

Public Document Pack

Date of meeting Monday, 14th November, 2022

Time 7.00 pm

Venue Queen Elizabeth II & Astley Rooms - Castle House, Barracks Road, Newcastle, Staffs. ST5 1BL

Contact denise.french@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 - 4)

To consider the minutes of the previous meeting held on 7 September 2022.

4 AUDITED STATEMENT OF ACCOUNTS 2021/22 (Pages 5 - 128)

5 TREASURY MANAGEMENT HALF YEARLY REPORT 2022/23 (Pages 129 - 140)

6 INTERNAL AUDIT UPDATE QUARTER 2 (Pages 141 - 148)

7 COMMITTEE WORK PLAN (Pages 149 - 150)

8 URGENT BUSINESS

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

Members: Councillors P Waring (Chair), Panter (Vice-Chair), Holland, Whieldon, Stubbs, Brockie and 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:	Parker	Lawley
	Gorton	Northcott
	Hutchison	Reece
	S 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.

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

AUDIT AND STANDARDS COMMITTEE

Wednesday, 7th September, 2022

Time of Commencement: 7.00 pm

[View the agenda here](#)

[Watch the meeting here](#)

Present: Councillor Paul Waring (Chair)

Councillors: Holland Stubbs
Whieldon Brockie

Apologies: Councillor(s) Panter, Talbot and Mr Butters

Substitutes: Councillor Philip Reece (In place of Councillor Stephanie Talbot)

Officers: Daniel Dickinson Head of Legal & Governance
/Monitoring Officer
Sarah Wilkes Head of Finance / S151 Officer
Clare Potts Chief Internal Auditor

Also in attendance: Councillor Stephen Sweeney Deputy Leader of the Council
and Portfolio Holder - Finance,
Town Centres and Growth

31. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

32. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 27 June 2022 be agreed as a correct record.

33. **INTERNAL AUDIT UPDATE QUARTER 1**

The Chief Internal Auditor presented the Quarter 1 internal audit update covering the period 1 April – 30 June 2022. During the period 2 audits had been completed – Council Tax and NNDR 2021/22 Health Check and Treasury Management 2021/22 Health Check – both audits had received a ‘good’ opinion which was the highest level available.

A number of audits remained in progress as set out in the report.

The report listed the total number of recommendations made compared to those outstanding; there had been 293 recommendations of which 264 had been implemented. Members noted a high number of outstanding recommendations fell within the Chief Executive’s department and asked if there were reasons for this. The Auditor explained that this reflected the high number of work areas that fell within the department such as all financial matters.

Resolved: that the report be received.

[Click here to watch the debate](#)

34. CORPORATE RISK MANAGEMENT REPORT - QUARTER 4 2021-22 AND QUARTER 1 2022 - 23

The committee considered the Quarter 4 Risk Management Report for 2021/22 and the Quarter 1 Risk Management Report for Quarter 1 2022/23.

The Head of Legal/Governance presented the report. Appendix B showed the higher level risks which were reviewed at least monthly.

Section 2 outlined the current position with the recommendations on risk management; of which one recommendation had been classed as medium risk and proposed that an enhancement be made to the corporate risk register to ensure risks were clearly mapped to the council's corporate priorities. This work was underway and would continue to be developed as the council restructure programme progressed.

Resolved: that

- (a) The work on the risk management audit be noted.
- (b) The Sustainable Environment profile linking service objectives with corporate priorities be noted.
- (c) The position that there are 19 overdue risk reviews during Q4 and Q1 be noted.
- (d) The update on the corporate risks as set out in Appendix B be noted.
- (e) The Chair will identify individual risk profiles for the committee to consider at the next meeting.

[Click here to watch the debate](#)

35. COMMITTEE WORK PLAN

The committee considered the work plan for the year. A proposal was made to include a report on the Town Deal spend versus budget and progress with the project against timescales but this was defeated.

Resolved: that the work plan be noted.

[Click here to watch the debate](#)

36. URGENT BUSINESS

There was no Urgent Business.

**Councillor Paul Waring
Chair**

Meeting concluded at 7.23 pm



NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
14 November 2022

Report Title: Audited 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 receive the final accounts and audit findings report for the financial year 2021/22.

Recommendation

1. The final accounts for the financial year 2021/22 be received and approved.
2. The audit findings report for the financial year 2021/22 be received.

Reasons

The Council is required to publish its audited accounts for the financial year 2021/22 by 30 November 2022, or where circumstances dictate, as soon as reasonably practicable after this date.

1. **Background**

- 1.1 The Accounts and Audit Regulations (Amendment) 2022 require that for the 2021/22 accounting period the publication of authority accounts and supporting documents (together with any certificate or opinion of the local auditor) shall be no later than 30 November 2022 if the audit has been concluded. This deadline will revert back to 30 September for following accounting periods.
- 1.2 The Accounts and Audit Regulations govern the way in which a local authority should present its financial affairs. The regulations require the Council to produce a statement of accounts for the financial year detailing its financial transactions for the year and its position at the year end and that this Statement be scrutinised and approved by an appropriate committee, in this case the Audit and Standards Committee. The Statement is produced in a standardised form in line with CIPFA (the Chartered Institute of Public Finance and Accountancy) guidelines. They set out procedures which must be followed with regard to public inspection rights, audit, approval and publication of the statement.
- 1.5 The Regulations require the draft Statement of Accounts to be certified by the responsible financial officer, the Head of Finance (Section 151 Officer), as presenting a true and fair view of the Council's financial position by 31 July and this was done on 20 June 2022. During the period 4 July 2022 to 15 July 2022, the public had the right to inspect the accounts. No objections to the draft accounts were received.
- 1.6 The Council's external auditors Grant Thornton have advised that they expect to issue their Audit Findings Report and opinion on the financial statements during the first two weeks of November and this will follow as soon as it is received.

2. **Issues**

- 2.1 Since the last meeting of this Committee officers have continued to work closely with the external auditors to complete the audit.
- 2.2 Grant Thornton have advised that they expect to issue their Audit Findings Report including their opinion on the financial statements during the first two weeks in November. The accounts will be recertified by the Council's Head of Finance (Section 151 Officer) and be made available for Members to inspect at this point.
- 2.3 The Committee are now asked to formally receive the audited accounts and the final audit findings report. The annual audit letter will be presented to the Committee at the February meeting.
- 2.4 The National Audit Office has updated its guidance to auditors to allow them to postpone completion of their work on arrangements to secure value for money and to focus resources on the delivery of opinions on the financial statements. As a result the Auditor's Annual Report, including commentary on arrangements to secure value for money will be published no later than 3 months of the accounts opinion and will be reported to the Audit and Standards Committee on 6 February 2023.

3. **Proposal**

- 3.1 The Audited Statement of Accounts for 2021/22 be received and approved by the committee together with the Audit Findings Report 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 the financial statements.

7. **Equality Impact Assessment**

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

8. **Financial and Resource Implications**

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

9. **Major Risks**

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

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

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

10.1 Not applicable for this report.

11. **Key Decision Information**

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

12. **Earlier Cabinet/Committee Resolutions**

12.1 Not applicable for this report.

13. **List of Appendices**

Appendix 1: Audited Statement of Accounts for the Financial Year 2021/22

Appendix 2: Audit Findings – Grant Thornton

This page is intentionally left blank

Statement of Accounts

2021/22



Contents

	Guide to the Statement of Accounts	4
	Narrative Report	5
	Statement of Responsibilities	16
	Annual Governance Statement	17
	Comprehensive Income and Expenditure Statement	27
	Movement in Reserves Statement	28
	Balance Sheet	29
	Cash Flow Statement	30
1	Accounting Policies	31
2	Accounting Standards that have been issued but have not yet been adopted	42
3	Critical Judgements in applying Accounting Policies	42
4	Assumptions Made About the Future and Other Major Sources of Estimation	43
5	Events after the Reporting Period	45
6	Expenditure and Funding Analysis	46
7	Segmental Income and Expenditure	48
8	Adjustments Between Accounting Basis and Funding Basis	49
9	Movements in Earmarked Reserves	51
10	Other Operating Expenditure	51
11	Financing and Investment Income and Expenditure	51
12	Taxation and Non Specific Grant Income and Expenditure	51
13	Expenditure and Income Analysed by Nature	52
14	External Audit Costs	52
15	Members' Allowances	52
16	Termination Benefits	52
17	Officers' Remuneration	53
18	Grant Income	54
19	Property, Plant and Equipment	55
20	Investment Properties	58
21	Heritage Assets	58
22	Assets Held for Sale	59
23	Debtors	59
24	Creditors	59
25	Provisions	60
26	Unusable Reserves	60
27	Capital Expenditure and Capital Financing	63
28	Impairment Losses	63
29	Related Parties	63
30	Defined Benefit Pension Schemes	64

31	Contingent Assets and Liabilities	68
32	Financial Instruments	68
33	Nature and Extent of Risks Arising from Financial Instruments	69
34	Leases	71
	Collection Fund	73
	Glossary	76

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 found on the Council's website, details the Council's plans for the period incorporated 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)	2,661
Adjustments between accounting basis and funding basis (note 8-p49)	(132)
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 crematorium (£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 reprioritisation 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 provided 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 focused 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 £45.239m 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, Gartside Street, Manchester, M3 3EB

Further Information

Further information about the accounts is available from:

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

Comments

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

Approval of Statement of Accounts

The Accounts and Audit Regulations 2015 require the Statement of Accounts to be considered by and approved by a Council Committee or the Full Council and for the Statement to be signed at the meeting by the person presiding. This statement has been approved by the Audit and Standards Committee and this is evidenced by the signature of that Committee's Chair.

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

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance (Section 151 Officer),
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets,
- To approve the Statement of Accounts.

The Head of Finance (Section 151 Officer) - Responsibilities

The Head of Finance (Section 151 Officer) is the Council's statutory Section 151 Officer and as such is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) are required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 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

Page 26

- 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 policies

Executive Management Team

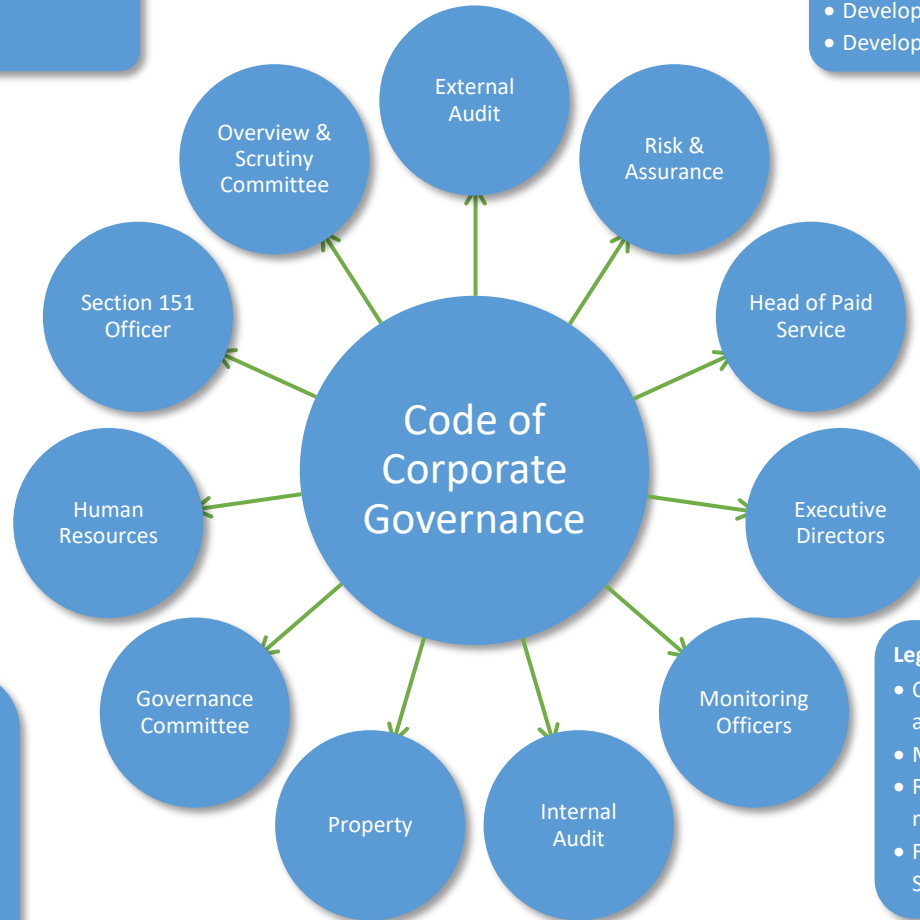
- Lead the Executive Management Team in driving forward strategic agenda
- Organise and manage service delivery
- Develop and deliver Council Strategy

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



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 focused 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.
	<ul style="list-style-type: none"> • Managing Risk: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> ▪ 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 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,*

- *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 focused 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	7,456	10,374
640	116	524	Corporate	1,146	78	1,068
62,849	37,856	24,993	Cost of services	61,766	39,255	22,511
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			2,661
		(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			(29,805)

- 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
2021/22	£000	£000	£000	£000	£000	£000
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	2,661	-	-	2,661	(32,466)	(29,805)
Adjustments between accounting & funding basis (Note 8-p49)	(132)	625	(169)	324	(324)	-
Increase/decrease in year	2,529	625	(169)	2,985	(32,790)	(29,805)
Balance at 31 March 2022 c/fwd	(10,899)	(264)	(2,869)	(14,032)	(10,500)	(24,532)
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 23-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)	2,661
(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	(16,943)
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	(4,058)
1,031	Net cash flows from investing activities	19,890
(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 2.7% (2.7% 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 debtors 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 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, including the year of acquisition. 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 debtors 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	6,951	3,423	10,374
(11,350)	11,874	524	Corporate	2,138	(1,070)	1,068
6,365	18,628	24,993	Net cost of services	16,339	6,172	22,511
(16,219)	(5,040)	(21,259)	Other income and expenditure	(13,810)	(6,040)	(19,850)
(9,854)	13,588	3,734	(Surplus) or deficit	2,529	132	2,661
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	(2,529)		
13,428			Closing General Fund/other useable reserves balance (MIRS-p28)	10,899		

- 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
2021/22	£000	£000	£000	£000
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)	(446)	-	(1,070)
Net cost of services	4,559	1,631	(18)	6,172
Other income and expenditure	(7,522)	1,482	-	(6,040)
Difference between General Fund surplus/deficit & Comprehensive Income & Expenditure Statement surplus or deficit on the provision of services	(2,963)	3,113	(18)	132

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
2020/21	£000	£000	£000	£000
Chief Executive	-	9	14	23
Resources & Support Services	174	28	(22)	180
Regeneration & Development	2,218	22	4	2,244
Operational Services	4,116	80	111	4,307
Corporate	12,238	(364)	-	11,874
Net cost of services	18,746	(225)	107	18,628
Other income and expenditure	(6,391)	1,351	-	(5,040)
Difference between General Fund surplus 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	199	-	-	(199)
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	(132)	625	(169)	(324)

2020/21	General Fund balance £000	Capital receipts reserve £000	Capital grants unapplied £000	Unusable reserves £000
Adjustments primarily involving - capital adjustment account				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation & impairment of non-current assets	(3,184)	-	-	3,184
Adjustment re. previous years impairment (PPE)	42	-	-	(42)
Revaluation losses on property, plant & equipment	(3,704)	-	-	3,704
Movements in fair value of investment properties	742	-	-	(742)
Amortisation of intangible assets	(4)	-	-	4
Reversal of REFCUS expenditure	(1,725)	-	-	1,725
Reversal of REFCUS income	716	-	-	(716)
Non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(2,536)	-	-	2,536
Capital element of finance leases where Council is the lessor	5	-	-	(5)
Application of capital grants received 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

The Council recognised the following as revenue grants received in advance:

31/03/2021 £000		31/03/2022 £000
	Revenue grants received in advance	
76	Coronavirus - Test and Trace	-
67	Coronavirus - Local Restrictions Support grant	-
1,634	Coronavirus - Additional Restrictions grant	-
507	DEFRA - Bus Retrofit	-
-	Council Tax Rebate grant	206
-	Social Housing Decarbonisation Fund	510
-	Coronavirus - Additional Relief Fund (NNDR)	2,409
-	Community Renewal Fund	134
2,284	Total	3,259

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
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 Kildgrove 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
	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
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:</i>	
(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)
	<i>Capital financing applied in the year:</i>	
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
	<i>Adjusting Amounts Written Out of Revaluation Reserve</i>	
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)

2020/21 £000		2021/22 £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
		Equities:		
5,879	-	- Consumer	5,643	-
6,309	-	- Manufacturing	4,605	-
1,672	-	- Energy & utilities	1,265	-
5,336	-	- Financial	6,006	-
3,802	-	- Health & care	6,342	-
6,470	-	- Information technology	7,294	-
164	-	- Other	-	-
29,632	-		31,155	-
		Bonds		
10,442	-	- Corporate (investment)	9,846	-
-	-	- Corporate (non-investment grade)	-	-
10,442	-		9,846	-
		Property		
-	11,581	UK	-	13,422
-	11,581		-	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
21.4		Longevity at 65 for current pensioners:	21.2	
24.0		Men	23.8	
		Women		
22.5		Longevity at 65 for future pensioners:	22.2	
25.7		Men	25.5	
		Women		
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
3,304	3,304	Financial Liabilities		
73	73	Creditors	2,588	2,588
		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
(66,472)	-	(66,472)	Income			
(1,036)	-	(1,036)	Council Tax Payers	(71,362)	-	(71,362)
-	-	-	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 creditors, borrowings, financial guarantees; assets - bank deposits, trade debtors, 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.

This page is intentionally left blank

The Audit Findings for Newcastle Under Lyme Borough Council

Year ended 31 March 2022

November 2022



Contents



Your key Grant Thornton team members are:

Andrew Smith

Key Audit Partner
T 0161 953 6472
E Andrew.J.Smith@uk.gt.com

Harkamal Vaid

Manager
T 0115 697 9365
E Harkamal.S.Vaid@uk.gt.com

Lisa Morrey

Assistant Manager
T 0121 232 5302
E Lisa.Morrey@uk.gt.com

Section

- 1. Headlines
- 2. Financial statements
- 3. Value for money arrangements
- 4. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

Page

- [3]
- [5]
- [18]
- [20]
- [23]
- [24]
- [25]
- [30]

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

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

[Insert Key Audit Partner Signature]

Name : Andrew Smith
For Grant Thornton UK LLP
Date :

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Newcastle Under Lyme Borough Council (‘the Council’) and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements	
<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (‘the Code’), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Council's financial statements give a true and fair view of the financial position of the Council and income and expenditure for the year; andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site/remotely during July-November. Our findings are summarised on pages 5 to 17.</p> <p>Our audit testing is ongoing, however to date, we have not identified adjustments to the financial statements that have resulted in an adjustment to the Council’s Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year’s audit are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none">Receipt of management representation letterReview of the final set of financial statements.Completion of operational land and buildings revaluations testingCompletion of expenditure completeness (post year end payments made) testingObtaining a response from the actuary with regards to a query raised on the valuation of the pension fund liabilityCash Flow statement agreementFinalisation of Manager and Engagement Lead review of various areas of work <p>We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified.</p>

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay has been shared with management and the Chair of the Audit and Standards committee. We expect to issue our Auditor's Annual Report by 31st January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks at this stage of the audit. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in January 2023.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unmodified audit opinion following the Audit and Standards Committee meeting on 14 November 2022. These outstanding items include:

- Receipt of management representation letter
- Review of the final set of financial statements.
- Completion of operational land and buildings revaluations testing
- Completion of expenditure completeness (post year end payments made) testing
- Obtaining a response from the actuary with regards to a query raised on the valuation of the pension fund liability
- Cash Flow statement agreement
- Finalisation of Manager and Engagement Lead review of various areas of work

Acknowledgements

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

2. Financial Statements

Page 98



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan in April 2022.

We detail in the table our determination of materiality for Newcastle Under Lyme Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,200,000	We determined materiality for the audit of the Council's financial statements as a whole to be £1.2m in our audit plan, which equated to approximately 2% of the Council's budgeted gross operating expenses in 2021/22. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Council has expended its revenue and other funding.
Performance materiality	840,000	Performance materiality drives the extent of our testing and this was set at 70% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: <ul style="list-style-type: none"> We are not aware of a history of deficiencies in the control environment. Senior financial management and key reporting personnel have remained stable from the prior -year audit
Trivial matters	60,000	Triviality is the threshold at which we will communicate misstatements to the Audit and Standards Committee.
Materiality for senior officer's remuneration	19,000	In accordance with ISA 320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals obtained the listing of journal entries and other adjustments in the year and reconciled this back to the trial balance to ensure it was complete analysed the journals listing and determined the criteria for selecting high risk unusual journals identified and tested 38 unusual journals made during the year and the accounts production stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness reviewed material estimates and judgements for evidence of material bias reviewed the accounting policies adopted by the Council. <p>No misstatements, management override of control or fraud was identified from our testing of unusual journals.</p> <p>We have reviewed the Council's material accounting estimates and have found these to be reasonable, with further details on pages 11 to 13. We note that the Council has disclosed estimation uncertainties for the recoverability of debtors and the business rates retention scheme in note 4. The audit team does not consider these items to have material estimation uncertainties therefore the Council should remove these disclosures to avoid obscuring material information. From our review of critical judgements in applying accounting policies, the Council has disclosed a critical judgement in note 3 in relation to the estimation of the net pension liability. The audit team does not consider this to be a critical judgement made by the Council. More detail on these items can be found in Appendix C.</p> <p>Our review of the accounting policies concluded that they were reasonable.</p> <p>From our testing we identified two control deficiencies, which are included in the action plan in Appendix A.</p> <p>During our review of journal user access rights in March 2022, we identified an individual who was due to start work at the Council and had access to the General ledger. This individual appointed never actually commenced work at the Council, however from our review of the users, their access was not removed until July 2022. From our review of the journals posted in 2021/22, we noted that this individual had not posted any journals, however we believe their access should have been removed in a more timely manner. The Council should review users with access to the general ledger periodically and remove access where it is not required.</p> <p>From our review of authorisation of journals, we identified 8 journals that had been posted and authorised by the same individual, who does not have self-authorisation access. We also identified 2 journals authorised by another individual, who does not have authorisation access. Management has confirmed that the system has controls in place to limit the authorisation function and prevent inappropriate instances of journal authorisation, which we have corroborated to supporting evidence, and has therefore contacted service provider Civica for further details.</p> <p>We have subsequently tested these journals and we are satisfied that these were legitimate journals and do not indicate management override of control.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Fraudulent revenue recognition (rebutted) £81.832m

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:

- there is little incentive to manipulate revenue recognition.
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Newcastle under Lyme Borough Council, mean that all forms of fraud are seen as unacceptable.

Therefore, we did not consider this to be a significant risk for Newcastle under Lyme Borough Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.

Whilst not a significant risk, as part of our audit work we have undertaken work on material revenue items. Our work has not identified any matters that would indicate our rebuttal was incorrect.

Fraudulent expenditure recognition (rebutted) £84.520m

Having considered the risk factors set out in Practice Note 10 and the nature of expenditure at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:

- there is little incentive to manipulate revenue recognition.
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Newcastle under Lyme Borough Council, mean that all forms of fraud are seen as unacceptable.

Therefore, we did not consider this to be a significant risk for Newcastle under Lyme Borough Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.

Whilst not a significant risk, as part of our audit work we have undertaken work on material expenditure items. Our completeness of expenditure testing identified two invoices that related to 2021/22 and no accrual was made. The value of this is an understatement of expenditure of £185,433. This error is not material.

Our work has not identified any matters that would indicate our rebuttal was incorrect, however our expenditure completeness (post year end payments made) testing is ongoing.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
<p>Valuation of land and buildings (inc Investment Properties and Surplus assets)</p> <p>Other Land and Buildings £31.309m Investment Properties £11.554m Surplus Assets £4.033m</p> <p>The Authority revalues its land and buildings on a rolling five-yearly basis and investment properties on an annual basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the processes, controls and assumptions put in place by management to ensure that the PPE valuation is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement; assessed the competence, capabilities and objectivity of management's experts [valuers] who carried out your PPE valuations; evaluated the instructions issued by management to their management expert [a valuer] for this estimate and the scope of the valuer's work; communicated with the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, particularly around obsolescence of assets, build costs, floor areas for DRC assets and yields and rents/market values for non-specialised properties. tested revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Council's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value <p>Our testing in this area is ongoing, however to date, we have identified the following errors:</p> <ul style="list-style-type: none"> From our investment property testing, an asset was incorrectly classified as an Investment Property when it should be classified as PPE. This asset was also incorrectly valued. This results in an overstatement of Investment Property by £55k and an understatement of PPE by £31k. We also identified another asset where the incorrect rental amount had been used in the calculation which resulted in the value of the asset being understated by £17k. Overall our findings show that Investment Property is overstated by £37k and PPE is understated by £31k. We have extrapolated these errors across the population which indicates that Investment Properties are overstated by £94k. This is not material but will be reported as an unadjusted misstated in Appendix C. We have noted some errors within our PPE disposals testing, which effected the prior year comparator figures in note 19. Disposals with a net book value of £693k were made in 2020/21, but not processed within the 2020/21 financial statements. This does not effect the closing balance of PPE as at 31st March 2022. Our work on land and buildings is ongoing, however to date we have not identified any issues. We have had ongoing discussions with our internal valuation expert and management with regards to the appropriateness of the valuation basis of Castle House, however we are yet to conclude on this work. <p>We have also considered the key judgements and estimates in relation to the valuation of land and buildings. Our findings can be found on pages 11 to 12.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability £45.239m

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£45.239m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

We have, relying where appropriate on work carried out by EY as auditors of the Staffordshire Pension Fund:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued to the management expert [actuary] for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary, through the Pension Fund, to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and documented and evaluated the controls surrounding the validity and accuracy of membership data;
- contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our testing to date has not identified any material issues in respect of the pension fund net liability.

Our work has identified a difference between the Actuary's assumption for the salary increase rate and the rate at which our auditor's expert states should be the salary increase rate. The Actuary have stated the rate used is 3.6%. Our expert has stated that this rate should be between CPI + (0.5 % - 2.5%) meaning at least 3.7%. The Actuary have included a sensitivity analysis within their report which states that if the salary increase rate increased by 0.1% the difference in the net liability would equate to approximately £394k. This is also reported in Note 4 of the financial statements. We have queried the assumption used with the actuary, Hymans Robertson, and we currently await their response.





We have also considered the key judgements and estimates in relation to the pension fund liability. Our findings can be found on page 13.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations (including Surplus Assets) – £35.342m	<p>Other land and buildings comprises £26.292m of specialised assets are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings (£5.015m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged their internal RICS qualified valuer to complete the valuation of properties as at 31st March 2022 on a five yearly cyclical basis. Surplus Assets of £4.033m are measured at fair value and are required to be revalued annually. 100% of total assets were revalued during 2021/22.</p> <p>Summarised how management have considered alternative estimates and addressed estimation uncertainty and the disclosure made in that respect.</p> <p>The total year end valuation of land and buildings was £35.342m, a net increase of £5.433m from 2020/21 (£28.909m).</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. This provided us with assurance over the completeness and accuracy of the underlying information used to determine the estimate evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuations were carried out tested on a sample basis revaluations of the Council's land and buildings during the year to ensure they have been input correctly into the Council's asset register and financial statements considered the appropriateness of the source date and key assumptions including comparable rental income and yields for the properties. <p>Our audit work is ongoing, however to date we have not identified any material issues with the estimate. We have had ongoing discussions with our internal valuation expert and management with regards to the appropriateness of the valuation basis of Castle House, however we are yet to conclude on this work</p>	TBC

Assessment

-  [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic nor cautious

2. Financial Statements - key judgements and estimates

Page 104

Significant judgement or estimate

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £11.554m	<p>The Council has engaged their internal RICS qualified valuer to complete the valuation of properties as at 31st March 2022. Investment Properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between the market participant at the measurement date).</p> <p>100% of total assets were revalued during 2021/22.</p> <p>The total year end valuation of investment property was £11.554m, a net decrease of £3.750m from 2020/21 (£15.304m).</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. This provided us with assurance over the completeness and accuracy of the underlying information used to determine the estimate evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuations were carried out tested on a sample basis revaluations of the Council's investment properties during the year to ensure they have been input correctly into the Council's asset register and financial statements considered the appropriateness of the source data and key assumptions including comparable rental income and yields for the properties. <p>Our testing in this area is ongoing, however to date, we have identified the following errors:</p> <ul style="list-style-type: none"> From our investment property testing, an asset was incorrectly classified as an Investment Property when it should be classified as PPE. This asset was also incorrectly valued. This results in an overstatement of Investment Property by £55k and an understatement of PPE by £31k. We also identified another asset where the incorrect rental amount had been used in the calculation which resulted in the value of the asset being understated by £17k. Overall our findings show that Investment Property is overstated by £37k and PPE is understated by £31k. We have extrapolated these errors across the population which indicates that Investment Properties are overstated by £94k. This is not material but will be reported as an unadjusted misstated in Appendix C. <p>We have satisfied ourselves in respect of the reasonableness of</p> <ul style="list-style-type: none"> the Council's valuations of investment properties of the decrease in the estimate the adequacy of the disclosure of estimate in the financial statements 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

- Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability – £45.239m

The Council's net pension liability at 31 March 2022 is £45.239m (PY £71.636m) comprising the Staffordshire Local Government Pension Scheme.

The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £26.397m net actuarial gain during 2021/22.

We have:

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

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.7%	2.7 – 2.75%	● Appropriate
Pension increase rate	3.2%	3.15 – 3.3%	● Appropriate
Salary growth	3.6%	3.7 – 5.7%	● Optimistic
Life expectancy – Males currently aged 45 / 65	22.2 / 21.2 years	21.4 – 24.3 / 20.1 – 22.7	● Appropriate
Life expectancy – Females currently aged 45 / 65	25.5 / 23.8 years	24.8 – 26.7 / 22.9 – 24.9	● Appropriate

We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Green** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

As identified above, the assumption used for salary growth is considered to be optimistic and is lower than our auditors expert's range. This leads to a lower net liability. The potential effect is assessed as £394k by the actuary and this is deemed to be immaterial. We have queried the assumption used with the actuary, Hymans Robertson, and we currently await their response.

- Identified no issues with the completeness and accuracy of the underlying information used to determine the estimate
- Confirmed there have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	<p>We are not aware of any related parties or related party transactions which have not been disclosed. In our 2020/21 audit, we identified directorships that were not disclosed by members via a search of Companies House. A control recommendation was made that the Council should undertake a completeness review to ensure all disclosure returns are received from Councillors and Senior officers. The Council also undertakes searches on Companies House to identify any undeclared directorships.</p> <p>In our testing this year, we have identified 4 members with directorships that were not disclosed or identified by the Council from their searches. Although we accept that there were no such transactions with the Council that would require them to be disclosed as Related Parties, the Council's processes should be stronger to identify undisclosed declarations. This has been reported in Appendix B.</p>
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.

2. Financial Statements - other communication requirements



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

2. Financial Statements - other communication requirements

Page 108



Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness.. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the reporting threshold.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit of Newcastle Under Lyme Borough Council in the audit report, as our work on VFM is still to be completed.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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



Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay has been shared with management and the Chair of the Audit and Standards committee. We expect to issue our Auditor's Annual Report by 31st January 2013. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work on this risk is underway and we have not identified any risks at this stage of the audit.

4. Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Details of fees charged are detailed in Appendix D.

Transparency

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

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to November 2022, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	18,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £18,000 in comparison to the total fee for the audit of £68,952 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

Controls

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

Our audit work is ongoing, however to date, we have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	Journal user access rights During our review of journal user access rights in March 2022, we identified an individual who was due to start work at the Council and had access to the General ledger. This individual appointed never actually commenced work at the Council, however from our review of the users, their access was not removed until July 2022. From our review of the journals posted in 2021/22, we noted that this individual had not posted any journals, however we believe their access should have been removed in a more timely manner	The Council should review users with access to the general ledger periodically and remove access where it is not required. Management response Users are reviewed on a regular basis, users are unable to access the system without access to their main Council account – these are suspended immediately when a member of staff leaves the authority
High	Journals authorisation and lack of segregation of duties From our review of authorisation of journals, we identified 8 journals that had been posted and authorised by the same individual, who does not have self-authorisation access. We also identified 2 journals authorised by another individual, who does not have authorisation access. Management has confirmed that the system has controls in place to limit the authorisation function and prevent inappropriate instances of journal authorisation, which we have corroborated to supporting evidence, and has therefore contacted service provider Civica for further details.	The Council need to investigate how journals were authorised by those without sufficient authority. Management response Civica have been contacted and the system has been updated, it is no longer possible for this to occur.
Medium	Capital accounting cut-off procedures From our testing of PPE disposals, we identified 15 assets that were included within the 2021/22 account, which were disposed of in the previous financial year. These assets did not have a material net book value that would warrant a Prior Period Adjustment, however the Council should review processes and controls in place to ensure the completeness of their accounts.	The Council should improve their processes for identifying asset disposals for accounts purposes. This will promote improved communication processes between the relevant departments and the finance team. Management response Officers will be reminded of their responsibilities for ensuring that assets for which they are responsible on the asset register are fully reviewed. A full review was undertaken as part of the 2021/22 accounts which identified and appropriately accounted for the assets being referred to.

B. Follow up of prior year recommendations

We identified the following issues in the audit of Newcastle Under Lyme Borough Council's 2020/21 financial statements, which resulted in 1 recommendation being reported in our 2020/21 Audit Findings report.

We have followed up on the implementation of our recommendation and note that this has been partially addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially addressed	<p>Completeness of register of interests</p> <p>Our testing on related parties identified directorships that were not disclosed by members via a search of Companies House. From a review of these identified financial interests, we identified one transaction with a community centre, where a member is a related party, that was not disclosed in the financial statements.</p> <p>Recommendations:</p> <p>At least once per year, the Council should undertake a completeness review of related parties including: Ensuring all disclosure returns are received from Councillors and Senior Officers including nil declarations. . Undertaking searches on Companies House to identify any undeclared directorships.</p>	<p>The Council undertakes a completeness review of related parties including ensuring all disclosure returns are received from Councillors and Senior Officers including nil declarations. The Council also undertakes searches on companies house to identify any undeclared directorships.</p> <p>From our testing, we have identified 4 members with directorships that were not disclosed or identified by the Council from their searches of Companies House. Although we accept that there were no such transactions with the Council that would require them to be disclosed as Related Parties, the Council's processes should be stronger to identify undisclosed declarations.</p>

C. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Our audit work is ongoing, however to date, we have not identified any adjusted misstatements.			
Overall impact	£X,XXX	£X,XXX	£X,XXX

C. Audit Adjustments

Misclassification and disclosure changes

Our audit work is ongoing, however to date, the table below provides details of misclassification and disclosure changes identified during the audit which are to be made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Narrative Report	We have identified a figure within the Narrative Report relating to the pension liability, which was not consistent with the financial statements. This was an error within the narrative report as the figure had not been updated accordingly and has been agreed to be amended by management.	Yes
Accounting Policies	Accounting policy vii – Employee Benefits states that liabilities are discounted to their value at current prices, using a discount rate of 2%. We have reviewed the IAS19 report, which discloses the discount rate at 2.7%. The accounting policy was incorrect rolled forward from the prior year, for which management have agreed to update the accounting policy to be consistent with the IAS19 report.	Yes
Accounting Policies	From our work on the depreciation figure within the financial statements, we have identified that the Council depreciated assets in the year of acquisition. We deem this to be reasonable, however this is not clearly documented within the Council's accounting policy for Property, Plant and Equipment. We have recommended for the accounting policy to be updated for which management have agreed.	Yes
Expenditure and Funding analysis (EFA)	From our work on Note 6 – EFA, we have identified a number of inconsistencies between the figures within this note and Note 8 – Adjustments between accounting basis and funding basis, where we would expect figures to be consistent. This has been raised with management who have agreed to amend note 6, note 8 and note 27 (Capital expenditure and financing) to ensure that the disclosure notes are all consistent.	Yes
Note 3 - Critical Judgements in Applying Accounting Policies	As per the CIPFA code, this note should only include items where management make critical judgements in applying accounting policies. The Council have made a disclosure with regards to the estimation of the net pension liability. The audit team do not consider this to meet the definition of a critical judgement. Management have decided not to remove these estimates given that these items were reported to Audit and Standards committee for inclusion on the same basis for the 2020/21 financial statements and will recommend to the committee for a lesser disclosure in future years	No

C. Audit Adjustments

Misclassification and disclosure changes

Our audit work is ongoing, however to date, the table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 4 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	As per the CIPFA Code, this note should only include estimates that have a significant risk of resulting in material adjustments to the carrying amount of assets/liabilities within the financial year. We have identified that the Council have disclosed estimation uncertainty for the recoverability of debtors and the business rates retention scheme, which the audit team do not consider to have a material uncertainty, therefore should remove these disclosures to avoid obscuring material information. Management have decided not to remove these estimates given that these items were reported to Audit and Standards committee for inclusion on the same basis for the 2020/21 financial statements and will recommend to the committee for a lesser disclosure in future years	No
Cash Flow Statement	We noted that the 'Other receipts from investigating activities' was incorrectly disclosed as £4,085k rather than £4,058k. This was a transposition error which has now been updated.	Yes

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below. Our audit work is ongoing, however to date, we have identified the following unadjusted misstatements:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Completeness of Expenditure Our invoice received testing identified two invoices that related to 2021/22 and no accrual was made. The value of this is an understatement of expenditure of £185k.	Debit Expenditure £185	Credit Payables £185	Decrease Surplus £185	These transactions are not material to warrant an adjustment.
Investment Property As on page 10, from our sample testing we have estimated that Investment Properties are overstated by £94k.	Debit Financing and Investment Income/Expenditure £94k	Credit Investment Properties £94	Decrease Surplus £94	This was an extrapolated error, therefore an adjustment would not be made.
Overall impact	£279	(£279)	£279	

C. Audit Adjustments



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Testing of the source data used for the revaluation of other land and buildings identified four properties where the internal area used in the valuation was incorrect. This resulted in the valuations for these properties being understated.		Cr Other Land and Building 140 Dr Revaluation Reserve 140		Not considered material – will be addressed as part of the 2021/22 revaluation process
Testing of Other Land and Buildings identified one property that did not meet the criteria for being classified as a Other Land and Buildings and should have been recorded as an Investment Property as it is being held for capital appreciation.		Dr Other Land and Building 165 Dr Investment Properties 165		Not considered material – will be addressed as part of the 2021/22 revaluation process
Overall impact	£0	£0	£0	

D. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£68,952	£68,952
Total audit fees (excluding VAT)	£68,952	£68,952

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Certification of Housing Benefit Claim	£18,000	TBC – work is yet to be completed
Total non-audit fees (excluding VAT)	£18,000	TBC

Details of variations in final fees from the proposed fee per the audit plan

We have provided a reconciliation between the audit fee and the financial statements. See note 14 of the financial statements:

- External audit services carried out £69k – this agrees to our external audit fee.
- Certification of grant claims and returns £13k – this agrees to the 2020/21 certification fee so has been assumed to be carried forward by the Council.
- Total fees per above are £82k.
- Differences relates to the uplifted housing benefit claim fee in 2021/22 of £6k.



This page is intentionally left blank



Our ref:

Your ref:

Date:

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

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

Dear Sirs

Newcastle Under Lyme Borough Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Newcastle Under Lyme Borough Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of Other Land and Buildings, Investment Properties and the Net Pension Liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

- xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xvi. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 14th November 2022.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
14 November 2022

Report Title: Treasury Management Half Yearly Report 2022/23

Submitted by: Head of Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To receive the Treasury Management Half Yearly Report for 2022/23 and to review the Treasury Management activity for this period.

Recommendation

That the Treasury Management Half Yearly Report for 2022/23 be received.

Reasons

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year.

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

1. Background

- 1.1 The CIPFA Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.
- 1.2 This report therefore ensures that this Council is embracing Best Practice in accordance with CIPFA's recommendations in the CIPFA Code of Practice.
- 1.3 Treasury Management operations are carried out in accordance with policies laid down in the currently approved Treasury Management Policy Statement, backed up by approved Treasury Management Practices and Schedules thereto, and the Treasury Management Strategy Report approved by Council on 23 February 2022.

2. Issues

- 2.1 The Treasury Management Half Yearly Report for 2022/23 is attached at Appendix 1. The economic background included in the report has been provided by the Council's Treasury Management Advisors, Arlingclose.

3. **Proposal**

3.1 That the Treasury Management Half Yearly Report for 2022/23 be received.

4. **Reasons for Proposed Solution**

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

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

5. **Options Considered**

5.1 Provision of the Treasury Management Half Yearly report is best practice and demonstrates the transparency regarding treasury management activities during the first half of 2022/23.

6. **Legal and Statutory Implications**

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

7. **Equality Impact Assessment**

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

8. **Financial and Resource Implications**

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

9. **Major Risks**

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

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

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

10. **Sustainability and Climate Change Implications**

10.1 Not applicable.

11. **Key Decision Information**

11.1 Not applicable as report is for information only.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Council, 23 February 2022, agenda item 4 – Treasury Management Strategy 2022/23.

13. **List of Appendices**

13.1 Appendix 1, Treasury Management Half Yearly Report 2022/23.

14. **Background Papers**

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

This page is intentionally left blank

Treasury Management Half Yearly Report – 2022/23**1. Background**

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

Accordingly Treasury Management is defined as:

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

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

2. Introduction

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

The Council’s treasury management strategy for 2022/23 was approved at a meeting on 23 February 2022. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council’s treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council’s Capital Strategy, complying with CIPFA’s requirement, was approved by full Council on 23 February 2022.

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

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

The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the ‘fiscal event’ increased uncertainty further.

The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.

Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were in all likelihood recessions in those regions.

UK inflation remained extremely high. Annual headline Consumer Price Index Inflation (CPI) hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August. Retail Price Index Inflation (RPI) registered 12.3% in both July and August. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October, which would have seen households with average energy consumption pay over £3,500 per annum, was dampened by the UK government stepping in to provide around £150 billion of support to limit bills to £2,500 annually until 2024.

The labour market remained tight through the period but there was some evidence of easing demand and falling supply. The unemployment rate for April fell to 3.8% and declined further to 3.6% in July. Although now back below pre-pandemic levels, the recent decline was driven by an increase in inactivity rather than demand for labour. Pay growth in July was 5.5% for total pay (including bonuses) and 5.2% for regular pay. Once adjusted for inflation, however, growth in total pay was -2.6% and -2.8% for regular pay.

With disposable income squeezed and higher energy bills still to come, consumer confidence fell to a record low of -44 in August, down -41 in the previous month. Quarterly Gross Domestic Product (GDP) fell -0.1% in the April-June quarter driven by a decline in services output, but slightly better than the 0.3% fall expected by the Bank of England. The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. August's rise was voted by a majority of 8-1, with one MPC member preferring a more modest rise of 0.25%. The September vote was 5-4, with five votes for an 0.5% increase, three for an 0.75% increase and one for an 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected.

On 23rd September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve market stability through the purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100bps in a single day.

Bank of England policymakers noted that any resulting inflationary impact of increased demand would be met with monetary tightening, raising the prospect of much higher Bank Rate and consequential negative impacts on the housing market.

After hitting 9.1% in June, annual United States inflation eased in July and August to 8.5% and 8.3% respectively. The Federal Reserve continued its fight against inflation over the period with a 0.5% hike in May followed by three increases of 0.75% in June, July and September, taking policy rates to a range of 3% - 3.25%.

Eurozone CPI inflation reached 9.1% y/y in August, with energy prices the main contributor but also strong upward pressure from food prices. Inflation has increased steadily since April from 7.4%. In July the European Central Bank increased interest rates for the first time since 2011, pushing its deposit rate from –0.5% to 0% and its main refinancing rate from 0.0% to 0.5%. This was followed in September by further hikes of 0.75% to both policy rates, taking the deposit rate to 0.75% and refinancing rate to 1.25%.

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

CIPFA published its revised Treasury Management Code of Practice [the TM Code] and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the two Codes took immediate effect.

5. Arlingclose’s Economic Outlook for the remainder of 2022/23 (based on 26th September 2022 interest rate forecast)

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	2.25	4.25	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.75	4.25	3.75	3.25
Downside risk	0.00	-1.00	-1.00	-0.75	-0.50	-0.50	-0.50	-0.75	-1.25	-1.50	-1.75	-1.75	-1.75

Arlingclose expects Bank Rate to rise further during 2022/23 to reach 5% by the end of the year.

The MPC is particularly concerned about the demand implications of fiscal loosening, the tight labour market, sterling weakness and the willingness of firms to raise prices and wages.

The MPC may therefore raise Bank Rate more quickly and to a higher level to dampen aggregate demand and reduce the risk of sustained higher inflation. Arlingclose now expects Bank Rate to peak at 5.0%, with 200bps of increases this calendar year.

This action by the MPC will slow the economy, necessitating cuts in Bank Rate later in 2024.

Gilt yields will face further upward pressure in the short term due to lower confidence in UK fiscal policy, higher inflation expectations and asset sales by the BoE. Given the recent sharp rises in gilt yields, the risks are now broadly balanced to either side. Over the longer term, gilt yields are forecast to fall slightly over the forecast period.

6. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy for 2022/23 was approved by Full Council on 23 February 2022. The Council's annual Investment Strategy, which is incorporated in the Treasury Management Strategy, outlines the Council's investment priorities as follows:

- Security of Capital
- Liquidity

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

Investments during the first six months of the 2022/23 financial year have been in line with the strategy, and there have been no deviations from the strategy.

It is considered that the strategy approved on 23 February 2022 is still fit for purpose in the current economic climate.

7. Investment Portfolio 2022/23

In accordance with the CIPFA Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As detailed in section 3, The Bank of England has increased the official Bank Rate from 0.75% to 2.25% during the period. This has fed through into increasing investment returns.

The Council held investments of £30.3m as at 30 September 2022; £26.5m was placed in the Debt Management Account Deposit Facility (DMADF) with the DMO, £2m was held in the Public Sector Deposit Fund, and £1.8m was held in the Council's Lloyds Current Account for liquidity. In comparison £15.5m was held as at 31 March 2022; £14.0m in the DMADF and £1.5m in the Lloyds Current Account. Investments held have been with institutes with a credit rating of A+ or above. This is greater than the average portfolio credit rating target of A or above set in the Council's Treasury Management Strategy 2022/23.

Funds available for investment purposes during 2022/23 to date have varied throughout the year, with up to £30.3m being available for investment, mainly due to the central government funding received to support small and medium businesses during the coronavirus pandemic and advances of the Town Deal and Future High Streets funding streams. There are fluctuations due to cash inflows and outflows during each month. Large cash inflows include council tax and business rate direct debits and the Housing Benefit subsidy from the Department for Work and Pensions. Large cash outflows include payment of the precepts to Staffordshire County Council, the Fire Authority and the Police, payment of salaries and payment of business rates to Central Government and the Staffordshire Business Rate pool.

The investment portfolio yield for the first six months of the year is 1.13%, at 30 September 2022 this yield was 1.88%. The Council's budgeted investment return for 2022/23 is nil. As at the end of the first 2 quarters of 2022/23 £117,181.96 of interest has been earned.

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money

is to strike an appropriate balance between risk and return, minimising the risk of incurring losses.

Throughout 2022/23 to date, there has been zero interest on the Lloyds Current Account, and up to 1.945% from the DMADF. The return on Money Market Funds net of fees produced returns of up to 1.9551%.

8. Borrowing Position 2022/23

The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. During the first six months of 2022/23 no borrowing has taken place, however it is envisaged that borrowing will be required to cover short-term cash flow deficits together with the capital programme.

With short-term interest rates remaining lower than long-term rates, the Council consider it to be more cost effective in the near term to use internal resources or borrow on a short-term basis. This is also in line with advice provided by Arlingclose Ltd.

However, a need to borrow in order to fund the Council's capital programme was included within the Revenue and Capital Budgets and Strategies 2022/23 reports presented to Council on 23 February 2022. The impact of borrowing is included in the Medium Term Financial Strategy pressures for 2022/23 and future years.

Borrowing Update

Local authorities can borrow from the Public Works Loan Board (PWLB) provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 Officer. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.

The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able fully access the PWLB.

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.

9. Prudential Indicators 2022/23

Treasury management activity during the first half year has been carried out within the parameters set by the prudential indicators contained in the approved 2022/23 Treasury

Management Strategy. Consequently, there is no intention to revise any of the indicators for the remainder of the year.

10. Compliance

The Head of Finance (S151 Officer) reports that all treasury management activities undertaken during the year to date have complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

Compliance with debt limits:

	Q1 & Q2 2022/23 Maximum	30.09.22 Actual	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied?
Borrowing	£0m	£0m	£75m	£85m	Yes

Compliance with investment limits:

	Q1 & Q2 2022/23 Maximum	30.09.22 Actual	2022/23 Limit	Complied?
The UK Government	£26.5m	£26.5m	Unlimited	Yes
Local authorities & other government entities	£0m	£0m	£7m	Yes
Secured investments	£0m	£0m	£7m	Yes
Banks (unsecured)	£7m	£1.8m	£7m	Yes
Building societies (unsecured)	£0m	£0m	£7m	Yes
Registered providers (unsecured)	£0m	£0m	£10m	Yes
Money market funds	£2m	£2m	£7m	Yes
Other Investments	£0m	£0m	£7m	Yes

Annex A

Treasury Management – Glossary of Terms

- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations.
- **CPI** – a measure that examines the weighted average of prices of a basket of consumer goods and services. The Consumer Price Index is calculated by taking price changes for each item in the predetermined basket of goods/services and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.
- **DMADF** – is provided by the DMO as part of its cash management operations and in the context of a wider series of measures designed to support local authorities' cash management.
- **DMO** – The Debt Management Office is an Executive Agency of Her Majesty's Treasury responsible for debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.
- **GDP** – Gross Domestic Product is the market value of all officially recognised final goods and services produced within a country in a given period of time.
- **Liquidity** – relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **MPC** – the Monetary Policy Committee (MPC) is a committee of the Bank of England, which meets for three and a half days, eight times a year, to decide the official interest rate in the United Kingdom (the Bank Rate).
- **PWLB** – is a statutory body operating within the United Kingdom Debt Management Office. PWLB's function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.

This page is intentionally left blank

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
14 November 2022

Report Title: Internal Audit Update Quarter 2

Submitted by: Chief Internal Auditor, Clare Potts

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To report on the position regarding Internal Audit during the period 1 July to 30 September 2022.

Recommendation

That

1. That Members consider the report

Reasons

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

1. Background

- 1.1 The Internal Audit Plan for 2022/23 allows for 291 days of audit work.
- 1.2 This is the second progress report of the current financial year presented to the Committee.
- 1.3 As audit resources are finite, it is important to target these resources at areas considered to be high risk (where risk includes potential impact on the delivery of the council's objectives) and high priority, ahead of medium/low ranked audits. In this way the audit resource will be most efficiently utilised and will produce the greatest benefit. The internal audit plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. Any variations or developments; significant matters that jeopardise the delivery of the plan or require changes to the plan will be reported to the Audit & Standards Committee at the earliest opportunity. Where requests are received to undertake consulting engagements, consideration will be given to their potential to improve the management of risks, to add value and to improve the council's operations.

2. Issues

Audit reviews

- 2.1 During quarter 2 a number of reviews that began in previous quarters were finalised. See table 1 over for details.

Table 1 – Audits Completed in the Quarter Ending September 2022

Audit	Level of Assurance	Number of Recommendations			
		High	Medium	Low	Total
Planning Enforcement	Marginal (Neutral)	0	5	8	13
Risk Management (Corporate)	Satisfactory (Positive)	0	1	8	9
Trade Waste Services (Income)	Marginal (Neutral)	0	7	2	9
Council Tax and Housing Benefit Overpayment (Consultancy Report)	Without Opinion	0	0	1	1

2.2 Of the four reports issued, two received marginal opinions; the main weaknesses identified in these reports are outlined below:

Planning Enforcement

At this audit 13 recommendations were made (five medium risks and eight low risks), with the resultant audit opinion of 'Marginal'. The key areas which required improvement were in respect of the management of caseloads, the processing of complaints, and the monitoring of performance

Trade Waste

At this audit nine recommendations were made (seven medium risks and two low risks), with the resultant audit opinion of 'Marginal'. The key areas which required improvement were in respect of the services financial and budgetary framework and management, and the maintenance of stock records.

2.3 Opinions for the above reviews are classified as follows:

Table 2 – Opinion Definitions

Level of Assurance	Detailed definition of level of assurance
Good (Positive)	A good level of effective control, which allows reliance to be placed on the management of the system.
Satisfactory (Positive)	A satisfactory level of control. However, some control weaknesses have been identified which need to be corrected in order to move up to a good level of control.
Marginal (Neutral)	A number of weaknesses have been identified which make it difficult to place reliance on the operation of the internal control framework. Improvements are required to increase the adequacy and effectiveness of control.

Unsatisfactory (negative)	A number of significant weaknesses have been identified which make it difficult to place reliance on the operation of the internal controls. Significant improvements are required to increase the adequacy and effectiveness of control.
Unsound (negative)	At least one fundamental absence or weakness exists which places the system open to major error, waste, loss or abuse. Fundamental weaknesses need immediate action to improve the control environment.

2.4 At the end of quarter 2 a number of audit work remains in progress, details are provided in table 3 below.

Table 3 –Audits In Progress at the end of September 2022

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	Payroll	Draft
	Income Health Check	Preparation
	Purchase to Pay Health Check	Preparation
IT Audit	IT – Home Working	Preparation
Regulatory Services	Disabled Facilities Grant 2021/2022	Since issued
Corporate	Procurement and Contract Management	Preparation
	Project Governance	Fieldwork

2.5 As in the previous quarters, the internal audit team continue to be available to provide advice and guidance to services as required. The annual internal audit plan also remains under regular review to support the production of the annual opinion at the year end.

Number of Recommendations Implemented

2.6 At the conclusion of every audit, an audit report is issued to management detailing findings of the audit review together with any recommendations required to be implemented to address any weaknesses identified.

2.7 Up to the end of September 2022, 325 recommendations had been made, of which 274 have been implemented, which represents 84%; the target for the implementation of all recommendations is 96% by the end of the financial year. Appendix A provides further details.

3. Proposal

3.1 The internal audit plan for 2022/23 remains under review to ensure best use of available resources.

4. **Reasons for Proposed Solution**

4.1 The audit plan is monitored on a regular basis to ensure that it is achievable and reflects the key risks affecting the council.

5. **Options Considered**

5.1 None

6. **Legal and Statutory Implications**

6.1 The Accounts and Audit Regulations 2015 require the Council to 'maintain an adequate and effective system of internal control in accordance with the proper internal audit practices'.

7. **Equality Impact Assessment**

7.1 There are no equality impact issues identified from this proposal.

8. **Financial and Resource Implications**

8.1 The service is currently on target to be provided within budget. The financial implications resulting from the recommendations made within audit reports will be highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.

9. **Major Risks**

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

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

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

10. **UN Sustainable Development Goals and Climate Change Implications**

10.1 Not applicable.

11. **Key Decision Information**

11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Approval of the Internal Audit Plan for 2022/23 (Audit and Standards Committee April 2022).

13. **List of Appendices**

13.1 Appendix A – Outstanding internal audit recommendations

14. **Background Papers**

14.1 Internal Audit Plan 2022/23.

This page is intentionally left blank

Summary of Overdue Audit Recommendations at the end of September 2022

Directorate	Total Number of Recommendations	Number of Recommendations Completed	Number of Recommendations Not Completed	Number of Recommendations				
				Not Yet Due	Overdue for Implementation*			
					High	Medium	Low	Total
Chief Executives	178	153	25	1	2	15	7	25
Regeneration & Development Services	25	14	11	11	0	0	0	11
Operational Services	77	69	8	7	0	1	0	8
Corporate Reviews	45	38	7	7	0	0	0	7
Total	325	274	51	26	2	16	7	51

* includes recommendations where extensions have been agreed

This page is intentionally left blank

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	CANCELLED
7 September 2022	<ol style="list-style-type: none"> 1. Q1 Internal Audit Progress Report 2022/23 2. Q1 Corporate Risk Management Report
14 November 2022	<ol style="list-style-type: none"> 1. Treasury Management Half Yearly Report 2. Audited Accounts for 2021/22 3. Q2 Internal Audit Progress Report
6 February 2023	<ol style="list-style-type: none"> 1. Q3 Internal Audit Progress Report 2. Q2 Corporate Risk Management Report 3. Q3 Corporate Risk Management Report 4. Annual Audit Letter 2021/22
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

This page is intentionally left blank