

Public Document Pack

Date of meeting Monday, 27th June, 2022
Time 7.00 pm
Venue Garden & Astley Rooms - Castle House, Barracks Road, Newcastle, Staffs. ST5 1BL
Contact democraticservices@newcastle-staffs.gov.uk



**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 - 6)
To consider the minutes of the previous meeting held on 25 April 2022.
- 4 HEALTH AND SAFETY ANNUAL REPORT 2021/22** (Pages 7 - 22)
This item includes a supplementary report.
- 5 ANNUAL GOVERNANCE STATEMENT 2021/22** (Pages 23 - 36)
- 6 PROPOSED ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY FOR THE 2021/22 STATEMENT OF ACCOUNTS** (Pages 37 - 60)
- 7 DRAFT STATEMENT OF ACCOUNTS 2021/22** (Pages 61 - 152)
This item includes a supplementary report.
- 8 TREASURY MANAGEMENT ANNUAL REPORT 2021/22** (Pages 153 - 164)
- 9 URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972
- 10 COMMITTEE WORK PLAN** (Pages 165 - 166)

Members: Councillors Paul Waring (Chair), Barry Panter (Vice-Chair), Mark Holland, Joan Whieldon, Mike Stubbs, Wendy Brockie and Stephanie Talbot

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 :- Where the total membership of a committee is 12 Members or less, the quorum will be 3 members....Where the total membership is more than 12 Members, the quorum will be one quarter of the total membership.

SUBSTITUTE MEMBER SCHEME (Section B5 – Rule 2 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:	Andrew Parker	Annabel Lawley
	Richard Gorton	Paul Northcott
	David Hutchison	Philip Reece
	Simon Jones	

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)

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.

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Agenda Item 3

Audit and Standards Committee - 25/04/22

AUDIT AND STANDARDS COMMITTEE

Monday, 25th April, 2022
Time of Commencement: 7.00 pm

[View the agenda here](#)

[Watch the meeting here](#)

Present: Councillor Paul Waring (Chair)

Councillors: Barry Panter Sylvia Dymond
Mark Holland Sarah Pickup

Apologies: Councillor(s) Mike Stubbs, Bert Proctor and Mr Phil Butters

Substitutes: Councillor Graham Hutton (In place of Councillor Bert Proctor)

Officers:

Simon Sowerby	Business Improvement Manager
Daniel Dickinson	Head of Legal & Governance /Monitoring Officer
Clare Potts	Chief Internal Auditor
Craig Turner	Finance Manager
Denise French	Democratic Services Team Leader

Also in attendance: Councillor Stephen Sweeney,
Portfolio Holder for Finance,
Town Centres & Growth
Harkamal S Vaid, Grant
Thornton

10. **APOLOGIES**

11. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

12. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 7 February 2022 be approved as a correct record.

13. **2021-22 EXTERNAL AUDIT**

The committee considered 2 documents presented by Harkamal Vaid, Audit Manager, Grant Thornton, the council's external auditor:

- (a) Informing the audit risk assessment 2021/22 – the purpose of this document was to contribute towards effective two-way communication between the council's auditors and the committee in its role of overseeing governance. The document comprised a list of queries put by Grant Thornton and the

Audit and Standards Committee - 25/04/22

council's responses; this helped to inform the Audit Plan. There was nothing that had been brought to the auditor's attention that would develop additional audit risks.

- (b) Audit Plan 2021/22 – this was based on management answers as outlined in (a) above, the auditor's knowledge of the council and the recommendations of previous audits.

The key findings in the Audit Plan were presented. The significant risks were highlighted and related to fraud (this risk was mandatory but was rebutted by Grant Thornton), management over-ride of controls (this was a mandatory risk), valuation of land and buildings, and valuation of the pension fund net liability. The committee was informed how Grant Thornton would respond to each of the risks.

Resolved: that the report be received.

[Click here to watch the debate](#)

14. INTERNAL AUDIT ANNUAL REPORT 2021/22 AND AUDIT OPINION

The committee considered the annual report of the Internal Audit activity for 2021/22 presented by the Chief Internal Auditor, Clare Potts.

The report showed that of the planned work for the year, 86% had either been completed or was underway by the end of March 2022 with the remainder carried forward to the current year. There had been 34 recommendations made during 2021/22 with 21% having already been implemented. There was one issue where a negative opinion had been issued in relation to GDPR and audit work would be carried out during the current year to ensure issues had been resolved.

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 opinion for the year was satisfactory showing the council had an adequate, effective and reliable framework of internal control. The opinion definitions were presented in Table 2 paragraph 3.2 but would be amended to read Borough Council rather than City Council.

Resolved: that the report be received.

[Click here to watch the debate](#)

15. INTERNAL AUDIT PLAN AND CHARTER 2022/23

The committee considered the Internal Audit Plan for 2022/23 presented by Clare Potts, with a list of proposed items for internal audit during the year. One key area for audit was the One Council programme which was proposed for audit as it was a key strategic project. The committee also considered the Internal Audit Charter which identified how the audit work would be delivered, this was unchanged from previous years.

Resolved: that

- (a) The Internal Audit Plan for 2022/23 be approved;
- (b) The Internal Audit Charter for 2022/23 be approved; and
- (c) Quarterly reports be submitted to the committee on the delivery of assignments within the plan and the implementation of actions arising.

[Click here to watch the debate](#)

16. CORPORATE FRAUD ARRANGEMENTS

The Finance Manager presented the policies that supported the Council's Counter Fraud arrangements. They were presented to the Committee on an annual basis for review. The Counter Fraud policies comprised:

- Anti-Fraud and Anti-Corruption Framework
- Fraud Response Plan
- Whistleblowing Policy
- Anti-Money Laundering Policy.

Resolved: that the policies that support the council's counter fraud function be noted – Anti-Fraud and Anti-Corruption Framework; Fraud Response Plan; Whistleblowing Policy; and Anti-Money Laundering Policy.

[Click here to watch the debate](#)

17. RISK PROFILES FOR CYBER RISK AND DATA BREACH

The committee considered risk profiles relating to cyber risk and data breach, this had been requested at the last meeting. The committee was informed that there were 23 cyber and data breach risks; of which one was red, nine were amber and 13 were green. A summary sheet had been produced which looked at each risk in depth, along with key control measures and the final risk rating after mitigations, along with identifying the risk owners. This would be circulated outside the meeting.

Resolved: that the risk profiles be noted.

[Click here to watch the debate](#)

18. RISK MANAGEMENT POLICY AND STRATEGY 2022/23

The committee considered the Risk Management Policy Statement and Risk Management Strategy; both documents had been reviewed and the policy document had been signed by the Chief Executive and Leader of the Council.

Resolved: that the Risk Management Policy and Strategy for 2022/23 be noted.

[Click here to watch the debate](#)

19. COMMITTEE WORK PLAN 2022/23

The committee considered the work plan from June 2022.

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Resolved: that the work plan be noted.

20. **URGENT BUSINESS**

There was no Urgent Business.

**Councillor Paul Waring
Chair**

Meeting concluded at 7.31 pm

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
27 June 2022

Report Title: Health and Safety Annual Report 2021-22

Submitted by: Chief Executive

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To inform Members of issues and trends regarding health and safety matters at the council.

Recommendation

That,

The report be noted.

Reasons

Regular updates in relation to health and safety service delivery, information and trends ensures effective review of service delivery.

1. **Background**

1.1 Attached as an Appendix is the health and safety report submitted to the council. It covers the period 1st April 2021 to 31st March 2022.

2. **Issues**

2.1 The Employee Protection Policy was reviewed and the lone worker devices contract was also renewed to maintain protection for the workforce. The Alcohol, Drugs and Substance Misuse Policy was also overhauled with additional guidance for managers in the form of a toolkit currently being devised by Human Resources. The overriding Corporate Health and Safety Policy was refreshed to reflect the alterations resulting from the other policy reviews.

2.2 Training was completed in IOSH Leading Safely for the executive management team and other key employees. This was followed by IOSH Managing Safely for managers and another cohort will undertake the course later this financial year. Furthermore training was undertaken online in risk assessment, lone working and first aid refresher by relevant staff. This shows commitment from the top level down to ensuring health and safety is a key priority.

2.3 Accidents remain at a lower level than average, however this is likely to be in part at least due to the alterations to working procedures during COVID lockdowns.

2.4 COVID-19 continued to require alterations to working methods and constant variations to guidance were met via regular risk assessment review and IMT meetings.

3. **Proposal**

3.1 That the report be noted.

4. **Reasons for Proposed Solution**

4.1 Regular updates in relation to health and safety service delivery, information and trends ensures effective review of service delivery.

5. **Options Considered**

5.1 Not applicable.

6. **Legal and Statutory Implications**

6.1 The council is required to comply with all relevant Health and Safety legislation.

6.2 Failure in ensuring suitable and sufficient arrangements for health and safety may lead to investigation and/or enforcement action by the Health and Safety Executive as the enforcing authority for the council's activities.

7. **Equality Impact Assessment**

7.1 The health and safety policy and procedures apply equally to all employees. Training is available to all employees as required.

8. **Financial and Resource Implications**

8.1 The majority of health and safety service delivery is carried out in-house from existing resources, this also includes training courses. On occasions, external providers are required to conduct specialist training courses i.e. first aid. The cost of this is met from within the existing Corporate Training budget.

8.2 Good health and safety management also ensures that insurance claims can be effectively managed.

9. **Major Risks**

9.1 Failure to adopt best practice health and safety standards could result in wastage of council resources and the provision of an inefficient service.

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

10.1 No sustainability or climate change implications identified

11. **Key Decision Information**

11.1 This is not a key decision.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Not applicable

13. **List of Appendices**

13.1 Appendix 1 – Annual Health and Safety Report 2021-22

14. **Background Papers**

14.1 None

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Newcastle-under-Lyme Borough Council

ANNUAL HEALTH AND SAFETY REPORT APRIL 2021 – MARCH 2022

1. INTRODUCTION

- 1.1 This report outlines the current state of health and safety matters during the twelve months from 1st April 2021 to 31st March 2022.
- 1.2 The year has been affected by the ongoing presence of COVID and the resultant effects of changing guidance and legislative requirements have had an impact on staff availability and welfare together with differing working methods and procedures.

2. POLICIES AND GUIDANCE

- 2.1 A review of the Employee Protection Policy was completed and finalised documents issued to Connexus for ease of staff access. The procurement of the lone working devices was also completed in conjunction with this review.
- 2.2 The Alcohol, Drugs and Substance Misuse policy was reviewed and the introduction of more stringent testing was also approved.
- 2.3 The Corporate Health and Safety Policy was also updated to reflect the alterations to the other policies.
- 2.4 The Driving for Work policy review has commenced and is ongoing.

3. TARGET 100

- 3.1 The change-over to version 6.1 has been placed on hold as workloads due to COVID did not permit resources to be allocated to this project.
- 3.2 Once the finalised organisational structure and staff locations have been agreed a piece of work will be required to alter the structure on T100. This is a large piece of work which may require additional input from Business Safety Solutions due to reduced staffing within the Corporate Health and Safety function.

4. HEALTH AND SAFETY TRAINING

- 4.1 The following Health and Safety Training has been undertaken –

First aid refresher training – to ensure our first aiders maintained their knowledge a course with St John's Ambulance was identified online and feedback has been positive from the staff. It provided an easier route for staff to update knowledge at their own pace when it was convenient for them.

Lone worker training – an online lone working package was introduced and take up has been positive, with most applicable staff completing the course.

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Risk assessment training – an online risk assessment course was cascaded to those staff who have responsibility to undertake the risk assessments for their sections and many relevant staff have now completed the short course.

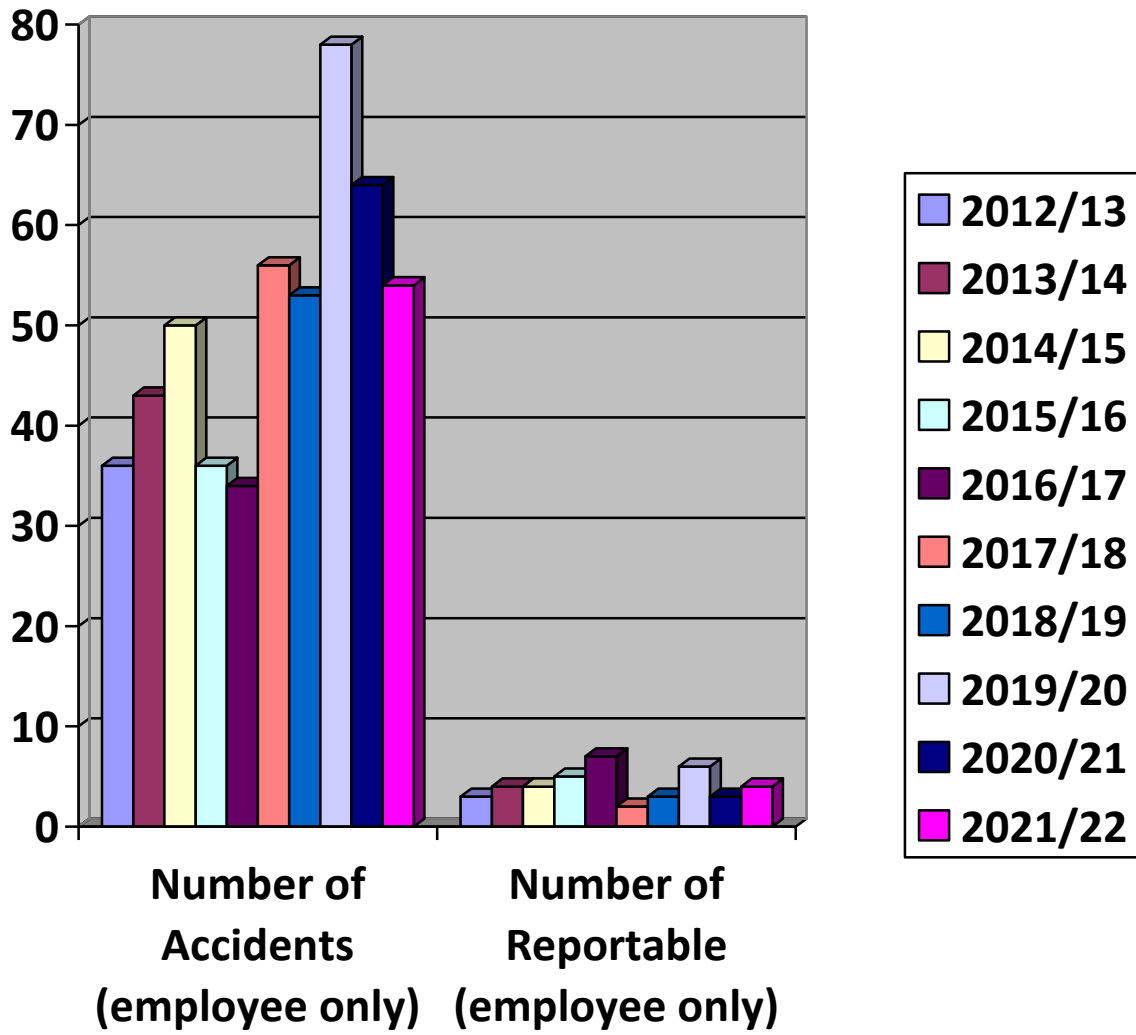
IOSH Leading Safely – Executive Management Team and other key members of staff completed the IOSH Leading Safely course which assisted in reminding all that health and safety responsibilities start from the top down.

IOSH Managing Safely – two cohorts of key staff were identified as suitable for this course. The first cohort have completed the course, with results pending. A second cohort is planned for the following financial year. This provided the second tier of management with key skills and reinforced the responsibilities they have within their roles.

5. ACCIDENT REPORTS –

5.1 Please see table and graph below for a summary of employee accidents.

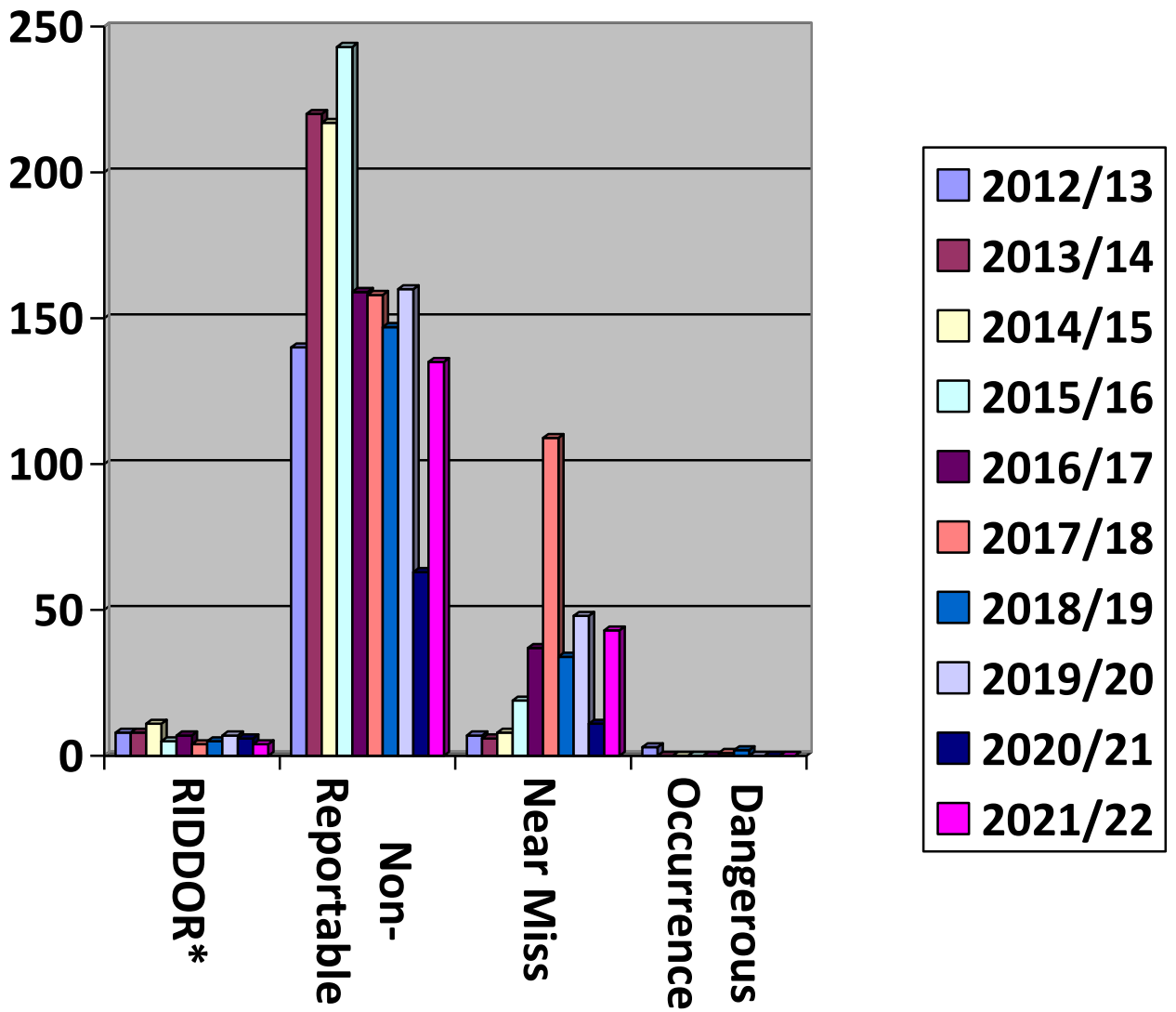
Year	Number of Accidents (employee only)	Number of Reportable (employee only)
2012/13	36	3
2013/14	43	4
2014/15	50	4
2015/16	36	5
2016/17	34	7
2017/18	56	2
2018/19	53	3
2019/20	78	6
2020/21	64	3
2021/22	54	4



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5.2 The table and graph below shows trends in all accidents (staff & members of public)

Year	RIDDOR*	Non-Reportable	Near Miss	Dangerous Occurrence
2012/13	8	140	7	3
2013/14	8	220	6	0
2014/15	11	217	8	0
2015/16	5	243	19	0
2016/17	7	159	37	0
2017/18	4	158	109	1
2018/19	5	147	34	2
2019/20	7	160	48	0
2020/21	6	63	11	0
2021/22	4	135	43	0

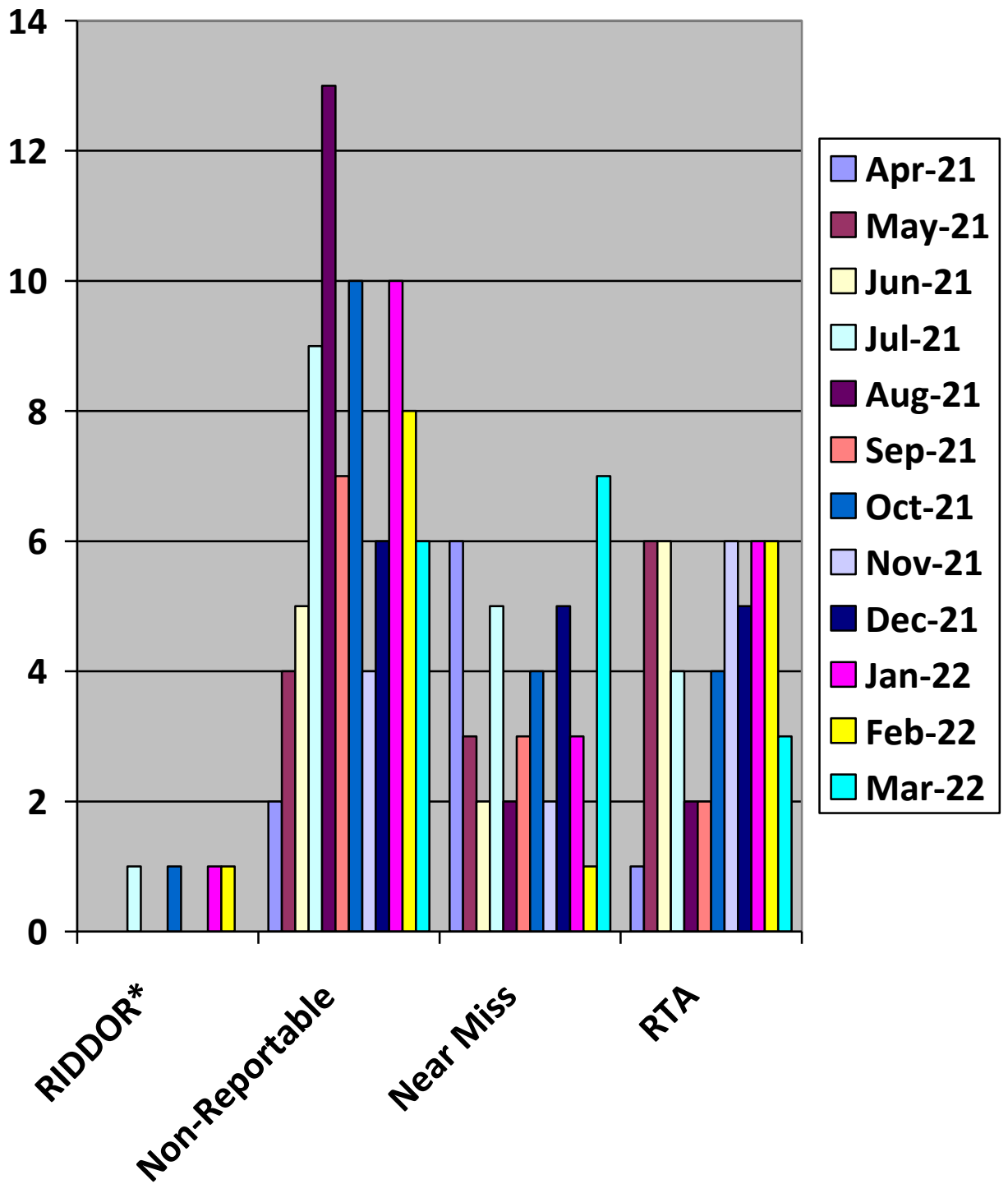


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5.3 The table and graph below shows a monthly breakdown of all accidents in 2021/22.

Month	RIDDOR	Non-Reportable	Near Miss	RTA	Dangerous Occurrence	Totals
April	0	2	6	1	0	9
May	0	4	3	6	0	13
June	0	5	2	6	0	13
July	1	9	5	4	0	19
August	0	13	2	2	0	17
September	0	7	3	2	0	12
October	1	10	4	4	0	19
November	0	4	2	6	0	12
December	0	6	5	5	0	16
January	1	10	3	6	0	20
February	1	8	1	6	0	16
March	0	6	7	3	0	16
Totals	4	84	43	51	0	182

* RIDDOR - Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (Accidents which result in over a 7 day absence from work of an employee; a member of the public taken from the premises by ambulance and specified injuries (broken bones etc) would all be reportable to the Health & Safety Executive by the Local Authority.



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5.4 RIDDOR Summary

Month	Injured Person	Location	Incident Type	Remedial Action
July 21	Member of staff	Streetscene	Over 7 day absence- Road traffic accident	Correct procedure was followed by our staff, no further measures were identified as necessary
October 21	Member of staff	Streetscene	Over 7 day absence – Trip	Staff training was reviewed and visibility of the hazard improved
January 22	Member of staff (agency)	Waste and recycling	Serious injury (fracture) - Slip	Induction training and correct PPE was established, no further measures identified as required
February 22	Member of staff	Waste and recycling	Over 7 day absence – Manual handling	Reminder to member of staff to follow controls established during training

All RIDDOR Accidents have been reported to the HSE and investigations have been completed with remedial actions undertaken where necessary as detailed above.

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6. HEALTH AND SAFETY AUDITS & INSPECTIONS

- 6.1 The Corporate Health and Safety Officer has completed inspections of the following properties –
- Jubilee 2
 - Kidsgrove Customer Service Centre
 - Keele Cemetery
 - Bradwell Crematorium
 - Waste Transfer Sections, Knutton Depot
- 6.2 The inspection programme has re-commenced in March 2022, with COVID preventing them before this date.
- 6.3 All recommendations as a result of the inspection were directed to relevant parties for action.
- 6.4 In addition to the regular internal inspections the Environment Agency also completed a site audit on 15th July 2021 of the Knutton Lane waste transfer sections. They were pleased with the site and no remedial measures were instructed.
- 6.5 The Fire Service completed an audit of Kidsgrove Customer Service Centre on the 8th March 2022. Apart from a few minor recommendations they were content with the infrastructure and procedures in place. Remedial measures have been placed on order.
- 6.6 An external audit was commissioned by Waste and Recycling with Synergy Environmental Solutions which reviewed their health and safety. Recommendations were heavily focused around T100 and the lack of knowledge / use by managers. Training sessions were arranged with T100 to encourage improved usage by managers and supervisors which were quite well attended by the waste section. It is anticipated that further improvement will be made when version 6.1 is introduced.
- 6.7 In June 2021 the results of an external audit undertaken by Stoke on Trent City Council to assess the corporate health and safety provision were received. There were two recommendations, one of which has been completed, the other is almost complete, barring finalisation of a monitoring scheme for new starters.

7. KNUTTON DEPOT

- 7.1 The Knutton Lane Health and Safety Committee held meetings on:
- 8th April 2021
 - 8th July 2021
 - 7th October 2021
 - 6th January 2022

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7.2 Matters arising from the meetings included:-

- Accidents, Incidents and Near Misses
- Target 100
- Training
- Site Rules
- HAVS update
- Buildings, Utilities and Infrastructure
- External Yard, Waste Transfer Station, Salt Yard
- Site security
- COVID Considerations

8 LEISURE (SHE) Safety, Health and Environment Meetings –

8.1 The meetings have been established to oversee and monitor the implementation of British Standards for the management of Quality (ISO 9001), Environment (ISO 14001) and ISO 18001 (Health & Safety).

Meetings held on:

- 4th May 2021
- 5th October 2021
- 7th December 2021

8.2 During the Meetings the following points (regarding health and safety) are discussed

- Legislation / guidance updates
- Hazards / incidents
- Accident Statistics
- Accident / Incident Investigations
- Remedial works to roof
- Plans for the installation of drowning detection system
- Plans for gym refurbishment
- Risk Assessments / COSHH
- Staff training
- COVID actions required, plant closing and recommissioning

Minutes/Action logs from the meetings are provided for review at Corporate Health and Safety Committee meetings.

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9. CORPORATE HEALTH AND SAFETY COMMITTEE

9.1 The Corporate Health and Safety Committee held the following meetings during the period

- 22nd April 2021
- 29th July 2021
- 21st October 2021
- 20th January 2022

9.2 The committee discussed the following items at the last meeting:

- Insurance reports
- Accidents, incidents and near misses
- Accident & Insurance claims
- Target 100 update
- Castle House
- Facilities Management Updates
- Leisure and Cultural SHE
- Knutton Lane Depot Committee - Drug and alcohol policy: Managers' guidance, Driving for Work Policy, Site Security
- HAVS working group
- Trade Unions
- Staff training
- Policy reviews
- Lone working device and policy review and establishing working group
- Legislative updates
- COVID considerations

10. FIRE

10.1 Fire evacuations were undertaken across all occupied Council properties over the period December 2021 to January 2022 and all were executed well by the staff and controlling officers.

10.2 Brampton Museum and Kidsgrove Customer Service Centre were brought back into the regime following their recent closures for varying reasons. Staff at the Museum were also provided with general fire training and controlling officer training and Evac chair training to include the new staff working at the site.

11. EVENT SAFETY

11.1 Despite COVID there were a limited number of events held as detailed below:

- Tuck In – two events held in Goose Street car park
- Homecoming - Town Centre
- Bangkok Lady Boys - Ryecroft
- Astley Fest - Town Centre
- Funtopia - two events held in Brampton Park
- Kidsgrove Rotary Fireworks – Clough Hall Park
- Fresh & Tasty Event - Brampton Park
- Mayor's Charity Fireworks - Lyme Valley Park
- Christmas Lights switch on - Town Centre
- Gandy's Circus - Ryecroft

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12. CASTLE HOUSE

- 12.1 COVID has resulted in lower levels of occupation for the majority of the time however re-occupation has now started to increase again. Measures remained in place until 1st April at which point most were scaled back considerably.
- 12.2 The invacuation project had stalled due to COVID but works have now been undertaken on the sounder / beacon alerting system with final audibility adjustments yet to be completed. Thumb-turns have been identified for certain key access doors and mock-ups demonstrated to all tenants. Once the infrastructure is in place the procedure will be finalised followed by staff training and drills. Any identified improvements can then be implemented to ensure the system is fully functioning.
- 12.3 The rear barrier and intercom have been identified as latent defects and work is ongoing to remedy the issues.
- 12.4 Ground floor fan coil valves have been identified as requiring remedial work, this will be scheduled to fit around the needs of the tenants.

13. FIRST AID

- 13.1 First aid refresher training was completed between November and March to ensure continued knowledge for our first aid team.

Once re-occupation of buildings is increased first aid provision will be sufficient, the only area which requires additional training will be the Crematorium where releasing staff has been difficult in terms of the pressures on the service due to COVID. One operative was trained in the Cremator but another would be required to cover absences.

14. COVID-19

- 14.1 COVID has had a varying impact on the services of the Council during the last twelve months. Lockdowns and staff illness have resulted in numerous services running under-staffed and with agency workers commonplace. Risk assessments have been consistently reviewed in line with the guidance and legislative changes.
- 14.2 As the key legislation is now easing the requirements around COVID controls in the workplace are also relaxing however the necessity to continue to treat it as any other biological workplace hazard will remain under standard health and safety legislation.
- 14.3 Under RIDDOR we have had to report three incidents of work-related ill health where transmission at work was the most likely cause. These have not been included within the standard RIDDOR data above as this is likely to be a temporary reporting requirement.

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

**Audit & Standards Committee
27 June 2022**

Report Title: Annual Governance Statement 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 recommend that the Annual Governance Statement for 2021/22 be approved for inclusion in the financial statements.

Recommendation

1. That the Committee approve the Annual Governance Statement for 2021/22.

Reasons

To seek members approval of the Annual Governance Statement for 2021/22 based upon their satisfaction that it is based upon relevant and reliable evidence.

1. Background

- 1.1 Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.
- 1.2 The Council has approved and adopted a Code of Corporate Governance. A copy of the Code is on our website.
- 1.3 Under the Accounts and Audit Regulations 2015 the Council is required to publish an Annual Governance Statement (AGS) with the financial statements and emphasise the importance of embedding internal control, including the process of risk management throughout the Council. In response the Council produced an AGS for 2021/22 covering corporate governance, financial and other key control issues (the statement is provided as Appendix A).
- 1.4 The AGS is published with the financial statements. In considering the approval of the AGS Members should satisfy themselves that the statement is based upon relevant and reliable evidence. Details of the evidence relied upon when collating the AGS can be made available by contacting the Head of Finance (S151 Officer).
- 1.5 The AGS includes the following headings:
 - Scope of responsibility,
 - Delivering good governance in Local Government: framework,
 - The governance framework,
 - Review of effectiveness,
 - Significant governance issues and,
 - Reflecting the challenges and impact from the Coronavirus

2. **Issues**

- 2.1 In preparing the AGS officers have considered the Chartered Institute of Public Finance (CIPFA) 'Delivering Good Governance Framework' guidance document.
- 2.2 The AGS has been produced combining findings from Assurance statements from the Chief Executive and Executive Directors, informed by Heads of Service and Business Managers, the work of Internal Audit and various corporate working parties and comments from external auditors and other review agencies.
- 2.3 Section 5 of the AGS identifies those areas, following the review of internal controls for the financial year 2021/22 that needs addressing. Action plans where not already in place will be drawn up by officers to address the issues highlighted.
- 2.4 Not to complete an AGS would be in breach of the legislation already outlined in the background. Completion of the statement is best practice and demonstrates the transparency of the Council's Governance arrangements for 2021/22.

3. **Proposal**

- 3.1 That the Committee approve the Annual Governance Statement for 2021/22.

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 2021/22.

6. **Legal and Statutory Implications**

- 6.1 The Council must comply with the Accounts and Audit Regulations 2015, in particular the requirement to publish an AGS with 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 specific financial implications arising from the AGS, resource requirement linked to action plans will be brought to members as separate projects if required.

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**

13.1 Appendix A – Annual Governance Statement 2021/22.

14. **Background Papers**

- Assurance statements,
- CIPFA guidance – Delivering good governance in Local Government

Annual Governance Statement 2021/22

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 2022 and up to the date of approval of the Statement of Accounts.

GOVERNANCE ROLES & RESPONSIBILITIES

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

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

- 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

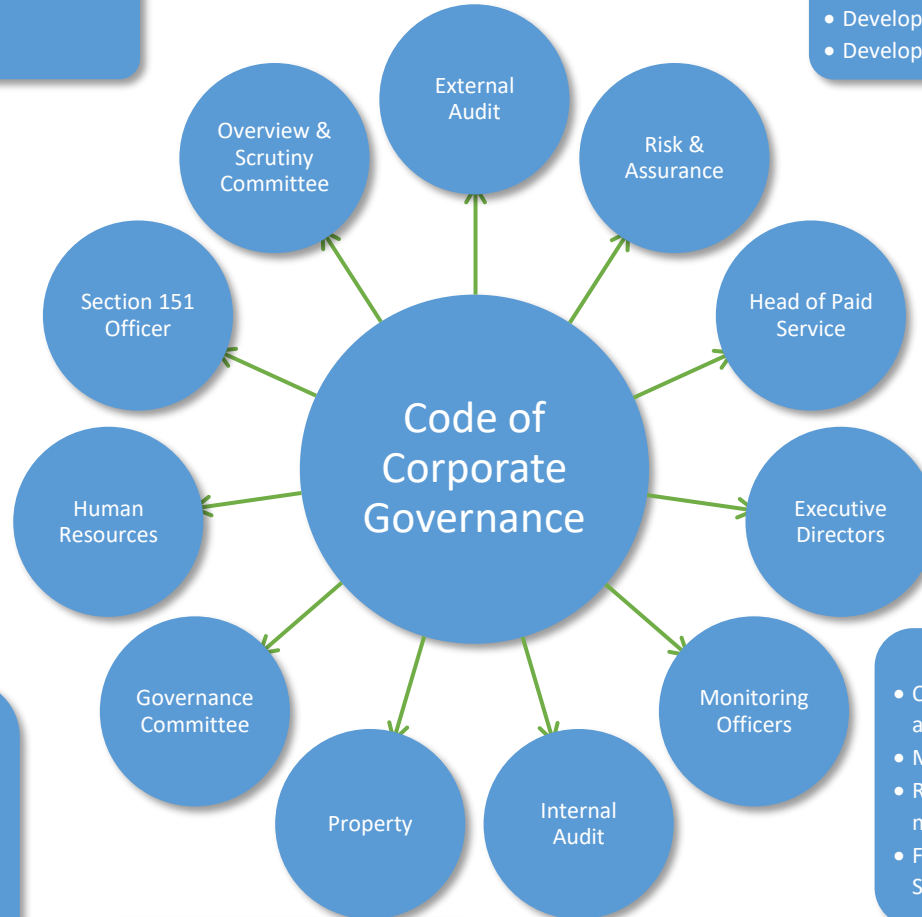
Financial Management

- 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

- 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.

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 detect and respond to fraud)



Executive Management Team

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

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

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 policies

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.
<ul style="list-style-type: none"> • Behaving with integrity: <ul style="list-style-type: none"> - 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 6 parts 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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
<ul style="list-style-type: none"> • Openness: <ul style="list-style-type: none"> - All meetings of the Council 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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
<ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> ▪ Communicate clearly to residents and stakeholders the budget proposals for 2022/23, ▪ 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, ▪ 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 its 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
<ul style="list-style-type: none"> • Defining outcomes: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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 Council's 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
<ul style="list-style-type: none"> • Determining Interventions: <ul style="list-style-type: none"> - The principles of decision making are detailed in the Council's constitution, - A calendar of meetings is approved and agreed by annual Council in May each year. • Planning Interventions: <ul style="list-style-type: none"> - The Council's 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: <ul style="list-style-type: none"> - 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.
<ul style="list-style-type: none"> • Developing the council's capacity: <ul style="list-style-type: none"> - 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 Council's Constitution, which is available on the Council's 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.
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- **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 Council's 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 Council's 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 Council's 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 Council's financial strategy,
 - The lead for the promotion and delivery, by the whole Council, 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

Core Principle F	Managing risks, performance and data through robust internal control and strong public financial management.
<p>and the Budget,</p> <ul style="list-style-type: none"> - 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 Council's financial transactions, - The CIPFA Financial Management Code has been adopted and is complied with. 	

Core Principle G	Implementing good practices in transparency, reporting and assurance (including audit) to deliver effective accountability.
<ul style="list-style-type: none"> • Implementing good practice in transparency and reporting: <ul style="list-style-type: none"> - The following information is reported annually to Members and is available on the Council's website: <ul style="list-style-type: none"> ▪ 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 <ul style="list-style-type: none"> - Internal Audit provides assurance throughout the year on the key systems of internal control, - The External Auditor provides assurance on the Council's financial statement, - The Council's 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 Council's 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,
- 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 2021/22.
- 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 2021/22.
- 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 Governance, 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 2020/21 Accounts, in their Annual Report. In addition their review of the Council's governance arrangements no evidence or indication of significant risks were found.
- 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 forthcoming 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 2021/22, 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*

- DLUHC 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. The Council was one of the first Councils to build back face to face meetings, with face to face meeting now being reverted back to as normal practice,

- 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 2021/22,
- 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 Retail Centres,
 2. Supporting Health & Wellbeing,
 3. Economic Recovery,
 4. Stepping-up Council Services,
 5. Financial Recovery.
- With the restrictions being 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 has been 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,
- Environmental Health have been 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 COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period and beyond. The financial impact will be due primarily to reduced income from fees and charges, Council Tax and Business Rates,
- The overall impact is very difficult to predict due to the public's behavioural changes that have resulted from the pandemic,
- 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. However, this support has ceased for 2022/23.

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,

- This means that the assumptions underlying later years in the Medium Term Financial Strategy will need to be reviewed, making the 'funding gap' for 2023/24 and beyond larger and are likely to include:
- *Business Rates income projections due to collection rates, growth, appeals, empty properties relief and other reliefs,*

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
27 June 2022

Report Title: Proposed Accounting Policies, Critical Accounting Judgements and Sources of Estimation Uncertainty for the 2021/22 Statement of Accounts

Submitted by: Head of Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To report upon the proposed Accounting Policies and the Council's critical judgements in applying Accounting Policies and its assumptions made about the future and other major sources of estimation uncertainty that will form part of the 2021/22 Statement of Accounts.

Recommendation

- 1. The proposed Accounting Policies that will form part of the 2021/22 Statement of Accounts be approved.**
- 2. The Council's critical judgements in applying Accounting Policies and its assumptions made about the future and other major sources of estimation uncertainty that will form part of the 2021/22 Statement of Accounts be approved.**
- 3. To delegate to the Head of Finance (Section 151 Officer) the ability to make further changes to the proposed Accounting Policies to reflect the release of new or updated guidance if applicable.**

Reasons

Best practice recommends that the proposed Accounting Policies used in the preparation of the Statement of Accounts be approved by the Audit and Standards Committee.

The International Standard on Auditing, ISA 540, details the External Auditor's responsibilities relating to accounting estimates and related disclosures when auditing the Statement of Accounts.

1. Background

Accounting Policies

- 1.1 The preparation of the Statement of Accounts is governed by the Accounts and Audit Regulations 2015. The format of the Statement of Accounts reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standards (IFRS – a set of evolving accounting rules used internationally to guide the formation of financial statements in the public and private sector.

The evolving state means that new accounting standards are often formed along with reinterpretations of existing standards, these are therefore reviewed annually to ensure that they remain current and relevant.

- 1.2 Under Section 151 of the Local Government Act 1972, the appointed Section 151 Officer is charged with the proper administration of the Council's financial affairs and as such must select suitable Accounting Policies and make judgements and estimates that are reasonable and prudent. However, it is considered good practice for the Audit and Standards Committee to consider the Accounting Policies that are going to be applied to the Statement of Accounts.
- 1.3 The Council's Accounting Policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the Statement of Accounts. These policies are required to be disclosed by way of a note to the Statement of Accounts. Only those policies that are directly relevant and material to the Council have been included.

Critical judgements in applying Accounting Policies

- 1.4 The Code of Practice requires that the judgements that the Section 151 Officer has made in applying the Council's Accounting Policies be disclosed as a note to the Statement of Accounts. The relevant judgements are those that have the most significant effect on the Statement of Accounts, judgements that are made in arriving at estimates are not included here, these are included under 'Assumptions made about the future and other major sources of estimation uncertainty', discussed later in this report.
- 1.5 The disclosure of critical judgements enables users of the Statement of Accounts to better understand how Accounting Policies are applied and enable comparisons between authorities regarding the basis on which these judgements are made. It is important that these disclosures include the judgements made to exclude material items which could impact on providing a 'true and fair' view.
- 1.6 These arrangements have the effect of requiring the Council to justify the view that they have taken regarding significant transactions and balances by providing an appropriate explanation of the factors that were taken into account and any assumptions made when making the judgement, together with the outcome.

Assumptions made about the future and other major sources of estimation uncertainty

- 1.7 The Code of Practice requires the Section 151 Officer to disclose the assumptions that have been made in the Statement of Accounts about the future and other major sources of estimation uncertainty as a note to the Statement of Accounts.
- 1.8 Disclosures required are restricted to assets and liabilities whereby the carrying amount is dependent on estimates that are in turn dependent on difficult, subjective or complex judgements for which there is a risk that correction or re-estimation with material effect in the next financial year may occur.
- 1.9 Estimation uncertainty disclosures deal with situations where the Council has incomplete or imperfect information which will only be enhanced as a result of future events. The minimum disclosure requirements are the nature of the assets and liabilities affected and their carrying amount at the end of the financial year.
- 1.10 International Accounting Standard (IAS) 1 'Presentation of Financial Statements' adds further information that might be needed depending on materiality of the assets/liabilities and the degree of uncertainty attaching to them, and this is supported by the Code of Practice:

- The nature of the assumption or other Estimation Uncertainty relating to the assets or liabilities
- The sensitivity of the carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity
- The expected resolution of an uncertainty and the range of possible outcomes for the carrying amounts of the assets/liabilities within the next financial year
- An explanation of changes made to past assumptions concerning the assets/liabilities if the uncertainty existing at the start of the financial year remains unresolved at the end of the year.

2. **Issues**

Accounting Policies

- 2.1 The full list of Accounting Policies as produced in the Code of Practice for 2021/22 is shown in a table at Appendix A. For those Policies that are not adopted by the Council, a reason is provided within that table.
- 2.2 The Council's proposed Accounting Policies list for the 2021/22 Statement of Accounts is shown at Appendix B. The Council has reviewed these Accounting Policies in line with the 2021/22 Code of Practice and no fundamental changes have been made.

Critical Judgements in applying Accounting Policies

- 2.3 The Council's critical judgements in applying Accounting Policies in the draft 2021/22 Statement of Accounts can be seen at Appendix C.

Assumptions made about the future and other major sources of estimation uncertainty

- 2.4 The Council's assumptions that have been made in the Statement of Accounts about the future and other major sources of estimation uncertainty can be seen at Appendix D.

3. **Proposal**

- 3.1 The proposed Accounting Policies that will form part of the 2021/22 Statement of Accounts be approved.
- 3.2 The Council's critical judgements in applying Accounting Policies and its assumptions made about the future and other major sources of estimation uncertainty that will form part of the 2021/22 Statement of Accounts be approved.
- 3.3 To delegate to the Head of Finance (Section 151 Officer) the ability to make further changes to the proposed Accounting Policies to reflect the release of new or updated guidance if applicable.

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 No further options, the Council would not be practicing best practice if this report was not brought to the Audit and Standards Committee.

6. **Legal and Statutory Implications**

6.1 The draft and audited Statement of Accounts are required to be considered by the Audit and Standards Committee in accordance with the Accounts and Audit Regulations 2015. The Accounting Policies and the Council's critical judgements in applying Accounting Policies and its assumptions made about the future and other major sources of estimation uncertainty form part of the Statement of Accounts.

7. **Equality Impact Assessment**

7.1 There are no differential equality issues arising.

8. **Financial and Resource Implications**

8.1 The Accounting Policies and the Council's critical judgements in applying Accounting Policies and its assumptions made about the future and other major sources of estimation uncertainty form part of the 2021/22 Statement of Accounts.

9. **Major Risks**

9.1 The adoption of relevant Accounting Policies, critical judgements in applying Accounting Policies and its assumptions made about the future and other major sources of estimation uncertainty ensures that the Statement of Accounts are fit for purpose and is underpinned by sound financial management that helps us to spend wisely, attract financial funding and become more efficient.

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.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Finance and Performance Review Report to Cabinet (7 June 2022).

13. **List of Appendices**

13.1 Appendix A – Accounting Policies in the Code of Practices for Local Authorities 2021/22

13.2 Appendix B – Accounting Policies

13.3 Appendix C – Critical judgements in applying Accounting Policies

13.4 Appendix D – Assumptions made about the future and other major sources of estimation uncertainty

14. **Background Papers**

14.1 Finance and Performance Review Report to Cabinet (7 June 2022).

14.2 CIPFA Code of Practice 2021/22.

14.3 Draft 2021/22 Statement of Accounts.

Accounting Policies in the Code of Practice for Local Authorities 2021/22

Accounting Policy	Adopted by the Council	Explanation if not Adopted
General Principles	Yes	
Accruals of Income and Expenditure	Yes	
Acquisitions and Discontinued Operations	No	No such transactions
Cash and Cash Equivalents	Yes	
Prior Period Adjustments, Changes in Accounting Policies, and Estimates and Errors	Yes	
Charges to Revenue for Non-current Assets	Yes	
Council Tax and Non-Domestic Rates	Yes	
Employee Benefits	Yes	
Events After the Balance Sheet Date	Yes	
Financial Instruments	Yes	
Foreign Currency Translation	Yes	
Government Grants and Contributions	Yes	
Heritage Assets	Yes	
Intangible Assets	Yes	
Interests in Companies and Other Entities	No	No such interests
Inventories and Long-term Contracts	Yes	Inventories only
Investment Property	Yes	
Joint Operations	No	No such operations
Leases	Yes	
Overheads and Support Services	Yes	
Property, Plant and Equipment	Yes	
Highways Network Asset	No	Not such operations
Private Finance Initiatives (PFI) and Similar Contracts	No	No such contracts
Provisions, Contingent Liabilities and Contingent Assets	Yes	
Reserves	Yes	
Revenue Expenditure Funded from Capital Under Statute	Yes	
VAT	Yes	
Fair Value Measurement	Yes	

Accounting Policies

Accounting Policies

i. General principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 at 31 March 2022. 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. 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.

Critical Judgements in Applying Accounting Policies

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 2022 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 29. The Council uses a firm of actuaries, Hymans Robertson LLP, to provide expert advice about the assumptions to be applied.

**Assumptions made about the future and other major sources of estimation
uncertainty**

**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 2022 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 £1.326m), the balance of the credit loss allowance totals £0.188m at 31 March 2022, a decrease of £0.104m (35.6% when compared to 31 March 2021), therefore 14.2% of debt outstanding at 31 March 2022 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 2022 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 31.16% is applied to reflect the decreased likelihood of these debts being collected, whilst for debts over 10 years old a rate of 69.62% 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 2021 to 31 March 2022. The actual collection rates used to inform estimates of what can be expected to be collected have been uplifted by 22.2% 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 £13,260 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 £18.205m;
- 0.5% increase in the salary increase rate gives an increase in liability of £1.970m;

- 0.5% increase in the pension increase rate gives an increase in liability of £16.100m.

However, the assumptions interact in complex ways. During 2021/22 the Council's actuaries advised that the net pension liability had decreased by £28.917m.

As at 31 March 2022 the Council had £31.309m of operational land and buildings and £11.554m 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 £0.313m (£0.282m in 2020/21) and investment property assets by £0.115m (£0.153m in 2020/21). 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 2022 the Council's share (40%) of the estimated appeals against business rates is £1.852m, the rateable value of properties subject to Business Rates as at 31 March 2022 within the Borough totals £90.747m. The Council's share of the appeals provision amounts to 20.4% of the total rateable value, an increase in rateable value of 1% could lead to an increase in the appeals provision of £0.025m.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee 27 June 2022

Report Title: Draft Statement of Accounts 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 report upon the financial outturn for 2021/22. The report highlights key issues, including a commentary on the General Fund outturn, the Balance Sheet the Collection Fund, the Capital Programme and the Council's reserves.

Recommendations

- 1. The General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2022 be noted.**
- 2. The draft Statement of Accounts for 2021/22 be approved for publication and audit.**

Reasons

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

1. Background

- 1.1 Regulations, extending the audit publication deadline for the Statement of Accounts to 30 September for 2 years, came into force on 31 March 2021. At the close of this period a review will be undertaken to determine whether there is a continued need to have an extended deadline.
- 1.2 The regulations require the draft Statement of Accounts to be published on or before 1 August. It is intended that they will be made available for public inspection between 4 July 2022 and 15 July 2022.
- 1.3 The external audit will commence during the week commencing 11 July 2022, primarily for the selection of samples and will be completed prior to the close of October 2022.
- 1.4 The final Statement of Accounts will be presented to the Audit and Standards Committee for approval on 14 November 2022.
- 1.5 This report focuses on reporting the provisional outturn position and the key elements of the Council's provisional financial position as at 31 March 2022.

2. Issues

The General Fund Outturn

- 2.1 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.
- 2.2 The Coronavirus pandemic continues to have an impact on the Council's financial position, primarily through lost income, although this is showing a marked improvement compared to the losses incurred during 2020/21. To date un-ringfenced Government funding of £1.045m has been secured (including £0.370m of new burdens funding to offset the costs of administering Coronavirus business support grants and test and trace payments) in relation to 2021/22, which has reduced the immediate pressure on additional spending on the Council finances.
- 2.3 Further Government funding to assist with the Council's response to the Coronavirus was also secured during 2021/22 in relation to elections (£0.035m), outbreak control (£0.174m), protect and vaccinate (homelessness) £0.127m and the Welcome Back fund (£0.175m).
- 2.4 The Council's revenue budget relies on service income from fees and charges of around £850k 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 £1.131m.
- 2.5 The Government provided compensation for income losses, relating to irrecoverable fees and charges, above the first 5% at the rate of 75p in the pound for the first quarter of 2021/222, which helped to insulate the Council from income related financial risks for this period. The Government's income compensation scheme offset income losses during the first quarter to the sum of £0.360m.
- 2.6 The Council approved a General Fund Revenue Budget of £14.960m on 24 February 2021. The outturn for 2021/22 shows a favourable variance of £0.004m against this budget.
- 2.7 The adverse variances that occurred during 2021/22 include:
- a. Income shortfalls from sales, fees and charges which are eligible for partial reclaim via the Income Losses Scheme, these amount to £1.131m for the financial year,
 - b. Income shortfalls from commercial property rents, these amounted to £0.142m for the financial year, these losses are not eligible for any partial reclaim,
 - c. Income shortfalls from the recovery of housing benefits overpayments, these losses amounted to £0.099m for the financial year, again, these losses are not eligible for any partial reclaim.
- 2.8 These adverse variances have been offset in full by the following favourable variances:
- a. Un-ringfenced Government funding to offset pressures that the Council faced as a result of the COVID-19 pandemic, £1.045m has been received for the financial year (£370k relates to the administration of Coronavirus related grants).
 - b. The Council has been reimbursed £0.360m in relation to the Income Losses scheme for eligible sales, fees and charges income shortfalls for first quarter of the financial year.

- c. Expenditure has continued to be 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.

Flexible Use of Capital Receipts

2.9 The Head of Finance (Section 151 Officer) informed the Department for Levelling Up, Housing and Communities (DLUHC) by letter of the Council's intention to make flexible use of capital receipts in the financial year 2021/22. The flexible use of capital receipts has been utilised in 2021/22 for expenditure to a value of £0.200m that meets the eligibility criteria, in that it relates to initiatives (Digital Delivery), that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery. This is in addition to the agreed flexible use of capital receipts to part fund expenditure in relation to the One Council programme (£0.675m) has been utilised during 2021/22.

Balance Sheet

2.10 The main features of the balance sheet (page 29) in the draft Statement of Accounts) are as follows:

- a. There are long term assets of £66.022m (£62.248m at 31 March 2021) which consist of Plant, Property and Equipment, Surplus Assets, Investment Properties and Heritage Assets, the increased net book value relates primarily the upwards revaluation of land and buildings and investment into Kidsgrove Sports Centre (Asset under Construction), net of reclassifications from investment properties to assets held for sale.
- b. Assets held for sale total £4.725m (£0.555m at 31 March 2021), this relates to the reclassification of assets from investment properties to assets held for sale.
- c. Short-term investments of £14m (nil at 31 March 2021), this relates to monies temporarily held due to cash flows. These included the Council Tax rebate grant (payable to residents in 2022/23) and Section 31 grant in relation to the deficit held on the Collection fund, which is repayable in future periods.
- d. The amount the Council owes to its creditors is £22.077m. Creditors have increased from £17.368m at 31 March 2021. This is primarily due to the receipt of the Council Tax rebate at the close of 2021/22 which was awarded to residents in 2022/23.
- e. The amount that the Council is due from its debtors is £14.144m. Debtors have decreased by £7.627m compared to 31 March 2021. This is primarily due to a reduction in the amount repayable by preceptors to the collection fund.
- f. The liability (and the corresponding reserve) relating to defined benefit pension schemes decreased from £71.636m at 31 March 2021 to £45.239m at 31 March 2022. These amounts are required to be included in the Council's accounts as a result of the application of International Accounting Standard 19 (IAS19). 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. The decreased liability relates to the increase in value of assets held by the pension scheme.

The Collection Fund

2.11 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. Billing and major precepting authorities are usually required to meet their share of any deficit during the following financial year.

2.12 In response to forecast shortfalls in tax receipts relating to the Government's COVID-19 pandemic related business rates reliefs), the government announced that Section 31 grant would be awarded to cover the costs of these reliefs.

2.13 The cumulative variances in tax receipts for as at 31 March 2022, and the Section 31 grant payable in excess of the amount budget for are shown below:

Tax	Total (Surplus)/Deficit	Council's Share
Council Tax	(£0.053m)	Nil
Business Rates	£9.595m	£3.838m (40%)
Total	£9.542m	£3.838m
Business Rates Section 31 Measures (above budgeted)	(£5.815m)	(£2.326m) 40%
Total Net of	£3.727m	£1.512m

2.14 The deficit shown is repayable in future years, this deficit can be funded from Section 31 grant paid to the Council and subsequently transferred to the Business Rates reserve in both 2020/21 and 2021/22.

Reserves

2.15 The Council has usable revenue reserves totalling £10.899m. The main items, with their balances at 31 March 2022, and a comparison to the balances forecast per the 2022/23 budget setting, are:

Reserve/Fund	Balance 31.03.22 (£'000's)	Balance Forecast Budget Setting (£'000's)	Variance (£'000's)	Comments
General Fund	2,160	2,160	-	Unforeseen adverse events. Approved balance of £2.160m
Income Contingency	100	100	-	To manage year to year income variations. Approved balance of £0.100m
Walley's Quarry Reserve	824	840	(16)	To assist with the Council's actions regarding air quality issues at Walley's Quarry
Equipment Replacement	33	33	-	Replacement of Environmental Heath equipment

Budget Support – General	789	461	328	Additional funding committed to during 2021/22 to be utilised in 2022/23
Budget Support – Planning Policy	301	250	51	To provide funding for the Borough Local Plan
Budget Support – Housing	329	-	329	Homelessness funding to be utilised in future periods
Borough Growth	50	-	50	To fund investment in corporate priorities
Conservation & Heritage	35	35	-	To provide repair grants to owners of historic buildings
Mayor’s Charity	7	-	7	To hold funds on behalf of the Mayor’s charity
Museum Purchases	61	75	(14)	Balance held to be utilised on Museum capital project
Business Rates	6,046	3,621	2,425	Section 31 grant transferred into reserve to offset 2021/22 deficits repayable in future years (£3.838m). £0.220m held as business rates contingency. Remainder held as contingency re. fair funding review
Elections	150	150	-	To provide budget on a 4 year cycle for Borough Elections
Clayton Community Centre	14	14	-	Sinking fund held on behalf of Committee (contributions made by Committee)
Totals	10,899	7,739	3,160	

2.16 The General Fund Balance is £2.160m as at 31 March 2022. The amount required to be held in this reserve is assessed each year when the revenue budget is compiled, by identifying and quantifying the risks applicable to the revenue budget and using this information as the basis to calculate a prudent sum to keep in reserve to meet those risks should they arise. Covid-19 related and other financial risks are being kept under continuous review and Cabinet will be advised should the need to increase these in-year arise.

2.17 The levels of reserves will be considered as part of the budget preparation process for 2023/24. Some may require contributing to, either from the revenue budget or a transfer from another reserve.

Capital Expenditure

2.18 A Capital Programme totalling £12.923m was approved for 2021/22. Of this total £10.923m related to the total cost of new schemes for 2021/22 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and a £1.000m contingency. In addition £2.256m was brought forward from the 2020/21 Capital Programme, resulting in a total Capital Programme of £15.179m for 2021/22.

2.19 A mid-year review of the capital programme was undertaken and approved by Cabinet as part of the Efficiency Board and budget setting process for 2022/23 in order to identify any projects that may need to be re-profiled from 2021/22 into future years. The revised capital

programme also included projects for which funding has been obtained relating to 2021/22 via the Town Deals Fund (£3.246m) and the Future High Streets Fund (£5.341m). The revised capital programme for 2021/22 totalled £19.552m.

2.20 In addition to the revised 2021/22 Capital Programme additional income was allowed for regarding disabled facilities grants (£0.238m), a revenue contribution to a cremator reline (£0.032m) and grants in respect of the Museum refurbishment (£0.254m). Additional capital expenditure of £0.200m regarding the Flexible Use of Capital Receipts, £0.675m of One Council expenditure, £0.003m Section 106 payments and £0.415m regarding funding transferred to Aspire Housing was also incurred.

2.21 Planned expenditure financed via capital for 2021/22 therefore totalled £21.369m. Actual expenditure has totalled £14.743m, £6.626m below that planned. This relates to expenditure that has been rolled forward into 2022/23 (£1.531m), projects planned under the Town Deals and Future High Streets funds that will be progressed during 2022/23 (£4.057m), unused contingency funding (£0.697m) and a small number of projects for which funding is no longer required (£0.341m).

2.22 The expenditure of £14.743m was financed as shown below:

Financed by:	£ (000)
Capital Receipts	2.155
Government Grants and Other Contributions	7.257
Internal Borrowing	5.331
Total	14.743

3. **Proposal**

3.1 The General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2022 be noted.

3.2 The draft Statement of Accounts for 2021/22 be approved for publication and audit.

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 No further options, the Council would breach the Accounts and Audit Regulations is it did not report the draft Statement of Accounts to the Audit and Standards Committee.

6. **Legal and Statutory Implications**

6.1 The draft and audited Statement of Accounts are required to be considered by the Audit and Standards Committee in accordance with the Accounts and Audit Regulations 2015.

7. **Equality Impact Assessment**

7.1 There are no differential equality issues arising.

8. Financial and Resource Implications

- 8.1 The General Fund outturn for the financial year 2021/22 shows a favourable variance against the budget of £0.004m. This amount has been paid into the Budget Support Fund.
- 8.2 £1.531m of the 2021/22 capital programme will be carried forward to the financial year 2022/23. Projects planned under the Town Deals and Future High Streets funds that will continue to be progressed during 2022/23.
- 8.3 The General Fund Reserve of £2.160m is in accordance with the risk assessed minimum value as approved as part of the 2022/23 budget setting process.
- 8.4 The Council's share of the Collection Fund deficit amounts to £3.838m which is repayable in future years, this will be met from amounts contributed to the Business Rates Reserve.

9. Major Risks

- 9.1 The ongoing COVID pandemic and changing market conditions represents the greatest risk to the revenue budget, particularly with regard to the impact it may have upon income receivable in relation to services where customers may choose whether or not to use Council facilities or in the case of the waste/recycling service where the volume of recycled materials is liable to fluctuate. The impact of Covid 19 is apparent in the reporting of this provisional outturn, impacting on many areas and the situation will continue to be monitored through the normal budget monitoring procedures during the financial year 2022/23.
- 8.2 The capital programme requires regular monitoring to identify any projects which are falling behind their planned completion dates. This will be carried out by the Capital, Assets and Commercial Investments Review Group, which meets on a bi-monthly basis together with quarterly and annual reports to Cabinet.
- 8.3 The above represents a high level view of risk. There are detailed risk registers available if members wish to see them.

10. UN Sustainable Development Goals (UNSDG)



11. Key Decision Information

- 11.1 This is not a key decision.

12. Earlier Cabinet/Committee Resolutions

- 12.1 Finance and Performance Review Report to Cabinet (7 June 2022).

13. **List of Appendices**

13.1 Draft Statement of Accounts 2021/22.

14. **Background Papers**

14.1 Finance and Performance Review Report to Cabinet (7 June 2022).



Statement of Accounts

2021/22



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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 76) has therefore been provided which explains the meaning of such items.

Page	Item	Purpose
5	Narrative Report	A guide to the main features of the accounts and a commentary on the Council's financial position and the factors affecting its finances.
16	Statement of Responsibilities	Sets out the responsibilities of the Council and the Head of Finance (Section 151 Officer) in relation to financial administration and accounting.
17	Annual Governance Statement	Explains the processes and procedures in place to enable the Council to carry out its functions effectively. Produced following a review of the Council's governance arrangements.
27	Financial Statements	The Financial Statements which the Council must publish.
27	Comprehensive Income and Expenditure Statement	Shows the accounting cost of providing services in accordance with accounting practice.
28	Movement in Reserves Statement	Shows movements in reserves split between usable and unusable reserves. It also reconciles the outturn on the Comprehensive Income and Expenditure Statement (CIES) to the General Fund balance.
29	Balance Sheet	Sets out the Council's financial position on 31 March 2022. Provides details of the Council's balances, reserves and assets employed in Council operations together any liabilities.
30	Cash Flow Statement	Details the total cash movement of the Council's transactions.
31	Notes to the Financial Statements	Provide additional information in relation to the Financial Statements and outline technical issues such as the Council's accounting policies.
73	Collection Fund	Records details of receipts of council tax and business rates and the associated payments to precepting authorities/central government.
76	Glossary	Explanation of technical or unusual terms used in the Statement of Accounts.

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 2021/22. 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 2022. 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 4 July 2022 and 15 July 2022, as notified on the Council's website.

The accounts are scheduled to be approved by the Audit and Standards Committee on 14 November 2022 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 2021/22 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 Head of Finance (Section 151 Officer) informed the Department for Levelling Up, Housing and Communities (DLUHC) by letter of the Council's intention to make flexible use of capital receipts during the financial year 2021/22. The flexible use of capital receipts has been utilised in 2021/22 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 129,490. 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 2022. 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 441 people (392 full time equivalents), as at 31 March 2022.

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

It sets out the 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.

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 2021/22

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.

Major Government investment into the Borough has been secured via the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kidsgrove to ensure that exciting and unique projects to help future economic growth can be progressed during the medium term.

£11.0m has been awarded to the Council via the Future High Streets Fund, key projects to be delivered through the funding include:

- The demolition of the former Civic Offices building and the redevelopment of the wider Ryecroft site as a key strategic anchor for the town with a mix of employment and residential uses and the development of a new multi storey car park on the site,

- Improvement to the market area to support a more vibrant market and performance paces,
- Improving a key area of upper High Street to improve connectivity between the Ryecroft area and core town centre whilst generating activity and footfall in surrounding buildings,
- New pedestrian wayfinding around the town centre to aid navigation between key sites in and around the town centre.

£23.6m has been awarded via the Town Deals fund for Newcastle to enable a vision to improve communications, infrastructure and connectivity in Newcastle-under-Lyme to become reality. The three key objectives of the successful Town Investment Plan are:

- To open up growth opportunities through enhanced physical and digital connectivity aligned with clean and sustainable economic development (sustainably public transport solutions £3.6m, electric charging infrastructure £0.42m, full fibre network £2.38m and town centre cycle and pedestrian improvements £0.95m,
- 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 (digital society £3.6m, gateway site (Zanzibar and Midway) £3.91m and centre for circus £1.91m,
- 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 (Knutton Village masterplan £3.72m and Cross Street, Chesterton £3.11m).

£16.9m has been awarded via the Town Deals fund for Kidsgrove to enable real and lasting economic benefits to be realised in Kidsgrove and the surrounding area. Three objectives clearly stand out in the successful Town Investment Plan:

- To drive growth and opportunity through an enhanced enterprise infrastructure in Kidsgrove (the development of Chatterley Valley West £3.68m),
- To create a connected, accessible town centre (improvement to Kidsgrove railway station £3.85m, canal network £0.42m and a shared service hub in the town centre £6.5m),
- To maximise the leisure and recreation opportunities available in Kidsgrove (contribution to the refurbishment and re-opening of Kidsgrove Sports Centre £2.45m).

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 (£39.228m) and expenditure (£61.766m) attributable to management reporting areas is shown in the Comprehensive Income and Expenditure Statement (page 27).

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 continues to have an impact on the Council's financial position, primarily through lost income, although this is showing a marked improvement compared to the losses incurred during 2020/21. To date un-ringfenced Government funding of £1.046m has been secured (including £0.370m of new burdens funding to offset the costs of

administering Coronavirus business support grants and test and trace payments) in relation to 2021/22, which has reduced the immediate pressure on additional spending on the Council finances.

Further Government funding to assist with the Council's response to the Coronavirus was also secured during 2021/22 in relation to elections (£0.035m), outbreak control (£0.174m), protect and vaccinate (homelessness) £0.127m and the Welcome Back fund (£0.175m).

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 £1.131m.

The Government provided compensation for income losses, relating to irrecoverable fees and charges, above the first 5% at the rate of 75p in the pound for the first quarter of 2021/22, which helped to insulate the Council from income related financial risks for this period. The Government's income compensation scheme offset income losses during the first quarter to the sum of £0.360m.

The Council approved a General Fund Revenue Budget of £14.960m on 24 February 2021. The outturn for 2021/22 shows a favourable variance of £0.004m against this budget.

The adverse variances that occurred during 2021/22 include:

- a. Income shortfalls from sales, fees and charges which are eligible for partial reclaim via the Income Losses Scheme, these amount to £1.131m for the financial year,
- b. Income shortfalls from commercial property rents, these amounted to £0.142m for the financial year, these losses are not eligible for any partial reclaim,
- c. Income shortfalls from the recovery of housing benefits overpayments, these losses amounted to £0.099m for the financial year, again, these losses are not eligible for any partial reclaim.

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

- a. Un-ringfenced Government Funding to offset pressures that the Council faced as a result of the Coronavirus pandemic, £1.045m has been received for the financial year,
- b. The Council has been reimbursed £0.360m in relation to the Income Losses scheme for eligible sales, fees and charges income shortfalls for the first quarter of the financial year,
- c. Expenditure has continued to be reduced wherever possible throughout the Council to ensure that only absolutely necessary spending is being incurred, this has helped to ensure an overall positive outturn.

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-p27)	2,688
Adjustments between accounting basis and funding basis (note 8-p49)	(159)
Movement in useable reserves (excluding transfer of surplus) (note 9-p51)	(2,533)
(Surplus)/Deficit for 2021/22	(4)

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 £12.923m was approved for 2021/22. Of this total £10.923m related to the total cost of new schemes for 2021/22 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and a £1.000m contingency. In addition £2.256m was brought forward from the 2020/21 Capital Programme, resulting in a total Capital Programme of £15.179m for 2021/22.

A mid-year review of the capital programme was undertaken and approved by Cabinet as part of the Efficiency Board and budget setting process for 2022/23 in order to identify any projects that may need to be re-profiled from 2021/22 into future years. The revised capital programme also included projects for which funding has been obtained relating to 2021/22 via the Town Deals Fund (£3.246m) and the Future High Streets Fund (£5.341m). The revised capital programme for 2021/22 totalled £19.552m.

In addition to the revised 2021/22 Capital Programme additional income was allowed for regarding disabled facilities grants (£0.238m), a revenue contribution to a cremator reline (£0.032m) and grants in respect of the Museum refurbishment (£0.254m). Additional capital expenditure of £0.200m regarding the Flexible Use of Capital Receipts, £0.675m of One Council expenditure, £0.003m Section 106 payments and £0.415m regarding funding transferred to Aspire Housing was also incurred.

Planned expenditure financed via capital for 2021/22 therefore totalled £21.369m. Actual expenditure has totalled £14.743m, £6.626m below that planned. This relates to expenditure that has been rolled forward into 2022/23 (£1.531m), projects planned under the Town Deals and Future High Streets funds that will be progressed during 2022/23 (£4.057m), unused contingency funding (£0.697m) and a small number of projects for which funding is no longer required (£0.341m).

The capital investment made during 2021/22 and the financing of this expenditure is shown in Note 27 (page 63).

Collection Fund

Local tax income (i.e. business rates and Council Tax) is collected by billing authorities and paid into local 'collection funds' (page 73) (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.

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 (£36.605m) and the actual business rates payable per the NNDR3 return (£32.072m) is £4.533m - a deficit to the collection fund for 2021/22 due to the implementation of the Government's COVID-19 pandemic related business rates reliefs.

In addition to the business rates shares payable for 2021/22, the estimated 2020/21 deficit declared in January 2021 regarding business rates of £13.438m was repaid to the collection fund by the Council, Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

The actual 2020/21 surplus was calculated to be £18.500m, therefore there remains £5.062m in the collection fund balance carried forward 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 in relation to 2020/21.

Taking into account the remaining 2020/21 deficit to be collected and the 2021/22 deficit, the business rates collection fund has a deficit of £9.595m as at 31 March 2022.

Of the deficit, the Council's share amounts to £3.838m, this is largely 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 (this is held in the Business Rates Reserve).

The Council Tax shared between Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council as per the precepts (£70.476m)

and the actual Council Tax payable (£71.218m) is £0.742m - a surplus to the collection fund for 2021/22 due to a reduction in Council Tax support and a contribution from the Household Support Fund (via Staffordshire County Council).

In addition to the Council Tax payable for 2021/22, the estimated 2020/21 deficit declared in January 2021 regarding Council Tax of £0.430m 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 2020/21 deficit was calculated to be £1.119m, therefore there remains £0.689m in the collection fund balance carried forward which is repayable to the Collection Fund by the Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council in relation to 2020/21.

Taking into account the remaining 2020/21 deficit to be collected and the 2021/22 deficit, the Council Tax collection fund has a surplus of £0.053m as at 31 March 2022.

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 daily briefings with the Leader at the height of the pandemic. The approach adopted was based on existing business contingency arrangements and put the Council in a good position in terms of stepping up its response.

Throughout the pandemic and lockdowns the Council has been heavily engaged in work to control the outbreak and to mitigate its impact. In terms of strategic leadership and oversight, this has involved:

- The Leader of the Council sat on the County-wide Local Outbreak Board which has regular oversight infection rates and action being taken to respond,
- The Leader of the Council Chairs 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 of the Council was established 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.

Economic and Community Impact

In terms of the economic impact, many businesses across the borough were either required to close or saw their trade significantly disrupted. The government furlough scheme, which supported the wage costs incurred by businesses enabled many businesses to retain their employees. Data on numbers of employees furloughed is difficult to distil to a local authority level, but from ONS data it is estimated that around 15,800 individuals were furloughed, although this will include individuals furloughed more than once. The top three business sectors supported by furlough being, accommodation and food services, wholesale and retail/repair of motor vehicles and manufacturing.

The Council has administered a number of government grant schemes to support local businesses paying out £41.735m across the grant schemes. An effective mechanism for quickly delivering grant aid to eligible businesses was established and implemented.

Alongside towns and cities across the country, the local economy of the Borough suffered from significant disruption. Unemployment (claimant county) in the Borough rose from 2.4% during March 2020 (pre pandemic) to 5.1% during May

2020. Throughout the financial years 2020/21 and 2021/22 this has steadily shown recovery resulting in a rate of 2.8% during May 2022.

Within the Borough a total of 7,332 clinically extremely vulnerable residents were required to shield under the government programme. These were residents whose particular pre-existing conditions put them at greatest risk of serious impact should they catch COVID-19. As part of the response to this and to ensure that residents continued to have access to support, the Council set up both a help line operating from Castle House and a support service provided by the Realise Foundation.

Self isolation support payments of £246,000 have been made via the Government's main scheme, with a further £247,000 of discretionary payments also being processed.

Impact on Council Services

The impact of the pandemic on Council services varied significantly from service to service. For office based staff, the requirement to work from home was implemented for a time, whilst non-office based staff continued as previously, but with additional safeguards in place around social distancing and face coverings. Disruption to service, where it has occurred, has been either due to the need to comply with government guidance, losing staff to shielding or self-isolation, or the prioritisation of work away from core business due to COVID-19 specific activities.

With the initial lockdown the Council's formal decision making processes moved from physical meetings to online meetings on the Zoom platform. Whilst a steep learning curve for both officers and members, online meetings proved to be a successful means of working around COVID-19 restrictions.

The Council was one of the first Councils to build back face to face meetings, with face to face meeting now being reverted back to as normal practice.

Financial Recovery

The Coronavirus pandemic continues to have an impact on the Council's financial position, primarily through lost income (£1.131m from sales, fees and charges for 2021/22), although this is showing a marked improvement compared to the losses incurred during 2020/21.

Government support to the Council in regards to compensation for income losses from sales, fees and charges during the first quarter of 2021/22 (£0.360m), the costs of administering Coronavirus business support grants (£0.370m) and from general Coronavirus funding (£0.675m) has been welcome in assisting to meet 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 23 February 2022) and identified funding gaps from 2023/24 to 2026/27 totalling £3.053m, strategies to close these gaps have identified £1.781m of savings to date leaving a remaining shortfall of £1.272m, of which £0.723m relates to 2023/24.

On 23 February 2022 the Council set a balanced budget for 2022/23. 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 launched a full organisational review in February 2021. 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 2022/23 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 between 2021/22 and 2023/24 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. 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.

Consultation is likely to take place during 2022/23 in relation to the Fair Funding review and any changes to the Business Rates Retention scheme. 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 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 Commercial Strategy and the Investment Strategy.

Capital

The Capital Programme for 2022/23 to 2024/25 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 £65.373m, of which £32.308m relates to 2022/23.

The Capital Programme is produced in line with the Capital Strategy for 2022/23 to 2031/32, which was approved by Full Council on 23 February 2022. 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 2022/23 includes the final stage of 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 and schemes arising from major investment into the Borough via external funding in terms of the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kidsgrove.

Delivering the Capital Programme for 2022/23 will require prudential borrowing to be undertaken. The impact of borrowing is included in the Medium Term Financial Strategy pressures for 2022/23 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 remains 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. Inability 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's Section 151 Officer has recommended that a minimum level of un-earmarked reserves and contingencies of £2.260m be held to reflect the Council's levels of revenue risk. As at 31 March 2022 the Council held a General Fund balance of £2.160m and an Income Reserve of £0.100m.

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 continues to work 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 17). 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 decreased from £71.636m at 31 March 2021 to £42.719m at 31 March 2022. 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 2021 to 31 March 2022 can be seen in the 'Transactions relating to post-employment benefits' table in Note 30 (page 64), in the Comprehensive Income and Expenditure Statement (re-measurement of the defined benefit liability/asset, (page 27) and in the Balance Sheet (pension liability and pension reserve, page 29).

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, Garside 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 2022.

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 2022 and its income and expenditure for the year ended 31 March 2022.

Sarah Wilkes

Dated:

Head of Finance (Section 151 Officer)

Annual Governance Statement 2021/22

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 2022 and up to the date of approval of the Statement of Accounts.

GOVERNANCE ROLES & RESPONSIBILITIES

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

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

- 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

- 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.

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)

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

Executive Management Team

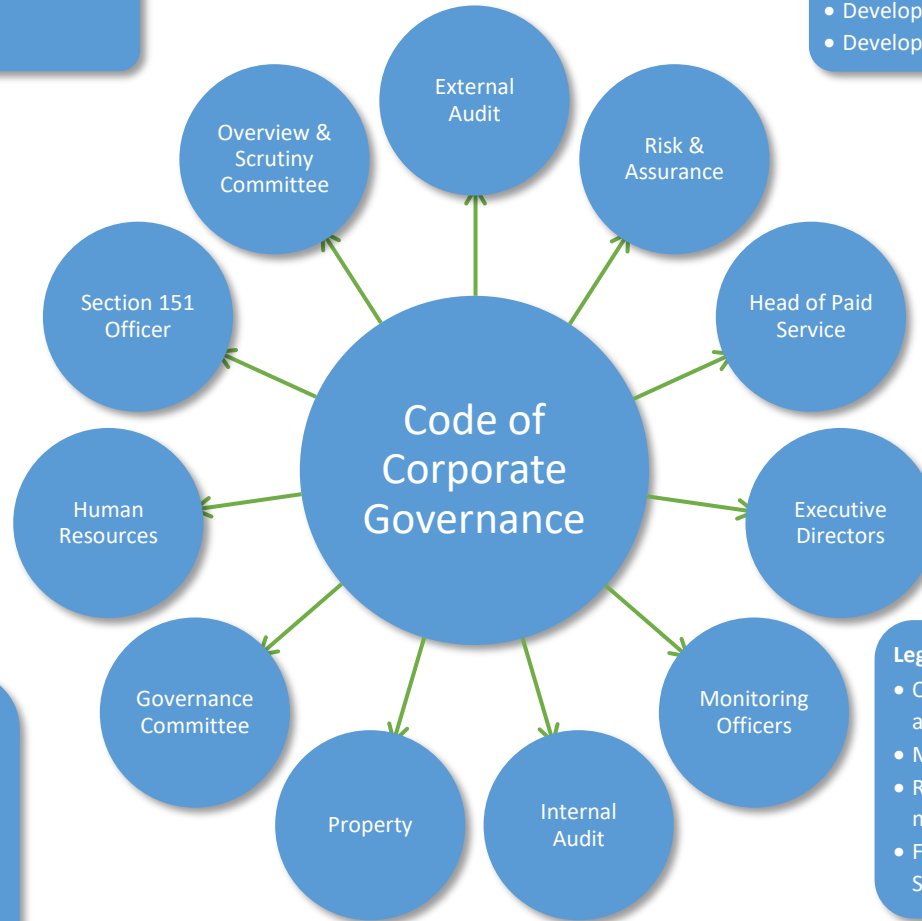
- Lead the Executive Management Team in driving forward strategic agenda
- Organise and manage service delivery
- Develop and deliver Council Strategy

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

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



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

- 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

- 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

- 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.
<ul style="list-style-type: none"> • Behaving with integrity: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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
<ul style="list-style-type: none"> • Openness: <ul style="list-style-type: none"> - All meetings of the Council 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - The Council has a consultation framework and toolkit in place and provides details of all on-going consultation exercises/surveys on its website, - 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, 	

Core Principle B	Ensuring openness and comprehensive stakeholder engagement
<ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> ▪ Communicate clearly to residents and stakeholders the budget proposals for 2022/23, ▪ 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, ▪ 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 its 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
<ul style="list-style-type: none"> • Defining outcomes: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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 Council's 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
<ul style="list-style-type: none"> • Determining Interventions: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - The Council's 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: <ul style="list-style-type: none"> - 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.
<ul style="list-style-type: none"> • Developing the councils capacity: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - The roles of Members, Committees, Officers and Statutory Officers are set out in the Council's Constitution, which is available on the Council's 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 Council's 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 Council's 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 Council's financial strategy,
 - The lead for the promotion and delivery, by the whole Council, 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 Council's financial transactions,
- The CIPFA Financial Management Code has been adopted and is complied with.

Core Principle G	Implementing good practices in transparency, reporting and assurance (including audit) to deliver effective accountability.
<ul style="list-style-type: none"> • Implementing good practice in transparency and reporting: <ul style="list-style-type: none"> - The following information is reported annually to Members and is available on the Council's website: <ul style="list-style-type: none"> ▪ 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 <ul style="list-style-type: none"> - Internal Audit provides assurance throughout the year on the key systems of internal control, - The External Auditor provides assurance on the Council's financial statement, - The Council's 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 Council's 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,
- 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 2021/22.

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 2021/22.
- 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 Governance, 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 2020/21 Accounts, in their Annual Report. In addition their review of the Council's governance arrangements no evidence or indication of significant risks were found.
- 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 2021/22, 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

- DLUHC 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. The Council was one of the first Councils to build back face to face meetings, with face to face meeting now being reverted back to as normal practice,
- 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 2021/22,

- 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 restrictions being 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 has been 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,
- Environmental Health have been 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 COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period and beyond. The financial impact will be due primarily to reduced income from fees and charges, Council Tax and Business Rates,
- The overall impact is very difficult to predict due to the public’s behavioural changes that have resulted from the pandemic,
- 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. However, this support has ceased for 2022/23.

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,
- This means that the assumptions underlying later years in the Medium Term Financial Strategy will need to be reviewed, making the ‘funding gap’ for 2023/24 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.

Financial Statements

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 28) and the Expenditure and Funding Analysis (page 46).

2020/21				2021/22		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£000	£000	£000		£000	£000	£000
2,074	158	1,916	Chief Executive	2,536	467	2,069
32,309	27,758	4,551	Resources & Support Services	29,384	24,957	4,427
10,007	4,400	5,607	Regeneration & Development	10,870	6,297	4,573
17,819	5,424	12,395	Operational Services	17,830	7,429	10,401
640	116	524	Corporate	1,146	78	1,068
62,849	37,856	24,993	Cost of services	61,766	39,228	22,538
3,131	3,179	(48)	Other operating expenditure (Note 10-p51)	3,039	1,530	1,509
6,124	5,380	744	Financing & investment income/expenditure (Note 11-p51)	5,885	5,077	808
17,587	39,542	(21,955)	Taxation & non-specific grant income/expenditure (Note 12-p51)	13,830	35,997	(22,167)
		3,734	(Surplus)/deficit on service provision			2,688
		(350)	(Surplus)/deficit on revaluation of assets			(2,956)
		11,611	Remeasurement of the defined benefit liability/asset (Note 30-p64)			(29,510)
		11,261	Other income & expenditure			(32,466)
		14,995	Total income & expenditure			(29,778)

- Resources and Support Services includes housing benefits grant income and expenditure of circa £21m.

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.

	General Fund balance	Capital receipts reserve	Capital grants unapplied	Total usable reserves	Unusable reserves	Total Council reserves
	£000	£000	£000	£000	£000	£000
2021/22						
Balance at 31 March 2021 b/fwd	(13,428)	(889)	(2,700)	(17,017)	22,290	5,273
Movement in Reserves 2021/22						
Total comprehensive income & expenditure	2,688	-	-	2,688	(32,466)	(29,778)
Adjustments between accounting & funding basis (Note 8-p49)	(159)	625	(169)	297	(297)	-
Increase/decrease in year	2,529	625	(169)	2,985	(32,763)	(29,778)
Balance at 31 March 2022 c/fwd	(10,899)	(264)	(2,869)	(14,032)	(10,473)	(24,505)
2020/21						
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-p49)	(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

- The General Fund balance includes £8.739m of earmarked reserves, leaving a general balance of £2.160m.

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 28).

31/03/2021 £000		31/03/2022 £000
44,957	Property, plant & equipment (Note 19-p55)	48,638
676	Surplus assets (Note 19-p55)	4,033
14,749	Investment property (Note 20-p58)	11,554
1,429	Heritage assets (Note 21-p58)	1,218
31	Intangible assets	192
406	Long term debtors (Note 23-p59)	387
62,248	Long term assets	66,022
-	Short term investments (Note 32-p68)	14,000
555	Assets held for sale (Note 22-p59)	4,725
357	Inventories	323
21,771	Short term debtors (Note 22-p59)	14,144
4,633	Cash/cash equivalents (Note 32-p68)	1,704
27,316	Current assets	34,896
(17,368)	Short term creditors (Note 24-p59)	(22,077)
(73)	Short term borrowing (Note 32-p68)	(85)
(2,284)	Revenue grants receipts in advance	(3,259)
(1,060)	Provisions (Note 25-p60)	(394)
(20,785)	Current liabilities	(25,815)
(1,562)	Provisions (Note 25-p60)	(1,608)
(71,636)	Net pensions liability (Note 30-p64)	(45,239)
(855)	Capital grants receipts in advance	(3,724)
(74,053)	Long term liabilities	(50,571)
(5,274)	Net assets	24,532
17,017	Total usable reserves (MIRS-p28)	14,032
(22,291)	Total unusable reserves (Note 26-p60)	10,500
(5,274)	Total reserves	24,532

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.

2020/21 £000		2021/22 £000
3,734	Net (surplus)/deficit on the provision of services (CIES-p27)	2,688
(4,980)	(Increase)/decrease in creditors	(4,709)
8,252	Increase/(decrease) in debtors	(7,627)
116	Increase/(decrease) in inventories	(34)
(671)	(Increase)/decrease in provisions	620
(3,142)	Charges for depreciation/impairment of non-current assets	(2,868)
(3,704)	Revaluation losses on property, plant & equipment	(1,999)
742	Movements in fair value of investment properties	845
(4)	Amortisation of intangible assets	(6)
5	Capital element of finance leases where Council is lessor	(14)
(2,957)	Movement in pension liability	(3,113)
(2,536)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(2,439)
(8,879)	Adjustments for non-cash movements	(21,344)
999	Capital grants & contributions unapplied credited to Comprehensive Income & Expenditure Statement	210
3,180	Transfer of cash sales proceeds credited as part of the gain/loss on disposal to Comprehensive Income & Expenditure Statement	1,530
4,179	Adjustments for items that are investing/financing activities	1,740
(966)	Net cash flows from operating activities	(16,916)
5,659	Purchase of property, plant & equipment, investment property & intangible assets	11,478
90,000	Purchase of short & long term investments	556,250
(3,380)	Proceeds from sale of property, plant & equipment, investment property & intangible assets	(1,530)
(90,000)	Proceeds from short & long term investments	(542,250)
(1,248)	Other receipts from investing activities	(4,085)
1,031	Net cash flows from investing activities	19,863
(7,919)	Other receipts from financing activities	(6,280)
5	Repayments of borrowing	(12)
7,920	Other payments for financing activities	6,274
6	Net cash flows from financing activities	(18)
71	Net increase or decrease in cash & equivalents	2,929
(4,704)	Cash & equivalents brought forward	(4,633)
(4,633)	Cash & equivalents carried forward	(1,704)

The cash flows for operating activities include the following items:

2020/21 £000		2021/22 £000
(72)	Interest received	(38)
1	Interest paid	-

Notes to the Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 at 31 March 2022. 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. 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 2024. The impact on the Council's Statement of Accounts is not fully known 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 2022 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 2022 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 £1.326m), the balance of the credit loss allowance totals £0.188m at 31 March 2022, a decrease of £0.104m (35.6% when compared to 31 March 2021). therefore 14.2% of debt outstanding at 31 March 2022 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 2022 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 31.16% is applied to reflect the decreased likelihood of these debts being collected, whilst for debts over 10 years old a rate of 69.62% 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 2021 to 31 March 2022. The actual collection rates used to inform estimates of what can be expected to be collected have been uplifted by 22.2% 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 £13,260 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 £18.205m,
 - 0.5% increase in the salary increase rate gives an increase in liability of £1.970m,
 - 0.5% increase in the pension increase rate gives an increase in liability of £16.100m.

However, the assumptions interact in complex ways. During 2021/22 the Council's actuaries advised that the net pension liability had decreased by £28.917m.

- As at 31 March 2022 the Council had £31.309m of operational land and buildings and £11.554m 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 58) 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 £0.313m (£0.282m in 2020/21) and investment property assets by £0.115m (£0.153m in 2020/21). 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 2022 the Council's share (40%) of the estimated appeals against business rates is £1.852m, the rateable value of properties subject to Business Rates as at 31 March 2022 within the Borough totals £90.747m. The Council's share of the appeals provision amounts to 20.4% 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 20 June 2022.

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 2022, 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 may continue to be incurred during 2022/23. However, the Council's underlying financial position is robust and the minimum level of the general fund reserve reflects this 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 27).

2020/21				2021/22		
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
1,893	23	1,916	Chief Executive	1,838	231	2,069
4,371	180	4,551	Resources & Support Services	3,649	778	4,427
3,363	2,244	5,607	Regeneration & Development	1,763	2,810	4,573
8,088	4,307	12,395	Operational Services	6,978	3,423	10,401
(11,350)	11,874	524	Corporate	2,100	(1,032)	1,068
6,365	18,628	24,993	Net cost of services	16,328	6,210	22,538
(16,219)	(5,040)	(21,259)	Other income and expenditure	(13,837)	(6,013)	(19,850)
(9,854)	13,588	3,734	(Surplus) or deficit	2,491	197	2,688
3,574			Opening General Fund/other useable reserves balance (MIRS-p28)	13,428		
9,854			Less/plus surplus or deficit on General Fund balance in year	(2,491)		
13,428			Closing General Fund/other useable reserves balance (MIRS-p28)	10,937		

- The General Fund balance includes £8.739m of earmarked reserves, leaving a general balance of £2.160m.

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	Adjustments for capital purposes (Note 1)	Net change for the pensions adjustments (Note 2)	Other differences (Note 3)	Total adjustments
	£000	£000	£000	£000
2021/22				
Chief Executive	-	200	31	231
Resources & Support Services	385	374	19	778
Regeneration & Development	2,446	351	13	2,810
Operational Services	2,352	1,152	(81)	3,423
Corporate	(624)	(408)	-	(1,032)
Net cost of services	4,559	1,669	(18)	6,210
Other income and expenditure	(7,495)	1,482	-	(6,013)
Difference between General Fund surplus/deficit & Comprehensive Income & Expenditure Statement surplus or deficit on the provision of services	(2,936)	3,151	(18)	197

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for capital purposes (Note 1)	Net change for the pensions adjustments (Note 2)	Other differences (Note 3)	Total adjustments
	£000	£000	£000	£000
2020/21				
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 or deficit & Comprehensive Income & Expenditure Statement surplus or deficit on the provision of services	12,355	1,126	107	13,588

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:

2020/21 £000	Segment	2021/22 £000
	<i>Depreciation & amortisation</i>	
174	Resources & Support Services	185
385	Regeneration & Development	425
2,629	Operational Services	2,264
3,188	Total	2,874
	<i>Impairment</i>	
(2)	Regeneration & Development	(202)
(12)	Operational Services	-
(14)	Total	(202)
	<i>External Income</i>	
31	Chief Executive	261
(42)	Resources & Support Services	762
3,630	Regeneration & Development	4,228
5,206	Operational Services	6,648
116	Corporate	56
8,941	Total	11,955

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.

2021/22	General Fund balance	Capital receipts reserve	Capital grants unapplied	Unusable reserves
	£000	£000	£000	£000
Adjustments primarily involving - capital adjustment account				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation of non-current assets	(2,868)	-	-	2,868
Revaluation losses on property, plant & equipment	(1,849)	-	-	1,849
Movements in fair value of investment properties	845	-	-	(845)
Revaluation losses on assets held for sale	(150)	-	-	150
Amortisation of intangible assets	(6)	-	-	6
Reversal of REFCUS expenditure	(3,265)	-	-	3,265
Reversal of REFCUS income	1,937	-	-	(1,937)
Non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(2,439)	-	-	2,439
Capital element of finance leases where Council is the lessor	(14)	-	-	14
Application of capital grants received	5,097	-	-	(5,097)
Revenue contributions to capital financing	172	-	-	(172)
Statutory provision for the financing of capital investment	42	-	-	(42)
Adjustments primarily involving - capital grants unapplied account				
Transfer of grant from revenue to the capital grants unapplied account	210	-	(210)	-
Application of grants to capital finance transferred to the capital adjustment account	-	-	41	(41)
Adjustments primarily involving - capital receipts reserve				
Transfer of sales proceeds from revenue to the capital receipts reserve	1,530	(1,530)	-	-
Use of the capital receipts reserve to finance capital	-	2,155	-	(2,155)
Adjustments primarily involving - pensions reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(7,543)	-	-	7,543
Employers pension contributions and direct payments to pensioners payable in the year	4,430	-	-	(4,430)
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	3,694	-	-	(3,694)
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	18	-	-	(18)
Total adjustments	(159)	625	(169)	(297)

2020/21	General Fund balance	Capital receipts reserve	Capital grants unapplied	Unusable reserves
	£000	£000	£000	£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 in advance	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

9. Movements in Earmarked Reserves

2020/21				2021/22		
Transfers out £000	Transfers in £000	Net movement £000		Transfers out £000	Transfers in £000	Net movement £000
-	1,759	1,759	General Fund	(840)	-	(840)
-	-	-	Walleys Quarry reserve	(176)	1,001	825
(555)	141	(414)	Equipment replacement fund	(24)	9	(15)
(71)	50	(21)	ICT development fund	-	-	-
(1,342)	834	(508)	Budget support fund	(385)	1,000	615
(10)	10	-	Conservation and heritage fund	(1)	10	9
(4)	46	42	Museum purchases fund	(142)	25	(117)
(4)	-	(4)	Mayors charities reserve	-	3	3
-	5	5	Clayton Community Centre fund	-	5	5
(210)	250	40	Borough growth fund	(270)	250	(20)
-	50	50	Elections reserve	-	100	100
(16)	-	(16)	Keele masterplan reserve	(8)	-	(8)
(741)	9,662	8,921	Business Rates reserve	(5,410)	2,324	(3,086)
(2,953)	12,807	9,854	Total	(7,256)	4,727	(2,529)

10. Other Operating Expenditure

2020/21 £000		2021/22 £000
594	Parish precepts	600
(644)	(Gains)/losses on disposal of non-current assets	909
(50)	Total	1,509

11. Financing and Investment Income and Expenditure

2020/21 £000		2021/22 £000
1	Interest payable & similar charges	-
1,351	Interest on the net defined benefit liability	1,449
(62)	Interest receivable & similar income	(37)
(901)	Investment properties - income	(823)
(742)	Investment properties - revaluations	(695)
1,097	Investment properties - expenses	914
744	Total	808

12. Taxation and Non-Specific Grant Income and Expenditure

2020/21 £000		2021/22 £000
(8,187)	Council Tax income	(8,196)
9,866	Non Domestic Rates expenditure	9,944
(16,280)	Non Domestic Rates income	(16,724)
(4,891)	Non-ringfenced Government grants	(2,095)
(2,463)	Capital grants & contributions	(5,096)
(21,955)	Total	(22,167)

13. Expenditure and Income Analysed by Nature

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

2020/21 £000		2021/22 £000
	Expenditure	
18,222	Employees	21,189
2,159	Premises	2,231
915	Transport	907
6,290	Supplies and services	7,260
4,282	Grants and contributions	4,362
1,256	Agency and contracted services	690
22,937	Housing Benefits payments	21,317
10,309	Capital financing	7,682
19,219	Sources of finance expenditure	14,430
4,102	Pensions interest cost	4,452
89,691	Total expenditure	84,520
	Income	
3,180	Gains/(losses) on disposal of non current assets	1,530
22,420	Sources of finance income	25,045
42,072	Government grants	37,594
138	Transfer from Collection Fund	137
4,804	Other grants and contributions	2,390
1,756	Reimbursements	1,320
5,745	Customer receipts	8,287
928	Rents	864
62	Interest and investment income	37
2,751	Pensions return on assets	3,003
2,101	Other income	1,625
85,957	Total income	81,832
3,734	(Surplus) or deficit on provision of services	2,688

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):

2020/21 £000		2021/22 £000
66	External audit services carried out	69
13	Certification of grant claims and returns	13
79		82

15. Members' Allowances

In 2021/22 a total of £248,812 was paid to members (including the Mayor and Deputy Mayor) in respect of allowances (£253,399 in 2020/21). There were no expenses paid to members during 2021/22 (nil in 2020/21).

16. Termination Benefits

The Council terminated the contracts of a number of employees in 2021/22, incurring liabilities of £232,683 (£97,640 in 2020/21). The termination benefits consisted of £95,827 for loss of office.

17. Officers' Remuneration

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

2021/22 - Post holder	Salary (£)	Benefits in kind (£)	Total exc. employer pension (£)	Employer pension (£)	Total inc. employer pension (£)
Chief Executive	110,665	-	110,665	19,708	130,374
Executive Directors		-			
Operational Services	95,061	-	95,061	16,255	111,316
Commercial Development & Economic Growth	95,061	-	95,061	16,300	111,361
Heads of Service					
Operations	62,367	-	62,367	10,885	73,252
Recycling and Fleet Services	62,329	-	62,329	10,658	72,987
Planning^	46,272	-	46,272	7,913	54,185
Housing^^	35,150	-	35,150	8,226	43,376
ICT^	48,906	-	48,906	14,083	62,990
Environmental Health Services	62,418	-	62,418	11,130	73,548
People and Organisational Development	57,647	-	57,647	9,902	67,549
Finance	63,647	-	63,647	10,884	74,531
Legal and Governance Services	72,329	-	72,329	12,413	84,742

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

^ 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.

Two further employees received remuneration from salary in excess of £50,000, both received payment within the banding £50,000 to £54,999.

18. Grant Income

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

2020/21 £000		2021/22 £000
	Credited to taxation/non specific grant	
2,463	Capital grants	5,096
312	Other Government grants	476
-	Lower Tier Services grant	159
7,130	Section 31/Business Rates Relief grant	3,761
604	New Homes Bonus scheme	355
63	Revenue Support grant	64
1,916	Coronavirus	675
1,994	Income Compensation - fees and charges	365
152	Income Compensation - Council Tax losses	-
1,559	Income Compensation - NNDR losses	-
16,193	Total	10,951
	Credited to services	
22,583	Housing Benefits subsidy/grants	20,821
444	Housing Benefit/Council Tax Benefit admin	444
1,715	Disabled Facilities grant	1,715
9	Individual Electoral Registration Section 31	-
148	Air Quality	240
-	Bus Retrofit	329
-	Estate Regeneration	414
5	Future High Street Fund	127
-	Town Deals	574
117	Contributions towards Community Safety	42
385	Homelessness	588
2,104	Additional Restrictions grant	2,352
1,133	Discretionary Business grant	-
1,036	Council Tax Hardship grant	-
1,004	Other grants and contributions	1,387
30,683	Total	29,033

19. Property, Plant and Equipment

Movements on Balances

2021/22	Land & buildings	Infrastructure assets	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2021	28,233	1,340	19,124	8,352	676	-	57,725
Additions	1,042	64	311	275	2,273	5,828	9,793
Accumulated depreciation /impairment written out	(1,025)	-	-	-	-	-	(1,025)
Revaluation increases/(decreases) - revaluation reserve	2,524	-	-	-	643	-	3,167
Revaluation increases/(decreases) - surplus/deficit on provision of services	(133)	-	-	-	(1,717)	-	(1,850)
Reclassifications (to)/from investment property	-	-	-	-	461	-	461
Asset reclassifications	744	-	-	(2,441)	1,697	-	-
Derecognition - disposals	(76)	(29)	(6,872)	-	-	-	(6,977)
At 31 March 2022	31,309	1,375	12,563	6,186	4,033	5,828	61,294
Accumulated depreciation & impairment							
At 1 April 2021	-	(571)	(10,434)	(1,087)	-	-	(12,092)
Depreciation charge	(1,025)	(35)	(1,610)	(198)	-	-	(2,868)
Accumulated depreciation/impairment written out	1,025	13	5,299	-	-	-	6,337
At 31 March 2022	-	(593)	(6,745)	(1,285)	-	-	(8,623)
Net book value							
As at 31 March 2021	28,233	769	8,690	7,265	676	-	45,633
As at 31 March 2022	31,309	782	5,818	4,901	4,033	5,828	52,671

2020/21	Land & buildings	Infrastructure assets	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£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

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

There were no capital commitments at 31 March 2022. Capital commitments at 31 March 2021, totalled £5.147m, this included £5.103m ring-fenced for the refurbishment of Kidsgrove Sports Centre.

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 2022 and for the prior period.

31/03/2021 £000		31/03/2022 £000
-	Assets under construction	5,828
676	Surplus assets	4,033
	Land and buildings	
2,845	Community Centres	3,724
2,978	Car Parks	2,896
2,123	Depot	2,123
5,814	Offices	5,550
216	Bus Station	235
1,176	Cemeteries	1,318
826	Crematorium	813
8,676	Leisure Centres	8,882
2,215	Parks and Sports grounds	3,267
353	Museum	934
73	Public toilets	81
938	Other land and buildings	1,486
1,340	Infrastructure assets	1,375
19,124	Vehicles, plant, furniture, equipment	12,563
8,352	Community assets	6,186
57,725	Total	61,294

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 2021/22. 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	Infrastructure assets £000	Vehicles, plant, furniture & equipment £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
Carried at historical cost	-	1,375	12,563	6,186	-	5,828	25,952
Valued at fair value at: 31 March 2022	31,309	-	-	-	4,033	-	35,342
Total cost or valuation	31,309	1,375	12,563	6,186	4,033	5,828	61,294

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. £1.697m of community assets were reclassified as surplus assets as at 31 March 2022.

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:

2020/21 £000		2021/22 £000
16,737	Balance at 1 April	14,749
153	Additions - subsequent expenditure	1,518
(2,328)	Disposals	(220)
742	Net gains/(losses) - fair value adjustments	843
-	Transfers (to)/from property, plant & equipment	(461)
(555)	Transfers (to)/from assets held for sale	(4,875)
14,749	Balance at 31 March	11,554

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. £4.875m of investment properties were reclassified as assets held for sale as at 31 March 2022.

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	31/03/2022 £000	Valuation technique used to measure fair value	Unobservable Inputs	Sensitivity
Shops	3,391	Investment method	Rental values yield	(a)
Offices	923	Investment method	Rental values yield	(a)
Industrial units	4,080	Investment method	Rental values yield	(a)
Other	3,160	Investment method	Rental values yield	(a)
	11,554			

(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 29) at an insurance valuation of £1.218m, which is based on market values as assessed by an external valuer at 31 March 2022 (£1.429m at 31 March 2021).

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.

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 for use 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

2020/21 £000		2021/22 £000
-	Balance at 1 April (current assets)	555
	Assets newly classified as held for sale:	
555	- From investment properties	4,875
-	- Disposals	(555)
-	- Revaluation losses	(150)
555	Balance at 31 March (current assets)	4,725

23. Debtors

31/03/2021 £000	Short term	31/03/2022 £000
1,246	Trade receivables	1,326
20,525	Other receivable amounts	12,818
21,771	Total	14,144

31/03/2021 £000	Long term	31/03/2022 £000
132	Finance lease balances outstanding	113
274	Kickstart loans (re. home improvements)	274
406	Total	387

24. Creditors

31/03/2021 £000		31/03/2022 £000
524	Trade payables	663
16,844	Other payables	21,414
17,368	Total	22,077

25. Provisions

	Short term	Long term			Total long term £000
	NNDR appeals £000	Insurance claims £000	MMI £000	NNDR appeals £000	
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 1 April 2021	1,060	146	17	1,399	1,562
Additional provisions made	-	28	-	59	87
Amounts used	(666)	(28)	(13)	-	(41)
Balance at 31 March 2022	394	146	4	1,458	1,608

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 that 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:

31/03/2021 £000		31/03/2022 £000
	Capital:	
14,445	Revaluation reserve	16,814
42,541	Capital adjustment account	42,872
406	Deferred capital receipts reserve	388
	Revenue:	
(71,636)	Pensions reserve	(45,239)
(7,532)	Collection fund adjustment account	(3,838)
(515)	Accumulated absences account	(497)
(22,291)	Total unusable reserves	10,500

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.

2020/21 £000		2021/22 £000
14,444	Balance at 1 April	14,445
238	Adjustment re. previous years impairment	-
1,548	Upward revaluation of assets not charged to the surplus/deficit on the provision of services	3,386
(1,198)	Downward revaluation of assets & impairment losses not charged to the surplus/deficit on the provision of services	(430)
(552)	Difference between fair value depreciation and historical cost depreciation	(570)
(35)	Accumulated gains on assets sold or scrapped	(17)
14,445	Balance at 31 March	16,814

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.

2020/21 £000		2021/22 £000
45,833	Balance at 1 April	42,541
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:	
(3,184)	Charges for depreciation/impairment of non-current assets	(2,868)
42	Adjustment re. previous years impairment	-
(4)	Amortisation of intangible Assets	(6)
(1,725)	REFCUS expenditure	(3,265)
716	REFCUS income	1,937
(2,536)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(2,439)
742	Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	845
(3,704)	Revaluation losses on property, plant and equipment	(1,849)
-	Revaluation losses on assets held for sale	(150)
2,463	Application of capital grants to capital financing	5,097
	Revenue contributions to capital financing	172
5	Capital element of finance leases where Council is the lessor	(14)
41	Minimum revenue provision contribution	42
(7,144)		(2,498)
	Capital financing applied in the year:	
3,119	Use of the capital receipts reserve to finance new capital expenditure	2,155
151	Application of grants to capital financing from the capital grants unapplied account	41
-	Application of grants to capital financing from the capital grants received in advance account	32
(5)	Capital element of finance leases where Council is the lessor	14
	Adjusting Amounts Written Out of Revaluation Reserve	
552	Difference between fair value depreciation/historical cost depreciation	570
35	Accumulated gains on assets sold or scrapped	17
(3,292)		331
42,541	Balance at 31 March	42,872

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.

2020/21 £000		2021/22 £000
412	Balance at 1 April	406
(11)	Transfer to the capital receipts reserve upon receipt of cash	-
5	Capital element of finance leases where Council is the lessor	(18)
406	Balance at 31 March	388

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.

2020/21 £000		2021/22 £000
(58,899)	Balance at 1 April	(71,636)
(11,611)	Remeasurements of the net defined benefit liability/(asset)	29,510
(5,397)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services	(7,543)
4,271	Employers pensions contributions and direct payments to pensioners payable in the year	4,430
(71,636)	Balance at 31 March	(45,239)

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.

2020/21 £000		2021/22 £000
1,858	Balance at 1 April	(7,532)
(20)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year	134
(9,370)	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	3,560
(7,532)	Balance at 31 March	(3,838)

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.

2020/21 £000		2021/22 £000
(407)	Balance at 1 April	(515)
407	Settlement or cancellation of accrual made at the end of the preceding year	515
(515)	Amounts accrued at the end of the current year	(497)
(515)	Balance at 31 March	(497)

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.

2020/21 £000		2021/22 £000
4,364	Opening capital financing requirement	5,395
	Capital investment	
5,613	Property, plant & equipment	9,793
153	Investment properties	1,518
30	Intangible assets	167
1,725	REFCUS	3,265
	Sources of finance	
(3,119)	Capital receipts	(2,155)
(3,330)	Government grants & other contributions	(7,043)
-	Revenue contributions	(172)
(41)	Minimum revenue provision	(42)
5,395	Closing capital financing requirement	10,726
	Explanation of movements in year	
1,072	Capital expenditure financed from internal borrowing	5,545
1,031	Increase/(decrease) in capital financing requirement	5,331

28. Impairment Losses

The Council has undertaken an impairment review of its non-current assets at 31 March 2022, 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 52). During 2021/22, two members are the proprietors of a B&B in the borough and have received COVID-19 related business grants that total £10,667, a further member is a director of a community centre that has also received a single COVID-19 business grant also totalling £10,667 and one member is an employee of the New Victoria Theatre that received a cultural grant from the Council totalling £47,000. These grants were in line with policy set out by Central Government (COVID-19) and per the budget approved by Full Council for 2021/22.

Officers

No payments have been made to any entities that have a relationship with Council officers during 2021/22.

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 2021 to 31 March 2022 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 28). 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:

2020/21			2021/22	
LGPS £000	Unfunded benefits £000		LGPS £000	Unfunded benefits £000
		Comprehensive Income & Expenditure Statement		
		Cost of services:		
3,991	-	Current service cost	6,094	-
55	-	Past service costs/(gains)	-	-
-	(419)	Unfunded benefit contributions	-	(408)
		Financing and investment income & expenditure		
1,351	-	Net interest expense	1,449	-
5,397	(419)	Total pension benefit charged to the surplus/deficit on provision of services	7,543	(408)
		Remeasurement of the net defined benefit liability comprising:		
(29,786)	-	Return on plan assets	(15,250)	-
2,552	-	Changes in demographic assumptions	(1,239)	-
40,506	-	Changes in financial assumptions	(13,307)	-
(1,661)	-	Other experience	286	-
11,611	-	Total pension benefit charged to Comprehensive Income & Expenditure Statement	(29,510)	-
		Movement in Reserves Statement		
(5,397)	419	Reversal of net charges made to the surplus/deficit on provision of services for pension benefits	(7,543)	408
		Actual amount charged against the General Fund balance for pensions		
4,271	-	Employers' contributions payable to scheme	4,430	-
-	(419)	Retirement benefits payable to pensioners	-	(408)
(1,126)	-		(3,113)	-

Pensions Assets and Liabilities Recognised in the Balance Sheet

2020/21 £000		2021/22 £000
(216,830)	Present value of defined benefit obligation-funded	(207,352)
(6,000)	Present value of defined benefit obligation-unfunded	(5,492)
151,194	Fair value of plan assets	167,605
(71,636)	Net liability arising from defined benefit obligation	(45,239)

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

2020/21		2021/22
£000		£000
173,789	Present value of funded liabilities	216,830
5,790	Present value of unfunded liabilities	6,000
179,579	Opening position as at 1 April	222,830
3,991	Current service cost	6,094
55	Past service cost	-
4,102	Interest cost	4,452
742	Contributions by scheme participants	776
	Remeasurements:	
40,506	Changes in financial assumptions	(13,307)
2,552	Changes in demographic assumptions	(1,239)
(1,661)	Other Experience	286
(6,617)	Benefits paid	(6,640)
(419)	Unfunded benefits paid	(408)
222,830	Closing balance as at 31 March	212,844
216,830	Present value of funded liabilities	207,352
6,000	Present value of unfunded liabilities	5,492

Local Government Pensions Scheme Assets Comprised

2020/21			2021/22	
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
5,879	-	Equities:	5,643	-
6,309	-	- Consumer	4,605	-
1,672	-	- Manufacturing	1,265	-
5,336	-	- Energy & utilities	6,006	-
3,802	-	- Financial	6,342	-
6,470	-	- Health & care	7,294	-
164	-	- Information technology	-	-
	-	- Other	-	-
29,632	-		31,155	-
	-	Bonds		
10,442	-	- Corporate (investment)	9,846	-
-	-	- Corporate (non-investment grade)	-	-
10,442	-		9,846	-
	11,581	Property		
-	11,581	UK	-	13,422
		Investment funds		
72,634	-	- Equities	79,619	-
10,062	-	- Bonds	10,490	-
-	572	- Hedge funds	-	62
-	-	- Infrastructure	-	446
-	7,255	- Other	-	7,692
82,696	7,827		90,109	8,200
	6,552	Private equity	-	8,304
2,464	-	Cash/cash equivalents	6,569	-
125,234	25,960	Total assets	137,679	29,926

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

2020/21 £000		2021/22 £000
120,680	Opening value of scheme assets	151,194
	Remeasurement gain/(loss):	
2,751	Interest Income on plan assets	3,003
29,786	Return on assets excluding net interest	15,250
	Actuarial gains/(losses)	
3,852	Employer contributions	4,022
742	Contributions by scheme participants	776
(6,617)	Benefits paid	(6,640)
151,194	Closing balance at 31 March	167,605

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:

2020/21			2021/22	
LGPS	Unfunded		LGPS	Unfunded
		Longevity at 65 for current pensioners:		
21.4		Men	21.2	
24.0		Women	23.8	
		Longevity at 65 for future pensioners:		
22.5		Men	22.2	
25.7		Women	25.5	
3.25%		Rate of increase in salaries	3.60%	
2.85%	2.85%	Rate of increase in pensions (CPI)	3.20%	3.20%
2.00%	2.00%	Rate for discounting scheme liabilities	2.70%	2.70%
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	18,205
0.5% increase in the salary increase rate	1,970
0.5% increase in the pension increase rate (CPI)	16,100

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 2023 is £4.001m.

31. Contingent Assets and Liabilities

The Council has recognised a contingent asset in relation to ongoing 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 2022 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 £185,677 has been paid to the administrator. This leaves a maximum contingent liability of £607,031.

(b) VAT

The computation of the Council's 2021/22 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.

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 29); the table below also shows the fair values of these financial instruments:

2020/21		Measured at amortised cost	2021/22	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		Financial Liabilities		
2,928	2,928	Creditors	2,588	2,588
73	73	Borrowings	85	85
		Financial Assets		
-	-	Short term investments	14,000	14,000
3,121	3,121	Debtors	2,921	2,921
4,633	4,633	Cash/cash equivalents	1,704	1,704

Debtors/Creditors vary from the balance sheet as statutory debtors and payments in advance (£18.650m in 2020/21 and £11.215m in 2021/22) and statutory creditors and receipts in advance (£14.064m in 2020/21 and £19.489m in 2021/22) are excluded from the classification of financial instruments.

Income, Expenses, Gains and Losses

2020/21				2021/22		
Expenses & losses £000	Income & gains £000	Total £000		Expenses & losses £000	Income & gains £000	Total £000
1	-	1	Interest expense on financial assets measured at amortised cost	-	-	-
1	-	1	Total expense in provision of services	-	-	-
-	(62)	(62)	Interest income on financial assets measured at amortised cost	-	(37)	(37)
-	(62)	(62)	Total income in provision of services	-	(37)	(37)
1	(62)	(61)	Net (gain)/loss for the year	-	(37)	(37)

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 2022,
- 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:

2020/21 £000		2021/22 £000
242	Balance at 1 April	292
(151)	Amounts written off	(103)
201	Changes in models/risk parameters	(1)
292	Balance at 31 March	188

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:

31/03/2021 £000		31/03/2022 £000
73	Less than one year	85
73		85

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.

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 2022 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 2022 are shown below:

31/03/2021 £000		31/03/2022 £000
1	Not later than one year	1
3	Later than one year, less than five years	2
-	Later than five years	-
4		3

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

31/03/2021 £000		31/03/2022 £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:

31/03/2021 £000		31/03/2022 £000
14	Current	14
132	Non-current	113
342	Unearned finance income	319
488	Gross investment in the lease	446

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

31/03/2021			31/03/2022	
Minimum lease payments £000	Finance lease liabilities £000		Minimum lease payments £000	Finance lease liabilities £000
42	28	Not later than one year	42	28
149	99	Later than one year, less than five years	143	99
297	215	Later than five years	261	192
488	342		446	319

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:

31/03/2021 £000		31/03/2022 £000
492	Not later than one year	518
712	Later than one year, less than five years	456
1,008	Later than five years	1,010
2,212		1,984

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.

2020/21 Council Tax £000	2020/21 Business Rates £000	2020/21 Total £000		2021/22 Council Tax £000	2021/22 Business Rates £000	2021/22 Total £000
			Income			
(66,472)	-	(66,472)	Council Tax Payers	(71,362)	-	(71,362)
(1,036)	-	(1,036)	COVID Hardship Government Grant	-	-	-
-	-	-	Household Support Fund	(162)	-	(162)
-	(21,217)	(21,217)	Business Rates Payers	-	(30,141)	(30,141)
			Transfer of previous years deficit			
(59)	-	(59)	- Newcastle-under-Lyme Borough Council	(48)	(5,375)	(5,423)
(380)	-	(380)	- Staffordshire County Council	(310)	(1,058)	(1,368)
(66)	-	(66)	- Office of Police & Crime Commissioner	(54)	-	(54)
(23)	-	(23)	- Staffordshire Fire and Rescue Authority	(18)	(134)	(152)
-	-	-	- Central Government	-	(6,871)	(6,871)
(68,036)	(21,217)	(89,253)	Total income	(71,954)	(43,579)	(115,533)
			Expenditure			
			Council Tax precepts			
8,115	-	8,115	- Newcastle-under-Lyme Borough Council	8,245	-	8,245
48,452	-	48,452	- Staffordshire County Council	50,461	-	50,461
8,415	-	8,415	- Office of Police & Crime Commissioner	8,848	-	8,848
2,888	-	2,888	- Staffordshire Fire and Rescue Authority	2,922	-	2,922
			Business Rates apportionment			
-	14,302	14,302	- Newcastle-under-Lyme Borough Council	-	14,642	14,642
-	3,218	3,218	- Staffordshire County Council	-	3,295	3,295
-	358	358	- Staffordshire Fire and Rescue Authority	-	366	366
-	17,878	17,878	- Central Government	-	18,302	18,302
			Other expenditure			
-	138	138	Cost of Collection	-	137	137
-	101	101	Transitional Protection	-	(13)	(13)
335	2,573	2,908	Provision for Bad Debts	306	(537)	(231)
-	1,754	1,754	Provision for Appeals	-	(1,518)	(1,518)
			Transfer of previous years surplus			
-	1,729	1,729	- Newcastle-under-Lyme Borough Council	-	-	-
-	1,335	1,335	- Staffordshire County Council	-	-	-
-	-	-	- Office of Police & Crime Commissioner	-	-	-
-	43	43	- Staffordshire Fire and Rescue Authority	-	-	-
-	1,215	1,215	- Central Government	-	-	-
68,205	44,644	112,849	Total expenditure	70,782	34,674	105,456
169	23,427	23,596	Deficit/(surplus) for the year	(1,172)	(8,905)	(10,077)
950	(4,927)	(3,977)	Balance brought forward at 1 April	1,119	18,500	19,619
169	23,427	23,596	Deficit/(surplus) for the year	(1,172)	(8,905)	(10,077)
1,119	18,500	19,619	Balance carried forward at 31 March	(53)	9,595	9,542
			Allocation of Collection Fund balance			
134	7,400	7,534	- Newcastle-under-Lyme Borough Council	-	3,838	3,838
798	1,513	2,311	- Staffordshire County Council	(43)	864	821
48	185	233	- Staffordshire Fire and Rescue Authority	(1)	96	95
-	9,402	9,402	- Central Government	-	4,797	4,797
139	-	139	- Office of Police & Crime Commissioner	(9)	-	(9)
1,119	18,500	19,619		(53)	9,595	9,542

Notes

1. Business Rates

The Council collects business rates in its area based on non-domestic rateable values (£90.660m at 31 March 2021 and £90.747m at 31 March 2022) multiplied by a uniform business rate. The rate is specified by the Government, in 2021/22 the rate was 51.2p, with a reduction for “small businesses” to 49.9p on application (unchanged from 2020/21).

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 2021/22 were estimated, via the NNDR1 return, before the start of the financial year as £18.302m to Central Government, £3.295m to Staffordshire County Council, £0.366m to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and £14.642m to Newcastle-under-Lyme Borough Council.

The total of these sums (£36.605m) has been paid in 2021/22 and charged to the collection fund in year.

The actual business rates payable for 2021/22, as per the NNDR3 return, when taking into account the cost of collection, provisions for appeals and bad debts and transitional protection was calculated to be £32.072m.

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 (£36.605m) and the actual business rates payable per the NNDR3 return (£32.072m) is £4.533m - a deficit to the collection fund for 2021/22 due to the implementation of the Government’s COVID-19 pandemic related business rates reliefs.

In addition to the business rates shares payable for 2021/22, the estimated 2020/21 deficit declared in January 2021 regarding business rates of £13.438m was repaid to the collection fund by the Council, Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

The actual 2020/21 surplus was calculated to be £18.500m, therefore there remains £5.062m in the collection fund balance carried forward 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 in relation to 2020/21.

Taking into account the remaining 2020/21 deficit to be collected and the 2021/22 deficit, the business rates collection fund has a deficit of £9.595m as at 31 March 2022.

Of the deficit, the Council’s share amounts to £3.838m, this is largely 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 (this is held in the Business Rates Reserve).

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 2021/22 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 2021/22 of £1,884.11 compared with £1,799.42 in 2020/21. 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 2021/22 was 37,087 (37,387 in 2020/21), this was derived as follows:

Band & value range	Number of dwellings	After discounts/ exemptions	Ratio to band D	Band D equivalents
Band A-	-	51	5/9	28
Band A (Up to £40,000)	24,225	16,105	6/9	10,736
Band B (£40,001 - £52,000)	10,653	8,732	7/9	6,791
Band C (£52,001 - £ 68,000)	11,415	9,960	8/9	8,853
Band D (£68,001 - £88,000)	4,880	4,423	9/9	4,425
Band E (£88,001 - £120,000)	2,766	2,520	11/9	3,081
Band F (£120,001 - £160,000)	1,778	1,662	13/9	2,402
Band G (£160,001 - £320,000)	948	881	15/9	1,468
Band H (Over £320,000)	49	30	18/9	60
				37,844
Less non collection rate (2%)				(757)
Borough Council Tax base				37,087

The Council Tax precepts payable for 2021/22 were £50.461m to Staffordshire County Council, £8.848m to Office of the Police and Crime Commissioner Staffordshire, £2.922m to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and £8.245m to Newcastle-under-Lyme Borough Council.

The total of these sums (£70.476m) has been paid in 2021/22 and charged to the collection fund in year.

The actual Council Tax payable for 2021/22, when taking into account bad debts was calculated to be £71.218m.

The variance between the Council Tax shared between Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council as per the precepts (£70.476m) and the actual Council Tax payable (£71.218m) is £0.742m - a surplus to the collection fund for 2021/22 due to a reduction in Council Tax support and a contribution from the Household Support Fund (via Staffordshire County Council).

In addition to the Council Tax payable for 2021/22, the estimated 2020/21 deficit declared in January 2021 regarding Council Tax of £0.430m 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 2020/21 deficit was calculated to be £1.119m, therefore there remains £0.689m in the collection fund balance carried forward which is repayable to the Collection Fund by the Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council in relation to 2020/21.

Taking into account the remaining 2020/21 deficit to be collected and the 2021/22 deficit, the Council Tax collection fund has a surplus of £0.053m as at 31 March 2022.

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,
- 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,
- The parties are subject to common control from the same source,
- 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,
- 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,
- 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 Comprehensive Income and Expenditure Account (revenue account) as revenue expenditure. Any grants or contributions towards such expenditure are also chargeable to the revenue account. An appropriation is made to the revenue 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.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
27 June 2022

Report Title: Treasury Management Annual Report 2021/22

Submitted by: Head of Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All Indirectly

Purpose of the Report

To receive the Treasury Management Annual Report for 2021/22 and to review the Treasury Management activity for this period.

Recommendation

That the Treasury Management Report for 2021/22 be received and be reported to Full Council on 28 September 2022.

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. Council 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. Following submission to the Audit and Standards Committee the Treasury Management Annual Report will be reported to Full Council on 28 September 2022.

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 Annual Treasury Management Strategy Report for 2021/22 approved by Council on 24 February 2021.
- 1.4 The Council has been provided with Treasury Management Advisory services for the period 1 April 2021 to 31 March 2022 by Arlingclose Ltd.

2. **Issues**

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

3. **Proposal**

3.1 That the Treasury Management Annual Report for 2021/22 be received and be reported to Council on 28 September 2022.

4. **Reasons for Proposed Solution**

4.1 In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.

5. **Options Considered**

5.1 There are no specific options to consider.

6. **Legal and Statutory Implications**

6.1 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.

7. **Equality Impact Assessment**

7.1 Not applicable.

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

10.1 The Treasury Management Annual Report for 2021/22 supports UNSG and Climate Change objectives through supporting sustainable cities and communities through the correct use of public monies.



11. **Key Decision Information**

11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Council 24 February 2010 – Adoption of CIPFA Treasury Management Code of Practice

13. **List of Appendices**

13.1 Appendix 1, Treasury Management Annual Report 2021/22.

14. **Background Papers**

14.1 CIPFA Treasury Management Code of Practice,

14.2 Council's Treasury Management Policy Statement,

14.3 Council's Treasury Management Strategy,

14.4 Local Government Act 2003,

14.5 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,

14.6 Ministry of Housing, Communities and Local Government's revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision

14.7 Arlingclose Ltd. Treasury Management Outturn Report template

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TREASURY MANAGEMENT ANNUAL REPORT 2021/22

1. INTRODUCTION AND BACKGROUND

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual Treasury Management review of activities and the actual prudential and treasury indicators for the financial year 2021/22. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

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 CIPFA Code of Practice on Treasury Management was adopted by this Council on 24 February 2010; this was updated in November 2011 and updated further in December 2017.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Council of an annual treasury management strategy report (including the annual investment strategy) for the year ahead and an annual review report of the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of the treasury management strategy to a specific named body which in this Council is the Finance, Assets and Performance Scrutiny Committee.
6. Delegation by the Council of the role of scrutiny of treasury management performance to a specific named body which in this Council is the Audit and Standards Committee, a midyear and year-end review report is received by this Committee.

Treasury Management in this context 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 purpose of this report is to meet one of the above requirements of the CIPFA Code, namely the annual review report of Treasury Management activities, for the financial year 2021/22.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council has complied with the requirement under the Code to give prior scrutiny to the annual review report by reporting this to the Audit and Standards Committee prior to it being reported to Council.

2. THIS ANNUAL TREASURY REPORT COVERS

- The Council's treasury position as at 31 March 2022;
- The strategy for 2021/22;
- The economy in 2021/22;
- Investment rates in 2021/22;
- Compliance with treasury limits and Prudential Indicators;
- Investment outturn for 2021/22;
- Involvement of Elected Members;
- Other issues.

3. TREASURY POSITION AS AT 31 MARCH 2022

The Council's investment position at the beginning and the end of the year was as follows:

	At 31/03/22	Average Return	Average Life (Days)	At 31/03/21	Average Return	Average Life (Days)
Total Debt	£0m	0.00%	0	£0m	0.00%	0
Total Investments	£14m	0.05%	4	£0m	0.07%	2

It should be noted that the above table is only a snapshot of the total Investments as at 31 March 2022. Large fluctuations in cash inflows and outflows that occur throughout the month can have an impact on the figure reported.

4. THE STRATEGY FOR 2021/22

The strategy agreed by Council on 24 February 2021 was that:

- The Council may be required to borrow during 2021/22 if capital receipts did not materialise in order to fund the capital programme;
- All borrowing would be kept absolutely within the Authorised Limit of £85m and would not normally exceed the Operational Boundary of £75m (although it could for short periods of time be permitted to rise to a figure between £75m and £85m due to variations in cash flow);
- Temporary surpluses which might arise would be invested, either in short term deposits with the Council's various deposit accounts or in money market investments (cash deposits) if the size warranted this and for an appropriate period in order that these sums would be available for use when required;
- The proportions of loans and investments to be at fixed or variable rates were: fixed rate loans to be between 0% and 100% of the total and variable rate to be between 0% and 100% of the total, thus enabling maximum flexibility to take advantage of interest rate trends;
- Long term investments to be permitted as follows: maturing beyond 31/03/22 £25m, maturing beyond 31/03/23 £25m, maturing beyond 31/03/24, £25m;
- The overriding consideration is safeguarding the Council's capital. At all times the risk to the Council will be minimised. Within these constraints, the aim will be to maximise the return on investments; and,
- Forward commitment of funds for investment is permitted in respect of in-house investments, in instances where market conditions warrant it.

5. THE ECONOMY AND INTEREST RATES - narrative supplied by the Council's Treasury Management Advisors – Arlingclose Limited

The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%.

The government's jobs furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

With the fading of lockdown – and, briefly, the 'pingdemic' – restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.

Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.

In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% y/y in March, was well above the European Central Bank's target of 'below, but close to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp increase from a gain of 2.3% in the previous quarter. In its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months. The Fed also repeated its plan to reduce its asset purchase programme which could start by May 2022.

6. INVESTMENT RATES IN 2021/22 – narrative supplied by the Council's Treasury Management Advisors – Arlingclose Limited

The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.

Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.

The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter.

7. COMPLIANCE WITH TREASURY LIMITS

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Annex 1.

8. INVESTMENT OUTTURN FOR 2021/22

Internally Managed Investments

The Council manages its investments in-house and during 2021/22 invested with institutions in compliance with the credit worthiness service of the Council's treasury management advisors, Arlingclose Limited.

The Council invested for a range of periods from overnight to up to 41 days during 2021/22, dependent on the Council's cash flows, its interest rate view and the interest rates on offer. 108 of 124 investments made in 2021/22 were for a period of 2 weeks or less. 1 investment was made with the Public Sector Deposit Fund. The remaining 123 investments were deposited in the Debt Management Account Deposit Facility.

In addition, funds were held in the general fund account that the Council has with Lloyds Bank.

Investment Outturn for 2021/22

During 2021/22 an average rate of return of 0.05% was achieved on an average individual investment of £2.574m, compared with a target of 0.40%. This target was not achieved due to the impact of COVID-19 on interest rates.

9. INVOLVEMENT OF ELECTED MEMBERS

Elected members have been involved in the treasury management process during 2021/22 including:

- Scrutiny of the treasury management strategy by the Finance, Assets & Performance Scrutiny Committee prior to being submitted for approval by the Council.
- Scrutiny of treasury management performance by the Audit and Standards Committee through the receipt of a half yearly treasury management report.
- A quarterly budget monitoring and performance report is reported to Cabinet, this contains details of Treasury Management activity undertaken during the quarter.

ANNEX 1: PRUDENTIAL INDICATORS

Position/Prudential Indicator		2020/21 Actual	2021/22 Indicator	2021/22 Actual
1	Capital Expenditure	£7.521m	£12.923m	£14.730m
2	Capital Financing Requirement at 31 March *	£5.395m	£12.001m	£10.649m
3	Treasury Position at 31 March:			
	Borrowing	£0	N/A	£0
	Other long term liabilities	£0	N/A	£0
	Total Debt	£0	N/A	£0
	Investments	£0	N/A	£14m
	Net Borrowing	£0	N/A	£0
4	Authorised Limit (against maximum position)	£0	£85.0m	£0
5	Operational Boundary (against maximum position)	£0	£75.0m	£0
6	Ratio of Financing Costs to Net Revenue Stream	(0.13%)	1.67%	(0.22%)
7	Upper Limits on Variable Interest Rates (against maximum position)			
	Loans	0%	100%	0%
	Investments	0%	100%	0%
8	Actual External Debt	£0	N/A	£0
9	Principal Funds Invested for Periods Longer than 365 days (against maximum position)	£0	£25.0m	£0

GLOSSARY

CFR – Capital Financing Requirement

The Capital Financing Requirement is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources.

CIPFA – The Chartered Institute of Public Finance and Accountancy

The Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations.

CPI – Consumer Price Index

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.

GDP – Gross Domestic Product

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.

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Audit and Standards Committee

Work Plan 2022/2023

Committee Date	Reports
27 June 2022	<ol style="list-style-type: none"> 1. Health and Safety Annual Report 2. Annual Governance Statement 3. Proposed Accounting Policies, Critical Accounting Judgements and Sources of Estimation Uncertainty for the 2021/22 Statement of Accounts 4. Draft Statement of Accounts 5. Treasury Management Annual Report 6. Q4 Corporate Risk Management Report
25 July 2022	
7 September 2022	<ol style="list-style-type: none"> 1. Audited Accounts for 2021/22 2. Annual Audit Letter 3. Q1 Internal Audit Progress Report 4. Q1 Corporate Risk Management Report
14 November 2022	<ol style="list-style-type: none"> 1. Treasury Management Half Yearly Report 3. Q2 Internal Audit Progress Report 4. Q2 Corporate Risk Management Report 5. Annual Audit Letter 2021/22 including Value for Money Audit
6 February 2023	<ol style="list-style-type: none"> 1. Q3 Internal Audit Progress Report 2. Q3 Corporate Risk Management Report
17 April 2023	<ol style="list-style-type: none"> 1. External Audit 2. Annual Internal Audit Report and Annual Opinion 3. Internal Audit Charter 2023/24 4. Internal Audit Plan 2023/24 5. Corporate Fraud Arrangements 7. Risk Management Policy & Strategy 2023/24
27 June 2023	<ol style="list-style-type: none"> 1. Health and Safety Annual Report 2. Treasury Management Annual Report 2021/22 3. Internal Audit Annual Report 4. Q4 Corporate Risk Management Report

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