Date of meeting	**Monday, 23rd September, 2013**
Time	**7.00 pm**
Venue	**Training Room 1 - Civic Offices, Merrial Street, Newcastle-under-Lyme, Staffordshire, ST5 2AG**
Contact	Julia Cleary

Audit and Risk Committee

AGENDA

PART 1 – OPEN AGENDA

1 Apologies

2 DECLARATIONS OF INTEREST

To receive declarations of interest from Members on items included in the agenda.

3 MINUTES OF PREVIOUS MEETINGS **(Pages 1 - 6)**

To consider the minutes of the previous meeting held on 15 July 2013.

4 Corporate Risk Management Report for the Period April to June 2013 **(Pages 7 - 18)**

5 Internal Audit Progress Report – Quarter 1 2013/14 **(Pages 19 - 28)**

6 Quarterly Report: Adoption of Internal Audit High Risk Recommendations and Summary of Assurance 1 April to June 2013 **(Pages 29 - 34)**

7 Statement of Accounts 2012/13 and External Auditor's Governance Report **(Pages 35 - 152)**

8 URGENT BUSINESS

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

Members: Councillors Waring (Chair), Loades (Vice-Chair), Mrs Peers, Mrs Cornes, Hambleton and Mrs Shenton

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

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

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

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AUDIT AND RISK COMMITTEE

Monday, 15th July, 2013

Present:-	Councillor Paul Waring – in the Chair
Councillors	Loades, Mrs Peers, Mrs Cornes and Hambleton
Officers	Mark Bailey (Head of Business Improvement and Partnerships Items 1-7 only) Liz Dodd (Audit Manager) Dave Roberts (Head of Finance) Nester Henshaw (Head of Environmental Health Services Items 1-6 only) Kelvin Turner (Executive Director Resources and Support Services) Martin Stevens (Democratic Services Officer) Louise Stevenson (Scrutiny Officer)
External	John Gregory (Grant Thornton) David Jenkins (Grant Thornton)

1. **APOLOGIES**

An apology for absence was received from Cllr Elizabeth Shenton.

2. **MINUTES OF LAST MEETING**

The minutes from the meeting held on 15 April 2013 were confirmed as a correct record.

3. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

4. **AUDIT COMMITTEE - TERMS OF REFERENCE**

The Executive Director for Resources and Support Services stated the Terms of Reference had been included within the agenda to remind members of the full remit of the committee and of their roles and responsibilities in relation to the type of reports presented to them.

RESOLVED: That the Terms of Reference be noted.

5. **AUDIT COMMITTEE - PLAN OF WORK 2013/14**

The Audit and Risk Committee Plan of Work 2013/14 was received by the Committee.

RESOLVED: That the Audit and Risk Committee work plan be noted.

6. **HEALTH AND SAFETY ANNUAL REPORT**

The Head of Environmental Health Services presented the Health and Safety Annual Report. She gave a summary of the key areas contained within the report. A Member requested that there should be a meeting to discuss the health and safety checks on community centres and that more information on this particular area should be provided.

RESOLVED: That the report be noted.

7. **CORPORATE RISK MANAGEMENT**

The Head of Business Improvement and Partnerships presented a report on the Corporate Risk Management Policy. He stated that every quarter the Committee received a report on the position regarding risks. The risk management policy set out how the Council dealt with risk management including how they were identified and how the Council responded to them. The policy was normally reviewed on an annual basis. Risks were scored according to their likelihood of occurrence and their potential impact. They were then colour coded accordingly. There were a number of minor changes requiring approval. He hoped next year to make some of the policy more user friendly. Whist he recognised that the document was lengthy sometimes it was necessary to convey information in its entirety.

A Member asked if any changes were required to the policy since the increase of Police using Civic Offices. In response the Head of Business Improvement and Partnerships stated that the risks relating to them using the site were picked up by the process.

RESOLVED:

A) That the updated Risk Management Policy and Strategy found at Appendix 1 be noted.

B) That the minor changes as listed on the documents appended be approved.

C) That reports be kept as short and concise as possible and good use be made of training sessions to help negate the need for lengthy reports.

8. **TREASURY MANAGEMENT REPORT 2012/13**

The Executive Director for Resources and Support Services presented the Treasury Management Annual Report for 2012/13. He stated that there were certain parts of the report that were not written by Officers of the Council but by the Council's treasury management advisors. The part in the report relating to the national economy he cited as an example.

A Member questioned the inclusion of quarter 4 2014 on page 75 of the report. It was confirmed that the year 2014 should be deleted.

RESOLVED:

A) That the Treasury Management Annual Report for 2012/13 be noted.

B) That the Actual Prudential Indicators contained within the report be noted.

9. **DRAFT STATEMENT OF ACCOUNTS 2012/13**

The Chair stated that Members had a significant time to review the draft statement of accounts for 2012/13 but the capital expenditure incurred during 2012/13 did need to be approved. The Executive Director for Resources and Support Services stated that 95% of the detail and format of the accounts was prescribed by CIPFA. CIPFA were in turn required to meet the International Financial Reporting standards. CIPFA at a recent conference he had attended had endeavoured to undertake an exercise to see if anything could be done to make them simpler without contravening the international standard. The covering report to the accounts had tried to make them more understandable.

The Head of Finance gave a full summary of the main points relating to the accounts. Cllr Loades asked whether the changes to the staff pension scheme regarding the automatic opt-in would make any difference to the pension liabilities. The Head of Finance undertook to give a written response as he would have to study the relevant information.

RESOLVED:

A) That the contents of the draft Statement of Accounts for 2012/13 be noted.

B) That the financing of capital expenditure incurred during 2012/13 as set out in Appendix 2 of the report be approved.

10. **EXTERNAL AUDIT PLAN 2013/14**

A representative from Grant Thornton stated that he shared the view that the way the annual accounts had to be presented caused confusion to the lay person. The format of the external audit plan had been revised. The significant risks that had been identified were generic risks which all organisations faced. These included the potential for management override of established financial controls. The Executive Director for Resources and Support Services stated that Officers had gone through the plan and were happy with the document.

RESOLVED: That the External Audit Plan for 2012/13 be approved.

11. **GRANT CERTIFICATION WORK PLAN**

The representative from Grant Thornton stated that various grant paying bodies required external certification of claims for grant or subsidy and returns of financial information. There were two areas which they audited, the housing and council tax benefits scheme and the national non-domestic rates return. He was not expecting any particular issues.

RESOLVED: That the Grant Certification Work Plan be approved.

12. **ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 JANUARY TO 31 MARCH 2013**

The Audit Manager stated that she was pleased to report that there were no high risk recommendations outstanding at the end of the fourth quarter. A summary of the assurances and outstanding audit recommendations for the last quarter could be found at Appendix A.

RESOLVED: That the action of Officers and level of assurance be noted.

13. **INTERNAL AUDIT SECTION - ANNUAL REPORT 2012-13**

The Audit Manager stated that Internal Audit had maintained a high level of productivity, 85% against a target of 74%, with 91% of the audit plan having been completed. The percentage of Internal Audit recommendations implemented by Officers had increased to 91% against a target of 95%. Appendix A to the report provided more detail on the work undertaken by the section.

A Member asked if some information could be provided regarding the process for dealing with high risks. The Audit Managed briefly described the process but undertook to give a training session on the subject.

RESOLVED:

A) That the Internal Audit Section for 2012-13 be received.

B) That a future Audit training session include a section on the process for dealing with high risks to the organisation.

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

The Audit Manager stated that she had emailed Members in the previous week with a link to the information she had put on the Members' area on the Council's Intranet system. This information was the evidence required in accordance with CIPFA checklist for measuring the effectiveness of the Audit Committee. The results of the self assessment showed that the Audit Committee was effective and could be relied upon when considering the Annual Governance Statement for 2012/13.

RESOLVED: That the report outlining the findings from the review of the effectiveness of the Audit Committee for 2012/13 be noted.

15. **REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

The Audit Manager presented a report on the review of the effectiveness of the System of Internal Audit. A self assessment check list from CIPFA's Code of Practice for Internal Audit was completed annually. With effect from 1 April 2013 the CIPFA Code of Practice for Internal Audit in Local Government had been replaced with a new set of standards. The internal review had showed that the system of Internal Audit was operating effectively and could be relied upon when considering the Annual governance Statement for 2012/13.

RESOLVED: That the report outlining the findings from the review of the effectiveness of the system of Internal Audit 2012/13, together with the action plan be agreed.

16. **ANNUAL GOVERNANCE STATEMENT**

The Audit Manager stated that under the Accounts and Audit Regulations the Council was required to publish an Annual governance Statement. Details of the evidence relied upon when collating the statement had been placed in the members area on the Council's Intranet site and could also be made available by contacting her direct.

RESOLVED: That the Annual Governance Statement 2012/13 (AGS) be approved.

17. **URGENT BUSINESS**

There was no urgent business within the meaning of section 100 (4) of the Local Government Act 1972.

COUNCILLOR PAUL WARING
Chair

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

23 September 2013

CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD April to June 2013

Submitted by: **Head of Business Improvement and Partnerships**

Portfolio: **Customer Services and Transformation**

Ward(s) affected: **All**

Purpose of the Report

To provide an update to Members of the progress made by the Council in enhancing and embedding risk management for the period April to June 2013, including progress made in managing the 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 new risks that have been identified between April to June 2013.

(c) Identify, as appropriate, risk profiles to be scrutinised in more detail as part of your responsibility at the next meeting.

Reasons

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

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

1. Background

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

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

The last review of these risks was reported to the Council's Audit & Risk Committee in April 2013.

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

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

2. Issues

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

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

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

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		

This quarter there have been three downgrades of ratings from the previous report due to the risk management by officers.

The first is in relation to the telephony consolidation contract. The contract has now been consolidated via negotiation with suppliers.

The second relates to the work relating to the provision of remote access. This work has also now been completed.

The final reduction is in relation to the interest rates remaining at a low, with the opinion that they will not fall any further. The main control of this is out of the hands of the council however, internal mechanisms have allowed officers to deal with the implications.

Appendix X now highlights the Council's most significant risks, with the risks that fall into the top line of the ratings being reported.

2.2 Issues from last meeting

None were raised.

3. **<u>Outcomes Linked to Corporate and Sustainable Community Priorities</u>**

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

4. **<u>Legal and Statutory Implications</u>**

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

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

5. **<u>Equality Impact Assessment</u>**

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

6. **<u>Financial and Resource Implications</u>**

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

7. **<u>List of Appendices</u>**

Appendix X

8. **<u>Background Papers</u>**

None

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

	Appendix X 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 30/08/2013	**Status** as at Dec 12	**Status** as at March 13	**Current Rating** as at June 13
1	Reputational damage	Chief Executive	The Council has an ongoing responsibility to ensure that services are delivered to the highest quality and all citizens are treated with courtesy. The Council seeks to keep citizens and others informed of decisions made and the reasons for these decisions and also seeks to make the public aware of any work which has been completed, together with clear plans of upcoming decisions and priorities for investment. The Council has made a conscious effort to be transparent and open at all times.		Strategic	Although this is identified as a risk, reputation damage is normally a consequence of other risks that have occurred. There are numerous controls in place in this profile, however if this did occur, the impact and likelihood of it happening has resulted in the High Red 9 rating. There is of course an opportunity to positively publicise any successes that the council has, whether through prosecutions for benefit cheats, fraudulent insurance claims, savings made on settling insurance claims, the quick response to complaints and insurance claims, whereas in the past, these may not have been voiced.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9

	Appendix X 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 30/08/2013	**Status** as at Dec 12	**Status** as at March 13	**Current Rating** as at June 13
2	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	Reporting of incidents/accidents is completed on Target100 Health and Safety system and the Council's Business Improvement Officer (Risk and Insurance) collates information monthly to pass to the Council's claims handlers. This then allows for a more robust and faster way to investigate a potential claim by having investigations take place earlier whilst things are clearer in people's minds. However, with the new Jackson Reform being implemented, some areas that are changing may initially increase the number and frequency of claims. The introduction of "fixed costs" may cause claimant solicitors to pursue "clients" before the implementation date of October 2013. Claimant solicitors will have to bear a set rate for their charges, rather than allowing them to delay settlement of the claim, and obtaining a 100% success fee, which they are entitled to at present.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9

	Appendix X 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 30/08/2013	**Status** as at Dec 12	**Status** as at March 13	**Current Rating** as at June 13
3	Overall budget realisation fails	Resource & Support Services	Whilst elements of this item are outside the Council's direct control, a range of systems are in place designed to ensure that information is received and understood quickly and efficiently and appropriate actions taken (through planning and reviewing the Council's financial position on a regular basis) and that contingencies are in place to counter any issues which occur.		Strategic	Numerous controls in place to deal with this internally such as monthly budget reports, MTFS continually reviewed, contingency fund available, realistic inceases included in base figures	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9
4	Breach of Data Protection Act	Resource & Support Services	A module has been designed to sit on the Staffordshire e-learning portal which enables the review/refresher training of all staff and members to be undertaken and monitored. In addition, the Safe Voice system has been introduced to keep staff aware of any developments and ensure safe use of data and other information. Finally, further compulsory awareness sessions will be held in November for staff to raise awareness of data protection issues.	Nov-13	Strategic	This risk is currently being controlled - various training sessions have taken place with all staff, guidelines are available, data protection and information security training has taken place, however the overall impact and likelihood ratings have remained high.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9

	Appendix X								
	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 30/08/2013	**Status** as at Dec 12	**Status** as at March 13	**Current Rating** as at June 13
5	Failure to secure external funding from other bodies (Kidsgrove Sports Centre)	Operational Services	Updated report to be sent to Cabinet on the re-costings of the works, along with 5 option papers and associated risks	Sep-13	Project	An external body has challenged the original options appraisal and also undertaken site options appraisals for alternative venues, should the decision be made to withdraw from the current site	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9
6	Inability to implement outcomes from the Stock Condition Survey due to lack of finance (Asset Management Strategy)	Regeneration & Development	Annual review of the Asset Management Strategy to take place, however the Facilities Manager reviews the Capital Works Programme on an ongoing basis	Jan-14	Operational	The outcome report has been received by the Capital Programme Review Group. The urgent items are covered by the 3 year Capital Works Programme and this should allow for the repairs to be undertaken. There is however an annual review of the Works Programme to assess if there is a need to change priorities.	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8

	Appendix X								
	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 30/08/2013	**Status** as at Dec 12	**Status** as at March 13	**Current Rating** as at June 13
7	Increase in Fees and Charges does not result in higher income levels (Balances/Contingency Reserve)	Resources & Support Services	An in-depth review of levels of fees and charges has been carried out, using data from local authorities across the country and this has been tested against local knowledge of usage and demand to produce as realistic a set of fees and charges as possible. In addition, care has been taken to set realistic targets for income as part of the overall annual budget setting exercise.		Project	The control measures in place currently secure this risk as it is, however if any issues arise it is monitored as part of the financial system	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8
8	Abuse of email facility (fraud awareness)	Resources & Support Services	The updated online fraud and corruption data package now contains an elearning training module on misue of time and resources on email and internet facilities. Also use is made of 'Safe Voice' to convey messages to staff and ensure compliance with relevant policies.	Mar-13	Operational	Further action now complete and the rating will be amended on the next review - the risk however will be removed from Quarter 2's report	I = 1 L = 3 Medium 7	I = 1 L = 3 Medium 7	I = 1 L = 3 Medium 7

	Appendix X								
	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 30/08/2013	**Status** as at Dec 12	**Status** as at March 13	**Current Rating** as at June 13
9	Current provider of remote access is unable to deal with council requirements (ICT Services)	Resources & Support Services	Complete a full procurement exercise to obtain a replacement service	Sep-13	Operational	Currently the council is working with the provider to delivery the required remote/homeworking solution, however the requirements of the council are such that development is needed. If the encumbant provider cannot develop our requirements, this will lead to a reduction in flexibility and staff morale, lack of compliance with Council homeworking policy and ultimately will impact on business continuity in a disaster recovery situation.		I = 2 L = 3 Medium 8	Closed

Appendix X									
	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 30/08/2013	**Status** as at Dec 12	**Status** as at March 13	**Current Rating** as at June 13
10	Fall in interest rates reduces income to the Council (Balances/Contingency Reserve)	Resources & Support Services	As interest rates are set outside the direct control of the Council, care has been taken to reflect the potential for changing levels of interest rates as part of the Council's Treasury Management Strategy. Projections have therefore been included in the Council's budget plans which reflect the ongoing position regarding interest rates and this has been independently analysed. The Council has also included contingencies in its budget plans to reflect possible changes to interest rates, although the ongoing historically low levels of interest rates means that it is likely that any changes will only result in rises rather than falls in the short to medium-terms.		Project	This risk is somewhat out of the control of the council due to the fact that the interest rates are set by the limited number of organisations that the council is authorised to invest with. The council also has to be mindful of the need to safeguard the Capital invested which is the prime consideration in accordance with the Council's Treasury Management Strategy. The amounts to be invested are also limited compared to past historic years and with interest rates being low, the amounts available for investment are much reduced. The review of the risk ratings has now lowered the final score to a Low 4 and the risk will be removed from Q 2's report	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8

	Appendix X 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 30/08/2013	**Status** as at Dec 12	**Status** as at March 13	**Current Rating** as at June 13
11	Restrictions in staying with current telephony provider (telephony consolidation contract)	Resources & Support Services	Look to develop current contract with provider to enable "movement" in the council's requirements	Jun-13	Project	There is resiliance in place for the telephony and internet requirements however for future development the need for another type of "feed" into the Civic Offices and Kidsgrove is required. This will ultimately enable the council, should it so desire, to move premises whilst still ensuring access to staff and public to their normal services. A report has been sent to Cabinet to establish if a waiver can be made from Standing Orders to enable officers not to undertake a full procurement exercise for the telephony service		I = 1 L = 3 Medium 7	Closed

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO AUDIT & RISK COMMITTEE

Date 23rd September 2013

HEADING ***INTERNAL AUDIT PROGRESS REPORT – Quarter 1 2013/14***

Submitted by: Audit Manager

Portfolio Finance and Budget Management

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 2013. 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 key to ensure that the Council has assurance that controls are in place and operating effectively across all Council Services and Departments.

- **Background**

1.1 The Internal Audit Plan for 2013/14 allows for 530 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.

- **Issues**

2.1 **Performance Indicators**

The indicators reported below relate to the end of the first quarter (June 2013).

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 2013, 338 recommendations had been made of which 311 have been implemented, 92%, the target for the implementation of all recommendations is 96% by the end of the financial year. With 92% 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 2012/13 is 85%.

Out of five surveys issued during quarter one, just one satisfaction survey was returned during, the average for this was 79%. The issue with regards to the return of satisfaction surveys has been under review and various options are being reviewed and considered to help improve this process.

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 85%.

- **Percentage of audits completed compared to the total number of audits planned for completion (percentage):** the annual target for this is 90%. 12% 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%. 12 % 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 2013**

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 2012. Appendix A provides fuller details of these audit reviews under each service area.

AUDIT REVIEW	**AUDIT OPINION**	**Risk Category**
Chief Executives		
Insurance	Well Controlled	B
Resources and Support Services		
Information Security	Adequately Controlled	B
Housing Benefit Quarterly Testing	Well Controlled	A
Regeneration and Development		
Section 106 Agreements	Adequately controlled	B
Planning and Development Control	Well Controlled	B
Alterations to Civic Offices (Police Accommodation)	Well Controlled	A
Corporate Reviews		
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 15th July 2013 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 10 audit days have been spent undertaking special projects at the request of other Directorates.

- **<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.

- **<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.

- **<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.

- **<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.

- **Legal and Statutory Implications**

7.1 The Accounts and Audit Regulations 2011 require the Council to 'maintain an adequate and effective system of internal control in accordance with the proper internal audit practices'.

- **Equality Impact Assessment**

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

- **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.

- **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.

- **Key Decision Information**

11.1 Not applicable

- **Earlier Cabinet/Committee Resolutions**

12.1 Agreement of the Internal Audit Plan for 2013/14 (Audit and Risk Committee ** February 2013).

- **Recommendations**

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

- **List of Appendices**

14.1 Internal Audit Plan 2013/14: Progress to the end of Quarter 1 – 2013/14.

- **Background Papers**

15.1 Internal Audit Plan & PI’s Folder
15.2 APACE files 2013/14

Appendix **

Internal Audit Plan 2013/14

Progress to the end of Quarter 1 – 2013/14

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	
Insurance	B	Well Controlled	0	0	0	0

- The main objectives of the Insurance Review are to ensure that;
    - the Authority has suitable procedures for the co-ordination and control of insurance issues.
    - the Authority makes use of appropriate insurers to provide its insurance cover and that appropriate methods are used in their selection.
    - Appropriate procedures have been adopted for the identification, quantification and reduction of risk.
    - Insurance cover arranged is in line with the Authority's requirements and is suitable for the activities undertaken.
    - Procedures have been adopted which ensure that all claims are dealt with consistently and that they are monitored and followed up.
    - Renewal of policies takes place on a regular basis. Appropriate information is retained to assist in the renewals process.
    - Complete and accurate financial information is maintained with regard to the insurance function.

Overall the 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).

Resources and Support Services Directorate

Areas completed in Quarter 1 of the 2013/14 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	
Information Security	B	Adequately Controlled	0	2	5	7
Housing Benefits Quarterly Testing	A	Well Controlled	0	0	0	0

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

<u>Information Security –</u> the main objectives for this review are to ensure that;

- the Council seeks to develop a culture that properly values, protects and uses information for the public good and that there are clear lines of accountability throughout the organisation together with a programme of raising staff awareness starting at induction stage.
- the Council protects the security of their information through the physical security of their buildings, premises and systems.
- the Council has proper document systems in place and that it's suppliers, partners and contractors work to the same standards when handling their information. That it also monitors and audits the effectiveness of the policies and where appropriate engages independent experts to test ICT systems and make recommendations.
- the Council produces a Corporate Information Risk Policy, which sets out how it will implement the measures therein as well as produce policies for risk reporting and risk recovery. That it also ensures that there are mechanisms in place to test, monitor and audit the policies and procedures of the council

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.

As a result a number of recommendations were made which can be summarised as follows;

- ensuring compliance with the Information Security polices in terms of disposal of confidential waste,
- producing an information charter, and
- ensuring all risks in relation to information security issues are captured within the GRACE system.

<u>Housing Benefits Quarterly Testing</u> – the main objectives of this review are to ensure that;

- claim forms have been completed sufficiently;
- claim forms have been signed by the relevant party / or respective guardian where necessary;
- claims have been subject to the correct verification procedure;
- the supporting evidence has been received and documented within Information@Work;
- a prompt return of supporting documents to the claimant is made;
- claims that are not appropriate are rejected; and
- the correct Local Housing Allowance rates have been correctly inputted.

Overall the 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 2013/14 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	
Section 106 Agreements	B	Adequately Controlled	0	0	0	0
Planning and Development Control	B	Well controlled	0	1	0	1

Section 106 Agreements - The main objectives of this review was to undertake a follow up to the previous audit and ensure that;

- recommendations made at the last audit had been completed.
- S106 agreements are being closely monitored and information is recorded and reconciled on an ongoing basis
- all interested parties have access to relevant information and that this is notified to relevant personnel.
- payments due and received are appropriately recorded, monitored and reported

This audit review has an overall audit opinion of **adequately controlled**. Although no recommendations were made in light of the implementation of recommendations made at the last audit, the review acknowledged that improvements had been made in relation to the systems and process however the majority of these were still in their infancy and being developed and refined.

Planning and Development Control – the main objectives of this review was to ensure that;

- there is adequate documentation to support all planning applications and appeals.
- all planning applications and appeals records are updated appropriately and all relevant parties are notified.
- all applications are dealt with promptly and in line with statutory requirements at all stages.
- planning application procedures, including those in respect of fees and collection of income, are in accordance with statute, and the organisation's Standing Orders and Financial Regulations.
- the scale of fees and charges in respect of other income is in accordance with the organisation's Scale of Fees.
- changes to fees are notified to the relevant employees and all the appropriate literature is updated promptly.
- all applications and appeals are appropriate, bona fide and treated consistently.

Overall the 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).
There was just one recommendation and that related in allowing further staff to have access to the cash receipting in order to provide cover for this area of work

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
Alterations to Civic Offices (Police Accommodation)	Platt and Shufflebottom	£118,394.55p	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.

In addition work was completed in relation to **Corporate Governance** which culminated with the completion of the Annual Governance Statement for 2012/13

Note on recommendations

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.*

HEADING	***QUARTERLY REPORT : ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 APRIL TO 30 JUNE 2013***
Submitted by:	Audit Manager
Portfolio	Finance and Budget Management
Ward(s) affected	All

Purpose of the Report

To report on any outstanding high risk recommendations to the Audit and Risk Committee on a quarterly basis and where necessary to request Members' approval to the Executive Directors requested actions in respect of the recommendations and proposed target dates.

To provide Members with an assurance opinion on internal controls over Council Services.

Recommendations

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

Reasons

High risk recommendations are those agreed with management that are key controls in providing assurance as to the efficiency and effectiveness of the system, service or process under review. By agreeing to prolong target dates Members are accepting the risk of not implementing the control. Delayed implementation of such controls should be challenged to identify reasons behind this and solutions to the delay. Delays may be a result of external or internal influences, lack of resources or inertia. Such delays in the implementation of recommendations will affect the assurance opinion provided on each Service.

1. Background

1.1 High risk recommendations are those where action is considered imperative to ensure that the authority is not exposed to high risks and to do this it needs to be implemented within 1 month of the recommendation being agreed with managers.

1.2 Recommendations are reported to committee on an exception basis, i.e. reports where high risk recommendations have been followed up with Managers on more than two occasions are brought to the attention of Members. In addition the Chair and Vice Chair receive exception reports quarterly where high risk recommendations have been followed up with Managers after the initial implementation date has expired.

1.3 With the production of the Annual Governance Statement in conjunction with the Statement of Accounts the follow up and implementation of recommendations is increasingly important, since they provide both officers and Members with assurance as to the effectiveness of key internal control.

1.4 Assurance is provided on an annual basis as part of the Annual Report on the Internal Audit Service. It is now 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 was just one recommendation that was due for review and this had already had one target date change. A report on this has been presented to the Chair and Vice Chair of this committee for their consideration.

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 2011 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'.

6. Equality Impact Assessment

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

7. **Financial and Resource Implications**

7.1 The majority of recommendations are met within existing resources; where additional resources are required these will form part of a separate report.

8. **Major Risks**

8.1 The role of Internal Audit is to provide management with an objective assessment of whether systems and controls are working properly. High Risk Recommendations identify areas where action is required in order to avoid exposure to risk. If managers fail to act upon fundamental audit recommendations assurance cannot be given on the adequacy of the systems of internal control.

9. Key Decision Information

9.1 Not applicable

10. Earlier Cabinet/Committee Resolutions

10.1 Where fundamental recommendations show a target date change; this identifies the number of times the recommendation has been referred back to Executive 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 2013

12. Background Papers

Internal Audit PI and Assurances file

NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

Summary of Outstanding Audit Recommendations and Levels of Assurance – Quarter 1 2013-14

	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	25	25	16	146	146	125	57	61	60	33	39	52
Number of Recommendations Outstanding	7	1	0	25	16	24	2	0	0	9	16	6
% Implemented	63	90	100	77	84	74	96	100	100	64	41	74
% Overdue for implementation	37	10	0	23	16	26	4	0	0	36	59	26
No of recommendations with target date changed > 2	1	0	0	2	1	0	0	0	0	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	2	1	0	0	0	0	0	0	0
Low Risk recommendations with target date changed > 2	1	0	0	0	0	0	0	0	0	2	0	0

	Chief Executives			**Resources & Support Services**			**Regeneration & Development Services**			**Operational Services**		
	April	May	June	April	May	June	April	May	June	April	May	June
Overall Assurance Level	**Ltd**	**Sub**	**Full**	**Sub**	**Sub**	**Sub**	**Full**	**Full**	**Full**	**Ltd**	**Little**	**Sub**

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 2012-13.

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.

Statement of Accounts 2012/13 and External Auditor's Governance Report

Submitted by: Head of Finance

Portfolio Finance and Resources

Ward(s) affected All indirectly

Purpose of the Report

To approve the statement of accounts, receive the Grant Thornton's Governance Report for 2012/13 and to agree the Letter of Representation to the Auditor.

Recommendations

a) **That the Statement of Accounts 2012/13 be approved and signed by the person presiding at the meeting.**
b) **That the Annual Governance Report for 2012/13 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 2011, 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 260 (ISA 260), to report to you on matters affecting governance via a governance 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 15 July in relation to the draft Statement of Accounts and the Outturn position for 2012/13. The report explained that the 2012/13 Statement of Accounts does not have to be formally approved by a Council Committee until 30 September 2013. However, it was felt that members needed an earlier update on the position for 2012/13, 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 7 of this report, which outline the main features of the 2012/13 accounts is attached at Appendix 1.

1.2 The Committee now needs to formally receive the Statement of Accounts for 2012/13 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 (ISA 260), to report to you on matters affecting governance via a governance 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 2012/13, 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 2012/13

2.1 The Statement of Accounts now submitted to you has been audited by the Council's external auditor, Grant Thornton. As a result a very small number of minor amendments to two notes to the accounts have been agreed with the auditor and made to the Statement but it is substantially the same document as you considered in July. The Annual Governance Report sets out the amendments which have been made.

2.2 None of these agreed amendments change the amount of the positive variance on the General Fund Revenue Account (£3,024) 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. Annual Governance Report

3.1 The external auditor's Governance 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 Governance 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.

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 15 July 2013
Appendix 2: Statement of Accounts 2012/13
Appendix 3: Governance Report 2012/13 - "Audit Findings"
Appendix 4: Letter of Representation

6. Background Papers

Report to Audit and Risk Committee 15 July 2013 “Draft Statement of Accounts 2012/13”; Governance Report 2012/13 “Audit Findings” produced by the External Auditor appointed by the Audit Commission; Letter of Representation 2012/13.

APPENDIX 1

EXTRACT FROM REPORT TO THE AUDIT AND RISK COMMITTEE ON 24 JULY 2012

DRAFT STATEMENT OF ACCOUNTS 2012/13.

3. The General Fund Outturn

3.1 As mentioned above, the out-turn in respect of the General Fund Revenue Account was £3,024 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, largely ones that are sensitive to the state of the local and national economy, were particularly adversely affected as shown in the following table:

Type of Income	Budget	Outturn	Variance
	£000s	£000s	£000s
Local Land Charges	222	169	53
Commercial Properties Rents	1,651	1,492	159
Planning Applications Fees	428	210	218
Car Parking Income	1,218	961	257
Markets Stalls Income	260	147	113
Provision for Income Loss	(200)	-	(200)
Total	3,579	2,979	600

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

Part of the shortfall in relation to income has been covered by the provision included in the budget for income loss of £200,000 (included in the table above).

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

Item	additional expenditure
	£000s
Contribution to Bad Debts Provision	61
Landscape Section and other Salaries - non-recovery of costs	41
Total	102

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:	
Customer Services - Income from issue of Disabled Parking Blue Badges	12
Burial Fees Income	24
Licensing Income	61
Litter Fines	24
Housing Benefits - Recovery of Overpayments	117
Procurement Savings:	
Computer Software and Licenses	90
Highways Amenities expenditure	29
External Audit Fees	36
Good Housekeeping Efficiencies:	
Maintenance of Closed Churchyards	10
Neighbourhood Partnership Team – Conference/Seminar Costs & Fees for Services	12
Commercial Properties Expenses (e.g. rates, utilities costs)	44
Community Recreation Service Expenditure/Income	16
CCTV Monitoring Costs	8
Watercourses expenditure	24
Ryecroft Holding Costs (Net)	14
Corporate Training	22
Homelessness Expenditure	55
Budget not Required:	
Budgeted Pay Increase	60
Content Management System	15
Community Development - Contributions to External Bodies	23
Community Centres - Contributions to External Bodies	9
Total	705

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

3.2 An amount of £3,024 has been transferred into the Budget Support Fund in respect of the positive variance.

3.3 As can be seen in Note 22 to the Accounts, the balance on the Budget Support Fund now stands at £0.426m, a reduction of £0.198m from the 1 April 2011 balance. This movement comprises:

- £0.179m transferred from the Fund to support the 2012/13 budget, in accordance with the budget setting resolution of February 2011;

- £0.003m transferred from the Fund to make good the negative variance;

- net transfers of £0.022m from the Fund in respect of budget underspendings carried forward from one year to another.

3.4 It should be noted that no use is to be made of the Budget Support Fund to support the 2013/14 Budget which was approved on 27 February 2013.

3.5 In recognition of the likely continuing shortfall in income, a further amount of £300,000 in addition to the £200,000 already included in the base budget was agreed as part of the 2013/14 budget. This will be closely monitored as income levels continue to be depressed as the country continues in recession. The amount required in future budgets will be kept under review as the economy begins to move out of recession at some stage and income levels improve. The regular budget monitoring reports provided by the Cabinet Portfolio Holder for Finance and Resources will keep members updated as the year proceeds together with the quarterly monitoring reports to Cabinet.

3.6 The Council's investment with the Heritable Bank, of £2,500,000, together with interest due up to that date of £9,192, was frozen in 2008/09 as a result of the bank being placed into administration. Following this the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a recommendation to councils with such frozen investments that they should make provision for the amount deemed to be at risk, based on a possible timetable, spanning four years, for repayment of a specified proportion of the investment (originally 80%, later revised to 85%). Applying this calculation gave an amount of £795,202 in respect of the Council's investment, including notional interest payable on the frozen funds over the period. Provision for this amount was made in the 2008/09 accounts, by way of an impairment charge. Since then a total of £1,937,728 has been repaid to the Council up to 31 March 2013.

3.7 The Statement of Accounts includes (at Note 42) the accounts of the North Staffordshire Building Control Partnership, the vehicle through which this Council delivers the Building Control service. Overall the Partnership broke-even 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. <u>The General Fund as shown in the Statement of Accounts</u>

4.1 The transactions of the General Fund are shown in the Statement of Accounts in the Comprehensive Income and Expenditure Statement (CI&ES) and the Movement in Reserves Statement. Further detail of the reserves movements is given in notes 6, 7 and 22. In effect, the CI&ES contains all of the expenditure and income of the General Fund whilst the Movement in Reserves Statement shows the transfers from reserves which have taken place to arrive at the final balance for the year. The Movement in Reserves Statement also shows, at its foot, the final year-end balances on the different classes of reserve. As can be seen, the General Fund Balance has changed from its opening balance of £1.400m to £1.200m at 31 March 2013. The reduction in the minimum balance was approved by Full Council on 27 February 2013. It represents the minimum balance required, calculated by means of a risk based assessment, to safeguard against foreseeable variations in relation to the General Fund Revenue Budget. This calculated reduction of £200,000 allowed £150,000 to be transferred to the Insurance Fund and £50,000 to the Renewals and Repairs Fund.

4.2 The CI&ES shows a deficit of £10.781m for the year. At first sight this may seem strange but it should be remembered that this is the balance before transfers to and from reserves are taken into account, via the Movement in Reserves Statement. All of this balance has been reversed out by net transfers from reserves as shown in the Movement in Reserves Statement. These transfers are either to meet the cost of expenditure contained in the Cost of Services or to reverse out various charges representing proper accounting practice which have been made, as required by the CIPFA Accounting Code of Practice, but which are to be removed from the final total as such charges are, by law, not to be met by Council Tax Payers. Examples of these are various capital charges (such as in relation to depreciation of assets or where an asset has been revalued downwards) and pensions fund transactions. There are a number of notes set out beneath the CI&ES, which explain, in relation to some items contained in the account, why their amounts differ significantly from 2011/12 to 2012/13.

4.3 In addition the CI&ES includes the surplus or deficit on revaluation of fixed assets and actuarial gains or losses on pensions assets and liabilities. Both of these items can be subject to significant volatility, as can be seen from the revaluation amount reducing from £2.131m in 2011/12 to £0.882m in 2012/13. 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 £10.781m has been reversed out by net transfers from reserves as shown in the Movement in Reserves Statement.

4.4 Notes 8, 9 and 10 provide a breakdown of the Other Operating Expenditure, Financing and Investment Income and Expenditure and Taxation and Non-specific Grant Income, respectively, which appear in the bottom half of the CI&ES.

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 this 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 that have been made for the Borough Council, the County Council, the Police Authority and the Fire Authority.

5.2 This is a somewhat technical account but the key issue is to see if the account is in surplus or deficit and to what extent. In collecting income the Borough Council has to make an assessment of how much will ultimately be collected. The Collection Fund had an accumulated deficit of £0.156m as at 31 March 2013. This will be recovered from the precepting authorities (Newcastle Borough Council, Staffs County Council, Police Authority, Fire Authority) and will be used in calculating how much Council Tax will be levied in 2013/14.

5.3 As can be seen the Fund achieved a surplus of £0.103m for the year, compared to a deficit of £0.386m in 2011/12. This was mainly due to changes to the discount regime introduced in 2012/13, affecting the amounts payable by taxpayers, a number of retrospective adjustments being made to the amounts due to be paid by taxpayers, some temporary reduction in recovery activity as a consequence of the bedding in of the new revenues ICT system and a small increase in the amount set aside for possible bad debts.

6. The Balance Sheet

6.1 The main features of the Balance Sheet are as follows

- There are Net Tangible Fixed Assets of £60.038m which consist of Plant, Property and Equipment, Investment Properties and Heritage Assets. Notes 11, 12 and 13 to the Statement of Accounts show an analysis of these assets, together with a summary of movements during 2012/13. The main reason for the decrease in the fixed assets balance compared to the 31 March 2012 value is the revaluation of assets, largely within the commercial property portfolio, whereby some of these assets have been revalued downwards, reflecting the prevailing economic situation which currently adversely affects their market value.

- Investments (all short term at 31 March 2013 - i.e. with less than 1 year to run from that date) amounted to £5.195m and have reduced by £5.801m compared to 31 March 2011. In particular, this reflects the use of capital receipts to finance projects in the capital programme (£0.732m) and the particular cash flow situation as at the balance sheet date. Owing to the current situation in the financial markets, the emphasis is now on short term investments as a means of reducing the risk of exposure to default by organisations with whom money has been placed.
- The 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 £9.476m. Further analysis of this amount is shown in Note 17 to the Statement of Accounts. Short Term Debtors have increased by £2.441m compared with 31 March 2012. The most significant reason for this increase is that the Council overpaid the Department of Communities and Local Government (DCLG) in 2012/13 in respect of amounts due to the National Non Domestic Rates (NNDR) Pool resulting in an amount due from the department of £0.900m at 31 March 2013, included in debtors, whereas in 2011/12 the department was underpaid, resulting in an amount owing to them at 31 March 2012 of £2.006m, which was included in the short term creditors balance. This happens because payments are made based on an estimate made before the year commences with the final amount due determined after the year end from data in the accounts and the NNDR collection system. The amount overpaid will be repaid to the Council in 2013/14. Additionally, the Department of Work and Pensions (DWP) owes the Council £0.506m at 31 March 2013 in respect of reimbursement of Rent Allowances paid on their behalf, whereas at 31 March 2012 the Council had been overpaid by £1.316m, which was included in creditors. Also, the amount of Right to Buy sales receipts owing to the Council from Aspire Housing increased by £0.342m and accruals for housing benefits paid to clients in advance in 2012/13, which relate to 2013/14, increased by £0.416m.

- The balance shown as a Long Term Debtor of £2.104m relates to the balance owing to the Council in respect of properties let on finance lease terms (£1.510m), the outstanding loan to Kidsgrove Town Council in respect of works to the Victoria Hall Kidsgrove (£0.174m) and outstanding mortgages (£0.420m). The balance in relation to property leases arises because some of the council's leases are classified as finance leases rather than operating leases. This requires the amount remaining to be paid over the lease term to be shown in this way. The finance lease element has reduced by £0.72m reflecting payments made in 2012/13, whilst the mortgages balance has increased by £0.015m, as a result of the addition of 2 further former Kickstart Loans, less repayments made by mortgagors in 2012/13.

- The amount the Council owes to its creditors is £5.630m. Further analysis of this amount is shown in Note 21 to the Statement of Accounts. Creditors have reduced by £3.213m compared to 31 March 2012. This is mainly attributable to a reduction in accruals for capital payments (£1.590m at 31 March 2012; £0.615m at 31 March 2013), reflecting the reduced size of the capital programme and NNDR Pool contributions being overpaid to the DCLG, resulting in a debtor at 31 March 2013 rather than a creditor which was the situation at 31 March 2012, when the Council had underpaid the Department by £2.006m. The loss of the DWP creditor of £1.316m at 31 March 2012, referred to above under debtors, reduces the creditors balance but is offset by an additional creditor of £1.490m in respect of housing benefit payments made to landlords in early April which related to 2012/13, which necessitated an accrual of that amount.

- Cash at bank and held by collectors, cashiers and as petty cash floats has changed from an in hand position of £0.354m at 31 March 2012 to £0.228m at 31 March 2013.

This is mainly as a result of a reduction in the actual year end cash at bank balance of £0.091m, reflecting differing cash flow positions at the respective year-ends.

- The Liability relating to Defined Benefit Pension Schemes increased from £54.951m to £63.523m. This increase is mirrored by an increase in the Pensions Reserve balance. The change mainly arises from the impact of the use of a reduced discount rate to be applied to the value of the Fund's liabilities, taking account of future financial assumptions made by the Fund actuary. These amounts are required to be included in the Council's accounts as a result of the application of International Accounting Standard 19 (IAS19) and the CIPFA Code of Accounting Practice. Neither directly relate to Borough Council transactions - they relate to those of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities (after deduction of the value of scheme assets). Whilst the net liability indicates the Council's long term commitment to pay retirement benefits, statutory arrangements for funding the deficit mean that its financial position remains healthy. Further details relating to the Pension Fund are contained in Note 38 to the Accounts.

7. Reserves

7.1 The Council has usable reserves totalling £7.693m. Note 22 to the Accounts shows a full analysis of all these reserves. The main items, with their balances at 31 March 2013, are:

- Capital Receipts Reserve (£2.702m)
- Capital Grants Unapplied (£1.296m)
- Budget Support Fund (£0.426m)
- Contingency Reserve Fund (£0.102m)
- Insurance Fund (£0.158m)
- New Initiatives Fund (£0.097m)
- ICT Development Fund (£0.509m)
- Renewal and Repairs Fund (£0.046m)
- RENEW Reserve (£0.122m)
- Equipment Replacement Fund (£0.277m)
- New Homes Bonus Reserve (£0.491m)

7.2 Generally the level of reserves has reduced compared with their opening balances at the beginning of 2012/13.

7.3 The Capital Receipts Reserve is predominantly committed to financing the current capital programme, whilst the majority of the balance on the Capital Grants Unapplied Reserve is either already committed to finance current schemes or is earmarked for future schemes. The ICT Development Fund is also committed to finance new or replacement ICT software and hardware. The New Homes Bonus Reserve is all committed to finance expenditure in 2013/14.

7.4 The balance of the Contingency Reserve remains above its agreed minimum level of £0.100m.

7.5 The Budget Support Fund and General Fund Balance are discussed at paragraphs 3.2 to 3.4 above and 4.1, respectively.

7.6 The levels of reserves will be considered as part of the budget preparation process for 2013/14. Some may require "topping up", either from the revenue budget or a transfer from another reserve. In particular, the Renewals and Repairs and Insurance Funds need to be reviewed to ensure that they are adequate.

7.7 Unusable Reserves total (£0.905m). These 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.

APPENDIX 2

STATEMENT OF ACCOUNTS 2012/13

NEWCASTLE UNDER LYME
BOROUGH COUNCIL

Contents

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 2012/13. 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 2013.

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

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2011 and the requirements of the 2012/13 "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 3 June and 28 June 2013, as advertised in the local press.

The accounts were approved by the Audit and Risk Committee on 23 September 2013 in accordance with paragraphs 8 (3) of the Accounts and Audit Regulations 2011. The signature of the Committee Chair (who presided over the meeting) is included at the conclusion of this foreword in line with the above regulations as evidence of approval of the 2012/13 Statement of Accounts.

c) General Accounting Policies

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

There has been no change in the Council's statutory functions during the year.

d) Statement of Accounts

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of a local authority are both technical and complex. This foreword explains the statements and sections in this document, and provides a summary of the Council's financial performance for 2012/13 and its financial prospects for future years.

The Borough Council's Accounts for the year 2012/13 are set out in the following pages and consist of the following:

Page	Statement	Purpose
11	Statement of Responsibilities	Setting out the Council and Executive Director – Resources and Support Services responsibilities in relation to financial administration and accounting.
12	Movement in Reserves Statement	Showing movements in reserves split between usable and unusable reserves. It also reconciles the outturn on the Comprehensive Income and Expenditure Statement to the General Fund Balance established by the relevant statutory provisions that specify the net expenditure the Council needs to take into account when setting local taxes.

14	Comprehensive Income and Expenditure Statement	Showing the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
15	Balance Sheet	Which sets out the financial position of the Council on the 31 March 2013. It provides details of the Council's balances and reserves and current assets employed in Council operations together with summarised information on the fixed assets held.
16	Cash Flow Statement	Summarising the total cash movement of the Council's transactions.
17	Notes to the Accounts	To provide explanation and analysis of items contained in the above accounting statements. Note 1 details the accounting policies which have been employed in compiling the Council's accounts.
64	Collection Fund	Reflecting the statutory requirement for the authority to maintain a separate account providing details of receipts of Council Tax and Business Rates and the associated payments to precepting authorities and to the National Non-Domestic Rate (NNDR) Pool.
67	Audit Opinion	The External Auditor's opinion on the Accounts.

e) Accountability / Financial Reporting

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

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

f) Economic Downturn and Public Expenditure Reductions

The current recession affecting the British economy continues to have an adverse effect upon the Council's finances, in common with other local authorities. In particular it has impacted upon the amount of income received from land charges and planning fees together with reduced rental income from commercial properties and income from car parks. The scale, length and depth of the recession are difficult to accurately predict. The impact is being closely monitored and evaluated in order to assess the financial risk to the Council's finances.

g) General Fund Revenue Budget Outturn

The outturn position in relation to the General Fund Revenue Budget was a positive variance of £3,024, i.e the net budget was £15.384m and the outturn was £15.381m.

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 that 2012/13 would be a challenging year financially for the Council. Members and officers have continued; therefore, to operate within an environment of tight budget management to, wherever possible, mitigate any adverse impact.

h) Financial Summary 2012/13

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

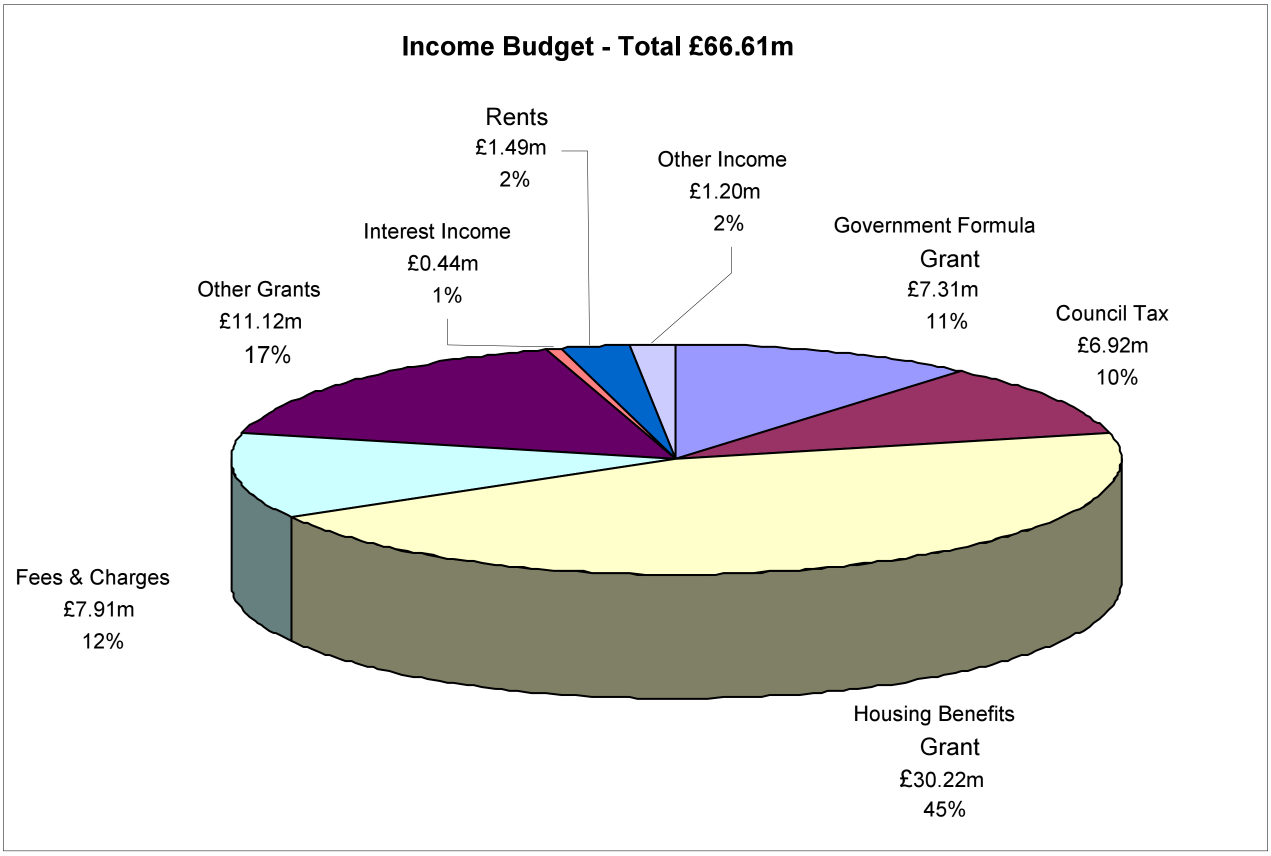
Revenue Expenditure

Where does the money come from?

Local authorities receive income from the Government in the form of grants, from households in the form of Council Tax and from consumers in respect of fees and charges. Each year the Government works out the amount of local government spending it is prepared to support through grant. Each local authority is allocated what is known as Formula Grant, which comprises revenue support grant and redistributed business rates income. In determining formula grant allocation, the Government takes into account the relative needs of different authorities, including population, deprivation levels, number of commuters, visitors to an area etc. In 2012/13, the Borough Council received a formula grant allocation of £7.316m. In addition the Council received an amount of £0.346m in respect of Council Tax Freeze Grant because it held the Council Tax levies for 2012/13 at the same levels as in 2011/12 (£0.173m) and ongoing grant (£0.173m) payable because there was no increase in 2011/12 from 2010/11 levels.

Local residents pay Council Tax. This is a property based charge and the amount payable depends on the value band that the property is placed into by the Valuation Office. Owners of businesses and properties pay the National Non-Domestic Rate (NNDR) set by Central Government, again based on values set by the Valuation Office. These "business rates" are collected by the Borough Council and paid over to the Government, who then redistribute the national pool to each local authority as part of their total formula grant income. It should be noted that the arrangements between central and local government in respect of business rates have changed from 1 April 2013 and this is referred to later in the "Financial Prospects" section of this Foreword.

The gross income to pay for its services which was included in the Borough Council's Revenue Budget for 2012/13 was £66.61m, made up as follows:



What we planned to spend

The Council set an original Net Revenue Budget for 2012/13 of £15.384m on 22 February 2012.

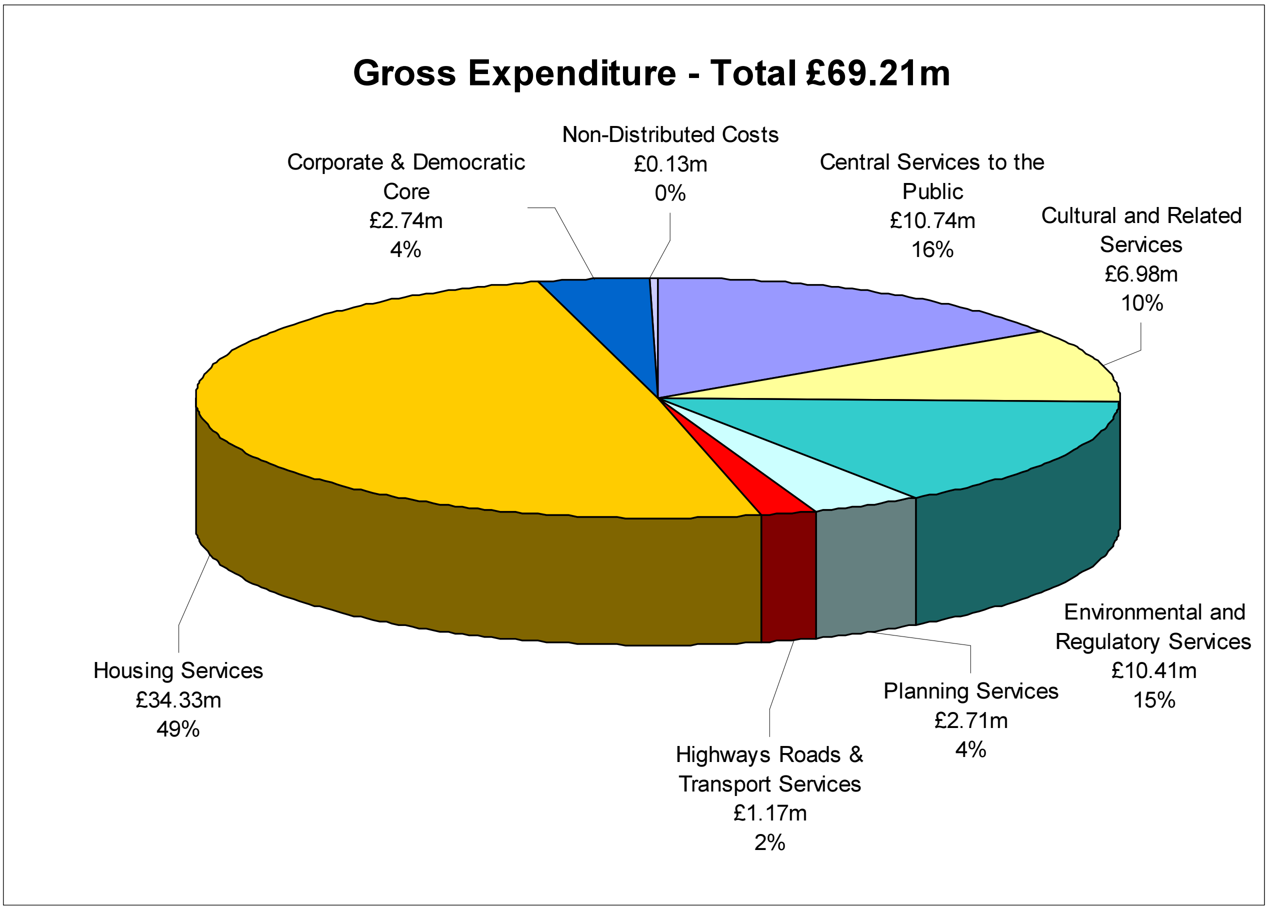
What we actually spent

Actual net expenditure was £15.381m. As mentioned earlier, this represents a positive variance compared to the original budget of some £3,000.

This amount has been transferred into the Budget Support Fund. The balance on the Fund, as at 31 March 2013 is £0.426m, as against its balance at 1 April 2012, which was £0.624m. In addition to the transfer into the Fund of £3,000, a net transfer of some £0.022m was made from it to meet 2012/13 commitments carried forward and in respect of payments made in 2012/13 relating to previous years' amounts carried forward. £0.179m of the Fund was also used, to provide general support for the budget in accordance with the approved budget for 2012/13.

How the money was spent

The Comprehensive Income and Expenditure Statement (page 14) summarises the resources that have been generated and consumed in providing services and managing the Council during 2012/13. It shows that Gross Expenditure for the year was £69.21m across defined service areas prescribed by CIPFA to facilitate comparison between councils.



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

Capital Expenditure

Capital expenditure includes expenditure such as the acquisition, construction, repair and maintenance of fixed assets. Notes 11, 12, 14 and 34 to the accounts show the Council's capital spending for 2012/13 together with the means by which it has been financed.

As capital spending contributes to the Council's aims and objectives over more than one year, the Council plans and budgets for expenditure by means of a "rolling" programme. This programme was last updated in February 2013.

There are a number of sources of funds which may be available to finance the Council's capital expenditure. In 2012/13 and previous years the major source of finance has been unapplied 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, such as the National Lottery Fund, and by government departments where national policy dictates that local authorities should be assisted, by the payment of grant, to carry out desirable projects.

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. In addition the Contingency Reserve may be used to meet capital costs. The balances on the Council's reserves are shown in note 22 (page 42) to the accounts. A small amount of capital expenditure may be financed directly from the General Fund Revenue Account.

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

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

i) Financial Prospects

Revenue

The Council is committed to achieving excellence in its service delivery, as evidenced by its service reviews and transformation programmes. Integral to this ambition is the need to effectively target its financial resources in line with its stated aims and objectives against the background of an unprecedented economic situation referred to earlier. The Council's Medium Term Financial Strategy (MTFS) - which forecasts future years' budgets taking into account the national and local financial situation together with the Council's priorities - identified shortfalls for each year from 2013/14 to 2017/18.

The original forecast shortfall for 2013/14 was £1.8m. On 27 February 2013 the Council set a balanced budget without any increase in council tax. This was mainly due to efficiency savings of £1.9m being identified, allowing £0.1m to be contributed to a new Revenue Investment Fund to provide funding for projects which align with emerging corporate priorities. 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. 2012/13 saw a significant reduction in central government support by way of the formula grant which is repeated in 2013/14 (a reduction of just under £0.4m (5.4%) from the 2012/13 level). Provisional data provided by central government indicates that a further reduction of some £1.0m will occur in 2014/15, which represents a further 12.4% reduction in central government support. Indications for later years are that further reductions will continue to be made in this support for some time.

Work has taken place, and continues, to meet the challenge posed by the consequential need for budget reductions, in particular continuing to review services to identify savings, and seeking to identify additional sources of income. The Council continues with its Transformation Programme to effect improvements to working practices and to make optimum use of new technology, which should have a beneficial effect on its budgets through reducing overall costs.

Capital

The capital programme approved on 27 February 2013 provided for total capital spending of £7.963m over two financial years.

The Council will have sufficient available resources to finance this programme in the form of unapplied capital receipts, reserves, contributions and grants. However, following completion of the existing programme sources of capital funding held by the Council itself will be at extremely low levels. Specific reserves earmarked for meeting capital expenditure, which previously existed, have been exhausted, whilst the remaining balance on the ICT Development Fund is earmarked for funding ICT system replacement and enhancement rather than general capital investment. Resources will, therefore, be limited to support a future programme of capital investment of any significant size.

There will, however, be a continuing need for some 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 may be limited.

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

Reserves

The Council holds a number of reserves which have been established either to meet specific categories of expenditure or are of a general nature. These reserves are listed in note 22 (page 42) to the accounts. Some of the reserves may be used to finance both capital and revenue expenditure. The levels of reserves are kept under review to determine their adequacy to meet the Council’s spending commitments and future plans. Overall, reserves balances are reducing and a review of their adequacy will be an important consideration when preparing the 2014/15 budget.

The results of past surpluses on the Revenue Account are held as a Fund Balance which can be used to contribute when required to a particular year’s revenue account. The required level is determined by reference to a risk assessment of factors which might adversely impact upon a year’s revenue budget on a “worst case” basis. The current level, as at 31 March 2013 is £1.2m. In addition the Budget Support Fund is available for supporting future years’ revenue budgets.

Partnerships

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

j) Asset Impairment

The Council had to impair the value of the assets held in relation to its deposit in the Heritable Bank at the end of the 2008/09 financial year. An impairment is a reduction in the value of an asset below its carrying amount in the balance sheet. In doing this the Council followed the guidelines issued by CIPFA’s Local Authority Accounting Panel on how to account for the deposit that is considered to be at risk, i.e. to assume that 88% of the deposit, plus interest accrued to the date the bank went into liquidation, would be repaid. As at 31 March 2013 just over 77% of the amount deposited has been repaid.

k) Assets and Liabilities Acquired

There have been no significant assets or liabilities acquired during 2012/13.

l) Pensions Scheme Liability

The Liability relating to Defined Benefit Pension Schemes increased from £54.951m to £63.523m. This increase is mirrored by an increase in the Pensions Reserve balance. These amounts are required to be included in the Borough Council's accounts as a result of the application of International Accounting Standard19 (IAS19) and the CIPFA Code of Accounting Practice. Neither directly relate to Borough Council transactions - they relate to those of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities (after deduction of the value of scheme assets). Whilst the net liability indicates the Council's long term commitment to pay retirement benefits, statutory arrangements for funding the deficit mean that its financial position remains healthy.

m) Specific Events in 2013/14

There are a couple of significant finance-related legislative changes which will affect the Council in 2013/14:

Firstly, the arrangements in relation to National Non Domestic Rates (NNDR) changed with effect from 1 April 2013 in so far as the National Pooling system has been abolished. Under this scheme, billing authorities such as Newcastle paid all the rates they collected to the government to be held in a national pool which would then redistribute all of these funds to local authorities as NNDR Grant (a part of Formula Grant). The new arrangements enable local authorities to retain part of the income collected, in essence a share of the growth in rates income. In future this could be a source of additional income for the Borough Council, although initially amounts may be modest. In order to maximise the amount retained, the Council has joined with other Staffordshire Authorities to form a local Pool which avoids loss of income to central government in the form of a levy on rates growth.

Secondly, the Council has become wholly responsible for the assessment and payment of Council Tax Support in accordance with a scheme of its own devising. This replaces Council Tax Benefit formerly administered by the Council on behalf of the Department for Work and Pensions, which funded the payments and laid down the scheme to be applied by authorities across all of England. From April 1 2013 the Council's local scheme is in operation. This is grant-aided by the Department of Communities and Local Government but at a level equivalent to only 90 per cent of the previous DWP funding. There are considerable uncertainties surrounding the implementation and application of these changes which could have an adverse effect upon the Council. However, because any costs above the grant received have to be shared between the Borough Council and the major precepting authorities (Staffs County Council, the Fire Authority and the Police Authority) any adverse effect on this Council is much reduced.

The Council also assumed responsibility, from the beginning of May 2013, for operating the municipal golf course situated at Keele Road. This follows the previous operator relinquishing the right to operate the course on the Council owned site due to entering into liquidation. This is a temporary arrangement whilst a procurement exercise is completed to appoint a replacement operator.

n) Audit of the Accounts

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

John Gregory

Grant Thornton UK LLP

Colmore Plaza

20 Colmore Circus

Birmingham

B4 6AT

o) Further Information

Further information about the Accounts is available from:

Kelvin Turner

Executive Director - Resources and Support Services

Civic Offices

Merrial Street

Newcastle,

Staffs ST5 2AG

A Summary Financial Statement for 2012/13 is also available, being included in the Council's Annual Report which can be accessed via the Council's website: www.newcastle-staffs.gov.uk.

p) Comments

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

Kelvin Turner
Executive Director - Resources and Support Services

q) Approval of Statement of Accounts

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

The Statement of Accounts was approved at a meeting of the Audit and Risk Committee on 23 September 2013

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 Great Britain is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2013.

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Executive Director - Resources and Support Services has also:

- Kept proper accounting records which were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Executive Director - Resources and Support Services Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Borough Council as at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Kelvin Turner

Executive Director - Resources and Support Services

Date:

Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011 Brought Forward	(1,750)	(6,672)	(5,986)	(1,934)	(16,342)	(13,843)	(12,571)
Movement in Reserves during 2011/12							
Surplus or (Deficit) on Provision of Services	7,036	-	-	-	7,036	-	7,036
Other Comprehensive Income & Expenditure	-	-	-	-	-	5,580	5,580
Total Comprehensive Income & Expenditure	**7,036**	**-**	**-**	**-**	**7,036**	**5,580**	**12,616**
Adjustments between accounting basis and funding basis (Note 6)	(6,259)		3,566	613	(2,080)	2,080	-
Net Increase/Decrease before transfers to Earmarked Reserves	777	-	3,566	613	4,956	7,660	12,616
Transfers to/from Earmarked Reserves	(427)	3,741	-	-	3,314	(3,314)	-
Increase/Decrease in Year	**350**	**3,741**	**3,566**	**613**	**8,270**	**4,346**	**12,616**
Balance at 31 March 2012 Carried Forward	(1,400)	(2,931)	(2,420)	(1,321)	(8,072)	(9,497)	(17,569)

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012 Brought Forward	(1,400)	(2,931)	(2,420)	(1,321)	(8,072)	(9,497)	(17,569)
Movement in Reserves during 2012/13							
Surplus or (Deficit) on Provision of Services	4,079	-	-	-	4,079	-	4,079
Other Comprehensive Income & Expenditure	-	-	-	-	-	6,702	6,702
Total Comprehensive Income & Expenditure	**4,079**	**-**	**-**	**-**	**4,079**	**6,702**	**10,781**
Adjustments between accounting basis and funding basis (Note 6)	(3,695)	-	(280)	24	(3,951)	3,951	-
Net Increase/Decrease before transfers to Earmarked Reserves	384	-	(280)	24	128	10,653	10,781
Transfers to/from Earmarked Reserves (Note 7)	(184)	435	-	-	251	(251)	-
Increase/Decrease in Year	**200**	**435**	**(280)**	**24**	**379**	**10,402**	**10,781**
Balance at 31 March 2013 Carried Forward	(1,200)	(2,496)	(2,700)	(1,297)	(7,693)	905	(6,788)

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.

2011/12				2012/13		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
10,899	9,518	1,381	Central Services to the Public	10,743	9,601	1,142
6,281	1,306	4,975	Cultural and Related Services	6,977	1,863	5,114
10,886	3,783	7,103	Environmental and Regulatory Services	10,411	3,731	6,680
4,892	690	4,202	Planning Services	2,714	546	2,168
2,199	1,286	913	Highways & Transport Services	1,165	1,273	(108)
31,227	29,726	1,501	Housing Services	34,328	32,917	1,411
2,708	34	2,674	Corporate & Democratic Core	2,741	28	2,713
83	25	58	Non-Distributed Costs	132	-	132
69,175	**46,368**	**22,807**	**Cost of Services**	**69,211**	**49,959**	**19,252**
1,607	1,317	290	Other Operating Expenditure (Note 8)	393	774	(381)
5,233	1,587	3,646	Financing & Investment Income & Expenditure (Note 9)	3,335	1,715	1,620
-	19,707	(19,707)	Taxation and non-specific Grant Income (Note 10)	-	16,412	(16,412)
		7,036	**(Surplus) or Deficit on Provision of Services**			**4,079**
		(2,131)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets			(882)
		-	(Surplus) or Deficit on Revaluation of Heritage Assets			-
		7,711	Actuarial Gains/Losses on Pensions Assets/Liabilities			7,584
		5,580	**Other Comprehensive Income & Expenditure**			**6,702**
		12,616	**Total Comprehensive Income & Expenditure**			**10,781**

Notes

1. Both the expenditure and income amounts for 2012/13 show an increase in relation to Cultural and Related Services largely as a result of the J2 leisure facilities being open for a full year.
2. Planning Services expenditure has reduced in 2012/13 largely owing to the inclusion of deferred charges of £2.07m relating to the repayment of grant relating to the Ravensdale redevelopment, following related land sales. These charges are reversed out of the accounts via the Movement in Reserves Statement.
3. Expenditure on Highways and Transport Services has reduced largely as a result of a reduction in impairment charges of some £1.0m. These charges are reversed out of the accounts via the Movement in Reserves Statement.

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'.

31/03/2012 £000		Note	31/03/2013 £000	31/03/2013 £000
	Property, Plant & Equipment	11		
32,026	Land & Buildings		31,687	
1,024	Infrastructure		995	
5,800	Vehicles, Plant, & Equipment		5,490	
6,496	Community Assets		5,627	
45,346				43,799
15,220	Investment Property	12		14,810
1,429	Heritage Assets	13		1,429
172	Intangible Assets	14		168
145	Long Term Investments	15		-
2,190	Long Term Debtors			2,104
64,502	**Long Term Assets**			**62,310**
10,851	Short Term Investments	15		5,195
28	Inventories	16		36
7,035	Short Term Debtors (Net of Bad Debt Provisions)	17		9,476
354	Cash and Cash Equivalents	18		228
18,268	**Current Assets**			**14,935**
(8,843)	Short Term Creditors	20		(5,630)
(56)	Short Term Borrowing	15		(25)
(193)	Deposits			(210)
(9,092)	**Current Liabilities**			**(5,865)**
(400)	Provisions	21		(461)
(54,951)	Net Pensions Liability	38	(63,523)	
(626)	Deferred Liabilities		(459)	
(55,577)				(63,982)
(132)	Capital Grants Receipts in Advance	32		(149)
(56,109)	**Long Term Liabilities**			**(64,592)**
17,569	**Net Assets**			**6,788**
	Usable Reserves	22		
1,400	General Fund Balance		1,200	
2,931	Other Usable Reserves		2,496	
2,420	Capital Receipts Reserve		2,700	
1,321	Capital Grants Unapplied Account		1,297	
8,072	Total Usable Reserves			7,693
	Unusable Reserves	23		
12,198	Revaluation Reserve		13,080	
50,427	Capital Adjustment Account		47,721	
2,002	Deferred Capital Receipts Reserve		1,981	
(54,951)	Pensions Reserve		(63,523)	
1	Collection Fund Adjustment Account		14	
(180)	Accumulated Absences Account		(178)	
9,497	Total Unusable Reserves			(905)
17,569	**Total Reserves**			**6,788**

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.

2011/12 £000		2012/13 £000	Note
7,036	Net (Surplus) or Deficit on the Provision of Services	4,079	
(2,701)	Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash movements	(3,103)	19
2,616	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	1,049	19
6,951	Net Cash Flows from Operating Activities	2,025	
(2,126)	Investing Activities	(4,873)	25
(4,405)	Financing Activities	2,974	26
420	Net Increase or Decrease in Cash and Cash Equivalents	126	
(774)	Cash and Cash Equivalents at the beginning of the Reporting Period	(354)	
(354)	**Cash and Cash Equivalents at the end of the Reporting Period**	**(228)**	18

Notes to the Accounts

1. Accounting Policies

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. 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 2012/13 and the Best Value Accounting Code of Practice 2012/13, 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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

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

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 4.8%. IAS19 states that the discount rate used to place a value on the liabilities should be “determined by reference to market yields at the end of the reporting period on high quality corporate bonds”. The recommended discount rate was previously the iBoxx Sterling Corporates AA Over 15 Years index at the IAS19 valuation date with the removal of recently re-rated bonds from the index. However, it has been acknowledged that the constituents of the iBoxx 15 year index have terms that are somewhat shorter than those for the pension liabilities of a typical employer in the LGPS (which is estimated to be around 20 years). The revised approach, applicable from 31 March 2013, involves using a single average gilt yield which gives the same present value as the gilt curve applied to the cash flows of a typical LGPS employer with a duration of around 20 years, plus the median “credit spread” applying to AA corporate bonds within the iBoxx Over 15 Years Index. Therefore the recommended discount rate is no longer equivalent to the iBoxx Index yield at the accounting date. The new approach to the discount rate, together with falling bond yields has resulted in increasing the value of liabilities and having a negative impact on the Balance Sheet;
- The assets of Staffordshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unitised securities – current bid price;
  - Property – market value.
- The change in the net pensions liability is analysed into seven 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;
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - 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 – debited to the Pensions Reserve;
  - Contributions paid to the Staffordshire pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii. Events After the Balance Sheet Date

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

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

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

ix. Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Short Term Investments

Short term investments include:

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

Available-for-Sale Assets

The Council has no available for sale assets.

Instruments Entered Into Before 1 April 2006

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

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

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

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

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

Area Based Grant and Formula Grant (Revenue Support Grant and Redistributed Business Rates) are general grants allocated by central government directly to local authorities as additional revenue funding and are non-ringfenced. They are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xii. Intangible Assets

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

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

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

xiii. Heritage Assets

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

Museum Collection

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

Outdoor Structures

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

General

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

xiv. Inventories

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

xv. Investment Property

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

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

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

xvi. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2012/13 (BVACOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xviii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

Deprecation 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 39 to the accounts.

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

xx. Reserves

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2013, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS 1 Presentation of Financial Statements – the changes require authorities to disclose separately the gains or losses reclassifiable into the surplus or deficit on the provision of services. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required;
- Service Concession Arrangements, clarifications for the recognition criteria for assets under construction or intangible assets – the Council does note have any schemes that this could potentially effect;
- IAS 12 Income Taxes – this change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts;
- IFRS 7 Financial Instruments Disclosures – the change in accounting is in relation to the offsetting of financial assets and liabilities. Within the cash and cash equivalents line on the balance sheet there is a bank overdraft, note 18 provides a breakdown of this item.

There have been several significant changes in relation to IAS 19 (Employee Benefits). IAS 19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting Local Government Pension Scheme employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate.

3. Critical Judgements in Applying Accounting Policies

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

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

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

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

The significant items in the Council's Balance Sheet at 31 March 2013 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- The recoverable amounts in relation to debtors;
- Principal actuarial assumptions used at the balance sheet date in respect of the defined benefit pension scheme;
- Fair values for property plant and equipment that are not based on recently observed market prices;
- Fair values for financial assets that are not based on recently observed market prices.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director - Resources and Support Services on 28 June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2012/13

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of Items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for the Depreciation and Impairment of Non-Current Assets	(2,939)	-	-	2,939
Revaluation Losses on Property, Plant & Equipment	(334)	-	-	334
Movements in the market value of Investment Properties	(395)	-	-	395
Amortisation of Intangible Assets	(73)	-	-	73
Capital Grants and Contributions applied	248	-	-	(248)
Revenue Expenditure Funded from Capital under Statute	(101)	-	-	101
Amounts of Non-Current Assets written-off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(323)	-	-	323
Capital element of Finance Leases where Council is the lessor	(72)	-	-	72
Finance lease adjustments	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	166	-	-	(166)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions Unapplied credited to the Comprehensive Income & Expenditure Statement	366	-	(366)	-
Application of Grants to capital financing transferred to the Capital Adjustment Account	-	-	90	(90)
Grants and contributions brought forward reclassified as revenue income	(300)	-	300	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	983	(983)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	731	-	(731)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1)	1	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Principal Repayments re Long Term Debtor (Loan)	-	(29)	-	29
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Establishment of deferred capital receipts balance in respect of the Kickstart loan portfolio transfer	53	-	-	(53)
Finance lease adjustments	-	-	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(988)	-	-	988
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	13	-	-	(13)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2	-	-	(2)
Total Adjustments	**(3,695)**	**(280)**	**24**	**3,951**

2011/12

	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 the Depreciation and Impairment of Non-Current Assets	(5,757)			5,757
Revaluation Losses on Property, Plant & Equipment	(615)			615
Movements in the market value of Investment Properties	(74)			74
Amortisation of Intangible Assets	(76)			76
Capital Grants and Contributions applied	3,649			(3,649)
Revenue Expenditure Funded from Capital under Statute	(2,447)			2,447
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	(4,290)			4,290
Capital element of Finance Leases where Council is the lessor	(86)			86
Finance Lease Adjustments	903			(903)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	161			(161)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions Unapplied credited to the Comprehensive Income & Expenditure Statement	22		(22)	
Application of Grants to capital financing transferred to the Capital Adjustment Account			280	(280)
Grants and contributions brought forward reclassified as revenue income	(355)		355	
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	2,948	(2,948)		
Use of the Capital Receipts Reserve to finance new capital expenditure		6,543		(6,543)
Contribution from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1)	1		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(1)		1
Principal Repayments re Long Term Debtor (Loan)		(29)		29
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Establishment of deferred capital receipts balance in respect of the Kickstart loan portfolio transfer	397			(397)
Finance lease adjustments	(60)			60
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(542)			542
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(48)			48
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12			(12)
Total Adjustments	**(6,259)**	**3,566**	**613**	**2,080**

7. Transfers to/from Earmarked Reserves

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

	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Net Movement 2012/13 £000
Contingency Reserve Fund	(6)	-	(6)
Budget Support Fund	(260)	62	(198)
Conservation and Heritage Fund	(3)	11	8
ICT Development Fund	(294)	70	(224)
Equipment Replacement Fund	(6)	54	48
Insurance Fund	(437)	356	(81)
Museum Purchases Fund	(13)	2	(11)
Maintenance Contributions	(73)	58	(15)
Mayors Charities Reserve	(15)	16	1
Standards Fund	(80)	-	(80)
New Initiatives Fund	(27)	-	(27)
RENEW Reserve	(10)	-	(10)
Renewals & Repairs Fund	(492)	495	3
Deposit Guarantee Scheme Reserve	-	4	4
Planning Delivery Grant Reserve	(73)	-	(73)
New Homes Bonus Reserve	(551)	777	226
Total	**(2,340)**	**1,905**	**(435)**

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

8. Other Operating Expenditure

2011/12 £000		2012/13 £000
335	Parish Precepts	331
1	Payments to the government Housing Capital Receipts Pool	1
1,423	Gains/Losses on the disposal of Non-Current Assets	61
(1,469)	Capital income not arising from asset sales	(774)
290	**Total**	**(381)**

9. Financing and Investment Income and Expenditure

2011/12 £000		2012/13 £000
58	Interest Payable and similar charges	58
1,411	Pensions Interest Cost and Expected Return on Pensions Assets	1,874
(484)	Interest Receivable and similar income	(310)
2,661	Income and Expenditure in relation to Investment Properties and changes in their fair value	(2)
3,646	**Total**	**1,620**

10. Taxation and Non Specific Grant Income

2011/12 £000		2012/13 £000
(7,275)	Council Tax income	(7,290)
(6,329)	Non Domestic Rates - Grant from central government	(7,346)
(2,432)	Non-Ringfenced Government Grants	(1,162)
(3,671)	Capital Grants and Contributions	(614)
(19,707)	**Total**	**(16,412)**

11. Property, Plant and Equipment

Movements on Balances

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

Movements in 2011/12	Land & Buildings	Infrastructure assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2011	27,963	1,340	11,705	6,465	47,473
Additions	6,477	-	531	585	7,593
Deletions	-	-	-	-	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	2,171	-	-	-	2,171
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,101)	-	(34)	(67)	(2,202)
Derecognition - Disposals	(1)	-	(150)	-	(151)
Derecognition - Other	-	-	-	-	-
Transfer to Investment Properties	(944)	-	-	-	(944)
Other Movements in Cost or Valuation	-	-	(53)	-	(53)
At 31 March 2012	**33,565**	**1,340**	**11,999**	**6,983**	**53,887**
Accumulated Depreciation & Impairment					
At 1 April 2011	(1,737)	(287)	(5,136)	(365)	(7,525)
Depreciation Charge	(449)	(29)	(1,211)	(122)	(1,811)
Derecognition - Disposals	-	-	148	-	148
Derecognition - Other	650	-	-	-	650
Other movements in Depreciation/Impairment	(3)	-	-	-	(3)
At 31 March 2012	**(1,539)**	**(316)**	**(6,199)**	**(487)**	**(8,541)**
Net Book Value					
As at 31 March 2011	26,226	1,053	6,569	6,100	39,948
As at 31 March 2012	32,026	1,024	5,800	6,496	45,346

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:

- Other 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 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £0.351m. Similar commitments at 31 March 2012 were £0.984m. The major commitments are:

- Midway multi storey car park repairs, £24,000;
- Vehicles and plant purchases, £327,208.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, and equipment are based on historic cost.

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

Valuations over the five year rolling period were as follows:

	Land & Buildings	Vehicles, plant, Furniture & Equipment	Community Assets	Infrastructure Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	9	10,071	5,962	1,340	17,382
Valued at Fair Value as at:	-	-	-	-	-
31 March 2009	6,518	317	-	-	6,835
31 March 2011	3,439	-	17	-	3,456
31 March 2011	5,513	1,592	-	-	7,105
31 March 2012	13,789	420	-	-	14,209
31 March 2013	4,407	462	257	-	5,126
Total Cost or Valuation	**33,675**	**12,862**	**6,236**	**1,340**	**54,113**

12. Investment Properties

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

2011/12		2012/13
£000		£000
925	Rental Income from Investment Property	1,403
(583)	Direct Operating Expenses arising from Investment Property	(1,405)
342	**Net Gain/(Loss)**	**(2)**

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:

2011/12		2012/13
£000		£000
13,053	Balance at start of the Year	15,220
	Additions:	
-	Purchases	-
-	Construction	-
3,792	Subsequent Expenditure	15
592	Reinstatement due to expiry of finance lease	-
(188)	Disposals	(15)
(2,974)	Net Gains/(Losses) from Fair Value Adjustments	(410)
	Transfers:	-
945	To/(From) Property, Plant & Equipment	-
-	Other Changes	-
15,220	**Balance at end of the Year**	**14,810**

13. Heritage Assets

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

The Council's collection of museum artefacts is reported in the Balance Sheet at insurance valuation, which is based on market values as assessed by an external valuer in October 2006. These valuations are updated where necessary by the museum curator in respect of significant items and changes. New items are added at cost, if purchased and at valuation, if donated, where they are significant. Other Heritage assets, i.e. outdoor structures, are not recognised on the Balance Sheet because there is no reliable cost or valuation information to enable them to be valued.

The following table sets out the movements in respect of heritage assets for 2012/13 and the previous year.

Movements	£000
Cost or Valuation	
At 1 April 2011	1,538
Revaluations	1
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(110)
At 31 March 2012	**1,429**
Cost or Valuation	
At 1 April 2012	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 2013	**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 2009-2014 and the Collection Management Plan 2010-12.

Outdoor Structures

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

14. Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £72k charged to revenue in 2012/13 was charged to the ICT Services cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The movement on Intangible Asset balances during the year is as follows:

2011/12		2012/13
£000	**Balance at start of Year:**	£000
1,446	Gross Carrying Amounts	1,508
1,260	Accumulated Amortisation	1,336
186	Net Carrying Amount at start of Year	172
61	Additions	68
-	Disposals	-
(75)	Amortisation for the period	(72)
-	Other Changes	-
172	Net Carrying Amount at end of the Year	168
	Comprising:	
1,508	Gross Carrying Amounts	1,576
(1,336)	Accumulated Amortisation	(1,408)
172		**168**

15. Financial Instruments

Categories of Financial Instruments

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

31 March 2012			31-Mar-13	
Long Term	Current		Long Term	Current
£000	£000		£000	£000
		Investments		
145	10,851	Loans and Receivables	-	5,195
145	10,851	**Total Investments**	-	5,195
	7,643	**Debtors ***		10,070
	56	**Borrowings**		25
	8,843	**Creditors**		5,630
	354	**Cash and Cash Equivalents**		228

* Debtors include Long Term Debtors of £594k (31/03/13), £608k (31/03/12).

Income, Expense, Gains and Losses:

2011/12 Financial Liabilities measured at Amortised Cost	2011/12 Financial assets: Loans & Receivables	2011/12 Total		2012/13 Financial Liabilities measured at Amortised Cost	2012/13 Financial assets: Loans & Receivables	2012/13 Total
£000	£000	£000		£000	£000	£000
1	-	1	Interest Expense included in Surplus or Deficit on the Provision of Services	1	-	1
1	-	1	Total expense in Surplus or deficit on the Provision of Services	1	-	1
-	(155)	(155)	Interest Income	-	(138)	(138)
-	(36)	(36)	Interest Income Accrued on Impaired Financial Assets	-	(21)	(21)
-	(191)	(191)	Total income in Surplus or deficit on the Provision of Services	-	(159)	(159)
1	(191)	(190)	Net Gain (Loss) for the Year	1	(159)	(158)

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 March 2012 Carrying Amount	31 March 2012 Fair Value		31-Mar-13 Carrying Amount	31-Mar-13 Fair Value
£000	£000		£000	£000
		Liabilities		
56	56	Financial Liabilities	25	25
8,843	8,843	Creditors	5,630	5,630
		Assets		
10,996	10,996	Loans and Receivables	5,195	5,195
7,643	7,643	Debtors *	10,070	10,070
354	354	Cash and Cash Equivalents	228	228

* Debtors include Long Term Debtors of £594k (31/03/13), £608k (31/03/12).

16. Inventories

2011/12 Fuel	2011/12 ICT Consumables	2011/12 Total		2012/13 Fuel	2012/13 ICT Consumables	2012/13 Total
£000	£000	£000		£000	£000	£000
32	4	36	**Balance Outstanding at start of Year**	24	4	28
482	5	487	Purchases	467	2	469
(484)	(3)	(487)	Recognised as an expense in the Year	(490)	(2)	(492)
(6)	(2)	(8)	Written-off Balances	32	-	31
24	**4**	**28**	**Balance Outstanding at Year end**	**33**	**4**	**36**

17. Debtors

31-Mar-12		31-Mar-13
£000		£000
224	Central Government Bodies	1,446
2,591	Other Local Authorities	2,839
43	NHS Bodies	24
-	Public Corporations and Trading Funds	-
4,177	Other Entities and Individuals	5,167
7,035	**Total**	**9,476**

18. Cash and Cash Equivalents

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

31-Mar-12		31-Mar-13
£000		£000
118	Cash held by the Council	83
236	Bank Current Accounts	145
354	**Total**	**228**

19. Cash Flow statement - Analysis of Adjustments

Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash movements

2011/12		2012/13
£000		£000
3,671	(Increase)/Decrease In Creditors	520
43	(Increase)/Decrease in Deposits	(17)
128	Increase/(Decrease) in Debtors	1,269
(8)	Increase/(Decrease) in Inventories	9
17	(Increase)/Decrease in Provisions	(61)
(5,757)	Charges for the Depreciation and Impairment of Non-Current Assets	(2,939)
(615)	Revaluation Losses on Property, Plant & Equipment	(334)
(75)	Movements in the market value of Investment Properties	(395)
(76)	Amortisation of Intangible Assets	(73)
-	Value of Donated Assets	-
3,649	Capital Grants and Contributions applied	248
(86)	Capital element of Finance Leases where Council is the lessor	(72)
843	Finance Lease Adjustments	-
-	Non Depreciated element of asset disposals	-
(542)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(988)
(4,290)	Amounts of Non-Current Assets written-off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(323)
397	Establishment of deferred capital receipts balance in respect of the Kickstart loan portfolio transfer	53
(2,701)		**(3,103)**

Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

2011/12		2012/13
£000		£000
22	Capital Grants and Contributions Unapplied credited to the Comprehensive Income & Expenditure Statement	366
(355)	Grant brought forward transferred to Revenue (re REFCUS)	(300)
2,949	Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	983
2,616		**1,049**

20. Creditors

31-Mar-12		31-Mar-13
£000		£000
3,790	Central Government Bodies	1,829
875	Other Local Authorities	853
29	NHS Bodies	32
258	Public Corporations and Trading Funds	258
3,891	Other Entities and Individuals	2,658
8,843	**Total**	**5,630**

21. Provisions

	Insurance Claims Provision	Planning Appeals Provision	Employee Benefits	MMI Provision	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2011	120	5	192	-	317
Additional provisions made in 2011/12	18	-	180	100	298
Amounts used in 2011/12	(18)	-	(192)	-	(210)
Unused amounts reversed in 2011/12	-	(5)	-	-	(5)
Balance at 1 April 2012	120	-	180	100	400
Additional provisions made in 2012/13	-	-	178	80	258
Amounts used in 2012/13	(17)	-	(180)	-	(197)
Unused amounts reversed in 2012/13	-	-	-	-	-
Balance at 31 March 2013	**103**	**-**	**178**	**180**	**461**

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 Planning Appeals Provision was created to meet the costs of planning appeals where it is likely that a payment will have to be made but where the timing of the payment is uncertain. No outstanding items are currently known of.

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

22. Usable Reserves

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

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
Capital:							
Capital Receipts Reserve	5,986	(6,765)	3,200	2,421	(732)	1,013	2,702
LSVT Capital Fund	2,269	(2,386)	117	-	-	-	-
Special Projects (Economic Development) Fund	883	(883)	-	-	-	-	-
Capital Grants Unapplied	1,934	(4,319)	3,705	1,320	(639)	615	1,296
Both Revenue and Capital:					-	-	
Equipment Replacement Fund	157	(13)	85	229	(6)	54	277
Renewals & Repairs Fund	96	(498)	445	43	(492)	495	46
ICT Development Fund	800	(103)	35	732	(293)	70	509
New Initiatives Fund	201	(76)	-	125	(27)	-	97
Planning Delivery Grant Reserve	195	(122)	-	73	(73)	-	-
Revenue:							
General Fund Balance	1,750	(350)	-	1,400	(200)	-	1,200
Insurance Fund	338	(903)	805	240	(438)	356	158
Contingency Reserve Fund	114	(86)	80	108	(6)	-	102
Budget Support Fund	1,093	(575)	106	624	(260)	62	426
Conservation and Heritage Fund	53	(10)	14	57	(3)	11	64
Museum Purchases Fund	79	(4)	2	77	(13)	2	66
Maintenance Contributions	125	(110)	83	98	(73)	58	83
Mayors Charities Reserve	11	(15)	14	10	(15)	16	11
RENEW Reserve	142	(10)	-	132	(10)	-	122
Standards Fund	95	-	-	95	(80)	-	15
Deposit Guarantee Scheme Reserve	21	(1)	4	24	-	4	28
New Homes Bonus Reserve	-	-	264	264	(551)	777	491
Total	**16,342**	**(17,229)**	**8,959**	**8,072**	**(3,911)**	**3,533**	**7,693**

Note 6 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 LSVT Capital Fund was originally established to receive the principal element of the internal leasing charges made by the ICT Leasing Fund to service revenue accounts;
- The Special Projects (Economic Development) Fund comprised monies originally provided from Revenue;
- The Capital Grants Unapplied Reserve contains the balance of unused grants and contributions which are available for use, i.e. they either have no conditions attached to them or any conditions have been met;
- The Equipment Replacement Fund is maintained to provide for the replacement of certain items of equipment, such as the crematorium cremators and printing equipment;
- The Renewals and Repairs Fund is maintained for the repair and maintenance of Council-owned buildings, structures and fixed plant. It is funded through a contribution from the General Fund revenue account, based on the estimated frequency and amount of future expenditure on repairs and maintenance for each building or structure, or item of fixed plant. During the year a special contribution has been made to the fund from the General Fund in the amount of £50,000;

- The ICT Development Fund is to be used to meet the costs of new IT requirements and the replacement of IT equipment;
- The New Initiatives Fund was established to fund new initiatives, both capital and revenue, not currently provided for in the Council's budgets;
- The Planning Delivery Grant Reserve was used to finance planning related activities of both a revenue and capital nature;
- The General Fund Balance exists to meet the cost of any unexpected adverse occurrences affecting the General Fund revenue budget or any of the occurrences materialising which are identified in the risk assessment relating to that budget. During the year a special contribution of £200,000 was made from the General Fund to the Insurance Fund and Repairs and Renewals Fund;
- The Insurance Fund is used to meet the cost of the insurance cover required by the Council and any excesses for which the Council is liable. During the year a special contribution has been made to the fund from the General Fund in the amount of £150,000;
- 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;
- 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. It is also used to enable budget provision to be carried forward to future years by appropriating to it unspent balances where a commitment exists;
- The Conservation and Heritage Fund exists to provide grants to the owners of buildings of historical significance to enable them to be maintained in a state of good repair;
- The Museum Purchases Fund was established by a small bequest which has been added to by contributions from revenue account and proceeds from the sale of exhibits surplus to requirements. It is to be used to purchase exhibits for the museum and to conserve and enhance the display of existing exhibits;
- Maintenance Contributions are received from developers of housing and other schemes and are to be used to fund the maintenance of open spaces taken over from those developers;
- The Mayors Charities Reserve represents the balance on the Mayors Charities activity;
- The RENEW Reserve is to be used to meet revenue costs arising from the Council's participation in the Housing Market Renewal Pathfinder for North Staffordshire (RENEW);
- The Standards Fund is used to ensure that the Council meets its responsibilities under the Ethical and other standards frameworks. During the year £80,000 has been transferred from the Standards Fund to the Municipal Mutual Insurance (MMI) Provision;
- The Deposit Guarantee Reserve was created to hold the unspent balances relating to the Guarantee Scheme for landlord deposits in respect of homeless persons;
- The New Homes Bonus Reserve was created to hold unused balances in relation to New Homes Bonus grant.

23. Unusable Reserves

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

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
Capital:							
Revaluation Reserve	10,067	(53)	2,184	12,198	(693)	1,575	13,080
Capital Adjustment Account	48,864	(13,803)	15,366	50,427	(6,236)	3,530	47,721
Deferred Capital Receipts Reserve	1,753	(148)	397	2,002	(74)	53	1,981
Revenue:			-				
Pensions Reserve	(46,698)	(8,253)	-	(54,951)	(8,572)	-	(63,523)
Collection Fund Adjustment Account	49	(48)	-	1	(1)	14	14
Accumulated Absences Account	(192)	192	(180)	(180)	(178)	180	(178)
Total	**13,843**	**(22,113)**	**17,767**	**9,497**	**(15,754)**	**5,352**	**(905)**

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

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

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

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

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

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

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

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2011/12 £000		2012/13 £000
(262)	Interest Received	(134)
59	Interest Paid	47

25. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items:

2011/12 £000		2012/13 £000
11,753	Purchase of property, plant and equipment, investment property and intangible assets	1,906
112,052	Purchase of short and long term investments	111,636
	Other payments for investing activities	
(3,023)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(671)
(119,627)	Proceeds from short and long term investments	(117,435)
(3,281)	Other receipts from investing activities	(309)
(2,126)	**Net Cash Flows from Investing Activities**	**(4,873)**

26. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items:

2011/12 £000		2012/13 £000
-	Cash receipts of short and long term borrowing	(9)
(5,213)	Other receipts from financing activities	(131)
161	Cash payments for the reduction of the outstanding liabilities relating to finance leases	166
8	Repayments of short- and long-term borrowing	41
639	Other payments for financing activities	2,907
(4,405)	**Net Cash Flows from Financing Activities**	**2,974**

27. Amounts Reported for Resource Allocation Decisions

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

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

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

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

Directorate Income and Expenditure 2011/12 Comparative Figures	Chief Executive	Resources & Support Services	Operational Services	Regeneration & Development	Corporate Items	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges and other service income	(1,103)	-	(4,405)	(4,176)	(683)	(10,367)
Government Grants	(107)	-	-	(769)	(37,228)	(38,104)
Total Income	**(1,210)**	**-**	**(4,405)**	**(4,945)**	**(37,911)**	**(48,471)**
Employee Expenses	772	-	2,821	856	3	4,452
Other Service Expenses	1,151	-	8,517	1,977	36,831	48,476
Support Service Recharges	1,714	-	2,451	4,835	3,102	12,102
Total Expenditure	**3,637**	**-**	**13,789**	**7,668**	**39,936**	**65,030**
Net Expenditure	2,427	-	9,384	2,723	2,025	16,559

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

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

2011/12 £000		2012/13 £000
16,559	Net Expenditure in the Directorate Analysis	15,293
5,933	Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	3,957
315	Amounts included in the Analysis not included in Cost of Services in the Comprehensive Income & Expenditure Statement	2
22,807	**Cost of Services in Comprehensive Income & Expenditure Statement**	**19,252**

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.

2012/13	Directorate Analysis	Services & Support services in Analysis	Amounts not reported to Management for decision making	Amounts not included in Cost of Services	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges and other Service Income	(11,815)	(527)	-	-	-	(12,342)	-	(12,342)
Interest and Investment Income	-	-	-	-	-	-	(311)	(311)
Income from council tax	-		-	-	-	-	(7,290)	(7,290)
Government Grants and Contributions	(42,213)	(184)	-	-	-	(42,397)	(8,509)	(50,906)
Capital Income	-	-	-	-	-	-	(1,388)	(1,388)
Total Income	**(54,028)**	**(711)**	**-**	**-**	**-**	**(54,739)**	**(17,498)**	**(72,237)**
Employee Expenses	4,431	11,063	-	-	-	15,494	-	15,494
Other Service Expenses	53,664	4,843	-	2	-	58,509	-	58,509
Support Service Recharges	11,226	-	-	-	(16,290)	(5,064)	-	(5,064)
Depreciation, Amortisation and Impairment	-	1,095	3,957	-	-	5,052	-	5,052
Interest payments	-	-	-	-	-	-	58	58
Precepts and Levies	-	-	-	-	-	-	331	331
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	1	1
Gain or Loss on disposal of fixed assets	-	-	-	-	-	-	61	61
Pensions Interest Cost/Return on Assets	-	-	-	-	-	-	1,874	1,874
Total Expenditure	**69,321**	**17,001**	**3,957**	**2**	**(16,290)**	**73,991**	**2,325**	**76,316**
Surplus or Deficit on the Provision of Services	**15,293**	**16,290**	**3,957**	**2**	**(16,290)**	**19,252**	**(15,173)**	**4,079**

2011/12 Comparative Figures	Directorate Analysis	Services & Support services not in Analysis	Amounts not reported to Management for decision making	Amounts not included in Comp Inc & Exp Acct	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges and other Service Income	(10,367)	(302)	-	-	-	(10,669)	-	(10,669)
Interest and Investment Income	-	-	-	-	-		(484)	(484)
Income from council tax	-	-	-	-	-	-	(7,275)	(7,275)
Government Grants and Contributions	(38,104)	(154)	-	-	-	(38,258)	(8,761)	(47,019)
Capital Income		-	-	-	-	-	(5,139)	(5,139)
Total Income	**(48,471)**	**(456)**	**-**	**-**	**-**	**(48,927)**	**(21,659)**	**(70,586)**
Employee Expenses	4,452	11,507	-	-	-	15,959	-	15,959
Other Service Expenses	48,476	3,582	-	-	-	52,058	-	52,058
Support Service Recharges	12,102	-	-	-	(15,760)	(3,658)	-	(3,658)
Depreciation, Amortisation and Impairment	-	1,127	8,850	-	-	9,977	-	9,977
Non-Distributed Costs	-	-	58	-	-	58	-	58
Interest payments	-	-	-	-	-	-	58	58
Precepts and Levies	-	-	-	-	-	-	335	335
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	1	1
Gain or Loss on disposal of fixed assets	-	-	-	-	-	-	1,423	1,423
Pensions Interest Cost/Return on Assets	-	-	-	-	-	-	1,411	1,411
Total Expenditure	**65,030**	**16,216**	**8,908**	**-**	**(15,760)**	**74,394**	**3,228**	**77,622**
Surplus or Deficit on the Provision of Services	**16,559**	**15,760**	**8,908**	**-**	**(15,760)**	**25,467**	**(18,431)**	**7,036**

28. Trading Operations

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

2011/12		2012/13
£000		£000
(191)	Turnover	(148)
224	Expenditure	235
33	**(Surplus)/Deficit**	**87**

29. Members' Allowances

In 2012/13 a total of £325,430 was paid to members in respect of allowances and expenses (£315,516 in 2011/12).

30. Officers' Remuneration

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

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

2011/12 Senior Officers - salary between £50,000 and £150,000 per year					
Post Holder Information	Salary (£)	Benefits in Kind (£)	Total excluding employer's pension contributions (£)	Employer Pension Contributions (£)	Total including employer's pension contributions (£)
Chief Executive **	113,874	2,750	116,624	25,849	142,473
Executive Directors:					
Regeneration & Development	83,993	2,750	86,743	20,102	106,845
Resources & Support Services	83,993	-	83,993	19,066	103,059
Operational Services	82,242	2,527	84,769	18,669	103,438
Heads of Service:					
Central Services	53,694	2,457	56,151	12,189	68,340
Leisure and Cultural Services	53,694	2,750	56,444	12,189	68,633
Assets & Regeneration	53,694	2,162	55,856	12,189	68,045
Customer & ICT Services	53,694	2,600	56,294	12,189	68,483
Operations	52,314	2,526	54,840	11,875	66,715
Business Improvement & Partnerships	50,935	2,750	53,685	-	53,685
Planning Services	50,935	-	50,935	11,518	62,453

* 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.

4 other Council employees received between £50,000 and £55,000 remuneration during 2012/13 (excluding employer's pension contributions) the same as in 2011/12.

31. External Audit Costs

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

2011/12 £000		2012/13 £000
111	Services in accordance with Section 5 of the Audit Commission Act 1998	72
24	Fees for Grant Certification under Section 28 of the Audit Commission Act 1998	39
135		**111**

32. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2012/13:

2011/12 £000		2012/13 £000
	Credited to Taxation and Non Specific Grant Income	
22	Contribution from West Midlands IEP	13
425	Lottery Fund contribution	25
318	Planning Obligations Contributions (Section 106 contributions)	433
2,896	Staffordshire County Council contribution	-
11	Other Contributions	3
3,672	**Total**	**474**
	Credited to Services	
27,882	Housing Subsidy - Rent Allowance	31,261
889	Housing Subsidy - Housing Benefit Administration Grant	829
8,490	Council Tax Benefit Grant	8,250
1,956	Revenue Support Grant	142
6,329	National Non-Domestic Rates Grant	7,173
586	Disabled Facilities Grant	648
173	Council Tax Freeze Grant	346
13	Homelessness Directorate Grant	-
88	Safer Communities Grant	-
26	Waste and Resources Action Programme Grant	-
30	Local Public Service Agreement Grants	-
23	Waste Infrastructure Grant (via Staffs County Council)	-
62	Mortgage Repossession Fund	-
264	New Homes Bonus Scheme	777
127	Local Services Support Grant	127
-	New Burdens - Council Tax Reform	84
-	Dept Energy & Climate Change Fuel Poverty Fund Grant	26
-	Discretionary Housing Grant	38
-	English Heritage Grant	82
82	Other Grants	65
138	Contributions towards Community Safety Service (e.g from Police, Fire Service, Staffs County Council)	102
35	Future Jobs Fund Contribution	-
53	Contribution to Disabled Facility Grants	4
47	Town Centre Contributions	-
144	Other Contributions	129
47,437	**Total**	**50,083**

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

31-Mar-12 £000		31-Mar-13 £000
	Capital Grants Receipts in Advance	
38	Free Swimming Grant	38
24	Safer Communities Grant	24
5	Other Grants	5
60	Planning Obligations Contributions (Section 106 contributions)	77
5	Other Contributions	5
132	**Total**	**149**

33. Related Parties

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

Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid in 2012/13 is shown in note 29. During 2012/13, transactions with Aspire Housing totalled £21,530,888 (net). 4 members sit on the board of this organisation. Contracts were entered into in full compliance with the council's standing orders. In addition, the Council had transactions totalling £197,918 (net) with voluntary and other organisations where 6 members had positions on the governing body and 1 was an employee of the organisation. Additionally transactions with the Victoria Theatre totalled £87,153 (net) where 2 members sit on its Board and transactions with the Staffordshire Fire Authority totalled £17,228 (net) where 2 members sit on its Board. Details of members' relationships are recorded in the Register of Members' Disposable Pecuniary Interests, open to public inspection at the Council's Civic Offices during office hours.

Officers

Payments were made to an entity related to a Council officer and to a company where a relative of a Council Officer was a member of its board. In both cases the officers have no direct involvement in procuring the services concerned.

34. Capital Expenditure and Capital Financing

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

2011/12 £000		2012/13 £000
115	*Opening Capital Financing Requirement*	(31)
	Capital Investment	
7,503	Property, Plant and equipment	1,137
3,792	Investment Properties	15
61	Intangible Assets	68
3,455	Revenue Expenditure Funded from Capital under Statute	1,313
	Sources of Finance	
(6,543)	Capital Receipts	(732)
(4,939)	Government Grants and Other Contributions	(1,644)
(3,314)	Sums set aside from revenue	(157)
(161)	Minimum Revenue Provision	(166)
(31)	*Closing Capital Financing Requirement*	(197)
	Explanation of Movements in Year	
15	Assets acquired under Finance Leases	-
(161)	Minimum Revenue Provision	(166)
(146)	*Increase/(Decrease) in Capital Financing Requirement*	(166)

35. Leases

Council as Lessee

Finance Leases

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

31-Mar-12 £000		31-Mar-13 £000
609	Vehicles, Plant, Furniture and Equipment	433
609		**433**

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-Mar-12 £000		31-Mar-13 £000
	Finance Lease Liabilities (net present value of minimum lease payments):	
166	Current	138
436	Non-current	298
117	Finance Costs payable in future years	71
719	**Minimum Lease Payments**	**507**

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

31-Mar-12 Minimum Lease Payments £000	31-Mar-12 Finance Lease Liabilities £000		31-Mar-13 Minimum Lease Payments £000	31-Mar-13 Finance Lease Liabilities £000
166	46	Not later than one year	138	71
436	71	Later than one year and not later than five years	298	-
-	-	Later than five years	-	-
602	**117**		**436**	**71**

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-Mar-12 £000		31-Mar-13 £000
40	Not later than one year	31
29	Later than one year and not later than five years	-
-	Later than five years	-
69		**31**

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

2011/12 £000		2012/13 £000
40	Minimum Lease Payments	34
40		**34**

Council as Lessor

Finance Leases

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

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

31-Mar-12 £000		31-Mar-13 £000
	Finance Lease Debtor (net present value of minimum lease payments):	
242	Current	222
12,130	Non-current	11,908
10,790	Unearned Finance Income	10,641
23,162	**Gross Investment in the Lease**	**22,771**

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

31-Mar-12 Minimum Lease Payments £000	31-Mar-12 Finance Lease Liabilities £000		31-Mar-13 Minimum Lease Payments £000	31-Mar-13 Finance Lease Liabilities £000
397	155	Not later than one year	372	150
1,667	704	Later than one year and not later than five years	1,567	677
21,098	9,931	Later than five years	20,832	9,814
23,162	**10,790**		**22,771**	**10,641**

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-Mar-12 £000		31-Mar-13 £000
468	Not later than one year	473
984	Later than one year and not later than five years	977
1,657	Later than five years	1,577
3,109		**3,027**

36. Impairment Losses

During 2012/13 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 2012/13 was £0.701m (2011/12 £3.836m).

37. Termination Benefits

The Council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £162,133 (£555,723 in 2011/12). The termination benefits consisted of £45,422 redundancy costs together with £28,103 pay in lieu of notice, £81,430 actuarial strain payments and £7,178 long service awards.

38. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in:

- The Local Government Pension Scheme, administered locally by Staffordshire County Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;
- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made.

However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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:

2011/12 Local Government Pension scheme	2011/12 Discretionary Benefits Arrangements		2012/13 Local Government Pension scheme	2012/13 Discretionary Benefits Arrangements
£000	£000		£000	£000
		Comprehensive Income & Expenditure Statement		
		Cost of Services:		
2,188		Current Service Cost	2,159	
56		Past Service Costs / (Gains)	47	
43		Settlements and Curtailments	-	
	(477)	Unfunded Benefit Contributions		(461)
		Financing and Investment Income and Expenditure		
7,001		Interest cost	6,576	
(5,590)		Expected Return on Scheme Assets	(4,702)	
3,698	**(477)**	*Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services*	**4,080**	**(461)**
		Other Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement		
(7,711)		Actuarial Gains and (Losses)	(7,584)	
(7,711)	**-**	*Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement*	**(7,584)**	**-**
		Movement in Reserves Statement		
7,169		Reversal of Net Charges made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	6,596	
		Actual amount charged against the General Fund Balance for pensions in the year:		
3,156		Employers' Contributions payable to Scheme	**3,092**	
	(477)	Retirement Benefits payable to pensioners		**(461)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a gain/(loss) of £(46.922m).

Assets and Liabilities in Relation to Post-employment Benefits

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

2011/12 Funded Liabilities: Local Government Pension scheme	2011/12 Unfunded Liabilities: Discretionary Benefits Arrangements		2012/13 Funded Liabilities: Local Government Pension scheme	2012/13 Unfunded Liabilities: Discretionary Benefits Arrangements
£000	£000		£000	£000
130,130	(1,304)	Opening Balance at 1 April	140,241	(1,781)
2,188	-	Current Service Cost	2,159	-
7,001	-	Interest Cost	6,579	-
732	-	Contributions by Scheme Participants	702	-
5,738	-	Actuarial (Gains) and Losses	15,243	-
(5,647)	(477)	Benefits Paid	(5,396)	(461)
56	-	Past Service Costs / (Gains)	47	-
43	-	Curtailments	-	-
-	-	Settlements	-	-
140,241	**(1,781)**	**Closing Balance at 31 March**	**159,575**	**(2,242)**

Reconciliation of fair value of the scheme assets:

2011/12		2012/13
£000		£000
82,128	Opening Balance at 1 April	83,509
5,590	Expected Rate of Return	4,702
(1,973)	Actuarial Gains and (Losses)	7,659
2,679	Employer Contributions	2,631
732	Contributions by Scheme Participants	702
(5,647)	Benefits Paid	(5,396)
-	Settlements	-
83,509	**Closing Balance at 31 March**	**93,807**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £12.376m (2011/12: £3.633m).

Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present Value of Liabilities:					
Local Government Pension Scheme	(91,548)	(141,527)	(122,343)	(131,306)	(150,023)
Discretionary Benefits	(6,025)	(7,423)	(6,483)	(7,154)	(7,307)
Fair Value of Assets in the Local Government Pension Scheme	57,416	80,247	82,128	83,509	93,807
Surplus/(Deficit) in the Sheme:	(40,157)	(68,703)	(46,698)	(54,951)	(63,523)
Local Government Pension Scheme	(34,132)	(61,280)	(40,215)	(47,797)	(56,216)
Discretionary Benefits	(6,025)	(7,423)	(6,483)	(7,154)	(7,307)
Total	**(40,157)**	**(68,703)**	**(46,698)**	**(54,951)**	**(63,523)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £63.523m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £6.88m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £2.645m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2014 are £477k.

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:

2011/12 Local Government Pension scheme	2011/12 Discretionary Benefits Arrangements		2012/13 Local Government Pension scheme	2012/13 Discretionary Benefits Arrangements
		Long Term expected rate of return on assets in the Scheme:		
6.2%		Equity Investments	4.5%	
3.3%		Bonds	4.5%	
7.9%		Other	9.0%	
		Longevity at 65 for current pensioners:		
21.2		Men	21.2	
23.4		Women	23.4	
		Longevity at 65 for future pensioners:		
23.3		Men	23.3	
25.6		Women	25.6	
2.5%	2.5%	Rate of Inflation	2.8%	2.8%
4.8%		Rate of Increase in Salaries	5.1%	
2.5%	2.5%	Rate of Increase in pensions	2.8%	2.8%
4.8%	4.8%	Rate for Discounting Scheme Liabilities	4.5%	4.5%
50%		Take-up option to convert annual pension into retirement lump sum	50%	

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31-Mar-12		31-Mar-13
%		%
78	Equity Investments	79
12	Debt Instruments	12
10	Other Assets	9
100	**Closing Balance at 31 March**	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	(39.5)	25.5	(2.7)	(2.4)	8.2
Experience gains and losses on liabilities	0.2	(0.2)	0.3	(2.8)	0.1

39. Contingent Liabilities

(a) Municipal Mutual Insurance

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

(b) Insurance Fund

It is estimated that claims totalling circa £48,000 will arise from incidents that had occurred up to 31 March 2013 but have not yet been reported.

(c) VAT

The computation of the Council's 2012/13 position in respect of exempt category Value Added Tax have yet to be agreed with Revenue and Customs. If the 5% allowance has been exceeded, up to £150,000 in VAT may become payable.

(d) Land Sales Receipts

An agreement exists with a government department to pay to them all of the proceeds to be received in respect of the sale, when it occurs, of a development site for which the department provided development funding. Some of the proceeds have already been paid over; the remaining amount may be up to around £257,000.

(e) 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.

(f) Local Land Charges Fees

Following a change in the law relating to charging for personal searches, there may be a liability to repay up to £107,000 in fee income.

40. Contingent Assets

The Council does not have any contingent assets.

41. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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 £0.131m 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 2013 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 2013	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2013	Estimated maximum exposure to default and uncollectability at 31 March 2013	Estimated maximum exposure at 31 March 2012
	£000	%	%	£000	£000
	A	B	C	(A X C)	
Deposits with banks & financial institutions	4,934	0%	1.25%	62	131
Heritable Bank	261	-	Impairment	301	301
Customers (trade debtors)	3,484	-	15%	523	535
				885	**967**

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

The Council does not generally allow credit for customers, such that £2.912m of the £3.484m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31-Mar-12 £000		31-Mar-13 £000
73	31 to 89 days	39
227	90 to 149 days	192
2,772	Over 150 days	2,681
3,072		**2,912**

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 ready 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-Mar-12 £000		31-Mar-13 £000
10,851	Less than one year	5,195
145	Between one and two years	-
-	Between two and five years	-
-	More than five years	-
10,996		**5,195**

All trade and other payables are due to be paid in less than one year.

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments (no long term money market borrowing at present). Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

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

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure. At 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	157
Impact on Surplus or Deficit on the Provision of Service:	157

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

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

Foreign Exchange Risk

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

42. Building Control Account

NORTH STAFFORDSHIRE BUILDING CONTROL PARTNERSHIP 2012-2013 FINANCIAL YEAR

The Building (Local Authority Charges) Regulations 2010 require the disclosure of information regarding the setting of charges for the administration of the building control function, however, certain activities performed by the Building Control Division cannot be charged for, such as providing general advice and carrying out enforcement.
CIPFA guidance for local authority building control accounting states where local authorities enter into a formal arrangement to provide a single building control service, they should operate a single charging regime (i.e. one charging scheme and financial statement).
The statement below combines the building control accounts for Stoke and Newcastle Borough Council (The North Staffordshire Building Control Partnership) and shows the total cost of providing the service divided between chargeable and non-chargeable activities.

	2012-13		
	Newcastle & Stoke Partnership		
	Total	***Fee Earning***	***Non-chargeable***
	£'000s	£'000s	£'000s
Salaries	490	320	170
Premises	17	11	6
Transport	19	12	7
Supplies	23	15	8
Central Support	73	41	32
Structural Eng	17	17	-
Total Expenditure	**639**	**416**	**223**
Building Regulation Charges	415	415	-
Miscellaneous Income	1	1	-
Total Income	**416**	**416**	-
Surplus/ (deficit)	**(223)**	**0**	**(223)**

43. Trusts and Other Similar Funds

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

	Balance at 1 April 2012	Expenditure	Income	Balance at 31 March 2013
	£000	£000	£000	£000
Newcastle Almshouses Trust (Accom. For Poor Widows)	-	7	14	7
Sports Advisory Council (Advice/Assistance to Sport)	10	21	22	11
Museum Purchase Fund (Maintenance and Purchase of Museum Exhibits)	6	-	-	6
United Charities - Eliza Hinds Charity (grave upkeep)	3	-	-	3
United Charities - Relief in Need Charity (Christmas gifts for elderly)	27	3	5	29
United Charities - Relief in Sickness Charity (Christmas gifts for elderly)	64	5	11	70
	110	**36**	**52**	**126**

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 2011 and the carried forward balances are those for 30 September 2012.

Collection Fund

2011/12 £000				2012/13 £000
	Expenditure			
7,246	Precepts and Demands	- Borough Council	7,256	
40,186		- County Council	40,264	
6,938		- Police Authority	6,951	
2,642		- Fire Authority	2,647	
57,012				57,118
	Business Ratepayers			
31,902	- Contribution to National Pool		30,880	
143	- Cost of Collection		142	
32,045				31,022
466	Provision for Bad Debts			472
	Contribution towards Previous Years Surplus/(Deficit)			
387	- Re Council Tax		170	
-	- Re Community Charge		-	170
89,910	**Total Expenditure**			**88,782**
	Income			
32,392	Business Ratepayers		31,367	
48,783	Council Taxpayers		49,347	
81,175				80,714
	Transfers from General Fund			
8,349	- Council Tax Benefit		8,171	
-	- Discretionary NNDR Relief		-	
8,349				8,171
-	Transfer from/(to) Bad Debts Provision			
89,524	**Total Income**			**88,885**
(386)	**Surplus/(Deficit) For The Year**			**103**
	Collection Fund Balance			
127	Balance at Beginning of Year			(259)
(386)	Surplus/(Deficit) for the Year			103
(259)	**Balance at end of Year**			**(156)**

NOTES

1. Business Rates

The Council collects business rates in its area on behalf of the Government based on non-domestic rateable values multiplied by a uniform business rate. The rate is specified by the Government and in 2012/13 was 45.8p, with a reduction for "small businesses" to 45p on application (43.3p in 2011/12 - "small business" reduction, 42.6p). The Council is responsible for collecting rates due from the ratepayers in its area and the total amount collected, less certain reliefs and deductions is paid into the NNDR Pool. The Council then receives a share of the pool on the basis of a fixed amount per head of population.

	2011/12 £	2012/13 £
Non Domestic Rateable Value at year-end	84,575,612	84,368,921

The government has introduced a Business Rates Deferral Scheme, which permits ratepayers to defer payment of part of the amount due. No adjustment has, however, been made to the debtors balance in respect of the deferred amount as the 2010 Code of Accounting Practice indicates that the full amount should be recorded.

2. Council Tax

Council Tax Income is derived from charges raised according to the value of residential properties which have been classified into eight valuation bands for this purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Staffordshire County Council, Staffordshire Police Authority, Staffordshire Fire Authority and the Borough Council for the forthcoming year and dividing this by the council tax base. The average Band D tax in 2012/13 of £1,450.99 compared with £1,450.99 in 2011/12. Multiplication of this amount by the proportions set out below gives the amount due for a property in each band:

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

The Council Tax Base for 2012/13 was derived as follows:

Band and Value Range	Number of Dwellings	After Discounts & Exemptions	Ratio to Band D	Band D Equivalents
Band A (Up to £40,000)	23,796	19,949	6/9	13,292
Band B (£40,001 - £52,000)	10,026	8,929	7/9	6,945
Band C (£52,001 - £ 68,000)	10,802	9,733	8/9	8,651
Band D (£68,001 - £88,000)	4,428	4,048	9/9	4,048
Band E (£88,001 - £120,000)	2,625	2,402	11/9	2,935
Band F (£120,001 - £160,000)	1,697	1,565	13/9	2,261
Band G (£160,001 - £320,000)	900	814	15/9	1,356
Band H (Over £320,000)	46	22	18/9	43
				39,531
Less adjustment for collection rates (1%)				(395)
Borough Council Tax Base				**39,136**

Council Tax Base Analysed over Parished and Unparished areas of the Borough

	Equivalent Band D Dwellings
Newcastle (Includes Parish Council Tax Bases Below)	39,136
Kidsgrove	*7,219*
Audley	*2,669*
Loggerheads	*1,957*
Balterley, Betley & Wrinehill	*574*
Chapel & Hill Chorlton	*197*
Keele	*332*
Madeley	*1,558*
Maer	*254*
Silverdale	*1,446*
Whitmore	*805*

3. Precepts

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

2011/12 £000		2012/13 £000
7,246	Newcastle Borough Council	7,256
40,186	Staffordshire County Council	40,264
6,938	Staffordshire Police Authority	6,951
2,642	Staffordshire Fire Authority	2,647
57,012		**57,118**

4. Write-Offs

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

- Council Tax: £78,148 (£60,397 2011/12);
- NNDR: £355,363 (£313,601 2011/12).

Audit Certificate

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 and amounts collected by local authorities are pooled, via the NNDR Pool, and then redistributed by the Government to local authorities based on the local resident population.

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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Grant Thornton

The Audit Findings for Newcastle-under-Lyme Borough Council

Year ended 31 March 2013

September 2013

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

David Jenkins
Audit Manager
T 0121 232 5322
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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 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.

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 2013. 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).

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, its 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

We communicated our planned audit approach to you in our Audit Plan in June 2013. We have delivered our audit in line with this planned approach in all areas.

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

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

- obtaining assurances from PwC as auditors for the Staffordshire County Council Pension Fund
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review to the date of signing the opinion, and
- review of the Council's Whole of Government Accounts submission.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We identified no adjustments affecting the Council's reported net expenditure of £10,781k.

We agreed a small number of amendments with the Council to improve the presentation of the financial statements.

In general the quality of the draft accounts and supporting working papers produced by the Council was good. The processes for preparing the financial statements remain strong and the support provided to external audit throughout the year has ensured an efficient year end audit process.

Further details are set out in section 2 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 3 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
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.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

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) and Head of Finance.

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 2013

Section 2: Audit findings

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 findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 28 June 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 28 June.

Audit opinion

We anticipate that we will provide the Council with an unqualified opinion. Our proposed audit opinion is set out in Appendix A.

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 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. We did not identify any significant risks other than these.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	We have assessed the arrangements for revenue recognition and have concluded that there is not a material risk of fraud associated with revenue recognition. We can therefore rebut the presumption of fraud in revenue recognition. In addition we have: • reviewed and tested revenue recognition policies • tested material revenue streams, and • reviewed for unusual and/or significant revenue transactions.	Our audit work has not identified any issues in respect of revenue recognition or that our original rebuttal was incorrect.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	We have: • reviewed the accounting estimates, judgements and decisions made by management • tested journal entries, and • reviewed unusual and/or 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. I have set out the findings of my work on each of the risks in the table below.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • tested key controls • tested a sample of transactions included within operating expenses.	Our audit work has not identified any significant issues in relation to the risk identified.
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 walkthrough of the key controls to assess the whether those controls are designed effectively • tested key controls • tested a sample of creditor balances • reviewed payments made in the new year to obtain assurance on the completeness of creditors at the year end.	Our audit work has not identified any significant issues in relation to the risk identified.

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
Employee remuneration	Remuneration expenses not correct	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested a sample of transactions included within operating expenses • agreement of employee remuneration disclosures in the financial statements to supporting evidence.	Our audit work has not identified any significant issues in relation to the risk identified.
Welfare expenditure	Welfare benefits improperly computed	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested material elements of welfare expenditure in line with the Audit Commission HB Count methodology .	Our audit work has not identified any significant issues in relation to the risk identified.

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.	• Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	● (Green)
Judgements and estimates	• Key estimates and judgements include: – Future levels of government funding – Asset valuations – Provisions – Pensions liability – Recovery of Council tax and other debt arrears.	• We have not identified any issues around accounting judgements and estimates which we wish to bring to your attention.	● (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)

Assessment

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

Misstatements, misclassifications & disclosure changes

We are required to report to you any non-trivial unadjusted misstatements or material adjustments of such a size and nature that, in our view, we need to bring to your attention to help you discharge your responsibilities as those charged with governance. We are pleased to report that there are no such matters we wish to bring to your attention.

The table below provides details of the 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 and presentation	£(39.338m)	Note 38 – Defined Benefit Pension Schemes	The figure reported as the cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 has now been corrected to £(46.922m).
2	Disclosure and presentation	£3.663m	Note 38 – Defined Benefit Pension Schemes	The return on the scheme assets in the year has now been corrected to £12.376m.
3	Disclosure and presentation	£2.551m	Note 38 – Defined Benefit Pension Schemes	The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 has now been corrected to £2.645m.
4	Disclosure and presentation	-	Note 39 – Contingent Liabilities	The Contingent Liability for Lancaster Buildings is no longer required and should be removed from the Note.

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. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

We did not identify any significant internal control weaknesses which we wish to draw to your attention.

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 Committee and not been made aware of any material concerns. 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 procedures.
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 standard letter of representation has been requested from the Council.
4.	**Disclosures**	• Our review found no material omissions in the financial statements other than those already referred to where amendments have been agreed.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Going concern**	• Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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
- review regularly the adequacy and effectiveness of these arrangements.

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

- **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 following three expected characteristics of proper arrangements as defined by the Audit Commission:

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

Overall our work highlighted generally sound arrangements in all areas. In particular:

- Budget monitoring is regularly reported to the Executive Management Team and the Cabinet portfolio holder for finance and resources, while budget performance is reported to Cabinet quarterly.

- For the last two financial years expenditure has been contained within budgets. For 2012/13 actual spend was £3k (0.02%) less than the budget of £15.381 million.

- Overall levels of reserves have decreased from £4.3m of earmarked and general revenue reserves at 31/3/2012 to £3.7m as at 31/3/2013. The reduction in reserves is primarily due to an decrease in the General Fund reserve by £0.2m, Budget Support Fund by £0.2m and ICT Development Fund by £0.22m. This reduction has been part of a planned strategy and we are satisfied that the Council's level of reserves does not represent a particular risk given its track record of delivering to budget.

Value for Money continued

- Looking forward, and following the government's latest budget announcements on local funding, the Council is forecasting that it will be able to deliver balanced budgets through to 2014/15, but has identified potential budget "gaps" in the medium term with an additional recurrent savings requirements of around £2.2m in 2014/15.

Overall we are satisfied that in the short-term the Council is in a sound financial position. It is taking actions to identify medium-term requirements and options. There remains significant uncertainty but it will be important for the Council to ensure that future financial plans are fully developed, agreed and delivered.

Challenging economy, efficiency and effectiveness
We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. We have concluded that the Council has sound arrangements in place, and in particular:

- The Council has taken action to identify areas of potential high cost and address these through initiatives such as reviewing the use of shared services in order to redesign services to maximise efficiency and performance rather than cutting budgets.

- The Council has a good record of achieving efficiencies. This means that altogether over the four years from 2008/09 to 2011/12 some £6.246m of net savings and efficiencies were made.

- A review of the costs and performance in the planning service led to reductions in costs and improvements in both performance and satisfaction.

- Benchmarking of costs within the pest control service led to a better understanding of costs and resulted in a decision to increase the fees for the service to improve overall value for money. Other services where costs and performance have been examined to improve services include the Guildhall, where costs were reduced by the deletion of a manager's post and the addition of a customer service post. The review of the Disabled Facilities Grant service both reduced costs and improved performance, with applications now taking around 12 weeks, rather than 2 years.

- As a result of introduction of mobile technology, a reduction in costs in the food safety service, due to the loss of a post, has not led to a drop in performance.

- Work has taken place with partners on understanding the costs of the taxi-marshalling scheme and the lighting in the town centre and work is on-going to benchmark the costs within the street scene service so that the high level of performance can be maintained while lowering costs.

The Council faces a significant challenge in addressing the potential budget gaps identified from 2014/15 onwards but is making progress towards meeting the gap. We are satisfied that it is taking appropriate action to meet this challenge and ensuring economy, efficiency and effectiveness in its use of resources.

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 put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

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 that there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	72,436	72,436
Grant certification	13,500	TBC
Total audit fees	**85,936**	**TBC**

In respect of the fee:

- Our fees are exclusive of VAT.
- 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 £
None	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 Auditing Practices Board'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) 260, as well as other 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: 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

Opinion on the Authority financial statements

We have audited the financial statements of Newcastle-under-Lyme Borough Council for the year ended 31 March 2013 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 and 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 2012/13.

This report is made solely to the members of Newcastle-under-Lyme Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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, 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 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 explanatory foreword to identify material inconsistencies with the audited financial statements. 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 2013 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 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword 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 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any 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.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 2013.

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 November 2012, 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 2013.

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
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

xx September 2013

Appendix C: Overview of 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.

Changes to Audit Plan

We did not change our planned approach in any areas.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
PFI revenue support grant and other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	None		No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Inventories	Inventories	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Borrowing (long & short term)	Debt	None		No	**None**
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None

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APPENDIX 4

Letter of Representation

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

23 September 2013

Dear Sirs

Newcastle-under-Lyme Borough Council
Financial Statements for the year ended 31 March 2013

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 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

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 Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

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

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

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

v We are satisfied that the material judgements used by us 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 further material judgements that need to be disclosed.

vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 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 retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.

viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.

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

x 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

xi 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.

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

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

xiv 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.

xv We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

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.

xvi We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xvii 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.

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

Annual Governance Statement

xix 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 23 September 2013

Signed

Kelvin Turner

Executive Director (Resources and Support Services)

23 September 2013

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