15 and charged to the collection fund in year. The actual business rates payable for 2014/15, 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 £31.716m.

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 (£32.587m) and the actual business rates payable per the NNDR3 return (£31.716m) is £0.871m - a deficit to the collection fund for 2014/15.

In addition to the business rates shares payable for 2014/15, the estimated 2013/14 deficit declared in January 2014 regarding NNDR of £0.830m was repaid into the collection fund by Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire Authority.

The actual 2013/14 deficit was calculated to be £2.081m, therefore there was a shortfall of £1.251m in the collection of this deficit in 2014/15 which will need to be recouped, along with the estimated 2014/15 deficit declared in January 2015, from Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire Authority during 2015/16. Taking into account the remaining 2013/14 deficit and the 2014/15 deficit, the NNDR collection fund has a deficit of £2.122m as at 31 March 2015.

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 2014/15 to the value of £9.329m.

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 2014/15 was £1,449.43 compared with £1,449.43 in 2013/14. 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 2014/15 was 34,890 (34,361 in 2013/14).

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 2014/15 was derived as follows:

Band & Value Range	Number of Dwellings	After Discounts & Exemptions	Ratio to Band D	Band D Equivalents
Band A-	-	50	5/9	28
Band A (Up to £40,000)	23,823	15,404	6/9	10,269
Band B (£40,001 - £52,000)	10,178	8,193	7/9	6,372
Band C (£52,001 - £ 68,000)	10,938	9,357	8/9	8,317
Band D (£68,001 - £88,000)	4,520	4,034	9/9	4,034
Band E (£88,001 - £120,000)	2,666	2,376	11/9	2,904
Band F (£120,001 - £160,000)	1,704	1,561	13/9	2,255
Band G (£160,001 - £320,000)	907	828	15/9	1,381
Band H (Over £320,000)	45	21	18/9	42
				35,602
Less adjustment for collection rates (2%)				(712)
Borough Council Tax Base				**34,890**

In addition to the Council Tax payable for 2014/15, the estimated 2013/14 surplus declared in January 2014 regarding Council Tax of £0.800m was repaid to the preceptors (Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council).

The actual 2013/14 surplus was calculated to be £0.969m, therefore there was a surplus of £0.169m on the payment of this surplus in 2014/15 which will need to be paid, along with the estimated 2014/15 surplus declared in January 2015, Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council during 2015/16.

Taking into account the remaining 2013/14 surplus and the 2014/15 surplus of £0.968m, the Council Tax collection fund has a surplus of £1.137m as at 31 March 2015.

This is as a result of the implementation of the Council Tax Technical Reforms implemented during 2013/14 and 2014/15 which have enabled greater amounts of Council Tax to be collected.

Audit Certificate

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

Accounting Policies, Standards, Judgements, Assumptions and Adjustments

Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 and the Best Value Accounting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

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

iv. Exceptional Items

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 3.1%. IAS19 states that the discount rate used to place a value on the liabilities should be "determined by reference to market yields at the end of the reporting period on high quality corporate bonds". The calculation of the discount rate uses data intended to match to the duration of the pension liabilities of a typical employer together with the use of a weighted average duration to tailor the rate used to an individual employers liability duration profile. The data referred to is the government bond yield curve, which is readily available, and a corporate bond yield curve, constructed in the following manner:
  - Using the UBS corporate bond curve (derived by applying the UBS delta curve fitting methodology to the constituents of the iBoxx £ corporates AA index) for durations up to 8 years
  - From 12 years onwards using a gilts curve plus a long term average credit spread of 1.0% p.a. (based on the actuary's judgement of market conditions as at 31 January 2015)
  - Interpolate between the two approaches for durations between 8 and 12 years

  This is a change in policy from the methodology employed in respect of 2013/14, which did not take account of differences in duration in relation to particular employers and which also used one set of data applied to the whole of the liability, regardless of duration.;
- 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 3.5) is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

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

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

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

xii. Intangible Assets

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

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

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

xiii. Heritage Assets

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

Museum Collection

These items are reported in the Balance Sheet at insurance valuation, which is based on market values as assessed by an external valuer in October 2006. It is intended to update the valuations by means of a peer review undertaken by another local authority. 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, production of goods or is held for sale.

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

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

xvi. Leases

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

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

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

The Council as Lessee

Finance Leases

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

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.
Regulations were issued when IFRS was implemented that permit amounts receivable under leases (if they were in existence on or before 31 March 2010) that changed from operating leases to finance leases as a result of changes to proper practices to be treated as if the status of the lease had not changed. This means that amounts receivable under operating leases that became finance leases on transition to IFRS can continue to be credited to the General Fund balance as revenue income. Such leases will be accounted for in accordance with the current provisions of the Code, with any adjustments to the General Fund balance being made by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement.

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

Operating Leases

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2014/15 (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.

Surplus Assets, which are defined as assets which are not being used to deliver services but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale, are included as a class within Plant, Property and Equipment and are measured on the basis of fair value based on existing use.

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

xix. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

Contingent Liabilities

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

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

xx. Reserves

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

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

xxi. Revenue Expenditure Funded from Capital under Statute

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

xxii. VAT

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

xxiii. Council Tax

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

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

xxiv. National Non Domestic Rates (NNDR)

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

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

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

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

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

- International Financial Reporting Standard (IFRS) 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.
- International Financial Reporting Interpretations Committee (IFRIC) 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.
- Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

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.

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 2015 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- The recoverable amounts in relation to debtors;
- Principal actuarial assumptions used at the balance sheet date in respect of the defined benefit pension scheme;
- Fair values for property plant and equipment that are not based on recently observed market prices;
- Fair values for financial assets that are not based on recently observed market prices.
- The business rates retention scheme came into effect on 1 April 2013. The accounts include a provision for the estimated costs of appeals that have been lodged with the valuation office. This is a complex calculation based on past success levels. As at 31 March 2015 the Council's share of the estimated appeals against business rates is £0.346m.

Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director - Resources and Support Services on 26 June 2015. Events taking place after this date are not reflected in the financial statements or notes. There were no material events taking place before this date about conditions existing at 31 March 2015 which required the amendment of figures in the financial statements or notes to the financial statements.

Building Control Account

NORTH STAFFORDSHIRE BUILDING CONTROL PARTNERSHIP
2014-2015 FINANCIAL YEAR

The Building (Local Authority Charges) Regulations 2010 require the disclosure of information regarding the setting of charges for the administration of the building control function, however, certain activities performed by the Building Control Division cannot be charged for, such as providing general advice and carrying out enforcement.
The statement below combines the building control accounts for Stoke-on-Trent City Council and Newcastle Borough Council (The North Staffordshire Building Control Partnership) and shows the total cost of providing the service divided between chargeable and non-chargeable activities.

	Total £000	Fee Earning £000	Non-chargeable £000
Salaries	488	317	171
Premises	17	11	6
Transport	12	8	4
Supplies	6	4	2
Central Support	85	51	34
Structural Eng	38	38	-
Total Expenditure	**646**	**429**	**217**
Building Regulation Charges	441	441	-
Miscellaneous Income	1	1	-
Total Income	**442**	**442**	**-**
Surplus/ (deficit)	**(204)**	**13**	**(217)**

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 2014	Expenditure	Income	Balance at 31 March 2015
	£000	£000	£000	£000
Newcastle Almshouses Trust (Accom. For Poor)	14	6	17	25
Sports Advisory Council (Assistance to Sport)	3	18	19	4
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)	30	1	2	31
United Charities Relief in Sickness (Gifts for Elderly)	73	2	3	74
	129	**27**	**41**	**143**

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 2013 and the carried forward balances are those for 30 September 2014.

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 employers decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

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

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

Revenue Support Grant (RSG)
Grant paid to local authorities by Central Government to help finance its general expenditure.

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

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

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

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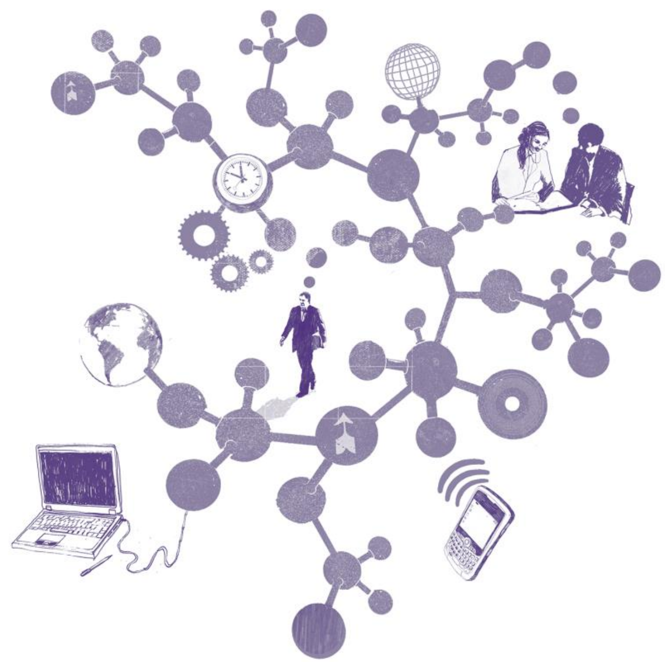
The Audit Findings for Newcastle under Lyme Borough Council

Year ended 31 March 2015

September 2015



John Gregory
Director
T 0121 232 5333
E john.gregory@uk.gt.com

Suzanne Joberns
Manager
T 0121 232 5320
E suzanne.joberns@uk.gt.com

Naomi Povey
Audit Executive
T 0121 232 5294
E naomi.j.povey@uk.gt.com

Grant Thornton

Newcastle under Lyme Borough Council
Civic Offices
Merrial Street
Newcastle –under-Lyme
ST5 2AG

Grant Thornton UK LLP
Colmore plaza
20 Colmore Circus
Birmingham
B4 6AT

T +44 121 212 4000
www.grant-thornton.co.uk

September 2015

Dear Members

Audit Findings for Newcastle under Lyme Borough Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Newcastle under Lyme Borough Council, the Audit and Risk Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents will be discussed with the Audit and Risk Committee on 28th September 2015.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations (amounts misappropriated by a person trusted with its charge) or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

John Gregory

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Newcastle under Lyme Borough Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we altered our planned audit approach, which we communicated to you in our Audit Plan dated 16th April 2015. At the time of writing our plan we considered that there was a reasonably possible risk that welfare benefit expenditure could be materially mis-stated. On the assessment of the prior year findings we have revised this and whilst errors may be made in the calculation of individual benefit payments, the controls in place at the Council ensure that it is unlikely to result in a material mis-statement.

Our audit is substantially complete although we are finalising our work in the following areas:

- receipt of the letter of assurance from the auditors of the Staffordshire Pensions Fund
- review of the final signed version of the financial statements
- obtaining and reviewing the final signed management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements. The accounts were prepared to a good standard together with appropriate working papers. We have not identified any adjustments affecting the Council's reported financial position however we have made a number of adjustments to the disclosures within the financial statements. Further details are set out in section two of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.
Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)
We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities
The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings
Our work identified one control weakness which we wish to highlight for your attention and we have followed up the recommendations raised in previous years.

Further details are provided within section two of this report.

The way forward
Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Executive Director (Resources and Support Services).

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Executive Director (Resources and Support Services) and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Risk Committee on 16th April 2015.We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

At the time of writing our plan we considered that there was a reasonably possible risk that welfare benefit expenditure could be materially mis-stated. On the assessment of the prior year findings and our review of the controls operating over the system we have revised our view. Whilst errors may be made in the calculation of individual benefit payments, the controls in place at the Council ensure that it is unlikely to result in a material mis-statement.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concluded that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Newcastle under Lyme Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Newcastle under Lyme Borough Council, mean that all forms of fraud are seen as unacceptable.
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess whether those controls were in line with our documented understanding • Reviewed the year end control account reconciliations • Consideration of the year end accrual processes. • Unrecorded liabilities testing of payments at year end. • Testing of a sample of operating expenses covering the period 1/4/14 to 31/3/15 to ensure they have been accurately accounted for. • Testing of a sample of creditor balances at 31/3/15	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks - continued

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accrual understated	• Documentation of the processes and controls in place around the accounting for employee remuneration and a walkthrough test to confirm the operations of controls • Testing of the payroll reconciliation to ensure that the payroll system could be agreed to the ledger and financial statements. • Review of monthly trend analysis of total payroll. • Testing of a sample of employee remuneration payments covering the period 1/4/14 to 31/3/15 to ensure they have been accurately accounted for. • Testing of other payroll disclosures such as Senior Officer remuneration and exit packages	Our audit work has not identified any significant issues in relation to the risk identified.

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Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. There are policies covering the major sources of income such as fees, charges and rents, interest receivable NDR and Council tax.	Our review of revenue recognition policies has not highlighted any issues which we wish to bring to your attention.	● Green
Estimates and judgements	• Key estimates and judgements include: • useful life of capital equipment • pension fund valuations and settlements • revaluations • Impairments • PPE valuations.	The audit work undertaken did not highlight any issues with regard to these judgements and estimates and has not highlighted any issues which we wish to bring to your attention.	● Green

Assessment

- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with their assessment that the going concern basis is appropriate for the 2014/15 financial statements.	● Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	● Green
Prepayment of pension contributions	During 2014/15 the Council (in return for a significant discount) pre paid the pension contributions for 2015/16 and 2016/17.	Prior to undertaking this payment the Council sought our view on the proposed payment. We concluded that the Council had the legal powers to make the payment and that we would not be minded to challenge this. During the audit we reviewed the accounting treatment for the transaction and concluded that it was appropriately treated and disclosed within the financial statements.	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Risk Committee . We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Council.
4.	**Disclosures**	• Our review found no non-trivial omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to Lloyds Bank, Co-operative Bank, Barclays, Santander and Royal Bank of Scotland for bank and investment balances . This permission was granted and the requests were sent. All of these requests were returned with positive confirmation,. We undertook alternative procedures, on the investment balances held with Coventry Building Society and Nationwide Building Society verifying to bank statements.

Internal controls

The purpose of an audit is to express an opinion on the financial statements. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10 above. We have also followed up the recommendations made in the previous year, and the results of this, together with the one issue arising this year, is set out below.

	Assessment	Issue	
1	N/A	**Accruals** We identified errors in the testing of manual accruals. Two of the sample of accruals tested (£5,500 and £11,000) had been incorrectly included within the financial statements, as the expenditure did not take place during 2014/15. If this error was replicated over the full population it would give a projected error of £178,717. As the original errors were trivial we would not expect management to adjust for this.	• Given the nature of the individual errors identified, we have recommended that the Council consider additional quality procedures to ensure there is appropriate support for all of the expenditure accruals.
2.	X	**Heritage Assets (Prior Year Issue)** The Council should undertake a review of its museum heritage assets to ensure the valuation remains current.	• Although the Code does not prescribe a minimum period the last valuation was undertaken in 2006. • Page 59 of the financial statements confirms the following in relation to the valuation of Heritage Assets. The valuations are updated where necessary by the museum curator and it is also intended to have a peer review undertaken by another local authority. We would recommend that this is carried out in the next financial year.
3.	X	**Long Term Debtors – leases (Prior Year Issue)** The Code requires that the minimum lease payments be discounted which is not currently the case. Whilst this will not result in a material difference to the value of the long term debtors the Council should ensure full compliance with the Code.	• We found that the minimum lease payments are not currently discounted. Whilst this will not result in a material difference in the value of long term debtors the Council should ensure full compliance with the Code.

Assessment
✓ Action completed
X Not yet addressed

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	N/A	Note 2.3.1 Property, Plant and Equipment	The Asset Classes disclosure was not consistent with the asset classes for the prior year. Assets had been incorrectly included in car parks non charging when in the prior year they were included in cemeteries.
2	Disclosure	N/A	Accounting Policies	There was no policy disclosed for the accounting treatment for surplus assets. This has not been required previously as it was not a material figure within the accounts.
3	Disclosure	885	Note 3.8 The Council as a lessor	The disclosures for this element in the note were inconsistent with the other balances and disclosures within the financial statements.
4	Disclosure	14	Note 3.3 Related Parties	Related Parties, the value of payments should be disclosed in respect of the two Officers disclosed.
5	Disclosure	N/A	Collection Fund	The Collection Fund had not been presented in line with the Code requirements. The Council Tax and Business Rates should be disclosed separately.
6	Disclosure	Various	Note 3.6 Amounts Reported for Resources Allocation Decisions	Note 3.6 Amounts Reported for Resources Allocation Decisions was inconsistent with figures included within the CIES.

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted

- Expenditure in 2014/15 was £7,000 lower than the budget which indicates strong budgetary control
- All councils continue to face challenges around their medium term financial resilience. The Council has responded effectively through the development and agreement of its updated Medium Term Financial Strategy. The plan now extends to 2019/20 and has identified savings plans for 2015/16 and the majority of schemes for 2016/17.
- The Council is planning to maintain its level of general reserves at the risk assessed level of £1.2m. The council also has £3m of revenue earmarked reserves as at 31/3/15.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted

- Members have shown clear leadership and identification of priorities through the process of preparing and approving the updated Medium Term Financial Strategy.
- There is no indication that the effectiveness of key services is being significantly impacted by the level of savings so far. The outturn performance report to Cabinet shows that in the main services are performing well.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	In 2013/14, we assessed the Council's arrangements as adequate and we did not identify any risks during our review of key documentation for 2014/15. The Council incurred a small surplus against its 2014/15 revenue budget. The council also has £3m of revenue earmarked reserves as at 31/3/15 and is planning to maintain its level of general fund reserves at the risk assessed level of £1.2m. As a result, we have concluded that the Council continues to have adequate arrangements in place.	**Green**
Strategic financial planning	The Council reviewed and updated its Medium Term Financial Strategy in 2014/15. The plan covers the period to 2019/20 and was presented to Council in October 2014 as part of the 2015/16 budget setting process. The budget setting round of assumptions and savings were finalised by February 2015 and the final 15/16 budget showed pressures of £2.08m and a detailed savings plan to achieve this accompanied the budget. The Council has identified a range of savings schemes to support the 2016/17 budget and is currently working to establish the final list of schemes. As a result, we have concluded that the Council continues to have adequate arrangements in place.	**Green**
Financial governance	In 2013/14, we assessed the Council's arrangements as adequate and we did not identify any risks during our review of key documentation for 2014/15	**Green**
Financial control	In 2013/14, we assessed the Council's arrangements as adequate and we did not identify any risks during our review of key documentation for 2014/15	**Green**
Prioritising resources	In 2013/14, we assessed the Council's arrangements as adequate and we did not identify any risks during our review of key documentation for 2014/15. The outturn performance report to Cabinet shows that in the main services continue to perform well.	**Green**
Improving efficiency & productivity	In 2013/14, we assessed the Council's arrangements as adequate and we did not identify any risks during our review of key documentation for 2014/15.	**Green**

Section 4: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and **confirm there were no fees for the provision of non audit services**.

Fees

	Per Audit plan £	Actual fees £
Council audit	73,336	73,336
Grant certification on behalf of Audit Commission	8,280	8,280
Total audit fees	**81,616**	**81,616**

The grant certification fee is indicative and may vary dependent upon the final levels of audit required**. We are still completing our grant certification work and will report upon the fee once it is completed**

Fees for other services

Service	Fees £
Non audit related services	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date
1	The Council should consider additional quality procedures to ensure there is appropriate support for the expenditure accruals.	Medium	Agreed.	March 2016
2	The Council should ensure it fully complies with the Code requirements for the calculation of the finance lease long term debtors.	Medium	Agreed.	March 2016
3	The Council should undertake a review of its museum heritage assets to ensure the valuation remains current.	Medium	Agreed.	March 2016

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

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

We have audited the financial statements of Newcastle under Lyme Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Newcastle under Lyme Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of the Executive Director – Resources and Support Services' Responsibilities, the Executive Director – Resources and Support Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director – Resources and Support Services; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Foreword – By the Executive Director – Executive and Support Services to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the financial position of Newcastle under Lyme Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Foreword – By the Executive Director – Executive and Support Services for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:
- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Newcastle under Lyme Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Newcastle under Lyme Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

20 Colmore Circus
Birmingham
B4 6AT

28th September 2015

grant-thornton.co.uk

APPENDIX 4

Letter of Representation

To: Grant Thornton UK LLP

Dear Sirs

Newcastle under Lyme Borough Council Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of Newcastle under Lyme Borough Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

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

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code"); which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii Except as disclosed in the financial statements:
  a there are no unrecorded liabilities, actual or contingent
  b none of the assets of the Council has been assigned, pledged or mortgaged
  c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xii We have considered misclassification and disclosures changes schedule included in your Audit Findings Report. The financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.

xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv We have provided you with:
a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
b. additional information that you have requested from us for the purpose of your audit; and
c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi We have communicated to you all deficiencies in internal control of which management is aware.

xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
a. management;
b. employees who have significant roles in internal control; or
c. others where the fraud could have a material effect on the financial statements.

xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

Classification: NULBC **UNCLASSIFIED**

xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Risk Committee at its meeting on 28th September 2015.

Yours faithfully

Name……………………………

Position…………………………

Date…………………………….

Signed on behalf of the Council

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Report to Audit and Risk Committee 28 September 2015

Consultation Response re "Telling the Story" in relation to the format of the Statement of Accounts

Submitted by Head of Finance

Portfolio Finance ICT and Customer

Wards Affected All

Purpose

To consider and approve the response to be made to the consultation by the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of "Telling the Story" in relation to changes proposed to the format of the Statement of Accounts.

Recommendations

a) **That the response set out at Appendix 1 be considered and approved for forwarding to CIPFA as the Council's response.**

Reason

The changes consulted upon are significant changes to the presentation of the Statement of Accounts, intended to make it more understandable, and warrant consideration by the Committee prior to a response being sent.

1. Background

1.1 The form in which the Council's accounts are made available to the public and to members, is difficult in many cases for the lay reader to understand. The complexity of the document derives largely from the need to comply with the requirements of International Financial Reporting Standards (IFRS), which closely prescribe the form and content of financial reports, including those of local authorities. The current format is one that CIPFA devised and published in their Accounting Code of Practice to fit the circumstances of local authorities, many of whose accounting practices differ from those of the private sector at which IFRS is primarily oriented, whilst still complying with IFRS. The Code of Practice is recognised as "proper accounting practice" which must be followed by local authorities in compiling their accounts so the Council has no choice but to publish in the prescribed form.

1.2 CIPFA has initiated a project to look at the Statement of Accounts with a view to finding ways of simplifying and de-cluttering it and thereby making it more accessible to the user. There was also a need to consider how to effect the new requirement contained in the Accounts and Audit Regulations 2015 for a Narrative Statement to be included in the Statement of Accounts, replacing the Explanatory Foreword. The project working group carrying out this work has now made recommendations for changes to be made to its format, which it is hoped will achieve these objectives. CIPFA has published these recommendations in the form of a consultation document, entitled "Telling the Story", requesting local authorities to consider the proposed changes and respond to them with their views. To facilitate the response a "response sheet" has been provided setting out what are considered to be the pertinent questions requiring a response, generally in the form of whether the respondent agrees or not with the proposed change and asking for reasons for the response, particularly where respondents do not agree.

1.3 As well as the “Telling the Story” consultation, CIPFA is also consulting authorities upon proposed amendments to the 2016 Accounting Code of Practice. This is a normal occurrence in advance of the publication of the Code applicable to the following year. The amendments proposed to the 2016 Code are mostly technical ones that need to be made to comply with changes in accounting standards, so there is little scope to object to them, plus the amendments which will be required to bring about the changes recommended in the “Telling the Story” consultation and to enable a Narrative Statement to be incorporated in the Statement of Accounts. CIPFA are proposing to call this the “Narrative Report”. It is not intended to respond to this separate consultation, other than to request consequent changes in any cases where the Council is not in agreement with a proposal contained in the “Telling the Story” consultation. It may also be worth asking for the name of the “Narrative Report” to be subject to local discretion on the grounds that calling it this in our published statement of Accounts may not be felt to be the most user friendly title, as opposed to, say, a “Foreword”.

1.4 The contents of the statement of Accounts which are affected by the proposed changes are the:

- Movement in Reserves Statement and associated Note;
- Comprehensive Income and Expenditure Statement;
- Explanatory Foreword (replaced by a Narrative Statement);
- Note to the accounts relating to “Amounts Reported for Resource Allocation Decisions”.

1.5 The need for a Narrative Statement is not being consulted upon as it is not optional.

1.6 One part of the rest of the proposed changes is concerned with dealing with the anomalies arising from the various accounting adjustments which local authorities are required to make to their accounts but which, by law, cannot be allowed to affect the amount chargeable to taxpayers. IFRS requires the income and expenditure recorded in the Comprehensive Income and Expenditure Statement (CI&ES) to be in accordance with the applicable accounting standards, which are not reflective of local authority practice. Generally this means that certain transactions must be recorded in the CI&ES as either income or expenditure to show a “surplus or deficit on the provision of services” which accords with IFRS standards and generally accepted accounting practice and is comparable to private sector practice. Examples of such transactions are charges for depreciation and asset impairment and losses or gains on disposal of capital assets. In other sectors, there is no need for any further adjustment to be made since the position shown in the Comprehensive Income and Expenditure Statement is their “bottom line” position. However, local authority accounts have to record the actual “funding” position as opposed to the “accounting” position shown in the CI&ES. This requires further transactions to be shown in the Movement in Reserves Statement to remove the accounting transactions which have been included in the CI&ES because IFRS requires it but which, by law, are not permitted to be charged to taxpayers, i.e. to affect the authority’s “bottom line”.

1.7 The other proposed changes are concerned with how the expenditure and income is analysed in the Cost of Services section of the CI&ES. Presently, this is analysed according to a standard set of service groupings prescribed by CIPFA in the Service

Reporting Code of Practice (SERCOP). These groupings and sub divisions are used throughout the accounts to record expenditure and income in a standardised way in every local authority across the UK, particularly in order to facilitate comparisons. IFRS requires that where management reporting to facilitate budgetary control is carried out using a different analysis and which may not include all of the expenditure and income included in the CI&ES, the Statement of Accounts must contain a reconciliation between the analysis shown in the CI&ES and that used for management reporting. Because management reporting, in this and most other councils, is carried out on the basis of departmental responsibilities, rather than according to SERCOP service groupings, this results in a three part Note to the Accounts being necessary, titled "Amounts Reported for Resource Allocation Decisions". Expenditure is shown on a total cost basis, i.e. the expenditure shown against each service segment includes apportioned central support and administrative expenses.

2. Issues

2.1 A draft response has been formulated and is set out at Appendix 1. Following consideration by the Committee, and the incorporation of any consequential amendments to it, it is intended to send this response to CIPFA.

2.2 Some of the points to be responded to are of a technical nature and may not be of great concern to members. However, there are a number of fundamental questions which are being asked, and a few others, which members will more likely wish to consider before approving the response to be made. These are discussed below, by reference to the applicable response number shown on the response sheet at Appendix 1.

2.3 CIPFA have provided templates in respect of the statements affected by the changes showing how they could appear in the Statement of Accounts, if adopted. These templates are shown at Appendix 2. Members are advised to refer to the 2014/15 Statement of Accounts included elsewhere on this agenda for a comparison with the present position.

2.4 **Should the expenditure and income shown in the cost of services section of the Comprehensive Income and Expenditure Statement be presented on the basis of the organisational structure of the authority rather than on the basis of standard service groupings as laid down by SERCOP? *(Response 1)*.** This has the merit of showing the cost of services analysed according to how the Council is actually managed on a day to day basis. For this Council, the analysis would be split between the Chief Executive and Executive Directors, i.e. the Executive Management Team. It also removes the need for an additional Note to the Accounts (Amounts Reported for Resource Allocation Decisions) which is lengthy and complex in style and is felt adds an unnecessary element of clutter to the Statement of Accounts whilst its purpose may not be obvious to the lay reader. In addition, it is a tedious and time consuming note for accounts preparers to produce, a consideration which will be relevant when the requirement contained in the Accounts and Audit regulations 2015 to produce the Statement of Accounts by the end of May comes into effect for the first time in respect of the 2017/18 accounts. This presentation will also facilitate the adoption of a "Funding Analysis", discussed later, which enables further simplification of the presentation of the accounts. Because each local authority organises itself in different ways, there will be a need to explain in broad terms, via footnotes, what services each Executive Management Team member is responsible for. There may also be concerns that comparisons between authorities will be more difficult to make owing to the inherent lack of standardisation. Local authority users of the statement of accounts will have access to the revenue outturn forms data returned to central government each year and which is readily available to provide this information but this alternative is not available to most other readers of the accounts, particularly lay readers. On balance it is felt that presenting the cost of services in management structure format is an improvement to the present practice and enables further simplification to be made elsewhere in the Statement of Accounts.

2.5 **Should the expenditure shown in the cost of services section of the Comprehensive Income and Expenditure Statement be provided on the basis of direct costs or on a total cost basis? *(Response 7).*** Currently expenditure is shown in the CI&ES on a total cost basis including apportionment of each service segment's share of central support and administrative costs, such as in respect of accountancy, legal, facilities management services and charges for the use of buildings such as the civic offices. The consultation proposes that only direct costs are shown against each segment of the cost of services without any apportionment of central and administrative costs. This reflects the way that expenditure and income is recorded and monitored during the year with these central and administrative costs recorded in holding accounts controlled by an Executive Director, for example Accountancy is controlled by the Executive Director (Resources and Support Services) and Civic Offices by the Executive Director (Regeneration and Development). This would mean that in the proposed analysis the expenditure and income relating to the civic offices, for example, would be included in the segment relating to the Executive Director (Regeneration and Development). It is considered that the move to direct costs from total costs would be beneficial because it is a simpler method and reflects the way that costs are actually recorded and monitored in year. It also facilitates the removal of the Note to the Accounts (Amounts Reported for Resource Allocation Decisions) referred to earlier. A possible drawback to the new approach could be that the reader may not get a feel for how much resources the authority allocates to service groupings, because a considerable amount of support provided to services will be contained within whatever management segment is responsible for this provision.

2.6 **Should the Movement in Reserves Statement (MIRS) be simplified and a new Funding Analysis be included in the Statement of Accounts to provide a link between the accounting position as shown in the Comprehensive Income and Expenditure Statement and the funding position as shown in the MIRS? *(Responses 4, 9, 10 and 11)*.** The new format for the MIRS proposes that the accounting position balance as shown at the bottom of the CI&ES is brought into the MIRS. Currently this balance is brought into the MIRS in two parts, the balance relating to the surplus or deficit on provision of services being shown separately from that relating to Other Comprehensive Income and Expenditure. This seems a sensible change as the separation of the two elements of the CI&ES balance serves no useful purpose. An additional proposed simplification is to remove transfers to and from earmarked reserves as a separately shown transaction within the MIRS. This is discussed in paragraph 2.7 below. The fundamental change proposed though is to provide a new statement called a "Funding Analysis" to explain how the accounting position shown as the surplus or deficit on provision of services in the CI&ES has been converted to the funding position shown in the MIRS. The Funding Analysis will set out the adjustments that have been made to the CI&ES accounting position by way of transfers to or from reserves to reach the funding position. These adjustments will be analysed in the same way as in the CI&ES, i.e. the cost of services analysed over the organisational structure plus separate lines for "Other Operating Expenditure", "Financing and Investment Income and Expenditure" and "Taxation and Non-specific Grant Income and Expenditure". The Funding Analysis is to be supplemented by a further Note giving more detail of the adjustments shown in the Analysis. The Funding Analysis will replace the current Note, "Adjustments Between Accounting Basis and Funding Basis Under Regulations" (Note 2.1.1 in the 2014/15 Statement of Accounts) which gives details of every type of transaction which has been included in the adjustments line of the MIRS. This is considered to be an extremely technical Note cast in accounting terminology throughout, hard for the lay reader to understand, and it is felt that it could usefully be discontinued. The Funding Analysis and Note, by contrast, appear to be more user friendly but still may not be easily understood by the lay reader.

2.7 **Should transfers to and from earmarked reserves, be shown separately in the Movement in Reserves Statement? *(Response 8)*.** Earmarked Reserves are the Council's usable reserves, which are held for defined purposes and are available for use at the Council's discretion, and include the Renewals and Repairs Fund, Contingency Reserve, Budget Support Fund, ICT Development Fund, Equipment Replacement Fund. The proposal is to include these in one line together with the movement on the General Fund Balance. This is technically correct because earmarked reserves are in fact part of the General Fund Balance. However, this Council and many, if not most others, have traditionally treated earmarked as separate due to their availability for use, as opposed to the part of the General Fund Balance which is held as insurance against adverse budget risks materialising, the level of which is set after a risk assessment and evaluation of those budget risks and which is not considered to be generally available for use. It is considered that it would still be useful to the reader to see earmarked reserves separately identified and it would also enable the reader to relate the transactions shown to the Note to the accounts setting out the reserves balances. For these reasons, it is felt that earmarked reserves should continue to be shown separately. This appears to be permitted by the proposed 2016/17 Code of Accounting Practice.

2.8 **Should the Funding Analysis be included in the Narrative Report? *(Response 4)*.** The consultation proposes to include the Funding Analysis and associated Note in the Narrative Report. The Narrative Report is the equivalent of the Explanatory Foreword currently provided at the front of the Statement of Accounts. It is intended to offer an easily understandable guide to the accounts according to the draft Code of Accounting Practice. It is questionable whether the inclusion of the Funding Analysis in the Narrative Statement will further this aim. The Analysis and accompanying Note appear to be complex and technical statements, not user friendly in form or content, the inclusion of which would disrupt the natural flow of the Narrative Statement. For this reason the proposed response suggests that it should be included as a Note to the Accounts rather than as part of the Narrative Statement.

2.9 **Should budgetary information be shown in the Funding Analysis? *(Response 5)*.** It is felt that this should not be mandatory, rather it should be left to individual authorities to decide their preference. If the Funding Analysis is included as a Note to the Accounts instead of in the Narrative Report it would not be appropriate to include budgetary information because this is not accounting data.

2.10 **Should comparator information be shown in the Funding Analysis? *(Response 6)*.**If the Funding Analysis is included in the Narrative Statement, it may not be appropriate to include comparative figures for previous years because the Narrative Statement is primarily concerned with looking at the year of account and future prospects for the authority, not looking back at previous years. There would also be an additional element of clutter if more data was to be added to the Analysis. If the Funding Analysis was included as a Note to the Accounts, there would be no particular objection to including comparative data.

2.11 **Should the changes proposed take effect in the 2016/17 Accounts? *(Response 18)*.** Changes intended to improve the presentation of the Statement of Accounts, thereby assisting readers in understanding its contents, ought to be brought into effect as soon as practicable. It is feasible to do so starting with the 2016/17 accounts. Leaving it until the 2017/18 accounts would coincide with the first set of accounts which will have to be produced according to the new deadline of 31 May laid down in the Accounts and Audit Regulations 2015. Accounts preparers will not wish to be dealing with a new format at the same time as they are striving to complete the accounts earlier.

3. Financial and Resource Implications

3.1 There are none deriving directly from approval of the consultation response.

4. Background Papers

- CIPFA Consultation Document “Telling the Story” published July 2015;
- Exposure Draft of the 2016/17 Code of Practice on Local Authority Accounting in the UK and Invitation to comment.

APPENDIX 1

Telling the Story

consultation on improving the presentation of local authority financial statements

response sheet

This Invitation to Comment response sheet will be regarded as on the public record unless confidentiality is specifically requested. Copies of all correspondence and an analysis of responses will be provided to the Financial Reporting Advisory Board. Unless confidentiality is requested in the box below the responses will also be held on the CIPFA Website. Please note if you wish to provide additional commentary on separate sheets it would be helpful if you set out clearly the questions and/or parts of the Code to which your comments relate.

Name	Dave Roberts
Organisation	Newcastle-under-Lyme Borough Council
Do you wish this response to be considered as confidential?	No

Responses are required by **9 October 2015** and may be sent to:

The Secretary
CIPFA/LASAAC Local Authority Accounting Code Board
Policy and Standards Directorate
CIPFA
77 Mansell Street
London
E1 8AN
Fax: 020 7543 5695
E-mail: financial.reporting@cipfa.org

For ease of handling, e-mailed copies of this Response Form are preferred.

		Response
	Service Reporting Code of Practice and the Comprehensive Income and Expenditure Statement	
1	Do you agree that the net expenditure of continuing operations in the Comprehensive Income and Expenditure Statement (CIES) (known as the net cost of services) should be presented on the basis of the organisational structure of the authority? If not, why not? What alternatives do you suggest?	Agree
	Comments (Please insert your comments in the box below) Our one reservation here is that it will be necessary to provide a description of the services which each directorate is responsible for, otherwise readers of the statement will have no idea what the expenditure and income relates to. We also have concerns that comparisons between authorities will be more difficult to make owing to the inherent lack of standardisation. However, we will still have the revenue outturn forms to provide this information but this alternative is not available to many readers of the accounts, particularly lay readers. On balance, however, we believe that presenting the CIES in this way, enabling the resource allocation note and its three tables to be abandoned and replaced by the more understandable and easier to prepare funding analysis is a better option.	
	Options for Change	
2	Do you agree that the financial statements should attempt to balance the need to show the true fiscal position of the local authority under proper accounting practices with the funding position?	Agree
	Comments (Please insert your comments in the box below) This is always one of the most difficult aspects of the statement of accounts to explain to lay readers. We are not sure, however, that this will improve significantly even with the simpler presentation proposed.	
3	Do you support Option 4 which provides a direct reconciliation between the positions or do you support a different option?	Option 4
	Comments (Please insert your comments in the box below) None	
	Funding Analysis	
4	Do you agree that a Funding Analysis should be prescribed by the Code and included in the narrative report that accompanies local authority financial statements to provide a link between the IFRS based financial reporting requirements and the statutory funding requirements for taxation and rent setting purposes? If not, why not? What alternatives do you suggest?	Disagree

		Response
	Comments (Please insert your comments in the box below) We agree that there should be a funding analysis. However, we do not agree that this should be included in the narrative report. Including a complex table in the narrative report, together with a highly technical introductory paragraph, and a further even more complex accounting style note (as set out in appendix 3) goes against the aim of de-cluttering the accounts, disrupting the natural flow of the narrative and would prove off-putting to many readers and certainly does not help to offer an easily understandable guide to the accounts as stated to be the purpose of the Narrative Statement in paragraph 3.1.1.1 of the 2016/17 Code exposure draft. We believe readers, particularly the lay reader who has been identified as our main audience, want an easily understood summary of the results for the year and the future prospects for the authority with commentary on other relevant matters appertaining to efficiency and effectiveness in use of resources. They may then look at the rest of the statement of accounts for whatever detail they require. We feel the funding statement (and further note, as appendix 3) would be best included as a note to the accounts.	
5	Do you consider that it would be useful to require budgetary information in the Funding Analysis? Please provide the reasons for your response.	No
	Comments (Please insert your comments in the box below) We do not believe this should not be a mandatory requirement. If authorities wish to include a budget comparison they should be free to do so at their discretion, either within the funding analysis or separately. If, as we would prefer, the funding analysis was included elsewhere as a note to the accounts, it would not be appropriate to include budgetary information for the reasons stated in the consultation document.	
6	Do you consider that the Funding Analysis should include comparator information? Please give a reason for your answer including any alternatives you consider might achieve the objective of telling the story of local authority financial performance.	No comparator information
	Comments (Please insert your comments in the box below) The consultation document suggests that the analysis is included in the narrative statement. However, this is primarily dealing with information concerning the year the accounts relate to, together with future prospects for the authority, not looking backwards to previous years. It would also take up additional space if comparators were included and add to the clutter. If the funding analysis was not included in the narrative statement but as a note to the accounts we would have no objection to including comparator information. Paragraph 3.1.2.6 of the 2016/17 Code says that "authorities may wish to present a comparison". Such wording would permit comparators to be included or not, according to the requirements of an individual authority.	
	Comprehensive Income and Expenditure Statement	
7	Do you consider that the CIES segmental analysis should be provided on the basis of direct costs or on a total cost[1] basis (both in accordance with the accrued costs of these services as required by IFRS)? Please give a reason for your answer.	Direct Cost

		Response
	Comments (Please give a reason for your answer.) This keeps things simple and not including recharges removes one of the areas where confusion can occur in the minds of readers. It is also the way that costs are reported to management during the year. The drawback to this approach, however, is that the reader may not get a feel for how much resources the authority allocates to service groupings, because a considerable amount of support provided to services will be contained within whatever management grouping is responsible for this provision, most likely the corporate and central services or similar block.	
	Movement in Reserves Statement	
8	Do you agree that the transfers to earmarked reserves need not be presented in the MiRS? If not, why not? What alternatives do you suggest?	Disagree
	Comments (Please insert your comments in the box below) We do not disagree that the movement in earmarked reserves need not be shown in the MIRS but would prefer to continue to show transfers to/from earmarked reserves in a separate column in the MIRS rather than for these to be included in the General Fund Balance column. Whilst including these all together is technically correct, earmarked reserves being part of the General Fund Balance, this authority, and we suspect many others, treat earmarked reserves as being distinct from the general balance which is maintained as a buffer against significant adverse budget variances or other major financial problems which might occur and the level of which is determined by an assessment of the risks involved and their values. The earmarked part of the balance is seen as being available for use at the discretion of members. Being able to see a separate figure for the reserves movement will enable readers to see in the MIRS, rather than looking for it in a later note, what has been transferred to/from earmarked reserves. They may also relate this to the movement shown in the transfers to/from earmarked reserves note (note 8 as shown in the example financial statements included in the Code Guidance Notes 2014/15). We feel that the Code should permit (but not prescribe) earmarked reserves to be shown in a separate column in the MIRS, if accounts preparers wish to do so. This may indeed be permitted by paragraphs 3.4.2.26 and 3.4.2.27 of the draft Code currently being consulted on?	
9	Do you agree with the proposed MiRS format based on the Total Comprehensive Income and Expenditure? If not, why not? Please give a reason for your answer.	Agree
	Comments (Please give a reason for your answer) With regard to the MIRS, we also support the revised order of the primary statements, with the MIRS being presented after the CI&ES which seems more logical to us and makes for a better flow when explaining the principles of the accounts to lay persons.	
10	Do you have any further proposals for streamlining the Movement in Reserves Statement?	No Comment

[1] The Total Cost of Services based on the definition of total cost within Section 2 of the Service Reporting Code of Practice.

		Response
	Comments (Please insert your comments in the box below) None.	
11	Do you agree with the proposals for change in relation to note e) required by paragraph 3.4.2.53? If not, why not? What alternatives do you suggest?	Agree
	Comments (Please insert your comments in the box below) This will give accounts preparers flexibility to include as much or as little analysis as is needed to meet materiality requirements and local circumstances. It should enable the lengthy and somewhat obscure adjustments between accounting basis and funding basis note to the MIRS to be discontinued with all necessary information being disclosed in the, hopefully, simpler note to the Funding Analysis.	
	Segmental Analysis	
12	Do you agree that the segmental reporting requirements under IFRS 8 for the income and expenditure of the Authority will be met under the proposals for change ie in the Comprehensive Income and Expenditure Statement and the Funding Analysis, both of which include a segmental analysis based on how a local authority is structured ie its directorates/departments or service structure? If not why not? What alternatives do you propose?	Agree
	Comments (Please insert your comments in the box below) None.	
13	Do you agree that local authorities rarely present income and expenditure listed in paragraph 23 of IFRS 8 to Decision Makers on a segmental basis? If not why not? Please give a reason for your answer.	Agree
	Comments (Please give a reason for your answer.) Some of these are not applicable to the authority or are not of interest to management when considering the overall financial position of the authority. For example there is no interest in depreciation and amortisation expenditure, these being notional charges in the local authority context, nor is it helpful to management to receive statements of income and expenditure which include internal transactions between segments. The only item listed which is of significance is revenues from external customers, which is included in segments within reports considered by management, although, due to the significance to the authority, the major items of income are also highlighted together in a separate section of the periodic management report. Currently, interest revenue and expense are included within the appropriate corporate segment but are presently insignificant in value.	

		Response
14	Do you agree that the CIES and the Funding Analysis under the new proposals provide a reconciliation of the local authority equivalent of the total of the reportable segments' revenues to the entity's revenue and the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations per IFRS 8? If not, why not? Please give a reason for your answer.	Agree
	Comments (Please give a reason for your answer.) None.	
15	Do you consider that the reconciliation "Adjustments to add expenditure or income not chargeable to Council Tax or Rents and the removal of transactions which are only chargeable under statutory provisions" demonstrated in Appendix 3 is able to clearly demonstrate the main reconciliation adjustments to the users of local authority financial statements? If not, why not? What alternatives do you propose?	Yes
	Comments (Please insert your comments in the box below) It is difficult to conceive of a reconciliation which would be concise and at the same time clear to lay readers. In the circumstances, the proposed format is probably as clear as any. It will need to be supplemented by some footnotes , as shown in the appendix, explaining what is included in the three columns, otherwise the reconciliation is likely to be incomprehensible to most such readers.	
16	Do you consider that even though the Funding Analysis is presented in the Narrative Report it should remain a part of the financial statements to meet the requirements of IFRS 8? If not, why not? Please give a reason for your answer.	Part of the financial statements
	Comments (Please give a reason for your answer.) It is essential to a proper understanding of the financial statements, but should be a note rather than included in the Narrative Statement.	
17	If you agree that the Funding Analysis should be a part of the financial statements though included in the Narrative Report, are there any reporting or audit issues you consider that CIPFA/LASAAC should be aware of which need to be referred to the appropriate regulatory bodies? Please give a reason for your response.	No Comment
	Comments (Please give a reason for your response.) N.B. We do not agree that it should be part of the narrative statement.	
	Transition under the New Proposals	

		Response
18	Do you consider that the proposed changes to the financial statements should be effective in the 2016/17 Code? Please give reasons for your answer.	2016/17
	Comments (Please give reasons for your answer.) They should be implemented as soon as practicable in order to improve the presentation of the statement of accounts as soon as possible. They should be implemented before the requirement for earlier closure of accounts takes effect so that accounts preparers are used to the new format by the time the 2017/18 accounts need to be produced. We do not want to be dealing with a new format for the first time at the same time as we are striving to complete the first set of accounts by the new statutory deadline.	
19	What do you consider to be the practical effects of the proposals for local authority accounts preparers?	See comments
	Comments (Please insert your comments in the box below.) An important part of the financial statements should be simpler to prepare, saving time when this is at a premium. It may also make the accounts easier to explain to the lay person.	

	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		

Classification: NULBC **UNCLASSIFIED**

APPENDIX 2

Appendix 2

Funding Analysis

This analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates) by local authorities in comparison with those economic resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

20X1/20X2

	Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement [1]
	£000	£000	**£000**
People Directorate (Children's and Social Services)	47,385	898	**48,283**
Neighbourhoods (Highways and Housing Services including the Housing Revenue Account)	5,928	1,409	**7,337**
Business Change (Planning and Economic Development Services)	31	223	**254**
Corporate and Central Services	19,358	833	**20,191**
	72,702	**3,363**	**76,065**
Other operating expenditure	1,468	750	**2,218**
Financing and investment income and expenditure	9,831	(850)	**8,981**
Taxation and non-specific grant income and expenditure	(83,957)	(919)	**(84,876)**
	44	2,344	**2,388**
Opening General Fund and HRA Balance at 31 March 20X0	**25,247**		
Less Deficit on General Fund and HRA Balance in Year	**44**		
Closing General Fund and HRA Balance at 31 March 20x1	**25,203**		

[1] Income and Expenditure recognised in accordance with generally accepted accounting practices can be seen in the Comprehensive Income and Expenditure Statement on page [..]

Analysed between General Fund and HRA Balances[2]	General Fund	HRA	Total
Opening General Fund and HRA Balance at 31 March 20X0	22,118	3,129	25,247
Less Deficit / (Surplus) on General Fund and HRA Balances in Year	148	(104)	44
Closing General Fund and HRA Balance at 31 March 20x1	21,970	3,233	25,203

[2] An analysis of the movements on the HRA balance may be found in the Movement on the Housing Revenue Account Statement [on page ...]. Further examination of the split of General Fund and HRA balance can be seen in the Movement in Reserves Statement on Page [...]

Appendix 3

Note to the Funding Analysis[3]: Adjustments to General Fund to add Expenditure or Income not Chargeable to Taxation or Rents and Remove Items which are only Chargeable under Statute

	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
People Directorate (Children's and Social Services)	280	618	-	**898**
Neighbourhoods (Highways and Housing Services including the Housing Revenue Account)	720	648	41	**1,409**
Business Change (Planning and Economic Development Services)	60	163	-	**223**
Corporate and Central Services	140	693	-	**833**
Net Cost of Services	**1,200**	**2,122**	**41**	**3,363**
Other operating expenditure (i)	750	-	-	**750**
Financing and investment income and expenditure (ii)	(750)	(50)	(50)	**(850)**
Taxation and non-specific grant income and expenditure (iii)	(844)	-	(75)	**(919)**
General Fund or HRA Balance (surplus)/Deficit	**356)**	**2072**	**(84)**	**2,344**

Adjustments for Capital Funding and Expenditure Purposes

1) Adjustments to General Fund Balances to meet the requirements of generally accepted accounting practices, this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

   i) **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

[3] This note provides a reconciliation of the main adjustments between the Funding Statement to the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

ii) **Financing and investment income and expenditure -** the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from financing and investment income and expenditure as these are not chargeable under generally accepted accounting practices.

iii) **Taxation and Non Specific Grant Income and Expenditure** – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the removal of pension contributions and the addition of pension (IAS 19) related expenditure and income

2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs.

- For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

3) Other Differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- The charge **for services** here is a statutory adjustment for a financial instrument relating to a decision by services to issue soft loans to community organisations. Soft loans are loans below market rates.

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts.

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

Appendix 4

Comprehensive Income and Expenditure Statement[4]

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 [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both in the Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
People Directorate (Children's and Social Services)	74,297	(26,014)	48,283
Neighbourhoods (Highways and Housing Services including the Housing Revenue Account)	46,025	(38,688)	7,337
Business Change (Planning and Economic Development Services)	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
Cost of Services	**155,967**	**(79,902)**	**76,065**
Other operating expenditure	2,218	-	2,218
Financing and investment income and expenditure	11,340	(2,359)	8,981
Taxation and non-specific grant income and expenditure	-	(84,876)	(84,876)
(Surplus) or Deficit on Provision of Services			**2,388**
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(36,597)
(Surplus) or deficit on revaluation of available for sale financial assets			(101)
Actuarial gains/losses on pension assets/liabilities			(8,444)
Other Comprehensive Income and Expenditure			**(45,142)**
Total Comprehensive Income and Expenditure			**(42,754)**

[4] The service analysis provides the total direct costs of providing the services.

Appendix 5

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve* £000	Major Repairs Reserve** £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 20X0	**22,118**	**3,129**	**10,065**	**1,600**	**450**	**37,362**	**329,667**	**367,029**
Movement in reserves during 20X0/X1								
Total Comprehensive Income and Expenditure	**(2,783)**	**395**	–	–	–	**(2,388)**	**45,142**	**42,754**
Adjustments from income & expenditure charged under the accounting basis to the funding basis	2,635	(291)	(750)	-	-	1,594	(1,594)	-
Increase or (Decrease) in 20X0/X1	**(148)**	**104**	**(750)**	-	-	**(794)**	**43,548**	**42,754**
Balance at 31 March 20X1 carried forward	21,970	3,233	9,315	1,600	450	36,568	373,215	409,783

***Capital Fund Scotland**

**** Applicable in England Only**

Classification: NULBC **UNCLASSIFIED**

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO AUDIT & RISK COMMITTEE

Date 28 September 2015

HEADING ***INTERNAL AUDIT PROGRESS REPORT – Quarter 1 2015/16***

Submitted by: Audit Manager

Portfolio Finance IT and Customer

Ward(s) affected All

Purpose of the Report

To report on the work undertaken by the Internal Audit section during the period 1st April to 30th June 2015. This report identifies the key issues raised. The full individual reports issued to Officers contain the key issues plus a variety of minor issues and recommendations.

Recommendations

That Members consider any issues that they may wish to raise with Cabinet and, or Executive Directors.

Reasons

The role of Internal Audit is to ensure that the Council has assurance that controls are in place and operating effectively across all Council Services and Departments.

1 Background

1.1 The Internal Audit Plan for 2015/16 allows for 500 days of audit work.

1.2 This is the first progress report of the current financial year presented to the Committee and the areas that it will cover are as follows;

- Actual against planned performance for the first quarter, demonstrating progress against the plan
- Details of audit reviews completed and final reports issued
- Consultancy and non audit work, including corporate work

1.3 The delivery of an audit plan does not normally show 25% of the audits completed on a quarterly basis. Past experience has shown this is more likely to be around 10% in the first quarter. Achievement of the 10% is dependent on a full complement of staff from 1st April, fully qualified and trained to complete work with minimum supervision. A full 25% of the plan is not normally achieved due to slippage of the previous years plan, and other factors such as special investigations. The audit plan is a guide to what may be achieved given optimum resources and no external influences; as such it is normal to revise the plan throughout the year to reflect unforeseen issues.

Emphasis during such a revision, if required, will be on achieving the high risk audit reviews first, followed by medium and low. Variations to the plan will affect the assurance that Internal Audit can give as to the effectiveness of the internal controls and systems; it is the role of the Audit Manager with responsibility for the Section to highlight to members if this is approaching a level that would jeopardise that assurance statement.

2 <u>Issues</u>

2.1 **Performance Indicators**

The indicators reported below relate to the end of the first quarter (June 2015).

2.2 **Number of Recommendations Implemented**

At the conclusion of every audit, an audit report is issued to management detailing findings of the audit review together with any recommendations required to be implemented to address any weakness identified.

Up to the end of June 2015, 204 recommendations had been made of which 182 have been implemented, 89%, the target for the implementation of all recommendations is 96% by the end of the financial year. With 89% of all recommendations implemented to date this provides a good indication that managers are responding to and implementing the recommendations made. We would not anticipate this to be any higher at this stage in the year due to varying factors one being the fact some of the recommendations will not yet have reached their implementation date.

2.3 **Percentage of clients who are satisfied or very satisfied with the service provided**

Management's views are sought on the conclusion of each key audit by the issue of a Customer Satisfaction Survey. This requires management to give a satisfaction rating of between 0 and 5. A medium satisfaction score would be between 54 to 74%, high satisfaction 75 to 100%, the target for 2015/16 is 85%.

Out of 2 surveys issued during quarter one, 1 satisfaction survey was returned, the result for this was 86%.

Progress made against the plan.

This is measured using three indicators;

- **Audit staff utilisation rate:** This indicator demonstrates whether staffing resources are being used to complete non audit duties. Audit duties are chargeable to clients and can include audit reviews, special investigations, consultancy and contributing to corporate initiatives in terms of providing controls advice. Non audit and therefore non productive time covers aspects such as administration, training and leave. The target for productive time is 74%

  Productivity at the end of quarter 1 is 57%. This figure is lower than target due to the fact that we are in the process of implementing a new audit system which is having an impact on both the audit plan and audit resources and also due to one member of the audit team currently on secondment to the Finance Team to cover a period of maternity leave. Provision has been made to backfill this secondment through the use of agency staff.

- **Percentage of audits completed compared to the total number of audits planned for completion (percentage):** the annual target for this is 90%. 8% of the planned audits had been completed by the end of quarter 1.

- **Percentage of the audit plan completed within the year:** the annual target for this is 90%. 10% of the operational audit plan had also been completed against an expectation of 10%.

2.4 **Audit reviews completed and final reports issued between 1 April and 30 June 2015**

On completion of the audit reviews an opinion can be given as to the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Well Controlled	Controls are in place and operating satisfactorily. Reasonable assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money (vfm)
Adequately controlled	There are some control weaknesses but most key controls are in place and operating effectively. Some assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.
Less than adequately controlled	Controls are in place but operating poorly or controls are inadequate. Only limited assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.
Poorly controlled	Controls are failing or not present. No assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.

2.5 The table below shows the overall audit opinion and the number and types of recommendations agreed to improve existing controls, or introduce new controls on the audit reviews completed since the 1st April 2015. Appendix A provides fuller details of these audit reviews under each service area.

AUDIT REVIEW	AUDIT OPINION	Risk Category
Chief Executives		
Safeguarding	Less than Adequately Controlled	B
Resources and Support		
Medium Term Financial Strategy	Well Controlled	B
Regeneration and Development		
Bridge Street Subway Mural	Well Controlled	A
Midway Car Park Concrete Repairs	Well Controlled	A
Corporate Reviews		
Mileage Travel & Subsistence Allowances	Adequately Controlled	B
Corporate Governance	No opinion given – work completed as part of the Annual Governance Statement	A

Risk categories relate to the risk to the Council achieving its objectives if the area under review is not performing and identify the frequency of the audit. An 'A' risk area requires a review of its key controls on an annual basis or as the need for an audit arises for example, in the case of contracts coming to an end final account audits are required and completed. A 'B' risk area is reviewed twice during a three year programme and a 'C' risk every three years.

'Risk' can be defined as the chance, or probability, of one or more of the Council's objectives not being met. It refers both to unwanted outcomes that may arise, and to the potential failure to reach desired outcomes. Management compliance with agreed action plans will ensure that risks are addressed.

2.6 **Consultancy and non audit projects**

During quarter 1 the Audit Manager has been involved in various projects which have included the following;

- An assessment of the Council's Corporate Governance arrangements was completed which culminated in the production of the Annual Governance Statement which was presented to the Audit & Risk Committee on the 6 July 2015 for approval alongside the Statement of Accounts. This process involved a number of separate pieces of work being co-ordinated and then an assessment undertaken of the overall governance arrangements for the Council, which resulted in the final statement being produced.
- In addition a total of 15 audit days have been spent undertaking special projects at the request of other Directorates.

3 <u>Options Considered</u>

3.1 Audit recommendations are discussed and agreed following the issue of the draft audit report. These draft discussions give management the opportunity to discuss and agree the recommendations that have been proposed.

3.2 The audit plan is a living document and as such circumstances may arise that affect it; these are considered in the light of risk and decisions taken to enable intelligent variations to be made to the plan.

4 <u>Proposal</u>

4.1 In agreeing to audit reports, management acknowledge the issues raised and risks identified from the review and therefore accept the recommendations that have been made.

5 <u>Reasons for Preferred Solution</u>

5.1 By implementing the recommendations, the exposure to risk is minimised and achievement of the Council's objectives maximised. The completion of the audit reviews provide evidence on which assurance of the Council's systems and internal controls can be provided.

6 <u>Outcomes Linked to Corporate Priorities</u>

6.1 The Internal Audit function contributes to the prevention, detection and investigation of potential fraud and corruption incidents as well as giving assurance on the effectiveness of services in terms of value for money.

6.2 By managers ensuring that they have strong controls in all their systems, processes and activities the potential for crime can be reduced whilst providing best value facilities.

7 Legal and Statutory Implications

7.1 The Accounts and Audit Regulations 2015 require the Council to 'maintain an adequate and effective system of internal control in accordance with the proper internal audit practices'.

8 Equality Impact Assessment

8.1 There are no differential equality impact issues identified from this proposal.

9 Financial and Resource Implications

9.1 The implementation of recommendations will ensure that the areas reviewed will provide value for money in relation to their objectives and that operations are provided safely and risks managed. This in turn will reduce the risk of financial losses.

9.2 The service is currently on target to be provided within budget.

10 Major Risks

10.1 If key controls are not in place, managers are exposing their systems, processes and activities to the potential abuse from fraud and corruption.

10.2 If key controls are not in place, assurance cannot be given that the Services being delivered provide Value for Money for the Council.

10.3 If the risks identified are not addressed through the implementation of agreed recommendations, achievement of the Council's objectives will be affected.

11 Key Decision Information

11.1 Not applicable

12 Earlier Cabinet/Committee Resolutions

12.1 Agreement of the Internal Audit Plan for 2015/16 (Audit and Risk Committee 16 February 2015).

13 Recommendations

13.1 That Members consider any issues that they may wish to raise with Cabinet and, or Chief Officers.

14 List of Appendices

14.1 Internal Audit Plan 2015/16: Progress to the end of Quarter 1 – 2015/16.

15 Background Papers

15.1 Internal Audit Plan & PI's Folder
15.2 APACE files 2015/16

16. **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		

Appendix **

Internal Audit Plan 2015/16

Progress to the end of Quarter 1 – 2015/16

Chief Executives Directorate

The following areas have been completed in quarter 1

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Safeguarding	B	Less than adequately controlled	3	10	2	15

The main objectives of the **Safeguarding Review** were to ensure that

- Safeguarding policies and procedures are in place, well publicised and reviewed regularly, and that concerns and allegations are formally recorded.
- Safeguarding training is provided and monitored as necessary.
- Roles and responsibilities are clearly defined.
- Staff are recruited safely and that checks are undertaken to ensure suitability.
- DBS checks are undertaken in line with legislation and information is stored securely.

Overall the findings from this review concluded an overall audit opinion of **less than adequately controlled**. This audit opinion means that there are some control weaknesses but most key controls are in place and operating effectively. Some assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.

A number of recommendations were made in order to help improve systems and processes these were in relation to ensuring that a process was in place to monitor the review of criminal record checks that are undertaken, that the Safeguarding Policy be reviewed to include links to other internal policies such as the Whistleblowing policy, and that there should be a look at how the issues in relation to safeguarding should be promoted in order to raise awareness. In addition there were also recommendations in relation to having safeguarding champions within service areas and that all staff should undertake relevant training in relation to safeguarding.

Following the audit a number of the recommendations that were made in relation to the Safeguarding Policy have now been actioned; these issues are covered as part of a report that is to be presented to a future meeting of the Cabinet.

Resources and Support Services Directorate

Areas completed in Quarter 1 of the 2015/16 Audit Plan

The following areas have been completed in quarter 1

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	

Medium Term Financial Strategy	B	Well Controlled	0	0	0	0

The main issues arising from the above audits can be summarised as follows;

Medium Term Financial Strategy.

The main objectives of this review were to ensure that;

- the Council has an up-to-date Medium Term Financial Strategy
- budgets are set and managed in accordance with the Medium Term Financial Strategy
- there are regular reporting lines to members concerning the Council's current financial position
- there all relevant staff & members receive the appropriate financial training.

Overall the findings from this review concluded an overall audit opinion of **well controlled**. This means that controls are in place and operating satisfactorily. Reasonable assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money (VFM).

Regeneration & Development Services

Areas completed in Quarter 1 of the 2015/16 Audit Plan

In accordance with Financial Regulations all final payments made against a contract need to be verified by Internal Audit before payment can be made. During quarter 1 the following final payments have been audited

Contract Name	Contractor	Value of Work	Audit Findings
Bridge Street Subway Mural	Creative Arts North Staffs	£10,810.00	No problems identified, contract delivered within budget-
Midway Car Park Concrete Repairs	Concrete Repairs Limited	£1,474,411.93	No problems identified, contract delivered within budget

Corporate Reviews

These are audit reviews that cut across all Service Areas, as such Audit Briefs go out to all Executive Directors, Corporate and Service Managers and reporting is done on an individual service level in order to retain confidentiality of the issues identified.

Areas completed in Quarter 1 of the 2015/16 Audit Plan

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Corporate Governance	A	No Opinion –part of the Annual Governance	0	0	0	0

		Statement				
Mileage Travel and Subsistence	B	Adequately Controlled	0	3	0	3

The work was completed in relation to **Corporate Governance** culminated with the completion of the Annual Governance Statement for 2014/15

Mileage Travel and Subsistence, the main objectives of this review were to ensure that;

All claims for travel and subsistence are made in accordance with the Authority's Financial Regulations in that;

- All claims are arithmetically correct and correctly authorised
- All journeys undertaken are logical and appropriate
- All claims are submitted within the appropriate timescale
- All claims are submitted with the appropriate receipts
- Drivers have adequate insurance cover for business use.
- Policies and procedures are in place covering the rules governing travel and subsistence.

Overall the findings from this review concluded an overall audit opinion of **adequately controlled.** This audit opinion means that there are some control weaknesses but most key controls are in place and operating effectively. Some assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.

A number of recommendations were made in order to help improve systems and processes these were in relation to ensuring that all forms submitted should contain clear details of all journeys undertaken, receipts are provided in respect of car parking and train tickets and that valid driving licences, insurance and MOT certificates should be verified on an annual basis.

<u>Note on recommendations</u>

Recommendations fall into one of three categories;

High (H): *action that is considered imperative to ensure that the authority is not exposed to high risks;*

Medium (M): *action that is considered necessary to avoid exposure to significant risks;*

Low (L)*:* *action that is considered desirable and which should result in enhanced control or better value for money.*

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Classification: NULBC **UNCLASSIFIED**

HEADING	***QUARTERLY REPORT : ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 APRIL TO 30 JUNE 2015***
Submitted by:	Audit Manager
Portfolio	Finance IT and Customer
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

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 controls.

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 one there were 11 outstanding high risk recommendations. All of which were at their first review date and therefore do not need to be reported to the committee.

2.2 A summary of the assurance levels for each of the 4 directorates during quarter 1 can be found at Appendix A.

2.3 Given these results at the end of the first 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 2015 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

9.1Not applicable

10. Earlier Cabinet/Committee Resolutions

10.1Where fundamental recommendations show a target date change; this identifies the number of times the recommendation has been referred back to Executive 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 June 2015

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 1 2015-16

	Chief Executives			Resources & Support Services			Regeneration & Development Services			Operational Services		
	April	May	June	April	May	June	April	May	June	April	May	June
Total number of Recommendations	17	17	16	103	48	43	29	29	29	79	67	67
Number of Recommendations Outstanding as at the end of month	3	3	1	41	2	3	4	3	2	21	14	18
% Implemented as at end of month	75	75	92	51	92	86	84	88	91	67	72	67
% Overdue for implementation as at the end of the month	25	25	8	49	8	14	16	12	9	33	28	33
No of recommendations with target date changed > 2	0	0	0	2	0	0	1	2	1	2	0	0
High Risk recommendations with target date changed > 2	0	0	0	0	0	0	0	0	0	0	0	0
Medium Risk recommendations with target date changed > 2	0	0	0	0	0	0	1	2	1	2	0	0

	Chief Executives			Resources & Support Services			Regeneration & Development Services			Operational Services		
Low Risk recommendations with target date changed > 2	0	0	0	2	0	0	0	0	0	0	0	0
Overall Assurance Level	**Sub**	**Sub**	**Sub**	**Ltd**	**Sub**	**Sub**	**Sub**	**Sub**	**Sub**	**Ltd**	**Sub**	**Ltd**
Annual Audit Days for Directorate*	**50**			**168**			**115**			**77**		
Total number of audit reviews for the Directorate*	**5**			**24**			**13**			**7**		

*** In addition to the audit days per directorate there are 90 days identified for Corporate Reviews – these being reviews that span across all services. There are 12 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 2015-16.

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.