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Date of meeting	**Monday, 26th September, 2016**
Time	**7.00 pm**
Venue	**Committee Room 1, Civic Offices, Merrial Street, Newcastle-under-Lyme, Staffordshire, ST5 2AG**
Contact	Geoff Durham

Audit and Risk Committee

AGENDA

PART 1 – OPEN AGENDA

1 **Apologies**

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

To consider the minutes of the previous meeting(s).

3 **DECLARATIONS OF INTEREST**

To receive Declarations of Interest from Members on items included in the agenda

4 **Corporate Risk Management Report for the period April - June 2016 (Quarter 1)** **(Pages 7 - 12)**

5 **Statement of Accounts 2015/16 and External Auditor's Audit Findings Report** **(Pages 13 - 136)**

6 **INTERNAL AUDIT PROGRESS REPORT**

A verbal update will be given on this item.

7 **URGENT BUSINESS**

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

Members: Councillors Dymond (Vice-Chair), Pickup (Chair), Waring, Cooper, Stubbs, White and Reddish

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.

FIELD_TITLE

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

AUDIT AND RISK COMMITTEE

Monday, 4th July, 2016

Present:- Councillor Ms Sarah Pickup – in the Chair

Councillors Cooper, Dymond, Stubbs, Waring and White

1. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

2. **MINUTES OF PREVIOUS MEETINGS**

Resolved: That the minutes of the meeting held on 14 April, 2016 be agreed as a correct record.

3. **TERMS OF REFERENCE**

The Terms of Reference for this Committee were attached to the agenda to act as a reminder for Members who had previously sat on this Committee and as a guide for new Members.

Resolved: That the information be received.

4. **WORK PLAN 2016/17**

Members were advised of the Plan of Work for this Committee, which sets out standard reports which are brought to committee on a quarterly basis and also what other reports are coming - and when. Other items can be added into the programme throughout the year.

Resolved: That the information be received.

5. **HEALTH AND SAFETY ANNUAL REPORT 2015/16**

Consideration was given to the Health and Safety Annual Report.

Members were informed that Target 100, which is the safety management system that the Council uses, was due an upgrade imminently.

A revised sheet was issued to Members at the meeting which gave last year's figures in relation to accident reports. Although the number of accidents had fallen, the number of days lost had increased. This was, however, due to one incident resulting in an absence of 78 days.

With regard to the Lone Working Review, Members asked if this Committee could have a final viewing of any reports and were advised that the information could be included in the six month review.

Resolved: That the report be noted.

6. **RISK MANAGEMENT QUARTER 4 REPORT 2015/16**

Consideration was given to a report informing Members of progress made by the Council in enhancing and embedding risk management for the period January to March, 2016.

Members were advised that there were no new risks. In addition, they were informed that two risks on Appendix A had reduced and would be removed from the list next time around.

Resolved:
(i) That the information be received.
(ii) That the number of overdue risks be noted.
(iii) That the one risk level increase be noted.
(iv) That it be noted that there were no new risks identified between January and March, 2016.

7. **TREASURY MANAGEMENT ANNUAL REPORT**

Consideration was given to the Treasury Management Annual Report for 2015/16 and review the activity for that period. Members queried whether Newcastle was making the most of the investment funds and asked it the Cabinet could be asked if there was a better way of going forward. Officers advised Members that risk has to be minimised and therefore the Council was limited with what it could do.

Resolved: That the Treasury Management Annual Report for 2015/16 be received and be reported to Full Council on 13July, 2016.

8. **DRAFT STATEMENT OF ACCOUNTS 2015/16**

Consideration was given to a report updating Members on the draft Statement of Accounts for 2015/16.

The Executive Director for Regeneration and Development drew members' attention to the table on page 36 of the agenda stating that it would require amending in 2018 when statements will need to be done by the end of May and signed off by the Auditors by the end of July.

Credit was given to Dave Roberts and his team who had carried out a dry run this year and had achieved having the statement done by the end of May.

Resolved: That the information in respect of the outturn and key issues in respect of the Council's financial position as at 31 March, 2016 be noted.

9. **OUTSTANDING AUDIT RECOMMENDATIONS AND ASSURANCE STATEMENT QUARTER 4**

Consideration was given to a report on the adoption of internal audit high risk recommendations and summary of assurance for quarter 4.

Only high risk recommendations are brought to the Audit and Risk Committee and if the target date is changed on two occasions it would be brought back.

Resolved: That the action of your officers and levels of assurance be noted.

10. **ANNUAL REPORT OF THE INTERNAL AUDIT SERVICE**

Consideration was given to the annual report of the Internal Audit Section for the year 2015/16.

The report was attached as an appendix to the report.

Resolved: That the Internal Audit Section Annual Report for 2015-16 be received.

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

Consideration was given to a report regarding a review of the effectiveness of the Audit Committee. A self-assessment had been carried out for 2015-16 had been carried out and was appended to the report.

Resolved: That the report outlining the findings from the review of the effectiveness of the Audit Committee for 2015-6 be noted.

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

Consideration was given to a report in respect of a review of the system of Internal Audit.

Members were advised that a self-assessment document could be viewed by following the link on the agenda.

An external Assessment would be completed during the course of the year,

Resolved: That the report outlining the findings from the review of the effectiveness of the system of Internal Audit for 2015-16, together with the action plan, be agreed.

13. **ANNUAL GOVERNANCE STATEMENT**

Consideration was given to a report seeking Members' approval of the Annual Governance Statement for 2015-16. The Statement would then be included in the financial statement.

Resolved: That the Annual Governance Statement for 2015-16, be approved.

14. **PLANNED AUDIT FEE FOR 2016/17**

Consideration was given to a letter from Grant Thornton regarding the planned audit fee for 2016-17.

Resolved: That the information be received.

15. **URGENT BUSINESS**

There was no Urgent Business.

COUNCILLOR MS SARAH PICKUP
Chair

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

26 September 2016

CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD April - June 2016 (Quarter 1)

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

Portfolio: **Policy, People and Partnerships**

Ward(s) affected: **All**

Purpose of the Report

To inform Members of the progress made by the Council in enhancing and embedding risk management for the period April to June 2016 (Q1), including progress made in managing identified corporate risks.

Recommendations

The Committee is asked to:-

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

(b) Note the point 2.1.1 showing the number of overdue risks.

(c) Note the point 2.2.1 advising of 2 (two) risk level increases.

(d) Note the point 2.2.2 regarding no new risks identified between April to June 2016.

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

Reasons

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

1. **Background**

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

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

1.3 The last review of these risks (Q4 2015) was reported to the Council's Audit & Risk Committee in July 2016.

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

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

2. **Issues**

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

2.1.1 At the time of running the report, there were no overdue reviews.

2.1.2 The previous profiles from the last report were updated following instruction from the relevant Heads of Service.

2.2 Following a previous meeting a brief point is now produced to show any risks where the risk level has increased.

2.2.1 Your officer can report that there have been 2 (two) risk level increases during the period April to June 2016. These can be seen in Appendix A.

2.2.2 There have been no new risks added to any profiles during April to June 2016.

2.2.3 Should there be any increase during July to September 2016 these will be reported to the next Committee meeting.

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

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

4. Issues from last meeting

4.1 None.

5. **Outcomes Linked to Corporate and Sustainable Community Priorities**

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

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

6. **Legal and Statutory Implications**

6.1 The Accounts and Audit (England) Regulations 2015, state that:

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

7. **Equality Impact Assessment**

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

8.1 **Financial and Resource Implications**

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

9. **List of Appendices**

Appendix A – Notable High and Medium risks

10. **Background Papers**

None

Notable High and Medium Risks - Appendix A

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

	Appendix A Risks and Action Plan **Risk Identified**	**Risk Owner**	**Action Required to Address Risk** in order to reduce the risk	**Target Date** for action completion	**Risk Category** Strategic, Operational, Project	**Current position / progress** as at 15/09/2016	**Status** as at Dec 15	**Status** as at March 16	**Current Rating** as at June 16
1	Potential Claims growth	Chief Executive	The Council has robust systems in place both to deal with claims when they happen and also to prevent, where possible, the circumstances where claims could arise. In doing so, the Council has in place policies and procedures designed to enhance safety at work and also to advise staff and others when driving or operating machinery. The Council checks, on a regular basis, that it is up to date on best practice in this area and that systems reflect changes in the local, national or international environments		Strategic	Risks reviewed and noted that this area is of growing significance with the number and value of claims increasing. Further actions reviewed. Consideration was given to potential control measures, but these are addressed by the existing further actions.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9

Notable High and Medium Risks - Appendix A

	Appendix A Risks and Action Plan **Risk Identified**	**Risk Owner**	**Action Required to Address Risk** in order to reduce the risk	**Target Date** for action completion	**Risk Category** Strategic, Operational, Project	**Current position / progress** as at 15/09/2016	**Status** as at Dec 15	**Status** as at March 16	**Current Rating** as at June 16
2	Failure to engage or consult with key stakeholders	Communication Strategy			Project	Consultation framework and toolkit in place and available for staff on the Intranet to assist with correct approach.	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8
3	Immigration issues - from countries affected by Civil unrest or wars	Strategic Housing	To support Staffordshire County Council (as lead organisation) and other local partners in responding to the Government's request for support in relocating Syrian Refugees.	Ongoing	Operational	Legal agreement being drafted to engage private landlords	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8
4	Access to appropriate vehicles	Dog and Pest Control	Decision required to either replace vehicles or lease vehicles	Sep-16	Operational	At the Executive Management Team meeting on 13 September 2016 a decision was made to acquire the vehicles from the leasing company.		I = 3 L = 2 Medium 6	I = 3 L = 3 High 9
5	Income generation	Dog and Pest Control	Fees and charges review needed during 2016/17 for 2017/18 Agree future services and tarrif with major client Agree future summer staffing needs and beyond to deliver maximum service, protect income and deal with demand in peak times	Sept - 16 to March 17	Operational	Summer temp staffing agreed for 2016 and support from SMDC for April-May2016. Further staffing and service review scheduled as part of 2020 plans. Further reports to EMT as required.		I = 2 L = 2 Medium 5	I = 2 L = 3 Medium 8

ITEM FOR AUDIT AND RISK COMMITTEE 26/09/16

Statement of Accounts 2015/16 and External Auditor's Audit Findings Report

Submitted by: Head of Finance

Portfolio Finance IT and Customer

Ward(s) affected All indirectly

Purpose of the Report

To approve the statement of accounts, receive the external auditor's Audit Findings Report for 2015/16 and to agree the Letter of Representation to the Auditor.

Recommendations

a) **That the Statement of Accounts 2015/16 be approved and signed by the person presiding at the meeting.**
b) **That the Audit Findings Report for 2015/16 be received.**
c) **That the Letter of Representation be approved for signature by the Council's Section 151 Officer.**

Reasons

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

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

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

1. Background

1.1 The Committee received a report on 4 July in relation to the draft Statement of Accounts and the Outturn position for 2015/16. The report explained that the 2015/16 Statement of Accounts does not have to be formally approved by a Council Committee until 30 September 2016. However, it was felt that members needed an earlier update on the position for 2015/16, which was the reason for this earlier report. The report set out information in relation to the outturn position and the main features of the Statement of Accounts, such as the balance sheet position, reserves levels and income and expenditure for the year. A copy of Sections 3 to 7 of this report, which outline the main features of the 2015/16 accounts is attached at Appendix 1.

1.2 The Committee now needs to formally receive the Statement of Accounts for 2015/16 for scrutiny and approval. Accordingly a copy of the Statement is appended at Appendix 2 for your consideration.

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

1.4 The purpose of the report is primarily to allow the auditor to bring to the attention of the Committee any material mis-statements in the accounts for 2015/16, 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 2015/16

2.1 The Statement of Accounts now submitted to you has been audited by the Council's external auditor, Grant Thornton. As set out in the auditor's Audit Findings Report there were no amendments required to be made to the draft statement of accounts which was submitted for audit other than a few minor amendments to disclosures. There have been no alterations to entries in the underlying accounts.

2.2 The amount of the positive variance on the General Fund Revenue Account (£1,648) reported to you in July is unchanged.

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 minor disclosure amendments to the Statement of Accounts referred to in the Audit Findings Report do not change the amount of the positive variance (budget compared to outturn), i.e. the bottom line, in relation to the General Fund Revenue Account from that previously reported to members in July.

4. Letter of Representation

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

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

5. Appendices

Appendix 1: Extract from Report to Audit and Risk Committee 4 July 2016
Appendix 2: Statement of Accounts 2015/16

Appendix 3: Audit Findings Report Year Ended 31 March 2016
Appendix 4: Letter of Representation

6. Background Papers

Report to Audit and Risk Committee 4 July 2016 “Draft Statement of Accounts 2015/16”; Audit Findings Report Year Ended 31 March 2016 produced by the External Auditor appointed by the Audit Commission; Letter of Representation 2015/16.

3. The General Fund Outturn

3.1 As mentioned above, the outturn in respect of the General Fund Revenue Account was £1,648 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
Land Charges Search Fees	245	220	25
Commercial Portfolio Rents	1,188	1,111	77
Newcastle Open Market Stall Fees	198	160	38
Car Parking Income	1,076	948	128
Commercial Refuse Fees	513	455	58
Jubilee 2 Income	1,462	1,367	95
Kidsgrove Sports Centre Income	716	592	124
Cemeteries Income	350	322	28
Total	**5,748**	**5,175**	**573**

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

Item	Additional expenditure
	£000s
Terms and Conditions Savings not achieved	31
Kidsgrove Sports Centre costs	34
Household Waste - short term vehicle hire	27
Total	**92**

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:	
Right to Buy Receipts less than £10k (not capital receipts)	39
Reimbursement by government of Search Fees refunds	78

Crematorium Income	14
Procurement Savings:	
Vehicle Fuel and Tyres	81
Good Housekeeping Efficiencies:	
Housing Advice Contract	45
Pollution Control & Contaminated Land - Other Fees for Services/Equipment	28
Corporate Training expenditure	10
External Audit Fee	18
Water Courses expenditure	11
Staffing Efficiencies:	
Overall employee costs savings	40
Corporate: e.g. additional government grant, further Heritable Bank repayments, additional interest receipts	266
Other Variances	37
Total	**667**

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

3.2 An amount of £1,648 has been transferred into the Budget Support Fund in respect of the positive variance. As can be seen in Note 2.3.7 to the Accounts, the balance on the Budget Support Fund now stands at £0.341m, an increase of £0.044m from the 1 April 2015 balance, which apart from the above transfer is accounted for by payments into the reserve in respect of commitments carried forward.

3.3 Some income streams continue to be affected by the adverse economic climate in the current financial year. The ongoing situation will be monitored and any significant shortfalls will be reported in the quarterly monitoring reports to Cabinet. The likely levels of income will also be considered during the compilation of the Medium Term Financial Strategy which is part of the budget setting process for 2017/18.

3.4 Business Rates Retention

3.4.1 There was a positive benefit to the Council arising from the Business Rates Retention Scheme in 2015/16, which is the third year that these arrangements have applied. The Council collects business rates and is able to retain in the General Fund a share of the income after paying part to the government, Staffordshire County Council and the Staffordshire Fire Authority. The amount retained by the Borough Council exceeded the amount budgeted for by £0.043m. This was set aside via a transfer to the Business Rates Reserve (shown at Note 2.3.7 to the Statement of Accounts).

3.4.2 In the current year it is not expected that there will be a significant variance compared to the budgeted amount for retained business rates income, based on the initial NNDR1 return to the government, compiled in January 2016 which forecast the estimated business rates income for 2016/17 and 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.

3.4.3 Various anomalies and grey areas exist within the business rates system which from time to time result in ratepayers making representations that they are entitled to reductions in the amounts payable by them, for example applications for downwards revaluation of their properties or for the granting of reliefs which they assert they are entitled to and, if successful, refunds of amounts already paid. In 2015/16 the basis for the valuation of some types of doctors' surgeries was questioned and resulted in the Valuation Office accepting that a much lower valuation was appropriate. This did not significantly affect the amount of tax collectable by the Borough Council, although for some authorities it amounted to a much larger loss of income. Looking forward, a more significant claim for a reduction in the amounts payable is being made by National Health Service Trusts, which contend that they are entitled to mandatory charitable relief in relation to their properties, which would reduce the amount payable by 80%. This contention is not accepted by the Council, in common with other authorities, and the Local Government Association has obtained a legal opinion which does not support the NHS Trusts' view, therefore, NHS properties will continue to be billed for the full amount. Fortunately there are no major NHS facilities within the Borough Council boundaries so the impact would be nowhere near as severe as it could be for some other authorities. It looks likely that this issue will take some time to resolve, probably through the courts. Instances such as these, unless they involve large amounts of income loss, are presently of limited significance to the Borough Council because the loss of income is shared with the government and the County Council and Fire Authority with this Council suffering only 40 per cent of the loss. However, from 2020 local authorities will be permitted to retain 100 per cent of business rates collected, so will suffer the whole of any losses, with 80 per cent of the amount lost being attributable to the Borough Council. As a result of the new arrangements Revenue Support Grant will no longer be paid to authorities by the government so business rates, along with council tax, will become one of the two largest sources of income for the Council. The exact details of the new arrangements have yet to be determined so the precise impact on the Council's finances cannot currently be determined.

3.4.4 The Business Rates 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 2015/16 was £0.292m. 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.

3.4.5 It is worth noting that by participating in the Stoke on Trent and Staffordshire Business Rates Pool, along with Staffordshire County Council, Stoke on Trent City Council, Stafford Borough Council, Staffs Moorlands DC, South Staffs DC and the Fire Authority, and thereby avoiding the payment of a levy to the government, the Borough Council has achieved a worthwhile increase in the amount of rates retained. The amount of levy that would otherwise have been paid in 2015/16 was £0.381m. Of this £0.152m (40%) has been retained by the Borough Council, with the balance of £0.229m being paid over to the Pool, £0.077m (20%) to be held as a reserve to meet any future business rates income shortfalls experienced by Pool members, and £0.152m (40%) in a reserve to fund economic development projects in Staffordshire.

4. The Collection Fund

4.1 The Collection Fund is a separate account which contains the financial details which refer to the collection of Council Tax and Business Rates. The purpose of the account is to illustrate how much of the above income has been collected and to see how this compares to the amounts of the levies and other pre-determined payments that have been made for the

Borough Council, the County Council, the Office of the Police and Crime Commissioner and the Fire Authority and to central government.

4.2 Overall the Fund experienced a surplus of £1.397m for the year, leaving a balance of an accumulated surplus of £0.412m at the year-end. Separating this out into its individual components, the respective positions were as follows:

	Council Tax		Business Rates			Total
	£m	£m	£m	£m		£m
Balance Brought Forward - Surplus/(Deficit)		1.137		(2.122)		(0.985)
Contribution towards previous year's surplus/deficit (A)	(1.143)		2.000			
Surplus/(Deficit) relating to 2015/16 (B)	1.149		(0.609)			
Overall Surplus/(Deficit) for Year (A + B)		0.006		1.391		1.397
Balance Carried Forward - Surplus/(Deficit)		1.143		(0.731)		0.412

More details of the Collection Fund transactions are shown in the Collection Fund Account at Appendix 1.

4.3 As can be seen the Council Tax element of the Fund achieved a surplus of £1.149m for the year, which compares to an in-year surplus of £0.968m in 2014/15. This will be shared with the precepting authorities (Newcastle Borough Council, Staffordshire County Council, Office of the Police and Crime Commissioner, Fire Authority) and will be used in calculating how much Council Tax will be levied in 2017/18.

4.4 The Business Rates element of the Fund experienced an in-year deficit of £0.609m. The deficit must be made good in subsequent years by the four participants in the business rates retention scheme, the Borough Council (40%), Staffordshire County Council (9%), the Fire Authority (1%) and central government (50%). The amounts each body must contribute are shown in brackets and are prescribed by regulations. The Borough Council's 40% share of the deficit amounts to £0.244m and will be met from the Business Rates Reserve referred to in paragraph 3.4. 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 2015/16. The reduced collectable amount occurred because of various factors, chiefly changes in reliefs, exemptions and appeals.

4.5 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. Movements on the Provision in 2015/16 were as follows:

	£m
Balance Brought Forward at 1 April 2015	0.865
Used in 2015/16	(0.865)
Contribution to Provision	1.932
Balance at 31 March 2016	1.932

The balance of £1.932m was assessed, using data supplied by a specialist firm, as being a prudent amount to set aside to meet future appeals. The arrangements for business rates retention mean that only 40% of the cost of contributions to the provision is borne by the Borough Council (because it affects the amount of rates retained), the rest falling to the other participants in the arrangements. The value included in the balance sheet is also 40%, i.e. £0.773m. The amount has increased due to the high level of appeals currently being experienced, reflecting the volatility referred to in paragraph 3.4.

5. The Balance Sheet

5.1 The main features of the Balance Sheet, which is shown in full at Appendix 1, are as follows

- There are Net Tangible Fixed Assets of £57.304m (£57.427m at 31 March 2015) which consist of Plant, Property and Equipment, Investment Properties and Heritage Assets.

- Investments (all short term at 31 March 2016 - i.e. with less than 1 year to run from that date) show a small decrease, amounting to £7.549m compared to £8.808m at 31 March 2015.

- The amount owed to the Council by its short term debtors (after a deduction for the estimated amount which might be at risk of non-payment) is £9.306m. Short Term Debtors have decreased by £1.382m compared with 31 March 2015. The main reasons for this are the debtor relating to the government's share of the business rates deficit was £1.061m at 31 March 2015 but only £0.365m at 31 March 2016. Also there was an outstanding debtor account, amounting to £0.227m in relation to Staffordshire County Council in respect of locality commissioning, which is not present at 31 March 2016 and the level of sundry debtors has decreased by £0.522m at 31 March 2016.

- The amount the Council owes to its creditors is £5.495m. Creditors have decreased by £3.705m compared to 31 March 2015. At 31 March 2015 an amount of £1.923m was included in creditors in respect of the Department for Work and Pensions (DWP) relating to housing benefits reimbursements for 2014/15, which the DWP had overpaid. At 31 March 2016, however, DWP owe the Council £0.042m in respect of 2015/16 reimbursements, which amount is included in debtors. There was also a creditor of £0.906m at 31 March 2015 relating to the DWP because a payment relating to 2015/16 had been received in 2014/15. Payments accrued for in relation to housing benefit payments paid in April but relating to March was £0.562m at 31 March 2015 but only £0.020m at 31 March 2016.

- Provisions have increased overall (£1.290m compared with £0.799m). The NNDR Appeals Provision has increased by £0.427m for reasons outlined in paragraph 4.5. The Employee Benefits Provision has increased from £0.188m to £0.366m owing to a re-definition of the data used to calculate the provision to be made. The Land Charges Provision has been extinguished because outstanding claims have been settled.

- The Net Liability relating to Defined Benefit Pension Schemes (i.e. the difference between liabilities and assets of the pension scheme) decreased from £74.019m to £68.428m. Normally this decrease would be mirrored by an increase in the Pensions Reserve balance of the same amount, the two accounts appearing in the balance sheet as equal and opposite amounts. However, this is not the case because of the prepayment of pension contributions in respect of 2016/17 totalling £1.200m. These, together with an amount for 2015/16, were paid in 2014/15 in return for a discount paid by the pension fund which significantly reduced the cost to the Borough Council and consequently the amounts to be charged in the 2015/16 and 2016/17 revenue account as pension contributions. In order to account for this transaction, the prepayment must be charged directly to the Pensions Liability, without any corresponding equal and opposite transaction in the Pensions Reserve. In 2016/17 the prepayment relating to that year will be transferred to the general fund revenue account via a transfer from the Pensions Reserve. After these transactions have occurred, the two accounts will once more be mirror images of each other. Without the charge of £1.200m, the Pensions Liability would have shown a decrease of £4.391m, reflecting other factors. The change mainly arises as a result of an increase in the net discount rate applied to pension fund assets over this period, the positive impact of which has outweighed the lower than expected pension fund asset returns. 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.

6. Reserves

6.1 The Council has usable reserves totalling £10.982m. The note included in Appendix 1 shows a full analysis of all these reserves. The main items, with their balances at 31 March 2016, are:

- General Fund Balance (£1.200m)
- Capital Receipts Reserve (£6.586m)
- Capital Grants Unapplied (£0.889m)
- Budget Support Fund (£0.341m)
- Contingency Reserve Fund (£0.226m)
- ICT Development Fund (£0.225m)
- Renewal and Repairs Fund (£0.002m)
- Equipment Replacement Fund (£0.376m)
- Revenue Investment Fund (£0.071m)
- Business Rates Reserve (£0.718m)

6.2 The General Fund Balance remains the same (£1.200m) as at 31 March 2015. The amount required to be held in this reserve is assessed each year when the revenue budget is compiled, by identifying and quantifying the risks applicable to the revenue budget and using this information as the basis to calculate a prudent sum to keep in reserve to meet those risks should they arise.

6.3 The Capital Receipts Reserve is fully committed to financing the currently approved capital programme, the year-end balance reflecting underspending in relation to the 2015/16 capital programme, as discussed at paragraphs 7.2 and 7.3, and will all need to be spent in 2016/17. 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.

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

6.5 The Budget Support Fund and Business Rates Reserve are discussed at paragraphs 3.2 above and 3.4, respectively.

6.6 The levels of reserves will be considered as part of the budget preparation process for 2017/18. Some may require “topping up”, either from the revenue budget or a transfer from another reserve. In particular, the Renewals and Repairs Fund balance is insufficient to meet likely commitments. An additional contribution of £0.050m was approved by Full Council in February 2016 and will be made in the 2016/17 accounts.

7. Capital Expenditure

7.1 Capital expenditure totalled £2.543m in 2015/16.

7.2 The capital programme approved by Full Council on 25 February 2015 provided for an amount of £5.564m to be spent in 2015/16. However, the budget report to Full Council on 24 February 2016 revised the estimated spend for 2015/16 to £3.731m owing to slippage on a number of projects, particularly arising from the requirement to include budget provision in 2015/16 for the ordering of the new vehicles required for the new waste service although actual expenditure will not be incurred until the vehicles are delivered in 2016/17 and replacement vehicles where purchase has been delayed until the current vehicle becomes unserviceable.

7.3 As can be seen, the actual outturn for the year was lower than the forecast reported to Full Council. The main reasons for the further slippage are: more vehicle replacements were deferred until 2016/17 (£0.750m), some of the work to enable the new waste service was not completed until 2016/17 (£0.174m) and some stock condition works were delayed or not completed by 31 March (£0.145m).

7.4 Projects in progress or committed which are included in the slippage will be completed or commenced in 2016/17. The remainder will be reviewed to confirm they are still required and considered in the context of available resources to finance the capital programme, particularly in view of the uncertainty regarding the timing of receipts from land sales, upon which much of the financing of the capital programme is dependent, owing to the delay in commencing the assets disposal programme. The new projects included in the 2016/17 programme will also need to be reviewed for the same reason.

7.5 The expenditure of £2.543m was financed as shown below:

	£m
Capital Receipts	1.047
New Homes Bonus	0.392
BetterCare Funding (re Disabled Facilities Grant	0.654
Contributions from Other Bodies	0.062
Section 106 payments	0.086
Reserves - ICT Development Fund	0.090
Sport England Grant (Clayton Sports Centre)	0.212
Total Financing	2.543

APPENDIX 2

STATEMENT
OF
ACCOUNTS
2015/16

NEWCASTLE
UNDER LYME
BOROUGH COUNCIL

Contents

Guide to the Statement of Accounts

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

Throughout the Statement, various unusual or technical terms are employed which may not be familiar to all readers. A Glossary of Terms (Appendix 4 - page 73) has, therefore, been provided which explains the meaning of such items.

Page	Item	Purpose
5	Narrative Report by the Executive Director - Resources and Support Services	Provides a guide to the main features of the accounts and a commentary on the Council's financial position and the factors affecting its finances.
15	Statement of Responsibilities	Sets out the respective responsibilities of the Council and the Executive Director - Resources and Support Services in relation to financial administration and accounting.
16	Core Financial Statements	These are the Core Financial Statements which the Council must publish in its Statement of Accounts.
16	Movement in Reserves Statement	Shows movements in reserves split between usable and unusable reserves. It also reconciles the outturn on the Comprehensive Income and Expenditure Statement (CIES) to the General Fund Balance, by taking account of the adjustments necessary and made by transfers to or from reserves, either: • To remove accounting charges, such as for the depreciation of assets, which are not chargeable according to regulations or • To meet the cost of items charged to the CIES which the Council has decided to fund from reserves.
17	Comprehensive Income and Expenditure Statement	Shows the accounting cost of providing services in accordance with generally accepted accounting practice. This is not the same as the amount to be funded from taxation in accordance with regulations, which is shown in the Movement in Reserves Statement.
18	Balance Sheet	Sets out the Council's financial position on 31 March 2016. Provides details of the Council's balances, reserves and current assets employed in Council operations together with summarised information on the long term assets held and details of any current liabilities.
19	Cash Flow Statement	Summarises the total cash movement of the Council's Transactions.
20	Notes to the Core Financial Statements	These provide additional information and have been grouped into three categories as set out below.
20	Technical Issues	Outline technical issues such as the Council's accounting policies. Details are set out in Appendix 1.
20	Further Analysis of items included in the Core Financial Statements	Provide a breakdown of figures included in the Core Financial Statements.
54	Collection Fund and Notes	Reflecting the statutory requirement for the Council to maintain a separate account recording details of receipts of council tax and business rates and the associated payments to precepting authorities/central government.
57	Audit Certificate	The external auditor's opinion on the accounts and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
58	Appendices	
58	Appendix 1 Accounting Policies, Standards, Judgements, Assumptions and Adjustments	Information in relation to technical issues in order to provide a fuller understanding of the accounts and how they have been compiled.

71	Appendix 2 Supplementary Accounts	Information relating to the North Staffs Building Control Partnership and Trust Funds, whose transactions are not included in the Council's accounts.
72	Appendix 3 Annual Governance Statement	Provides an account of the processes, systems and records which demonstrate assurance for the effectiveness of the framework of governance of the Council's discharge of its responsibilities.
73	Appendix 4 Glossary of Terms	Explanation of technical or unusual terms used in the Statement of Accounts.

Narrative Report

Commentary by the Executive Director - Resources and Support Services

a) Introduction

Welcome to Newcastle-under-Lyme Borough Council's Statement of Accounts for the financial year 2015/16. 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 2016.

b) Regulations Governing the Production of the Statement of Accounts

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2015,the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2015/16" and the "Service Reporting Code of Practice 2015/16" published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the provisions of Sections 25/26 of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, the accounts were made available for inspection between 1 July and 11 August 2016, as advertised in the local press.

The accounts were approved by the Audit and Risk Committee on 26 September 2016 in accordance with paragraph 9 (2) of the Accounts and Audit Regulations 2015. The signature of the Committee Chair (who presided over the meeting) is included at the conclusion of this statement in line with these regulations as evidence of approval of the 2015/16 Statement of Accounts.

c) General Accounting Policies

The accounting policies (page 20) adopted by the Council comply with the relevant recommended accounting practices unless indicated otherwise. The Council's expenditure has been analysed in the Comprehensive Income and Expenditure Statement (page 17) according to the standard classification recommended by CIPFA. In addition, the analysis of capital expenditure (page 40) follows CIPFA's recommendations showing non-current and intangible assets separately. These recommended practices, classifications and recommendations are all designed to meet the requirements of International Financial Reporting Standards. There have been no changes in accounting policies or the Council's statutory functions during the year.

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d) Statement of Accounts

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of a local authority are both technical and complex and often the format and content of the statements, and notes is laid down in legislation and Codes of Practice, which does not always lead to a style which is easily understood. Accordingly a Guide to the Statement of Accounts (page 3) has been provided, preceding this statement, which is intended to explain the purpose and content of the statements and sections in this document.

e) Accountability/Financial Reporting

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

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

f) Economic Downturn and Public Expenditure Reductions

The current national economic climate continues to have an adverse effect upon the Council's finances, in common with other local authorities. In particular it has impacted upon the amount of income received from leisure centre fees, market stalls, rental from commercial properties and 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 2015/16. This was offset by efficiency savings agreed when the budget for 2015/16 was set in February 2015 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 £2k, i.e. the net budget was £13.830m and the outturn was £13.828m.

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 2015/16 would be another challenging year financially for the Council. Members and officers have therefore continued to operate within an environment of tight budget management to, wherever possible, mitigate any adverse impact.

h) Financial Summary 2015/16

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?

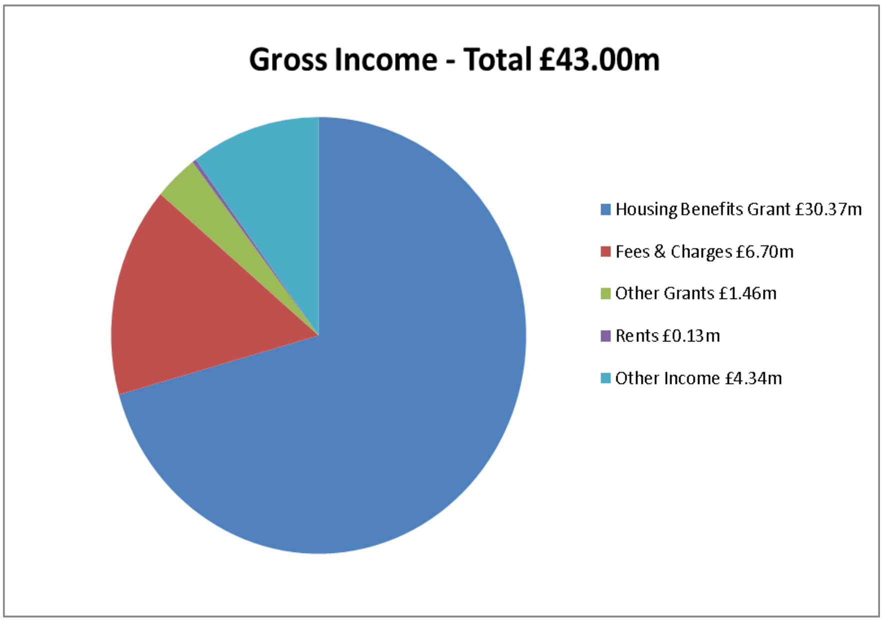
Local authorities receive income from a variety of sources, but chiefly from the Government in the form of grants, from households in the form of Council Tax, from consumers in respect of fees and charges, property rents and from a share of the business rates collected from occupiers of commercial premises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

In accordance with the Business Rates Retention Scheme, the Council retains a share of the business rates collected after paying part over to the Government, Staffordshire County Council and the Staffordshire Fire and Rescue Authority. In 2015/16 additional rates income retained in excess of the amount included in the 2015/16 revenue budget amounted to £0.043m. This amount was paid into the Business Rates Reserve and is available for future use, particularly to meet the council’s share of business rates collection fund deficits, which amounted to £0.292m in 2015/16 so this will be the first call on the reserve in 2016/17, and to meet shortfalls in business rates income which could arise in later years. If, in the longer term, it becomes apparent that a significant balance is likely to be built up in the reserve, it can be used to support revenue initiatives.

Alongside business rates arrangements, the Council receives 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 2015/16 the Council received an amount of £2.371m in respect of Revenue Support Grant. In addition an amount of £0.381m was received in respect of Council Tax Freeze Grant because it held the Council Tax levies for 2015/16 at the same levels as in 2014/15 (£0.070m) and ongoing grant (£0.311m) payable because there was no increase in 2011/12 from 2010/11 levels and in 2013/14 and 2014/15.

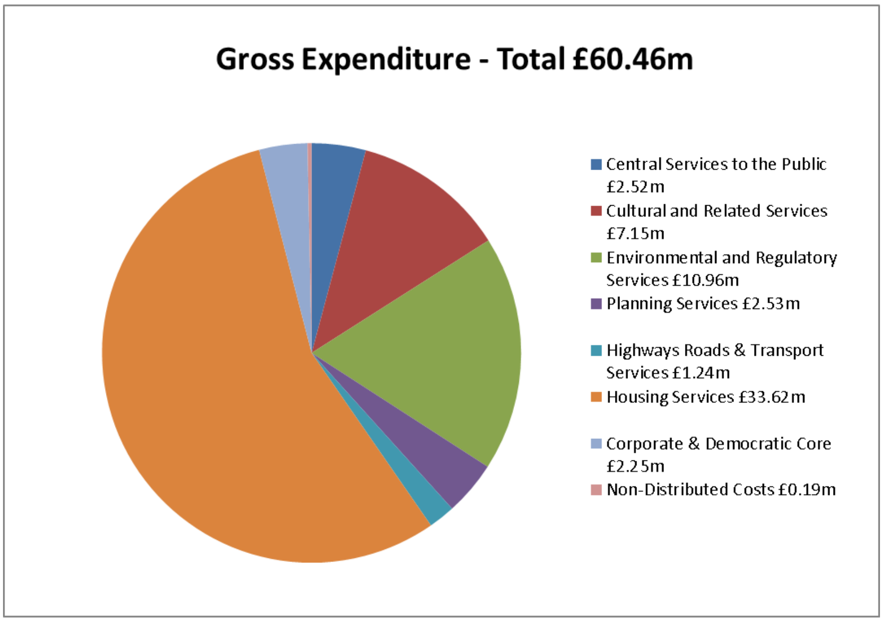
Council Tax is a property based charge payable by local residents and the amount payable depends on the value band that the property is placed into by the Valuation Office. National Non-Domestic Rates, known as Business Rates, are payable by owners of businesses and properties. The government determine 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 17), is shown in the chart below analysed over sources of income:



How the money was spent

The Comprehensive Income and Expenditure Statement (page 17) Gross Expenditure for the year was £60.46m across defined service areas prescribed by CIPFA to facilitate comparison between councils and as set out in the following chart:



What we planned to spend

The Council set an original Net Revenue Budget for 2015/16 of £13.830m on 25 February 2015.

What we actually spent

Actual net expenditure was £13.828m. As mentioned earlier, this represents a positive variance compared to the original budget of £2,000.

This amount has been transferred into the Budget Support Fund. The balance on the Fund, as at 31 March 2016 is £0.341m, as against its balance at 1 April 2015, which was £0.297m. In addition to the transfer into the Fund of £2,000, a net transfer of some £42,000 was made into it largely comprising payments in respect of 2015/16 commitments carried forward and to finance invest to save projects.

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

	£m
Expenditure	60.459
Income	(42.999)
Net Service Expenditure	17.460
Non-Service Specific Income and Expenditure	
Interest Receivable	(0.256)
Investment Properties Net Expenditure	(1.829)
Council Tax Income	(6.373)
Non-Domestic Rates Net Income	(4.077)
Non-Ringfenced Government Grants	(4.257)
Pensions Net interest Cost	2.307
Other Items	(0.467)
Reversal of Pensions Net Interest Cost via Pensions Reserve	(2.307)
Reversal of Capital Charges included in Service Costs	(1.948)
Transactions with Earmarked Reserves	1.745
Out-turn	(0.002)

Capital Expenditure

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

As capital spending contributes to the Council's aims and objectives over more than one year, the Council plans and budgets for expenditure by means of a "rolling" programme. This programme was last updated in February 2016.

There are a number of sources of funding which may be available to finance the Council's capital expenditure. In 2015/16 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.

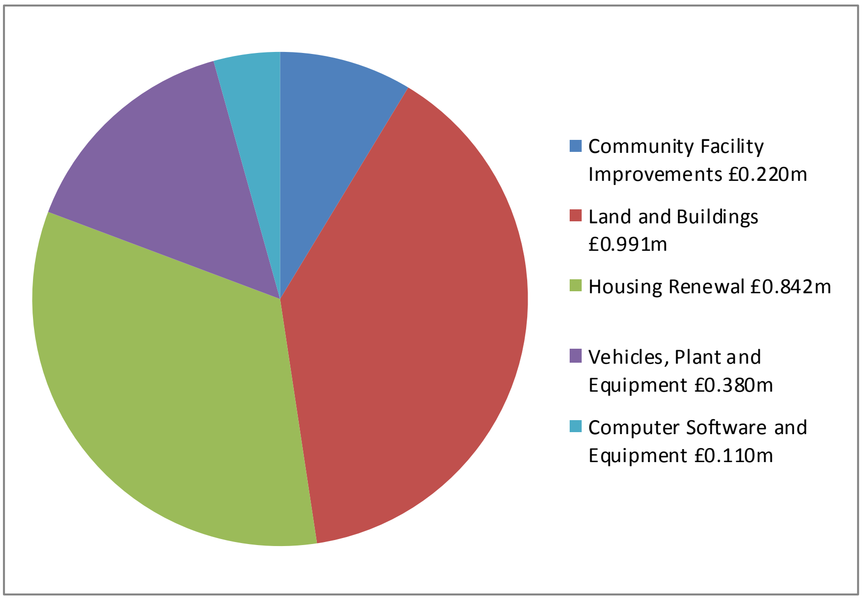
Some of the funds which the Council holds in reserves may be used to finance capital expenditure. Specific reserves which can be used for this purpose are the ICT Development Fund and the New Homes Bonus Reserve. In addition the Contingency Reserve may be used to meet capital costs. The balances on the Council's reserves are shown in note 2.3.7 (page 33) to the accounts. A small amount of capital expenditure may be financed directly from the General Fund Revenue Account.

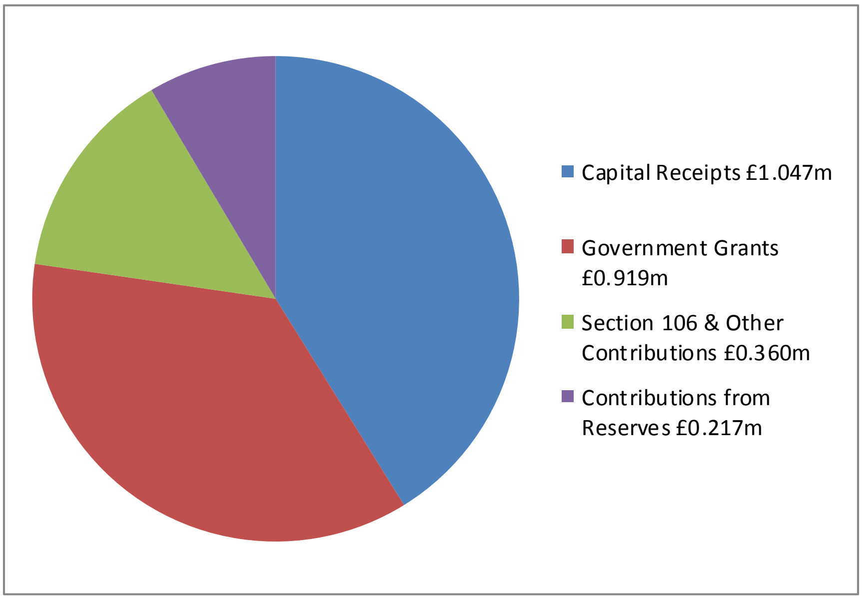
Borrowing is another means that can be used to finance capital expenditure. This is not presently employed by the Council and it currently has no long term debt. Whether it is employed in the future will depend upon its cost relative to other means of capital financing and the availability (or lack of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

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

In 2015/16 it was planned to spend £6.619m, including expenditure on projects brought forward from 2014/15 where under spending had occurred in that year. In fact £2.543m was spent, leaving the balance to be carried forward to 2015/16. The shortfall in spending occurred because some projects were not commenced or completed in 2015/16, for example; vehicles scheduled for replacement have been kept in use for as long as they are capable of being operated economically and the majority of the new vehicles and some of the equipment required for the new waste recycling service will not be delivered and paid for until 2016/17.

The charts below show the areas of capital investment in 2015/16 followed by the means employed to fund that investment.





i) Financial Prospects

Revenue

The Council is committed to the delivery of high quality services. Integral to this is the need to effectively target financial resources in line with stated aims and objectives working against the background of the adverse economic situation referred to earlier.

The Council's Medium Term Financial Strategy (MTFS) - which forecasts future years' budgets taking into account the national and local financial situation together with the Council's priorities - identified shortfalls for each year from 2015/16 to 2019/20.

The forecast shortfall for 2016/17 was £1.834m. On 24 February 2016 the Council set a balanced budget. This was achieved by a 1.99% increase in council tax, 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. 2015/16 saw a continuing significant reduction in central government support by way of the formula grant which is repeated in 2016/17 (a reduction of some £1.1m (13.8%) from the 2015/16 level).The Council has been offered a four year funding settlement for the period up to and including 2019/20, this includes further significant reductions in government funding (specifically the Revenue Support Grant). The Council will give due consideration to the offer and respond accordingly ahead of the 1st October 2016 deadline. .

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

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

Capital

The capital programme approved on 24 February 2016 provided for total capital spending of £17.980m over two financial years, this capital spending includes the Civic Hub and the new Recycling and Waste Service. The financing of the capital programme is dependent upon a number of sources of funding, including the generation of capital receipts from sales of assets. A number of sites in the Council's ownership have been approved for sale and these are being actively marketed with a view to achieving disposal and consequent capital receipts in 2016/17 and 2017/18. Further proposed sites for sale will need to be considered by the Council in order to maintain a flow of capital receipts to sustain funding for the current capital programme. Should further land sales not be made or any of the projected land sales do not proceed or are delayed, it will be necessary to either curtail capital spending or to borrow to fund it, which will incur a revenue cost.

There will, also 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 further capital receipts from sales of assets or to make use of prudential borrowing. For some projects it may be possible to obtain some grant income or contributions from partner organisations but in the current economic climate such opportunities are limited. The Council has determined that its capital investment needs will be met as a first resort from receipts from asset sales rather than through borrowing. 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. It also reviews the state of the Council's assets and the need for investment to keep them fit for continuing use and compiles the draft capital investment programme for submission to Cabinet for approval.

Reserves

The Council holds a number of reserves which have been established either to meet specific categories of expenditure or are of a general nature. These reserves are listed in note 2.3.7 (page 33) to the accounts. Some of the reserves may be used to finance both capital and revenue expenditure. The levels of reserves are kept under review to determine their adequacy to meet the Council's spending commitments and future plans. A review of their adequacy will be an important consideration when preparing the 2017/18 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 2016 is £1.2m. In addition the Budget Support Fund is available for supporting future years' revenue budgets.

Partnerships

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

Its contributions towards 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 or the sharing of costs.

Examples of formal partnerships are: Local Enterprise Partnerships, a shared apprenticeship scheme in conjunction with Newcastle College and the administration of the Business Improvement District (BID) scheme for Newcastle town centre. The Council acts as an agent to the Newcastle-under-Lyme BID (page 71). Businesses within the BID area pay a supplementary business rate, collected by the Borough Council and passed over to the BID Board who use the money collected to provide services to promote the economic wellbeing and development of the town centre.

The Council works closely with other local authorities and bodies to obtain value for money in relation to supplies and services and to save money by standardising goods and services and wherever possible to provide the public with easy access to all of the partners' services from its facilities. Examples of this are the Staffordshire Connects Partnership intended to standardise ICT software use across Staffordshire authorities where this relates to customer facing services and the Locality Commissioning Partnership which co-ordinates grants to voluntary bodies across Staffordshire. There are also reciprocal arrangements between neighbouring authorities for providing assistance, such as seconding staff, to provide continuity of service where this could be affected by factors such as staff illness or maternity leave.

The regeneration of the Ryecroft area of Newcastle town centre currently underway is being carried out in partnership with Staffordshire County Council and the relocation of the Council's offices will be to a new "Civic Hub" where facilities will be shared with the County Council and Staffordshire Police.

j) Economy, Efficiency and Effectiveness in the Use of Resources

Local Authorities are obliged to achieve economy, efficiency and effectiveness in their use of resources. This means, in practical terms, that there are arrangements in place to ensure that value for money is obtained when Council resources are expended, that there is proper stewardship and governance in relation to these matters and that the arrangements are kept under review to ensure they are adequate and effective.

Financial Regulations, Contract Procedural Rules, Standing Orders and the Council's Constitution set out the basic framework and the necessary internal controls by which Council business and administration must be conducted and are binding on all employees and members of the Council. In particular, Financial Regulations and the Contract Rules lay down procedures which must be followed when obtaining supplies and services for use by the Council and are designed to ensure that transparent and effective processes are in place as a prerequisite for creating a value for money environment. These are supplemented by a number of policies and strategies which set out the way that the council will approach the issues concerned and which provide a guide for Council staff to follow when procuring, commissioning or operating services and ordering any goods required. Key examples are the Procurement Strategy and Principles, Third Sector Commissioning Framework and Partnerships Code of Practice.

The arrangements and their effectiveness are continually kept under review as part of the ongoing management of the Council's services and the application of continuous budgetary control procedures and regular internal audit reviews and reports. The Executive Management Team receive and review monthly budget monitoring reports and initiate action to deal with any significant variances revealed. Members are kept up to date regarding the budgetary position via quarterly performance monitoring reports to Cabinet, which also include non-financial performance indicators showing how services are delivering on their key targets. Members can also review any matters relating to service provision via the scrutiny process, consisting of five service area focussed scrutiny committees and an overarching Scrutiny Chairs/Vice Chairs Committee.

A Procurement Working Group meets regularly to consider procurement issues and has initiated a number of steps to achieve more efficient and effective procurement, such as investigating the possibility of consolidating contracts for similar goods and services and renegotiating contracts during their lifetime to achieve savings.

Formal review takes place via the Annual Governance Statement considered and approved by Council members, which is published within the Statement of Accounts (page 72). This is informed by the completion of a questionnaire by Executive Directors and senior managers to provide assurance that arrangements are in place and drawing attention to any areas where improvements may be required.

In addition to these established procedures, there are ad hoc reviews of services to identify opportunities for savings to be made, often linked to the revenue budget preparation process so that any savings can be incorporated in the Council's Medium Term Financial Strategy. The ongoing review is the 2020 exercise which sought to establish what the Borough Council would look like in terms of service provision by the year 2020 and to consider where savings might be required, and the impact of such savings, in order to continue to operate within an increasingly challenging resource environment where government funding reductions year on year are becoming a fact of life. Reviews may result in amendments to the staffing structures of departments delivering services to ensure that they are fit for purpose and deliver the service in the most economical and efficient way, for example where circumstances have changed or there are more modern ways of delivering the service, such as increasing the use of information technology. This should result in reduced costs and greater effectiveness. An example of a complete review of a discrete service resulting in changes to how services are delivered is the introduction of revised arrangements for the collection and disposal of recycling waste, moving from provision by an external contractor to in-house provision, which are due to commence in July 2016 and will result in significant savings (circa £0.500m per annum) being realised.

The Council also has an ongoing programme of using new information technology to streamline service delivery, to redesign services to remove manual intervention wherever possible and to encourage customers to contact and transact with the Council online. Progress to date in these areas has enabled more flexible, efficient and cost effective working and made it easier for customers to deal with the Council and further efficiencies and improvements in customer service are planned for the future.

The Medium Term Financial Strategy itself is an important element in the effective management of the Council's services in that it shows the projected cost of service provision over a five year period and how this compares with the resources which are likely to be available to finance those services. Where gaps between costs and resources available are identified in any of the years, this indicates the amount of savings, through efficiency measures or otherwise, which will be required to enable the Council to operate within its resources. Savings plans are compiled in order to reduce costs to cover the gaps. These plans are considered by a member led Budget Review Group which endorses the savings plans before they are submitted to Cabinet and Council for approval. The plans are also scrutinised by members through the scrutiny committee process. The Budget Review Group has also carried out work to prioritise services to enable resources to be directed to those which meet corporate priorities and represent the optimum use of resources.

The Capital Strategy and Asset Management Strategy set out the framework within which the capital programme is managed and resources made available to finance the programme. Approval to proceed with capital investment is only given provided the necessary resources are available or likely to be available to finance it. An important element providing assurance regarding resource availability is an approved realistic programme of asset disposals. Capital investment and resources are assessed and monitored by the Capital Programme Review Group. This oversight aims to ensure that the capital investment programme meets the Council's needs and priorities and is affordable and that approved projects are carried out on time and within budget.

There are ad hoc external reviews of services and procedures, for example a Planning Peer Review was carried out in respect of the planning service recently which resulted in the implementation of recommendations which improved the efficiency and effectiveness of the service. Benchmarking techniques are employed to compare the performance of Council services to those of other organisations and improvements can result from the lessons learned from these comparisons.

The Council's risk management procedures, overseen by the Audit and Risk Committee, have a role to play in ensuring that desired outcomes are realised and that additional unbudgeted costs are not incurred as a result of unpredicted or unmitigated risks materialising. Risks are drawn to the attention of members when proposals for incurring expenditure or raising income are considered by Cabinet or Full Council.

The external auditor is required to consider the Council's arrangements for securing economy, efficiency and effectiveness and report his conclusion in this regard formally to Council members as part of the annual audit of accounts. For 2015/16 the auditor concluded that the Council had in all significant respects put in place such proper arrangements.

k) Assets and Liabilities Acquired

There have been no significant assets or liabilities acquired during 2015/16.

l) Pensions Scheme Liability

The Liability relating to Defined Benefit Pension Schemes decreased from £74.019m to £68.428m. This decrease varies from the decrease in the Pensions Reserve balance as a result of the prepayment (in return for a significant discount) of pensions contributions for 2016/17; further details of the prepayment are included in note 3.4 (page 41). 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 2016/17 and Beyond

There are no significant finance-related legislative changes which will affect the Council in 2016/17. Longer term, the Chancellor announced several proposals in his Autumn Statement in November 2015 some of which will significantly affect local authorities. The most far-reaching of these is to permit local authorities to retain all of the business rates which are collected. This would enable the government to cease to pay revenue support grant and probably a number of other minor grants to authorities who would become dependent upon the income from business rates and council tax as the main source of their funding. As can be seen, this represents a fundamental change to the way authorities are funded and the government intends to consult on these proposals during 2016. It is also intended to abolish the uniform business rate, which requires one standard rate to be charged by all English billing authorities and allow individual authorities to set the rate themselves within their areas. This would provide opportunities for some authorities, for example to reduce rates to attract investment and commerce into their areas, but could present difficulties to authorities whose areas are less wealthy or economically successful since they would be unable to afford to reduce rates or restrain increases in the way that more fortunate authorities may be able to. The timescale for implementation of these changes has not yet been firmly established, although it is intended that they should be in place by the end of this Parliament, so it may be several years before they come into effect, although setting of the business rate by authorities could take effect before the major reforms to the finance system.

There are a couple of other proposals which are worthy of mention. It is proposed to change the basis of payment of New Homes Bonus, which rewards authorities and communities for the numbers of new homes which are built or become occupied after standing empty. An amount payable is calculated in respect of each year based on the criteria above and currently is paid each year for six years. The government proposes to reduce the payment period to four years but to sharpen the incentive so that the reward is greater for those authorities which enable greater development or actively work to eliminate empty homes. Overall it is intended to reduce the amount paid as New Homes Bonus and re-direct this saving towards social care. The government also wishes to encourage local authorities to dispose of surplus assets and is proposing to relax the rules relating to the use of the sale proceeds, which currently are classified as capital receipts and largely can only be used to finance capital investment. The proposal is to allow all of the receipts to be used to finance the revenue costs of "reform projects" intended to deliver more efficient and sustainable services.

New waste recycling arrangements will commence in July 2016, whereby the service will transfer from an external contractor to in house provision and the introduction of new ways of working will provide significant long term savings to the revenue budget. Around £2.6m will have been invested in new vehicles and equipment and alterations to facilities at the Knutton Lane depot, by the time the service commences in 2016/17.

Full Council has approved the move from the current administrative headquarters at the Civic Offices to a purpose built Civic Hub situated adjacent to the Queen's Gardens in the town centre. This building will accommodate Borough Council staff and services together with locally focussed ones of Staffordshire County Council and the Police. The cost of construction of the new building and subsequent running costs will be shared between the three partners, according to the amount of the accommodation they will occupy. The move is scheduled to take place in May 2017.

The site of the present Civic Offices will become part of a comprehensive redevelopment of the Ryecroft area to provide a mixture of retail and residential property. Capital receipts from the sale of the site to the Ryecroft developer will be used to partly finance the Council's share of the cost of building the Civic Hub. It is anticipated that revenue budget savings will be made owing to moving to a more modern and efficient building which will also facilitate more agile working practices to be introduced and provide improved facilities for customers. Once the Civic Hub is operational, the present customer facilities at the Guildhall will no longer be required and an alternative use sought for the building.

2016/17 will be the first full year of operation of the Business Improvement District (BID) covering Newcastle town centre (page 71).

Following the closure of the former municipal golf course situated at Keele Road, the Council has embarked upon a "master-planning" exercise in order to determine the most appropriate long term strategic solution for this land and other sites in the western and southern fringes of urban Newcastle, working with other strategic landowners in the locality and taking into account the current local plan process, with a budget of £0.139m being allocated for carrying out the process.

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
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

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 2015 require the Statement of Accounts to be considered by and approved by a Council Committee or the Full Council and for the Statement to be signed at the meeting by the person presiding. This statement has been approved by the Audit and Risk Committee and this is evidenced by the signature of that Committee's Chair, who presided at the meeting, which is shown below.

The Statement of Accounts was approved at a meeting of the Audit and Risk Committee on 26 September 2016

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 2016.

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 2016 and its income and expenditure for the year ended 31 March 2016.

Kelvin Turner

Executive Director - Resources and Support Services

Date:

Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (page 17). 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 2015 B/Fwd	**(1,200)**	**(3,084)**	**(6,365)**	**(868)**	**(11,517)**	**18,099**	**6,582**
Movement in Reserves 2015/16							
Surplus/(Deficit) on Provision of Services	2,508	-	-	-	2,508	-	2,508
Other Comprehensive Income & Expenditure	-	-	-	-	-	(8,933)	(8,933)
Total Comprehensive Income & Expenditure (page 17)	**2,508**	**-**	**-**	**-**	**2,508**	**(8,933)**	**(6,425)**
Adjustments Between Accounting & Funding Basis (Note 2.1.1, page 20)	(1,948)	-	(221)	(21)	(2,190)	2,190	-
Net Increase/Decrease Before Transfers to Earmarked Reserves	**560**	**-**	**(221)**	**(21)**	**318**	**(6,743)**	**(6,425)**
Transfers to/from Earmarked Reserves	(560)	777	-	-	217	(217)	-
Increase/Decrease in Year	**-**	**777**	**(221)**	**(21)**	**535**	**(6,960)**	**(6,425)**
Balance at 31 March 2016 C/Fwd	**(1,200)**	**(2,307)**	**(6,586)**	**(889)**	**(10,982)**	**11,139**	**157**

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2014 B/Fwd	**(1,200)**	**(3,365)**	**(3,395)**	**(1,153)**	**(9,113)**	**9,068**	**(45)**
Movement in Reserves 2014/15							
Surplus/(Deficit) on Provision of Services	2,773	-	-	-	2,773	-	2,773
Other Comprehensive Income & Expenditure	-	-	-	-	-	3,854	3,854
Total Comprehensive Income & Expenditure (page 17)	**2,773**	**-**	**-**	**-**	**2,773**	**3,854**	**6,627**
Adjustments Between Accounting & Funding Basis (Note 2.1.1, page 20)	(2,948)	-	(2,970)	285	(5,633)	5,633	-
Net Increase/Decrease Before Transfers to Earmarked Reserves	**(175)**	**-**	**(2,970)**	**285**	**(2,860)**	**9,487**	**6,627**
Transfers to/from Earmarked Reserves	175	281	-	-	456	(456)	-
Increase/Decrease in Year	**-**	**281**	**(2,970)**	**285**	**(2,404)**	**9,031**	**6,627**
Balance at 31 March 2015 C/Fwd	**(1,200)**	**(3,084)**	**(6,365)**	**(868)**	**(11,517)**	**18,099**	**6,582**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (page 16).

2014/15				2015/16		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
2,315	1,349	966	Central Services to the Public	2,515	1,413	1,102
7,112	2,257	4,855	Cultural & Related Services	7,152	2,736	4,416
10,608	3,971	6,637	Environmental & Regulatory Services	10,963	3,898	7,065
2,812	824	1,988	Planning Services	2,533	772	1,761
1,334	1,518	(184)	Highways & Transport Services	1,243	1,352	(109)
32,445	31,095	1,350	Housing Services	33,621	32,561	1,060
2,106	92	2,014	Corporate & Democratic Core	2,246	267	1,979
86	-	86	Non-Distributed Costs	186		186
58,818	**41,106**	**17,712**	**Cost of Services**	**60,459**	**42,999**	**17,460**
297	362	(65)	Other Operating Expenditure (Note 2.2.1, page 23)	460	541	(81)
2,017	1,248	769	Financing & Investment Income/Expenditure (Note 2.2.2, page 24)	1,698	1,463	235
-	15,643	(15,643)	Taxation & Non-Specific Grant Income (Note 2.2.3, page 24)	-	15,146	(15,146)
		2,773	**(Surplus)/Deficit on Provision of Services**			**2,468**
		(201)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets			(253)
		4,055	Remeasurement of the Net Defined Benefit Liability/Asset (Note 3.4, page 41)			(8,680)
		3,854	**Other Comprehensive Income & Expenditure**			**(8,933)**
		6,627	**Total Comprehensive Income & Expenditure**			**(6,465)**

Note

The pension liability of the Council decreased during the financial year 2015/16 (remeasurement of the net defined benefit liability/asset). This is as a result of an increase in the net discount rate applied to pension fund assets over this period, the positive impact of which has outweighed the lower than expected pension fund asset returns.

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' (page 16).

31/03/2015			Note	31/03/2016	
£000	£000			£000	£000
	40,755	Property, Plant & Equipment	2.3.1, page 27		40,323
	1,025	Surplus Assets	2.3.1, page 27		1,025
	14,218	Investment Property	2.3.2, page 30		14,527
	1,429	Heritage Assets	2.3.3, page 31		1,429
	217	Intangible Assets			158
	676	Long Term Debtors	2.3.4, page 32		591
	58,320	**Long Term Assets**			**58,053**
	8,808	Short Term Investments	3.7.1, page 48		7,549
	162	Inventories			206
	10,688	Short Term Debtors	2.3.4, page 32		9,306
	319	Cash and Cash Equivalents			595
	19,977	**Current Assets**			**17,656**
	(9,200)	Short Term Creditors	2.3.5, page 32		(5,495)
	(36)	Short Term Borrowing	3.7.1, page 48		(59)
	(196)	Deposits			(198)
	(9,432)	**Current Liabilities**			**(5,752)**
	(799)	Provisions	2.3.6, page 32		(1,290)
(74,019)		Net Pensions Liability	3.4, page 41	(68,428)	
(155)		Deferred Liabilities		-	
	(74,174)				(68,428)
	(474)	Capital Grants Receipts in Advance			(396)
	(75,447)	**Long Term Liabilities**			**(70,114)**
	(6,582)	**Net Assets**			**(157)**
		Usable Reserves	2.3.7, page 33		
1,200		General Fund Balance		1,200	
3,084		Other Usable Reserves		2,307	
6,365		Capital Receipts Reserve		6,586	
868		Capital Grants Unapplied Account		889	
	11,517	Total Usable Reserves			**10,982**
		Unusable Reserves	2.3.8, page 34		
14,458		Revaluation Reserve		14,711	
43,916		Capital Adjustment Account		43,634	
690		Deferred Capital Receipts Reserve		620	
(76,309)		Pensions Reserve		(69,628)	
(666)		Collection Fund Adjustment Account		(110)	
(188)		Accumulated Absences Account		(366)	
	(18,099)	**Total Unusable Reserves**			**(11,139)**
	(6,582)	**Total Reserves**			**(157)**

Note

The pension liability of the Council decreased during the financial year 2015/16. This is as a result of an increase in the net discount rate applied to pension fund assets over this period, the positive impact of which has outweighed the lower than expected pension fund asset returns.

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.

2014/15 £000		**2015/16 £000**	**Note**
2,773	Net (Surplus)/Deficit on the Provision of Services	2,508	
(10,353)	Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	(264)	2.4.1, page 38
3,075	Adjustments re. items in the Net Surplus/Deficit on the Provision of Services that are Investing/Financing Activities	1,299	2.4.1, page 38
(4,505)	Net Cash Flows from Operating Activities	3,543	
2,840	Investing Activities	(1,484)	2.4.3, page 39
1,605	Financing Activities	(2,335)	2.4.4, page 39
(60)	Net Increase or Decrease in Cash/Cash Equivalents	(276)	
(259)	Cash/Cash Equivalents brought forward	(319)	
(319)	**Cash/Cash Equivalents carried forward**	**(595)**	

Notes to the Financial Statements

These Notes are set out in the following Sections:

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

1.Technical Issues

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

The Financial Statements and the financial records maintained by the Council must be prepared and maintained in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice for Local Authorities 2015/16 supported by International Financial Reporting Standards (IFRS).

Detailed information relating to the Accounting Policies employed and other technical accounting issues are set out at Appendix 1 (page 58), as follows:

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

2. Further Analysis of Items Contained in the Financial Statements

2.1 In Relation to the Movement in Reserves Statement

2.1.1 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2015/16

	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	(2,180)	-	-	2,180
Revaluation Losses on Property, Plant & Equipment	(34)	-	-	34
Movements in Fair Value of Investment Properties	1,471	-	-	(1,471)
Amortisation of Intangible Assets	(111)	-	-	111
Capital Grants & Contributions Applied	62	-	-	(62)
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	(881)	-	-	881
Capital Element of Finance Leases Where Council is the Lessor	(42)	-	-	42
Reversal of REFCUS expenditure	(1,272)	-	-	1,272
Reversal of REFCUS income	1,208			(1,208)
Insertion of Items Not Debited or Credited to the Comprehensive Income & Expenditure Statement				
Statutory Provision for the Financing of Capital Investment	155	-	-	(155)
Adjustments Primarily Involving the Capital Grants Unapplied Account:				
Capital Grants & Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	31	-	(31)	-
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	-	-	10	(10)
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	1,268	(1,268)	-	-
Use of the Capital Receipts Reserve to Finance Capital Expenditure	-	1,047	-	(1,047)
Contribution From the Capital Receipts Reserve to Finance Payments to the Government Capital Receipts Pool	(1)	1	-	-
Transfer from Deferred Capital Receipts Reserve on Receipt of Cash	-	(1)	-	1
Adjustments Primarily Involving the Pensions Reserve:				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(5,063)	-	-	5,063
Employers pension contributions and direct payments to pensioners payable in the year	3,064	-	-	(3,064)
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	556	-	-	(556)
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	(179)	-	-	179
Total Adjustments	**(1,948)**	**(221)**	**(21)**	**2,190**

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

2.1.2 Transfers to/from Earmarked Reserves

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

2015/16	Transfers Out £000	Transfers In £000	Net Movement £000
Equipment Replacement Fund	(141)	141	-
Renewals and Repairs Fund	(431)	430	(1)
ICT Development Fund	(27)	90	63
New Homes Bonus Reserve	-	126	126
New Initiatives Fund	(57)	-	(57)
General Fund Balance	-	-	-
Insurance Fund	-	-	-
Contingency Reserve Fund	(50)	-	(50)
Budget Support Fund	(28)	72	44
Conservation and Heritage Fund	(12)	10	(2)
Museum Purchases Fund	(8)	-	(8)
Maintenance Contributions	(50)	35	(15)
Mayors Charities Reserve	(1)	-	(1)
Standards Fund	-	-	-
Deposit Guarantee Scheme Reserve	-	-	-
Revenue Investment Fund	(76)	35	(41)
Keele Master Plan Reserve	-	139	139
Business Rates Reserve	(800)	43	(757)
Total	**(1,681)**	**1,121**	**(560)**

Details of all transfers to/from reserves, both usable and unusable, are shown in notes 2.3.7 (page 33) and 2.3.8 (page 34), together with a note of the nature and purpose of each reserve. The transfers shown above for both the ICT Development Fund and the New Homes Bonus Reserve exclude capital transfers.

2.2 In Relation to the Comprehensive Income and Expenditure Statement

2.2.1 Other Operating Expenditure

2014/15 £000		2015/16 £000
293	Parish Precepts	306
2	Payments to the Housing Capital Receipts Pool	1
85	(Gains)/Losses on Disposal of Non-Current Assets	112
(445)	Capital Income not Arising from Asset Sales	(500)
(65)	**Total**	**(81)**

2.2.2 Financing and Investment Income and Expenditure

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
	24	Interest Payable & Similar Charges		13
	2,814	Net Interest on the "Net Defined Benefit Liability (Asset)"		2,307
	(169)	Interest Receivable & Similar Income		(256)
(1,079)		Investment Properties - Rental Income	(1,207)	
(1,565)		Investment Properties - Revaluations	(1,471)	
744	(1,900)	Investment Properties - Expenses	849	(1,829)
	769	**Total**		**235**

2.2.3 Taxation and Non Specific Grant Income

2014/15 £000		2015/16 £000
(6,585)	Council Tax Income	(6,679)
(3,884)	Non Domestic Rates Income & Expenditure	(4,077)
(5,016)	Non-Ringfenced Government Grants	(4,257)
(158)	Capital Grants & Contributions	(93)
(15,643)	**Total**	**(15,106)**

2.2.4 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims by the Council's external auditors:

2014/15 £000		2015/16 £000
67	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	55
8	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	6
75		**61**

2.2.5 Members' Allowances

In 2015/16 a total of £323,126 was paid to members (including the Mayor and Deputy Mayor) in respect of allowances (£324,709 in 2014/15).

2.2.6 Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16, incurring liabilities of £100,743 (£8,216 in 2014/15). The termination benefits consisted of £96,084 for loss of office and £4,659 in relation to long service awards.

2.2.7 Officers' Remuneration

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

2015/16 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 *	113,139	-	113,139	19,368	132,507
Executive Directors:					
Regeneration & Development	85,673	2,750	88,423	15,724	104,147
Operational Services	85,673	1,375	87,048	14,753	101,801
Resources & Support Services	85,673	-	85,673	14,759	100,432
Heads of Service:					
Operations	56,174	1,650	57,824	9,852	67,676
Planning	56,174	-	56,174	9,606	65,780
Leisure and Cultural Services	56,174	-	56,174	9,606	65,780
Recycling and Fleet Services	53,360	1,650	55,010	9,222	64,232
Housing, Regeneration and Assets	51,236	1,650	52,886	8,843	61,729
Communications	50,518	1,650	52,168	8,645	60,813
Finance	50,518	1,650	52,168	8,639	60,807

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

* 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.

One other Council employee received between £50,000 and £55,000 remuneration during 2015/16 (excluding employer's pension contributions), (compared to 5 employees in 2014/15).

2.2.8 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £000		2015/16 £000
	Credited to Taxation/Non Specific Grant Income	
158	Planning Obligations Contributions	93
34	Other Government Grants	13
311	Council Tax Freeze Grant	381
-	New Burdens Grant (Land Charges)	85
733	Section 31/Business Rates Relief Grant	846
1,116	New Homes Bonus Scheme	1,407
125	Local Services Support Grant	124
3,551	Revenue Support Grant	2,371
6,028	**Total**	**5,320**
	Credited to Services	
28,997	Housing Subsidy - Rent Allowance	30,370
699	Housing Benefit/Council Tax Benefit Administration	619
536	Disabled Facilities Grant	654
48	New Burdens - Council Tax Reform	96
-	New Homes Bonus	265
-	Individual Electoral Registration Section 31 Grant	104
151	Discretionary Housing Grant	115
178	Other Grants	274
141	Contributions towards Community Safety Service	111
21	Other Contributions	-
30,771	**Total**	**32,608**

2.3 In Relation to the Balance Sheet

2.3.1 Property Plant and Equipment

Movements on Balances

2015/16	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 2015	**30,682**	**1,337**	**13,844**	**6,874**	**1,025**	**53,762**
Additions	775	-	539	(61)	-	1,253
Deletions	-	-	-	-	-	-
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	(425)	-	-	31	-	(394)
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(677)	-	-	66	-	(611)
Derecognition - Disposals	-	-	(809)	-	-	(809)
Transfers Between Asset Categories	230	-	-	(37)	-	193
Other Movements in Cost or Valuation	-	-	-	337	-	337
At 31 March 2016	**30,585**	**1,337**	**13,574**	**7,210**	**1,025**	**53,731**
Accumulated Depreciation & Impairment						
At 1 April 2015	(2,264)	(396)	(8,451)	(871)	-	(11,982)
Depreciation Charge	(520)	(26)	(857)	(131)	-	(1,534)
Derecognition - Disposals	-	-	582	4	-	586
Derecognition - Other	547	-	-	-	-	547
At 31 March 2016	**(2,237)**	**(422)**	**(8,726)**	**(998)**	**-**	**(12,383)**
Net Book Value						
As at 31 March 2015	28,418	941	5,393	6,003	1,025	41,780
As at 31 March 2016	28,348	915	4,848	6,212	1,025	41,348

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

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 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £2.542m. Similar commitments at 31 March 2015 were £0.088m. The major commitments are:

- £1.617m Recycling Waste vehicles
- £0.173m Recycling sorting equipment
- £0.349m Recycling waste bins
- £0.403m Vehicle fleet replacement

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 2016 and for the prior period.

31/03/2015 £'000		31/03/2016 £'000
1,025	Surplus Assets	1,025
	Land and Buildings	
2,742	Community Centres	2,795
7,020	Car Parks Charging	6,581
1,633	Car Parks Non-charging	1,655
1,500	Depot	1,500
3,937	Offices	4,011
380	Guildhall	380
294	Bus Station	294
1,248	Cemeteries	1,245
473	Crematorium	498
9,057	Leisure Centres	9,057
1,521	Parks and Sports Grounds	1,487
520	Museum	520
113	Public Toilets	113
-	Business Centre	157
245	Other Land and Buildings	293
1,337	Infrastructure Assets	1,337
13,843	Vehicles, Plant, Furniture, Equipment	13,574
	Community Assets	
564	Development Sites	570
6,310	Other	6,639
53,762	**Total**	**53,731**

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. All valuations are carried out internally. Valuations of land and buildings are carried out in accordance with the 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	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	141	11,206	6,038	1,337	-	18,722
Valued at Fair Value at:						
31 March 2012	15,244	1,486	21	-	-	16,751
31 March 2013	4,002	420	561	-	-	4,983
31 March 2014	5,986	462	-	-	500	6,948
31 March 2015	1,228	-	-	-	525	1,753
31 March 2016	3,984	-	590	-	-	4,574
Total Cost or Valuation	**30,585**	**13,574**	**7,210**	**1,337**	**1,025**	**53,731**

Fair Value Measurement of Surplus Assets

Surplus Assets are measured at fair value. Level 3 of the Fair Value Hierarchy applies in estimating the fair values the highest and best use is the current use and the valuation technique employed is the investment basis, using the following unobservable inputs: rental value and yield. Significant changes in any of these unobservable inputs will result in a significantly lower or higher fair value. There have been no changes in any of the valuation techniques employed during the year.

2.3.2 Investment Properties

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

The following table summarises the movement in the fair value of investment properties over the year, showing the applicable fair value hierarchy level:

2014/15 Level 3 £000		2015/16 Level 3 £000
14,365	**Balance at 1 April**	**14,218**
	Additions:	
-	Purchases	
5	Subsequent Expenditure	67
(2,788)	Disposals	(660)
1,560	Net Gains/(Losses) From Fair Value Adjustments	820
1,105	Termination of Finance Leases	612
	Transfers:	
(29)	(To)/From Property, Plant & Equipment	(530)
14,218	**Balance at 31 March**	**14,527**

For an explanation of the fair value hierarchy see the Glossary of Terms (page 73).

Gains or losses from changes in the fair value of investment property are recognised in Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure line (page 17).

Valuation Techniques used to determine Level 3 Fair Values for Investment Properties

Significant Unobservable Inputs - Level 3

The fair value for development sites has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the area. Local market conditions are such that similar land is not extensively purchased and sold and the level of observable inputs are not significant leading to categorisation at Level 3 in the fair value hierarchy.

Other Investment Properties are valued using the investment approach, whereby the actual or estimated rental income is capitalised to provide a capital value. The rental income is calculated by reference to actual or estimated values having regard to market evidence. The yield multiplier is based on comparable evidence. These properties are, therefore, categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

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

Investment Property Type	31/03/2016	Valuation technique used to measure fair value	Unobservable Inputs	Sensitivity
	£000			
Shops	3,617	Investment Method	Rental Values Yield	(a)
Offices	1,298	Investment Method	Rental Values Yield	(a)
Industrial Units	2,686	Investment Method	Rental Values Yield	(a)
Other	2,814	Investment Method	Rental Values Yield	(a)
Development Sites	4,112	Comparable Method	Capital Value	(a)
	14,527			

(a) Significant changes in rental value, yield or capital value will result in a significantly lower or higher fair value

There has been no change in the valuation techniques used during the year.

In estimating the fair value of investment properties, the highest and best use of the properties is their current use.

The fair value of Investment Property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

2.3.3 Heritage Assets

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

The Council's collection of museum artefacts is reported in the Balance Sheet (page 18) at an insurance valuation of £1.429m, which is based on market values as assessed by an external valuer in October 2006..

These valuations are updated 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. There have been no movements in the valuation of Heritage Assets during 2015/16.

Museum Exhibits

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

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

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

Outdoor Structures

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

2.3.4 Debtors

Long Term Debtors

31/03/2015 £000		31/03/2016 £000
283	Finance Lease Balances Outstanding	217
1	Right to Buy Mortgages	1
392	Kickstart Loans (re home improvements)	373
676	**Total**	**591**

Short Term Debtors

31/03/2015 £000		31/03/2016 £000
2,660	Central Government Bodies	2,173
2,140	Other Local Authorities	1,088
68	NHS Bodies	93
-	Public Corporations & Trading Funds	-
5,820	Other Entities & Individuals	5,952
10,688	**Total**	**9,306**

2.3.5 Creditors

31/03/2015 £000		31/03/2016 £000
4,525	Central Government Bodies	1,893
1,515	Other Local Authorities	1,463
-	NHS Bodies	-
57	Public Corporations & Trading Funds	57
3,103	Other Entities & Individuals	2,082
9,200	**Total**	**5,495**

2.3.6 Provisions

	NNDR Appeals Provision £000	Insurance Claims Provision £000	Employee Benefits £000	Land Charges £000	MMI Provision £000	Total £000
Balance at 1 April 2014	208	75	192	82	79	636
Additional Provisions Made	346	56	188	-	-	590
Amounts Used	(208)	(27)	(192)	-	-	(427)
Balance at 1 April 2015	346	104	188	82	79	799
Additional Provisions Made	773	4	366	7	-	1,150
Amounts Used	(346)	(36)	(188)	(89)	-	(659)
Unused Amounts Reversed	-	-	-	-	-	-
Balance at 31 March 2016	**773**	**72**	**366**	**-**	**79**	**1,290**

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

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

The Employee Benefits Provision contains an amount equivalent to the accruals made in the Cost of Services within the Comprehensive Income and Expenditure Statement in respect of outstanding employee benefits (untaken leave, etc.) at the year end. This provision now includes an amount for compensatory leave untaken at 31st March.

The Land Charges Provision was created to provide for 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 claw-back (levy) of sums paid out by the administrator of Municipal Mutual Insurance (MMI), in the event of MMI being assessed as "insolvent".

2.3.7 Usable Reserves

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

	At 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	At 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	At 31 March 2016 £000
Capital:							
Capital Receipts Reserve	3,395	(456)	3,426	6,365	(1,047)	1,268	6,586
Capital Grants Unapplied	1,153	(460)	175	868	(221)	242	889
Both Revenue and Capital:							
Equipment Replacement Fund	350	(588)	614	376	(141)	141	376
Renewals and Repairs Fund	55	(412)	360	3	(431)	430	2
ICT Development Fund	321	(138)	70	253	(118)	90	225
New Homes Bonus Reserve	18	(363)	345	-	(186)	186	-
New Initiatives Fund	75	(18)	-	57	(57)	-	-
Revenue:							
General Fund Balance	1,200	-	-	1,200	-	-	1,200
Insurance Fund	215	(215)	-	-	-	-	-
Contingency Reserve Fund	291	(15)	-	276	(50)	-	226
Budget Support Fund	333	(77)	41	297	(28)	72	341
Conservation and Heritage Fund	62	(25)	-	37	(12)	10	35
Museum Purchases Fund	66	-	2	68	(8)	-	60
Maintenance Contributions	78	(17)	15	76	(50)	35	61
Mayors Charities Reserve	12	-	-	12	(1)	-	11
Standards Fund	15	(9)	-	6	-	-	6
Deposit Guarantee Scheme Reserve	32	-	4	36	-	-	36
Revenue Investment Fund	89	(77)	100	112	(76)	35	71
Keele Master Plan Reserve	-	-	-	-	-	139	139
Business Rates Reserve	1,353	(332)	454	1,475	(800)	43	718
Total	**9,113**	**(3,202)**	**5,606**	**11,517**	**(3,226)**	**2,691**	**10,982**

Note 2.1.2 (page 23) sets out the movements on Usable Reserves involving transactions with the General Fund Revenue Account. The nature and purpose of these reserves is as set out below:

- The Capital Receipts Reserve contains the balance of unapplied capital receipts arising from the disposal of fixed assets.
- The Capital Grants Unapplied Reserve contains the balance of unused grants and contributions which are available for use, i.e. they either have no conditions attached to them or any conditions have been met;
- The Equipment Replacement Fund is maintained to provide for the replacement of certain items of equipment, such as the crematorium cremators and printing equipment;
- The Renewals and Repairs Fund is maintained for the repair and maintenance of Council-owned buildings, structures and fixed plant. It is funded through a contribution from the General Fund revenue account, based on the estimated frequency and amount of future expenditure on repairs and maintenance for each building or structure, or item of fixed plant.

- The ICT Development Fund is to be used to meet the costs of new IT requirements and the replacement of IT equipment;
- The New Homes Bonus Reserve was created to hold unused balances in relation to New Homes Bonus grant.
- The New Initiatives Fund was established to fund new initiatives, both capital and revenue, not currently provided for in the Council's budgets;
- The General Fund Balance exists to meet the cost of any unexpected adverse occurrences affecting the General Fund revenue budget or any of the occurrences materialising which are identified in the risk assessment relating to that budget;
- The Insurance Fund was used to meet the cost of the insurance cover required by the Council and any excesses for which the Council is liable. These costs are now met from the General Fund revenue budget.
- The Contingency Reserve Fund is used to finance expenditure in respect of contingencies that may arise in the future, for example redundancy payments consequent upon service reviews. £76,000 has been allocated to be used to fund the production of the local plan;
- The Budget Support Fund was created by crediting to it surpluses arising on the General Fund Revenue Account. It is to be used to support the revenue budget and the "Invest to Save" initiatives. It is also used to enable budget provision to be carried forward to future years by appropriating to it unspent balances where a commitment exists;
- The Conservation and Heritage Fund exists to provide grants to the owners of buildings of historical significance to enable them to be maintained in a state of good repair;
- The Museum Purchases Fund was established by a small bequest which has been added to by contributions from revenue account and proceeds from the sale of exhibits surplus to requirements. It is to be used to purchase exhibits for the museum and to conserve and enhance the display of existing exhibits;
- Maintenance Contributions are received from developers of housing and other schemes and are to be used to fund the maintenance of open spaces taken over from those developers;
- The Mayors Charities Reserve represents the balance on the Mayors Charities activity;
- The Revenue Grants Carried Forward Reserve has been created to hold revenue grants remaining unspent at the year-end which do not have any conditions attached.
- The Standards Fund is used to ensure that the Council meets its responsibilities under the Ethical and other standards frameworks;
- The Deposit Guarantee Reserve was created to hold the unspent balances relating to the Guarantee Scheme for landlord deposits in respect of homeless persons;
- The Revenue Investment Fund is used to fund projects in support of corporate priorities;
- The Keele Master Plan reserve was created to hold funds for expenditure incurred with the sale or development of land owned by various stakeholders including the land of the former Keele Golf Course site;
- The Business Rates Reserve was created as a consequence of the new rates retention arrangements. It will receive excess rates income above the budgeted amount. It may be used for any purpose but particularly to meet Business Rates Collection Fund deficits and future rate income shortfalls.

2.3.8 Unusable Reserves

Balances in relation to the Council's Unusable Reserves are shown below:

31/03/2015 £000		31/03/2016 £000
	Capital:	
14,458	Revaluation Reserve	14,711
43,916	Capital Adjustment Account	43,634
690	Deferred Capital Receipts Reserve	620
	Revenue:	
(76,309)	Pensions Reserve	(69,628)
(666)	Collection Fund Adjustment Account	(110)
(188)	Accumulated Absences Account	(366)
(18,099)	**Total Unusable Reserves**	**(11,139)**

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

Revaluation Reserve

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.

2014/15			2015/16	
£000	£000		£000	£000
	14,257	**Balance at 1 April**		14,458
591		Upward Revaluation of Assets	283	
(390)		Downward Revaluation of Assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(30)	
	201	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		253
	14,458	**Balance at 31 March**		14,711

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 2.1.1 (page 20) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15			2015/16	
£000	£000		£000	£000
	45,838	**Balance at 1 April**		43,916
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,594)		Charges for depreciation/impairment of non-current assets	(2,180)	
(98)		Revaluation losses on Property, Plant and Equipment	(34)	
(106)		Amortisation of Intangible Assets	(111)	
-		Revenue Expenditure Funded from Capital Under Statute	(64)	
(2,933)		Amounts of non-current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(881)	
	(5,731)			(3,270)
		Capital financing applied in the year:		
434		Use of the Capital Receipts Reserve to finance new capital expenditure	1,047	
128		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	62	
65		Application of grants to capital financing from the Capital Grants Unapplied Account	10	
143		Statutory Provision for the financing of capital investment charged against the General Fund	155	
456		Capital expenditure charged against the General Fund	217	
	1,226			1,491
	1,565	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,471
	1,105	Reinstatement of Investment Properties at end of finance lease		26
	(87)	Loan repayments		-
	43,916	**Balance at 31 March**		**43,634**

Deferred Capital Receipts 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.

2014/15		2015/16
£000		£000
1,869	**Balance at 1 April**	**690**
(24)	Transfer to the Capital Receipts Reserve upon receipt of cash	(1)
(50)	Capital element of finance leases where Council is the lessor	(43)
(1,105)	Reinstatement of Investment Properties at end of finance lease	(26)
690	**Balance at 31 March**	**620**

Pensions 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.

2014/15 £000		2015/16 £000
(70,171)	**Balance at 1 April**	**(76,309)**
(4,055)	Remeasurements of the net defined benefit liability/(asset)	8,680
(5,096)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,063)
3,013	Employers pensions contributions and direct payments to pensioners payable in the year	3,064
(76,309)	**Balance at 31 March**	**(69,628)**

Collection Fund Adjustment Account

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.

2014/15 £000		2015/16 £000
(670)	**Balance at 1 April**	**(666)**
21	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-
(17)	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	556
(666)	**Balance at 31 March**	**(110)**

Accumulated Absences Account

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.

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
	(191)	**Balance at 1 April**		**(188)**
191		Settlement or cancellation of accrual made at the end of the preceding year	188	
(188)		Amounts accrued at the end of the current year	(366)	
	3	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration charge in the year in accordance with statutory requirements		(178)
	(188)	**Balance at 31 March**		**(366)**

2.4 In Relation to the Cash Flow Statement

2.4.1 Cash Flow Statement – Analysis of Adjustments

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

2014/15 £000		2015/16 £000
(1,714)	(Increase)/Decrease In Creditors	4,024
15	(Increase)/Decrease in Deposits	(2)
(2,393)	Increase/(Decrease) in Debtors	(125)
73	Increase/(Decrease) in Inventories	44
(163)	(Increase)/Decrease in Provisions	(491)
(2,594)	Charges for Depreciation/Impairment of Non-Current Assets	(2,180)
(98)	Revaluation Losses on Property, Plant & Equipment	(34)
1,565	Movements in fair value of Investment Properties	1,471
(106)	Amortisation of Intangible Assets	(111)
128	Capital Grants & Contributions applied	62
(50)	Capital Element of Finance Leases Where Council is Lessor	(42)
(2,083)	Reversal of Items re. Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(1,999)
(2,933)	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	(881)
(10,353)		**(264)**

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

2014/15 £000		2015/16 £000
(220)	Capital Grants & Contributions Unapplied Credited to Comprehensive Income & Expenditure Statement	31
3,295	Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	1,268
3,075		**1,299**

2.4.2 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
(169)	Interest Received	(232)
24	Interest Paid	13

2.4.3 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2014/15 £000		2015/16 £000
1,312	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	1,286
135,445	Purchase of Short & Long Term Investments	60,477
(3,712)	Proceeds from Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(1,376)
(130,195)	Proceeds from Short & Long Term Investments	(61,750)
(10)	Other Receipts From Investing Activities	(121)
2,840	**Net Cash Flows from Investing Activities**	**(1,484)**

2.4.4 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2014/15 £000		2015/16 £000
(11)	Cash Receipts of Short & Long Term Borrowing	(1,523)
(817)	Other Receipts from Financing Activities	(1,377)
143	Cash Payments for Liabilities re. Finance Leases	155
-	Repayments of Short & Long Term Borrowing	1,500
2,290	Other Payments for Financing Activities	(1,090)
1,605	**Net Cash Flows from Financing Activities**	**(2,335)**

3. Additional Information Supplementing the Core Financial Statements

3.1 Capital Expenditure and Capital Financing

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

2014/15 £000		2015/16 £000
(360)	**Opening Capital Financing Requirement**	**(503)**
-	Correction of opening CFR balance*	**(237)**
		(740)
	Capital Investment	
988	Property, Plant & Equipment	1,172
5	Investment Properties	67
89	Intangible Assets	32
979	REFCUS	1,272
	Sources of Finance	
(433)	Capital Receipts	(1,047)
(1,172)	Government Grants & Other Contributions	(1,279)
(456)	Sums Set Aside From Revenue	(217)
(143)	Minimum Revenue Provision	(155)
(503)	***Closing Capital Financing Requirement***	**(895)**
	Explanation of Movements in Year	
(143)	Minimum Revenue Provision	(155)
(143)	**Increase/(Decrease) in Capital Financing Requirement**	**(155)**

* This correction relates to the de-recognition of assets leased in under a finance lease which terminated in 2010/11. Whilst the de-recogition arising from the termination was recorded in the accounts and reflected in the balance sheet, it was not reflected in this note. The effect of the adjustment is to reduce the capital financing requirement by £237k.

3.2 Impairment Losses

During 2015/16 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 2015/16 was £0.645m (2014/15 £0.675m). The whole of the impairment loss is reversed out via the Movement in Reserves Statement (page 16) in accordance with statutory provisions so that it is not a charge against council tax.

3.3 Related Parties

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

Central Government

The UK government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 2.2.8 (page 26).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid in 2014/15 is shown in note 2.2.5 (page 24). During 2015/16, expenditure transactions with Keele University totalled £ £16,670. Two members are employed by Keele University, both as lecturers. One member is also a Non-Executive Director on the Board of Aspire Housing. Payments to Aspire Housing during 2015/16 amounted to £1,341,880. The majority of this is in relation to housing benefit rental payments.

Officers

Payments were made to one entity relating to a Council Officer. The Council Officer has no direct involvement in procuring the services concerned.

3.4 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in:

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

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

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

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

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

In order to account for this transaction, the prepayment must be charged directly to the Pensions Liability, without any corresponding equal and opposite transaction in the Pensions Reserve. The prepayment of £1.090m in respect of 2015/16 has been transferred to the general fund revenue account via a transfer from the Pensions Reserve. As a result of this the balance of the Pensions Liability is shown as being £1.200m different than the balance of the Pensions Reserve.

In 2016/17 the prepayment of £1.200m relating to that year will be transferred to the general fund revenue account via a transfer from the Pensions Reserve. After this transaction has occurred, the two accounts will once more be mirror images of each other.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are 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 (page 16). 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:

2014/15			2015/16	
LGPS	**Discretionary Benefits**		**LGPS**	**Discretionary Benefits**
£000	**£000**		**£000**	**£000**
		Comprehensive Income & Expenditure Statement		
		Cost of Services:		
2,724	-	Current Service Cost	3,186	-
23	-	Past Service Costs/(Gains)	33	-
	(465)	Unfunded Benefit Contributions	-	(463)
		Financing and Investment Income & Expenditure		
2,814	-	Net Interest Expense	2,307	-
5,561	**(465)**	**Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services**	**5,526**	**(463)**
		Remeasurement of the Net Defined Benefit Liability Comprising:		
(10,359)	-	Return on Plan Assets (exc Net Interest Expense)	2,215	-
-	-	Actuarial Gains & Losses Arising on Changes of Demographic Assumptions	-	-
15,641	-	Actuarial Gains & Losses Arising on Changes in Financial Assumptions	(8,533)	-
(1,227)	-	Other	(2,362)	-
4,055	**-**	*Total Post Employment Benefit Charged to Comprehensive Income & Expenditure Statement*	**(8,680)**	**-**
		Movement in Reserves Statement		
(5,561)	465	Reversal of Net Charges Made to the Surplus/Deficit on Provision of Services for Post Employment Benefits in Accordance with the Code	(5,526)	463
		Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
3,478	-	Employers' Contributions Payable to Scheme	3,527	-
-	(465)	Retirement Benefits Payable to Pensioners	-	(463)
(2,083)	**-**		**(1,999)**	**-**

Pensions Assets and Liabilities Recognised in the Balance Sheet

2014/15			2015/16	
LGPS	**Discretionary Benefits**		**LGPS**	**Discretionary Benefits**
£000	**£000**		**£000**	**£000**
(183,056)	-	Present Value of the Defined Benefit Obligation	(174,601)	-
109,037	-	Fair value of Plan Assets	106,173	-
(74,019)	**-**	**Net Liability Arising From Defined Benefit Obligation**	**(68,428)**	**-**

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

2014/15 Funded Liabilities: LGPS £000	2014/15 Unfunded Liabilities: Discretionary Benefits £000		2015/16 Funded Liabilities: LGPS £000	2015/16 Unfunded Liabilities: Discretionary Benefits £000
168,305	(2,700)	Opening Balance	186,221	(3,165)
2,724	-	Current Service Cost	3,186	-
6,711	-	Interest Cost	5,626	-
711	-	Contributions by Scheme Participants	726	-
14,414	-	Actuarial (Gains)/Losses	(10,895)	-
(6,667)	(465)	Benefits Paid	(6,668)	(463)
23	-	Past Service Costs/(Gains)	33	-
186,221	**(3,165)**	**Closing Balance**	**178,229**	**(3,628)**

Local Government Pensions Scheme Assets comprised:

2014/15 Fair Value of Scheme Assets Quoted £000	2014/15 Fair Value of Scheme Assets Unquoted £000		2015/16 Fair Value of Scheme Assets Quoted £000	2015/16 Fair Value of Scheme Assets Unquoted £000
		Equities:		
9,351	-	Consumer	7,566	-
-	-	Manufacturing	6,190	-
2,835	-	Energy & Utilities	2,421	-
6,959	-	Financial	6,847	-
4,576	-	Health & Care	5,703	-
4,230	-	Information Technology	6,466	-
8,382	-	Other	126	-
36,333	-		35,319	-
		Bonds		
8,277	-	Corporate (Investment)	5,343	-
-	-	Corporate (Non-Investment Grade)	-	-
8,277	-		5,343	-
		Property		
-	8,874	UK	-	9,425
-	8,874		-	9,425
		Investment funds		
36,134	-	Equities	36,087	-
5,829	-	Bonds	5,422	-
-	2,607	Hedge Funds	-	2,485
-	3,211	Other	-	2,971
41,963	5,818		41,509	5,456
-	3,464	Private Equity	-	3,322
4,308	-	Cash/Cash Equivalents	5,799	-
90,881	**18,156**	**Total Assets**	**87,970**	**18,203**

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

2014/15 £000		2015/16 £000
95,434	Opening Value of Scheme Assets	109,037
	Remeasurement Gain/(Loss):	
3,897	Expected Rate of Return	3,319
10,359	Other	(2,215)
	Actuarial Gains/(Losses)	
5,303	Employer Contributions	1,974
711	Contributions by Scheme Participants	726
(6,667)	Benefits Paid	(6,668)
109,037	**Closing Balance at 31 March**	**106,173**

Basis for Estimating Assets and Liabilities

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

2014/15 LGPS	2014/15 Discretionary Benefits		2015/16 LGPS	2015/16 Discretionary Benefits
		Longevity at 65 for current pensioners:		
22.1		Men	22.1	
24.3		Women	24.3	
		Longevity at 65 for future pensioners:		
24.3		Men	24.3	
26.6		Women	26.6	
2.1%	2.1%	Rate of Inflation	3.1%	3.1%
4.0%		Rate of Increase in Salaries	4.1%	
2.1%	2.1%	Rate of Increase in Pensions	2.1%	2.1%
3.1%	3.1%	Rate for Discounting Scheme Liabilities	3.4%	3.4%
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 analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation £000
1 year increase in member life expectancy	5,238
0.5% decrease in real discount rate	16,066
0.5% increase in the salary increase rate	4,499
0.5% increase in the pension increase rate	11,321

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 total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is £3.374m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2017 are £0.463m.

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

3.5 Contingent Assets and Liabilities

The Council does not have any contingent assets. Contingent liabilities as at 31 March 2016 are:

(a) Municipal Mutual Insurance

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

(b) VAT

The computation of the Council's 2015/16 position in respect of exempt category Value Added Tax has yet to be agreed with Revenue and Customs. If the 5% allowance has been exceeded, up to £150,000 in VAT may become payable.

(c) Land Sales Receipts

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

(d) Housing Stock Transfer Warranty

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

(e) Lancaster Buildings

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

(f) Planning Costs

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

(g) Mandatory Relief from Business Rates – NHS Trusts

The Council has received requests for mandatory relief from NHS Trusts that if agreed would amount to a backdated refund of approximately £320,000. There is no certainty evident with the requests. A final adjudication would be required before the Council would make any kind of provision for this request.

3.6 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (page 17) 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.

Please note that the method of compilation for 2015/16 has been amended from that in previous years, the restated 2014/15 note is shown for comparative purposes.

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

Directorate Income & Expenditure 2015/16	**Chief Executive**	**Operational Services**	**Regeneration & Development**	**Corporate Items**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, Charges & Other Service Income	(1,243)	(5,914)	(3,423)	(1,323)	(11,903)
Government Grants	(104)	(76)	(339)	(31,310)	(31,829)
Recharges Income (Excluding Within Service)	(2,774)	(5,220)	(4,590)	(5,520)	(18,104)
Total Income	**(4,121)**	**(11,210)**	**(8,352)**	**(38,153)**	**(61,836)**
Employee Expenses	1,884	6,647	3,673	4,235	16,439
Other Service Expenses	2,592	9,450	3,948	32,932	48,922
Recharges Expenditure (Excluding Within Service)	1,640	3,453	4,051	2,566	11,710
Total Expenditure	**6,116**	**19,550**	**11,672**	**39,733**	**77,071**
Net Expenditure	1,995	8,340	3,320	1,580	15,235

Directorate Income & Expenditure 2014/15	**Chief Executive**	**Operational Services**	**Regeneration & Development**	**Corporate Items**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, Charges & Other Service Income	(865)	(5,861)	(2,686)	(1,569)	(10,981)
Government Grants	(46)	(40)	(744)	(29,930)	(30,760)
Recharges Income (Excluding Within Service)	(2,554)	(5,359)	(4,249)	(5,145)	(17,307)
Total Income	**(3,465)**	**(11,260)**	**(7,679)**	**(36,644)**	**(59,048)**
Employee Expenses	1,748	6,523	3,578	3,975	15,824
Other Service Expenses	2,147	9,695	3,888	31,477	47,207
Recharges Expenditure (Excluding Within Service)	1,603	3,142	3,904	2,456	11,105
Total Expenditure	**5,498**	**19,360**	**11,370**	**37,908**	**74,136**
Net Expenditure	2,033	8,100	3,691	1,264	15,088

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.

2014/15 £000		2015/16 £000
15,088	Net Expenditure in the Directorate Analysis	15,235
2,624	Amounts in Comprehensive Income & Expenditure Statement Not Reported to Management	2,225
17,712	**Cost of Services in Comprehensive Income & Expenditure Statement**	**17,460**

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.

2015/16	**Directorate Analysis**	**Amounts not Reported to Management for Decision Making**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, Charges & Other Service Income	(11,903)	-	(11,903)	-	(11,903)
Interest & Investment Income	-	-	-	(256)	(256)
Income from Council Tax	-	-	-	(6,679)	(6,679)
Non Domestic Rates Income & Expenditure	-	-	-	(4,077)	(4,077)
Government Grants & Contributions	(31,829)	-	(31,829)	(4,257)	(36,086)
Investment Properties Income & Expenditure	-	-	-	(1,829)	(1,829)
Capital Income	-	-	-	(593)	(593)
Total Income	**(43,732)**	**-**	**(43,732)**	**(17,691)**	**(61,423)**
Employee Expenses	16,439	-	16,439	-	16,439
Other Service Expenses	48,922	-	48,922	-	48,922
Net Support Services Recharges	(6,394)	-	(6,394)	-	(6,394)
Depreciation, Amortisation & Impairment	-	2,225	2,225	-	2,225
Interest Payments	-	-	-	13	13
Precepts & Levies	-	-	-	306	306
Payments to Housing Capital Receipts Pool	-	-	-	1	1
Gain/Loss on Disposal of Fixed Assets	-	-	-	112	112
Pensions Interest Cost/Return on Assets	-	-	-	2,307	2,307
Total Expenditure	**58,967**	**2,225**	**61,192**	**2,739**	**63,931**
Surplus/Deficit on Provision of Services	**15,235**	**2,225**	**17,460**	**(14,952)**	**2,508**

2014/15	Directorate Analysis	Amounts not Reported to Management for Decision Making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(10,981)	-	(10,981)	-	(10,981)
Interest & Investment Income	-	-	-	(169)	(169)
Income from Council Tax	-	-	-	(6,585)	(6,585)
Non Domestic Rates Income & Expenditure	-	-	-	(3,884)	(3,884)
Government Grants & Contributions	(30,760)	-	(30,760)	(5,016)	(35,776)
Investment Properties Income & Expenditure	-	-	-	(1,900)	(1,900)
Capital Income	-	-	-	(603)	(603)
Total Income	**(41,741)**	**-**	**(41,741)**	**(18,157)**	**(59,898)**
Employee Expenses	15,824	-	15,824	-	15,824
Other Service Expenses	47,207	-	47,207	-	47,207
Net Support Services Recharges	(6,202)	-	(6,202)	-	(6,202)
Depreciation, Amortisation & Impairment	-	2,624	2,624	-	2,624
Interest Payments	-	-	-	24	24
Precepts & Levies	-	-	-	293	293
Payments to Housing Capital Receipts Pool	-	-	-	2	2
Gain/Loss on Disposal of Fixed Assets	-	-	-	85	85
Pensions Interest Cost/Return on Assets	-	-	-	2,814	2,814
Total Expenditure	**56,829**	**2,624**	**59,453**	**3,218**	**62,671**
Surplus/Deficit on Provision of Services	**15,088**	**2,624**	**17,712**	**(14,939)**	**2,773**

3.7 Financial Instruments

3.7.1 Analysis and Values

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet (page 18):

31/03/2015 Long Term	31/03/2015 Current		31/03/2016 Long Term	31/03/2016 Current
£000	£000		£000	£000
		Investments		
-	8,808	Loans & Receivables	-	7,549
-	8,808	**Total Investments**	-	7,549
	11,364	**Debtors ***		9,897
	36	**Borrowings**		59
	9,200	**Creditors**		5,495
	319	**Cash/Cash Equivalents**		595

Income, Expense, Gains and Losses:

2014/15 Financial Liabilities Measured at Amortised Cost £000	2014/15 Financial Assets: Loans & Receivables £000	2014/15 Total £000		2015/16 Financial Liabilities Measured at Amortised Cost £000	2015/16 Financial Assets: Loans & Receivables £000	2015/16 Total £000
24	-	24	Interest Expense Included in Provision of Services	13	-	13
24	-	24	Total Expense in Provision of Services	13	-	13
-	(169)	(169)	Interest Income	-	(256)	(256)
-	-	-	Interest Income re. Impaired Financial Assets	-	-	-
-	-	-	Reversed Impairment	-	-	-
-	(169)	(169)	Total Income in Provision of Services	-	(256)	(256)
24	**(169)**	**(145)**	**Net (Gain)/Loss for the Year**	**13**	**(256)**	**(243)**

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:

31/03/2015 Carrying Amount £000	31/03/2015 Fair Value £000		31/03/2016 Carrying Amount £000	31/03/2016 Fair Value £000
		Liabilities		
36	36	Financial Liabilities	59	59
9,200	9,200	Creditors	5,495	5,495
		Assets		
8,808	8,808	Loans & Receivables	7,549	7,549
11,364	11,364	Debtors *	9,897	9,897
319	319	Cash/Cash Equivalents	595	595

* Debtors include Long Term Debtors of £591k (31/03/16), £676k (31/03/15), these relate to mortgagors and finance leases.

3.7.2 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £94k 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 2016 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 2016	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2016	Estimated maximum exposure to default and uncollectability at 31 March 2016	Estimated maximum exposure at 31 March 2015
	£000	**%**	**%**	**£000**	**£000**
	A	B	C	(A X C)	
Deposits with Banks/Financial Institutions	7,522	0%	1.25%	94	110
Customers (Trade Debtors)	3,026	-	15%	454	629
				548	**739**

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

The Council does not generally allow credit for customers, such that £2.451m of the £3.026m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/2015		31/03/2016
£000		**£000**
382	30 to 89 Days	141
127	90 to 180 Days	134
2,691	Over 180 Days	2,176
3,200		**2,451**

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:

31/03/2015 £000		31/03/2016 £000
8,808	Less Than One Year	7,549
8,808		**7,549**

Interest Rate Risk

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

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure. At 31 March 2016, if interest rates had been one per cent higher with all other variables held constant, the financial effect would be an increase of £139k.

Price Risk

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

Foreign Exchange Risk

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

3.8 Leases

Council as Lessee

Finance Leases

The Council has previously acquired a number of items of vehicles and equipment under finance leases. The assets acquired under these leases, for which 2015/16 was the final year of the leases, were carried as Property, Plant and Equipment in the Balance Sheet (page 18) at the following net amounts:

31/03/2015 £000		31/03/2016 £000
161	Vehicles, Plant, Furniture, Equipment	-
161		**-**

As at 31 March 2016 the Council no longer has a requirement to commit 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 would have been payable by the Council in future years were the liability to remain outstanding). The minimum lease payments at 31 March 2015 were therefore made up of the following amounts:

31/03/2015 £000		31/03/2016 £000
	Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):	
155	Current	-
-	Non-current	-
6	Finance Costs Payable in Future Years	-
161	**Minimum Lease Payments**	**-**

Lease payments are no longer payable, the minimum lease payments at 31 March 2015 were payable as follows:

31/03/2015			31/03/2016	
Minimum Lease Payments £000	Finance Lease Liabilities £000		Minimum Lease Payments £000	Finance Lease Liabilities £000
155	6	Not Later Than One Year	-	-
-	-	Later Than One Year, Not Later Than Five Years	-	-
-	-	Later Than Five Years	-	-
155	**6**		**-**	**-**

Operating Leases

The Council no longer has any items of vehicles and equipment acquired by entering into operating leases. The future minimum lease payments due under non-cancellable leases at 31 March 2015 were:

31/03/2015 £000		31/03/2016 £000
22	Not Later Than One Year	-
-	Later Than One Year, Not Later Than Five Years	-
-	Later Than Five Years	-
22		**-**

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

2014/15 £000		2015/16 £000
22	Minimum Lease Payments	17
22		**17**

Council as Lessor

Finance Leases

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

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

31/03/2015 £000		31/03/2016 £000
	Finance Lease Debtor (Net Present Value of Minimum Lease Payments):	
42	Current	39
241	Non-current	155
602	Unearned Finance Income	557
885	**Gross Investment in the Lease**	**752**

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

31/03/2015			31/03/2016	
Minimum Lease Payments £000	**Finance Lease Liabilities £000**		**Minimum Lease Payments £000**	**Finance Lease Liabilities £000**
94	52	Not Later Than One Year	87	48
250	154	Later Than One Year, Not Later Than Five Years	177	141
541	396	Later Than Five Years	488	368
885	**602**		**752**	**557**

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:

31/03/2015 £000		31/03/2016 £000
877	Not Later Than One Year	869
662	Later Than One Year, Not Later Than Five Years	856
1,232	Later Than Five Years	1,392
2,771		**3,117**

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.

2014/15 Council Tax £'000	2014/15 Business Rates £'000	2014/15 Total £'000		2015/16 Council Tax £'000	2015/16 Business Rates £'000	2015/16 Total £'000
			Income			
(52,198)	-	(52,198)	Council Tax Payers	(53,488)	-	(53,488)
-	(33,075)	(33,075)	Business Rates Payers	-	(33,588)	(33,588)
			Transfer of Previous Years Deficit			
-	(332)	(332)	- Newcastle-under-Lyme Borough Council	-	(800)	(800)
-	(75)	(75)	- Staffordshire County Council	-	(180)	(180)
-	-	-	- Office of Police & Crime Commissioner	-	-	-
-	(8)	(8)	- Staffordshire Fire and Rescue Authority	-	(20)	(20)
-	(415)	(415)	- Central Government	-	(1,000)	(1,000)
(52,198)	**(33,905)**	**(86,103)**	**Total Income**	**(53,488)**	**(35,588)**	**(89,076)**
			Expenditure			
			Council Tax Precepts			
6,466	-	6,466	- Newcastle-under-Lyme Borough Council	6,541	-	6,541
35,841	-	35,841	- Staffordshire County Council	36,907	-	36,907
6,197	-	6,197	- Office of Police & Crime Commissioner	6,259	-	6,259
2,360	-	2,360	- Staffordshire Fire and Rescue Authority	2,430	-	2,430
			Business Rates Apportionment			
-	13,035	13,035	- Newcastle-under-Lyme Borough Council	-	13,144	13,144
-	2,933	2,933	- Staffordshire County Council	-	2,958	2,958
-	326	326	- Staffordshire Fire and Rescue Authority	-	328	328
-	16,293	16,293	- Central Government	-	16,430	16,430
			Other Expenditure			
-	142	142	Cost of Collection	-	141	141
-	131	131	Transitional Protection	-	(230)	(230)
366	221	587	Provision for Bad Debts	202	359	561
-	865	865	Provision for Appeals	-	1,067	1,067
			Transfer of Previous Years Surplus			
98	-	98	- Newcastle-under-Lyme Borough Council	140	-	140
567	-	567	- Staffordshire County Council	809	-	809
98	-	98	- Office of Police & Crime Commissioner	140	-	140
37	-	37	- Staffordshire Fire and Rescue Authority	54	-	54
52,030	**33,946**	**85,976**	**Total Expenditure**	**53,482**	**34,197**	**87,679**
(168)	**41**	**(127)**	**Deficit/(Surplus) for the Year**	**(6)**	**(1,391)**	**(1,397)**
(969)	**2,081**	**1,112**	**Balance Brought Forward at 1 April**	**(1,137)**	**2,122**	**985**
(168)	**41**	**(127)**	**Deficit/(Surplus) for the year**	**(6)**	**(1,391)**	**(1,397)**
(1,137)	**2,122**	**985**	**Balance Carried Forward at 31 March**	**(1,143)**	**731**	**(412)**
			Allocation of Collection Fund Balance			
(145)	849	704	- Newcastle-under-Lyme Borough Council	(144)	292	148
(801)	191	(610)	- Staffordshire County Council	(809)	66	(743)
(53)	21	(32)	- Staffordshire Fire and Rescue Authority	(53)	7	(46)
-	1,061	1,061	- Central Government	-	366	366
(138)	-	(138)	- Office of Police & Crime Commissioner	(137)	-	(137)
(1,137)	**2,122**	**985**		**(1,143)**	**731**	**(412)**

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 2015/16 was 49.3p, with a reduction for "small businesses" to 48.0p on application (48.2p in 2014/15 - "small business" reduction, 47.1p).

	2014/15 £	2015/16 £
Non Domestic Rateable Value at year-end	85,391,982	86,369,498

In 2013/14, the administration of business rates 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 business rates to a central pool, local authorities retain a proportion of the total collectable rates due. In the case of Newcastle-under-Lyme the local share is 40%. The remainder is distributed to preceptors, these are Central Government (50%), Staffordshire County Council (9%) and Stoke-on-Trent and Staffordshire Fire Authority (1%).

The business rates shares payable for 2015/16 were estimated, via the NNDR1 return, before the start of the financial year as £16.430m to Central Government, £2.958m to Staffordshire County Council, £0.328m to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and £13.144m to Newcastle-under-Lyme Borough Council.

The total of these sums (£32.860m) has been paid in 2015/16 and charged to the collection fund in year.

The actual business rates payable for 2015/16, 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 £32.251m.

The variance between the estimated business rates shared between Central Government, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and Newcastle-under-Lyme Borough Council as per the NNDR1 return (£32.860m) and the actual business rates payable per the NNDR3 return (£32.251m) is £0.609m - a deficit to the collection fund for 2015/16.

In addition to the business rates shares payable for 2015/16, the estimated 2014/15 deficit declared in January 2015 regarding business rates of £2.000m was repaid into the collection fund by Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

The actual 2014/15 deficit was calculated to be £2.122m, therefore there was a shortfall of £0.122m in the collection of this deficit in 2015/16 which will need to be recouped, along with the estimated 2015/16 deficit declared in January 2016, from Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority during 2016/17.

Taking into account the remaining 2014/15 deficit and the 2015/16 deficit, the business rates collection fund has a deficit of £0.731m as at 31 March 2016.

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 2015/16 to the value of £9.508m.

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 and Rescue Authority and Newcastle-under-Lyme Borough Council for the forthcoming year and dividing this by the council tax base. The average Band D tax in 2015/16 of £1,470.78 compared with £1,449.43 in 2014/15. Multiplication of this amount by the proportions set out in the Council Tax Base table below gives the amount due for a property in each band.

The Council Tax base for 2015/16 was 35,242 (34,890 in 2014/15), this was derived as follows:

Band & Value Range	Number of Dwellings	After Discounts & Exemptions	Ratio to Band D	Band D Equivalents
Band A-		54	5/9	30.07
Band A (Up to £40,000)	23,828	15,413	6/9	10,275.36
Band B (£40,001 - £52,000)	10,257	8,265	7/9	6,428.22
Band C (£52,001 - £ 68,000)	11,085	9,504	8/9	8,447.77
Band D (£68,001 - £88,000)	4,651	4,142	9/9	4,142.28
Band E (£88,001 - £120,000)	2,692	2,416	11/9	2,952.63
Band F (£120,001 - £160,000)	1,713	1,563	13/9	2,257.36
Band G (£160,001 - £320,000)	909	831	15/9	1,385.33
Band H (Over £320,000)	45	21	18/9	42.00
				35,961
Less non collection rate (2%)				(719)
Borough Council Tax Base				**35,242**

In addition to the Council Tax payable for 2015/16, the estimated 2014/15 surplus declared in January 2015 regarding Council Tax of £1.143m was repaid to the preceptors (Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council).

The actual 2014/15 surplus was calculated to be £1.137m, therefore there was a deficit of £0.006m on the payment of this surplus in 2015/16 which will need to be recouped during 2016/17, along with the estimated 2015/16 surplus declared in January 2016, to Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and Newcastle-under-Lyme Borough Council during 2015/16.

Taking into account the remaining 2014/15 surplus and the 2015/16 surplus of £1.137m, the Council Tax collection fund has a surplus of £1.143m as at 31 March 2016.

Audit Certificate

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

To be inserted upon receipt.

Appendices

Appendix 1 – Accounting Policies, Standards, Judgements, Assumptions and Adjustments

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2015/16 and the Service Reporting Code of Practice 2015/16, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

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

iv. Exceptional Items

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 3.1%. IAS19 states that the discount rate used to place a value on the liabilities should be “determined by reference to market yields at the end of the reporting period on high quality corporate bonds”. The calculation of the discount rate uses data intended to match to the duration of the pension liabilities of a typical employer together with the use of a weighted average duration to tailor the rate used to an individual employers liability duration profile. The data referred to is the government bond yield curve, which is readily available, and a corporate bond yield curve, constructed by the pension fund actuary based on the constituents of the iBoxx AA index.
- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - Quoted securities – current bid price;
    - Unquoted securities – professional estimate;
    - Unitised securities – current bid price;
    - Property – market value.
- The change in the net pensions liability is analysed into the following components:
    - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
    - Net interest on the net defined benefit liability/asset, i.e. net interest expense for the Council - the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments;
    - The return on plan assets, excluding amounts included in net interest on the net defined benefit liability/asset, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
    - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
    - Contributions paid to the Staffordshire Pension Fund - cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii. Events After the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

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

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

ix. Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Short Term Investments

Short term investments include:

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

Available-for-Sale Assets

The Council has no available for sale assets.

Instruments Entered Into Before 1 April 2006

The Council has entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that a contingent liability note (note 3.5) is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

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

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

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

xii. Intangible Assets

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves

Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Heritage Assets

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

Museum Collection

These items are reported in the Balance Sheet at insurance valuation, which is based on market values as assessed by an external valuer in October 2006. 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; and, a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2015/16 (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. Where the historical cost is unknown, a nominal value of £1 is attributed to the asset concerned;
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

xix. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

Contingent Liabilities

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

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

xx. Reserves

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

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

xxi. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive

Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure (less any grant or contribution received towards it) from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxii. VAT

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

xxiii. Council Tax

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

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

xxiv. National Non Domestic Rates (NNDR)

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

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

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

xxv. Fair Value Measurement

Some non-financial assets such as surplus assets and investment properties are measured at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market. Measurement uses the assumptions that market participants would use when pricing an asset or liability, assuming they are acting in their best economic interest and takes account of their ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Valuation techniques appropriate in the circumstances are used, and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date;
Level 2 - inputs other than quoted prices that are observable for the asset, either directly or indirectly;
Level 3 - unobservable inputs for the asset or liability.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards which will be incorporated within the 2016/17 Code:

- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of a new Expenditure and Funding Analysis. These changes to the statement of accounts are intended to make it more understandable by lay readers. They are presentational only and do not alter the reported net cost of services or the surplus or deficit on the provision of services.
- Minor changes to International Financial Reporting Standards These principally provide clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

The CIPFA Code of Practice on Transport Infrastructure Assets, which takes effect from 1 April 2016, will have no effect upon the Council's accounts because it does not have an integrated highway network.

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 2016 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- The recoverable amounts in relation to debtors;
- Principal actuarial assumptions used at the balance sheet date in respect of the defined benefit pension scheme;
- Fair values for property plant and equipment that are not based on recently observed market prices;
- Fair values for financial assets that are not based on recently observed market prices.
- The business rates retention scheme came into effect on 1 April 2013. The accounts include a provision for the estimated costs of appeals that have been lodged with the valuation office. This is a complex calculation based on past success levels. As at 31 March 2016 the Council's share of the estimated appeals against business rates is £0.733m.

5. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director - Resources and Support Services on 29th June 2016. Events taking place after this date are not reflected in the financial statements or notes. There were no material events taking place before this date about conditions existing at 31 March 2016 which required the amendment of figures in the financial statements or notes to the financial statements.

Appendix 2 – Supplementary Accounts

1. Building Control Account

NORTH STAFFORDSHIRE BUILDING CONTROL PARTNERSHIP, 2015-16 FINANCIAL YEAR

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

	Total	Fee Earning	Non-chargeable
	£000	£000	£000
Salaries	487	315	172
Premises	15	10	5
Transport	11	7	4
Supplies	8	5	3
Central Support	77	45	32
Structural Engineers	35	35	-
Total Expenditure	**633**	**417**	**216**
Building Regulation Charges	404	404	-
Miscellaneous Income	1	1	-
Total Income	**405**	**405**	**-**
Surplus/ (deficit)	**(228)**	**(12)**	**(216)**

2. 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 2015	Expenditure	Income	Balance at 31 March 2016
	£000	£000	£000	£000
Newcastle Almshouses Trust (Accom. For Poor)	25	4	15	36
Sports Advisory Council (Assistance to Sport)	4	6	19	17
Museum Purchase Fund (Purchase of Exhibits)	6	-	-	6
United Charities Eliza Hinds Charity (Grave)	3	-	-	3
United Charities Relief in Need (Gifts - Elderly)	31	1	1	31
United Charities Relief in Sickness (Gifts - Elderly)	74	2	3	75
	143	**13**	**38**	**168**

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 2014 and the carried forward balances are those for 30 September 2015.

3. Business Improvement District

The Council provides services as an agent to the Newcastle-under-Lyme Business Improvement District. The Council collected income of £0.120m on behalf of the Business Improvement District during the financial year 2015/16, this amount was accordingly paid to the Business Improvement District.

Appendix 3 – Annual Governance Statement 2015/16

To be inserted following approval.

Signed ________________________ Councillor Elizabeth Shenton, Leader of the Council

Signed ________________________ John Sellgren, Chief Executive

Dated _________________________

Appendix 4 – 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.

Business Improvement District (BID)
A BID is a defined area within which businesses are required to pay an additional business rates levy (a business rates supplement) in order to fund projects within the BID's boundaries. A completely separate body from the Council is responsible for operating the BID scheme. The BID is often funded primarily through the levy but can also draw on other public and private funding streams. The Council as billing authority collects the supplement and pays it over to the BID body, whose income it is, charging the body for the costs of collection.

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

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

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

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

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

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

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

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

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

Contingent Liability
A contingent liability is either: -

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

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

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

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

Fair Value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market.

Fair Value Hierarchy
A three level classification of techniques used in order to measure the fair value of financial assets and liabilities. The highest level (Level 1) uses quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date, Level two uses inputs other than quoted prices that are observable for the asset, either directly or indirectly and Level 3 uses unobservable inputs for the asset or liability. Techniques employed should aim to maximise the use of observable inputs and minimise the use of unobservable inputs.

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

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

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

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

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

Non operational assets

- Investment Properties;
- Assets Held for Sale.

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

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.

iBoxx
iBoxx bond market indices are benchmarks for professional use and comprise liquid investment grade bond issues. They enable investors to analyse and select benchmarks that reflect their investment profile

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.

Quoted Securities
Assets such as shares that are traded on financial exchanges.

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

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

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

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

- Members of the close family or the same household, and

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

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

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

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

Unitised Securities
A fund that is sold in units specified by a fund manager, rather than shares of fund managed assets.

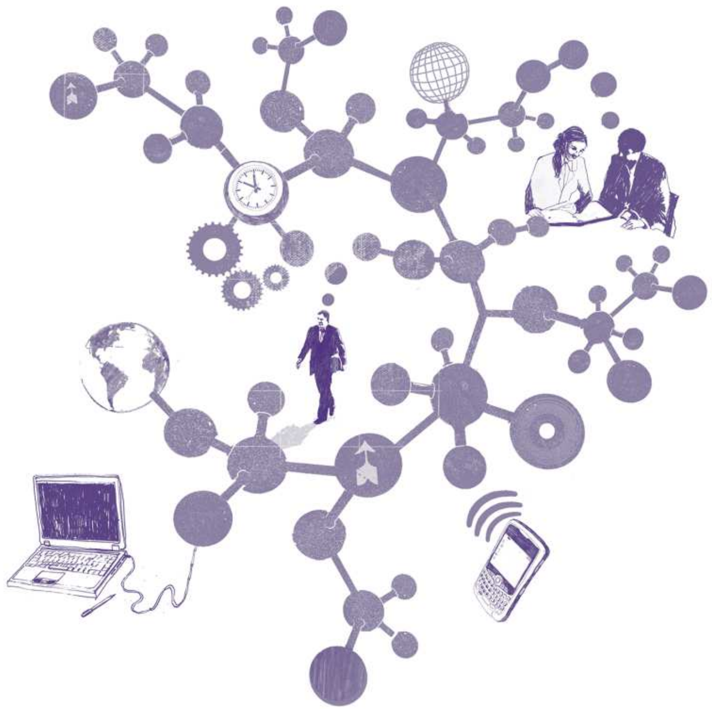
Unquoted Securities
Assets such as shares that are not traded on financial exchanges.

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

The Audit Findings for Newcastle under Lyme Borough Council

Year ended 31 March 2016

September 2016



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September 2016

Dear Members

Audit Findings for Newcastle under Lyme Borough Council for the year ending 31 March 2016

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Newcastle under Lyme Borough Council, the Audit and Risk Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. 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.

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

Yours sincerely

John Gregory

Engagement Lead

Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Newcastle under Lyme Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure 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 consider other information published together with the audited financial statements: whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2016.

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

- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

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

Key audit and financial reporting issues

Financial statements opinion

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

The key messages arising from our audit of the Council's financial statements are:

- We received the draft accounts and supporting working papers on the 8 June, which is significantly earlier than in previous years and demonstrates the progress made by officers in preparing for the earlier audit deadlines, which come into effect for 2017/18.
- The Council produced draft accounts to a good standard and with an overall high level of compliance with disclosure requirements. The audit identified a small number of minor adjustments to the disclosures to improve presentation.
- The financial statements for the year ended 31 March 2016 recorded net expenditure of -£6,425,000 which is due to a reduction in the IAS19 liability of £8,680,000 We have identified no adjustments affecting the Council's reported financial position.

Further details are set out in section two of this report.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

Controls

Roles and responsibilities

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

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

Findings

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

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit and Risk Committee which is due in February 2017.

The way forward

Matters arising from the financial statements audit and our 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).

Acknowledgement

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 2016

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £1,176k (being 2% of gross revenue expenditure) . We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £58k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10k
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10k
Disclosure of members allowances in the note to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10k

Audit findings against significant risks

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

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

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

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	**Valuation of property, plant and equipment** The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	• Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.	Our audit work has not identified any issues in respect of the valuation of property, plant and equipment.

Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
4.	**Valuation of pension fund net liability** The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	• Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. • Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements. • Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.	Our audit work has not identified any issues in respect of the valuation of pension fund net liability.

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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • Reviewed the reconciliation between payroll and the general ledger • Performed analytical procedures of the payroll on a month by month trend analysis • Tested payroll expenditure from a sample of employees.	Our audit work has not identified any significant issues in relation to the risk identified.
Welfare expenditure	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • Performed detailed testing of benefits expenditure by following the HBCOUNT methodology.	Our audit work has not identified any significant issues in relation to the risk identified

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Audit findings against other risks continued

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding. • Reviewed the year end control account reconciliations. • Consideration of year end accrual processes. • Unrecorded liabilities testing of payments at year end. • Testing a sample of operating expenses covering the period 1/4/15 to 31/3/16 to ensure they have been accurately accounted for. • Substantively tested post end payments to ensure expenditure is recorded in the correct period.	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates and judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. • There are policies covering the major sources of income such as fees and charges, grants, Council Tax, NDR and interest receivable.	Our review of revenue recognition 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 PPE – Revaluations – Impairments – Accruals – Valuation of pension fund net liability – Provision for NNDR appeals – Other provisions	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

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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

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Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Executive Director (Resources and Support Services), s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	● Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	● Green

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

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Council.
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to Lloyds Bank, Co-Operative Bank, Santander and Nationwide Building Society for bank and investment balances . This permission was granted and the requests were sent. Most of these requests were returned with positive confirmation, however confirmations were not received from Santander so we undertook alternative procedures, including verifying to bank statements.
6.	**Disclosures**	• Our review found no material omissions in the financial statements

Other communication requirements continued

	Issue	Commentary
7.	**Matters on which we report by exception**	We have not identified any issues we would be required to report by exception in the following areas • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. • Note that work is not required as the Council does not exceed the threshold;

Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Welfare Expenditure and Operating Expenses as set out on page 13 and 14 above.

The controls were found to be operating effectively and we have no matters to report to the Audit and Risk Committee

Section 3: Value for Money

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in February 2016 and identified the following significant risk, which we communicated to you in our Audit Plan dated March 2016:

The Council has already developed working partnerships such as Staffordshire County Council to develop a civic hub in Newcastle and Aspire Housing in relation to housing within Newcastle.

We need to understand how these and other partnerships help the Council to achieve its strategic priorities.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Gaining an understanding of the partnerships that the Council are involved in and how they help the Council achieve its strategic priorities.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix A.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Working with Partners The Council has already developed working partnerships such as with Staffordshire County Council to develop a civic hub in Newcastle and Aspire Housing in relation to housing within Newcastle. We need to understand how these and other partnerships help the Council to achieve its strategic priorities.	We have held discussions with Key Officers (Executive Director of Resources and Support Services, Internal Audit Manager/Monitoring Officer) to obtain their views on Partnership working. We have reviewed Committee minutes, the MTFS and the Council plan to obtain evidence of partnership working	The Council Plan makes direct reference to the Council's partnership arrangements. The Council is also a member of the Newcastle Partnership which is the strategic partnership for the borough and has the vision of bringing Newcastle communities together and securing a prosperous future. Examples of other partnership working include: • The Council is working with other Local Authorities on the Stoke on Trent and Staffordshire Business Rates Pool ensuring that resources are retained locally and reinvested in Staffordshire and Stoke on Trent. • The Council is also working with Kidsgrove Town Centre Partnership and the Newcastle Business Improvement District to support local businesses within the Borough. • The Council has launched a communications project with the Sentinel (Newspaper group). This is the first project of its kind in the country involving the Council and a private sector partner to generate income from Council assets for advertising and marketing purposes. Partners from the local newspapers can get involved with each site to identify customers for advertising space, sales and income collection. We have concluded that the Council has proper arrangements in place for partnership working to achieve its strategic priorities.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Fees, non audit services and independence

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We confirm below our final fees charged for the audit.

Fees

	Proposed fee £	Final fee £
Council audit	55,002	55,002
Grant certification	8,052	8,052
Total audit fees (excluding VAT)	**63,054**	**63,054**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, would be shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services:	Nil
Non-audit services	Nil

No non-audit or audited related services have been undertaken for the Council

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 to those charged with governance

International Standards on Auditing ISA (UK&I) 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 Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

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 at the time of our appointment. 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 NAO (https://www.nao.org.uk/code-audit-practice/about-code/). 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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

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Appendix A: Audit opinion

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

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

We have audited the financial statements of Newcastle Under Lyme Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of the Executive Director - Resources and Support Services Responsibilities, the Executive Director - Resources and Support Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

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

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

xx September 2016

Letter of Representation

To: Grant Thornton UK LLP

Dear Sirs

Newcastle Under Lyme Borough Council Financial Statements for the year ended 31 March 2016

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 2016 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 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.
We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view in accordance therewith.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Information Provided

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

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

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 identity of all 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.

Narrative Statement

xxvi The disclosures within the Narrative Statement fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Audit and Risk Committee at its meeting on 26 September 2016.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Council

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