Date of meeting	**Monday, 29th September, 2014**
Time	**7.00 pm**
Venue	**Training Room 1 - Civic Offices, Merrial Street, Newcastle-under-Lyme, Staffordshire, ST5 2AG**
Contact	Julia Cleary

Audit and Risk Committee

AGENDA

PART 1 – OPEN AGENDA

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

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

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

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

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

AUDIT AND RISK COMMITTEE

Monday, 21st July, 2014

Present:- Councillor John Taylor – in the Chair

Councillors Loades, Allport and Mrs Burgess

1. **APOLOGIES**

Apologies were received from Cllr Jones, Cllr Sweeney and Mr Butters.

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

3. **MINUTES OF PREVIOUS MEETINGS**

Resolved: That the minutes of the meeting held on 7th April be agreed as a correct record.

4. **REVISED TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE**

Resolved: That the revised terms of reference be agreed.

5. **PLAN OF WORK FOR THE AUDIT COMMITTEE**

Resolved: That the plan of work for the Audit Committee be agreed.

6. **HEALTH AND SAFETY ANNUAL REPORT**

The Corporate Health and Safety Officer introduced a report to inform Members of issues and trends regarding health and safety at the council. Members requested that additional information be provided in relation to the RIDDOR Reportable Incidents (to Employees) included in the Report. It was agreed that this would be provided as soon as possible after the meeting.

Resolved: That the report be noted.

7. **NEWCASTLE AUDIT COMMITTEE UPDATE - GRANT THORNTON**

Resolved: That the update be received.

8. **NEWCASTLE-UNDER- LYME BOROUGH COUNCIL PLANNED AUDIT FEE FOR 2014 -2015**

Resolved: That the letter and contents be received.

9. **CORPORATE RISK MANAGEMENT REPORT**

The Executive Director for Finance and Resources drew members' attention to page 42 of the agenda which listed the only changes that had been made.

Resolved: That the Committee approve the current Risk Management Policy and Strategy for the 2014/15 year, subject to changes listed in the documents, and ask that the Chief Executive and Leader of the Council agree and sign the Risk Management Policy Statement.

10. **TREASURY MANAGEMENT ANNUAL REPORT**

A report was submitted providing the Committee with information in relation to the Treasury Management Annual Report for 2013/2014 prior to its submission to Full Council in September 2014.

The Executive Director states that the Council would be interviewing banks on 22nd July 2014 which had responded to the tendering process.

Resolved: That the Treasury Management Annual Report for 2013/14 be received and reported to Full Council on 17th September 2014.

11. **STATEMENT OF ACCOUNTS**

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

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

Members thanked Dave Roberts and his team for all of the hard work carried out in the preparation of the document.

Resolved:

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

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

12. **ADOPTION OF INTERNAL HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCES**

Members received a report listing 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.

The report also provided Members with an assurance opinion on internal controls over Council Services.

Resolved: That the actions of officers and levels of assurance be noted

13. **INTERNAL AUDIT ANNUAL REPORT**

A report was submitted requesting members to consider the annual report of the Internal Audit Section for the financial year 2013-14 which was enclosed as Appendix A.

Members questioned whether there was a Council wide initiative to reduce cash payments received. It was stated that this was the case.

Members thanked the Audit Manager and her team for all of their hard work.

Resolved: That the Internal Audit Section Annual Report for 2013-14 be received.

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

In order to demonstrate that the Council had good governance and as part of providing evidence to support the Annual Governance Statement, the Council needed to demonstrate that it had an effective Audit Committee. An assessment had been completed on the effectiveness of the Audit Committee for 2013/14 and the results were summarised within the report.

Resolved: That the report outlining the findings from the review of the effectiveness of the Audit Committee for 2013/14 be noted.

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

A report was submitted for members to consider the findings of the annual review of the effectiveness of the system of Internal Audit for 2013/14.

The Committee thanked Mrs Dodd and her team for all of their hard work.

Resolved: That the report outlining the findings from the review of the effectiveness of the system of Internal Audit for 2013/14, together with the action plan be agreed.

16. **ANNUAL GOVERNANCE STATEMENT**

A report was submitted recommending that the Annual Governance Statement 2013/14 be approved for inclusion in the financial statements.

Members expressed some concern in relation to the lack of information relating to risks including recycling by residents in terraced houses and flats a and risks relating to community centres. Officers would look into this and a report would be provided to the next meeting.

Resolved: That the Annual Governance Statement 2013/14(AGS) be approved.

17. **URGENT BUSINESS**

There was no urgent business.

COUNCILLOR JOHN TAYLOR
Chair

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

September 2014

CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD April to June 2014

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

Portfolio: **Communications, Policy and Partnerships**

Ward(s) affected: **All**

Purpose of the Report

To inform Members of the progress made by the Council in enhancing and embedding risk management for the period April to June 2014, including progress made in managing identified corporate risks.

Recommendations

The Committee is asked to:-

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

(b) Note the new risks that have been identified between April and June 2014

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

Reasons

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

1. Background

1.1 The Council monitors and manages all its risks through the various risk profiles contained within GRACE (Governance Risk and Control Environment) – the Council's software used to record and manage risks.

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

1.3 The last review of these risks was reported to the Council's Audit & Risk Committee in April 2014.

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

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

2. Issues

2.1 Since the last meeting of the Committee, officers have rolled out an updated version of the GRACE system.

2.2 This update features a web-based version of GRACE that allows easier access for users.

2.3 A number of new features have also been included to assist in developing better governance of the system for officers. The new system therefore allows officers to be advised of up-coming risk reviews and further actions, along with overdue reviews via the automatic email system.

2.4 Functions are available for more than one action owner to be allocated against it – this is where cross-department actions need completing.

2.5 Finally, the general "look" of the updated system is easier and cleaner to view – it now shows only the users' risk profiles, instead of the whole structure (this is still available for officers to view if they need to).

2.6 The above upgrade was at no further or increased cost to the council.

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

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

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

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

LIKELIHOOD				
	High 3	7 Amber	8 Amber	9 High Red
	Medium 2	4 Green	5 Amber	6 Amber
	Low 1	1 Green	2 Green	3 Amber
		Low 1	Medium 2	High 3
IMPACT				

3.4 During this quarter there have been no additional risks added of a final rating of medium (risk scores of 7 or 8). An additional high (risk score of 9) rating has been added.

3.5 Appendix 1 now highlights the risks that fall into the top line of the above risk map.

3.6 Since the last report, an additional high (red 9) risk has been added to the profile. The risk relates to the issue of Members taking decisions which are contrary to officer advice.

4. Issues from last meeting

4.1 As part of the discussion around the Annual Governance Statement at the last meeting of the Committee, Members raised the following issues:

- There is a lack of information relating to particular risks including:
    - Recycling by residents in terraced houses and flats; and
    - Risks relating to community centres

4.2 It was agreed that officers would look into these areas and a report would be provided for the next meeting.

4.3 The risk profiles for the Waste and Recycling Strategy and Community Centres can be found at Appendix 2. Members will note, however, that the issue mentioned above relating to recycling in terraced houses and flats is not part of the existing risk profile for Waste and Recycling.

4.4 Members are asked to consider the attached risk profiles and

5. Outcomes Linked to Corporate and Sustainable Community Priorities

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

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

6. Legal and Statutory Implications

6.1 The Accounts and Audit (England) Regulations 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"*

7. Equality Impact Assessment

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

8.1 Financial and Resource Implications

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

9. **List of Appendices**

Appendix 1 – Risks and Action Plan
Appendix 2 - Risk profiles for the Waste and Recycling Strategy and Community Centres

10. **Background Papers**

None

High 9 risks
Medium 7 & 8 risks
Risks to be deleted from next 1/4 profile
Risk reduced from last 1/4 profile
New risks

	Appendix 1 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 30/06/2014	**Status** as at Dec 13	**Status** as at Mar 14	**Current Rating** as at June 14
1	Potential Claims growth	Chief Executive	The Council has robust systems in place both to deal with claims when they happen and also to prevent, where possible, the circumstances where claims could arise. In doing so, the Council has in place policies and procedures designed to enhance safety at work and also to advise staff and others when driving or operating machinery. The Council checks, on a regular basis, that it is up to date on best practice in this area and that systems reflect changes in the local, national or international environments		Strategic	Risks reviewed and noted that this area is of growing significance with the number and value of claims increasing. Further actions reviewed. Consideration was given to potential control measures, but these are addressed by the existing further actions.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9

	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 30/06/2014	**Status** as at Dec 13	**Status** as at Mar 14	**Current Rating** as at June 14
2	Members taking a decision contrary to officers' advice	Chief Executive	Meeting to take place between Executive Directors of Resource and Support Services, Regeneration and Development and Chief Executive to highlight the consequences to Members of going against professional officers' advice	Dec-14	Strategic	Meetings taking place between relevant officers to devise an advice sheet highlighting the major risks associated with going against officers recommendations			I = 3 L = 3 High 9
3	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-15	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 30/06/2014	**Status** as at Dec 13	**Status** as at Mar 14	**Current Rating** as at June 14
4	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	Fees and charges are set at a level which seeks to maximise income	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8

APPENDIX 2.

Risks by Directorate/Service

Directorate/Service: Waste & Recycling Strategy, Risk Assessment open, Current Risk version, Risk is open

Directorate/Service	Risk	Potential Consequences	Final Likelihood	Final Impact	Final Risk Rating
Waste & Recycling Strategy	Breaching regulatory controls or licensing conditions relating to waste transfer	Financial Loss. Legal action by enforcing body. Loss of operational capacility eg loss of "O" license or Waste Transfer Licence. Reputational Damage. Service delivery compromised.	1	3	3
Waste & Recycling Strategy	Failure of Communication Plan to engage and inform the public	Targeted recycling and composting performance is not achieved. Confusion about service change and increased activity at contact centre. Collection resources not working efficiently. Expected income not achieved threatening budget situation. Reputational damage.	1	2	2
Waste & Recycling Strategy	Failure of the Recycling Working Group to agree the new service	Reputational damage to the council. Customer dissatisfaction with the service. Failure to achieve Value for Money.	2	2	5
Waste & Recycling Strategy	Failure to achieve collection of high quality material	Loss of income to the council. Stakeholder dissatisfaction.	2	2	5
Waste & Recycling Strategy	Failure to achieve required recycling targets.	Loss of income to the council. Prosecution for non compliance with regulation.	1	2	2
Waste & Recycling Strategy	Failure to acquire required change to the current Waste Permit License	Failure to ensure continuity of service after the end of the current contract period.	1	3	3
Waste & Recycling Strategy	Failure to comply with legislation changes over the seven years of the service provision.	Prosecution for non compliance with statutory regulations. Reputational damage. Increased cost to the council.	1	2	2
Waste & Recycling Strategy	Failure to comply with Standing Orders and Financial Regulations of contract procedures	Breach of EU regulations. Failure to meet Government recycling targets. Breach of Contract conditions. Lack of control and management of contractors. Adverse publicity. Reputation damage. Legal action from rival companies. Courts can require contracts to be set aside and tenders re-run (risking operation of service as vehicles can be taken of the road). UK courts can award compensation to a failed bidder. EU courts can impose large fines. EU can withdraw or clawback grants. Decrease in customer satisfaction.	1	3	3
Waste & Recycling Strategy	Failure to promote and develop the Recycling Service in the future	Reduced levels of recycling in the future. Lower recycling credits from Staffordshire County Council. Stakeholer dissatisfaction. Increased number of service complaints. Failure to demonstrate the service is Value for Money. Reduced levels of support to residents.	2	2	5
Waste & Recycling Strategy	Fluctuations in material collection tonnages	Loss of income to the council. Failure to achieve future recycling target rates.	2	2	5
Waste & Recycling Strategy	Fluctuations in material collection values/income	Loss of income to the council.	2	3	6

Directorate/Service	Risk	Potential Consequences	Final Likelihood	Final Impact	Final Risk Rating
Waste & Recycling Strategy	Inability to build (develop) the Transfer Station within the service deadline	Failure to ensure continuity of service after the end of the current contract period.	1	3	3
Waste & Recycling Strategy	Inability to develop a timetable for implementation of the new recycling service	Reputational damage to the council. Increased cost to the council.	2	2	5
Waste & Recycling Strategy	Inability to ensure compliance with the Waste, England and Wales, (Amended) Regulations 2012	Prosecution for non compliance with statutory regulations.	1	2	2
Waste & Recycling Strategy	Inability to obtain planning permission for the development of the Transfer Station	Inability to ensure continuity of service after the end of the current contract period. Increased cost to the council.	1	3	3
Waste & Recycling Strategy	Inadequate community participation	Resident's/stakeholder dissatisfaction. Loss of income to the council. Inability to achieve future recycling target rates. Reputational damage.	1	2	2
Waste & Recycling Strategy	Insufficient staff participation in service changes	Staff dissatisfaction. Potential staff shortages. Increased levels of service complaints.	1	2	2
Waste & Recycling Strategy	Required capital funding, for the purchase of vehicles, is unavailable	Increased cost to the council. Failure to ensure continuity of service after the end of the current contract period.	1	2	2
Waste & Recycling Strategy	Targeted recycling and composting performance is not achieved	Failure to meet commitments under the Staffordshire Waste Strategy. Impact on Countrywide Landfill Allowance Trading Scheme position and potential financial penalties. Expected income not achieved threatening budget situation. Failure to achieve future statutory targets. Reputational damage. Adverse Audit Commission Inspection outcome. Adverse customer/residents satisfaction.	1	3	3
Waste & Recycling Strategy	The cost of the service may exceed budget provision	The proposed service may not be deliverable. Excessive effect on Council Tax if provision proceeds. Reputational damage. Not VFM.	1	3	3

Controls By Directorate/Service with Risks

Directorate/Service: Community Centres, Risk Assessment open, Control is open

Directorate/Service	Risk	Potential Consequences	Control	Final Likelihood	Final Impact	Final Risk Rating
Community Centres			*Items In Group: 8*			
Community Centres			Cabinet approval of the objectives			
Community Centres	Asset Management	Financial implications Reputation damage Legal implications Building closure Insurance liabilities	Statutory inspections	2	3	6
	Health & Safety Management Arrangements	Breach of legislation - legal implications Financial implications Reputation damage Insurance liabilities		2	3	6
Community Centres	Financial Management	Financial implications to both the council and the management committee Reputation damage to all parties Closure of the buildings Legal implications	Community Centre guidelines (1996)	2	2	5
	Community Centre Governance arrangements	Closure of the facilities Reputation damage to all parties Financial implications for all parties Theft of assets		2	2	5
	Health & Safety Management Arrangements	Breach of legislation - legal implications Financial implications Reputation damage Insurance liabilities		2	3	6
Community Centres	Community Centre Governance arrangements	Closure of the facilities Reputation damage to all parties Financial implications for all parties Theft of assets	Officer attendance	2	2	5
	Health & Safety Management Arrangements	Breach of legislation - legal implications Financial implications Reputation damage Insurance liabilities		2	3	6

Directorate/Service	Risk	Potential Consequences	Control	Final Likelihood	Final Impact	Final Risk Rating
Community Centres	Community Centre Governance arrangements	Closure of the facilities Reputation damage to all parties Financial implications for all parties Theft of assets	Elected members attend	2	2	5
	Health & Safety Management Arrangements	Breach of legislation - legal implications Financial implications Reputation damage Insurance liabilities		2	3	6
Community Centres	Financial Management	Financial implications to both the council and the management committee Reputation damage to all parties Closure of the buildings Legal implications	Submission of accounts	2	2	5
Community Centres	Asset Management	Financial implications Reputation damage Legal implications Building closure Insurance liabilities	Stock condition survey	2	3	6
Community Centres	Health & Safety Management Arrangements	Breach of legislation - legal implications Financial implications Reputation damage Insurance liabilities	Single point of contact	2	3	6

ITEM FOR AUDIT AND RISK COMMITTEE 29/09/14

Statement of Accounts 2013/14 and External Auditor's Audit Findings 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 external auditor's Audit Findings Report for 2013/14 and to agree the Letter of Representation to the Auditor.

Recommendations

a) **That the Statement of Accounts 2013/14 be approved and signed by the person presiding at the meeting.**
b) **That the Audit Findings Report for 2013/14 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 an Audit Findings report.

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

1. Background

1.1 The Committee received a report on 21 July in relation to the draft Statement of Accounts and the Outturn position for 2013/14. The report explained that the 2013/14 Statement of Accounts does not have to be formally approved by a Council Committee until 30 September 2014. However, it was felt that members needed an earlier update on the position for 2013/14, 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 9 of this report, which outline the main features of the 2013/14 accounts is attached at Appendix 1.

1.2 The Committee now needs to formally receive the Statement of Accounts for 2013/14 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 an Audit Findings report.

1.4 The purpose of the report is primarily to allow the auditor to bring to the attention of the Committee any material mis-statements in the accounts for 2013/14, 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 2013/14

2.1 The Statement of Accounts now submitted to you has been audited by the Council's external auditor, Grant Thornton. As a result amendments, agreed with the auditor, have been made to five notes to the accounts (Notes 6, 11, 21, 32 and 38) plus an amendment to the amounts shown in the balance sheet against Property, Plant and Equipment and Investment Assets, arising from an incorrect categorisation of one asset. This re-categorisation also entails amendment to Notes 11 and 12. Additionally, Note 10 has been amended for a change in terminology in respect of net pensions interest costs The Statement is, therefore, substantially the same document as you considered in July. The Audit Findings Report sets out the amendments which have been made. In addition, it has been agreed to review two qualitative issues in relation to heritage assets valuations and finance leases. There have been no alterations to entries in the underlying accounts, other than to correct the miscategorised asset, all of the other changes being related to presentation and disclosure within the Statement of Accounts.

2.2 None of these agreed amendments change the amount of the positive variance on the General Fund Revenue Account (£6,554) reported to you in July.

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

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

3. Audit Findings Report

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

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

4. Letter of Representation

4.1 The Letter of Representation is a formal letter from the Council to the External Auditor stating various matters which the auditor needs to have confirmed in order to gain sufficient assurance to be able to certify the Council's accounts. It has to be approved by your Committee and then signed by the Council's Section 151 Officer.

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 21 July 2014
Appendix 2: Statement of Accounts 2013/14
Appendix 3: Audit Findings Report Year Ended 31 March 2014
Appendix 4: Letter of Representation

6. Background Papers

Report to Audit and Risk Committee 21 July 2014 "Draft Statement of Accounts 2013/14"; Audit Findings Report Year Ended 31 March 2014 produced by the External Auditor appointed by the Audit Commission; Letter of Representation 2013/14.

APPENDIX 1

3. The General Fund Outturn

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

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

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

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

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

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

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

Item	Saving or additional income
	£000s
Additional Income:	
Planning Fees	44
Hackney Carriage/Private Hire licences	67
Litter Enforcement Fines	17
Additional Rent in respect of The Square (Vue Cinema Car Park)	117
Litter Fines	24
Housing Benefits - Recovery of Overpayments	123
Streetscene - Additional Income	30
Procurement Savings:	
Computer Software, Licenses and other costs	77
Business Rates Reductions (Crematorium, Public Toilets, Commercial Properties)	81
Good Housekeeping Efficiencies:	
Multi-Functional Devices - Lease Payments	26
Homelessness - Other Fees for Services	42
Staffing Efficiencies:	
Assets and Property Management	39
Revenues Enquiries and Billing	37
Development Control	24
Corporate:	
Heritable Bank Impairment Written Back. Total £152k but £76k transferred to contingency reserve to meet Local Plan costs.	76
Additional Non-Specific Government Grants	53
Business Rates Discretionary Relief	30
Other Variances	(2)
Total	905

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

3.2 An amount of £6,554 has been transferred into the Budget Support Fund in respect of the positive variance.

3.3 As can be seen in Note 22 to the Accounts, the balance on the Budget Support Fund now stands at £0.333m, a reduction of £0.093m from the 1 April 2013 balance. This movement comprises:

- £0.007m transferred into the Fund in respect of the positive variance;

- £0.025m transferred out to finance brought forward expenditure;

- £0.051m returned to the General Fund revenue account in respect of amounts paid into the Budget Support Fund in previous years to meet carried forward commitments but which are now no longer required for this purpose;

- £0.009m transferred out in respect of invest to save expenditure financed from Fund (to be repaid when savings materialise);

- £0.015m transferred out to finance expenditure per revenue budget.

3.4 Income levels continue to be depressed in the current 2014/15 financial year but there are signs of some recovery, for example in relation to land charges fee income. The ongoing situation will continue to be closely monitored and the budget monitoring reports provided by the Cabinet Portfolio Holder for Finance and Resources will keep members updated as the year proceeds together with the quarterly monitoring reports to Cabinet. The likely levels of income will also be considered during the compilation of the Medium Term Financial Strategy which is part of the budget setting process for 2015/16.

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

3.6 Business Rates Retention

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

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

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

It is worth noting that by participating in the Stoke on Trent and Staffordshire Business Rates Pool, along with Staffordshire County Council, Stoke on Trent City Council, Stafford Borough Council, Staffs Moorlands DC, South Staffs DC and the Fire and Rescue Authority, and thereby avoiding the payment of a levy to the government, the Borough Council has achieved a worthwhile increase in the amount of rates retained. The amount of levy that would otherwise have been paid was £0.457m. Of this £0.183m (40%) has been retained by the Borough Council, forming part of the £1.435m amount referred to above, with the balance of £0.274m being paid over to the Pool, £0.091m (20%) to be held as a reserve to meet any future business rates income shortfalls experienced by Pool members, and £0.183m (40%) in a reserve to fund economic development projects in Staffordshire. Overall, based on provisional figures from participating authorities the amount of the economic development reserve held by the Pool will total £0.531m as at 31 March 2014, which will be available to fund projects throughout the areas of the participating authorities.

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

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

4.1 The transactions of the General Fund are shown in the Statement of Accounts in the Comprehensive Income and Expenditure Statement (CI&ES) and the Movement in Reserves Statement. Further detail of the reserves movements is given in notes 6, 7 and 22. In effect, the CI&ES contains all of the expenditure and income of the General Fund whilst the Movement in Reserves Statement shows the transfers from reserves which have taken place to arrive at the final balance for the year. The Movement in Reserves Statement also shows, at its foot, the final year-end balances on the different classes of reserve.

4.2 The CI&ES shows a deficit of £6.743m for the year. At first sight this may seem alarming but it should be remembered that this is the balance before transfers to and from reserves are taken into account, via the Movement in Reserves Statement. All of this balance has been reversed out by net transfers from reserves as shown in the Movement in Reserves Statement. These transfers are either to meet the cost of expenditure contained in the Cost of Services or to reverse out various charges representing proper accounting practice which have been made, as required by the CIPFA Accounting Code of Practice, but which are to be removed from the final total as such charges are, by law, not to be met by Council Tax Payers. Examples of these are various capital charges (such as in relation to depreciation of assets or where an asset has been revalued downwards) and pensions fund transactions. There are a number of notes set out beneath the CI&ES, which explain, in relation to some items contained in the account, why their amounts differ significantly from 2012/13 to 2013/14.

4.3 In addition the CI&ES includes the surplus or deficit on revaluation of fixed assets and actuarial gains or losses on pensions assets and liabilities. Both of these items can be subject to significant volatility, as can be seen from the revaluation amount increasing from £0.882m in 2012/13 to £1.177m in 2013/14. This occurs because each year different groups of assets, mostly land and property, are considered in detail and different market conditions, which affect the valuations, exist from one year to the next. All of the balance of £6.743m has been reversed out by net transfers from reserves as shown in the Movement in Reserves Statement.

4.4 Notes 8, 9 and 10 provide a breakdown of the Other Operating Expenditure, Financing and Investment Income and Expenditure and Taxation and Non-specific Grant Income, respectively, which appear in the bottom half of the CI&ES. The component of Financing and Investment Income and Expenditure shown at Note 9 relating to Investment Properties shows a significant change from net income of £0.002m in 2013/14 to net income of £1.152m in 2014/15 owing largely to movements in investment asset valuations which have to be debited or credited to the General Fund, and which were overall downwards in 2012/13 and upwards in 2013/14. These debits and credits are reversed out of the General Fund via transfers from the Capital Adjustment Account included in the Movement in Reserves Statement and so do not impact on the final General Fund outturn. The narrative below Note 10 relating to Taxation and Non Specific Grant Income explains the differences from one year to the other in respect of rates income and government grant income which result from the changes with regard to business rates retention.

5. The Collection Fund

5.1 The Collection Fund is a separate account which contains the financial details which refer to the collection of Council Tax and Business Rates and a small balance brought forward in respect of residual Community Charge. The purpose of the account is to illustrate how much of the above income has been collected and to see how this compares to the amounts of the levies and other pre-determined payments that have been made for the Borough Council, the County Council, the Police Authority and the Fire Authority and to central government.

5.2 In previous years the business rates element of the Fund did not give rise to a surplus or deficit because all of the income collected was paid over to the government leaving a nil balance. However, with the introduction of the business rates retention scheme, there will be a balance at the year-end in respect of business rates. It is now necessary, therefore, to consider the two different elements of the Collection Fund, in relation to council tax and business rates separately.

5.3 Overall the Fund experienced a deficit of £0.918m for the year, leaving a balance of an accumulated deficit of £1.036m at the year-end. Separating this out into its individual components, the respective positions were as follows:

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

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

5.5 The Business Rates element of the Fund experienced a deficit of £2.081m for the first year of operation of the new arrangements. The deficit must be made good in subsequent years by the four participants in the business rates retention scheme, the Borough Council (40%), Staffordshire County Council (18%), the Fire and Rescue Authority (2%) and central government (50%). The amounts each body must contribute are shown in brackets and are prescribed by regulations. The Borough Council's 40% share of the deficit amounts to £0.832m and will be met from the new Business Rates Reserve referred to in paragraph 3.6. The deficit arose because the Fund is required to pay a sum to each of the four bodies equating to their share of the estimated business rates which will be collected in the year. The estimate is made before the start of the year and if the actual rates collected are less than the estimated amount, there will be a deficit, which is what occurred in 2013/14. The reduced collectable amount occurred because of various factors, chiefly changes in reliefs, exemptions and appeals.

5.6 A provision has been created in relation to business rates property value appeals to the Valuation Agency which it is considered likely to represent the amount which may have to be refunded in respect of payments already made by ratepayers. This is intended to provide for appeals already lodged and appeals which may arise in the future relating to bills which have been paid. An amount of £0.520m has been paid into the provision out of the Collection Fund as the initial contribution to set it up. This amount was calculated on the basis of historical experience of appeals lodged and the success rate in terms of changes ultimately made by the Valuation Agency. The arrangements for business rates retention mean that only 40% of the cost of setting up the provision is borne by the Borough Council (because it affects the amount of rates retained), the rest falling to the other participants in the arrangements.

5.7 The small balance relating to Community Charge was eliminated by transferring it to the General Fund and then making a further transfer from the General Fund to the Community Charge Collection Fund Adjustment Account to eliminate the corresponding balance on that account, in other words a tidying up exercise to eliminate obsolete balances.

6. The Balance Sheet

6.1 The main features of the Balance Sheet are as follows

- There are Net Tangible Fixed Assets of £59.191m which consist of Plant, Property and Equipment, Investment Properties and Heritage Assets. Notes 11, 12 and 13 to the Statement of Accounts show an analysis of these assets, together with a summary of movements during 2013/14. The main reason for the decrease in the fixed assets balance compared to the 31 March 2013 value is the revaluation of assets, largely within the land and buildings category, whereby some of these assets have been revalued downwards, in particular the Guildhall and the Keele Cemetery car park, and the disposal of items in the vehicles, plant and equipment category.

- Investments (all short term at 31 March 2014 - i.e. with less than 1 year to run from that date) amounted to £3.558m and have reduced by £1.637m compared to 31 March 2013. In particular, this reflects the use of capital receipts and reserves balances in hand at the start of the year to finance projects in the capital programme (£0.974m) and the particular cash flow situation as at the balance sheet date. Owing to the current situation in the financial markets, the emphasis is now on short term investments as a means of reducing the risk of exposure to default by organisations with whom money has been placed.

- The balance shown as a Long Term Debtor of £1.923m relates to the balance owing to the Council in respect of properties let on finance lease terms (£1.438m), the outstanding loan to Kidsgrove Town Council in respect of works to the Victoria Hall Kidsgrove (£0.087m) and outstanding mortgages (£0.398m). The balance in relation to property leases arises because some of the council's leases are classified as finance leases rather than operating leases. This requires the amount remaining to be paid over the lease term to be shown in this way. The finance lease element has reduced by £0.72m reflecting payments made in 2013/14, whilst the mortgages balance has decreased by £0.022m, as a result of repayments made by mortgagors in 2013/14.

- The amount owed to the Council by its short term debtors (after a deduction for the estimated amount which might be at risk of non-payment) is £13.544m. Short Term Debtors have increased by £4.068m compared with 31 March 2013. This arises chiefly from the following changes. The Department for Work and Pensions (DWP) owes the Council £3.045m in respect of housing benefits reimbursement for 2013/14 (the comparable figure as at 31 March 2013 is £0.506m) and the Department of Communities and Local Government (DCLG) owes £1.040m in respect of its share (50%) of the business rates collection fund deficit for 2013/14 of £2.081m. Other changes to the amounts owed by DCLG in respect of business rates comparing the position under the new arrangements with the old ones involving the national rates pool, amount to changes in their debtor balance of £0.360m and the Department owe £0.248m in respect of transitional relief and small business rates reduction grants for 2013/14.

- The amount the Council owes to its creditors is £7.288m. Creditors have increased by £1.658m compared to 31 March 2013. This is mainly attributable to a new creditor amounting to £1.032m for the DCLG in relation to amounts owing to them in respect of the new business rates retention scheme and a new accrual, also in relation to the business rates retention scheme, in respect of the amount owing to the business rates pool for the notional levy amount of £0.457m.

- Inventories (stock) have increased from £0.036m as at 31 March 2013 to £0.088m as at 31 March 2014 owing to the creation of an inventory account in respect of waste containers held pending issue.

- Provisions show little movement in the balance sheet (£0.461m compared with £0.428m). However, as shown in Note 21 there have been some changes in relation to individual provisions included in the total. Firstly a new Land Charges Provision has been established, in the amount of £0.082m, to provide for the repayment of personal search fee income in 2014/15, following a change in the interpretation of the law governing what can be charged for by local authorities in relation to these searches. The amount of the provision is the estimated amount of fee income that has been received from customers which the Council will probably have to refund. Secondly, the

Municipal Mutual Insurance (MMI) Provision has been called upon to meet a levy payment of £0.101m to the administrator of MMI in 2013/14, leaving a balance of £0.079m in the provision at 31 March 2014. Originally the provision was established at a level of 25% of the maximum outstanding liability to the administrator in respect of claims settled by him since the firm entered administration, i.e. 25 per cent of £0.721m, being £0.180m. It remains the view of the Council's insurance advisors and generally amongst councils affected that 25% is a prudent level of provision to make, sufficient to cover likely levy payments demanded by the administrator, including the first paid in 2013/14.

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

7. Reserves

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

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

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

7.3 The Capital Receipts Reserve is predominantly committed to financing the current capital programme, whilst the majority of the balance on the Capital Grants Unapplied Reserve is either already committed to finance current schemes or is earmarked for future schemes. The

ICT Development Fund is also committed to finance new or replacement ICT software and hardware.

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

7.5 The Budget Support Fund and Business Rates Reserve are discussed at paragraphs 3.2 to 3.3 above and 3.6, respectively.

7.6 The Insurance Fund is fully committed to funding insurance costs included in the 2014/15 revenue budget. Once the balance of £0.215m has been exhausted the Fund will be extinguished and all insurance costs will henceforth be met from the revenue budget, with any variances in those costs being included in the Medium Term Financial Strategy.

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

7.8 The levels of reserves will be considered as part of the budget preparation process for 2015/16. Some may require "topping up", either from the revenue budget or a transfer from another reserve. In particular, the Renewals and Repairs Fund needs to be reviewed to ensure that it is adequate.

7.9 Unusable Reserves total (£9,068m). The Unusable Reserves were established as a result of the need to enable various accounting transactions and are not available for use to meet expenditure, either revenue or capital. The main reason for the change from the (£0.905m) balance at 31 March 2013 is the movement in the Pensions Reserve, which mirrors the Net Pensions Liability, discussed earlier in the final bullet point of paragraph 6.1.

8. Accounting Policies

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

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

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

Classification: NULBC **UNCLASSIFIED**

STATEMENT OF ACCOUNTS 2013/14

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 2013/14. It sets out a summary of the money that the Council received and what it has been spent on and highlights specific issues regarding its financial position at 31 March 2014.

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

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

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

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

c) General Accounting Policies

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

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

d) Statement of Accounts

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

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

e) Accountability / Financial Reporting

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

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

f) Economic Downturn and Public Expenditure Reductions

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

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

g) General Fund Revenue Budget Outturn

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

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

h) Financial Summary 2013/14

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

Revenue Expenditure and Income

Where does the money come from?

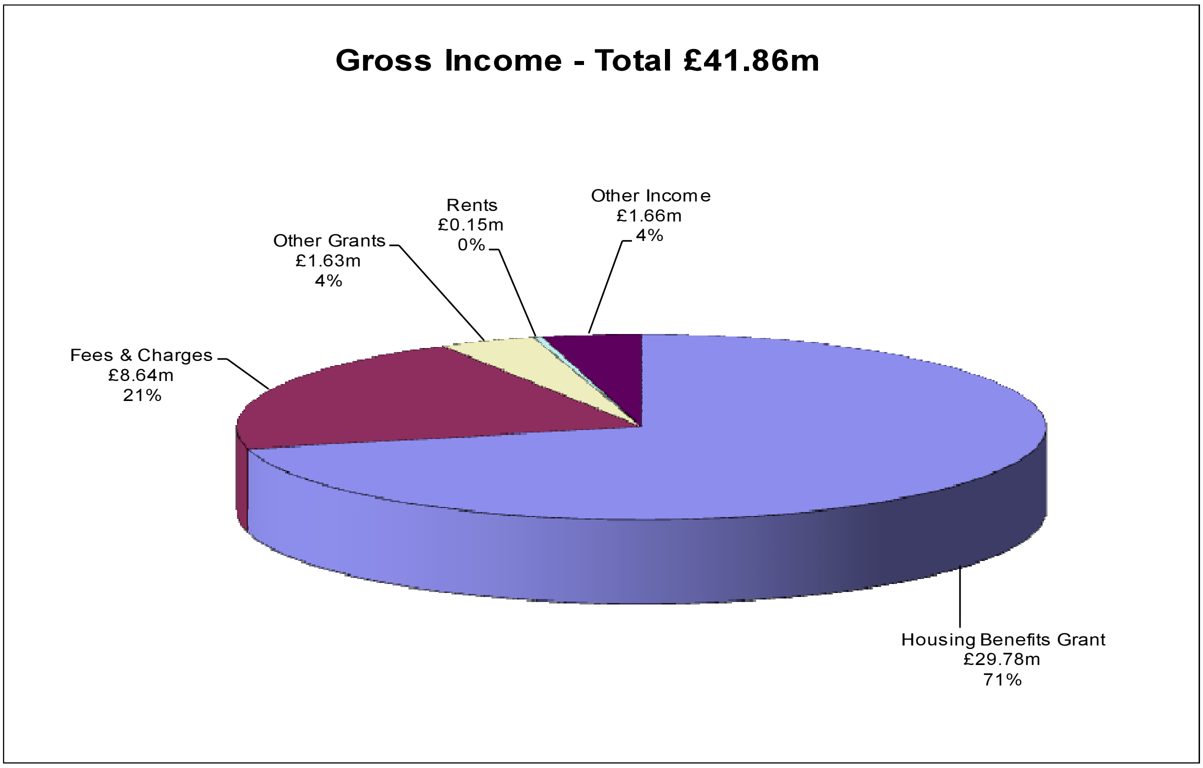
Local authorities receive income from a variety of sources, but chiefly from the Government in the form of grants, from households in the form of Council Tax, from consumers in respect of fees and charges, property rents and from a share of the business rates collected from occupiers of commercial premises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

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

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

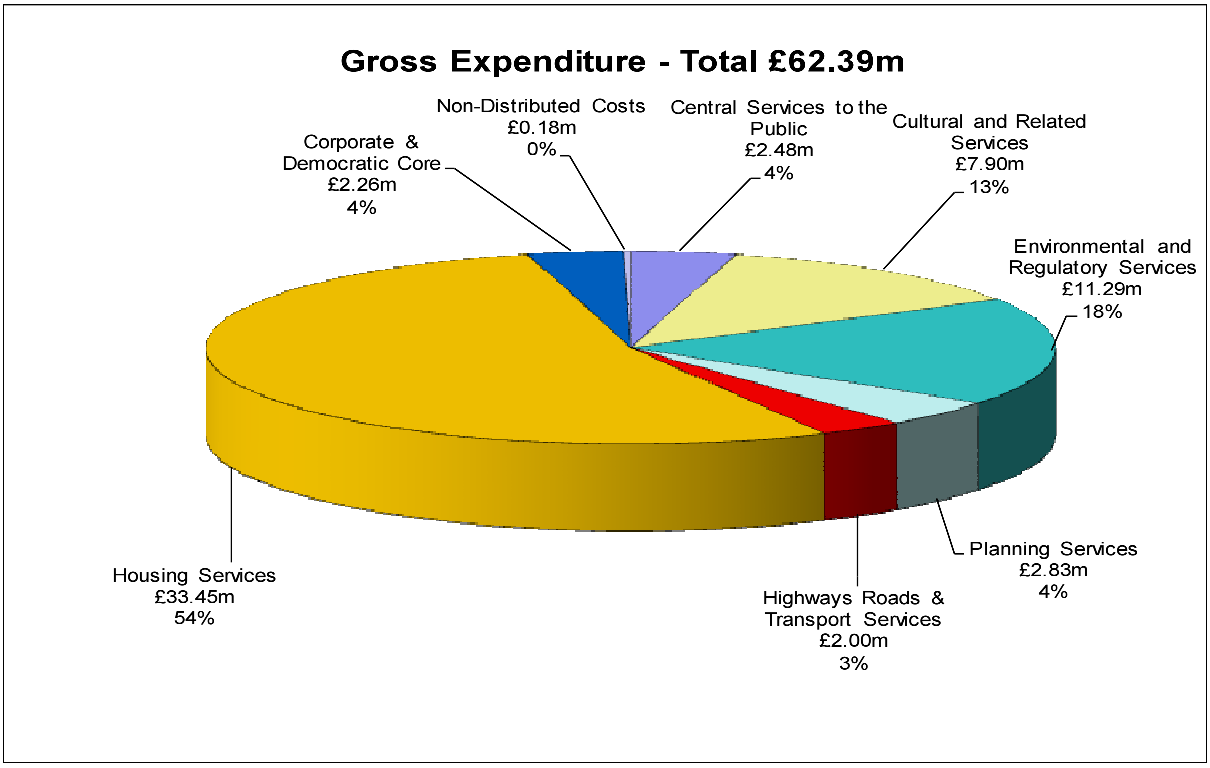
Council Tax is a property based charge payable by local residents and the amount payable depends on the value band that the property is placed into by the Valuation Office. National Non-Domestic Rates, known as Business Rates, are payable by owners of businesses and properties. The government determine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

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



How the money was spent

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



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

What we planned to spend

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

What we actually spent

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

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

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

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

Capital Expenditure

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

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

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

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

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

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

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

i) Financial Prospects

Revenue

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

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

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

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

Capital

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

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

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

Reserves

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

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

Partnerships

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

j) Asset Impairment

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

k) Assets and Liabilities Acquired

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

l) Pensions Scheme Liability

The Liability relating to Defined Benefit Pension Schemes increased from £63.523m to £70.171m. This increase is mirrored by an increase in the Pensions Reserve balance. These amounts are required to be included in the Borough Council's accounts as a result of the application of International Accounting Standard 19 (IAS19) and the CIPFA Code of Accounting Practice. Neither directly relate to Borough Council transactions - they relate to those of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities (after deduction of the value of scheme assets). Whilst the net liability indicates the Council's long term commitment to pay retirement benefits, statutory arrangements for funding the deficit mean that its financial position remains healthy.

m) Specific Events in 2014/15

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

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

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

n) Audit of the Accounts

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

John Gregory

Grant Thornton UK LLP

Colmore Plaza

20 Colmore Circus

Birmingham

B4 6AT

o) Further Information

Further information about the Accounts is available from:

Kelvin Turner

Executive Director - Resources and Support Services

Civic Offices

Merrial Street

Newcastle,

Staffs ST5 2AG

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

p) Comments

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

Kelvin Turner
Executive Director - Resources and Support Services

q) Approval of Statement of Accounts

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

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

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

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required:

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

The Executive Director - Resources and Support Services' Responsibilities

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

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

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

The Executive Director - Resources and Support Services Certificate

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

Kelvin Turner

Executive Director - Resources and Support Services

Date:

Movement in Reserves Statement

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

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

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

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

Comprehensive Income and Expenditure Statement

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

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

Notes

1. 2012/13 has been restated in respect of changes relating to accounting for Employee Benefits. Details are provided in Note 44.

2. Central Services to the Public. The 2012/13 figures include expenditure and income of some £8.2m in relation to Council Tax Benefits payment and reimbursement from the government. This has now been replaced by Council Tax Support which does not give rise to similar charges or income to services.

3. Highways and Transport Services. Expenditure in 2013/14 includes around £0.62m in capital charges for impairment compared to £0.008m in 2012/13. These charges are reversed out of the accounts via the Movement in Reserves Statement.

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'.

31/03/2013			Note	31/03/2014	
£000	£000			£000	£000
	44,693	Property, Plant & Equipment	11		43,397
	13,916	Investment Property	12		14,365
	1,429	Heritage Assets	13		1,429
	168	Intangible Assets	14		233
	-	Long Term Investments	15		-
	2,104	Long Term Debtors			1,923
	62,310	**Long Term Assets**			**61,347**
	5,195	Short Term Investments	15		3,558
	36	Inventories	16		88
	9,476	Short Term Debtors	17		13,752
	228	Cash and Cash Equivalents	18		259
	14,935	**Current Assets**			**17,657**
	(5,630)	Short Term Creditors	20		(7,288)
	(25)	Short Term Borrowing	15		(24)
	(210)	Deposits			(211)
	(5,865)	**Current Liabilities**			**(7,523)**
	(461)	Provisions	21		(636)
(63,523)		Net Pensions Liability	38	(70,171)	
(459)		Deferred Liabilities		(297)	
	(63,982)				(70,468)
	(149)	Capital Grants Receipts in Advance	32		(332)
	(64,592)	**Long Term Liabilities**			**(71,436)**
	6,788	**Net Assets**			**45**
		Usable Reserves	22		
1,200		General Fund Balance		1,200	
2,496		Other Usable Reserves		3,365	
2,700		Capital Receipts Reserve		3,395	
1,297		Capital Grants Unapplied Account		1,153	
	7,693	Total Usable Reserves			**9,113**
		Unusable Reserves	23		
13,080		Revaluation Reserve		14,257	
47,721		Capital Adjustment Account		45,838	
1,981		Deferred Capital Receipts Reserve		1,869	
(63,523)		Pensions Reserve		(70,171)	
14		Collection Fund Adjustment Account		(670)	
(178)		Accumulated Absences Account		(191)	
	(905)	**Total Unusable Reserves**			**(9,068)**
	6,788	**Total Reserves**			**45**

Comparatives for 2012/13 have been restated in respect of Property, Plant and Equipment and Investment Assets to reflect an incorrect asset categorisation.

Cash Flow Statement

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

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

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

Notes to the Accounts

1. Accounting Policies

1. Accounting Policies

i. General Principles

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

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

ii. Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

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

iv. Exceptional Items

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

Discretionary Benefits

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

viii. Events After the Balance Sheet Date

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

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

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

ix. Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the

Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

Short Term Investments

Short term investments include:

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

Available-for-Sale Assets

The Council has no available for sale assets.

Instruments Entered Into Before 1 April 2006

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

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

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

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

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

xii. Intangible Assets

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

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

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

xiii. Heritage Assets

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

Museum Collection

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

Outdoor Structures

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

General

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

xiv. Inventories

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

xv. Investment Property

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

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

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

xvi. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

xvii. Overheads and Support Services

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

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

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

xviii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

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

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.

xxiii. Council Tax

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

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

xxiv. National Non Domestic Rates (NNDR)

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

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

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

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

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

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

- **IFRS 10 Consolidated Financial Statements –** This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts.
- **IFRS 11 Joint Arrangements –** This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities.
- **IFRS 12 Disclosures of Involvement with Other Entities –** This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.
- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures –** These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. It

will be necessary to consider whether the Council participates in any material joint venture arrangements requiring the preparation of group accounts for inclusion in the Statement of Accounts. At this stage a definitive view cannot be formed.

- **IAS 32 Financial Instruments Presentation –** The code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- **IAS 1 Presentation of the Financial Statements –** The change clarifies the disclosure requirements in respect of comparative information relating to the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

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

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

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

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

The significant items in the Council's Balance Sheet at 31 March 2014 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- The recoverable amounts in relation to debtors;
- Principal actuarial assumptions used at the balance sheet date in respect of the defined benefit pension scheme;
- Fair values for property plant and equipment that are not based on recently observed market prices;
- Fair values for financial assets that are not based on recently observed market prices.
- The new business rates retention scheme came into effect on 1 April 2013. The accounts include a provision for the estimated costs of appeals that have been lodged with the valuation office. This is a complex calculation based on past success levels. As at 31 March 2014 the Council's share of the estimated appeals against business rates is £0.2m.

5. Events after the Balance Sheet Date

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

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

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

6. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2013/14	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
	£000	**£000**	**£000**	**£000**
Adjustments Primarily Involving the Capital Adjustment Account:				
Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement:				
Charges for Depreciation & Impairment of Non-Current Assets	(2,490)	-	-	2,490
Revaluation Losses on Property, Plant & Equipment	(2,045)	-	-	2,045
Movements in Market Value of Investment Properties	495	-	-	(495)
Amortisation of Intangible Assets	(84)	-	-	84
Capital Grants & Contributions Applied	818	-	-	(818)
Amounts of Non-Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(178)	-	-	178
Capital Element of Finance Leases Where Council is the Lessor	(72)	-	-	72
Insertion of Items Not Debited or Credited to the Comprehensive Income & Expenditure Statement				
Statutory Provision for the Financing of Capital Investment	163	-	-	(163)
Adjustments Primarily Involving the Capital Grants Unapplied Account:				
Capital Grants & Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	(57)	-	57	-
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	-	-	87	(87)
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	1,354	(1,354)	-	-
Use of the Capital Receipts Reserve to Finance Capital Expenditure	-	782	-	(782)
Contribution From the Capital Receipts Reserve to Finance Payments to the Government Capital Receipts Pool	(2)	2	-	-
Transfer from Deferred Capital Receipts Reserve on Receipt of Cash	-	(38)	-	38
Principal Repayments re Long Term Debtor (Loan)	-	(87)	-	87
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(5,226)	-	-	5,226
Employers pension contributions and direct payments to pensioners payable in the year	2,647			(2,647)
Adjustments Primarily Involving the Collection Fund Adjustment Account:				
Amount by Which Council Tax & Non-Domestic Rating Income Credited to the Comprehensive Income & Expenditure Statement Differs From Council Tax & Non-Domestic Rating Income Calculated for the Year in Accordance With Statutory Requirements	(685)	-	-	685
Adjustments Primarily Involving the Accumulated Absences Account:				
Amount by Which Officer Remuneration Charged to the Comprehensive Income & Expenditure Statement on an Accruals Basis Differs from Remuneration Chargeable in the Year in Accordance With Statutory Requirements	(14)	-	-	14
Total Adjustments	**(5,376)**	**(695)**	**144**	**5,927**

2012/13	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account:				
Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement:				
Charges for Depreciation & Impairment of Non-Current Assets	(2,939)	-	-	2,939
Revaluation Losses on Property, Plant & Equipment	(334)	-	-	334
Movements in Market Value of Investment Properties	(395)	-	-	395
Amortisation of Intangible Assets	(73)	-	-	73
Capital Grants & Contributions Applied	248	-	-	(248)
Revenue Expenditure Funded from Capital Under Statute	(101)	-	-	101
Amounts of Non-Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(323)	-	-	323
Capital Element of Finance Leases Where Council is the Lessor	(72)	-	-	72
Insertion of Items Not Debited or Credited to the Comprehensive Income & Expenditure Statement				
Statutory Provision for the Financing of Capital Investment	166	-	-	(166)
Adjustments Primarily Involving the Capital Grants Unapplied Account:				
Capital Grants & Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	366	-	(366)	-
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	-	-	90	(90)
Grants & Contributions Brought Forward Reclassified as Revenue Income	(300)	-	300	-
Adjustments Primarily Involving the Capital Receipts Reserve:				
Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	983	(983)	-	-
Use of the Capital Receipts Reserve to Finance Capital Expenditure	-	731	-	(731)
Contribution From the Capital Receipts Reserve to Finance Payments to the Government Capital Receipts Pool	(1)	1	-	-
Principal Repayments re Long Term Debtor (Loan)	-	(29)	-	29
Adjustments Primarily Involving the Deferred Capital Receipts Reserve				
Establishment of Deferred Capital Receipts Balance re. Kickstart Loan Portfolio Transfer	53	-	-	(53)
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(4,362)	-	-	4,362
Employers pension contributions and direct payments to pensioners payable in the year	2,631			(2,631)
Adjustments Primarily Involving the Collection Fund Adjustment Account:				
Amount by Which Council Tax Income Credited to the Comprehensive Income & Expenditure Statement Differs From Council Tax Income Calculated for the Year in Accordance With Statutory Requirements	13	-	-	(13)
Adjustments Primarily Involving the Accumulated Absences Account:				
Amount by Which Officer Remuneration Charged to the Comprehensive Income & Expenditure Statement on an Accruals Basis Differs from Remuneration Chargeable in the Year in Accordance With Statutory Requirements	2	-	-	(2)
Total Adjustments	**(4,438)**	**(280)**	**24**	**4,694**

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

7. Transfers to/from Earmarked Reserves

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

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

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

8. Other Operating Expenditure

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

9. Financing and Investment Income and Expenditure

2012/13 £000		**2013/14 £000**
58	Interest Payable & Similar Charges	37
2,617	Net Interest on the "Net Defined Benefit Liability (Asset)"	2,851
(310)	Interest Receivable & Similar Income	(377)
(2)	Income & Expenditure re. Investment Properties & Changes in Fair Value	(1,152)
2,363	**Total**	**1,359**

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

10. Taxation and Non Specific Grant Income

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

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme. When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. The baseline level of retained business rates is proportionately less of the local government finance settlement when compared to 2012/13 (when the NNDR pool was redistributed back to Local Authorities), whilst the amount of awarded revenue support grant is proportionately greater.

11. Property, Plant and Equipment

Movements on Balances

2013/14	**Land & Buildings**	**Infrastructure Assets**	**Vehicles, Plant, Furniture & Equipment**	**Community Assets**	**Surplus Assets**	**Total Property, Plant & Equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation						
At 1 April 2013	33,175	1,340	12,862	6,236	1,394	55,007
Additions	178	-	1,404	1,023	-	2,605
Deletions	-	-	-	-	-	-
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	236	-	173	-	-	409
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(2,680)	-	(47)	(419)	-	(3,146)
Derecognition - Disposals	-	-	(1,063)	-	-	(1,063)
Transfers Between Asset Categories	-	(3)	-	-	-	(3)
Other Movements in Cost or Valuation	(50)	-	-	-	-	(50)
At 31 March 2014	**30,859**	**1,337**	**13,329**	**6,840**	**1,394**	**53,759**
Accumulated Depreciation & Impairment						
At 1 April 2013	(1,988)	(345)	(7,372)	(609)	-	(10,314)
Depreciation Charge	(558)	(26)	(1,117)	(130)	-	(1,831)
Derecognition - Disposals	-	-	935	-	-	935
Derecognition - Other	848	-	-	-	-	848
At 31 March 2014	**(1,698)**	**(371)**	**(7,554)**	**(739)**	**-**	**(10,362)**
Net Book Value						
As at 31 March 2013	31,187	995	5,490	5,627	1,394	44,693
As at 31 March 2014	29,161	966	5,775	6,101	1,394	43,397

2012/13	Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2012	33,065	1,340	11,999	6,983	1,394	54,781
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	**33,175**	**1,340**	**12,862**	**6,236**	**1,394**	**55,007**
Accumulated Depreciation & Impairment						
At 1 April 2012	(1,539)	(316)	(6,199)	(487)	-	(8,541)
Depreciation Charge	(736)	(29)	(1,300)	(122)	-	(2,187)
Derecognition - Disposals	287	-	127	-	-	414
Derecognition - Other	-	-	-	-	-	-
Other Movements in Depreciation/Impairment	-	-	-	-	-	-
At 31 March 2013	**(1,988)**	**(345)**	**(7,372)**	**(609)**	**-**	**(10,314)**
Net Book Value						
At 31 March 2012	31,526	1,024	5,800	6,496		46,240
At 31 March 2013	31,187	995	5,490	5,627		44,693

Asset Classes

For the purposes of valuation assets are grouped into classes. Assets within a class are all valued at the same time. The table below shows the different classes with the total valuation of assets within each as at 31 March 2014 and for the prior period.

31/03/2013 £'000		31/03/2014 £'000
1,394	Surplus Assets	1,394
	Land and Buildings	
2,945	Community Centres	2,742
7,022	Car Parks Charging	7,022
1,320	Car Parks Non-charging	1,633
1,500	Depot	1,500
3,961	Offices	3,937
1,798	Guildhall	380
294	Bus Station	294
1,920	Cemeteries	1,341
494	Crematorium	473
9,142	Leisure Centres	9,057
1,830	Parks and Sports Grounds	1,521
520	Museum	520
192	Public Toilets	192
237	Other Land and Buildings	247
1,340	Infrastructure Assets	1,337
12,862	Vehicles, Plant, Furniture and Equipment	13,329
	Community Assets	
224	Development Sites	224
6,012	Other	6,616
55,007	**Total**	**53,759**

Depreciation

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

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

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

Capital Commitments

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

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

Revaluations

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

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

Valuations over the five year rolling period were as follows:

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

12. Investment Properties

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

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

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

2012/13		2013/14
£000		**£000**
14,326	Balance at 1 April 2013	13,916
	Additions:	
-	Purchases	-
15	Subsequent Expenditure	15
(15)	Disposals	(50)
(410)	Net Gains/(Losses) From Fair Value Adjustments	481
	Transfers:	
-	To/(From) Property, Plant & Equipment	3
13,916	**Balance at 31 March 2014**	**14,365**

13. Heritage Assets

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

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

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

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

Further Information

Museum Exhibits

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

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

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

Outdoor Structures

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

14. Intangible Assets

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

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

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

15. Financial Instruments

Categories of Financial Instruments

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

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

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

Income, Expense, Gains and Losses:

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

Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

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

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

16. Inventories

2012/13 Fuel	2012/13 ICT Consumables	2012/13 Total		2013/14 Fuel	2013/14 ICT Consumables	2013/14 Waste Receptacles	2013/14 Total
£000	£000	£000		£000	£000	£000	£000
24	4	28	**Opening Balance**	33	4	-	37
467	2	469	Purchases	491	2	63	556
(490)	(2)	(492)	Recognised as Expense in the Year	(481)	(1)	-	(482)
32	-	32	Written Off Balances	(23)	-	-	(23)
33	**4**	**37**	**Closing Balance**	**20**	**5**	**63**	**88**

17. Debtors

31/03/2013		31/03/2014
£000		£000
1,446	Central Government Bodies	5,803
2,839	Other Local Authorities	2,034
24	NHS Bodies	46
-	Public Corporations & Trading Funds	-
5,167	Other Entities & Individuals	5,869
9,476	**Total**	**13,752**

18. Cash and Cash Equivalents

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

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

19. Cash Flow Statement - Analysis of Adjustments

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

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

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

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

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

20. Creditors

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

21. Provisions

	NNDR Appeals Provision	Insurance Claims Provision	Employee Benefits	Land Charges	MMI Provision
	£000	£000	£000	£000	£000
Balance at 1 April 2012		120	180	-	100
Additional Provisions Made	208	-	178	-	80
Amounts Used	-	(17)	(180)	-	-
Unused Amounts Reversed	-	-	-	-	-
Balance at 1 April 2013	208	103	178	-	180
Additional Provisions Made	-	-	192	82	-
Amounts Used	-	(28)	(178)	-	(101)
Unused Amounts Reversed	-	-	-	-	-
Balance at 31 March 2014	**208**	**75**	**192**	**82**	**79**

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

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

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

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

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

22. Usable Reserves

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

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

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

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

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

23. Unusable Reserves

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

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

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

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

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

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

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

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

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

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

25. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items:

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

26. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items:

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

27. Amounts Reported for Resource Allocation Decisions

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

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

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

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

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

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

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

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

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

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

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

28. Trading Operations

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

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

29. Members' Allowances

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

30. Officers' Remuneration

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

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

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

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

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

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

31. External Audit Costs

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

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

32. Grant Income

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

2012/13 £000		2013/14 £000
	Credited to Taxation/Non Specific Grant Income	
13	Contribution from West Midlands IEP	-
25	Lottery Fund Contribution	(25)
433	Planning Obligations Contributions	786
3	Other Contributions	-
142	Revenue Support Grant	4,156
616	**Total**	**4,917**
	Credited to Services	
31,261	Housing Subsidy - Rent Allowance	29,784
829	Housing Subsidy - Housing Benefit Administration	792
8,250	Council Tax Benefit Grant	-
7,173	National Non-Domestic Rates Grant	-
648	Disabled Facilities Grant	519
346	Council Tax Freeze Grant	242
-	Council Tax Support Grant	949
-	Section 31/Business Rates Relief Grant	411
777	New Homes Bonus Scheme	959
127	Local Services Support Grant	127
84	New Burdens - Council Tax Reform	72
26	Fuel Poverty Fund Grant	44
38	Discretionary Housing Grant	125
147	Other Grants	102
102	Contributions towards Community Safety Service	71
133	Other Contributions	11
49,941	**Total**	**34,208**

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

Additionally, the administration of NNDR changed following the introduction of a business rates retention scheme. When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. In 2013/14 this has been classified as local taxation and not, grant income.

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

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

33. Related Parties

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

Central Government

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

Members

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

Officers

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

34. Capital Expenditure and Capital Financing

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

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

35. Leases

Council as Lessee

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

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

Council as Lessor

Finance Leases

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

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

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

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

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

Operating Leases

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

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

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

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

36. Impairment Losses

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

37. Termination Benefits

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

38. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in:

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

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

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

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

Transactions Relating to Post-employment Benefits

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

2012/13 Local Government Pension scheme £000	2012/13 Discretionary Benefits Arrangements £000		2013/14 Local Government Pension scheme £000	2013/14 Discretionary Benefits Arrangements £000
		Comprehensive Income & Expenditure Statement		
		Cost of Services:		
2,159	-	Current Service Cost	2,708	-
47	-	Past Service Costs/(Gains)	125	-
-	(461)	Unfunded Benefit Contributions	-	(458)
		Financing and Investment Income & Expenditure		
2,617	-	Net Interest Expense	2,851	-
4,823	**(461)**	**Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services**	**5,684**	**(458)**
		Remeasurement of the Net Defined Benefit Liability Comprising:		
8,402	-	Return on Plan Assets (exc Net Interest Expense)	(467)	-
-	-	Actuarial Gains & Losses Arising on Changes of Demographic Assumptions	(3,730)	-
(15,444)	-	Actuarial Gains & Losses Arising on Changes in Financial Assumptions	(3,364)	-
201	-	Other	3,492	-
(6,841)	**-**	*Total Post Employment Benefit Charged to Comprehensive Income & Expenditure Statement*	**(4,069)**	**-**
		Movement in Reserves Statement		
(4,823)	461	Reversal of Net Charges Made to the Surplus/Deficit on Provision of Services for Post Employment Benefits in Accordance with the Code	(5,684)	458
		Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
3,092		Employers' Contributions Payable to Scheme	3,105	
	(461)	Retirement Benefits Payable to Pensioners		(458)
(1,731)	**-**		**(2,579)**	**-**

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

Local Government Pensions Scheme Assets comprised:

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

Basis for Estimating Assets and Liabilities

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

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

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

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

Impact on the Council's Cash Flows

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

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

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

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

39. Contingent Liabilities

(a) Municipal Mutual Insurance

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

(b) VAT

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

(c) Land Sales Receipts

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

(d) Housing Stock Transfer Warranty

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

(e) Lancaster Buildings

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

40. Contingent Assets

The Council does not have any contingent assets.

41. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

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

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

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

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

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

Liquidity Risk

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

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

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

Interest Rate Risk

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

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

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

Price Risk

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

Foreign Exchange Risk

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

42. Building Control Account

NORTH STAFFORDSHIRE BUILDING CONTROL PARTNERSHIP 2013-2014 FINANCIAL YEAR

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

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

43. Trusts and Other Similar Funds

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

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

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

44. Prior Period Adjustments

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

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

Collection Fund

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

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

NOTES

1. Business Rates

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

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

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

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

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

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

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

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Newcastle-under-Lyme Borough Council paid a tariff in 2013/14 to the value of £9.151m.

2. Council Tax

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

Band A-	5/9
Band A	6/9
Band B	7/9
Band C	8/9
Band D	9/9
Band E	11/9
Band F	13/9
Band G	15/9
Band H	18/9

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

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

The Council Tax Base for 2013/14 was derived as follows:

Band & Value Range	Number of Dwellings	After Discounts & Exemptions	Ratio to Band D	Band D Equivalents
Band A-		46	5/9	25
Band A (Up to £40,000)	23,786	14,743	6/9	9,829
Band B (£40,001 - £52,000)	10,070	8,115	7/9	6,311
Band C (£52,001 - £ 68,000)	10,836	9,311	8/9	8,276
Band D (£68,001 - £88,000)	4,466	4,024	9/9	4,024
Band E (£88,001 - £120,000)	2,639	2,392	11/9	2,923
Band F (£120,001 - £160,000)	1,703	1,559	13/9	2,252
Band G (£160,001 - £320,000)	904	828	15/9	1,380
Band H (Over £320,000)	47	21	18/9	42
				35,062
Less adjustment for collection rates (2%)				(701)
Borough Council Tax Base				**34,361**

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

Audit Certificate

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Community Assets
Assets which the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent Asset
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

Contingent Liability
A contingent liability is either: -

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control;
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Current Service Cost
The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

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

Curtailment
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include termination of employees' services earlier than expected, for example as a result of discontinuing a segment of the business and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
Amounts owed to the Council for goods and services, where the income has not been received at the end of the financial year.

Deferred Liabilities
These are liabilities which by arrangement are payable beyond the next year at some point in the future or are paid off by an annual sum over a period of time, specifically for this Council amounts outstanding in respect of finance leases.

Defined Benefit Pension Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation
The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Expected Rate of Return on Pension Assets
For a funded defined benefit pension scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Experience Gains and Losses
See Actuarial Gains and Losses

Financial Reporting Standards (FRSs)
Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

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

Financial Year
The period of time to which the Statement of Accounts relates. The financial year of the Council runs from 1 April to 31 March.

Fixed Assets
Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
The classes of fixed assets required to be included in the accounting statements are:
Operational assets

- Other land and buildings (excluding Council Dwellings);
- Vehicles, plant, furniture and equipment;
- Infrastructure assets;
- Community assets.

Non operational assets

- Investment Properties;
- Assets Held for Sale.

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

General Fund Revenue Account
This account records the expenditure and income incurred by the Council in operating its services during the year. It does not record any capital expenditure or income but does include the costs associated with capital expenditure in the form of capital financing costs (mostly related to interest, capital charges for the use of assets by services and depreciation charges).

Government Grants
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

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

Historical Cost
Actual cost of acquiring or constructing an asset.

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

Infrastructure Assets
Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are highways and sewers.

Interest Cost
For a defined benefit pension scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Insurance Value
The value placed upon an asset for insurance purposes.

Intangible Assets
Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Specifically purchased software licenses are included in this category of asset.

Inventories
The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventories comprise the following categories:

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

Investments
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be qualified as current assets.

Investment Properties
Interest in land and/or buildings:

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

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

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

Liquid Resources
Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or are traded in an active market. Council tax and National Non Domestic Rates receipts under or overpaid to the major precepting authorities and the Department of Communities and Local Government, respectively, are also included in the Management of Liquid Resources section of the Cash Flow Statement.

Long Term Debtors
Comprises amounts which are owed to the Council which are not investments and which are not expected to be realised within the next financial year. The main items included in this heading are outstanding loans from

the Council to other bodies and outstanding amounts in respect of finance leases of Council properties to other bodies.

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

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

Non-Distributed Costs
Overheads from which no user now benefits and which are not apportioned to services.

Past Service Cost
For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept
Demands made upon the Collection Fund by other authorities (Staffordshire County Council, Police and Fire Authorities and Parish Councils) for the services that they provide.

Prior Period Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring conditions or adjustments of accounting estimates made in prior years.

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

Realisable Value
Open market value of the asset in its existing use (or open market value in the case of non- operational assets), less the expenses to be incurred in realising the asset.

Related Parties
Two or more parties are related when at any time during the financial period:

- One party has direct or indirect control over the other party, or
- The parties are subject to common control from the same source, or
- One party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests, or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

For individuals identified as related parties, the following are also presumed to be related parties:

- Members of the close family or the same household, and
- Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or same household, has a controlling interest.

Related Party Transaction
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserves
Reserves fall into two different categories:

- Usable Reserves representing sums set aside to meet future expenditure for specific purposes and which the Council is able to utilise to provide services.

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

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an 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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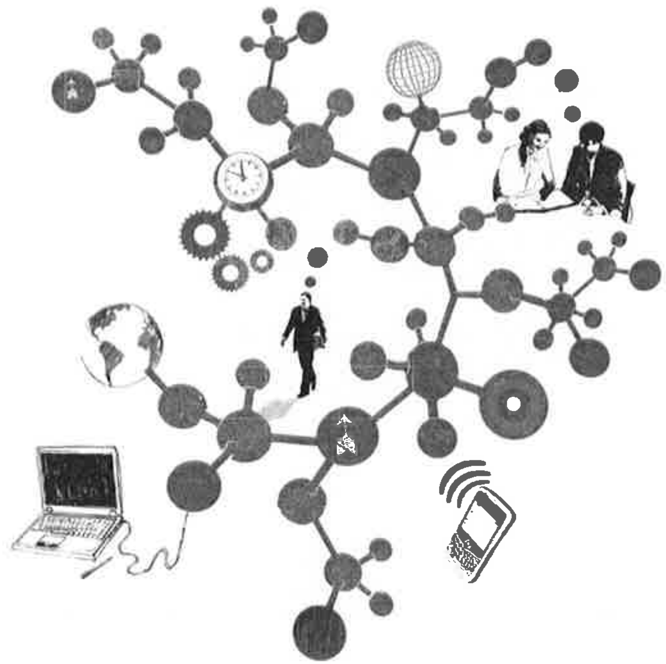
APPENDIX 3

Grant Thornton

The Audit Findings for Newcastle under Lyme Borough Council

Year ended 31 March 2014

29th September 2014



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Contents

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.

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 2014. 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

In the conduct of our audit we made one change to our planned audit approach, which we communicated to you in our Audit Plan at the Audit and Risk Committee on 7th April 2014. Further details are set out in section 2 of this report. Our audit is substantially complete although we are finalising our work in the following areas:

- finalisation of our review of journals
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion

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

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have not identified any adjustments affecting the Council's reported financial position however we have identified a number of adjustments to improve the presentation of the financial statements.

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).

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

Acknowledgment

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

Grant Thornton UK LLP
September 2014

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 and Risk Committee on 7th April 2014. We made one change to the plan as we undertook a review of the council's year end closedown processes to ensure the completeness of expenditure rather than a trend analysis of monthly payments.

We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	• review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions	The audit work completed so far has not identified any evidence of management override of controls. In particular the findings of our review of journal controls 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. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	• Documentation of the processes and controls in place around the accounting for operating expenses and a walkthrough test to confirm the operation of controls. • Confirming the completeness of the subsidiary system interfaces and control account reconciliations • Cut off testing of purchase orders and goods received notes (both before and after year end) • Testing of a sample of operating expenses covering the period 1/4/13 to 31/3/14 to ensure they have been accurately accounted for • Testing of a sample of creditor balances at 31/3/14.	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	• Documentation of the processes and controls in place around the accounting for employee remuneration and a walkthrough test to confirm the operations of controls • Testing of the payroll reconciliation to ensure that the payroll system could be agreed to the ledger and financial statements • Testing of a sample of payments made in April and May 2014 to ensure payroll expenditure is recorded in the correct year. • Review of monthly trend analysis of total payroll. • Testing a sample of employee remuneration payments covering the period 1/4/13 to 31/3/14 to ensure they have been accurately accounted for • Testing of the year end superannuation, NI & tax creditors.	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
Welfare expenditure	Welfare benefit expenditure improperly computed	• Documentation of the processes and controls in place around the accounting for welfare benefits and a walkthrough tests to confirm the operation of controls. • Testing in accordance with the methodology required to certify the housing benefit subsidy claim including testing of benefits system reconciliation to ensure that information from the benefits system can be agreed to the ledger and financial statements.	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 revenue recognition policies has not highlighted any issues 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 ●
Judgements and estimates	• Key estimates and judgements include: – useful life of capital equipment – Depreciation and amortisations – pension fund valuations and settlements – Bad Debt Provision – Measurement of financial instruments – Overhead allocation – Post Balance Sheet Event – Property, Plant and Equipment Valuations – accruals	• The audit work undertaken did not highlight any issues with regard to these judgements and estimates and has not highlighted any issues which we wish to bring to your attention	Green ●

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

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

Judgements and estimates – NDR provision	• Local authorities are liable for successful appeals against business rates and should recognise a provision for their share of the best estimate of the amount that businesses have been overcharged up to 31 March 2014. This is disclosed on pages 50 and 85/86 of the financial statements.
	• Both IAS 37 (para 25) and the Code (para 8.2.2.20) refer to the fact that it is only in extremely rare cases that a reliable estimate cannot be made. However, there are some practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:
	  • the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
	  • some businesses may have been overcharged but not yet made an appeal.
	• The Council has not included any provision for potential future appeals. In such an instance, the rationale should be supported both in terms of disclosures and the Council providing appropriate evidence to those charged with governance and auditors.
		The Council has made a provision for the Business Rate appeals that have been received but not settled at year end. The Council, like most authorities, has based its estimate on the outcomes to date of appeals against the current (2010) ratings listing which appears reasonable.
		The Council has not included any provision for potential future appeals as it has concluded that it cannot arrive at a reliable estimate for the value of appeals not lodged at 31/3/14 and has disclosed NDR appeals as an area of estimation uncertainty in the accounts.
		Overall, we are satisfied that the approach taken by the Council and the disclosures in the accounts are reasonable. However, we are seeking confirmations in the Letter of Representation to support the Council's view that it is not possible to arrive at a reliable estimate to the value of potential appeals not yet lodged.
			Green

Assessment

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

Misclassifications & disclosure changes

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

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Mis classification	894	Investment Properties	The Sainsbury's site has been re classified as a surplus asset.
2	Disclosure	4,156	Note 32	RSG was incorrectly disclosed under credited to services within this note. This has been amended to ensure internal consistency with note 10.
3	Misclassification	208	NDR provision	The Council's share of the NDR provision was incorrectly shown within debtors. This has been re classified to provisions. Additional disclosure have been included within note 4 (Assumptions and Sources of Estimation Uncertainty).
4	Disclosure	n/a	Note 11. Property, Plant and Equipment	Additional disclosure has been included to reflect the classes of assets used for the revaluation. This ensures full compliance with the Code.
5	Disclosure	n/a	Note 38 and Note 6	Additional split of the figure 'Net charges made to the surplus/deficit on provision of services for post employment benefits'. This was to better reflect the underlying information from the actuary.

Other qualitative issues

The purpose of an audit is to express an opinion on the financial statements. The matters reported here are limited to those issues that are qualitative in nature 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.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Issue and risk	Recommendations
1.	Heritage Assets The Council's collection of musuem artifacts 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 musuem curator. However there has been no movement on the value of Heritage assets for a number of years. The Council should undertake a review of its heritage assets to ensure it valuation remain up-to-date.	• The Council should undertake a review of its heritage assets to ensure the valuation is up-to-date.
2	Authority as a lessor We noted the following in relation to the The Council has 8 properties on a finance lease basis. The minimum lease payments are correctly accounted for as a long term debtor. However the Code requires these minimum payments to be discounted which is not currently the case. Whilst this will not result in a material difference to the value of the long term debtors the Council should ensure full compliance with the Code.	• The Council should ensure it fully complies with the Code in relation to the calculation of long term debtors.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We have noted a number of points which we have reported to management during the course of our audit but we have concluded that these are not of sufficient importance to merit being reported to you in accordance with auditing standards.

Other communication requirements

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

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Risk Committee and are not aware of any material frauds. We have not been made aware of any other material incidents in the period and no other issues have been identified during the course of our audit.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Council. • In particular, representations will be requested from management in respect of the significant assumptions used in making accounting estimates for NDR provision.
4.	**Disclosures**	• Our review found no material omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**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; and
- review regularly the adequacy and effectiveness of these arrangements.

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

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

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

Key findings

Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Strategic financial planning
- Financial control

Overall our work highlighted:

- Service expenditure in 2013/14 was £6k lower than the budget which is consistent with the forecast outturn. Members and senior officers have a clear understanding of the Council's financial environment and the Council has comprehensive financial and performance monitoring arrangements in place, with reporting through the Cabinet and full Council.
- Like many local authorities the Council continues to face challenges around its medium term financial resilience but has responded effectively through the development and agreement of its updated Medium Term Financial Strategy in October 2013. The plan extends to 2018/19. The Council has identified savings plans for 2014/15 and is finalising the plans for 2015/16. It has also established Project 2020 which has a range of work streams to provide a perspective on the future role and funding of the council in the medium to longer term.

Value for Money (continued)

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

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted:

- Members and senior officers have shown clear leadership and identification of priorities through the process of preparing and approving the updated Medium Term Financial Strategy in October 2013 and the development of the 2014/15 budget.
- The Council has consulted widely both internally and externally and has established a range of partnerships to support its strategic role.
- The Council has achieved its savings plans over the last few years. Our work on the Council's savings plans has found that it has a good record of achieving planned efficiencies and there is no indication that the effectiveness of key services is being significantly impacted by the level of savings so far. The outturn performance report to Cabinet shows that in the main services are performing well.

Overall VFM conclusion

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

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

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

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

Theme	Summary findings	RAG rating
Key indicators of performance	The Council achieved an overall favourable outturn against 2013/14 budget of £6k. It has no external borrowing and no reported issues with cash flow or liquidity. The Council's Capital Programme for 2013/14 was £5m. The Council spent £3.2m on capital projects during the year. The slippage on the programme was due to projects that have started in 2013/14 but where the spend had not all occurred in year. These projects are carried forward into 2014/15 .	**Green**
Strategic financial planning	The Council reviewed and updated its Medium Term Financial Strategy in 2013/14. The plan covers the period to 2018/19 and was presented to Council in October 2013 as part of the 2014/15 budget setting process. It shows savings plans are required and the Council has identified those savings for 2014/15. For 2015/16 the Council has identified a range of savings schemes and is currently working with members to establish the final list of schemes. Looking further forward the Council has identified that a more fundamental appraisal is required of the council's finances and the activities which it will be able to fund is required. It has established the Project 2020 to explore a range of work streams which will provide a perspective on the future role and funding of the council.	**Green**
Financial governance	Members and senior officers have a clear understanding of the Council's financial environment and the extent of the financial challenges it faces. The Council has comprehensive financial and performance monitoring arrangements in place with reporting through the Cabinet and full Council.	**Green**
Financial control	No issues or concerns noted in relation to the Council's arrangements for financial control.	**Green**

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

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

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

Theme	Summary findings	RAG rating
Prioritising resources	Members and senior officers have shown clear leadership and identification of priorities through the process of preparing and approving the updated Medium Term Financial Strategy and Project 2020. The Council regularly consults with key stakeholders and in 2013 it led another consultation which was aimed at further shaping spending priorities for the 2014/15 financial year. It also consults internally and there have been a number of briefings and meetings to engage staff in the savings programmes and shaping the medium to long term future of the council. The Council has developed a number of important partnerships in order to deliver its strategic objectives. These include the local Clinical Commissioning Groups, hospitals and the police. In particular they have been investigating a closer working partnership with Aspire Housing in order to best meet their strategic housing role.	**Green**
Improving efficiency & productivity	We considered the Audit Commission's VFM profiles as part of our risk assessment and there were no indications of excessively high cost services. During the production of the 2014/15 budget and MTFS the Council has taken action to review the cost effectiveness of services and challenge existing delivery models. In particular, they are looking to change the way they deliver the waste serve (to kerbside recycling and moving away from bags) which should lead to £500k saving per year. There is no indication that the Council has poor data quality or IT systems. The Council has achieved its savings plans over the last few years. Our work on the Council's savings plans has found that it has a good record of achieving planned efficiencies and there is no indication that the effectiveness of key services is being significantly impacted by the level of savings so far. The outturn performance report to Cabinet shows that in the main services are performing well.	**Green**

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit [1]	72,436	73,336
Grant certification [2]	12,200	10,736
Total audit fees	**84,636**	**84,072**

In respect of the fee:

[1]There is an additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims, from which we were able to gain certain assurances in prior years. The Audit Commission has therefore given approval in principle for a fee variation for the additional work required. The additional fee will be applied nationally and is 50% of the average fee previously charged for NDR3 certifications for district councils. We will bill this once formal agreement from the Audit Commission has been received.

[2] 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: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should undertake a review of its heritage assets to ensure the valuation remain up-to-date.	Medium	Agreed.	March 2015
2	The Council should ensure it fully complies with the Code in relation to the calculation of long term debtors.	Medium	Agreed.	March 2015

Appendix B: Audit opinion

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

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

Opinion on the Authority financial statements
We have audited the financial statements of Newcastle under Lyme Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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 Head of Finance; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Newcastle under Lyme Borough Council as at 31 March 2014 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 2013/14 and applicable law.

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 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 October 2013, 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 2014.

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

Conclusion
On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, 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 2014.

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
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

XX September 2014

Grant Thornton

grant-thornton.co.uk

APPENDIX 4

Letter of Representation

To: Grant Thornton UK LLP

Dear Sirs

Newcastle under Lyme Borough Council Financial Statements for the year ended 31 March 2014

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 2014 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 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

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

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

vi We are satisfied that the material judgements used 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.

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

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 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.

ix 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.

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

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii The financial statements are free of material misstatements, including omissions.

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

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

xv It is not possible to arrive at a reliable estimate to the value of potential NDR appeals not yet lodged therefore we have not included a provision for this element.

Information Provided

xvi 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.

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

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

xix 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.

xx 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.

xxi 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.

xxii 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.

xxiii 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.

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

Annual Governance Statement

xxv 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 Audit and Risk Committee at its meeting on 29th September 2014.

Signed on behalf of the Council
Name……………………………
Position………………………….
Date…………………………….

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO AUDIT & RISK COMMITTEE

Date 29 September 2014

HEADING ***INTERNAL AUDIT PROGRESS REPORT – Quarter 1 2014/15***

Submitted by: Audit Manager

Portfolio Finance and Resources

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 2014. This report identifies the key issues raised. The full individual reports issued to Officers contain the key issues plus a variety of minor issues and recommendations.

Recommendations

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

Reasons

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

1 Background

1.1 The Internal Audit Plan for 2014/15 allows for 520 days of audit work.

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

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

1.3 The delivery of an audit plan does not normally show 25% of the audits completed on a quarterly basis. Past experience has shown this is more likely to be around 10% in the first quarter. Achievement of the 10% is dependent on a full complement of staff from 1st April, fully qualified and trained to complete work with minimum supervision. A full 25% of the plan is not normally achieved due to slippage of the previous years plan, and other factors such as special investigations. The audit plan is a guide to what may be achieved given optimum resources and no external influences; as such it is normal to revise the plan throughout the year to reflect unforeseen issues. Emphasis during such a revision, if required, will be on achieving the high risk audit reviews first, followed by medium and low. Variations to the plan will affect the assurance that Internal Audit can give as to the effectiveness of the internal controls and systems; it is the role of the Audit Manager with responsibility for the Section to highlight to members if this is approaching a level that would jeopardise that assurance statement.

2 Issues

2.1 Performance Indicators

The indicators reported below relate to the end of the first quarter (June 2014).

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 2014, 239 recommendations had been made of which 200 have been implemented, 83%, the target for the implementation of all recommendations is 96% by the end of the financial year. With 83% 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 4 surveys issued during quarter one, 2 satisfaction surveys were returned, the average for these was 89%.

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 86%.

- **Percentage of audits completed compared to the total number of audits planned for completion (percentage):** the annual target for this is 90%. 16% 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%.

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2.4 **Audit reviews completed and final reports issued between 1 April and 30 June 2014**

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 2014. Appendix A provides fuller details of these audit reviews under each service area.

AUDIT REVIEW	AUDIT OPINION	Risk Category
Chief Executives		
Risk Management	Adequately Controlled	B
Operational Services		
Grounds Maintenance Contract 3	Well Controlled	A
Application Review – Gladstone	Well Controlled	B
Community Centres*	No opinion at this stage	B
Regeneration and Development		
Public Building Maintenance	Adequately Controlled	B
Health & Safety	Adequately Controlled	B
Property Management – Asset disposal*	No opinion at this stage	A
Corporate Reviews		
Corporate Governance	No opinion given – work completed as part of the Annual Governance Statement	A

*part review – the review will be completed in 2 stages this initial review was to ascertain progress to date, the review will be completed later in the financial year no final audit report or recommendations have been issued to date.

Progresses in respect of these particular areas have also been requested by the committee at previous meetings therefore updates have been provided in Appendix 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 21st July 2014 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 18 audit days have been spent undertaking special projects at the request of other Directorates.

3 Options Considered

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

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

4 Proposal

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

5 Reasons for Preferred Solution

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

6 Outcomes Linked to Corporate Priorities

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

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

7 Legal and Statutory Implications

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

8 Equality Impact Assessment

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

9 Financial and Resource Implications

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

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

10 Major Risks

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

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

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

11 Key Decision Information

11.1 Not applicable

12 Earlier Cabinet/Committee Resolutions

12.1 Agreement of the Internal Audit Plan for 2014/15 (Audit and Risk Committee 17 February 2014).

13 Recommendations

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

14 List of Appendices

14.1 Internal Audit Plan 2014/15: Progress to the end of Quarter 1 – 2014/15.

15 Background Papers

15.1 Internal Audit Plan & PI's Folder
15.2 APACE files 2014/15

Appendix A

Internal Audit Plan 2014/15

Progress to the end of Quarter 1 – 2014/15

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	
Risk Management	B	Adequately controlled	0	5	0	5

The main objectives of the **Risk Management Review** were to ensure that

- There is an approved Risk Management policy and strategy is in place;
- The officers involved in the Risk Management process have been identified and their roles defined;
- The significance of risks are assessed;
- Control strategies are in place in order to manage risk exposure;
- Consultation with relevant stakeholders has been undertaken regarding Risk Management.

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

A number of recommendations were made in order to help improve systems and processes these were in relation to;

- *where any risk review which is more than 6 months overdue these should now be reported to the Audit and Risk Committee.*
- *any reports which are presented to the Committee Section, without the requisite risk assessment should be returned to the relevant report owner.*
- *The 2 identified risks recorded against the Use of Housing Capital Fund profile, should be scored using the Council's standard 3 x 3 matrix.*

Operational Services Directorate

Areas completed in Quarter 1 of the 2014/15 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	
Application Review – Gladstone	B	Well controlled	0	0	1	1
Community	B	No opinion	0	0	0	0

Centres		at this stage – partial review				

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

Application Review - Gladstone (follow up)- follow up of the Gladstone Application review has been undertaken to ascertain whether recommendations from this review have been suitably implemented. There was just one low risk recommendation outstanding from the previous review which related to the periodic testing of business continuity plans.

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

Community Centres – Due to the ongoing review of Community Centres, the key objectives of the audit were to concentrate on ascertaining the level of progress made against a number of key proposals to be adopted, as approved by Cabinet in January 2014. These proposals include both generic measures to be adopted across all Community Centre Management Committees and other specific proposals to be discussed with Committees on an individual basis.

Following a public consultation process, 13 key findings were reported to Cabinet with a number of proposed solutions, which were detailed to each Management Committee by the joint Member and Officer task and finish group by February 2014.

A Community Centre Project Plan is in place detailing key areas to be addressed under seven key headings whereby tasks have been assigned a start date and estimated duration to be undertaken in the period to November 2014 as follows;

- Communication
- Community Centre Guidebook
- Accountancy information
- Utility Contract
- Funding Opportunities
- Recruitment of Committee Members
- Asset Management

Progress in relation to the above is monitored by a Community Centres Officer Working Group meeting every two months, the work of which is shadowed by a Members Community Centres Scrutiny Committee.

Minutes from the latest meeting of the working Group in June 2014 confirmed the following progress to date;

•A comprehensive Community Centres handbook devised for use by all Centres was confirmed to have been issued to nine Centres with the rest to be issued imminently. Some problems have been encountered as some Centres have still not fully established management committees. Recent enquiries verified that to date four Centres have still not been issued with Handbooks.
•The Council's partnership team and VAST have held a funding presentation to raise awareness of funding opportunities for Community Centres.
•The principles for Community Centres to join the Council's utilities contract have been agreed.

•The principles of the release structure have been agreed which will see a transfer of buildings maintenance issues from the Council to Management Committees over a period of years.

A review of the Council's Risk Management system GRACE, verified that operational risks in relation to Community Centres are recorded on the risk register as follows;

- Health and Safety Management arrangements
- Financial Management
- Community Centre governance arrangements
- Asset management

It could be confirmed that all recorded risks are being managed in line with the Council's risk management procedures and that the latest review of all risks was undertaken in July 2014. Mitigating measures and action plans, where necessary, are evident for each risk.

Enquiries with both the Head of Leisure and Cultural Services and the Sport and Active Lifestyles Manager, confirmed that at the current time, a full audit of Community Centres would neither be conclusive nor add value since project tasks are at various stages of progression and that the autumn of 2014 would be a more prudent time to undertake audit testing as it is hoped that most measures will be implemented at this time in line with the project plan.

As such, it is planned that substantive testing of the implementation of the agreed measures will commence following the autumn report to Cabinet.

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 payment has been audited

Contract Name	Contractor	Value of Work	Audit Findings
Grounds Maintenance contract 3	Glendale	£330,000	No problems identified, contract delivered within budget

Regeneration & Development Services

Areas completed in Quarter 1 of the 2014/15 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	
Public Buildings Maintenance	B	Adequately Controlled	0	3	2	5
Health & Safety	B	Adequately Controlled	0	5	9	14
Property Management Asset Disposal	A	No opinion given at this stage – partial	0	0	0	0

		review				

Public Building Maintenance - The main objectives of this review was to undertake a follow up to the previous audit and ensure that;

- To ensure that planned maintenance issues for public buildings are identified, approved and undertaken in a timely manner.
- To ensure that contracts in place have been awarded in line with the Council's procedures and are being appropriately managed and monitored
- To ensure that reactive work is recorded, allocated and completed in a timely manner and that work undertaken is of the required standard.
- To ensure that staffing levels are adequate and that work is clearly communicated between parties.
- To ensure that all risks are adequately recorded and monitored
- To ensure that systems are in place in relation to performance management.
- To ensure that financial management is undertaken in line with the Council's financial regulations.

This audit review has an overall audit opinion of **adequately controlled**. A number of recommendations were made in order to further enhance and improve the existing controls, these are summarised below;

- Until such time as an electronic system is implemented, a complete record of reactive jobs undertaken should be maintained including date received, job details, allocation details, date the job was completed and (where applicable) inspected.
- Records in relation to rec. 1 should not be retained within Microsoft Outlook in compliance with the Council's email policy. These should be recorded via a spreadsheet.
- The Job Description in relation to the Maintenance Officer (post EE23) should be forwarded to the Human Resources section.
- The Job Description for the Public Buildings Officer (EE24) should be reviewed to ensure that it details current roles and responsibilities and be updated as necessary.
- The format of budget monitoring reports should be reviewed with the Principal Accountant in order to ensure that they are shorter and more comprehensible.

Health & Safety – the main objectives of this review was to ensure that;

- clear policies and guidelines exist in relation to Health and Safety
- responsibilities for Health & Safety have been appropriately assigned.
- appropriate training is offered to all employees
- the identification and monitoring of Health and Safety issues are being appropriately managed.
- the Council is compliant with legislation and best practice.
- systems are in place to ensure Health and Safety compliance for visitors at the Council's sites.
- reporting and benchmarking of Health and Safety incidents is undertaken
- Health and Safety Management information is reported as necessary
- adequate First Aid and Marshal training is provided and recorded
- Legionella and Asbestos risks have been identified and are adequately monitored
- operational risks have been identified / recorded and monitored

Overall the 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 of the audit review a number of recommendations were made in order to improve systems, processes and controls, these have been summarised below;

- Health and Safety displays across all sites should be reviewed to ensure that all relevant information is displayed including current first aid and fire marshal lists. All information should be displayed in a uniform layout.
- Fire Marshals should be identified to replace those who are no longer in position and training provided at the earliest opportunity.
- A review of the Target 100 training matrix should be undertaken to ensure that renewal dates for training are input correctly.
- Departments where risk assessments are overdue for review should be notified that these should be reviewed and updated where necessary. All risk assessments should be completed in full.
- All service areas which have created Action Plans on Target 100 should review to identify any outstanding tasks that are required and also to ensure that they are appropriate and still relevant to the service area.
- The Health and Safety staff handbook should be reviewed and any names of Officers who have now left the Council be amended. An up to date version should be accessible on the intranet.
- Meetings of the Leisure SHE group should take place monthly as agreed and minutes circulated to the Health and Safety Officer.
- The Health and Safety Committee page of the intranet should be updated to reflect the current structure and responsibilities.
- A record of starters and leavers should be forwarded to the Health and Safety Officer periodically in order that first aid / fire marshal lists etc. can be maintained as necessary.
- Health and Safety risk assessments which are no longer deemed current should be deleted / archived from report groups as necessary.
- Enquiries with the T100 software supplier should be initiated as to whether the system can be set up to run reports showing overdue reviews of risk assessments by review date.
- The report groups in T100 should be reviewed and streamlined to ensure that all are relevant and populated with the appropriate risk assessments.
- The minutes of Corporate Health and Safety Committee meetings should be posted to the relevant intranet page.
- The operational risk for the Health and Safety function on the GRACE risk management system should be reviewed as scheduled in line with the Council's risk management procedure.

Property Management – Asset Disposal – An audit of Asset disposals has been scheduled in this year's audit plan. A review of asset disposals identified that since the last review conducted in 2013/14 no further property assets have been disposed of. However it was acknowledged that one of the key disposals for the council is that of Keele Golf course. A review was therefore undertaken to ascertain progress to date in relation to this matter.

A report submitted to Cabinet on 6th March 2014, proposed a number of options available for the site, however it was recommended by Officers that it would not be appropriate to go forward with any of the specific options at that time, rather that Members should proceed with a master-planning exercise to determine the optimum long term use for the site whilst addressing the short term operational issues.

It was therefore resolved that;

- Officers be authorised to engage with nearby/adjacent land owners with a view to jointly commissioning a comprehensive master-planning exercise, involving Borough

Council owned land in the area in order to establish the most appropriate long term use for the Keele Golf Course site.

- Officers report back on the outcome of the land owner engagement process and to seek approval for a two stage master planning exercise beginning with a scoping report to identify its physical parameters, with any budgetary approval being sought from Council as necessary.
- Officers be authorised to undertake a limited maintenance regime on the basis described in the report until the outcome of the master planning exercise is known.
- Officers be authorised to undertake security measures described in the report.
- Officers be authorised to see expressions of interest in some form(s) of interim use for a period of up to three years.
- Officers keep under review the holding costs attributed to the Keele Golf Course and take all appropriate steps to minimise the same.
- A wider, broader leisure use be kept in mind.

In accordance with the above decisions, the Golf Centre was marketed to let with written expressions of interest invited by 30th May 2014, the outcome of which was reported to Cabinet on 23rd July 2014.

In light of the marketing exercise, it was considered that there was merit in exploring the scope for securing some sort of locally based community recreation uses in the interim period, whilst the commissioning of the master-planning exercise is still proposed in order to identify the most appropriate long term end use for the site taking into account the current Local Plan process as well as service and financial considerations.

The following was therefore resolved at the Cabinet meeting of July 23rd 2014;

- That officers be authorised, in consultation with the relevant Portfolio Holder(s), to undertake a community consultation exercise (for the purpose of informing the master plan) for a period of 8 weeks for initial expressions of interest, this timescale could then be extended to enable these expressions of interest to be expanded upon. The aim of the consultation would be to establish the potential scope for some form of community recreation use of the site in whole or in part on the basis described in the report and that the outcome reported back to the earliest available Cabinet meeting.
- That in parallel with recommendation (a), officers be authorised to procure the most economically advantageous arrangement for short term grounds maintenance in consultation with the relevant Portfolio Holder.
- That officers be authorised to agree, in principle, the terms and scope of a brief with relevant land owners to commission a master-planning exercise in consultation with the relevant portfolio holder, and reported back to Cabinet for approval.
- That the financial resources required as the Council's contribution to the master-planning exercise be sought in accordance with current Financial Regulations.

A review of the Council's Risk Management system GRACE, verified that operational risks in relation to Keele Golf Course are recorded on the risk register as follows;

- Insufficient market interest in the operation at Keele Golf Course.
- Inadequate course maintenance of the golf course.
- Failure to fully consider all the long term strategic options for Keele Golf Course.
- Non-compliance with statutory Health and Safety legislation.
- Additional facilities management costs placing a burden on the Council.

It could be confirmed that all recorded risks are being managed in line with the Council's risk management procedures and that the latest review of all risks was undertaken by the Executive Director of Regeneration and Development in liaison with the Directorate's Risk Champion on 18th July 2014. Mitigating measures and action plans, where necessary, are evident for each risk.

It is expected that a further report with regard to Keele Golf Course will be submitted to a future Cabinet meeting, after which time further audit days will be utilised with regard to asset disposals.

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
Newcastle Housing Advice Contract	Aspire Housing	£301,616.80p	No problems identified, contract delivered within budget
Silverdale Group Repair Scheme	Thomas Vale Construction Plc	£1,044,470.17p	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 2013/14

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 2014***
Submitted by:	Audit Manager
Portfolio	Finance and Resources
Ward(s) affected	All

Purpose of the Report

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

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

Recommendations

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

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

1. **Background**

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

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

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

1.4 Assurance is provided on an annual basis as part of the Annual Report on the Internal Audit Service. It is also provided to each Executive Director on a monthly basis, based on the number of recommendations that have been implemented, and where the target date has been changed more than twice on either medium or high risk recommendations.

2. **Issues**

2.1 At the end of quarter one there were two outstanding high risk recommendations. One was at its first review date and therefore does not need to be reported to the committee; however the other recommendation 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**

Appendix A Audit Recommendations Summary of Assurance for June 2014

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 2014-15

	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	33	33	33	95	114	121	38	34	44	73	73	73
Number of Recommendations Outstanding as at the end of month	3	5	8	13	20	28	10	3	3	7	7	13
% Implemented as at end of month	86	78	69	84	78	71	23	79	82	88	88	80
% Overdue for implementation as at the end of the month	14	22	31	16	22	29	77	21	18	12	12	20
No of recommendations with target date changed > 2	0	1	1	2	5	4	0	0	0	0	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	1	1	2	4	3	0	0	0	0	0	0

	Chief Executives			**Resources & Support Services**			**Regeneration & Development Services**			**Operational Services**		
Low Risk recommendations with target date changed > 2	0	0	0	0	1	1	0	0	0	0	0	0
Overall Assurance Level	**Sub**	**Sub**	**Ltd**	**Sub**	**Sub**	**Sub**	**Little**	**Sub**	**Sub**	**Sub**	**Sub**	**Sub**
Annual Audit Days for Directorate*	**62**			**206**			**65**			**102**		
Total number of audit reviews for the Directorate*	**7**			**18**			**8**			**9**		

*** In addition to the audit days per directorate there are 99 days identified for Corporate Reviews – these being reviews that span across all services. There are 13 reviews that are undertaken corporately.**

Opinions are classified as;

Full	The Internal Audit did not reveal any control weaknesses based on the samples at the time of the audit	94% - 100%
Substantial	The Internal Audit identified areas that required necessary action to avoid exposure to significant risk	70% - 93% or target changed > 2 on medium risk recommendations
Limited	The Internal Audit identified areas where it was imperative to act to avoid exposure to risk	50% - 69% or target changed > 2 on high risk recommendations
Little	The Internal Audit identified very little evidence of key controls being in place or a repetition of evidence that known action has not taken place to avoid exposure to high risk i.e.: as identified in previous audits. This exposes the Council to high risks that should have been managed.	Below 50%

Full assurance can be given where the Council achieves 94% of all recommendations implemented as the agreed performance measure for 2013-14.

Where target dates for the implementation of recommendations are changed or renegotiated we cannot give our full assurance. If the ongoing risk was considered as;

High Risk:(*action that is considered imperative to ensure that the authority is not exposed to high risks; (Implemented within 1 month)*)

Medium Risk: (*action that is considered necessary to avoid exposure to significant risks: (Implemented within 3 months)*)By changing the date the risk is not being managed and therefore you may wish to seek additional assurance as to the security of the controls in place.