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Date of meeting	**Monday, 8th November, 2021**
Time	**7.00 pm**
Venue	**Astley Room - Castle**
Contact	Denise French

NEWCASTLE UNDER LYME BOROUGH COUNCIL

Castle House
Barracks Road
Newcastle-under-Lyme
Staffordshire
ST5 1BL

Audit and Standards Committee

AGENDA

PART 1 – OPEN AGENDA

1 APOLOGIES

2 DECLARATIONS OF INTEREST

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

3 MINUTES OF PREVIOUS MEETING **(Pages 3 - 8)**

To consider the minutes of the previous meeting held on 26 July 2021.

4 AUDITED STATEMENT OF ACCOUNTS 2020/21 **(Pages 9 - 138)**

This item includes supplementary reports.

5 TREASURY MANAGEMENT HALF YEARLY REPORT 2021/22 **(Pages 139 - 152)**

6 INTERNAL AUDIT UPDATE QUARTER 2 **(Pages 153 - 158)**

7 QUARTER 2 2021/22 CORPORATE RISK MANAGEMENT REPORT **(Pages 159 - 180)**

8 WALLEYS QUARRY RISK PROFILE **(Pages 181 - 184)**

9 WORK PLAN **(Pages 185 - 186)**

10 DISCLOSURE OF EXEMPT INFORMATION

To resolve that the public be excluded from the meeting during consideration of the following report(s) as it is likely that there will be disclosure of exempt information as defined in paragraphs contained within Part 1 of Schedule 12A (as amended) of the Local Government Act 1972.

11 WALLEYS QUARRY RISK PROFILE - CONFIDENTIAL APPENDIX **(Pages 187 - 194)**

12 URGENT BUSINESS

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

Members: Councillors Paul Waring (Chair), Barry Panter (Vice-Chair), Mark Holland, Sylvia Dymond, Sarah Pickup, Mike Stubbs and Bert Proctor

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.

SUBSTITUTE MEMBER SCHEME (Appendix 9, Section 4 of Constitution)

The Constitution provides for the appointment of Substitute members to attend Committees. The named Substitutes for this meeting are listed below:-

Substitute Members:	Graham Hutton	Kyle Robinson
	Andrew Parker	Gillian Williams
	Gillian Burnett	Kenneth Owen

If you are unable to attend this meeting and wish to appoint a Substitute to attend in your place you need to:

- Identify a Substitute member from the list above who is able to attend on your behalf
- Notify the Chairman of the Committee (at least 24 hours before the meeting is due to take place) NB Only 2 Substitutes per political group are allowed for each meeting and your Chairman will advise you on whether that number has been reached

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

NOTE: THERE ARE NO FIRE DRILLS PLANNED FOR THIS EVENING SO IF THE FIRE ALARM DOES SOUND, PLEASE LEAVE THE BUILDING IMMEDIATELY THROUGH THE FIRE EXIT DOORS.

ON EXITING THE BUILDING, PLEASE ASSEMBLE AT THE FRONT OF THE BUILDING BY THE STATUE OF QUEEN VICTORIA. DO NOT RE-ENTER THE BUILDING UNTIL ADVISED TO DO SO.

AUDIT AND STANDARDS COMMITTEE

Monday, 26th July, 2021
Time of Commencement: 7.00 pm

Present:	Councillor Paul Waring (Chair)		
Councillors:	Barry Panter Ken Owen	Mark Holland Gill Williams	Sarah Pickup

Officers:	Sarah Wilkes	Head of Finance / S151 Officer
	Dave Adams	Executive Director, Operational Services
	Denise French	Democratic Services Team Leader
	Simon Sowerby	Business Improvement Manager
	Craig Turner	Finance Manager
	John Benbow	Audit Service
Also in attendance:	Councillor Stephen Sweeney	Portfolio Holder for Finance, Town Centres and Growth

60. **APOLOGIES**

Apologies for absence were received from Councillors Sylvia Dymond (substitute Councillor Gill Williams), Councillor Bert Proctor (substitute Councillor Ken Owen) and Mr Phil Butters.

61. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

62. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 19th April 2021 be agreed as a correct record.

63. **HEALTH AND SAFETY ANNUAL REPORT 2020/21**

The Committee considered the Annual Health and Safety Report. The report covered the period 1st April 2020 – 31st March 2021 and its purpose was to keep Members informed of health and safety matters. The report noted how planned workloads had to adapt due to Covid and that specific risk assessments had to be introduced in line with guidance and then reviewed and amended in line with any changes to guidelines.

The report noted that the Employee Handbook and Workplace Policy on Smoking had been agreed at the Corporate Health and Safety Committee, including an addendum on Covid. First Aid training had taken place. The report outlined the number of accidents and reportable accidents both to employees and employees and the public. The figures showed a reduction on previous years but this could be explained due to not all services opening during the year and some services running at depleted levels.

The report proposed that the practice of submitting a six monthly report be removed to enable officer time to be spent on proactive health and safety measures. An annual report would still be produced.

Resolved: that:

(a) The report be received; and
(b) The necessity for a six month health and safety report be removed and an annual report on Health and Safety continue to be submitted.

64. INTERNAL AUDIT ANNUAL REPORT 2020/21

The Committee considered the Internal Audit Annual Report 2020/21, presented by John Benbow.

The Audit Service had been impacted by the pandemic and a review had been undertaken to ensure the areas that represented the greatest risk were subject to audit during the year, as set out in the report.

The report set out current work in progress and it was noted that the previous audit of the Joint Local Plan had been replaced by an audit of Planning Enforcement following the decision of the Borough Council to progress its own Local Plan. There had been seven recommendations made following audit reviews during the year, with only one recommendation being classed as ‘high’ and none had yet reached their due date.

The Public Sector Internal Audit Standards required the Head of Internal Audit to submit an annual opinion on the overall effectiveness of the council’s framework of governance, risk management and control. The Chartered Institute of Public Finance and Accountancy had produced guidance on this matter in the light of the pandemic, which recognised the difficulties faced by councils and whether the Head of Internal Audit could issue the annual opinion or whether there would need to be a limitation of scope. The limitation of scope would occur when the Head of Internal Audit was unable to draw on sufficient assurance to issue a complete annual opinion and this was the case for the Borough Council; this limitation was based on the impact of the pandemic and it was confirmed that this situation did not reflect adversely on the Borough Council

Resolved: that the report be noted.

65. INTERNAL AUDIT UPDATE QUARTER 1

The Committee reviewed the Internal Audit Quarter 1 update presented by John Benbow. There had continued to be challenges due to the pandemic.

There were a number of audits in progress as listed in the report. As at the end of June there had been 262 recommendations made of which 242 had been implemented.

Resolved: that the report be received.

66. **QUARTER 4 2020/21 AND QUARTER 1 2021/22 CORPORATE RISK MANAGEMENT REPORT**

The Committee considered the Quarter 4 2020/21 and Quarter 1 2021/22 Corporate Risk Management reports. The report set out how the Council managed risks. For Quarter 4 there were no overdue risk reviews. For Quarter 1 of the current year there were 10 overdue risk reviews for the reasons as set out in the report.

Resolved: that the Committee notes:

(a) There are no overdue risk reviews during Quarter 4;
(b) There are 10 overdue risk reviews during Quarter 1;
(c) There were no risk level increases during Quarter 4;
(d) There were no risk level increases during Quarter 1;
(e) There were 2 new identified risks during Quarter 4;
(f) There was one new risk identified during Quarter 1;
(g) The updated corporate risks were set out in Appendix A; and
(h) Identifies Walleys Quarry as the risk profile to be subject to detailed scrutiny at the next meeting.

67. **PROPOSED ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY FOR THE 2020/21 STATEMENT OF ACCOUNTS**

The Committee considered the proposed Accounting Policies to form part of the Statement of Accounts for 2020/21.

Resolved: that

(a) The proposed Accounting Policies be approved to form part of the Statement of Accounts 2020/21;
(b) The critical judgements in applying Accounting Policies and the assumptions made about the future and other major sources of estimation uncertainty that will form part of the Statement of Accounts 2020/21 be approved; and
(c) The Head of Finance (section 151 Officer) be granted delegated authority to make further changes to Accounting Polices to reflect the release of new or updated guidance if applicable.

68. **DRAFT STATEMENT OF ACCOUNTS 2020/21**

The Committee considered the Draft Statement of Accounts 2020/21. Regulations had come into force on 31 March 2021 that extended the publication of Statement of Accounts for a two year period to the 30 September. This meant the draft accounts were required to be published by 1 August and would be available for public inspection during the first 10 working days of August.

The report outlined the impact of the pandemic on the council's finances and set out the Government financial support that had been received. The Head of Finance explained that the council was required to provide assurance to the Government regarding how grant funding had been spent and guidance notes were provided which had been followed.

The Head of Finance explained that certification of the pension fund was provided by Ernst and Young who had notified the External Auditors that there would be a delay; this would result in a delay in completing the external audit on the council's Statement of Accounts.

Resolved: that

(a) The General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2021 be noted; and
(b) The draft Statement of Accounts be approved for publication and audit.

69. ANNUAL GOVERNANCE STATEMENT 2020/21

The Committee considered the Annual Governance Statement (AGS). It was a requirement under the Accounts and Audit Regulations to publish an AGS to emphasise the importance of embedding internal control, including risk management, throughout the council.

The AGS included the following headings:

- Scope of responsibility
- Delivering governance in Local Government: framework
- The governance framework
- Review of effectiveness
- Significant governance issues
- Reflecting the challenges and impact of Coronavirus

Resolved: That the Annual Governance Statement for 2020/21 be approved.

70. TREASURY MANAGEMENT ANNUAL REPORT 2020/21

The Committee considered the Treasury Management Annual Report 2020/21. The Committee's remit included reviewing treasury management performance in accordance with the Chartered Institute of Public Finance and Accountancy good practice.

Treasury management included management of the council's investments and cash flows, its banking, money market and capital market transactions; effective control of associated risks and the pursuit of optimum performance. The council used Arlingclose Ltd for advisory services for treasury management.

Resolved: that the Treasury Management Report for 2020/21 be received and be reported to full Council on 22 September 2021.

71. COMMITTEE WORK PLAN

The Committee considered the current Work Plan. The Head of Finance suggested cancelling the meeting scheduled for 27 September 2021 due to the delays in approving the Annual Statement of Accounts meaning the items scheduled for that meeting would not be ready; this had been discussed under item 68 above. This was agreed.

Members were also informed that a report on the impact of the Coronavirus and lessons learned would be submitted to Finance, Assets and Performance Scrutiny Committee and could be removed from its Work Plan.

Resolved: that

(a) Items on the Work Plan listed for 27 September be deferred to the 8 November and the meeting on 27 September be cancelled; and
(b) The item on the impact of Covid be removed from the Work Plan.

72. **URGENT BUSINESS**

There was no Urgent Business.

Chair

Meeting concluded at 7.45 pm

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S
REPORT TO

Audit & Standards Committee
08 November 2021

Report Title: **Audited Statement of Accounts 2020/21**

Submitted by: **Head of Finance (Section 151 Officer)**

Portfolios: **Finance, Town Centres and Growth**

Ward(s) affected: **All**

Purpose of the Report To receive the final accounts and audit findings report for the financial year 2020/21.
Recommendation 1. **The final accounts for the financial year 2020/21 be received and approved.** 2. **The audit findings report for the financial year 2020/21 be received.**
Reasons The Council is required to publish its audited accounts for the financial year 2020/21 on 30 September 2021, or where circumstances dictate, as soon as reasonably practicable after this date.

1. **Background**

1.1 The Accounts and Audit Regulations (Amendment) 2021 require that for the 2020/21 accounting period the publication of authority accounts shall be no later than 30 September 2021 if the audit has been concluded. It was previously expected that the final Statement of Accounts would be presented to the Audit and Standards Committee for approval on 27 September 2021.

1.2 Where the audit of the financial statements has not been completed by this date the authority should, as soon as reasonably practicable on or after this date, publish on its website a notice stating that it has not been able to publish the accounts and the reasons for this.

1.3 A notice was placed on the Council's website on 30 September 2021 stating that the accounts could not be published on this date due to issues beyond both the Council and Grant Thornton's control, these related to delays in the completion of the audit of the Staffordshire Pension Fund by another audit firm.

1.4 The Accounts and Audit Regulations govern the way in which a local authority should present its financial affairs. The regulations require the Council to produce a statement of accounts for the financial year detailing its financial transactions for the year and its position at the year end and that this Statement be scrutinised and approved by an appropriate committee, in this case the Audit and Standards Committee. The Statement is produced in a standardised form in line with CIPFA (the Chartered Institute of Public Finance and Accountancy) guidelines. They set out procedures which must be followed with regard to public inspection rights, audit, approval and publication of the statement.

1.5 The Regulations require the draft Statement of Accounts to be certified by the responsible financial officer, the Head of Finance (Section 151 Officer), as presenting a true and fair view of the Council's financial position by 31 July and this was done on 19 July 2021. During the first ten working days of August 2021, the public had the right to inspect the accounts. No objections to the draft accounts were received.

1.6 The Council's external auditors Grant Thornton have advised that they expect to issue their Audit Findings Report and opinion on the financial statements during the first week of November and this will follow as soon as it is received.

2. **Issues**

2.1 Since the last meeting of this Committee officers have continued to work closely with the external auditors to complete the audit.

2.2 Grant Thornton have advised that they expect to issue their Audit Findings Report including their opinion on the financial statements during the first week in November. The accounts will be recertified by the Council's Head of Finance (S151 Officer) and be made available for Members to inspect at this point.

2.3 The Committee are now asked to formally receive the audited accounts and the final audit findings report. The annual audit letter will be presented to the Committee at the February meeting.

2.4 As a result of the ongoing COVID-19 pandemic the National Audit Office has updated its guidance to auditors to allow them to postpone completion of their work on arrangements to secure value for money and to focus resources on the delivery of opinions on the financial statements. As a result the Auditor's Annual Report, including commentary on arrangements to secure value for money will be published no later than January 2022 and will be reported to the Audit and Standards Committee on 7 February 2022.

3. **Proposal**

3.1 The Audited Statement of Accounts for 2020/21 be received and approved by the committee together with the Audit Findings Report for 2020/21.

4. **Reasons for Proposed Solution**

4.1 Regular reporting of the Council's financial position is a key discipline supporting sound financial management and corporate governance.

5. **Options Considered**

5.1 Completion of the statement is best practice and demonstrates the transparency of the Council's Governance arrangements for 2020/21.

6. **Legal and Statutory Implications**

6.1 The Council must comply with the Accounts and Audit Regulations 2015, in particular the requirement to publish the financial statements.

7. **Equality Impact Assessment**

7.1 There are no differential equality issues arising directly from this report.

8. **Financial and Resource Implications**

8.1 There are no financial and resource implications arising directly from this report.

9. **Major Risks**

9.1 If internal controls are not managed effectively and within the law, public resources will not be safeguarded from waste or property accounted for.

9.2 If internal controls are not reviewed regularly, continuous improvement may not be exercised.

10. **UN Sustainable Development Goals (UNSDG)**

10.1 Not applicable for this report.

11. **Key Decision Information**

11.1 This is not a key decision, the report is for informational purposes and is considered best practice.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Not applicable for this report.

13. **List of Appendices**

Appendix 1: Audited Statement of Accounts for the Financial Year 2020/21
Appendix 2: Audit Findings – Grant Thornton

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AUDITED

NEWCASTLE UNDER LYME BOROUGH COUNCIL

Statement of Accounts

2020/21

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. Throughout the Statement, various unusual or technical terms are employed which may not be familiar to all readers. A Glossary (page 79) has therefore been provided which explains the meaning of such items.

Narrative Report

Commentary by the Head of Finance (Section 151 Officer)

a. Introduction

Welcome to Newcastle-under-Lyme Borough Council's Statement of Accounts for the financial year 2020/21. The accounts give a summary of the money that the Council has received, what it has been spent on during the year, and its financial position at 31 March 2021. This Narrative Report provides a context to the accounts by presenting a summary of the Council's financial activities and its prospects for future years.

Regulations governing the production of the Statement of Accounts

The accounts have been prepared on a going concern basis and in accordance with the Accounts and Audit Regulations 2015 and the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom" 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 2 August 2021 and 13 August 2021, as notified on the Council's website.

The accounts are scheduled to be approved by the Audit and Standards Committee on 27 September 2021 in accordance with the Accounts and Audit Regulations 2015. The signature of the Committee Chair (who presided over the meeting) will be included at the conclusion of this report in line with these regulations as evidence of approval of the 2020/21 Statement of Accounts.

General Accounting Policies

The accounting policies adopted by the Council comply with the relevant recommended accounting practice. The Council's service costs have been analysed in the Comprehensive Income and Expenditure Statement reflecting the Council's management reporting structure. Materiality considerations follow the policies set out in the CIPFA Code of Accounting Practice. In addition, the analysis of capital expenditure follows CIPFA's recommendations showing non-current and intangible assets separately. These recommended practices are all designed to meet the requirements of International Financial Reporting Standards (IFRS).

There have been no changes in the Council's statutory functions during the year.

The former Interim Executive Director of Resources and Support Services informed the Ministry of Housing, Communities and Local Government by letter on 5 December 2019 of the Council's intention to make flexible use of £0.400m of capital receipts in the financial year 2020/21. The flexible use of capital receipts has been utilised in 2020/21 for expenditure that meets the eligibility criteria, in that it relates to initiatives that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery.

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, which does not always lead to a style which is easily understood. Accordingly a Guide to the Statement of Accounts (page 4) has been provided.

Accountability/financial reporting

Local authorities are governed by a rigorous structure of controls to provide stakeholders with confidence that public money has been properly accounted for. As part of the process of accountability, the 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 secure.

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.

Newcastle under Lyme Borough Council

The Council is a second tier district council within the County of Staffordshire, with a population of 129,600. It consists of the urban areas of Newcastle and Kidsgrove, with a town council, and an extensive rural area containing nine parishes, each with a parish council.

The Council has 44 members representing residents in 21 wards following elections in May 2018. Full Council, consisting of all members, is responsible for setting Council policy, whilst other decisions within the policy framework set by Full Council are determined by a Cabinet, currently consisting of 6 members.

Operational management is carried out under the direction of the Chief Executive, two Executive Directors, the Section 151 Officer and the Monitoring Officer who currently comprise the Executive Management Team (EMT).

The Council employed 475 people (414 full time equivalents), as at 31 March 2021.

The Council Plan 2018-2022, which can found on the Council's website, details the Council's plans for the period. The plan sets out the Council's aspirations and priorities.

It sets out the new vision of the Council as, 'good local services, a prosperous borough, and safe and welcoming places for all'. It also focuses the work of everyone in the Council on four key priorities:

- Local services that work for local people
- Growing our people and places
- A healthy, active and safe borough
- A town centre for all

The plan sets out how the Council will work to make the borough an even better place for everyone who lives, works, studies or visits here. The Council's aims can only be achieved by taking advantage of every opportunity available and developing new ones through innovation and a more collaborative approach.

The Council is committed to strong and sustainable economic growth for the borough, focusing upon opportunities around Keele University, Newcastle town centre and Kidsgrove, the Council's unprecedented success in attracting Government funding regarding regeneration and improvements to Newcastle and Kidsgrove town centres are detailed under the Economic Recovery section of this commentary.

Equally the Council is committed to achieving visible improvements in service delivery. The most recent can be seen with the opening of the impressive Castle House, the new home for the Council and other public services set in Queen's Gardens. This move has allowed the Council to embrace a new way of working and opportunities for better service delivery both amongst our own teams and with our partners who share the space with us. It also sets the standard for future developments and partnership working in the borough. The recently commenced One Council major transformation programme is detailed under the Financial Recovery section of this commentary.

Details of the services which the Council provides and their budgets are set out in budget books for each financial year which are available on the Council's website.

Financial summary 2020/21

The financial activities of the Council can be categorised as either revenue or capital. Revenue spending represents the cost of 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 such as buildings, plant and equipment.

Revenue expenditure and income

Where does the money come from, and where is it spent?

Local authorities receive income from a variety of sources, from the Government in the form of grants, from households in the form of Council Tax (a property based charge payable by local residents dependent upon the Valuation Office's valuation band for their property), from consumers in respect of fees and charges and rents and from a share of business rates from occupiers of commercial premises within the Borough (based upon the rateable value set by the Valuation Office in respect of the properties concerned).

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.

The gross income (£37.856m) and expenditure (£62.849m) attributable to management reporting areas is shown in the Comprehensive Income and Expenditure Statement (page 29).

General Fund Revenue Budget outturn

The General Fund is the main revenue account of the Council and relates to all of those services which are funded by the Council Tax, Retained Business Rates and Government Grant.

The Coronavirus pandemic has had a significant impact on the Council's financial position through a mixture of lost income (£3.075m) and additional costs (£1.865m). For 2020/21 Government Coronavirus funding of £2.328m was secured (including £346k of new burdens funding to offset the costs of administering Coronavirus business support grant, hardship relief, and self-isolation grant schemes), this has significantly reduced the pressures of additional spending and pressures on the futureproof of the Council finances.

Further Government funding to assist with the Council's response to the Coronavirus was also secured during 2020/21 in relation to rough sleepers (£0.196m), outbreak control (£0.179m), enforcement (£0.061m) and the reopening of the high street (£0.115m).

The Council's revenue budget relies on service income from fees and charges of around £0.850m, per month across a wide range of services, with a significant proportion coming from J2 and car parking. Income losses from fees and charges for the financial year have amounted to £3.075m, net of furlough scheme assistance of £0.197m.

The Government announced that it will fund income losses, relating to irrecoverable fees and charges, above the first 5% at the rate of 75p in the pound for 2020/21, which again significantly insulated the Council from income related financial risks. The Government's income compensation scheme offset these income losses to the sum of £1.994m.

The Council approved a General Fund Revenue Budget of £15.690m on 19 February 2020. The outturn for 2020/21 shows a favourable variance of £0.005m against this budget.

The adverse variances that occurred during 2020/21 include:

a. Income shortfalls from sales, fees and charges which are eligible for partial reclaim via the Income Losses Scheme, these amount to £3.075m for the financial year.

b. Additional expenditure pressures as a result of the Coronavirus pandemic amount to £1.865m (a further £551k has been spent regarding the provision of services/activity for which specific funding has been received).

   These include Waste and Recycling (£798k disposal costs and hire of vehicles to allow social distancing) and a top up of the general fund reserve to its minimum level regarding the 2019/20 deficit of £0.207m.

c. Housing Benefits payments made by the Council which are not fully subsidised by the Department of Works and Pensions, mainly around the provision, often emergency, of accommodation for vulnerable and homeless people, the shortfall from this and the under recovery of overpayments will amount to £0.450m for 2020/21.

These adverse variances have been offset in full by the following favourable variances:

a. Government Funding to offset pressures that the Council has/will continue to face as a result of the Coronavirus pandemic, £3.076m has been received or is due for the financial year (£551k relates to the specific provision of services/activity and £196k relates to Furlough).

b. The Council will be reimbursed £1.994m in relation to the Income Losses scheme for eligible sales, fees and charges income shortfalls for the year.

c. Expenditure has been reduced wherever possible throughout the Council to ensure that only absolutely necessary spending is being incurred, this has helped to reduce the adverse variance on a service by service basis.

A reconciliation of the Comprehensive Income and Expenditure Statement to the deficit declared above can be seen in the table below, further information can be obtained from the statements and notes referenced:

	£000
Service provision (per CIES-p29)	3,734
Adjustments between accounting basis and funding basis (note 8-p51)	(13,588)
Movement in useable reserves (excluding transfer of surplus) (note 9-p53)	9,849
(Surplus)/Deficit for 2020/21	**(5)**

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 priorities and vision over the short, medium and long term, the Council plans and budgets for expenditure by means of a rolling programme.

A Capital Programme totalling £12.454m was approved for 2020/21. Of this total £10.454m relates to the total cost of new schemes for 2020/21 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and a £1.000m contingency. In addition £3.025m was brought forward from the 2019/20 Capital Programme, resulting in a total Capital Programme of £15.479m for 2020/21.

Due to the Coronavirus pandemic and the financial impact this has placed on the Council, a review of the 2020/21 Capital Programme was completed with the assistance of Budget Holders and members of the Capital, Assets and Commercial Investment Review Group. The rationale behind this review was to establish which of the capital projects approved in the programme were essential or health and safety related, were unable to be commenced due to the pandemic, could be deferred due to resources and services available during the crisis or were no longer required. The resulting revised 2020/21 Capital Programme totalled £7.303m.

In addition to the revised 2020/21 Capital Programme, capital expenditure of £1.750m regarding the Advanced Towns Deal funding £0.400m regarding the Flexible Use of Capital Receipts, £0.103m of One Council expenditure and £0.220m regarding Section 106 works were planned.

Planned expenditure financed via capital for 2020/21 therefore totalled £9.776m. Actual expenditure has totalled £7.521m, £2.255m below that planned. This relates in its entirety to expenditure that has been rolled forward into 2021/22.

The capital investment made during 2020/21 and the financing of this expenditure is shown in Note 27 (page 65).

Collection Fund

Local tax income is collected by billing authorities and paid into local 'collection funds' (the Council is a billing authority). Where there is a shortfall in tax receipts (compared to expected levels), this leads to a deficit on the collection fund for which the precepting authorities are liable. Billing and major precepting authorities are usually required to meet their share of any deficit during the following financial year.

In response to shortfalls in tax receipts that have been incurred by the Council relating to Coronavirus (£0.134m primarily incurred regarding additional residents of the Borough claiming Council Tax Support and £7.400m regarding the Governments measures to assist business rates payers during the Coronavirus pandemic through reliefs and Business Rates bad debts), the government announced that repayments to meet collection fund deficits accrued in 2020/21 will instead be phased over a three-year period (2021/22 to 2023/24) to ease immediate pressures on future budgets.

The government introduced a scheme similar to the income compensation to cover 75% of local government's collection fund deficits for 2020/21, with a small number of exclusions, this compensation amounts to £1.711m for the Council. The deficit will largely be repaid during the next 3 financial years from the income compensation and from Section 31 grant paid to the Council over its budget amount regarding the Governments measures to assist business rates payers (£5.337m), the remainder will be funded from part of the Business Rates reserve balance resulting from levy savings and previous years surpluses generated.

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 an adverse economic situation.

The Coronavirus pandemic continues to be the greatest single risk to the health and economic wellbeing of the country since the Second World War. In February 2020 the Council established an Incident Management Team to plan the Council's response, ensuring that support to local residents and businesses was provided, that Council services were maintained, and the welfare of officers and members protected. Informal Cabinet have been regularly briefed on the work being progressed, including a daily briefing with the Leader. The approach adopted is based on existing business contingency arrangements and has put the Council in a good position in terms of stepping up its response.

The Incident Management Team interfaces with a range of groups which have been set up countywide to co-ordinate the response to the pandemic, including the Strategic Coordinating Group, and working groups on mortality management and vulnerability. Cabinet has received reports at its monthly meetings since April detailing the work of the Incident Management Team. At May's Cabinet meeting, Members emphasised that the Council was firmly focused on recovery, with key elements of the response running in parallel.

Five areas of recovery work have been, and continue to be addressed:

- Reopening safe, successful retail centres
- Supporting health and wellbeing
- Economic recovery
- Stepping up Council services
- Financial recovery

Prior to November 2020, and with the initial lockdown beginning to be eased, efforts became focused on recovery, and ensuring that both the Council and the Borough get "Back on Track" – getting the economy back to its pre-lockdown position as swiftly and safely as possible. This plan is delivered through more detailed action plans, with the Cabinet overseeing implementation through portfolio holders working closely with the Executive Management Team colleagues leading on each work stream.

From 5 November the Borough became subject to the national restrictions announced by the Government as part of the national lockdown, having previously briefly moved into Tier 2 of the previous three tier system of restrictions. On 2 December, when the national restrictions ended, the Borough along with the rest of Staffordshire was placed under Tier 3 restrictions.

At the beginning of January 2021 the Borough, along with the rest of the country, went into lockdown. The Council's efforts again shifted to responding to the new restrictions.

Outbreak Control

The Council is heavily engaged in its outbreak control work, with specific avenues of work being progressed:

- The Leader of the Council sits on the County-wide Local Outbreak Board which has regular oversight regarding infection rates and action being taken to respond.

- The Leader of the Council is chairing a Local Incident Management Team, drawing together expertise from the Borough Council, County Council, health sector, and other agencies actively involved in responding to the pandemic;

- A multi-agency board, under the chairmanship of the Deputy Leader, Cllr Sweeney, has been convened to ensure that all possible steps are being taken across the key anchor institutions to reduce infection rates in the Town Centre, particularly in the 18 to 25 year old age group.

- Colleagues from Environmental Services continue to work closely with the Director of Public Health and colleagues from across the public sector to investigate infections in high risk premises in the borough and provide advice to those running high risk premises to minimise infection spread.

- A team of colleagues has been assembled from across the Council to work as "Covid Marshalls", who have recently switched their emphasis away from encouraging the public to socially distance and to practice good Coronavirus security in the town centre, to supporting businesses to adhere to the new restrictions.

- The Council is encouraged, through its communications activity, the drive to encourage take up of testing regardless of whether individuals have symptoms. It is recognised that identifying asymptomatic carriers is an important means of breaking the infection chain and reducing spread.

Reopening Safe, Successful Retail Centres

Arrangements were put in place to facilitate the safe re-opening of Newcastle and Kidsgrove town centres and the various district centres across the borough following the initial lockdown. This included provision of advice to all businesses about "Covid Secure" arrangements that they will need to put in place, and deploying signage wherever necessary.

Covid Marshalls have been deployed in the town centre at peak times to encourage social distancing and good Coronavirus security. Arrangements are in place to ensure that signage and pavement stencils are refreshed from time to time to keep the advice re social distancing and hygiene uppermost in the publics' mind when visiting our centres.

The Council has worked to prepare the town centres for the phased re-opening from 12 April 2021, starting with the non-essential retail and outdoor dining.

The Council's re-opening plan included:

- Allocating resource to support the Police to prepare the licensed trade for re-opening.

- Administering applications for pavement licences (café/ restaurants/pubs) to enable premises to re-open to take advantage of serving food/drink in outdoor area.

- A refresh of social distance/Coronavirus secure markers around the towns.

- Proactive work by Environmental Services and Covid Marshalls promoting compliance in targeted workplaces, in particular hairdressers/barbers/gyms.

- Business Covid Marshals - monitoring of compliance across the business sector.

- Anticipation of an increase in the number of Temporary Event Notice applications and Premises Licences for events as organisers start to plan post a return to normal.

- Reopening the Market, and continuing the programme of special event markets, to encourage visitors to the town.

The Council, in partnership with Staffordshire County Council, has developed a wide ranging business advice and support programme, funded from the government's Additional Restrictions Grants, under the banner "Staffordshire Means Back to Business" which will see a range of training and support rolled out to local businesses.

Supporting Health & Wellbeing

The Council operated a helpline and online facility for individuals to reach out for assistance during the initial lockdown period. The helpline was staffed by colleagues from Jubilee 2 and linked into the national, and County support arrangements, as well as support arrangements established with the Realise Foundation and Support Staffordshire.

The Council has continued to maintain its support to vulnerable people, with three specific lines of work being prioritised:

- The support service delivered through the Realise Foundation has stepped up to receive calls from people made vulnerable by the restrictions. Typically this call centre and web portal provides advice and support to individuals who are isolated, or who need help to access food and medicine.

- The Revenues and Benefits team have continued to process applications for payments to individuals who have been required to self-isolate as a result of either contracting the virus, or being in contact with someone who has, and as a result are unable to work. The Test & Trace Self Isolations Support Scheme is focussed on individuals in receipt of particular benefits and aims to incentivise people required to self-isolate, but who would lose income by doing so. From its introduction in October 2020 until 25 June 2021 £0.140m had been paid out in grants from this fund.

- The Council's homelessness team continues to work with vulnerable people who are sleeping rough, or who are at risk of homelessness, placing them into temporary accommodation. Additional accommodation in St George's Chambers was brought on line for use in severe weather.

Economic Recovery

A total of £39.244m has been paid by the Council to businesses within the Borough under the Government's various Coronavirus related grant schemes designed to support businesses during the periods of lockdown and restrictions.

£21.673m was initially paid to businesses under the Government's grant schemes for small businesses and businesses in the retail, hospitality and leisure sectors, and the discretionary fund established to support those businesses which did not meet the criteria of the initial Government programmes. These grant schemes closed in August in line with Government direction.

Further grant payments made to businesses within the Borough as at 25 June 2021 are:

- Local Restrictions Grant - to meet the cost of payments to businesses within the business rates system that are required to close or have been severely impacted during lockdown or restriction periods. The Council have issued grants totalling £5.356m.

- Additional Restrictions Grant - to be used as discretionary grant funding to support businesses that are either closed but not in the business rating or open but severely impacted (e.g. because of closure of their suppliers or the customers they supply to). £3.739m has been paid, this has resulted in a further award of grant from the Government to issue to business within the Borough of £0.659m.

- Closed Business Lockdown Payment – to support businesses that have been required to close due to the national lockdown that began 5 January 2021. £3.519m has been paid in grants.

- Restart Grant – The Restart Grant scheme supports businesses in reopening safely as Coronavirus restrictions are lifted. Grants were made available from 1 April 2021 for business rates payers in the non-essential retail, hospitality, accommodation, leisure, personal care and gym sectors. Grants totalling £4.887m have been issued.

- Wet Led Pubs Grant – A Christmas support payment to support wet led pubs that were severely impacted over the Christmas period due to temporary restrictions. Grants of £0.069m have been paid.

The Council is continuing to work towards the recovery of the local economy, focussed on progressing major funding for regeneration and growth schemes for Newcastle and Kidsgrove town centres.

The vision to improve communications, infrastructure and connectivity in Newcastle-under-Lyme has been given the go-ahead by Central Government, the Council has been awarded £23.6 million to make the plans a reality.

The success of the Town Investment Plan is the most recent confirmation of the Government's confidence in Newcastle-under-Lyme Borough Council's aspirational Town Deal proposals which, so far, have seen more than £50 million invested in unprecedented regeneration programmes for Newcastle and Kidsgrove. This includes a successful funding bid of £11 million secured through the Future High Streets Fund.

It is believed that the projects outlined in the Town Investment Plan will generate an increase of more than £69 million a year in increased gross value added (GVA) for the area; a £2.3 million uplift in land values and will enable the regeneration of communities across the borough.

This investment builds significantly on the improvements already underway in Newcastle – funded by £1 million of advanced Town Deal funding – including a subways upgrade, CCTV extension and the demolition of a long-term vacant building to make way for accommodation for residents and businesses.

The Town Investment Plan underlines the Council's ambition to create a more attractive place to live and work, and to support the local economy, creating more jobs for more people and attracting investment and businesses into the area.

The Town Investment Plan sets out three key objectives, with projects aligned to them, how the Town Deal funding will be spent, what it will achieve and also how the £23.6 million will bring in other investment to the area.

- ***Objective 1*: Open up growth opportunities through enhanced physical and digital connectivity aligned with clean and sustainable economic development.**

Smart Newcastle Digital Connectivity new digital infrastructure will give better access to services, employment and other digital services for residents and businesses.

A new **Digital Society Centre** will help improve digital skills for our communities and will provide grow-on space for businesses, building on the Smart Newcastle Digital Connectivity Project.

Sustainable public transport solutions will allow investment in a new sustainable bus fleet to provide low carbon buses to reduce emissions and address air quality issues in Newcastle. All existing bus shelters will be upgraded to become SMART and solar powered, use real time passenger information (RTPI), have USB charging points and LED shelter lights, all powered by a solar panel. This will include routes through Keele University, Royal Stoke Hospital and all bus shelters across Knutton, Chesterton and Silverdale.

Town Centre Permeability will see £1 million invested in upgrading the crossing on Barracks Road and improving town centre cycle access routes. Outside of the ring road, the project would include resurfacing, a new footbridge and wayfinding signage. The project will lead to a co-ordinated walking/cycling corridor between Keele University and Newcastle town centre, improving sustainable transport connectivity.

A new **Electric Charging Infrastructure** across the borough will support the transition to electric vehicles by 2030, and help address air quality issues in transport corridors.

- ***Objective 2 -** **To diversify and enhance the town centre experience by encouraging new uses to increase demand, footfall and boost the dwell time of residents and visitors.***

A new **Digital Society Centre** in the town centre will provide space for SMEs to improve skill levels including areas such as digital skills, data analytics and artificial intelligence. The centre will bring together the assets of Keele University, and the Newcastle and Stafford Colleges Group, and will complement the proposed town centre-based "Institute of Technology" as well as the "Living Lab" in Keele's new IC7 Innovation centre.

Investment in town centre gateways will include the demolition and redevelopment of the former Zanzibar nightclub by Aspire Housing to make way for new homes for key workers and young professionals as well as extra care accommodation.

The **Astley Centre for Circus and Performing Arts** will be a new, dedicated Centre for Circus in the town centre that will open up opportunities in creativity, education, tourism and heritage and build on the reputation of the town for culture and heritage.

- ***Objective 3 - To channel investment into regenerating communities, ensuring these areas are sustainable places to live and provide residents with the infrastructure needed to improve their quality of life.***

Putting the Heart back into Knutton with Town Deal funding allowing the first stages of the Knutton Masterplan with the delivery of 240 new homes, improvements to business accommodation, a new village hall and village green and improvements to road safety.

Like Knutton, **Town Deal investment in Chesterton** will enable delivery of high quality, housing for the local community linking to Aspire Housing's wider estate regeneration plan to improve the existing housing.

The Newcastle Town Deal Board comprises representatives from the public, private, voluntary, education and community sectors.

Kidsgrove has been awarded £16.9 million for a range a major projects focusing on driving growth and opportunity through enhanced enterprise infrastructure; creating a connected and accessible town centre which links key assets, retains heritage, promotes active travel and drives new demand and footfall; and maximising leisure and recreational opportunities.

The Town Deal for Kidsgrove is on top of £750,000 of advanced funding currently being spent on boosting residents' health and well-being, including a state-of-the-art pump track at Newchapel recreation ground, a range of improvements at Clough Hall Park and the refurbishment of Kidsgrove sports centre.

Stepping-up Council Services

Since the commencement of the lockdown, staff who have been able to effectively work from home have done so. This has meant that the majority of services have continued with minimal disruption. However, a number of services have been significantly impacted either due to the risk associated with continuing business as usual, the additional demands placed on the service, or due to Government guidance. The services experiencing the most significant change are:

- J2 – closed to the public and reopened on a phased basis prior to the 5 November 2020. For the subsequent lockdown period J2 again closed to the public, from 12 April 2021, J2 recommenced services again on a phased basis.

- Museum – closed to the public prior to a reopening on 27 July. The Museum is currently closed to the public for improvements to the building and services provided.

- Customer Contact facilities – all services continue to be available online or by phone, face to face service is also available.

- Waste & Recycling Collection – All waste streams are being collected, including Garden Waste. The collection schedule has been adjusted to make the best use of available resource, and to respect the guidance on social distancing. Service performance has been sustained despite a very significant increase in volumes of waste being presented. The new recycling system was implement during 2020/21.

Financial Recovery

Please refer to the General Fund Revenue Budget outturn and Collect Fund sections of this commentary regarding the financial impacts of the Coronavirus pandemic during 2020-21.

Government support to the Council in regards to compensation for income losses, both from sales, fees and charges (now extended to include the first quarter of 2021/22) and from tax losses and support in terms of the funding of additional expenditure pressures experienced by the Council has been unprecedented, further funding of £0.675m has been received to assist in meeting Coronavirus related financial pressures during 2021/22. This coupled with careful monitoring of the financial position and prompt corrective action where necessary has ensured that the Council's financial resilience has been maintained and that its outlook and ability to remain a going concern has remained positive.

The Council's Medium Term Financial Strategy - which forecasts future years' budgets taking into account national and local financial situations together with the Council's priorities - has been updated (reported to Council on 24 February 2021) and identified funding gaps from 2022/23 to 2025/26 totalling £3.849m, strategies to close these gaps have identified £2.166m of savings to date leaving a remaining shortfall of £1.683m, of which £0.572m relates to 2022/23.

On 24 February 2021 the Council set a balanced budget for 2021/22. This was achieved via a vigorous Efficiency Board process including challenge sessions for each of the Portfolios involving Cabinet Members, the Executive Management Team, Heads of Service and the Finance Manager.

As a result of the Coronavirus pandemic and the financial challenge the pandemic has raised, the Council commissioned a full organisational review. This identified a requirement to make significant changes to the way Council services are delivered, recognising both the impact of the pandemic in terms of creating more and different demands on Council services and the need to retain focus on the most vulnerable and disadvantaged in the community, whilst maximising opportunities for residents to help themselves, ensuring that they have a consistent and efficient interaction with the council when needed. A major programme of work (the One Council Programme) has been commenced and will continue over the period 2021/22 to 2023/24 to implement the necessary changes, which will involve an extensive redesign of organisational structures, processes and technology, underpinned by changes in culture, leadership and governance.

Efficiencies and savings expected to be achieved through the One Council Programme will amount to circa £0.922m over a three year period and are recurring. In order to achieve the revenue savings set out above implementation costs of approximately £1.200m will be funded via the flexible use of capital receipts and contributions from the Borough Growth Fund over a two year period. These implementation costs consist of website development, ICT costs, staff time including enhanced HR support, external delivery partner and training costs together with programme assurance and contingency.

The government have announced that the Fair Funding Review (FFR) and 75% Business Rates Retention (BRR) will not be implemented in April 2021 as originally planned. Council officers will continue to work with the Government on informing the approach to funding for the next financial year and beyond.

For the purposes of the Medium Term Financial Strategy it has been assumed that the Council will be in a cost neutral position following the reform of local government finance and the introduction of 75% business rates retention, however, this cannot be guaranteed and funding streams may differ significantly from this neutral position.

The Council intends to consider ways it can facilitate and participate in the commercial and industrial development of the Borough and thereby gain access to income streams to contribute to a sustainable revenue budget. The basis for this is set out in the Investment Strategy. As a first step, it is intended to establish a Revolving Investment Fund to invest in suitable projects. Any additional income or capital appreciation generated will either be reinvested to fund further developments or used to support the Council's revenue budget.

Capital

The Capital Programme for 2021/22 to 2023/24 is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2018-22 approved by Cabinet on 19 September 2018. These schemes total £31.057m, of which £12.923m relates to 2021/22.

The Capital Programme is produced in line with the Capital Strategy for 2021/22 to 2030/31 which was approved by Full Council on 24 February 2021. In addition to the Council's corporate and service objectives, as set out in the Council Plan 2018-22, the Capital Programme is also influenced by a number of external parties and factors including Central government and its agencies, legislation requiring capital works, partner organisations, businesses, developers and the needs and views of Borough residents.

The Capital Programme for 2021/22 includes the refurbishment and reopening of Kidsgrove Sports Centre, which will enable the provision of modern, attractive, high quality leisure facilities within Kidsgrove in conjunction with the Kidsgrove Leisure Centre Community Group.

Delivering the capital programme for 2021/22 will require prudential borrowing to be undertaken. The impact of borrowing is included in the Medium Term Financial Strategy pressures for 2021/22 and future years.

Advice will be sought from the Council's Treasury Management advisors, Arlingclose, as to the most beneficial timing of prudential borrowing. Their current advice is to borrow on a short term basis (up to 4 years) from other local authorities whilst interest rates remain low.

Strategic risks

Major strategic risks affecting the Council which could impact on future service provision are currently as set out in the table below, which shows for each risk its potential impact and measures to mitigate the risk:

Risk	Impact	Mitigation
Failure to realise potential for land sales to provide funding for capital investment	Insufficient resources to fund capital investment needed to maintain service provision or to achieve objectives	Asset Management Plan, Cabinet decisions to sell, planning approvals
Failure to recruit and retain staff with required experience and skills	Reduced amount and quality of service provision. Inabiliity to provide services	Workforce development plan, business continuity planning
Major incident	Unable to provide services during and for some time after the incident	Major incident and emergency response plans in place, incident response guide, business continuity planning,
Long term decline in income including reduction in government funding and failure to provide funding for new initiatives	Pressure on revenue budget	Included in calculation of prudent minimum balances
Pay and price increases	Pressure on revenue budget	Included in calculation of prudent minimum balances
ICT - system/software failure or malicious software incursion	Unable to provide services during and after the failure. Loss of data, corruption of data, ransom demands, unable to provide service after incursion.	Business continuity planning, back up servers
Failure to comply with legislation including data protection breaches	Legal action, compensation claims, fines, reputational damage	Standing orders and financial regulation, training, internal audit, monitoring officer
Overall budget realisation fails	Reduction in reserves, unplanned cuts to services, impact on future budgets	Budget monitoring, adequate reserves levels
Business rates retention	If overall funding reduces, there will be pressure on the revenue budget	Medium term financial strategy, modelling, business rates reserve
Failure of major contractor	Unable to provide services, additional unbudgeted costs	Market intelligence, credit checks, procurement rules and procedures

Reserves

The Council holds a number of reserves the majority of which are earmarked to meet specific categories or items of expenditure. Levels of reserves are reviewed to determine their adequacy to meet the Council's commitments and future plans and are an important consideration when preparing the budget. The Council has substantially increased the level of reserves held at 31 March 2021 in order to ensure greater financial resilience.

The Council's Section 151 Officer has recommended that a minimum level of un-earmarked reserves and contingencies of £3.100m be held to reflect the Council's levels of revenue risk. As at 31 March 2021 the Council held a General Fund balance of £3.000m and an Income Reserve of £0.100m, an increase of £1.759m when compared to the balance held at 31 March 2020.

The General Fund balance can be used to contribute to the revenue account. The required level is determined by a risk assessment of factors which might adversely impact upon the revenue budget on a worst case basis, the increased level of un-earmarked reserves and contingencies held reflects a strategic decision to increase the Council's financial resilience.

Partnerships

The Council participates in a wide range of partnership arrangements. Some are formal partnerships regulated by an agreement between the partners and some are informal in nature, many of them designed to facilitate community cohesion or to ensure awareness of community needs or to enable more efficient working practices. Examples of formal partnerships are a shared apprenticeship scheme in conjunction with Newcastle College and the administration of the Business Improvement District (BID) scheme for Newcastle town centre. Businesses within the BID area pay a supplementary business rate, collected by the Borough Council and used by the BID Board to promote the economic wellbeing and development of the town centre.

The Council works closely with other public sector organisations to obtain value for money in relation to supplies and services and to provide the public with easy access to all of the partners' services from its facilities. An example of this is the Locality Commissioning Partnership which co-ordinates contributions to third sector organisations. There are also reciprocal arrangements between neighbouring authorities for providing assistance, such as the secondment of staff, to provide continuity of service. The Council's offices at Castle House are shared with Staffordshire County Council, Staffordshire Police and Aspire Housing.

Economy, efficiency and effectiveness in the use of resources

Local authorities are obliged to achieve economy, efficiency and effectiveness in their use of resources. Arrangements are 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 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 internal controls by which Council business and administration must be conducted and are binding on all employees and members of the Council. Financial Regulations and the Contract Rules lay down procedures which must be followed when obtaining supplies and services for use by the Council to ensure that transparent and effective processes are in place. The arrangements and their effectiveness are continually kept under review as part of the ongoing management of the Council's services, medium term financial planning, 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. The quarterly reports are available on the Council's website. There is also a formal member led scrutiny process, with key priority focussed Scrutiny Committees enabling service delivery to be monitored.

Formal review takes place via the Annual Governance Statement considered and approved by Council members, which is published within the Statement of Accounts (page 19). This is informed by the Executive Management Team, Heads of Service and Business Managers to provide assurance that governance arrangements are in place and to identify required improvements.

The Capital Strategy, Investment 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 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 Assets and Commercial Investment Review Group which is chaired by the Cabinet Portfolio Holder for Finance, Town Centres and Growth. The group aims to ensure that the capital investment programme meets the Council's priorities, is affordable and that projects are carried out on time and within budget.

Pension scheme liability

The liability relating to defined benefit pension schemes increased from £58.899m at 31 March 2020 to £71.636m at 31 March 2021. 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. They relate to transactions of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities.

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The most recent formal valuations for English and Welsh Local Government Pension Scheme Funds were concluded by 31 March 2020. A reconciliation of the balance sheet from 31 March 2020 to 31 March 2021 can be seen in the 'Transactions relating to post-employment benefits' table in Note 30 (page 66), in the Comprehensive Income and Expenditure Statement (re-measurement of the defined benefit liability/asset, (page 29) and in the Balance Sheet (pension liability and pension reserve, page 31).

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:

Andrew Smith, Grant Thornton UK LLP, 4 Hardman Square, Gartside Street, Manchester, M3 3EB

Further information

Further information about the accounts is available from:

Sarah Wilkes, Head of Finance (Section 151 Officer), Castle House, Barracks Road, Newcastle, Staffordshire, ST5 1BL

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.

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 Standards Committee and this is evidenced by the signature of that Committee's Chair.

Signed: (Chair of the Audit and Standards 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 Head of Finance (Section 151 Officer);

- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- To approve the Statement of Accounts.

The Head of Finance (Section 151 Officer) - responsibilities

The Head of Finance (Section 151 Officer) is the Council's statutory Section 151 Officer and as such 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) are 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 2021.

In preparing the statement of accounts the Head of Finance (Section 151 Officer) 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 Head of Finance (Section 151 Officer) 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 2021 and its income and expenditure for the year ended 31 March 2021.

Sarah Wilkes   Dated:

Head of Finance (Section 151 Officer)

1.0 Scope of responsibility

1.1 Newcastle-under-Lyme Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newcastle-under-Lyme Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, Newcastle-under-Lyme Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 Newcastle-under-Lyme Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is available on the Council's website or can be obtained from;

Head of Finance (Section 151 Officer), Castle House, Barracks Road, Newcastle, Staffordshire, ST5 1BL

This statement explains how Newcastle-under-Lyme Borough Council complies with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, Regulation 6(1), which requires all relevant bodies to prepare an Annual Governance Statement.

2.0 Delivering good governance in Local Government: framework

2.1 The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. To demonstrate compliance with the principles of good corporate governance, the council must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

2.2 Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for residents and service users. Further, good governance enables an authority to pursue its aims effectively whilst controlling and managing risk.

2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing and embedded process designed to identify and prioritise the risks to the achievement of Newcastle-under-Lyme Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.4 The governance framework has been in place at Newcastle-under-Lyme Borough Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

GOVERNANCE ROLES & RESPONSIBILITIES

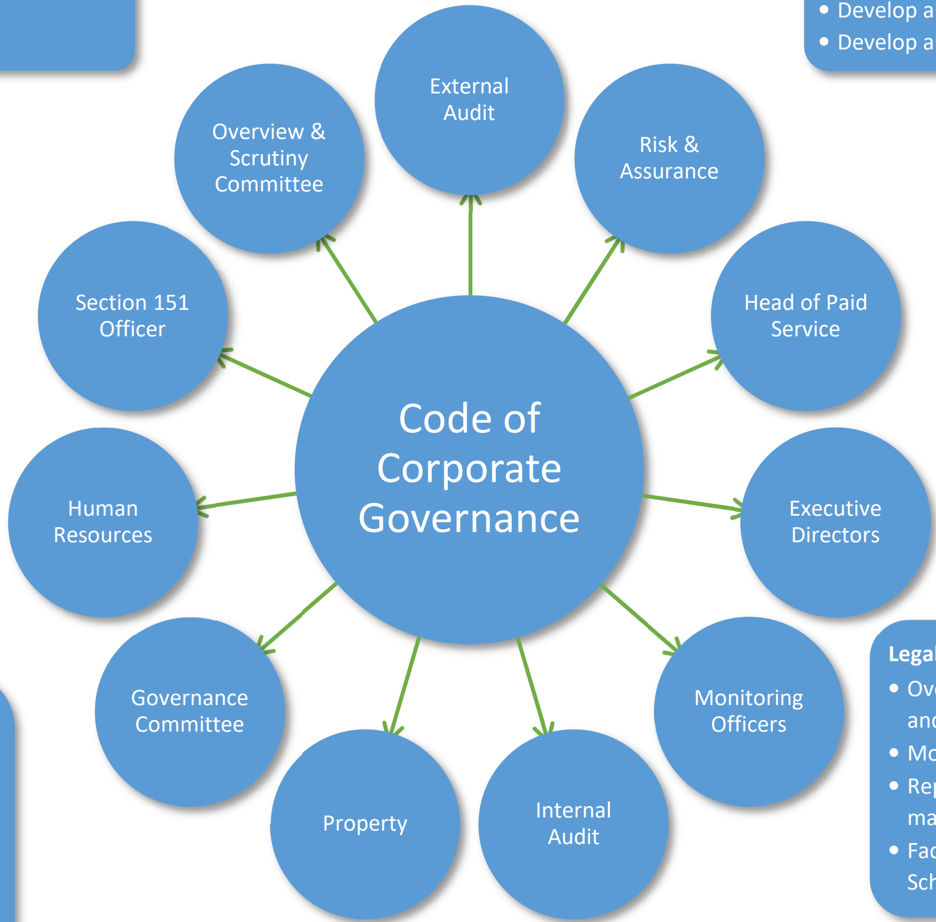
- Provide Annual Audit Letter
- Undertake Financial Statement Audit
- Develop and Publish a value for Money Conclusion
- Develop and deliver an Audit Process and Strategy

- Exercise power to call-in executive decisions
- Scrutinise items on Forward Plan
- Monitor performance and budgets
- Agree scrutiny inquiry programme

- Prepare Annual Governance Statement
- Identify and collate sources of assurance
- Complete 'Assurance Framework document
- Develop and maintain Risk Management Policy
- Develop and manage Strategic Risk Register with EMT

Financial Management
- Develop Medium Term Financial Forecast that is aligned with key programmes and priorities
- Safeguard public monies
- Promote, support and deliver good financial management
- Provide financial input on all major decisions

Executive Management Team
- Lead the Executive Management Team in driving forward strategic agenda
- Organise and manage service delivery
- Develop and deliver Council Strategy



- Facilitate staff recruitment & selection
- Develop and provide Learning & Development opportunities including new staff induction
- Develop and maintain range of HR policies including Performance & Development reviews, Codes of Conduct, Conditions of Service etc.

Service Delivery
- Develop Business Plans that are aligned with key programmes and priorities
- Review and manage performance and budgets
- Manage and mitigate risk
- Respond to inspection and other assurance type reviews or reports

Standards, Assurance / Ethics
- Oversee standards of ethics and probity
- Promote openness, accountability and probity
- Advise on Members' Interests
- Investigate alleged breaches of Members Code of Conduct
- Seek assurance on the risk management framework and internal control environment
- Ensure that assets are safeguarded and proper accounting records maintained
- Ensure independence of audit
- Monitor financial and non-financial risks (including measures to protect and respond to fraud)

Legal & Ethical Assurance
- Oversee compliance with established policies, procedures, laws and regulation
- Monitor ethical standards
- Report actual or potential breaches of the law, or maladministration
- Facilitate annual review of Council Constitution including Scheme of Delegation

Asset Management
- Manage and maintain Property Asset database
- Manage property acquisitions and disposals
- Undertake stock condition surveys

Assurance
- Develop and maintain Internal Audit Charter
- Produce and deliver Internal Audit Annual Plan
- Review, evaluate and report on internal controls
- Report to Governance Committee including the 'Annual Report and Opinion'
- Develop and maintain Anti-Fraud and Corruption Policy and associated polices

3.0 The governance framework

3.1 The fundamental function of good governance is to ensure that the council achieves its intended outcomes while acting in the public interest at all times. The following core, high level, principles in Sections A to G reflect the 7 core principles of good governance in the public sector which are derived from the 'Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)'. The Council operates a number of systems, policies and procedures that constitute or contribute to the operation of the internal control environment and support the principles set out in the Code of Corporate Governance as detailed in the tables below:

Core Principle A	**Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.**

- **Behaving with integrity:**
  - The Council has in place Codes of Conduct for both Members and Officers which set out requirements that support the need to behave with integrity.
  - The Council has a set of values which are underpinned by a set of expected behaviours.
  - All new members and officers are made aware of the Code of Conduct when they join the council.
  - The Council's Constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the Council to choose. The Constitution is divided into 16 sections which set out the basic rules governing the council's business. The Constitution is published on the council's website.

- **Demonstrating strong commitment to ethical values:**
  - The council has a framework of policies that incorporate Anti-Fraud & Corruption, Anti- Money Laundering and a Whistleblowing Policy all of which are designed to in the first instance discourage inappropriate behaviour and then secondly encourage both Members and Officers to voice any concerns they have and report any instances found.
  - Members are required to renew their declaration of interests annually and also declare any relevant interests at meetings. There is also a register of gifts and hospitality.
  - Employees are required to notify their Executive Director or Head of Service about any potential conflict of interest.
  - A register of gifts and hospitality is maintained by the Executive Management Secretarial Team, an annual reminder is issued to all Employees.

- **Respecting the rule of law;**
  - The Council has in place a Monitoring Officer who works with Members and Officers to ensure that the law is adhered to.
  - Legal advice is given in reports for all decisions to be taken by Members and Officers are also required to take advice where required.

Core Principle B	**Ensuring openness and comprehensive stakeholder engagement**

- **Openness:**
  - All meetings of the Authority are held in public unless the Part II requirements of the local authorities (Executive Arrangements) (Access to Information) Regulations 2000, are met in terms of confidentiality.
  - Copies of all minutes and agendas are available on the Councils website. All reports contain details of options considered and the advice provided by officers regarding legal and financial implications. The minutes include the reasons behind the decisions made.
  - The Council has a Freedom of Information Scheme in place and seeks to publish information openly on its website wherever possible and practicable to do so.

- **Engaging comprehensively with institutional stakeholders:**
  - The Council has in place a Communications Strategy which sets out how we will communicate with our residents, service users and stakeholders.
  - Since 2019/20 The Council has been part of the Staffordshire and Stoke on Trent Business Rate Pool.
  - The Council is committed to working collaboratively with a range of other partners including the County Council, education, health, housing, business, police, fire and the voluntary and community sector to achieve what is needed for the Borough.

- **Engaging with individual residents and service users effectively:**
  - The Council has a consultation framework and toolkit in place and provides details of all on-going consultation exercises/surveys on its website.

Core Principle B	Ensuring openness and comprehensive stakeholder engagement

- Whenever we seek the views from the community we provide feedback on the information received and let our residents know how it has or will be used to help shape Council decisions.
- Where appropriate, public consultation is used to seek the views of residents and stakeholders. For example, a public engagement exercise was undertaken with residents and stakeholders on the draft budget proposals. The aim of this engagement exercise was to:
  - Communicate clearly to residents and stakeholders the budget proposals for 2021/22;
  - Ensure any resident, business or stakeholder who wished to comment on the proposals had the opportunity to do so, enabling them to raise any impacts the proposals may have; and
  - Allow participants to propose alternative suggestions for consideration which they feel could achieve the objectives in a different way
- The Council carried out a consultation with it officers via its Wellbeing survey. This survey focussed on the impact of the Covid-19 pandemic on the workforce and their families. This gave a good insight as to how some of the staff were feeling and the sort of support needed going forward. A response plan was then developed with the support of the Human Resources Department and this was communicated to all staff.

Core Principle C	Defining outcomes in terms of sustainable economic, social and environmental benefits

- **Defining outcomes:**
  - The Council has a clear vision of what it wants to achieve, which is set out in its Council Plan. The vision and priorities have been informed by an analysis of needs for the Borough and also via consultation with key stakeholders and the public.
  - Each service has a Service Plan that outlines outcomes to be achieved and how they link to the Council Plan.
- **Sustainable economic, social and environmental benefits:**
  - A Sustainable Community Strategy is in place which aims to create an environment where local people can articulate their priorities, needs and aspirations.
  - In addition the capital strategy sets out the principles and objectives which the Council has identified for its capital investment and how its capital plans link to other strategies and areas of activity of the Council and its partners, this now extends to a 10 year period.
  - The Councils day to day services support the delivery of the Council Plan, performance in delivering the objectives are monitored by the Executive Management Team (officers), the Cabinet and Scrutiny Committees (Members).

Core Principle D	Determining and planning the actions necessary to optimise the achievement of the intended outcomes

- **Determining Interventions:**
  - The principles of decision making are detailed in the Councils constitution.
  - A calendar of meetings is approved and agreed by annual Council in May each year.
- **Planning Interventions:**
  - The Councils Forward Plan details all the reports relating to key decisions and the timescales within which they will be presented.
  - Service Plans are produced annually which set out the planned activities for each service area for that year.
- **Optimising the achievement of intended outcomes:**
  - The Medium Term Financial Strategy considers any changes that are required to be made to the base budget to ensure that service priorities are affordable and achievable.
  - The budget process takes account of the full cost of service delivery over the medium and longer terms.
  - The budget setting process ensures that a robust and balanced budget is approved.
  - The budget setting process allows for investment which is intended to bring future efficiencies.

Core Principle E	Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Members and Officers.

- **Developing the councils capacity:**
  - The Council regularly reviews its activities to ensure continuous improvement of service delivery.
  - The Council works closely with its partners to ensure the delivery of agreed outcomes to the community.

- **Developing the capability of the entity's leadership and other individuals:**
  - The roles of Members, Committees, Officers and Statutory Officers are set out in the Councils Constitution, which is available on the Councils website.
  - The Council has a scheme of delegation in place which forms part of the Constitution, this sets out the types of decision made by the council and who can make these.
  - The Constitution also contains Financial Regulations and Contract Procedures which provide a framework for Officers to follow when running their services and making decisions.
  - An induction programme is in place to provide training and support for all new members and officers.
  - All officers have an annual appraisal to review performance and identify any training and development needs.
  - A member development programme is in place in respect of members to identify all their training needs.
  - The Council is committed to supporting the health and well-being of the workforce through appropriate Human Resource policies, working practices and access to an occupational health service.

Core Principle F	**Managing risks, performance and data through robust internal control and strong public financial management.**

- **Managing Risk:**
  - The Council has a risk management policy and strategy in place.
  - A strategic risk register is maintained by the Executive Management Team, progress is monitored on a quarterly basis by the Audit and Standards Committee.
  - Operational risks are identified and managed by Heads of Service; these are reviewed and monitored quarterly.

- **Managing Performance:**
  - Heads of Service and Business Managers are responsible operationally for the performance in delivering day to day services. This in turn is monitored by Executive Directors and the Executive Management Team.
  - The performance of delivering the Councils priorities is monitored by Cabinet.
  - There are Scrutiny Committees in place to monitor the performance of the Council and hold the Cabinet to account for the decisions that it makes.

- **Robust internal control:**
  - The internal control framework comprises a range of policies and procedures to ensure sound management of the Councils operation and delivery of services.
  - Internal Audit undertakes reviews of systems that comprise the internal control and governance framework, it provides assurance and where necessary makes recommendations for improvement.
  - The Audit and Standards Committee receives reports with regards to the internal control framework. In addition quarterly reports are presented in respect of the progress and completion of the audit plan and the implementation of outstanding recommendations.

- **Managing Data:**
  - The Council has a suite of Information Security Policies to ensure and maintain the integrity of the data that it holds.
  - In addition the Council has an Information Governance Officer in place to ensure that personal data is held securely and managed appropriately.

- **Strong public financial management:**
  - The Head of Finance as the Councils Section 151 Officer is appropriately qualified and complies with the CIPFA statement on the Role of the Chief Finance Officer. In April 2016, CIPFA/SOLACE issued an updated application note on the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council complies with these requirements. The Chief Financial Officer is:
    - A key member of the Leadership Team
    - Actively involved in, and able to bring influence to bear on, all material business decisions to ensure alignment with the Authority's financial strategy
    - The lead for the promotion and delivery, by the whole Authority, of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
    - Professionally qualified and suitably experienced
    - Able to lead and direct a finance function that is resourced to be fit for purpose.
  - The Head of Finance (S151 Officer) prepares and advises the Council on its Medium Term Financial Strategy and the Budget.
  - Regular budget monitoring reports are provided to Members and Officers.
  - Financial Regulations and Contract procedures provide a framework for the day to day management of the Councils financial transactions.

Core Principle G	Implementing good practices in transparency, reporting and assurance (including audit) to deliver effective accountability.

- **Implementing good practice in transparency and reporting:**
  - The following information is reported annually to Members and is available on the Councils website;
    - Performance in delivering the Council's priorities;
    - Statement of Accounts;
    - Annual Governance Statement;
    - Annual Internal Audit Report
    - Annual External Audit Letter
  - In addition to the above, the Council has a transparency page on the website which provides public access to information in accordance with the Local Government Transparency Code.

- **Assurance and effective accountability**
  - Internal Audit provides assurance throughout the year on the key systems of internal control.
  - The External Auditor provides assurance on the Councils financial statement.
  - The Councils governance arrangements are reviewed on an annual basis.
  - There is a Corporate Complaints, Compliments and Comments Policy in place.
  - Independent reviews of council services are undertaken from time to time, any feedback in respect of such reviews are noted and acted upon accordingly.
  - The Statutory Officers Group and Corporate Assurance Group review all corporate complaints, compliments and comments.

3.2 A key element of the Councils governance arrangements concerns safeguarding. Newcastle-under-Lyme Borough Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across all its services. As a Council we are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by us. We ensure this by;

- Having a Safeguarding Policy in place,
- Mandatory training in place for all Members and Officers,
- Carrying out the appropriate level of Disclosure and Barring Service (DBS) checks for employees, and
- Working closely with the Staffordshire Safeguarding Children's Board & Staffordshire and Stoke-on-Trent Adult Safeguarding Partnership.

4.0 Review of effectiveness

4.1 Newcastle-under-Lyme Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Management Team within the authority who have responsibility for the development and maintenance of the governance and internal control environment and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The Code of Corporate Governance adopted by Newcastle-under-Lyme Borough Council demonstrates the Council is committed to ensuring that the principles of good governance flow from a shared ethos or culture, as well as from sound management systems, structures, and processes that are transparent to all its stakeholders. By making explicit the high standards of self-governance the Council aims to provide a lead to potential partners, to the public, private or voluntary sectors and to all residents.

4.3 The Audit and Standards Committee monitors effectively the system of internal control, this has been demonstrated through the completion of a self-assessment against CIPFA's checklist on 'Measuring the effectiveness of the Audit Committee'. The Committee receives regular reports on both the Audit and Risk issues and has demonstrated effective challenge to senior officers in instances of non-compliance; it can therefore be relied upon when considering the Annual Governance Statement for 2020/21.

4.4 The Scrutiny function continues to ensure effective monitoring and challenge. There are Scrutiny Committees that reflect each of the Council's Corporate Priorities. The terms of reference for each of these committees ensure that performance is effectively monitored and challenged.

4.5 Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. A risk model is used to formulate a twelve month plan which is approved by the Audit and Standards Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Executive Director. The report includes recommendations for improvements that are included within an action plan and require agreement, or challenge, by Directors. The process includes follow ups on a monthly basis, the results of which are reported quarterly to the Audit and Standards Committee in terms of fundamental recommendations and the level of assurance that can be given for that directorate based on the implementation of their recommendations. Internal Audit has continued to receive positive feedback from External Audit with regards to the coverage of their work and high professional standards.

4.6 Internal Audit can provide a level of assurance that the Council's systems of internal control are operating adequately, from their work in 2020/21.

4.7 An assessment of the role of the Chief Finance Officer (CFO) has been completed in accordance with the 'CIPFA Statement on the role of the Chief Financial Officer in public service organisations'. The statement produced by CIPFA seeks to strengthen governance and financial management throughout the public sector, in addition it sets out the core responsibilities, personal skills and professional standards that are crucial to the role. It requires that the CFO is professionally qualified, reports directly to the Chief Executive and is a member of the Leadership team. Having undertaken the assessment of the role of the CFO within the Council it can be confirmed that the Authority complies with this statement.

4.8 The role of the Head of Internal Audit has been reviewed in accordance with 'CIPFA Statement on the role of the Head of Internal Audit'. The role of the Head of Internal Audit occupies a critical position within any organisation helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role on promoting good corporate governance. The main aim of the CIPFA statement is to promote and raise the profile of the Head of Internal Audit within public service organisations. The Council's current arrangements for the provision of Internal Audit, in partnership with Stoke-on-Trent City Council, ensure that the objectives of this role are achieved.

4.9 The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council keeps the Constitution under review throughout the year, with a report setting out changes to be consolidated to Council on an annual basis.

4.10 Managers Assurance Statements are produced annually by both Executive Directors and Heads of Service. These statements provide a level of assurance with regards to the adequacy of internal controls within their own Directorate and Service Areas.

4.11 There are various specialist working groups, i.e. Statutory Officers' Group, Capital, Assets and Commercial Investment Review Group, Corporate Governance, Information Security, Procurement, and Corporate Health and Safety, that agree, oversee and review the various disciplines giving assurance that the Council complies with statute, identifies and manages its risks.

4.12 The External Auditors, Grant Thornton gave an unqualified opinion on the 2019/20 Accounts, in their Governance Report. In addition their review of the Council's arrangements for securing financial resilience concluded that the Council had robust financial systems and processes in place to manage its financial risks and opportunities and to secure a stable financial position that enabled it to continue to operate for the foreseeable future.

4.13 The Council has a zero tolerance to Fraud and Corruption, the Anti-Fraud and Corruption Framework, Fraud Response Plan and Whistleblowing Policy are in place to help deliver our commitment to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The commitment to deterring fraud and corruption is actively promoted throughout the organisation. Anyone who has any concerns about any aspect of the Council's work is actively encouraged to come forward and voice those concerns.

5.0 Significant governance issues

5.1 The following matters have been identified as issues that need to be addressed in order to further improve the Council's overall governance arrangements;

- To ensure that funding required for the Councils Capital Programme is maximised through the sale of assets identified for disposal as part of the Asset Management Strategy.

- To continue to raise the profile and status of Information Security and Governance throughout the Council. Work to ensure that information security and data protection requirements and legislation are complied with, is to be continued.

- To ensure that the Council continues to deliver services that meet the needs of our customers and respond to any issues our customers may have with the current level of service provision. Working with our partners we will ensure that we can deliver effectively and efficiently against residents/customer requirements.

- To ensure that our services demonstrate value for money we will continue to review all Service Areas against best practice and implement actions outlined in Service Plans, in addition we will seek to improve efficiencies across all Council services through the One Council Programme and ensure that the savings identified from this process can be realised.

- To work in partnership as part of the North West Staffordshire Corporate Fraud Team to ensure that the Council remains vigilant in combating and tackling all aspects of fraud and corruption.

- To develop the commercial skill sets of Officers and the Council's investment capacity in order to support the Council's long term financial sustainability.

- To improve practical guidance to governance in order to provide clearer understanding of processes to be followed throughout the organisation.

- To better manage and automate decision report production, meeting agendas, minutes and delegated decision powers and records through the digitisation agenda.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review and the forth coming Corporate Peer Review which will commence later in the year.

6.0 Reflecting the challenges and impact from the Coronavirus

6.1 The Annual Governance Statement assesses governance in place during 2020/21, therefore this section looks at the challenges and the impact the coronavirus has had on the Council.

6.2 The impact on governance can be seen under the following broad categories:

6.2.1 *Impact on business as usual in the delivery of services*

- Social distancing measures have had a significant impact on the Council's governance arrangements.

- MHCLG laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority and police and crime panel meetings held between 4 April 2020 and 6 May 2021. These regulations provide for remote access to meetings of local authorities by members of a local authority and by the press and public. The regulations also enable local authorities to hold and change the frequency and occurrence of meetings without requirement for further notice and they also remove the provisions requiring local authorities to hold annual meetings.

- Given the fundamental importance of local democracy, openness and transparency, accountability and the overarching responsibility to serve the public interest Newcastle Borough Council put arrangements in place to hold meetings virtually, allowing elected members to fully engage in taking key decisions and allow for public participation. Since April 2020 all the Council meetings have been broadcast live and made available on our YouTube Channel.

- Agile and flexible working has now become business as usual for many of the Council's staff. This transition was achieved early in the first lockdown where all staff who could work from home were equipped to do so.

- Maintaining front line services has been a focus for Operational Services. The Waste and Recycling Service was able to continue to provide the service throughout 2020.

- The Council has also ensured that the local residents are regularly updated and kept informed about changes relating to the pandemic. Social Media has increased significantly since the start of the first lockdown, providing on-going information about local and national developments.

6.2.2 *National response to coronavirus and governance issues arising*

- The Council has and continues to work on its recovery plan. This currently looks at five areas of recovery work and includes the following areas:-
    1. Reopening Safe, Successful Retain Centres
    2. Supporting Health & Wellbeing
    3. Economic Recovery
    4. Stepping-up Council Services
    5. Financial Recovery

- With the lockdown beginning to be eased, efforts are now be focused on recovery, and ensuring that both the Council and the Borough get “Back on Track” – getting the economy back to its pre-lockdown position as swiftly and safely as possible.

- This plan is delivered through more detailed action plans, with the Cabinet overseeing implementation through portfolio holders working closely with the Executive Management Team colleagues leading on each work stream. Key work undertaken to date is detailed below

- It is still difficult to predict what actions will be needed over the next few months and possibly years. There are impacts that will need to be addressed, for instance the Council's role in dealing with local outbreaks of COVID-19 together with the Council's role in the Government's test, track and trace.

- Environmental Health are working across Staffordshire with Public Health to meet the Government's expectations on the part of the plan that will need to be addressed locally.

6.2.3 *The financial impact of delivering the local government response*

- The ongoing COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. The financial impact will be due to both unforeseen but necessary, expenditure and reduced income from fees and charges, Council Tax and Business Rates.

- The overall impact is very difficult to predict due to the frequent changes regarding the relaxation of the lockdown measures from Central Government together with anticipating the public's behaviours and responses to these changes.

- The impact will also vary by area, dependent on factors such as geography, demographics, services delivered and the nature of the local economy. However to a large extent, it will depend on how quickly the national and local economies return to normal levels of activity.

- To offset the additional financial pressures being faced by Local Government, Central Government has provided additional funding to support Council's across the country through the coronavirus pandemic. This support includes; additional grant funding, provided in five tranches; sales, fees and charges scheme which compensates for reductions in income; council tax and business rates losses which covers 75% of irrecoverable losses in council tax and business rates; local council tax support grant which will compensate authorities for the expected additional cost of Local Council Tax Support Schemes.

6.2.4 *Assessment of the longer term disruption and consequences arising from the coronavirus pandemic*

- It is essential that the Council focuses on the likely impact that the crisis, and its aftermath, will have on income levels both now and into the future.

- The COVID-19 crisis is likely to be long-lasting, affecting more than one financial year. It could be difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially if the local economy is in recession.

- This means that the assumptions underlying later years in the Medium Term Financial Strategy will need to be reviewed, making the ‘funding gap’ for 2022/23 and beyond larger and are likely to include:

  - *Business Rates income projections due to collection rates, growth, appeals, empty properties relief and other reliefs.*

  - *Council Tax income projections due to collection rates, growth and Local Council Tax Support.*

  - *Income projections for fees and charges including car parking, property rentals and leisure.*

  - *Transformation and savings projects especially where they are focussed on income generation.*

6.2.5 *Some Positive Outcomes for the Council*

The pandemic has not been totally without some positive outcomes for the Council, for example:

- We have demonstrated the ability to respond and change at pace where needed, something that can be further develop in the future to adapt and deliver change across the Council and its communities.

- The Council’s staff have shown the ability to rapidly change mind-set and culture, thereby demonstrating we can deliver services successfully through a virtual front-door and work both flexibly and remotely.

- The pandemic has highlighted the position in regards to the resilience and integrity of our ICT infrastructure.

Once the crisis is over, the Council will conduct a review of the lessons to be learned from its response.

Signed ______________________________ **Councillor Simon Tagg, Leader of the Council**

Signed ______________________________ **Martin Hamilton, Chief Executive**

Dated ______________________________

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost of providing services in accordance with 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 both the Movement in Reserves Statement (page 30) and the Expenditure and Funding Analysis (page 48).

2019/20				2020/21		
Gross expenditure £000	Gross income £000	Net expenditure £000		Gross expenditure £000	Gross income £000	Net expenditure £000
2,667	671	1,996	Chief Executive	2,074	158	1,916
31,019	26,528	4,491	Resources & Support Services	32,309	27,758	4,551
7,021	5,244	1,777	Regeneration & Development	10,007	4,400	5,607
17,034	8,031	9,003	Operational Services	17,819	5,424	12,395
606	415	191	Corporate	640	116	524
58,347	**40,889**	**17,458**	**Cost of services**	**62,849**	**37,856**	**24,993**
918	763	155	Other operating expenditure (Note 10-p53)	3,131	3,179	(48)
6,672	5,354	1,318	Financing & investment income/expenditure (Note 11-p53)	6,124	5,380	744
9,325	24,780	(15,455)	Taxation & non-specific grant income/expenditure (Note 12-p53)	17,587	39,542	(21,955)
		3,476	**(Surplus)/deficit on service provision**			**3,734**
		(1,147)	(Surplus)/deficit on revaluation of assets			(350)
		(21,192)	Remeasurement of the defined benefit liability/asset (Note 30-p66)			11,611
		(22,339)	**Other income & expenditure**			**11,261**
		(18,863)	**Total income & expenditure**			**14,995**

- Resources and Support Services includes housing benefits grant income and expenditure of circa £23m.

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 unusable reserves. The movements in the year are broken down between gains and losses incurred in accordance with accounting practices and statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease line shows the statutory General Fund balance movements in the year following those adjustments.

2020/21	General Fund balance £000	Capital receipts reserve £000	Capital grants unapplied £000	Total usable reserves £000	Unusable reserves £000	Total Council reserves £000
Balance at 31 March 2020 b/fwd	**(3,574)**	**(817)**	**(1,852)**	**(6,243)**	**(3,241)**	**(9,484)**
Movement in Reserves 2020/21						
Total comprehensive income & expenditure	3,734	-	-	3,734	11,261	14,995
Adjustment to revaluation reserve re. previous years impairment (PPE)	-	-	-	-	(238)	(238)
Adjustments between accounting & funding basis (Note 8-p51)	(13,588)	(72)	(848)	(14,508)	14,508	-
Increase/decrease in year	**(9,854)**	**(72)**	**(848)**	**(10,774)**	**25,531**	**14,757**
Balance at 31 March 2021 c/fwd	**(13,428)**	**(889)**	**(2,700)**	**(17,017)**	**22,290**	**5,273**
2019/20						
Balance at 31 March 2019 b/fwd	**(3,130)**	**(2,242)**	**(1,032)**	**(6,404)**	**15,783**	**9,379**
Movement in Reserves 2019/20						
Total comprehensive income & expenditure	3,476	-	-	3,476	(22,339)	(18,863)
Adjustments between accounting & funding basis (Note 8-p51)	(3,920)	1,425	(820)	(3,315)	3,315	-
Increase/decrease in year	**(444)**	**1,425**	**(820)**	**161**	**(19,024)**	**(18,863)**
Balance at 31 March 2020 c/fwd	**(3,574)**	**(817)**	**(1,852)**	**(6,243)**	**(3,241)**	**(9,484)**

- The General Fund balance includes £10.428m of earmarked reserves, leaving a general balance of £3.000m.

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 and funding basis' (page 30).

31/03/2020 £000		31/03/2021 £000
45,720	Property, plant & equipment (Note 19-p57)	44,957
676	Surplus assets (Note 19-p57)	676
16,737	Investment property (Note 20-p60)	14,749
1,429	Heritage assets (Note 21-p61)	1,429
94	Intangible assets	31
413	Long term debtors (Note 23-p61)	406
65,069	**Long term assets**	**62,248**
-	Assets held for sale (Note 22-p61)	555
241	Inventories	357
13,519	Short term debtors (Note 22-p61)	21,771
4,704	Cash/cash equivalents (Note 32-p70)	4,633
18,464	**Current assets**	**27,316**
(12,388)	Short term creditors (Note 24-p61)	(17,368)
(77)	Short term borrowing (Note 32-p70)	(73)
-	Revenue grants receipts in advance	(2,284)
(890)	Provisions (Note 25-p62)	(1,060)
(13,355)	**Current liabilities**	**(20,785)**
(1,061)	Provisions (Note 25-p62)	(1,562)
(58,899)	Net pensions liability (Note 30-p66)	(71,636)
(734)	Capital grants receipts in advance	(855)
(60,694)	**Long term liabilities**	**(74,053)**
9,484	**Net assets**	**(5,274)**
6,243	**Total usable reserves** (MIRS-p30)	**17,017**
3,241	**Total unusable reserves** (Note 26-p62)	**(22,291)**
9,484	**Total reserves**	**(5,274)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The 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 from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2019/20 £000		2020/21 £000
3,476	**Net (surplus)/deficit on the provision of services** (CIES-p29)	**3,734**
(2,227)	(Increase)/decrease In creditors	(4,980)
3,021	Increase/(decrease) in debtors	8,252
26	Increase/(decrease) in inventories	116
285	(Increase)/decrease in provisions	(671)
(4,553)	Charges for depreciation/impairment of non-current assets	(3,142)
(558)	Revaluation losses on property, plant & equipment	(3,704)
282	Movements in fair value of investment properties	742
(24)	Amortisation of intangible assets	(4)
(20)	Capital element of finance leases where Council is lessor	5
(3,952)	Movement in pension liability	(2,957)
(331)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(2,536)
(8,051)	**Adjustments for non-cash movements**	**(8,879)**
1,131	Capital grants & contributions unapplied credited to Comprehensive Income & Expenditure Statement	999
763	Transfer of cash sales proceeds credited as part of the gain/loss on disposal to Comprehensive Income & Expenditure Statement	3,180
1,894	**Adjustments for items that are investing/financing activities**	4,179
(2,681)	**Net cash flows from operating activities**	**(966)**
2,477	Purchase of property, plant & equipment, investment property & intangible assets	5,659
68,500	Purchase of short & long term investments	90,000
(515)	Proceeds from sale of property, plant & equipment, investment property & intangible assets	(3,380)
(68,500)	Proceeds from short & long term investments	(90,000)
(1,295)	Other receipts from investing activities	(1,248)
667	**Net cash flows from investing activities**	**1,031**
(2,864)	Other receipts from financing activities	(7,919)
-	Repayments of borrowing	5
2,397	Other payments for financing activities	7,920
(467)	**Net cash flows from financing activities**	**6**
(2,481)	**Net increase or decrease in cash & equivalents**	**71**
(2,223)	Cash & equivalents brought forward	(4,704)
(4,704)	**Cash & equivalents carried forward**	**(4,633)**

The cash flows for operating activities include the following items:

2019/20 £000		2020/21 £000
(97)	Interest received	(72)
-	Interest paid	1

Notes to the Financial Statements

1. Accounting Policies

i. General principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which is required to be prepared in accordance with accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and 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.

Materiality levels throughout the accounts are based upon the relevance to the users of the accounts and notes and the amounts advised to the Council by its external auditors.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and used, 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 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 financial institutions 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.

iv. Prior period adjustments, changes in Accounting Policies and estimates and errors

Prior period adjustments may arise from changes 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 made when required by 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.

v. 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 amortisation. These are therefore reversed out by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

vi. Council Tax and Non Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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 benefits such as wages and salaries, annual leave and sick leave and non-monetary benefits for current employees that 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 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 at the earlier of when the Council can no longer withdraw the offer of those benefits or costs for a restructuring are recognised.

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 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 2% (2% for the unfunded scheme);

- 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 pension's liability is analysed into the following components:

- Service Cost comprising:

    - 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;

- Remeasurements comprising
  - 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 are 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 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 (CIES) 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The financial assets that the Council holds are measured at amortised cost.

Financial assets measured at amortised cost

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.

Financial assets measured at amortised cost 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Short term investments

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. Lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of a 12 month expected loss.

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 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 (CIES) 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-ring fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, 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. 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. 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. 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').

xiii. 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 (CIES). 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 CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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.

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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) and 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.

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 service segments in accordance with the authority's arrangements for accountability and financial performance.

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 price;
- 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 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 and assets under construction – depreciated historical cost. Where the historical cost is unknown, a nominal value of £1 is attributed to the asset concerned;
- Community assets - depreciated historical cost, or the valuation option as per section 4.10 of the Code of Practice on local government accounting (this permits valuations by any method that is appropriate and relevant);
- All other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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.

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.

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.

Disposals and 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

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.

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.

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. 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 transferred back into the General Fund balance 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, local taxation 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. 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

At the balance sheet date the following new standards and amendments to existing standards that are deemed to have material significance to the Council, have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). Implementation for local government has been deferred to 1 April 2022. The impact on the Council's Statement of Accounts is not fully know at the current time.

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:

- Pension Liability - Estimation of the net liability to pay pensions as at 31 March 2021 depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase and mortality rates. The assumptions used are set out in the Defined Benefit Pension Note 30. The Council uses a firm of actuaries, Hymans Robertson LLP, to provide expert advice about the assumptions to be applied.

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 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- The recoverable amounts in relation to debtors (balance of trade receivables is £1.246m), the balance of the credit loss allowance totals £0.292m at 31 March 2021, an increase of £0.050m (20.6% when compared to 31 March 2020), therefore 23.4% of debt outstanding at 31 March 2021 would be covered by the credit loss allowance if all debt become uncollectable. The following significant inputs, assumptions and estimation techniques have been used in calculating the Council's approach to impairment loss allowances:

    - Debtors relating to public sector organisations are not impaired;

    - A provision matrix is utilised to estimate expected credit losses based on the 'age' of debtors. The matrix identifies the relationship between the age of the Council's debtors and the risk of non-payment based on historical collections rates;

    - Actual collection rates are calculated for invoices raised during the 6 years prior to 31 March 2021 and are used to inform estimates of what can be expected to be collected during the forthcoming 5 years, this rate is multiplied by the amount outstanding per year to given the credit loss allowance required for that year;

    - For debts over 5 years old a rate of 41.37% is applied to reflect the decreased likelihood of these debts being collected, whilst for debts over 10 years old a rate of 82.29% is applied to reflect the further decreased likelihood of these debts being collected. These rates are calculated by reviewing the amounts of debtors settled after 6 years and 8 years respectively;

    - A further allowance has been made within the credit loss allowance for debtors to reflect the potential impact of COVID-19 on the collection, this is based upon the increased level of debtors arrears from 31 March 2020 to 31 March 2021. The actual collection rates used to inform estimates of what can be expected to be collected have been uplifted by 13.2% to reflect potential Coronavirus related losses;

    - Any reasonable and supportable information relating to individual debtors in terms of past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort will also be reflected;

    - An increase of 1% in terms of the percentage of debt covered by the credit loss allowance would result in a further £12,460 being required in the credit loss allowance.

- Principal actuarial assumptions used at the balance sheet date in respect of the defined benefit pension scheme. The effects on the net pension liability of changes in the real discount rate, salary increase rate and pension increase rate are shown below:

    - 0.5% decrease in real discount rate gives an increase in liability of £19.566m;

    - 0.5% increase in the salary increase rate gives an increase in liability of £2.143m;

    - 0.5% increase in the pension increase rate gives an increase in liability of £16.996m.

  However, the assumptions interact in complex ways. During 2020/21 the Council's actuaries advised that the net pension liability had increased by £12.737m.

- The outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, impacted global financial markets and market activity was impacted in many sectors. As at the valuation date, the Valuer has considered that they can now, again, attach greater weight to market evidence for comparison purposes, to inform opinions of value.

- As at 31 March 2021 the Council had £28.232m of operational land and buildings and £15.304m of investment property on its Balance Sheet that has been valued by the Council’s qualified valuer. The Council’s Property, Plant and Equipment have been valued on one of the following three bases under IFRS:

    - Fair Value (Existing Use Value (EUV)) – method used to value operational property assets other than specialised property assets.

    - Depreciated Replacement Cost (DRC) - method used to value operational property assets of a specialised nature.

    - Fair Value (Market Value) – method used to value property assets held as investments, surplus or for sale.

  Note 20 (page 60) details the valuation techniques utilised for investment property assets.

  A 1% movement in values since the last valuation date would change the reported value of operational land and buildings assets by £0.282m (£0.310m in 2019/20) and investment property assets by £0.153m (£0.167m in 2019/20). Buildings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance of those buildings. Reductions in the budget for repairs and maintenance spending brings into doubt the useful lives assigned to buildings. If the useful life of buildings is reduced, depreciation increases and the carrying amount of the building falls.

  It should be noted that neither movements in valuations or depreciation would have an impact on the funds held by the Council.

- 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 modelled calculation undertaken on behalf of the Council by Inform CPI based on past success levels relating to both 2010 and 2017 valuations.

  Inform CPI Limited is an Organisational Member of the Institute of Revenues Rating and Valuation (IRRV), and is therefore bound by the Institute’s code of professional conduct. It also holds appropriate professional indemnity insurance cover that includes all Royal Institution of Chartered Surveyors (RICS) requirements.

  The staff involved are leading business rates experts who are knowledgeable in all methods of valuation, material change of circumstance appeals, allowances, valuation schemes and the identification of comparable evidence.

  The model is designed to provide a consistent approach to the calculation of potential reductions. In doing so, a number of assumptions are made relating to the proposal and appeal data submitted for calculation:

    - That the submitted records are up to date or the most recent information provided by the Valuation Office Agency (VOA). It is the responsibility of the billing authority to ensure that submitted records are timely

    - That the data provided by the VOA accurately reflects the details of proposal or appeal

    - That the proposal or appeal is still outstanding and has not been withdrawn, dismissed or settled

  Method and approach

  The estimation model is designed to give an overall estimate of the potential loss in rateable value and yield. To do this, each submitted appeal record is analysed and a potential estimated reduction calculated, by reference to:

    - Comparable hereditaments, in terms of type, size and location that have seen a reduction in rateable value in the same list

- The code of grounds of the appeal, this will affect the comparable records used and the calculation process
- The effective date of the proposal or appeal, to calculate the potential yield losses that may affect previous years
- Other trends in the rating list

A potential reduction percentage is derived from these criteria. This is applied to the rateable value contained in the submitted record and a potential appeal rateable value is calculated, in accordance with the accepted rounding approach. For example, a record with rateable value of £150,000 that is estimated to receive a 4.95% reduction would give a result of £142,575. This would be rounded to give a potential appeal rateable value of £142,000. This value is used, along with the effective date given in the record, to calculate potential rateable value and yield losses.

Yield losses for each year are calculated using the non-domestic rating multipliers for that year. Allowance is made for small business rate relief changes, in line with existing legislation, but no other adjustment is made for liability, exemption or relief.

Each record is compared to the rateable value profile for that hereditament to ensure that the effect on yield is only calculated for the period that the appealed rateable value is in force.

As at 31 March 2021 the Council's share (40%) of the estimated appeals against business rates is £2.459m, the rateable value of properties subject to Business Rates as at 31 March 2021 within the Borough totals £90.660m. The Council's share of the appeals provision amounts to 27.12% of the total rateable value, an increase in rateable value of 1% could lead to an increase in the appeals provision of £0.025m.

5. Events after the reporting period

The Statement of Accounts was authorised for issue by the Head of Finance (Section 151 Officer) on 19 July 2021.

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 2021 which required the amendment of figures in the financial statements or notes to the financial statements.

The COVID-19 pandemic continues to have a significant impact on the Council's financial position, particularly through the loss of income. It is anticipated that income losses will continue to be incurred during 2021/22, the Government has continued the Income Losses compensation scheme for the first quarter of 2021/22 to partly fund these pressures, these losses may continue past the first quarter of 2021/22. However, the Council's underlying financial position is robust and the minimum level of the general fund reserve has been increased to allow further resilience.

6. Expenditure and Funding Analysis

This analysis shows how expenditure is used and funded from resources (government grants, council tax and business rates) by the Council compared to resources consumed or earned in accordance with accounting practices. It also shows how expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under accounting practice is presented fully in the Comprehensive Income and Expenditure Statement (page 29).

2019/20				2020/21		
Net expenditure chargeable to the General Fund £000	Adjustments between funding & accounting basis £000	Net Expenditure - Comprehensive Inc & Exp Statement £000		Net expenditure chargeable to the General Fund £000	Adjustments between funding & accounting basis £000	Net expenditure - Comprehensive Inc & Exp Statement £000
1,907	89	1,996	Chief Executive	1,893	23	1,916
3,831	660	4,491	Resources & Support Services	4,371	180	4,551
1,535	242	1,777	Regeneration & Development	3,363	2,244	5,607
4,891	4,112	9,003	Operational Services	8,088	4,307	12,395
2,176	(1,985)	191	Corporate	(11,350)	11,874	524
14,340	**3,118**	**17,458**	**Net cost of services**	**6,365**	**18,628**	**24,993**
(14,784)	**802**	**(13,982)**	**Other income and expenditure**	**(16,219)**	**(5,040)**	**(21,259)**
(444)	**3,920**	**3,476**	**Surplus or deficit**	**(9,854)**	**13,588**	**3,734**
3,130			**Opening General Fund/other useable reserves balance** (MIRS-p30)	**3,574**		
444			**Less/plus surplus or deficit on General Fund balance in year**	**9,854**		
3,574			**Closing General Fund/other useable reserves balance** (MIRS-p30)	**13,428**		

- The General Fund balance includes £10.428m of earmarked reserves, leaving a general balance of £3.000m

6a. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts 2020/21	Adjustments for capital purposes (Note 1) £000	Net change for the pensions adjustments (Note 2) £000	Other differences (Note 3) £000	Total adjustments £000
Chief Executive	-	9	14	23
Resources & Support Services	174	28	(22)	180
Regeneration & Development	2,218	22	4	2,244
Operational Services	4,116	80	111	4,307
Corporate	12,238	(364)	-	11,874
Net cost of services	**18,746**	**(225)**	**107**	**18,628**
Other income and expenditure	**(6,391)**	**1,351**	**-**	**(5,040)**
Difference between General Fund surplus/deficit & Comprehensive Income & Expenditure Statement surplus or deficit on the provision of services	**12,355**	**1,126**	**107**	**13,588**

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts 2019/20	Adjustments for capital purposes (Note 1) £000	Net change for the pensions adjustments (Note 2) £000	Other differences (Note 3) £000	Total adjustments £000
Chief Executive	-	70	19	89
Resources & Support Services	439	227	(6)	660
Regeneration & Development	59	173	10	242
Operational Services	3,506	545	61	4,112
Corporate	290	(524)	(1,751)	(1,985)
Net cost of services	**4,294**	**491**	**(1,667)**	**3,118**
Other income and expenditure	**(1,057)**	**1,859**	**-**	**802**
Difference between General Fund surplus or deficit & Comprehensive Income & Expenditure Statement surplus or deficit on the provision of services	**3,237**	**2,350**	**(1,667)**	**3,920**

Notes

1. Adjustments for capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under accounting practices.

- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable without conditions or for which conditions were satisfied.

2. Net change for the pensions adjustments

This column shows the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

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

- **For financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

3. Other differences

This column shows other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable recognised under statute. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

7. Segmental income and expenditure

The Code of Practice on Local Authority Accounting in the United Kingdom requires that where certain items of significant income and expenditure are included in the 'net expenditure chargeable to the general fund' as shown in the Expenditure and Funding Analysis, these must be disclosed in a separate note as shown below:

2019/20 £000	Segment	2020/21 £000
	Depreciation & amortisation	
292	Resources & Support Services	174
354	Regeneration & Development	385
2,759	Operational Services	2,629
3,405	**Total**	**3,188**
	Impairment	
146	Resources & Support Services	-
372	Regeneration & Development	(2)
654	Operational Services	(12)
1,172	**Total**	**(14)**
	External Income	
487	Chief Executive	31
711	Resources & Support Services	(42)
4,197	Regeneration & Development	3,630
6,810	Operational Services	5,206
91	Corporate	116
12,296	**Total**	**8,941**

8. Adjustments between accounting basis and funding basis

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 accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020/21	General Fund balance £000	Capital receipts reserve £000	Capital grants unapplied £000	Unusable reserves £000
Adjustments primarily involving - capital adjustment account				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation & impairment of non-current assets	(3,184)	-	-	3,184
Adjustment re. previous years impairment (PPE)	42	-	-	(42)
Revaluation losses on property, plant & equipment	(3,704)	-	-	3,704
Movements in fair value of investment properties	742	-	-	(742)
Amortisation of intangible assets	(4)	-	-	4
Reversal of REFCUS expenditure	(1,725)	-	-	1,725
Reversal of REFCUS income	716	-	-	(716)
Non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(2,536)	-	-	2,536
Capital element of finance leases where Council is the lessor	5	-	-	(5)
Application of capital grants received	2,463	-	-	(2,463)
Statutory provision for the financing of capital investment	41	-	-	(41)
Adjustments primarily involving - capital grants unapplied account				
Transfer of grant from revenue to the capital grants unapplied account	999	-	(999)	-
Application of grants to capital finance transferred to the capital adjustment account	-	-	151	(151)
Adjustments primarily involving - capital receipts reserve				
Transfer of sales proceeds from revenue to the capital receipts reserve	3,180	(3,180)	-	-
Use of the capital receipts reserve to finance capital	-	3,119	-	(3,119)
Transfer from deferred capital receipts reserve on receipt of cash	-	(11)	-	11
Adjustments primarily involving - pensions reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(5,397)	-	-	5,397
Employers pension contributions and direct payments to pensioners payable in the year	4,271	-	-	(4,271)
Adjustments primarily involving - collection fund adjustment account				
Amount That 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	(9,390)	-	-	9,390
Adjustments primarily involving - accumulated absences account				
Amount by which Officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from remuneration chargeable calculated for the year	(107)	-	-	107
Total adjustments	**(13,588)**	**(72)**	**(848)**	**14,508**

2019/20	General Fund balance £000	Capital receipts reserve £000	Capital grants unapplied £000	Unusable reserves £000
Adjustments primarily involving - capital adjustment account				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation & impairment of non-current assets	(4,553)	-	-	4,553
Revaluation losses on property, plant & equipment	(558)	-	-	558
Movements in fair value of investment properties	282	-	-	(282)
Amortisation of intangible assets	(24)	-	-	24
Reversal of REFCUS expenditure	(380)	-	-	380
Reversal of REFCUS income	380	-	-	(380)
Non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(331)	-	-	331
Capital element of finance leases where Council is the lessor	(20)	-	-	20
Application of capital grants received in advance	33	-	-	(33)
Statutory provision for the financing of capital investment	40	-	-	(40)
Adjustments primarily involving - capital grants unapplied account				
Transfer of grant from revenue to the capital grants unapplied account	1,131	-	(1,131)	-
Application of grants to capital finance transferred to the capital adjustment account	-	-	311	(311)
Adjustments primarily involving - capital receipts reserve				
Transfer of sales proceeds from revenue to the capital receipts reserve	763	(763)	-	-
Use of the capital receipts reserve to finance capital	-	2,199	-	(2,199)
Transfer from deferred capital receipts reserve on receipt of cash	-	(11)	-	11
Adjustments primarily involving - pensions reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(6,312)	-	-	6,312
Employers pension contributions and direct payments to pensioners payable in the year	3,962	-	-	(3,962)
Adjustments primarily involving - collection fund adjustment account				
Amount That 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	1,751	-	-	(1,751)
Adjustments primarily involving - accumulated absences account				
Amount by which Officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from remuneration chargeable calculated for the year	(84)	-	-	84
Total adjustments	**(3,920)**	**1,425**	**(820)**	**3,315**

9. Movements in earmarked reserves

2019/20				2020/21		
Transfers out £000	Transfers in £000	Net movement £000		Transfers out £000	Transfers in £000	Net movement £000
(207)	-	(207)	General Fund	-	1,759	1,759
(70)	-	(70)	Equipment replacement fund	(555)	141	(414)
(179)	179	-	Renewals and repairs fund	-	-	-
(78)	51	(27)	ICT development fund	(71)	50	(21)
(125)	125	-	Organisational capacity fund	-	-	-
(440)	1,450	1,010	Budget support fund	(1,342)	834	(508)
(11)	-	(11)	Conservation and heritage fund	(10)	10	-
-	75	75	Museum purchase fund	(4)	46	42
(1)	-	(1)	Mayors charities reserve	(4)	-	(4)
-	4	4	Clayton Community Centre fund	-	5	5
(274)	248	(26)	Borough growth fund	(210)	250	40
-	-	-	Elections reserve	-	50	50
(12)	-	(12)	Keele masterplan reserve	(16)	-	(16)
(817)	526	(291)	Business Rates reserve	(741)	9,662	8,921
(2,214)	**2,658**	**444**	**Total**	**(2,953)**	**12,807**	**9,854**

10. Other operating expenditure

2019/20 £000		2020/21 £000
587	Parish precepts	594
201	(Gains)/losses on disposal of non-current assets	(644)
(633)	Capital income not arising from asset sales	-
155	**Total**	**(50)**

11. Financing and investment income and expenditure

2019/20 £000		2020/21 £000
-	Interest payable & similar charges	1
1,859	Interest on the net defined benefit liability	1,351
(89)	Interest receivable & similar income	(62)
(974)	Investment properties - income	(901)
(282)	Investment properties - revaluations	(742)
804	Investment properties - expenses	1,097
1,318	**Total**	**744**

12. Taxation and non-specific grant income and expenditure

2019/20 £000		2020/21 £000
(7,802)	Council Tax income	(8,187)
9,325	Non Domestic Rates expenditure	9,866
(15,855)	Non Domestic Rates income	(16,280)
(1,090)	Non-ringfenced Government grants	(4,891)
(33)	Capital grants & contributions	(2,463)
(15,455)	**Total**	**(21,955)**

13. Expenditure and income analysed by nature

The Council's expenditure and income is analysed as follows:

2019/20 £000		2020/21 £000
	Expenditure	
19,716	Employees	18,222
2,372	Premises	2,159
827	Transport	915
4,332	Supplies and services	6,290
680	Grants and contributions	4,282
814	Agency and contracted services	1,256
25,275	Housing Benefits payments	22,937
6,285	Capital financing	10,309
9,912	Sources of finance expenditure	19,219
5,049	Pensions interest cost	4,102
75,262	**Total expenditure**	**89,691**
	Income	
633	Capital income not arising from asset sales	-
130	Gains/(losses) on disposal of non current assets	3,180
22,001	Sources of finance income	22,420
29,747	Government grants	42,072
139	Transfer from Collection Fund	138
2,088	Other grants and contributions	4,804
1,545	Reimbursements	1,756
8,594	Customer receipts	5,745
908	Rents	928
89	Interest and investment income	62
3,190	Pensions return on assets	2,751
2,722	Other income	2,101
71,786	**Total income**	**85,957**
3,476	**(Surplus) or deficit on provision of services**	**3,734**

14. 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 (Grant Thornton):

2019/20 £000		2020/21 £000
50	External audit services carried out	66
12	Certification of grant claims and returns	13
15	Additional charges re. 2018/19	-
77		**79**

15. Members' allowances

In 2020/21 a total of £253,399 was paid to members (including the Mayor and Deputy Mayor) in respect of allowances (£251,863 in 2019/20). There were no expenses paid to members during 2020/21 (£1,500 in 2019/20).

16. Termination benefits

The Council terminated the contracts of a number of employees in 2020/21, incurring liabilities of £97,640 (£205,458 in 2019/20). The termination benefits consisted of £95,827 for loss of office and £1,813 in relation to long service awards.

17. Officers' remuneration

Remuneration between £50,000 and £150,000 per annum was paid to the Council's senior employees as follows:

2020/21 - Post holder	Salary (£)	Benefits in kind (£)	Total exc. employer pension (£)	Employer pension (£)	Total inc. employer pension (£)
Chief Executive	108,762	-	108,762	18,598	127,360
Executive Directors		-			
Operational Services	93,426	-	93,426	15,976	109,402
Commercial Development & Economic Growth	93,426	-	93,426	15,998	109,424
Heads of Service					
Operations	63,204	-	63,204	10,830	74,034
Recycling and Fleet Services	59,724	-	59,724	10,213	69,937
Planning	59,724	-	59,724	10,213	69,937
Housing^	31,423	-	31,423	8,490	39,913
Leisure and Cultural Services^	17,656	-	17,656	2,549	20,205
Communications^	23,909	-	23,909	3,401	27,310
Environmental Health Services	63,377	-	63,377	10,837	74,214
People and Organisational Development	55,097	-	55,097	9,444	64,540
Finance^^	55,170	-	55,170	9,434	64,604
Legal and Governance Services	71,257	-	71,257	12,207	83,464

2019/20 - Post holder	Salary (£)	Benefits in kind (£)	Total exc. employer pension (£)	Employer pension (£)	Total inc. employer pension (£)
Chief Executive*	114,132	-	114,132	19,517	133,649
Executive Directors		-			
Operational Services	90,926	-	90,926	15,548	106,474
Resources & Support Services^	37,886	-	37,886	6,479	44,365
Heads of Service					
Operations	62,802	-	62,802	10,680	73,482
Recycling and Fleet Services	56,632	-	56,632	9,684	66,316
Planning^^	12,331	-	12,331	2,109	14,440
Housing	47,694	-	47,694	8,156	55,850
Leisure and Cultural Services	59,618	-	59,618	10,194	69,812
Communications	53,615	-	53,615	9,168	62,783
Environmental Health Services	60,960	-	60,960	10,429	71,389
People and Organisational Development^^	11,674	-	11,674	1,996	13,670
Finance^^	28,827	1,245	30,072	3,490	33,562
Legal and Governance Services^^	16,469	-	16,469	2,816	19,285

* This includes salary of £105,851 plus Returning Officers fees for the Parliamentary and EU Elections in 2019/20.

^ These post holders left during the year, their full time equivalent salary would exceed £50,000 per annum.

^^ These post holders started during the year, their full time equivalent salary would exceed £50,000 per annum.

No further employees received remuneration in excess of £50,000.

18. Grant income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure:

2019/20 £000		2020/21 £000
	Credited to taxation/non specific grant	
33	Capital grants	2,463
155	Other Government grants	312
1,656	Section 31/Business Rates Relief grant	7,130
935	New Homes Bonus scheme	604
-	Revenue Support grant	63
-	Coronavirus	1,916
-	Income Compensation - fees and charges	1,994
-	Income Compensation - Council Tax losses	152
-	Income Compensation - NNDR losses	1,559
2,779	**Total**	**16,193**
	Credited to services	
24,944	Housing Benefits subsidy/grants	22,583
447	Housing Benefit/Council Tax Benefit admin	444
1,512	Disabled Facilities grant	1,715
35	Individual Electoral Registration Section 31	9
945	Air Quality	148
485	Future High Street Fund	5
104	Contributions towards Community Safety	117
125	Homelessness	385
-	Additional Restrictions grant	2,104
-	Discretionary Business grant	1,133
-	Council Tax Hardship grant	1,036
459	Other grants and contributions	1,004
29,056	**Total**	**30,683**

19. Property, plant and equipment

Movements on balances

2020/21	Land & buildings £000	Infrastructure assets £000	Vehicles, plant, furniture & equipment £000	Community assets £000	Surplus assets £000	Total £000
Cost or valuation						
At 1 April 2020	**30,993**	**1,340**	**15,880**	**8,165**	**676**	**57,054**
Additions	1,705	-	3,860	-	48	5,613
Accumulated depreciation /impairment written out	(916)	-	(284)	(25)	-	(1,225)
Revaluation increases/(decreases) - revaluation reserve	43	-	31	276	-	350
Revaluation increases/(decreases) - surplus/deficit on provision of services	(3,592)	-	-	(64)	(48)	(3,704)
Derecognition - disposals	-	-	(363)	-	-	(363)
At 31 March 2021	**28,233**	**1,340**	**19,124**	**8,352**	**676**	**57,725**
Accumulated depreciation & impairment						
At 1 April 2020	(158)	(536)	(8,879)	(1,085)	-	(10,658)
Adjustment re. previous years impairment	83	-	9	188	-	280
Depreciation charge	(841)	(35)	(2,093)	(215)	-	(3,184)
Accumulated depreciation/impairment written out	916	-	284	25	-	1,225
Derecognition - disposals	-	-	245	-	-	245
At 31 March 2021	**-**	**(571)**	**(10,434)**	**(1,087)**	**-**	**(12,092)**
Net book value						
As at 31 March 2020	30,835	804	7,001	7,080	676	46,396
As at 31 March 2021	28,233	769	8,690	7,265	676	45,633

2019/20	Land & buildings £000	Infrastructure assets £000	Vehicles, plant, furniture & equipment £000	Community assets £000	Surplus assets £000	Total £000
Cost or valuation						
At 1 April 2019	**32,238**	**1,339**	**17,731**	**7,874**	**676**	**59,858**
Transfers regarding historical variances	-	-	41	(38)	-	3
Additions	812	32	1,035	305	65	2,249
Accumulated depreciation /impairment written out	(2,048)	-	-	(30)	-	(2,078)
Revaluation increases/(decreases) - revaluation reserve	1,024	-	-	415	-	1,439
Revaluation increases/(decreases) - surplus/deficit on provision of services	(515)	-	-	(93)	-	(608)
Impairment losses/(reversals) - revaluation reserve	(267)	(1)	-	(9)	-	(277)
Impairment losses/(reversals) - surplus/deficit on provision of services	(251)	(30)	(354)	(259)	(65)	(959)
Derecognition - disposals	-	-	(2,573)	-	-	(2,573)
At 31 March 2020	**30,993**	**1,340**	**15,880**	**8,165**	**676**	**57,054**
Accumulated depreciation & impairment						
At 1 April 2019	(1,757)	(500)	(8,149)	(1,242)	-	(11,648)
Transfers regarding historical variances	297	-	(582)	335	-	50
Depreciation charge	(747)	(36)	(2,389)	(209)	-	(3,381)
Accumulated depreciation/impairment written out	2,049	-	-	31	-	2,080
Derecognition - disposals	-	-	2,241	-	-	2,241
At 31 March 2020	**(158)**	**(536)**	**(8,879)**	**(1,085)**	**-**	**(10,658)**
Net book value						
As at 31 March 2019	30,481	839	9,582	6,632	676	48,210
As at 31 March 2020	30,835	804	7,001	7,080	676	46,396

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:

- Land and buildings - 60 years, unless the valuation basis is depreciated replacement cost, where individual lives apply to each asset;
- Vehicles, plant, furniture and equipment – between 5 and 15 years dependent upon an assessment of the asset;
- Infrastructure - no specific life. Depreciation is based on a historical composite calculation;
- Community assets - 20 years.

Capital commitments

Capital commitments at 31 March 2021 totalled £5.147m, this includes £5.103m ring-fenced for the refurbishment of Kidsgrove Sports Centre. There were no capital commitments at 31 March 2020.

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 2021 and for the prior period.

31/03/2020 Restated £000		31/03/2021 £000
676	Surplus assets	676
	Land and buildings	
2,926	Community Centres	2,845
5,243	Car Parks	2,978
2,186	Depot	2,123
5,502	Offices	5,593
221	Guildhall	221
251	Bus Station	216
1,125	Cemeteries	1,176
809	Crematorium	826
8,891	Leisure Centres	8,676
2,540	Parks and Sports grounds	2,215
411	Museum	353
73	Public toilets	73
95	Business Centre	129
720	Other land and buildings	809
1,340	Infrastructure assets	1,340
15,880	Vehicles, plant, furniture, equipment	19,124
8,165	Community assets	8,352
57,054	**Total**	**57,725**

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, the vast majority of these assets have been revalued during the financial year 2020/21 as a result of the Coronavirus pandemic. All valuations are carried out internally. Valuations of land and buildings are carried out in accordance with the professional standards of the Royal Institution of Chartered Surveyors using the BCIS indices. 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 being used for operational purposes and whether there is any impairment applicable to the asset.

Valuations over the rolling period were as follows:

	Land & buildings £000	Vehicles, plant, furniture & equipment £000	Community assets £000	Infrastructure assets £000	Surplus assets £000	Total £000
Carried at historical cost	-	19,124	5,911	1,340	-	26,375
Valued at fair value at:						
31 March 2021	28,233	-	2,441	-	676	31,350
Total cost or valuation	**28,233**	**19,124**	**8,352**	**1,340**	**676**	**57,725**

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 and the valuation technique employed is the investment basis, using the rental value and yield as unobservable inputs. Significant changes in any of these inputs will result in a lower or higher fair value. There have been no changes in any of the valuation techniques employed during the year.

20. Investment properties

There are no restrictions on the Council's ability to realise the value of its investment property or on the Council's right to the receipt 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 level 3 investment properties over the year:

2019/20 £000		2020/21 £000
16,415	**Balance at 1 April**	**16,737**
43	Additions - subsequent expenditure	153
-	Disposals	(2,328)
282	Net gains/(losses) - fair value adjustments	742
(3)	Transfers (to)/from property, plant & equipment	-
-	Transfers (to)/from assets held for sale	(555)
16,737	**Balance at 31 March**	**14,749**

Valuation techniques used to determine Level 3 fair values for investment properties

The fair value for development sites is based on the market approach using current market conditions, 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 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. The following table shows quantitative information relating to fair value measurement of investment properties using significant unobservable inputs.

Investment property type	31/03/2021 £000	Valuation technique used to measure fair value	Unobservable Inputs	Sensitivity
Shops	2,211	Investment method	Rental values yield	(a)
Offices	879	Investment method	Rental values yield	(a)
Industrial units	3,057	Investment method	Rental values yield	(a)
Other	3,048	Investment method	Rental values yield	(a)
Development sites	5,554	Comparable method	Capital value	(a)
	14,749			

(a) Significant changes in rental value, yield or capital value will result in a varied fair value

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 professional standards of the Royal Institution of Chartered Surveyors.

21. 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 31) 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 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 2020/21.

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.

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.

22. Assets held for sale

2019/20 £000		2020/21 £000
-	**Balance at 1 April (current assets)**	-
	Assets newly classifed as held for sale:	
-	- From investment properties	555
-	**Balance at 31 March (current assets)**	**555**

23. Debtors

31/03/2020 £000	Short term	31/03/2021 £000
1,239	Trade receivables	1,246
12,280	Other receivable amounts	20,525
13,519	**Total**	**21,771**

31/03/2020 £000	Long term	31/03/2021 £000
127	Finance lease balances outstanding	132
286	Kickstart loans (re. home improvements)	274
413	**Total**	**406**

24. Creditors

31/03/2020 £000		31/03/2021 £000
717	Trade payables	524
11,671	Other payables	16,844
12,388	**Total**	**17,368**

25. Provisions

	Short term	Long term			Total long term
	NNDR appeals £000	Insurance claims £000	MMI £000	NNDR appeals £000	£000
Balance at 1 April 2019	**1,216**	**143**	**34**	**843**	**1,020**
Additional provisions made	-	8	16	25	49
Amounts used	(326)	(8)	-	-	(8)
Balance at 1 April 2020	**890**	**143**	**50**	**868**	**1,061**
Additional provisions made	170	76	-	531	607
Amounts used	-	(73)	(33)	-	(106)
Balance at 31 March 2021	**1,060**	**146**	**17**	**1,399**	**1,562**

The NNDR appeals provision provides for the Council's element of refunds payable following successful appeals in relation to the rateable value of business rates payer's 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 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 becoming insolvent.

26. Unusable reserves

Balances in relation to the Council's unusable reserves are shown below:

31/03/2020 £000		31/03/2021 £000
	Capital:	
14,444	Revaluation reserve	14,445
45,833	Capital adjustment account	42,541
412	Deferred capital receipts reserve	406
	Revenue:	
(58,899)	Pensions reserve	(71,636)
1,858	Collection fund adjustment account	(7,532)
(407)	Accumulated absences account	(515)
3,241	**Total unusable reserves**	**(22,291)**

Revaluation reserve

The revaluation reserve records unrealised gains in the value of property, plant and equipment. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or assets are revalued downwards or disposed of. The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

2019/20 £000		2020/21 £000
14,395	**Balance at 1 April**	**14,444**
-	Adjustment re. previous years impairment	238
4,001	Upward revaluation of assets not charged to the surplus/deficit on the provision of services	1,548
(2,854)	Downward revaluation of assets & impairment losses not charged to the surplus/deficit on the provision of services	(1,198)
(949)	Difference between fair value depreciation and historical cost depreciation	(552)
(149)	Accumulated gains on assets sold or scrapped	(35)
14,444	**Balance at 31 March**	**14,445**

Capital adjustment account

The capital adjustment account is used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system. Statute requires that the charge to the General Fund is determined by the capital controls system. The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

The following table shows the disclosure to the revaluation reserve regarding the amendment between the revaluation reserve and the capital adjustment account.

2019/20 £000		2020/21 £000
47,336	**Balance at 1 April**	**45,833**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:	
(4,553)	Charges for depreciation/impairment of non-current assets	(3,184)
-	Adjustment re. previous years impairment (PPE)	42
(24)	Amortisation of intangible Assets	(4)
(380)	REFCUS expenditure	(1,725)
380	REFCUS income	716
(331)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(2,536)
282	Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	742
(558)	Revaluation losses on property, plant and equipment	(3,704)
33	Application of grants to capital financing from the capital grants received in advance account	2,463
(20)	Capital element of finance leases where Council is the lessor	5
40	Minimum revenue provision contribution	41
(5,131)		**(7,144)**
	Capital financing applied in the year:	
2,199	Use of the capital receipts reserve to finance new capital expenditure	3,119
311	Application of grants to capital financing from the capital grants unapplied account	151
20	Capital element of finance leases where Council is the lessor	(5)
	Adjusting Amounts Written Out of Revaluation Reserve	
949	Difference between fair value depreciation/historical cost depreciation	552
149	Accumulated gains on assets sold or scrapped	35
(1,503)		**(3,292)**
45,833	**Balance at 31 March**	**42,541**

Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Statute requires that 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 takes place, amounts are transferred to the capital receipts reserve.

2019/20 £000		2020/21 £000
443	**Balance at 1 April**	**412**
(11)	Transfer to the capital receipts reserve upon receipt of cash	(11)
(20)	Capital element of finance leases where Council is the lessor	5
412	**Balance at 31 March**	**406**

Pension reserve

The pension reserve is used to reconcile payments made for the year to statutory pension schemes in accordance with the schemes requirements, and the net change in the authority's recognised liability under the Code's adoption of IAS19 – *Employee Benefits*. A transfer is made to or from the pensions reserve to ensure that the charge to the General Fund reflects the amount required to be raised in taxation. For example, the debit balance on the reserve shows that the authority has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.

2019/20 £000		2020/21 £000
(77,741)	**Balance at 1 April**	**(58,899)**
21,192	Remeasurements of the net defined benefit liability/(asset)	(11,611)
(6,312)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services	(5,397)
3,962	Employers pensions contributions and direct payments to pensioners payable in the year	4,271
(58,899)	**Balance at 31 March**	**(71,636)**

Collection fund adjustment account

The collection fund adjustment account is used to reconcile differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement to those amounts required to be charged by statute to the General Fund. For example, the debit balance on the Account shows that less tax has been collected on behalf of the authority and the precepting bodies (and central government in England for non-domestic rates income) than an authority is permitted to transfer out of the Collection Fund by 31 March.

2019/20 £000		2020/21 £000
107	**Balance at 1 April**	**1,858**
(293)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year	(20)
2,044	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	(9,370)
1,858	**Balance at 31 March**	**(7,532)**

Accumulated absences account

The accumulated absences account absorbs the differences that would 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.

2019/20 £000		2020/21 £000
(323)	**Balance at 1 April**	**(407)**
323	Settlement or cancellation of accrual made at the end of the preceding year	407
(407)	Amounts accrued at the end of the current year	(515)
(407)	**Balance at 31 March**	**(515)**

27. 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.

2019/20 £000		2020/21 £000
4,404	**Opening capital financing requirement**	**4,364**
	Capital investment	
2,249	Property, plant & equipment	5,613
43	Investment properties	153
251	Intangible assets	30
380	REFCUS	1,725
	Sources of finance	
(2,199)	Capital receipts	(3,119)
(724)	Government grants & other contributions	(3,330)
(40)	Sums set aside from revenue	(41)
4,364	***Closing capital financing requirement***	**5,395**
	Explanation of movements in year	
-	Capital expenditure financed from internal borrowing	1,072
(40)	**Increase/(decrease) in capital financing requirement**	**1,031**

28. Impairment losses

The Council has undertaken an impairment review of its non-current asset, at 31 March 2021 no impairment was chargeable.

29. 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 (e.g. council tax bills, housing benefits).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is shown in Note 15 (page 54). During 2020/21, expenditure transactions with Staffs County Council totalled £1,025,829, and New Vic Theatre totalled £47,000. One member is employed by Staffs CC, as a social worker and as such has no direct influence on financial issues, and one member is a Director of the New Vic Theatre, which is in receipt of an annual grant from NULBC. Two members are the proprietors of a B&B in the borough and have received a single Coronavirus business grant in the sum of £10,000, whilst a further member is a director of a community centre that has also received a single Coronavirus business grant in the sum of £10,000.

Officers

No payments have been made to any entities that have a relationship with Council officers during 2020/21.

30. Defined benefit pension schemes

Participation in pension schemes

As part of the terms and conditions of employment of its employees, 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 disclose the payments 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 has a career average revalue earnings (CARE) benefit design, 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 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 as described in the accounting policies note.

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The 31 March 2019 formal valuations for English and Welsh Local Government Pension Scheme Funds were concluded by 31 March 2020.

The reconciliation of the balance sheet from 31 March 2020 to 31 March 2021 as can be seen in the 'Transactions relating to post-employment benefits' table below, in the Comprehensive Income and Expenditure Statement (re-measurement of the defined benefit liability/asset) and in the Balance Sheet (pension liability and pension reserve).

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 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 benefits is reversed out of the General Fund via the Movement in Reserves Statement (page 30). 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:

2019/20			2020/21	
LGPS £000	Unfunded benefits £000		LGPS £000	Unfunded benefits £000
		Comprehensive Income & Expenditure Statement		
		Cost of services:		
4,697	-	Current service cost	3,991	-
(244)	-	Past service costs/(gains)	55	-
-	(435)	Unfunded benefit contributions	-	(419)
		Financing and investment income & expenditure		
1,859	-	Net interest expense	1,351	-
6,312	**(435)**	**Total pension benefit charged to the surplus/deficit on provision of services**	**5,397**	**(419)**
		Remeasurement of the net defined benefit liability comprising:		
13,274	-	Return on plan assets	(29,786)	-
(7,678)	-	Changes in demographic assumptions	2,552	-
(14,736)	-	Changes in financial assumptions	40,506	-
(12,052)	-	Other experience	(1,661)	-
(21,192)	**-**	**Total pension benefit charged to Comprehensive Income & Expenditure Statement**	**11,611**	**-**
		Movement in Reserves Statement		
(6,312)	435	Reversal of net charges made to the surplus/deficit on provision of services for pension benefits	(5,397)	419
		Actual amount charged against the General Fund balance for pensions		
3,962	-	Employers' contributions payable to scheme	4,271	-
-	(435)	Retirement benefits payable to pensioners	-	(419)
(2,350)	**-**		**(1,126)**	**-**

Pensions assets and liabilities recognised in the Balance Sheet

2019/20 £000		2020/21 £000
(173,789)	Present value of defined benefit obligation-funded	(216,830)
(5,790)	Present value of defined benefit obligation-unfunded	(6,000)
120,680	Fair value of plan assets	151,194
(58,899)	**Net liability arising from defined benefit obligation**	**(71,636)**

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

2019/20 £000		2020/21 £000
203,854	Present value of funded liabilities	173,789
6,781	Present value of unfunded liabilities	5,790
210,635	**Opening position as at 1 April**	**179,579**
4,697	Current service cost	3,991
(244)	Past service cost	55
5,049	Interest cost	4,102
684	Contributions by scheme participants	742
	Remeasurements:	
(14,736)	Changes in financial assumptions	40,506
(7,678)	Changes in demographic assumptions	2,552
(12,052)	Other Experience	(1,661)
(6,341)	Benefits paid	(6,617)
(435)	Unfunded benefits paid	(419)
179,579	**Closing balance as at 31 March**	**222,830**
173,789	Present value of funded liabilities	216,830
5,790	Present value of unfunded liabilities	6,000

Local Government Pensions Scheme assets comprised

2019/20			2020/21	
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000		Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000
		Equities:		
4,472	-	Consumer	5,879	-
4,830	-	Manufacturing	6,309	-
1,612	-	Energy & utilities	1,672	-
4,264	-	Financial	5,336	-
3,772	-	Health & care	3,802	-
2,939	-	Information technology	6,470	-
104	-	Other	164	-
21,993	-		29,632	-
		Bonds		
9,704	-	Corporate (investment)	10,442	-
-	-	Corporate (non-investment grade)	-	-
9,704	-		10,442	-
		Property		
-	11,886	UK	-	11,581
-	11,886		-	11,581
		Investment funds		
51,434	-	Equities	72,634	-
10,136	-	Bonds	10,062	-
-	2,146	Hedge funds	-	572
-	6,236	Other	-	7,255
61,570	8,382		82,696	7,827
-	5,106	Private equity	-	6,552
2,039	-	Cash/cash equivalents	2,464	-
95,306	**25,374**	**Total assets**	**125,234**	**25,960**

Reconciliation of the Movements in the fair value of the scheme assets

2019/20 £000		2020/21 £000
134,495	**Opening value of scheme assets**	120,680
	Remeasurement gain/(loss):	
3,190	Interest Income on plan assets	2,751
(13,274)	Return on assets excluding net interest	29,786
	Actuarial gains/(losses)	
1,926	Employer contributions	3,852
684	Contributions by scheme participants	742
(6,341)	Benefits paid	(6,617)
120,680	**Closing balance at 31 March**	**151,194**

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, 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 valuation of the scheme as at 31 March 2019. The principal assumptions used by the actuary have been:

2019/20			2020/21	
LGPS	Unfunded		LGPS	Unfunded
		Longevity at 65 for current pensioners:		
21.2		Men	21.4	
23.6		Women	24.0	
		Longevity at 65 for future pensioners:		
22.1		Men	22.5	
25.0		Women	25.7	
2.30%		Rate of increase in salaries	3.25%	
1.90%	1.90%	Rate of increase in pensions (CPI)	2.85%	2.85%
2.30%	2.30%	Rate for discounting scheme liabilities	2.00%	2.00%
50%		Take up converting annual pension to lump sum (pre April 2008 service)	50%	
75%		Take up converting annual pension to lump sum (post April 2008 service)	75%	

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on possible changes of the assumptions occurring 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.

	Increase in defined benefit obligation £000
0.5% decrease in real discount rate	19,566
0.5% increase in the salary increase rate	2,143
0.5% increase in the pension increase rate	16,997

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 total contribution estimated to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £3.855m.

31. Contingent assets and liabilities

The Council has recognised a contingent asset in relation to legal action that is being co-ordinated by the Local Government Association against a vehicle supplier cartel. The claim is for losses suffered as a result of a cartel affecting the prices of medium and heavy-duty trucks purchased between approximately 1997 and 2011. All the major truck manufacturers were found guilty of participation in the cartel. The Council will be seeking to recover the extra amounts that it paid for trucks as a result of the cartel inflating prices. This may amount to £0.150m.

Contingent liabilities as at 31 March 2021 are:

(a) Municipal Mutual Insurance

In 1992/93 the Council's insurers, Municipal Mutual Insurance, ceased accepting business. The Scheme of Arrangement that was established to ensure an orderly wind up of the company determined that a levy could be made on the Council. The exact amount cannot be quantified, although the maximum is £785,566. £200,850 has been set aside as a provision for these costs, of which £183,891 has been paid to the administrator. This leaves a maximum contingent liability of £601,674.

(b) VAT

The computation of the Council's 2020/21 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) Housing stock transfer warranty

Liabilities in relation to a 40 year 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.

(d) Castle House liquidated damages

The Council is in communication with the developers of Castle House (Kier) regarding liquidated damages. If the liquidated damages are not settled there could be a potential liability of approximately £0.500m.

32. Financial instruments

Categories and fair values of financial Instruments

The following categories of financial instruments are carried in the Balance Sheet at amortised cost (page 31); the table below also shows the fair values of these financial instruments:

2019/20		Measured at amortised cost	2020/21	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		Financial Liabilities		
2,337	2,337	Creditors	3,304	3,304
77	77	Borrowings	73	73
		Financial Assets		
4,674	4,674	Debtors	3,121	3,121
4,704	4,704	Cash/cash equivalents	4,633	4,633

Debtors/Creditors vary from the balance sheet as statutory debtors and payments in advance (£9.258m in 2019/20 and £18.650m in 2020/21) and statutory creditors and receipts in advance (£10.052m in 2019/20 and £14.064m in 2020/21) are excluded from the classification of financial instruments.

Income, expense, gains and losses

2019/20				2020/21		
Expenses & losses £000	Income & gains £000	Total £000		Expenses & losses £000	Income & gains £000	Total £000
-	-	-	Interest expense on financial assets measured at amortised cost	1	-	1
-	**-**	**-**	**Total expense in provision of services**	**1**	**-**	**1**
-	(89)	(89)	Interest income on financial assets measured at amortised cost	-	(62)	(62)
-	**(89)**	**(89)**	**Total income in provision of services**	**-**	**(62)**	**(62)**
-	**(89)**	**(89)**	**Net (gain)/loss for the year**	**1**	**(62)**	**(61)**

33. 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 aims to minimise adverse effects on the resources available. Risk management is carried out 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 risks arise 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 policy regarding the write off of debtors is that all possible recovery procedures must have been exhausted, significant staffs resources are committed to the recovery of debtors by the Revenues Section. Indicators that are considered when write offs are recommended include insolvency or other legal proceedings being commenced and the death of the debtor.

The following significant inputs, assumptions and estimation techniques have been used in calculating the Council's approach to impairment loss allowances:

- Debtors relating to public sector organisations are not impaired;

- A provision matrix is utilised to estimate expected credit losses based on the 'age' of debtors. The matrix identifies the relationship between the age of the Council's debtors and the risk of non-payment based on historical losses;

- An allowance has been made within the credit loss allowance for debtors to reflect the potential impact of COVID-19 on the collection, this is based upon the increased level of debtors arrears from 31 March 2020 to 31 March 2021;

- Any reasonable and supportable information relating to individual debtors in terms of past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort.

The changes in the lifetime expected credit loss allowance for debtors measured at amortised costs are as follows:

2019/20 £000		2020/21 £000
275	**Balance at 1 April**	**242**
(55)	Amounts written off	(151)
22	Changes in models/risk parameters	201
242	**Balance at 31 March**	**292**

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 borrowing 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. The maturity analysis of borrowing is as follows:

31/03/2020 £000		31/03/2021 £000
77	Less than one year	73
77		**73**

All trade creditors are due to be paid in less than one year.

Interest rate risk

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

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 market price will be reflected in other comprehensive income and expenditure. At 31 March 2021 the Council had no investments.

Price risk

The Council does not have any investment in equity shares, 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.

34. Leases

Council as lessee

Finance leases

As at 31 March 2021 the Council has no requirement to commit to making minimum payments under finance leases.

Operating leases

The Council has a small amount of equipment acquired by entering into operating leases (postage franking machines). The minimum lease payments as at 31 March 2021 are shown below:

31/03/2020 £000		31/03/2021 £000
1	Not later than one year	1
3	Later than one year, less than five years	3
-	Later than five years	-
4		**4**

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

31/03/2020 £000		31/03/2021 £000
1	Minimum lease payments	1
1		**1**

Council as lessor

Finance leases

The Council has leased out 4 properties on a finance lease basis, with terms remaining ranging from 25 to 75 years.

The Council has a 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 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 whilst the debtor remains outstanding. The gross investment is made up of:

31/03/2020 £000		31/03/2021 £000
20	Current	14
145	Non-current	132
374	Unearned finance income	342
539	**Gross investment in the lease**	**488**

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

31/03/2020			31/03/2021	
Minimum lease payments £000	Finance lease liabilities £000		Minimum lease payments £000	Finance lease liabilities £000
51	31	Not later than one year	42	28
155	104	Later than one year, less than five years	149	99
333	240	Later than five years	297	215
539	**375**		**488**	**342**

Operating leases

The Council leases out property and equipment under operating leases for the purposes of providing community services, such as sports facilities and community centres; to gain income from its investment properties; and for economic development purposes to provide accommodation for local businesses.

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

31/03/2020 £000		31/03/2021 £000
427	Not later than one year	492
422	Later than one year, less than five years	712
926	Later than five years	1,008
1,775		**2,212**

Collection Fund

The Collection Fund 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.

2019/20 Council Tax £000	2019/20 Business Rates £000	2019/20 Total £000		2020/21 Council Tax £000	2020/21 Business Rates £000	2020/21 Total £000
			Income			
(64,832)	-	(64,832)	Council Tax Payers	(66,472)	-	(66,472)
-	-	-	COVID Hardship Government Grant	(1,036)	-	(1,036)
-	(33,742)	(33,742)	Business Rates Payers	-	(21,217)	(21,217)
			Transfer of previous years deficit			
-	(287)	(287)	- Newcastle-under-Lyme Borough Council	(59)	-	(59)
-	(64)	(64)	- Staffordshire County Council	(380)	-	(380)
-	-	-	- Office of Police & Crime Commissioner	(66)	-	(66)
-	(7)	(7)	- Staffordshire Fire and Rescue Authority	(23)	-	(23)
-	(358)	(358)	- Central Government	-	-	-
(64,832)	**(34,458)**	**(99,290)**	**Total income**	**(68,036)**	**(21,217)**	**(89,253)**
			Expenditure			
			Council Tax precepts			
7,867	-	7,867	- Newcastle-under-Lyme Borough Council	8,115	-	8,115
46,256	-	46,256	- Staffordshire County Council	48,452	-	48,452
8,038	-	8,038	- Office of Police & Crime Commissioner	8,415	-	8,415
2,811	-	2,811	- Staffordshire Fire and Rescue Authority	2,888	-	2,888
			Business Rates apportionment			
-	11,918	11,918	- Newcastle-under-Lyme Borough Council	-	14,302	14,302
-	10,130	10,130	- Staffordshire County Council	-	3,218	3,218
-	298	298	- Staffordshire Fire and Rescue Authority	-	358	358
-	7,449	7,449	- Central Government	-	17,878	17,878
			Other expenditure			
-	139	139	Cost of Collection	-	138	138
-	22	22	Transitional Protection	-	101	101
271	144	415	Provision for Bad Debts	335	2,573	2,908
-	(752)	(752)	Provision for Appeals	-	1,754	1,754
			Transfer of previous years surplus			
228	-	228	- Newcastle-under-Lyme Borough Council	-	1,729	1,729
1,452	-	1,452	- Staffordshire County Council	-	1,335	1,335
231	-	231	- Office of Police & Crime Commissioner	-	-	-
88	-	88	- Staffordshire Fire and Rescue Authority	-	43	43
-	-	-	- Central Government	-	1,215	1,215
67,242	**29,348**	**96,590**	**Total expenditure**	**68,205**	**44,644**	**112,849**
2,410	**(5,110)**	**(2,700)**	**Deficit/(surplus) for the year**	**169**	**23,427**	**23,596**
(1,460)	**183**	**(1,277)**	**Balance brought forward at 1 April**	**950**	**(4,927)**	**(3,977)**
2,410	**(5,110)**	**(2,700)**	**Deficit/(surplus) for the year**	**169**	**23,427**	**23,596**
950	**(4,927)**	**(3,977)**	**Balance carried forward at 31 March**	**1,119**	**18,500**	**19,619**
			Allocation of Collection Fund balance			
115	(1,971)	(1,856)	- Newcastle-under-Lyme Borough Council	134	7,400	7,534
676	(1,542)	(866)	- Staffordshire County Council	798	1,513	2,311
41	(49)	(8)	- Staffordshire Fire and Rescue Authority	48	185	233
-	(1,365)	(1,365)	- Central Government	-	9,402	9,402
118	-	118	- Office of Police & Crime Commissioner	139	-	139
950	**(4,927)**	**(3,977)**		**1,119**	**18,500**	**19,619**

Notes

1. Business Rates

The Council collects business rates in its area based on non-domestic rateable values (£90.815m at 31 March 2020 and £90.660m at 31 March 2021) multiplied by a uniform business rate. The rate is specified by the Government, in 2019/20 the rate was 50.4p, with a reduction for "small businesses" to 49.1p on application (49.3p in 2018/19 - "small business" reduction, 48.0p).

The administration of business rates aims to give Councils a greater incentive to grow businesses but also results in financial risks relating to volatility in appeals and non-collection of rates. 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% share).

The business rates shares payable for 2020/21 were estimated, via the NNDR1 return, before the start of the financial year as £17.878m to Central Government, £3.218m to Staffordshire County Council, £0.358m to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and £14.302m to Newcastle-under-Lyme Borough Council.

The total of these sums (£35.756m) has been paid in 2020/21 and charged to the collection fund in year.

The actual business rates payable for 2020/21, 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 £16.651m.

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 (£35.756m) and the actual business rates payable per the NNDR3 return (£16.651m) is £19.105m - a deficit to the collection fund for 2020/21 due to the implementation of the Government's COVID-19 pandemic related business rates reliefs, the write off of a significant bad debt (and subsequent increase in the required level of bad debts provision) and an increase in the required level of appeals provision.

In addition to the business rates shares payable for 2020/21, the estimated 2019/20 surplus declared in January 2020 regarding business rates of £4.322m was repaid to the Council, Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

The actual 2019/20 surplus was calculated to be £4.927m, therefore there remained £0.605m in the repayment of this surplus in 2020/21 which reduced the estimated 2020/21 deficit declared in January 2021, which is repayable to the Collection Fund by the Council, Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

Taking into account the overpayment regarding the 2019/20 deficit and the 2020/21 surplus, the business rates collection fund has a deficit of £18.500m as at 31 March 2021.

Of the £18.500m deficit, the Council's share amounts to £7.400m, this can be repaid to the Collection Fund over a 3 year period and will largely be funded by Section 31 grant paid to the Council to offset income lost as a result of the Government's COVID-19 pandemic related business rates reliefs and by Tax Losses income compensation.

Please note that balances and transactions relating to 2020/21 are distributed as per the shares under the 50% business rates retention scheme, whilst those balances relating to 2019/20 are distributed as per the revised shares under the 75% business rates retention pilot.

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 2020/21 to the value of £9.362m.

2. Council Tax

Council Tax Income is derived from charges raised, in eight valuation bands, according to the value of residential properties. 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 2020/21of £1,799.42 compared with £1,734.66 in 2019/20. 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 2020/21 was 37,387 (37,117 in 2019/20), this was derived as follows:

Band & value range	Number of dwellings	After discounts/ exemptions	Ratio to band D	Band D equivalents
Band A-	-	56	5/9	32.00
Band A (Up to £40,000)	24,177	16,469	6/9	10,979
Band B (£40,001 - £52,000)	10,595	8,787	7/9	6,834
Band C (£52,001 - £ 68,000)	11,364	9,928	8/9	8,825
Band D (£68,001 - £88,000)	5,037	4,596	9/9	4,596
Band E (£88,001 - £120,000)	2,733	2,490	11/9	3,043
Band F (£120,001 - £160,000)	1,746	1,617	13/9	2,336
Band G (£160,001 - £320,000)	931	868	15/9	1,446
Band H (Over £320,000)	49	30	18/9	59
				38,150
Less non collection rate (2%)				(763)
Borough Council Tax base				**37,387**

In addition to the Council Tax payable for 2020/21, the estimated 2019/20 deficit declared in January 2020 regarding Council Tax of £0.528m was repaid to the collection fund by 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 2019/20 deficit was calculated to be £0.950m; therefore there was a balance of £0.539m on the repayment of this deficit in 2020/21 which will need to be recouped during 2021/22 from the preceptors.

Taking into account the 2019/20 deficit to be repaid, the deficit declared to the preceptors for 2020/21 in January 2021 was £0.529m. The actual deficit balance of the Council Tax collection fund as at 31 March 2021 is £1.119m. This deficit is primarily due to the balance of the 2019/20 remaining to be repaid and an increased number of residents claiming Council Tax support as a result of the COVID-19 pandemic.

Of the £1.119m deficit, the Council's share amounts to £0.134m, this can be repaid to the Collection Fund over a 3 year period.

Audit Certificate

Independent Auditors report to the Members of Newcastle under Lyme Borough Council

Report on the Audit of the Financial Statements

Opinion to be provided by Grant Thornton upon completion of their audit of the Statement of Accounts

Glossary

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, the passing 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.

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 2 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.

Formula grant

A formula grant is paid by central government to local authorities. Formula grant is largely funded by local business rates income (which is ultimately collected for central government). Revenue Support Grant and business rates are added together to make up the formula grant, which is then distributed to local authorities using a complex formula.

General Fund revenue account

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

Government grants

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

Heritage assets

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

Historical cost

Actual cost of acquiring or constructing an asset.

Impairment

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

Infrastructure assets

Fixed assets that are not able to be taken away, 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:

- Finished goods and 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;

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.

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

Revenue expenditure

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

Revenue expenditure funded from capital under statute (REFCUS)

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 are measured using the projected unit method. Reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

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

Useful life

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

Grant Thornton

Audit Findings Report

Newcastle under Lyme Borough Council

Year ended 31 March 2021

November 2021

Contents

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Standards Committee.

Andrew Smith
For and on behalf of Grant Thornton UK LLP
1 November 2021

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

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Newcastle under Lyme Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and 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
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during July to November. Our findings are summarised on pages 2 to 18.

We have identified one audit misstatement to the financial statements, which management have adjusted the draft accounts for. This adjustment has not impacted the Council's Comprehensive Income and Expenditure Statement. We also identified one unadjusted audit misstatement. These misstatements and disclosure issues are set out in Appendix C.

We have raised one new recommendation for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters;

- clearance of final set of audit queries and quality review points.
- receipt of signed management representation letter; and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by 31 January 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in January 2022 and the work necessary to issue our WGA Component Assurance statement.
Significant Matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 8 November 2021, as detailed in Appendix E. These outstanding items include:

- clearance of final set of audit queries and quality review points.
- receipt of signed management representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in April 2021

We detail in the table below our determination of materiality for Newcastle under Lyme Borough Council

	£	Qualitative factors considered
Materiality for the financial statements	£1,150,000	We determined materiality for the audit of the Council's financial statements as a whole to be £1.15m in our audit plan, which equated to approximately 1.85% of the Council's 2019-20 gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Council has expended its revenue and other funding.
Performance materiality – Except Property Plant & Equipment (PPE) / Investment Property	£805,000	Performance materiality drives the extent of our testing and this was set at 70% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: • We are not aware of a history of deficiencies in the control environment. • Senior financial management and key reporting personnel have remained stable from the prior year audit
Performance materiality – PPE / Investment Property	£747,000	We have set a separate performance materiality for PPE and employee remuneration of 65% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: • There were a number of adjustment to the financial statements in 2019/20 that related to PPE • In 2019/20 the Council implement a new fixed asset register system. Implementation of this new system resulted in a prior period adjustment being required in the 2019/20 financial statements.
Trivial matters	£57,000	Triviality is the threshold at which we will communicate misstatements to the Audit and Standards Committee.
Materiality for senior officer's remuneration disclosures	£15,000	In accordance with ISA 320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • obtained the listing of journal entries and other adjustments for the year and reconciled this back to the trial balance to ensure it was complete • analysed the journals listing and determined the criteria for selecting high risk or unusual journals • identified and tested 43 high risk or unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • Reviewed material estimates and judgements for evidence of material bias. • Reviewed the accounting policies adopted by the Authority. Our review of accounting policies found them to be in line with the relevant financial reporting standards. Details of our findings on the material estimates and judgements can be found on pages 11 to 13. Our audit work has not identified any issues in respect of management override of controls.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Fraudulent revenue recognition (rebutted) (£85.957m)	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because: • there is little incentive to manipulate revenue recognition. • opportunities to manipulate revenue recognition are very limited. • the culture and ethical frameworks of local authorities, including Newcastle under Lyme Borough Council, mean that all forms of fraud are seen as unacceptable. Therefore, we did not consider this to be a significant risk for Newcastle under Lyme Borough Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention. Whilst not a significant risk, as part of our audit work we have undertaken work on material revenue items. Our work has not identified any matters that would indicate our rebuttal was incorrect.
Fraudulent expenditure recognition (rebutted) (£89.961m)	Having considered the risk factors set out in Practice Note 10 and the nature of expenditure at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because: • there is little incentive to manipulate revenue recognition. • opportunities to manipulate revenue recognition are very limited. • the culture and ethical frameworks of local authorities, including Newcastle under Lyme Borough Council, mean that all forms of fraud are seen as unacceptable. Therefore, we did not consider this to be a significant risk for Newcastle under Lyme Borough Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention. Whilst not a significant risk, as part of our audit work we have undertaken work on material expenditure items. Our work has not identified any matters that would indicate our rebuttal was incorrect.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings Other Land and Buildings £28.233m Investment Properties £15.304m The Authority revalues its land and buildings on a rolling five-yearly basis. The Authority also revalues its investment properties annually. These valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, (including investment properties) particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the processes, controls and assumptions put in place by management to ensure that the PPE valuation is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement; • assessed the competence, capabilities and objectivity of management's experts (valuers) who carried out your PPE valuations; • evaluated the instructions issued by management to their management expert (a valuer) for this estimate and the scope of the valuer's work; • communicated with the valuer about the basis on which the valuation is carried out and where necessary challenge the key assumptions • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding • tested revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value Although substantially complete, our work is still ongoing in this area at the time of writing this report. We are awaiting further evidence to confirm the completeness and accuracy of the source data used by the valuer to revalue a small number of properties in our sample. Our testing to date has identified the following errors: • one error relating to the misclassification of an investment property in Sidmouth Avenue. At the 31 March 2021, this property was in the process of being sold by the Council. Therefore, under the Code it met the definition of an asset held for sale and should have been classified as such under current assets in the balance sheet. Officers have agreed to amend the financial statements for this misclassification. • Testing of the source data identified for four properties where there are discrepancies between internal area had been used in the revaluation calculation and the evidence provided. This resulted in the valuations being understated by £140k. Officer have decided not to amend for this issue as it will be addressed in the valuation process for 2021/22. Details of the proposed amendment for the above issues can be found in Appendix C. No other issues have been identified to date. We have also considered the key judgements and estimates in relation to the pension fund liability. Our findings can be found on pages 11 to 12.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability (£71.636m) The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have, relying where appropriate on work carried out by EY as auditors of the Staffordshire Pension Fund: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued to the management expert (actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary, through the Pension Fund, to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • documented and evaluated the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our testing did not identify any issues in respect of the pension fund net liability. We have also considered the key judgements and estimates in relation to the pension fund liability. Our findings can be found on page 13.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – Other Land and Buildings £28.233m	Other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has used its internal RICS qualified valuer to complete the valuation of properties as at 31 March 2021, this includes all assets which are required to be measured at fair value. Management have demonstrated through correspondence with the valuer their challenge of assumptions used in the estimation of asset values. The total year end valuation of land and buildings was £28.233m, a net decrease of £2.602m from 2019/20 (£30.835m).	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuations were carried out • tested on a sample basis revaluations of the Council's operational properties and investment properties during the year to ensure they have been input correctly into the Council's asset register and financial statements As documented on page 9, our testing identified discrepancies between the internal area used in the revaluation calculation for 4 properties and the evidence provided. This resulted in the revaluation being understated of £140k.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Page 110

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property valuations – £15.304m	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year at 31 March. The Council has used its internal RICS qualified valuer to complete the valuation of these properties. The year end valuation of the Council's investment property was £15.304m, a net decrease of £1.433m from 2019/20 (£16.737m).	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuations were carried out • tested on a sample basis revaluations of the Council's investment properties during the year to ensure they have been input correctly into the Council's asset register and financial statements • considered the appropriateness of the source date and key assumptions including comparable rental income and yields for the properties. Our audit work has not identified any issues.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £71.636m	The Council's net pension liability at 31 March 2021 is £71.636m (PY £58.899m) comprising the Staffordshire Local Government Pension Scheme. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £12.737m net actuarial loss during 2020/21.	See below	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Audit Comments

We have

- Undertaken an assessment of management's expert
- Reviewed and assessed the actuary's roll forward approach taken,
- Used an auditors expert (PWC) to assess the actuary and assumptions made by the actuary. This led to further detailed discussions with the Pension Fund and Actuary whereby we challenged these assumptions and the calculation method applied

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.00%	1.95% - 2.05%	
Pension increase rate	2.85%	2.8% - 2.9%	
Salary growth	3.25%	2.5% - 4.2% Scheme Specific	
Life expectancy – Males currently aged 45 / 65	22.5 / 21.4 years	21.8 – 24.3 / 20.4 – 22.7	
Life expectancy – Females currently aged 45 / 65	25.7 / 24.0 years	25.2 – 26.7 / 23.2 – 24.9	

- identified no issues with the completeness and accuracy of the underlying information used to determine the estimate.
- confirmed there have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.
- satisfied ourselves in respect of the reasonableness of:
  - the Council's share of pension assets.
  - of the decrease in the estimate, and
  - the adequacy of disclosure of estimate in the financial statements

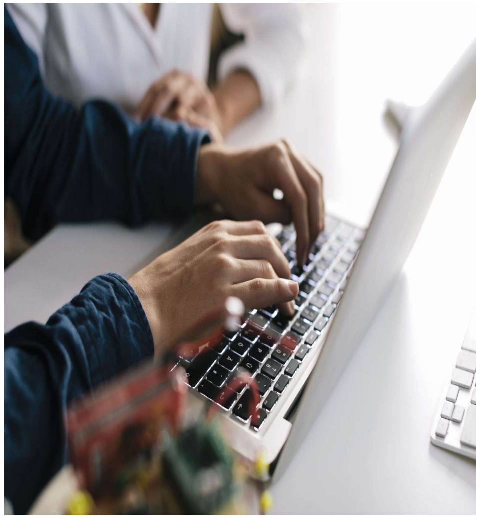
Page 112

2. Financial Statements - 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
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
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.
Written representations	A letter of representation has been requested from the Council, which is appended.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send a confirmation request to your bank. This permission was granted and the appropriate confirmation was obtained.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided.

2. Financial Statements - other communication requirements

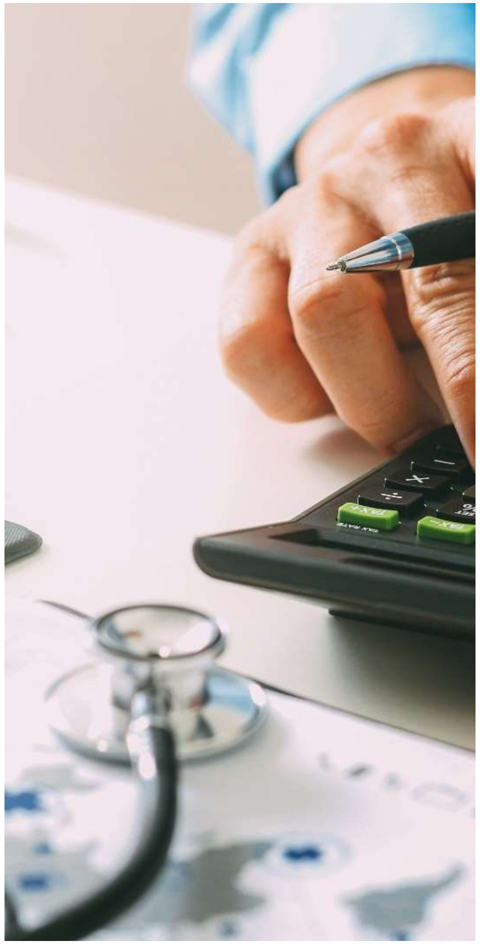
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. Our work on Value for Money is still ongoing (see section 3). We have nothing to report on these matters.
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. No work is required as the Council's reported figures do not exceed the reporting threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of Newcastle under Lyme Borough Council in the audit report, as detailed in Appendix E, as to our work on VFM and the work necessary to issue our WGA Component Assurance statement are still to be completed.



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by 31 January 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our initial VfM planning work did not identify any risks of significant weakness. Our work to date has not identified any new risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

4. Independence and ethics

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to November 2021, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	12,600	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,600 in comparison to the total fee for the audit of £66,352 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Standards Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified one of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	Completeness of register of interests Our testing on related parties identified directorships that were not disclosed by members via a search of Companies House. From a review of these identified financial interests, we identified one transaction with a community centre, where a member is a related party, that was not disclosed in the financial statements.	At least once per year, the Council should undertake a completeness review of related parties including: • Ensuring all disclosure returns are received from Councillors and Senior Officers including nil declarations. • Undertaking searches on Companies House to identify any undeclared directorships. Management response The Council undertakes a completeness review of related parties including ensuring all disclosure returns are received from Councillors and Senior Officers including nil declarations. The Council will incorporate the undertaking of searches on Companies House to identify any undeclared directorships into this review in future years.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of [insert client name] Council's 2019/20 financial statements, which resulted in two recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Investment Properties The Council have applied a rolling programme of revaluation for Investment Property. Investment Property assets with a carrying value of £6.5m have not been subject to a formal valuation at 31st March 2020. Per the CIPFA Code of Practice and IFRS13 Investment Property should be measured at fair value at the reporting date, therefore a rolling programme of revaluation is not appropriate. Recommendation The Council should ensure that all assets categorised as investment properties are revalued on an annual basis to comply with the CIPFA Code of Practice and IFRS13.	All investment properties have been revalued in 2020/21
✓	Vehicles, Plant, Furniture and Equipment (VPFE) From our testing we identified that 75% of VPFE have been fully depreciated but are still in use by the Council. Thus we deem the useful lives currently being allocated to VPFE (5-15 years) as too short and not reflective of their actual lives. Recommendation That the Council review the useful lives of its VPFE assets to ensure that they more accurately reflect the actual lives.	The useful lives of all PPE are reviewed as part of the annual financial close process.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Our testing identified one property that had been incorrectly classified as an investment property when it met the definition of an asset held for sale.		Cr Investment Properties £555 Dr Assets Held For Sale £555	
Overall impact	£0	£0	£0

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Note 29 Related Parties Testing identified that one omission in relating to a Councillor's declaration in respect of a Community Centre receiving a Coronavirus business grant during the year.	This note has been updated to disclose the related party transaction relating to the Community Centre.	✓
Other disclosures	We identified a number of minor improvements required to other disclosures, none of which we consider merit reporting separately to Those Charged With Governance	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Testing of the source data used for the revaluation of other land and buildings identified four properties where the internal area used in the valuation was incorrect. This resulted in the valuations for these property being understated.		Cr PPE £140 Dr Revaluation Reserve £140		Not considered material will be addressed as part of the 2021/22 revaluation process
Overall impact	£0	£0	£0	

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Flexible Use of Capital Receipts During 2019/20 the Council incurred revenue expenditure on reform projects totalling £501k. Under directions issued by DCLG this expenditure has been financed flexibly from capital receipts. The accounting treatment adopted was to treat the expenditure as an addition to PPE, and then revalue downwards and reverse out through the CAA. This expenditure however should properly be accounted for as REFCUS as set out in section 4.6 of the Code.	£501	(£501)	£501	Accounting treatment is consistent with prior years and this is the last year that flexible use of capital receipts was used for the related projects.
Investment property- Assets not revalued in 2019/20 Investment Properties not subject to valuation during 2019/20. We have undertaken our own assessment using the 5 highest value assets as these account for £5.16m of the assets not valued. We obtained details of the date these assets were last revalued and then applied the appropriate index from Gerald Eve and have estimated the expected impact. The calculated movement using the Residential development land index is a reduction in value of £245k	£245	(£245)	£245	All Investment Property Assets have been reviewed and there have been no alterations to the values of the assets referred to in the recommendation.
Depreciation correction - Assets not depreciated in prior years The approach taken to account for a prior year issue whereby a number of VPFE assets were not depreciated, does not fully capture the error but instead defers this into 2020-21. Officers have reviewed the useful economic life of the affective assets (as per our prior year recommendation in Appendix B). This error can analysed between understatement of depreciation in prior years £1,047k, and understatement of the 2019-20 depreciation charge £181k.	£181	(£181)	£181	Due to the low value of the depreciation amendment and the fact that it will not change the outturn figure, this correction will be made in readiness for the next years accounts.
Overall impact	**£927**	**(£927)**	**£927**	

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£66,352	£66,352
Total audit fees (excluding VAT)	£66,352	£66,352

The fees reconcile to the amount disclosed in the financial statements.

PSAA wrote to s151 officers in August 2021 to inform them of an additional £5.6m of funding being made to local government bodies for the additional costs of 2020/21 external audits. Newcastle under Lyme will be receiving £8,350 of this allocation. In addition, the Ministry of Housing, Communities and Local Government (MHCLG) is distributing a further £15m in relation to 2020/21 external audit fee costs. The Council is due to receive £21,833 of this allocation. In total, the Council is receiving additional funding of £30,183 to pay for additional audit fees. This funding is in excess of the £24,000 cost difference between our proposed fee and the published PSAA scale fee.

Non-audit fees for other services	Proposed fee	Final fee
Audit related services		
• Certification of Housing Capital receipts grant	£12,600	TBC
Other non-audit services		
• None		
Total non-audit fees (excluding VAT)	£12,600	TBC

E. Audit opinion

Our audit opinion is included below.

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

Independent auditor's report to the members of Newcastle-under-Lyme Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Newcastle-under-Lyme Borough Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Head of Finance (Section 151 Officer)'s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Head of Finance (Section 151 Officer)'s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Head of Finance (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Head of Finance (Section 151 Officer) with respect to going concern are described in the 'Responsibilities of the Authority, the Head of Finance (Section 151 Officer) and Those Charged with Governance for the financial statements' section of this report.

Other information

The Head of Finance (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

E. Audit opinion

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Head of Finance (Section 151 Officer) and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 18, 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 Head of Finance (Section 151 Officer). The Head of Finance (Section 151 Officer) 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

E. Audit opinion

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012 the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit and Standards committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Audit and Standards committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journals
  - significant accounting estimates.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual journals, which included:
    - Journals posted by senior finance officers
    - Large value journals
    - Post year end journals
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the land & buildings and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land & buildings and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

E. Audit opinion

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Newcastle-under-Lyme Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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.

Andrew Smith, Key Audit Partner

For and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date: [x] November 2021

F. Management Letter of Representation

Grant Thornton UK LLP

4 Hardman Square

Spinningfields

Manchester

M3 3EB

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Newcastle under Lyme Borough Council
Financial Statements for the year ended 31 March 2021

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 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented 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 any 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. Such accounting estimates include Revaluation of Other Land and Buildings, Investment Properties and the Net Pension Liability. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

ii. 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.

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

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

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

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

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

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

xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

   d. 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

F. Management Letter of Representation

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's 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. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

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

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

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

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

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

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

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 8 November 2021.

Yours faithfully

Name................................

Position..............................

Date.................................

Signed on behalf of the Council

Grant Thornton

grantthornton.co.uk

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Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Castle House
Barracks Road
Newcastle-under-Lyme
Staffordshire
ST5 1BL

Dear Sirs

Newcastle under Lyme Borough Council
Financial Statements for the year ended 31 March 2021

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 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented 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 any 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. Such accounting estimates include Revaluation of Other Land and Buildings, Investment Properties and the Net Pension Liability. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. 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.

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

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

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

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

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a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

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We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

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

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

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

   a. management;

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 8 November 2021.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Council

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
08 November 2021

Report Title: **Treasury Management Half Yearly Report 2021/22**

Submitted by: **Head of Finance (Section 151 Officer)**

Portfolios: **Finance, Town Centres and Growth**

Ward(s) affected: **All**

Purpose of the Report To receive the Treasury Management Half Yearly Report for 2021/22 and to review the Treasury Management activity for this period.
Recommendation **That the Treasury Management Half Yearly Report for 2021/22 be received.**
Reasons The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.

1. Background

1.1 The CIPFA Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.

1.2 This report therefore ensures that this Council is embracing Best Practice in accordance with CIPFA's recommendations in the CIPFA Code of Practice.

1.3 Treasury Management operations are carried out in accordance with policies laid down in the currently approved Treasury Management Policy Statement, backed up by approved Treasury Management Practices and Schedules thereto, and the Treasury Management Strategy Report approved by Council on 24 February 2021.

2. Issues

2.1 The Treasury Management Half Yearly Report for 2021/22 is attached at Appendix 1. The economic background included in the report has been provided by the Council's Treasury Management Advisors, Arlingclose.

3. Proposal

3.1 That the Treasury Management Half Yearly Report for 2021/22 be received.

4. Reasons for Proposed Solution

4.1 The CIPFA Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year.

4.2 It was resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.

5. Options Considered

5.1 Provision of the Treasury Management Half Yearly report is best practice and demonstrates the transparency regarding treasury management activities during the first half of 2021/22.

6. Legal and Statutory Implications

6.1 This report ensures that this Council is embracing best practice in accordance with CIPFA's recommendations in the CIPFA Code of Practice.

7. Equality Impact Assessment

7.1 There are no differential equality issues arising directly from this report.

8. Financial and Resource Implications

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

9. Major Risks

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

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

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

10. Sustainability and Climate Change Implications

10.1 Not applicable.

11. Key Decision Information

11.1 Not applicable as report is for information only.

12. Earlier Cabinet/Committee Resolutions

12.1 Council, 24 February 2021, agenda item 5 – Treasury Management Strategy 2021/22.

13. **List of Appendices**

13.1 Appendix 1, Treasury Management Half Yearly Report 2021/22.

14. **Background Papers**

- CIPFA Treasury Management Code of Practice (revised December 2017),
- Council's Treasury Management Policy Statement,
- Council's Treasury Management Strategy,
- Local Government Act 2003,
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,
- Guidance on Local Authority Investments issued by the Ministry of Housing, Communities and Local Government (revised April 2018).

Appendix 1

Treasury Management Half Yearly Report – 2021/22

1. Background

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate security and liquidity initially before considering optimising investment return (yield).

Accordingly Treasury Management is defined as:

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

The second main function of a treasury management service is the funding of an authority's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasions any debt previously drawn may be restructured to meet Council risk or cost objectives.

2. Introduction

In February 2010 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports.

The Council's treasury management strategy for 2021/22 was approved at a meeting on 24 February 2021. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 24 February 2021.

This Half Yearly Report to members is intended to provide an update of the treasury management strategy and performance for the period April to September of this financial year.

3. Economic Update – as provided by the Council's Treasury Management Advisors, Arlingclose

The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee (MPC) meeting ended with policy rates unchanged, the tone was more hawkish.

Government initiatives continued to support the economy over the quarter but came to an end on 30th September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.

Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The Office of National Statistics' (ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0% year/year, marginally higher than expectations for 2.7%.

The easing of restrictions boosted activity in the second quarter of the calendar year, helping push GDP up by 5.5% quarter on quarter (final estimate vs 4.8% quarter on quarter initial estimate). Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0% q/q, construction 3.8% q/q and services 6.5% quarter on quarter, taking all of these close to their pre-pandemic levels.

The US economy grew by 6.3% in the first quarter of 2021 and then by an even stronger 6.6% in the second quarter as the recovery continued. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period but in its most recent meeting made suggestion that monetary policy may start to be tightened soon.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.

As ever, the institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review.

4. Regulatory Updates – as provided by the Council's Treasury Management Advisors, Arlingclose

In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation.

In September CIPFA issued the revised Codes and Guidance Notes in draft form and opened the latest consultation process on their proposed changes. The changes include:

- Clarification that (a) local authorities must not borrow to invest primarily for financial return (b) it is not prudent for authorities to make any investment or spending decision that will increase the Capital Financing Requirement (CFR), and so may lead to new borrowing, unless directly and primarily related to the functions of the authority;
- Categorising investments as those (a) for treasury management purposes, (b) for service purposes and (c) for commercial purposes;
- Defining acceptable reasons to borrow money: (i) financing capital expenditure primarily related to delivering a local authority's functions, (ii) temporary management of cash flow within the context of a balanced budget, (iii) securing affordability by removing exposure to future interest rate rises and (iv) refinancing current borrowing, including replacing internal borrowing;
- For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services)
- Prudential Indicators:
    - New indicator for net income from commercial and service investments to the budgeted net revenue stream;
    - Inclusion of the liability benchmark as a mandatory treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances – existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark – over at least 10 years and ideally cover the authority's full debt maturity profile; and
    - Excluding investment income from the definition of financing costs;
- Incorporating ESG issues as a consideration within TMP 1 Risk Management; and

- Additional focus on the knowledge and skills of officers and elected members involved in decision making

DLUHC (previously MHCLG) Improvements to the Capital Finance Framework

DLUHC published a brief policy paper in July outlining the ways it feels that the current framework is failing and potential changes that could be made. The paper found that "while many authorities are compliant with the framework, there remain some authorities that continue to engage in practices that push the bounds of compliance and expose themselves to excessive risk".

The actions announced include greater scrutiny of local authorities and particularly those engaged in commercial practices; an assessment of governance and training; a consideration of statutory caps on borrowing; further regulations around Minimum Revenue Provision (MRP) and ensuring that DLUHC regulations enforce guidance from CIPFA and the new PWLB lending arrangements.

A further consultation on these matters is expected soon.

5. Arlingclose's Economic Outlook for the remainder of 2021/22 (based on the October 2021 interest rate forecast)

Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank of England's desire to move from emergency levels as by fears of inflationary pressure.

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate									
Upside Risk	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	*0.10*	*0.10*	*0.25*	*0.25*	*0.25*	*0.50*	*0.50*	*0.50*	*0.50*
Downside Risk	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40

Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.

The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.

While Q2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.

Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher. The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increase in wages is possible given the pressures on businesses.

Government bond yields increased sharply following the September MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.

The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

6. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy for 2021/22 was approved by Full Council on 24 February 2021. The Council's annual Investment Strategy, which is incorporated in the Treasury Management Strategy, outlines the Council's investment priorities as follows:

- Security of Capital
- Liquidity

The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using the Arlingclose suggested creditworthiness matrices. Currently investments are only being made with UK financial institutions.

Investments during the first six months of the 2021/22 financial year have been in line with the strategy, and there have been no deviations from the strategy.

As outlined in Section 3 above, there is considerable uncertainty in the financial and banking market, both globally and in the UK. In this context, it is considered that the strategy approved on 24 February 2021 is still fit for purpose in the current economic climate.

7. Investment Portfolio 2021/22

In accordance with the CIPFA Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.10% Bank Rate. Given this environment, investment returns are likely to remain low.

The Council held investments of £15.5m as at 30 September 2021; £12.5m was placed in the Debt Management Account Deposit Facility (DMADF) with the DMO, £2m was held in the Public Sector Deposit Fund, and £1m was held in the Council's Lloyds Current Account for liquidity. In comparison only £4.3m was held as at 31 March 2021, entirely within the Council's Lloyds Current Account. Investments held have been with institutes with a credit rating of A+ or above. This is greater than the average portfolio credit rating target of A or above set in the Council's Treasury Management Strategy 2021/22.

Funds available for investment purposes during 2021/22 to date have varied throughout the year, with up to £22m being available for investment, mainly due to the central government funding received to support small and medium businesses during the coronavirus pandemic. There are fluctuations due to cash inflows and outflows during each month. Large cash inflows include council tax and business rate direct debits and the Housing Benefit subsidy from the Department for Work and Pensions. Large cash outflows include payment of the precepts to Staffordshire County Council, the Fire Authority and the Police, payment of salaries and payment of business rates to Central Government and the Staffordshire Business Rate pool.

The investment portfolio yield for the first six months of the year is 0.01%, at 30 September 2021 this yield was 0.13%. The Council's budgeted investment return for 2020/21 is nil. As at the end of the first 2 quarters of 2021/22 less than £1k of interest has been earned.

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses.

Throughout 2021/22 to date, there has been zero interest on the Lloyds Current Account, and only up to 0.02% from the DMADF. The return on Money Market Funds net of fees also fell over the six months and specifically for the Public Sector Deposit Fund that the Council holds, returns have ranged between 0.01% and 0.03%.

8. Borrowing Position 2021/22

The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. During the first six months of 2021/22 no borrowing has taken place, however it is envisaged that borrowing will be required to cover short-term cash flow deficits together with the capital programme.

With short-term interest rates remaining much lower than long-term rates, the Council consider it to be more cost effective in the near term to use internal resources or borrow on a short-term basis. This is also in line with advice provided by Arlingclose Ltd.

However, a need to borrow in order to fund the Council's capital programme was included within the Revenue and Capital Budgets and Strategies 2021/22 reports presented to Council on 24 February 2021. The impact of borrowing is included in the Medium Term Financial Strategy pressures for 2021/22 and future years.

Borrowing Update

Local authorities can borrow from the Public Works Loan Board (PWLB) provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 Officer. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders. Further changes to the CIPFA Prudential Code expected in December 2021 are likely to prohibit borrowing for the primary purpose of commercial return even where the source of borrowing is not the PWLB.

The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able fully access the PWLB.

Revised PWLB Guidance

HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. The principal aspects of the new guidance are:

- Capital expenditure incurred or committed to before 26th November 2020 is allowable even for an 'investment asset primarily for yield'.
- Capital plans should be submitted by local authorities via a DELTA return. These open for the new financial year on 1st March and remain open all year. Returns must be updated if there is a change of more than 10%.
- An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.
- Further detail on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.
- Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

Changes to PWLB Terms and Conditions from 8th September 2021

The settlement time for a PWLB loan has been extended from two workings days to five working days. In a move to protect the PWLB against negative interest rates, the minimum interest rate for PWLB loans has also been set at 0.01% and the interest charged on late repayments will be the higher of Bank of England Base Rate or 0.1%.

Municipal Bonds Agency (MBA)

The MBA is working to deliver a new short-term loan solution, available in the first instance to principal local authorities in England, allowing them access to short-dated, low rate, flexible debt. The minimum loan size is expected to be £25 million. Importantly, local authorities will borrow in their own name and will not cross guarantee any other authorities.

If the Authority intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

UK Infrastructure Bank

£4bn has been earmarked for lending to local authorities by the UK Infrastructure Bank which is wholly owned and backed by HM Treasury. The availability of this lending to local authorities, for which there will be a bidding process, is yet to commence. Loans will be available for qualifying projects at gilt yields plus 0.6%, which is 0.2% lower than the PWLB certainty rate.

8. Prudential Indicators 2021/22

Treasury management activity during the first half year has been carried out within the parameters set by the prudential indicators contained in the approved 2021/22 Treasury Management Strategy. Consequently, there is no intention to revise any of the indicators for the remainder of the year.

9. Compliance

The Head of Finance (S151 Officer) reports that all treasury management activities undertaken during the year to date have complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

Compliance with debt limits:

	Q1 & Q2 2021/22 Maximum	30.09.21 Actual	2021/22 Operational Boundary	2021/22 Authorised Limit	Complied?
Borrowing	£0m	£0m	£75m	£85m	Yes

Compliance with investment limits:

	Q1 & Q2 2021/22 Maximum	30.09.21 Actual	2021/22 Limit	Complied?
The UK Government	£16m	£12.5m	Unlimited	Yes
Local authorities & other government entities	£0m	£0m	£7m	Yes
Secured investments	£0m	£0m	£7m	Yes
Banks (unsecured)	£6.5m	£1m	£7m	Yes
Building societies (unsecured)	£0m	£0m	£7m	Yes
Registered providers (unsecured)	£0m	£0m	£10m	Yes
Money market funds	£2m	£2m	£7m	Yes
Other Investments	£0m	£0m	£7m	Yes

Annex A

Treasury Management – Glossary of Terms

- **CFR** – the Capital Financing Requirement measures the Council's underlining need to borrow for capital purpose, i.e. its borrowing requirement.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations.
- **CPI** – a measure that examines the weighted average of prices of a basket of consumer goods and services. The Consumer Price Index is calculated by taking price changes for each item in the predetermined basket of goods/services and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.
- **DMADF** –is provided by the DMO as part of its cash management operations and in the context of a wider series of measures designed to support local authorities' cash management.
- **DLUHC** – the Department for Levelling Up, Housing and Communities formerly the Ministry for Housing, Communities and Local Government (MHCLG), is the UK Government department for housing, communities, local government in England and the levelling up policy.
- **DMO** – The Debt Management Office is an Executive Agency of Her Majesty's Treasury responsible for debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.
- **GDP** – Gross Domestic Product is the market value of all officially recognised final goods and services produced within a country in a given period of time.
- **Liquidity** – relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **MPC** – the Monetary Policy Committee (MPC) is a committee of the Bank of England, which meets for three and a half days, eight times a year, to decide the official interest rate in the United Kingdom (the Bank Rate).
- **PWLB** – is a statutory body operating within the United Kingdom Debt Management Office. PWLB's function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.
- **Quantitative Easing** – a form of unconventional monetary policy in which a central bank purchases longer-term securities from the open market in order to increase the money supply and encourage lending and investment. Buying these securities adds new money to the economy, and also serves to lower interest rates by bidding up fixed-income securities. It also expands the central bank's balance sheet.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
08 November 2021

Report Title: **Internal Audit Update Quarter 2**

Submitted by: **Chief Internal Auditor, Clare Potts**

Portfolios: **Finance, Town Centres and Growth**

Ward(s) affected: **All**

Purpose of the Report
To report on the position regarding Internal Audit during the period 1 July to 30 September 2021.
Recommendation **That** **1. That Members consider the report**
Reasons The role of Internal Audit is to ensure that the Council has assurance that controls are in place and operating effectively across all Council Services and Departments.

1. Background

1.1 The Internal Audit Plan for 2021/22 allows for 301 days of audit work.

1.2 This is the second progress report of the current financial year presented to the Committee.

1.3 As audit resources are finite, it is important to target these resources at areas considered to be high risk (where risk includes potential impact on the delivery of the council's objectives) and high priority, ahead of medium/low ranked audits. In this way the audit resource will be most efficiently utilised and will produce the greatest benefit. The internal audit plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. Any variations or developments; significant matters that jeopardise the delivery of the plan or require changes to the plan will be reported to the Audit & Standards Committee at the earliest opportunity. Where requests are received to undertake consulting engagements, consideration will be given to their potential to improve the management of risks, to add value and to improve the council's operations.

2. Issues

Audit reviews

2.1 Quarter 2 continued to be challenging for the internal audit service. Work continued during the quarter on reviews that commenced during the previous financial year, in addition to new areas included in the 2021/22 audit plan. As Covid-19 restrictions are eased, options will be explored to undertake opportunities for the team to be more visible in order to speed up the time taken to complete the reviews. Table 1 below details the audit work currently in progress.

Table 1 – Planned Audits in progress at the end of September 2021

Directorate	**Audit**	**Status** (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	Benefits (2020/21)	Draft
	Payroll (2020/21)	Fieldwork
Operational Services	Bereavement Services	Fieldwork
Regen & Development	Planning Enforcement	Preparation
Corporate	Business Continuity (2020/21)	Draft
	Safeguarding	Fieldwork
	GDPR Compliance	Draft

2.2 During the quarter, an IT Audit Needs Assessment was completed. This report sets out the areas of audit work to be undertaken during the next three years to ensure coverage reflects the specific risks within the IT environment that are important to the Authority. This is particularly important due to the changing IT needs due to the changes in work practices of the past 18 months. The areas of review recommended for 2021/22 are as follows:

- Cyber Security
- Personal Devices and Home working
- Civica Finance – Configuration and User Security
- HR systems

2.3 As in the previous quarters, the internal audit team continue to be available to provide advice and guidance to services as required. The annual internal audit plan also remains under regular review to impact on the annual opinion at the year end.

Number of Recommendations Implemented

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

2.5 Up to the end of September 2021, 262 recommendations had been made, of which 248 have been implemented, which represents 95%; the target for the implementation of all recommendations is 96% by the end of the financial year. Appendix A provides further details.

3. **Proposal**

3.1 Due to current issues as outlined in paragraph 2.1 above, the internal audit plan for 2021/22 remains under review to ensure best use of available resources.

4. **Reasons for Proposed Solution**

4.1 The audit plan is monitored on a regular basis to ensure that it is achievable and reflects the key risks affecting the council.

5. **Options Considered**

5.1 None

6. **Legal and Statutory Implications**

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

7. **Equality Impact Assessment**

7.1 There are no equality impact issues identified from this proposal.

8. **Financial and Resource Implications**

8.1 The service is currently on target to be provided within budget. The financial implications resulting from the recommendations made within audit reports will be highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.

9. **Major Risks**

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

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

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

10. **UN Sustainable Development Goals and Climate Change Implications**

10.1 Not applicable.

11. **Key Decision Information**

11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Approval of the Internal Audit Plan for 2021/22 (Audit and Standards Committee April 2021).

13. **List of Appendices**

13.1 Appendix A – Outstanding internal audit recommendations

14. **Background Papers**

14.1 Internal Audit Plan 2021/22.

Appendix A

Summary of Overdue Audit Recommendations and Level of Assurance

Directorate	**Total Number of Recommendations**	**Number of Recommendations Completed**	**Number of Recommendations Not Completed**	**Number of Recommendations Overdue for Implementation***			
				High	Medium	Low	Total
Chief Executives	155	142	13	1	7	4	12
Regeneration & Development Services	12	12	0	0	0	0	0
Operational Services	59	58	1	0	1	0	1
Corporate Reviews	36	36	0	0	0	0	0
Total	**262**	**248**	**14**	**1**	**8**	**4**	**13**

* includes recommendations where extensions have been agreed

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE AUDIT & STANDARDS COMMITTEE

Date 08 November 2021

1.	**REPORT TITLE**	Quarter 2 2021/22 Corporate Risk Management Report
	Submitted by:	**Executive Management Team**
	Portfolio:	**Corporate and Service Improvement, 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 July to September 2021 (Q2 (2021/22)) including progress made in managing identified corporate risks.

To ask members to recognise that risk likelihood can be mitigated but the risk impact may not change.

Recommendation

The Committee is asked to:-

- **(a) Note that there are 3 overdue risk reviews during Q2 (point 2.1.1).**
- **(b) Note that there was 1 risk level increase during Q2 (point 2.2.1).**
- **(c) Note that there were 6 new risks identified during Q2 (point 2.2.2).**
- **(d) Note Appendix A – update on the Corporate risks (point 2.2.3)**
- **(e) Identify, as appropriate, individual risk profiles to be scrutinised in more details at the next meeting of the Committee**

Reason

The risk management process 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 2020/21 & Q1 2021/22) was reported to the Council's Audit & Standards Committee on 26 July 2021.

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 risk profiles, and are also challenged on the reasons for inclusion or non-inclusion and amendments 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). Any specific projects, where required can also have their risks monitored, maintained and managed in the Project Board meetings, in line with whichever risk management process they wish to use – this will stop 'double reporting' and enable officers to manage the project risks accordingly, but escalating any requirements via the process in the Risk Management Strategy.

2. Issues

2.1 Further to an Audit Assurance recommendation your officers have 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 are 3 overdue risk reviews in Q2 (2021/22). One is in the Asset Services risk profile; and the other two are in Community Centres;

2.1.2 In line with the risk management strategy the escalation process will be followed, until such time that involvement of this Committee is required.

2.2 Following a previous meeting a brief point is now produced to show any risks where the risk level has increased to a Medium 7, 8 or High 9.

2.2.1 Your officer can report that there was 1 risk level increase during Q2 (2021/22).

- The risk identified in Balances and Contingencies profile in respect of the Council becoming liable to pay compensation or legal fees or other unforeseen commitments arise, has changed from a Medium 6 to a High 9.

2.2.2 There were 6 new identified risks for Q2 (2021/22). These are in relation to

- Managing skill sets and resources in a Legislative Resource Team in Asset Services (Medium Amber 6);
- Walleys Quarry Financial Costs in the Balances and Contingencies profile (Medium Amber 6);
- Two risks added in Benefit Services in relation to Breach of Personal information (Low Green 4) and Failing to retain key staff (Low Green 2);
- Two risks in Revenue Services in relation to Breach of Personal Information (Low Green 4) and Failing to retain key staff (Low Green 2);
- These profiles and risks are managed day to day at Officer level, and escalated where required.

2.2.3 Appendix A highlights the Corporate risks following a review on 1 October 2021.

3. Proposal

3.1 To accept the recommendations.

3.2 To accept Appendix A.

4. **Reasons for Preferred Solution**

4.1 To offer a continual review process to minimise and mitigate risks.

5. **Options Considered**

5.1 Following the comprehensive review of risk profiles taking place across the council, the only risks to be reported are those from the Corporate Risk Register, unless there are any significant occurrences or increased in other profiles.

6. **Legal and Statutory Implications**

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

*"The relevant body **is** responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective, and includes effective 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. **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 of relevant Committees.

9. **Major Risks**

9.1 Insufficient risk profiles may expose the council to non-compliance with its Legal and Statutory obligations.

10. **UN Sustainable Development Goals and Climate Change Implications**

10.1 Good risk management is a key part of the overall delivery of the Council's four corporate priorities of; Local Services that Work for Local People, Growing our People and Places, a Healthy, Active and Safe Borough, a Town Centre for all. Officers assess sustainability and climate change implications as part of their local services.

11. **Key Decision Information**

11.1 This report is for information and there are no key decision requirements pertaining to the information contained within the report.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Previous Minutes from Committee meeting held on 26 July 2021.

13. **List of Appendices**

13.1 Appendix A – Corporate risks with heat map.

14. **Background Papers**

14.1 None.

Corporate Risks

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Risk Air Quality

Likelihood			
H			
M			R/G
L			T
	L	M	H

Impact

Impact Measures

Risk Description	Failure to comply with the Government Directive Timetable		
Potential Consequences	* Failure to deliver within prescribed timescale, failure to safeguard health, failure to identify alternatives to CAZ, failure to deliver to standard required. * Failure to comply with Directive Timetable and requirements may result in legal action by Government and Client Earth against the Council. * Failure by UK Government to satisfy ECJ may lead to fines being passed down to failing LA's under Localism Act. *Failure to deliver existing workload commitments and statutory duties.		
Implication	Damage to health / potential legal challenge and further action by Government including intervention in LA Air Quality function. Significant financial implications. Lack of Public Confidence. Reputational damage. Fines if passed down are likely to adversely impact council services. Failure to deliver existing workload commitments and statutory duties		
Risk Owners	Dave Adams		
Risk Rating	Medium Amber 6	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 6	**Next Review**	30/12/2021
Target Risk Level	Medium Amber 3	**Treatment**	Tolerate
Path	Corporate Risks/Newcastle Under Lyme		

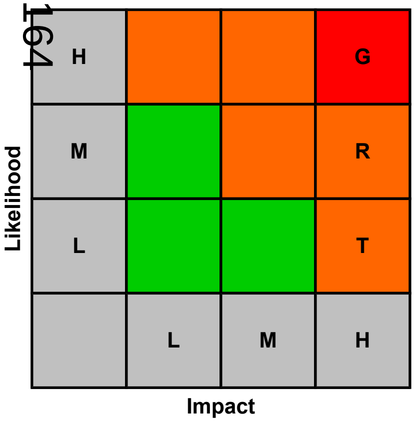
Key Controls Identified

Air Quality project

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments

Risk Breach of health and safety



Impact Measures	
Risk Description	Failure to comply with relevant health and safety legislation.
Potential Consequences	Death or harm to staff, contractors or members of the public. Reputation damage. Adverse financial implications. Third party intervention.
Implication	
Risk Owners	Martin Hamilton

Risk Rating	High Red 9	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 6	**Next Review**	30/12/2021
Target Risk Level	Medium Amber 3	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Key Controls Identified

Home-worker risk assessments completed

Health & Safety Policy and Employees Handbook

Target 100 corporate H&S system

Internal training policies, EDR, annual training audit, training resources secured, relevant training provided.

Health & Safety officer post on establishment.

Inspection programme of premises.

Incident Management Team

Liaison with external bodies.

Update seminars, professional membership, access to legislation and reference materials, support from legal services

Facilities Management controls in place for regular maintenance and servicing.

Corporate Health & Safety Committee including senior representation.

Comprehensive refresher training programme completed

Covid-19 risk assessments

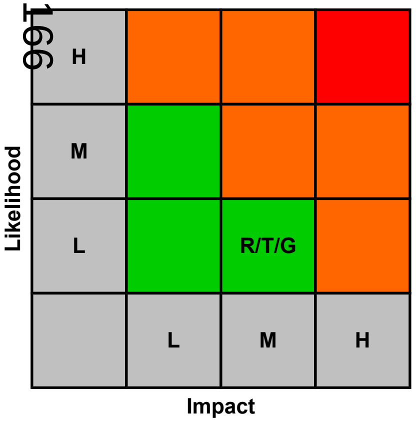
Health and Safety sub-committees established and operational

Internal audit of corporate H&S service undertaken

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Corporate mandate to routinely review and update Target 100 risk assessments and tasks	Corporate mandate to routinely review and update Target 100 risk assessments and tasks	Ongoing	Dave Adams Martin Hamilton Simon McEneny Sarah Wilkes	31/01/2022	Note continuation of H&S Thursdays.

Risk Civil emergency



Impact Measures				
Risk Description	Civil emergency			
Potential Consequences	Possible unbudgeted costs; service delivery affected			
Implication	Fall in usual service delivery; complaints;			
Risk Owners	Martin Hamilton			
Risk Rating	Low Green 2	**Last Review**	01/10/2021	
Final Risk Rating	Low Green 2	**Next Review**	30/03/2022	
Target Risk Level	Low Green 2	**Treatment**	Tolerate	
Path	Corporate Risks/Newcastle Under Lyme			

Key Controls Identified

Bellwin Scheme should meet 85% of cost

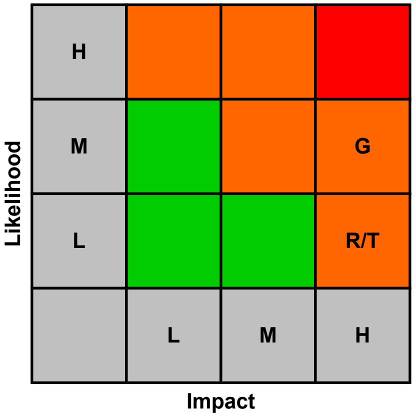
Insurance provision established

General Fund Reserve available

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments

Risk Corporate Governance



Impact Measures	
Risk Description	Failure of Corporate Governance exposes the Council to financial, legal or reputational risk.
Potential Consequences	Financial implications Legal challenges Reputation damage Loss of organisational capacity Government Intervention
Implication	
Risk Owners	Daniel Dickinson

Risk Rating	Medium Amber 6	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 3	**Next Review**	30/12/2021
Target Risk Level	Medium Amber 3	**Treatment**	Tolerate

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Audit & Standards Committee

Advice obtained from external bodies as and when required

Statutory Officer Group

Internal Audit inspections

Monitoring Officer

Effective scrutiny arrangements

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Scrutiny Protocol and Toolkit	Scrutiny Protocol and Toolkit to be written for implementation	Planned	Denise French	31/03/2022	
Training	To be arranged for all Members of Audit & Standards Committee	Planned	Daniel Dickinson Sarah Wilkes	31/03/2022	

Risk Covid-19

Likelihood			
H			G
M			R
L			T
	L	M	H

Impact

Impact Measures

Risk Description	Pandemic leading to disruption of service delivery and local economic impact		
Potential Consequences	Higher mortality rates Local economic impacts Customer dissatisfaction and service complaints		
Implication	Loss of service and financial implications. Business continuity Reputation damage		
Risk Owners	Martin Hamilton		
Risk Rating	High Red 9	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 6	**Next Review**	30/12/2021
Target Risk Level	Medium Amber 3	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Key Controls Identified

Incident Management Team

Business Continuity Plans in place

Multi-Agency Response plan

Government lobbying takes place

Financial assistance

Post-Covid recovery plan in place

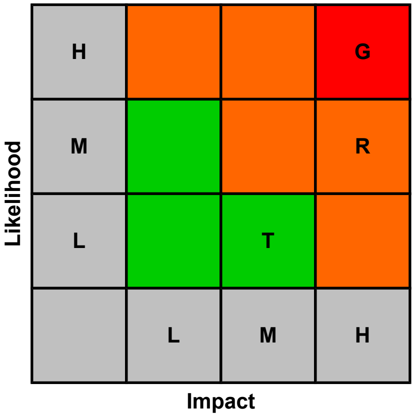
Covid-19 testing centre

Covid Marshalls

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments

Risk   Cyber risk



Impact Measures

Risk Description
The Council's infrastructure could be compromised by the introduction of malicious software. This could include a traditional destructive virus or another type of incursion such as information gathering software, ransomware, credential harvesting, etc.
The threat from Cyber terrorism continues to increase on a global scale and by July 2017, two high profile, highly effective ransomware attacks had already taken place, crippling organisations in both the public and private sector.
Everything from non-criminal system failures to criminal activities (be they first or third party) can impact on our ability to operate.
•With the new GDPR legislation the risks associated with breaches, made worse by non-compliance to security standards and general best practice, have increased the need to understand our risk landscapes and mitigate them as appropriate.

Potential Consequences
•The impact of these events can have financial, operational, strategic, compliance, criminal, and reputation impacts.

Implication
This risk implies that the Council's network or infrastructure has been compromised and an unknown threat actor who has successfully introduced malicious software such as a virus or ransomware to our environment. It should also be considered that this introduction has or will disrupt services or otherwise compromise the Council's information systems over an undetermined period.

The malicious software could have been introduced in any number of ways, such as by a member of staff clicking on a link within an email, the opening of a malicious file or the failure of ICT or a service provider to sufficiently patch and update vulnerable systems. There is also the potential for an attack to make use of a zero-day exploit - something which takes advantage of a previously unknown vulnerability, for which there is no immediate fix or protection.

Risk Owners	Martin Hamilton		
Risk Rating	High Red 9	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 6	**Next Review**	30/12/2021
Target Risk Level	Low Green 2	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Key Controls Identified

Staff awareness

Internet and email policies

Anti-Virus scanning at internet gateway

Anti-Virus software

Comprehensive Information Security policies

Blocking of Removable Media

Mandatory Information Security training for staff

Information Security Group

Penetration testing

Receive Gov Cert UK Warnings from NCSC

Use of Government CNS service

Anti-Ransomeware software

Patch management

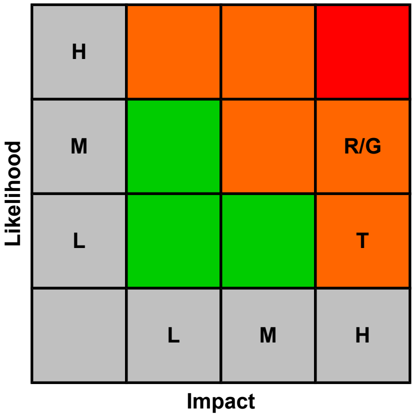
Use of Virtualised Environments

Attendance at West Midlands WARP (West Midlands Warning and Reports Procedures Group)

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Risk assessment based process via insurance Brokers to be completed	Planned	Annette Bailey Mark Bradshaw Diana Litherland	29/10/2021	

Risk Data Breach



Impact Measures	
Risk Description	Non-compliance with the Data Protection Act and and General Data Protection Act
Potential Consequences	Fine of up to £20m and damage to reputation
Implication	Severe
Risk Owners	Daniel Dickinson

Risk Rating	Medium Amber 6	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 6	**Next Review**	30/12/2021
Target Risk Level	Medium Amber 3	**Treatment**	Tolerate
Path	Corporate Risks/Newcastle Under Lyme		

Key Controls Identified

Information Governance Officer

Action plan produced

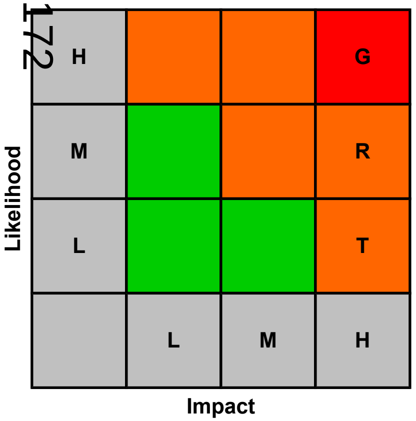
Information Security Group Formed

Training available

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Review mandatory DPA/GDPR training across the Council		Planned	Daniel Dickinson Matthew Gratton	31/03/2022	
Review of GDPR policies	To ensure that information governance processes are in place and up to date inc. DHR & SAR etc.	Ongoing	Diana Litherland	17/12/2021	

Risk Financial Risk



Impact Measures	
Risk Description	Council's financial position is unsustainable in the medium to long term.
Potential Consequences	Council unable to provide anything other than core services. Reputation damage. Government intervention.
Implication	
Risk Owners	Sarah Wilkes

Risk Rating	High Red 9	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 6	**Next Review**	30/12/2021
Target Risk Level	Medium Amber 3	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Key Controls Identified

Adequate level of reserves and balances

Regular financial risk assessments

Realistic medium term financial plan

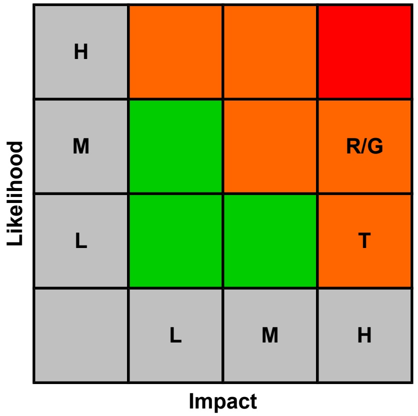
Statutory Officer Group

Covid-19 financial recovery plan

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Increase reserves and balances	Monthly review and update of financial risk assessments reserves and balances	Ongoing	Sarah Wilkes	31/03/2022	

Risk Loss of major contractor



Impact Measures	
Risk Description	Loss of major contractor or supplier to the Council.
Potential Consequences	Disruption to service; Reputation damage; Financial costs; Potential claims
Implication	
Risk Owners	Martin Hamilton

Risk Rating	Medium Amber 6	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 6	**Next Review**	30/12/2021
Target Risk Level	Medium Amber 3	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Key Controls Identified

Market intelligence

Continuous monitoring of contracts and annual credit check

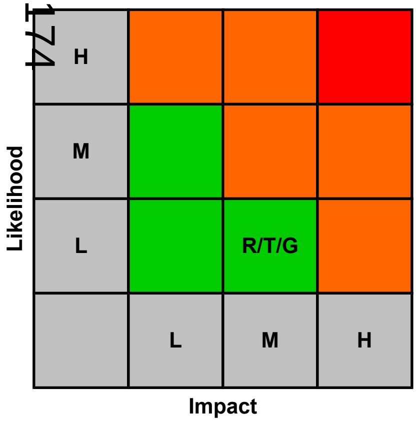
Contracts register in place

Corporate Procurement Officer & Procurement Strategy

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Critical supplier lists monitor and review	Planned	Simon Sowerby	31/01/2022	Review and update to Council's contract register has commenced; On completion a request will be made to Heads of Service to review and highlight their major/critical contractors for their service; Upon receipt of this information credit checks will be completed for each of the major/critical suppliers.

Risk Loss of operating building



Impact Measures

Risk Description The risk of Castle House or the Depot being unavailable due to an event

Potential Consequences Service failure; Business interruption; Financial costs; Reputation damage.

Implication

Risk Owners Martin Hamilton

Risk Rating Low Green 2 **Last Review** 01/10/2021

Final Risk Rating Low Green 2 **Next Review** 30/03/2022

Target Risk Level Low Green 2 **Treatment** Treat

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Support from Civil Contingencies Unit

Major incident plan in place

Gold and Silver teams set up

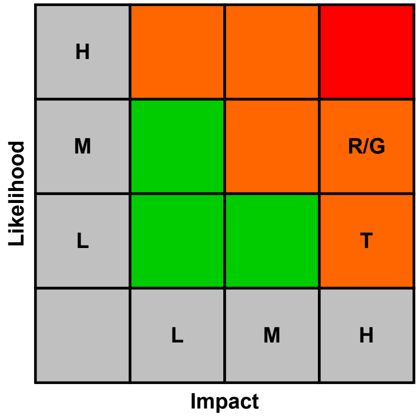
Business Continuity Plans in place

Civil Contingencies Business Working Group in place

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Castle House Business Continuity Plan development	Work to be undertaken to develop the BCP for the specific Castle House operation of Newcastle Borough Council employees	Planned	Elaine Burgess Martin Hamilton	23/12/2021	Revise in the current Covid working conditions - may change if return to office is more mainstream..

Risk Safeguarding



Impact Measures	
Risk Description	Failure of the Borough Council (both officers and Members) to recognise both a moral and legal obligation to ensure a duty of care for children and adults across its services. The Borough Council is committed to ensuring that all children and adults are protected and kept safe from harm whilst engaged in services organised and provided by the Council.
Potential Consequences	Harm and Death. Reputation damage. Legal implications. Third Party intervention with investigations.
Implication	
Risk Owners	Simon McEneny

Risk Rating	Medium Amber 6	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 6	**Next Review**	30/12/2021
Target Risk Level	Medium Amber 3	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Key Controls Identified

Policy and Procedures

Personnel

Partners and Partnership working

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Corporate awareness raising across the business to recognise Safeguarding as each persons responsibility where required.	Ongoing	Dave Adams Martin Hamilton Simon McEneny Sarah Wilkes	31/03/2022	

Risk Strategic Priorities

Likelihood				
	H			G
	M		R/T	
	L			
		L	M	H

Impact

Impact Measures

Risk Description	Lack of capacity to deliver strategic priorities, and or resource allocation not aligned to strategic priorities		
Potential Consequences	Strategic priorities not delivered. Reputation damage.		
Implication			
Risk Owners	Martin Hamilton		
Risk Rating	High Red 9	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 5	**Next Review**	30/12/2021
Target Risk Level	Medium Amber 5	**Treatment**	Tolerate
Path	Corporate Risks/Newcastle Under Lyme		

Key Controls Identified

Alignment of service and financial planning

Borough Growth Fund

Investment Strategy and Revolving Investment Fund

Government lobbying takes place

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments

Risk Strategic Projects

Likelihood			
H			
M			R/G
L			T
	L	M	H

Impact

Impact Measures			
Risk Description	Failure to deliver key strategic project or projects, including One Council		
Potential Consequences	Reputational harm Financial implications Local economic impact Legal challenge Loss of influence and control		
Implication			
Risk Owners	Simon McEneny		
Risk Rating	Medium Amber 6	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 6	**Next Review**	30/12/2021
Target Risk Level	Medium Amber 3	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Key Controls Identified

Advice obtained from external bodies as and when required

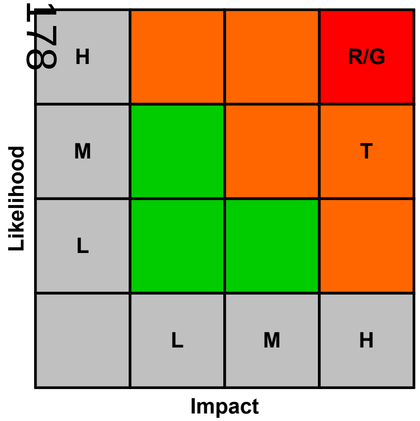
Governance

Resources

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments

Risk Wallys Quarry



Impact Measures

Risk Description Current air quality issues in respect of the quarry and the contractor

Potential Consequences Reputation damage to the Council and the Borough.
Finance and Officer resource

Implication

Risk Owners Dave Adams; Daniel Dickinson; Martin Hamilton; Sarah Wilkes

Risk Rating	High Red 9	**Last Review**	01/10/2021
Final Risk Rating	High Red 9	**Next Review**	31/10/2021
Target Risk Level	Medium Amber 6	**Treatment**	Treat

Path Corporate Risks/Newcastle Under Lyme

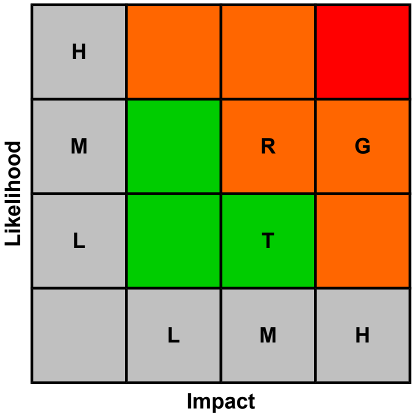
Key Controls Identified

Odour Incident Management Team

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Continue with IMT works	Ongoing	Dave Adams	31/12/2021	

Risk Workforce



Impact Measures	
Risk Description	Lack of capacity due to failure to replace key staff or provide resources to cover the work of staff temporarily involved in other priority areas. Failure to train and develop employees to meet the needs of the Council. Failure to implement effective reviews of policies and procedures.
Potential Consequences	Staff not treated fairly - implications for staff morale, effective recruitment and retention. Skills shortages. Out of date policies. Failure to maintain day to day service provision where service quality, availability and consistency of service is affected. Ineffective leadership. Inconsistencies of interpretation of policies and procedures. Not supporting managers and employees. Reduced levels of service, non provision of training needs, non involvement in partnership needs etc. due to existing staff meeting the additional workload arising from lack of capacity. Failure to achieve objectives of improvement plan. Increased costs to the authority in relation to flexible retirement.
Implication	Legislation implications. Employee relation implications.
Risk Owners	Martin Hamilton

Risk Rating	Medium Amber 6	**Last Review**	01/10/2021
Final Risk Rating	Medium Amber 5	**Next Review**	30/12/2021
Target Risk Level	Low Green 2	**Treatment**	
Path	Corporate Risks/Newcastle Under Lyme		

Key Controls Identified

Workforce policies in place

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Develop workforce strategy and development plan	Planned	Helen Smith	31/03/2022	Final plan to be developed.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE AUDIT & STANDARDS COMMITTEE

Date 08 November 2021

1. REPORT TITLE Walleys Quarry Risk Profile

Submitted by: **Executive Management Team**

Portfolio: **Finance, Town Centres and Growth.**

Ward(s) affected: **All**

Purpose of the Report

Following the last meeting on 26 July 2021, this report is to provide members with the current risk profile and heat map on the risks associated with Walleys Quarry and the council's controls and actions currently in place.

To ask members to recognise that risk likelihood can be mitigated but the risk impact may not change.

Recommendation

The Committee is asked to:-

(a) Note the report and the reasons for the Walleys Quarry Risk Profile being contained in the confidential appendix to the report

(b) Review the risk profile of Walleys Quarry as at Confidential Appendix A.

Reason

The risk management process adopted by the Council has been reviewed to incorporate changes to 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 Risk owners are challenged by the Council's Risk Champions in respect of the controls, further actions, ratings and emerging risks related to their risk profiles, and are also challenged on the reasons for inclusion or non-inclusion and amendments of these.

1.4 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). Any specific projects, where required can also have their risks monitored, maintained and managed in the Project Board meetings, in line with whichever risk management process they wish to use – this will stop 'double reporting' and enable officers to manage the project risks accordingly, but escalating any requirements via the process in the Risk Management Strategy.

2. <u>Issues</u>

2.1 At the previous meeting on 26 July 2021, Members requested sight of the Walleys Quarry risk profile. This can be found at Confidential Appendix A.

2.2 The information requested is contained in a confidential appendix because it is likely that there will be disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A (as amended) of the Local Government Act 1972, as it refers to the Councils approach to dealing with the risks associated with the ongoing legal process in respect of the Abatement Notice served by the Council on Walleys Quarry Ltd. and the subsequent appeal lodged.

3. <u>Proposal</u>

3.1 Note the report and the reasons for the Walleys Quarry Risk Profile being contained in the confidential appendix to the report

3.2 Review the risk profile of Walleys Quarry as at Confidential Appendix A.

4. <u>Reasons for Preferred Solution</u>

4.1 To offer a continual review process to minimise and mitigate risks.

5. <u>Options Considered</u>

5.1 Following the comprehensive review of risk profiles taking place across the council, the only risks to be reported are those from the Corporate Risk Register, unless there are any significant occurrences or increased in other profiles, or specific profiles are requested by Members.

6. <u>Legal and Statutory Implications</u>

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

*"The relevant body **<u>is</u>** responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk".*

7. <u>Equality Impact Assessment</u>

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

8. **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 of relevant Committees.

9. **Major Risks**

9.1 Insufficient risk profiles may expose the council to non-compliance with its Legal and Statutory obligations.

10. **UN Sustainable Development Goals and Climate Change Implications**

10.1 Good risk management is a key part of the overall delivery of the Council's four corporate priorities of; Local Services that Work for Local People, Growing our People and Places, a Healthy, Active and Safe Borough, a Town Centre for all. Officers assess sustainability and climate change implications as part of their local services.

11. **Key Decision Information**

11.1 This report is for information and there are no key decision requirements pertaining to the information contained within the report.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Previous Minutes from Committee meeting held on 26 July 2021.

13. **List of Appendices**

13.1 Appendix A – Walleys Quarry risk profile with heat map.

14. **Background Papers**

14.1 None.

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Audit and Standards Committee

Work Plan 2021/2022

Committee Date	**Reports**
28th June 2021	1. CANCELLED
26th July 2021	1. Annual Governance Statement 2. Draft Statement of Accounts 2020/21 3. Treasury Management Annual Report 2020/21 4. Internal Audit Annual Report 2020/21 5. Q1 Internal Audit Progress Report 6. Q4 & Q1 Corporate Risk Management Report 7. Health and Safety Report 2020/21 8. Work Plan
27th September 2021	CANCELLED
8th November 2021	1. Audited Accounts for 2020/21 2. Treasury Management Half Yearly Report 2021/22 3. Q2 Internal Audit Progress Report 4. Q2 Corporate Risk Management Report 5. Walley's Quarry Corporate Risk Report
7th February 2022	1. Q3 Internal Audit Progress Report 2. Q3 Corporate Risk Management Report 3. Annual Audit Letter 2020/21 4. Appointment of External Auditor 5. Code of Corporate Governance
25th April 2022	1. Q4 Internal Audit Progress Report 2. Internal Audit Charter 2022/23 3. Internal Audit Plan 2022/23 4. Corporate Fraud Arrangements 5. Q4 Corporate Risk Management Report 6. Risk Management Policy & Strategy 2022/23
27th June 2022	1. Health and Safety Report 2021/22 2. Treasury Management Annual Report 2021/22

*Standards training – to be arranged at the appropriate time, once the new Code of Conduct has been received and to be held prior to an in person meeting

DJF/October 21

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By virtue of paragraph(s) 6b, 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

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