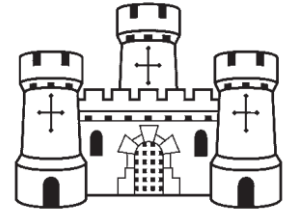


Public Document Pack

Date of meeting Tuesday, 30th May, 2023
Time 7.00 pm
Venue Queen Elizabeth II Room - Castle
Contact Geoff Durham



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

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

Audit and Standards Committee

AGENDA

PART 1 – OPEN AGENDA

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST**
To receive Declarations of Interest from Members on items included in the agenda
- 3 **MINUTES OF PREVIOUS MEETING** (Pages 3 - 6)
To consider the minutes of the previous meeting(s).
- 4 **PROPOSED ACCOUNTING POLICIES** (Pages 7 - 26)
- 5 **ANNUAL GOVERNANCE STATEMENT 2022/23** (Pages 27 - 38)
- 6 **DRAFT STATEMENT OF ACCOUNTS** (Pages 39 - 126)
- 7 **UPDATED FINANCE AND CONTRACT PROCEDURE RULES** (Pages 127 - 214)
- 8 **WORK PROGRAMME** (Pages 215 - 216)
- 9 **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), Burnett-Faulkner (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 :- 16+= 5 Members; 10-15=4 Members; 5-9=3 Members; 5 or less = 2 Members.

SUBSTITUTE MEMBER SCHEME (Section B5, Paragraph 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:	Panter	Lawley
	Parker	Northcott
	Gorton	Reece
	S Jones	

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

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

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

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

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

Agenda Item 3

Audit and Standards Committee - 17/04/23

AUDIT AND STANDARDS COMMITTEE

Monday, 17th April, 2023
Time of Commencement: 7.00 pm

[View the agenda here](#)

[Watch the meeting here](#)

Present: Councillor Paul Waring (Chair)

Councillors: Panter Whieldon Brockie
Holland Stubbs

Apologies: Councillor(s) Talbot

Substitutes:

Officers: Daniel Dickinson Service Director - Legal & Governance /Monitoring Officer
Sarah Wilkes Service Director - 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
Andrew Smith External Auditor, Grant Thornton

1. **APOLOGIES**

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

3. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 6th February 2023 be agreed as a correct record.

4. **INTERNAL AUDIT PLAN 2023/24**

The Chief Internal Auditor presented the Internal Audit Plan for 2023/24, a risk based plan also including the Internal Audit Charter. A Corporate Fraud Service was provided by Stoke-on-Trent and a rolling programme of review had been put in place resulting in a shorter list of key financial systems. Consultancy support was also now available.

The Chair asked if anything specific related to the town deals and major projects within the Audit Plan. It was confirmed that major projects had been taken into account and that the team was currently in the process of doing the Town deal Audit from the previous year, to be expected around the first or second quarter.

The Chair requested that more information be provided about the town deals audited, which the Chief Internal Auditor suggested to do as part of the quarterly audit update.

Cllr Stubbs asked the following questions and responses were provided as follows:

- What was the stage of the agreement with Stoke-on-Trent City Council and was the contract going to be reviewed prior to renewal? – The three years original contract was just coming to an end and a paper was about to be taken to Cabinet to extend the agreement for another year. A value for money exercise would be done.
- Could more information be provided about major risks and how to make sure these were addressed? – Officers were scanning the horizon and pulling out the information from a lot of sources, also looking at previous audit work and new potential risks. A review of major risks was included in quarterly audit updates.
- How were the Internal Audit Plan days allocated? – The audit was planned on a risk base.

Cllr Brockie wished to know how the Council coped with unforeseen situations and political variations. Officers responded that while everything could not be anticipated the Audit plan provided a framework to work within and was reviewed on a regular basis. It was reminded that an audit was only a snapshot in time, hence the quarterly updates, yearly horizon scanning and use of multiple sources of assurances.

- Resolved:**
1. That in accordance with the Committee's terms of reference, the Internal Audit Plan for 2023/24 be approved.
 2. That the Internal Audit Charter for 2023/24 which sets out how the plan will be delivered be approved.
 3. That the Committee agreed to receive quarterly reports on the delivery of the assignments within the plan and on the implementation of actions arising.

[Watch the debate here](#)

5. **CORPORATE FRAUD ARRANGEMENTS 2023/24**

The Service Director for Finance (Section 151 Officer) introduced the report on Counter Fraud Arrangements along with the Council policies currently in place.

Cllr Stubbs wished to highlight the importance of the report and for members to take note of their content and notably the Nolan Principles.

- Resolved:** That the following policies which support the Counter Fraud function be noted:
1. Anti-Fraud and Anti-Corruption Framework;
 2. Fraud Response Plan;
 3. Whistleblowing Policy;
 4. Anti-Money Laundering Policy.

[Watch the debate here](#)

6. RISK MANAGEMENT POLICY & STRATEGY 2023/24

The Service Director for Legal and Governance introduced the report on Corporate Risk Policy Statement and Strategy 2023/24 setting out how risks were identified, logged in and managed as well as how to mitigate or escalate them. A training session had taken place before the meeting and changes to the evaluation Matrix had been discussed to make the reports clearer to understand.

Resolved: (a) That the reviewed Risk Management Policy and Strategy for the 2023/24 year be accepted subject to changes.

(b) That the Chief Executive and Leader would sign the Policy Statement approved by the Committee be noted.

(c) That the Committee own respective responsibility in risk management be noted.

[Watch the debate here](#)

7. EXTERNAL AUDIT ANNUAL REPORT

The External Auditor introduced his annual report. There weren't any significant weaknesses identified in any of the Council's value for money arrangements across the three thematic areas – those being financial sustainability, governance, and improving economy, efficiency and effectiveness. Nine improvement recommendations were raised for strengthening the Council's arrangements.

Cllr Stubbs asked the following questions and responses were provided as follows:

- On recommendation 2, why did the management take a different approach? – A commercial strategy had been introduced just before the pandemic hit which resulted in a need to adapt and make alternative arrangements. A new strategy was being kick-started with saving plans moving forwards and looking at a horizon of four to five years.
- On recommendation 4, had the review referred to started? – This was one of the previous year's recommendations that the Council hadn't been able to fulfil. A budget monitoring report was produced every month and going to the leadership team. Presenting the data in a user friendly format for members was being implemented progressively in consideration with the capacity of the Finance team.
- Had recommendation 5 to appoint two independent members to the Committee be implemented? – It hadn't been implemented yet but discussions were taking place so that the appointments can be advertised.
- What was the situation with regard to recommendation 8 about identifying dispensations from standard procurement policies and update the Financial Regulations? – The team was currently working on updating the Financial Regulations with this recommendation in mind.
- Could the Committee expect the recommendations to be completed during the financial year? – Yes and some of them already were.

Audit and Standards Committee - 17/04/23

The Deputy Leader wished to remind members that the report had only just been received by the Service Director for Finance (S151 Officer).

Resolved: That the Auditor's Annual Report for 2021/22 be received.

[Watch the debate here](#)

8. COMMITTEE WORK PLAN 2023/24

Due to a change in draft accounts deadlines it was agreed that the June meeting would be moved to the 30th May 2023 so that documents could be approved on time.

Resolved: That the work plan be received.

[Watch the debate here](#)

9. URGENT BUSINESS

There was no urgent business.

**Councillor Paul Waring
Chair**

Meeting concluded at 7.42 pm

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
30 May 2023

Report Title: Proposed Accounting Policies, Critical Accounting Judgements and Sources of Estimation Uncertainty for the 2022/23 Statement of Accounts

Submitted by: Service Director for Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To report upon the proposed Accounting Policies and the Council's critical judgements in applying Accounting Policies and its assumptions made about the future and other major sources of estimation uncertainty that will form part of the 2022/23 Statement of Accounts.

Recommendation

- 1. The proposed Accounting Policies that will form part of the 2022/23 Statement of Accounts be approved.**
- 2. The Council's assumptions made about the future and other major sources of estimation uncertainty that will form part of the 2022/23 Statement of Accounts be approved.**
- 3. To delegate to the Service Director for Finance (Section 151 Officer) the ability to make further changes to the proposed Accounting Policies to reflect the release of new or updated guidance if applicable.**

Reasons

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

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

1. Background

Accounting Policies

- 1.1** The preparation of the Statement of Accounts is governed by the Accounts and Audit Regulations 2015. The format of the Statement of Accounts reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standards (IFRS) – a set of evolving accounting rules used internationally to guide the formation of financial statements in the public and private sector. The evolving state means that new accounting standards are often formed along with

reinterpretations of existing standards, these are therefore reviewed annually to ensure that they remain current and relevant.

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

Critical judgements in applying Accounting Policies

- 1.4 The Code of Practice requires that critical judgements that the Section 151 Officer has made in applying the Council's Accounting Policies be disclosed as a note to the Statement of Accounts. The relevant judgements are those that have the most significant effect on the Statement of Accounts, judgements that are made in arriving at estimates are not included here, these are included under 'Assumptions made about the future and other major sources of estimation uncertainty', discussed later in this report.
- 1.5 The disclosure of critical judgements enables users of the Statement of Accounts to better understand how Accounting Policies are applied and enable comparisons between authorities regarding the basis on which these judgements are made. It is important that these disclosures include the judgements made to exclude material items which could impact on providing a 'true and fair' view.
- 1.6 For the financial year 2022/23, none of the judgements made in applying the Council's Accounting Policies are deemed to be critical judgements.

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

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

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

2. **Issues**

Accounting Policies

- 2.1 The full list of Accounting Policies as produced in the Code of Practice for 2022/23 is shown in a table at Appendix A. For those Policies that are not adopted by the Council, a reason is provided within that table.
- 2.2 The Council's proposed Accounting Policies list for the 2022/23 Statement of Accounts is shown at Appendix B. The Council has reviewed these Accounting Policies in line with the 2022/23 Code of Practice and no fundamental changes have been made.

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

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

3. **Proposal**

- 3.1 The proposed Accounting Policies that will form part of the 2022/23 Statement of Accounts be approved.
- 3.2 To delegate to the Service Director for Finance (Section 151 Officer) the ability to make further changes to the proposed Accounting Policies to reflect the release of new or updated guidance if applicable.

4. **Reasons for Proposed Solution**

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

5. **Options Considered**

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

6. **Legal and Statutory Implications**

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

7. **Equality Impact Assessment**

7.1 There are no differential equality issues arising.

8. **Financial and Resource Implications**

8.1 The Accounting Policies and the Council's assumptions made about the future and other major sources of estimation uncertainty form part of the 2022/23 Statement of Accounts.

9. **Major Risks**

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

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

10.1 Not applicable for this report.

11. **Key Decision Information**

11.1 This is not a key decision.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Not applicable for this report.

13. **List of Appendices**

13.1 Appendix A – Accounting Policies in the Code of Practices for Local Authorities 2022/23

13.2 Appendix B – Accounting Policies

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

14. **Background Papers**

14.1 CIPFA Code of Practice 2022/23.

14.2 Draft 2022/23 Statement of Accounts.

Accounting Policies in the Code of Practice for Local Authorities 2022/23

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

Accounting Policies

Accounting Policies

i. General principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 4.75%,
- 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. 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.

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

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

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

The significant items in the Council's Balance Sheet at 31 March 2023 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- 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:
 - 0.1% decrease in real discount rate gives an increase in liability of £2.365m,
 - 0.1% increase in the salary increase rate gives an increase in liability of £0.286m,
 - 0.1% increase in the pension increase rate gives an increase in liability of £2.113m.
- As at 31 March 2023 the Council had £42.173m of operational land and buildings and £12.759m 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 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 £0.422m (£0.313m in 2021/22) and investment property assets by £0.128m (£0.115m in 2021/22). Buildings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance of those buildings.

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

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S
REPORT TO

Audit & Standards Committee
30 May 2023

Report Title: Annual Governance Statement 2022/23

Submitted by: Service Director for Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To recommend that the Annual Governance Statement for 2022/23 be approved for inclusion in the financial statements.

Recommendation

1. That the Committee approve the Annual Governance Statement for 2022/23.

Reasons

To seek members approval of the Annual Governance Statement for 2022/23 based upon their satisfaction that it is based upon relevant and reliable evidence.

1. Background

- 1.1 Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.
- 1.2 The Council has approved and adopted a Code of Corporate Governance. A copy of the Code is on our website.
- 1.3 Under the Accounts and Audit Regulations 2015 the Council is required to publish an Annual Governance Statement (AGS) with the financial statements and emphasise the importance of embedding internal control, including the process of risk management throughout the Council. In response the Council produced an AGS for 2022/23 covering corporate governance, financial and other key control issues (the statement is provided as Appendix A).
- 1.4 The AGS is published with the financial statements. In considering the approval of the AGS Members should satisfy themselves that the statement is based upon relevant and reliable evidence. Details of the evidence relied upon when collating the AGS can be made available by contacting the Service Director for Finance (S151 Officer).
- 1.5 The AGS includes the following headings:
 - Scope of responsibility,
 - The purpose of the governance framework,
 - The governance framework,
 - Review of effectiveness,
 - Significant governance issues and,

2. **Issues**

- 2.1 In preparing the AGS officers have considered the Chartered Institute of Public Finance (CIPFA) 'Delivering Good Governance Framework' guidance document.
- 2.2 The AGS has been produced combining findings from Assurance statements from the Chief Executive, Service Directors and Business Managers, the work of Internal Audit and various corporate working parties and comments from external auditors and other review agencies.
- 2.3 Section 5 of the AGS identifies those areas, following the review of internal controls for the financial year 2022/23 that needs addressing. Action plans where not already in place will be drawn up by officers to address the issues highlighted.
- 2.4 Not to complete an AGS would be in breach of the legislation already outlined in the background. Completion of the statement is best practice and demonstrates the transparency of the Council's Governance arrangements for 2022/23.

3. **Proposal**

- 3.1 That the Committee approve the Annual Governance Statement for 2022/23.

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 2022/23.

6. **Legal and Statutory Implications**

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

7. **Equality Impact Assessment**

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

8. **Financial and Resource Implications**

- 8.1 There are no specific financial implications arising from the AGS, resource requirement linked to action plans will be brought to members as separate projects if required.

9. **Major Risks**

- 9.1 If internal controls are not managed effectively and within the law, public resources will not be safeguarded from waste or property accounted for.
- 9.2 If internal controls are not reviewed regularly, continuous improvement may not be exercised.

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

- 10.1 Not applicable for this report.

11. **Key Decision Information**

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

12. **Earlier Cabinet/Committee Resolutions**

12.1 Not applicable for this report.

13. **List of Appendices**

13.1 Appendix A – Annual Governance Statement 2022/23.

14. **Background Papers**

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

Annual Governance Statement 2022/23

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 Service Director for Finance (Section 151 Officer), Castle House, Barracks Road, Newcastle, Staffordshire, ST5 1BL

- 1.4 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 The Purpose of the Governance 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 2023 and up to the date of approval of the Statement of Accounts.

GOVERNANCE ROLES & RESPONSIBILITIES

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

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

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

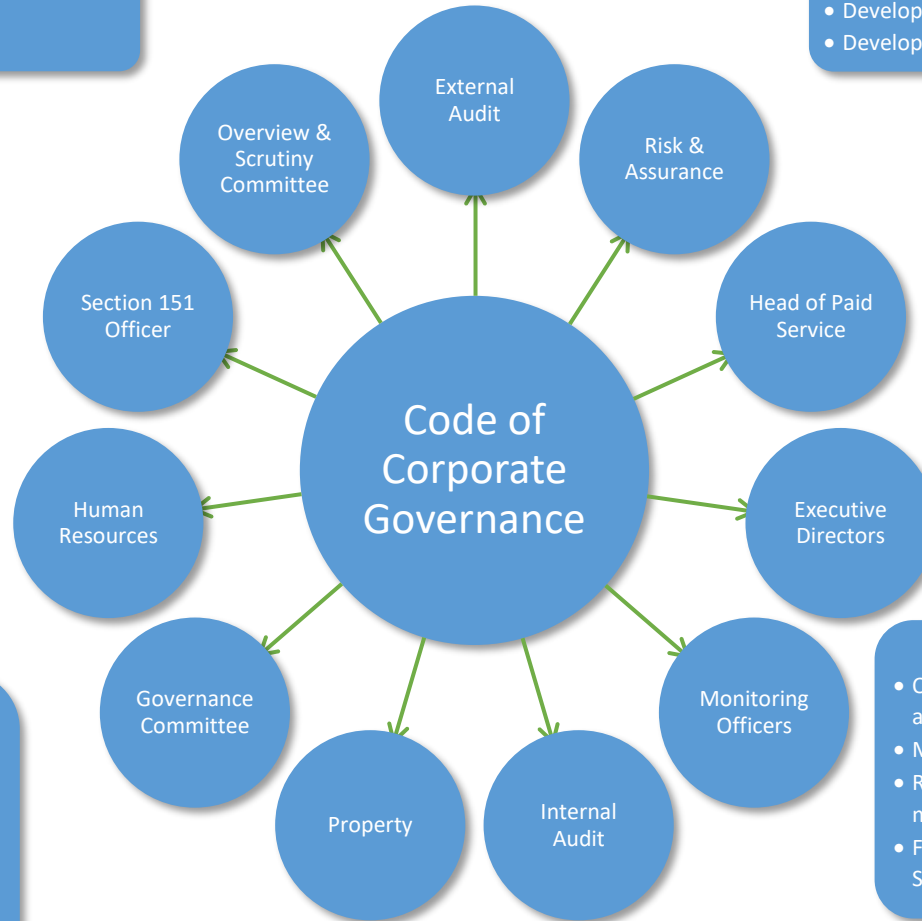
Financial Management

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

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

Standards, Assurance / Ethics

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



Executive Management Team

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

Service Delivery

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

Legal & Ethical Assurance

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

Asset Management

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

Assurance

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

3.0 The Governance Framework

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

Core Principle A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
<ul style="list-style-type: none"> • Behaving with integrity: <ul style="list-style-type: none"> - The Council has in place Codes of Conduct for both Members and Officers which set out requirements that support the need to behave with integrity, - The Council has a set of values which are underpinned by a set of expected behaviours, - All new members and officers are made aware of the Code of Conduct when they join the Council, - The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the Council to choose. - The Constitution is divided into 6 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 Service Director about any potential conflict of interest, - A register of gifts and hospitality is maintained by the Corporate Leadership Secretarial Team. • 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 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 2023/24, ▪ 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 2022-2026 and supported by the Medium Term Financial Strategy. 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 Priority Delivery Plan that outlines outcomes to be achieved and how they link to the Council Plan. - The Council priorities are; <ul style="list-style-type: none"> ▪ One Council delivering for local people ▪ A successful and sustainable growing borough ▪ Healthy, active and safe communities ▪ Town centres for all • 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 Corporate Leadership Team (Officers), the Cabinet and Scrutiny Committees (Members). The Council Plan can be viewed on the Council website at https://www.newcastle-staffs.gov.uk/policies-1/council-plan-2022-2026/6 	

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, however the council has in place a robust decision-making process with all cabinet reports being considered by the Corporate Leadership Team to give a view on the strategic implications. Additionally, report authors should seek clearance from all corporate services, including legal and finance, for reports prior to publication. All reports follow a standard template which identifies the decision maker, the decision or action required, why the report is recommended and alternative options considered. - A calendar of meetings is approved and agreed by Full Council covering the period of the Council Plan 2022-2026. • 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, - Priority Delivery Plans are produced annually which set out the planned activities for each service area for that year. - Performance monitoring is undertaken to understand if and how the priorities identified within the Council Plan are being achieved. This is undertaken through service planning and identification of key performance indicators to show how services help to achieve the priorities of the council. A number of corporate Indicators 	

Core Principle D	Determining and planning the actions necessary to optimise the achievement of the intended outcomes
<p>have been identified and are reported quarterly to the Corporate Leadership Team, Cabinet Members and Scrutiny Committee.</p> <ul style="list-style-type: none"> - Additionally, an update on all major projects is reported to the Corporate Leadership Team on a monthly basis to review project progress and identify any key issues and risks, with actions identified and monitored as relevant. This is then reported in summary to Cabinet Members. <ul style="list-style-type: none"> • 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. - The Council has a Workforce Development Plan which is currently being updated in order to capture the Council's capacity needs. • 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, which is reviewed and approved annually, - A strategic risk register is maintained by the Corporate Leadership Team, progress is monitored on a quarterly basis by the Audit and Standards Committee, - Operational risks are identified and managed by Service Directors; these are reviewed and monitored quarterly. - The Council's Audit and Standards Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment and the integrity of the financial reporting and annual governance statement process. This committee receives periodic reports regarding risk management and approves the risk management policy. This committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. • Managing Performance: <ul style="list-style-type: none"> - Service Directors and Business Managers are responsible operationally for the performance in delivering day to day services. This in turn is monitored by the Corporate Leadership Team,, - The performance of delivering the Council's priorities is monitored by Cabinet, - The Council Plan 2022-2026 is monitored by the Council's Scrutiny Committee which reviews performance and financial monitoring information to support the delivery of the Council Plan and budget strategy. The Annual Statement of Accounts contains a review of key achievements and performance made against the Council Plan. <p>Page 34 internal control:</p> <ul style="list-style-type: none"> - The internal control framework comprises a range of policies and procedures to ensure sound management 	

Core Principle F	Managing risks, performance and data through robust internal control and strong public financial management.
<p>of the Council's operation and delivery of services,</p> <ul style="list-style-type: none"> - 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. <ul style="list-style-type: none"> • 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, - The GDPR introduced a requirement for accountability and governance in discharging the Council's obligations as data controller. The Council has established an Information Governance Group. The role of this group is to oversee the effectiveness, compliance and governance of information practice across the Council. The group is led by the Service Director for Legal and Governance, as the senior responsible officer, with officers from all service areas across the Council. The group usually meets bi-monthly and reports once a month to the Council's Corporate Leadership Team to monitor compliance, - Data protection training is mandatory for all employees of the Council and temporary members of staff and an online training module is available for elected Council Members, - The Council recognises that Cyber Security is a persistent and growing threat to the systems and data that the Council holds and uses. It therefore recognised that reviews of Cyber Security and the associated awareness for staff and councillors is not a one-off exercise. The council will keep technology, threats and education under constant review to ensure it is meeting with its obligations for all systems regardless of setting. • Strong public financial management: <ul style="list-style-type: none"> - The Service Director for Finance as the Councils Section 151 Officer is appropriately qualified and complies with the CIPFA statement on the Role of the Chief Finance Officer. In April 2016, CIPFA/SOLACE issued an updated application note on the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council complies with these requirements. The Chief Financial Officer is: <ul style="list-style-type: none"> ▪ A key member of the Corporate 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 Service Director for 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. - The Council maintains an internal audit function which operates to the standards set out in the 'Public Sector Internal Audit Standards'. An assessment against the standard is carried out each year with the outcome being reported to the Audit and Accounts committee as part of the chief internal auditor's annual report. A chief internal auditor protocol, to ensure that arrangements operated by the council meet the requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations, has been included in the constitution. 	

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 council is committed to openness and transparency and publishing as much Council data as it can in order to increase accountability. - 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, 	

Core Principle G	Implementing good practices in transparency, reporting and assurance (including audit) to deliver effective accountability.
<ul style="list-style-type: none"> ▪ 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. - The Council's constitution sets out how decisions are made and specific reference to decision making by Council, Cabinet, committees and subcommittees established by the Council and scrutinised by the Scrutiny Committees. The constitution includes the officer Scheme of Delegation which sets out the powers and functions that are delegated to named council officers. The compilation of a Register of Delegated powers is a statutory requirement and is maintained by the Service Director for Legal and Governance. <ul style="list-style-type: none"> • 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 2022/23.

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 2022/23.
- 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 Service Directors. These statements provide a level of assurance with regards to the adequacy of internal controls within their own 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 2021/22 Accounts, in their Annual Report. In addition their review of the Council's governance arrangements advised that 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 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. A review will be completed on data retention/storage/disposal to ensure continued compliance.

- 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,
- Consideration will be given on how to keep partners better informed on the progress of regeneration projects,
- 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 Priority Delivery 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 develop the commercial skill sets of Officers and the Council's investment capacity in order to support the Council's long term financial sustainability. Whilst it is recognised that the Council has strong financial management, it is important to continue to promote joint responsibility and accountability for the financial health of the organisation,
- To continue to improve practical guidance to governance in order to provide clearer understanding of processes to be followed throughout the organisation, starting with a review and update of the Financial and Contract Procedure Rules,
- A new Digital Strategy is being drafted to highlight areas for future service delivery improvements,
- A Project Register will be produced detailing all projects the Council is working on (capital and revenue). The Project Register will detail the nature of the project the project delivery service, responsible officer, details of cost and details of any partners involved.

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 recently completed Corporate Peer Review.

6.0 Conclusion

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 needs for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: _____ **Date:** _____

Martin Hamilton

Chief Executive

Signed: _____ **Date:** _____

Cllr Simon Tagg

Leader of the Council

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
30 May 2023

Report Title: Draft Statement of Accounts 2022/23

Submitted by: Service Director for Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To report upon the financial outturn for 2022/23. The report highlights key issues, including a commentary on the General Fund outturn, the Balance Sheet the Collection Fund, the Capital Programme and the Council's reserves.

Recommendations

- 1. The General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2023 be noted.**
- 2. The draft Statement of Accounts for 2022/23 be approved for publication and audit.**

Reasons

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

1. Background

- 1.1 Regulations, extending the audit publication deadline for the Statement of Accounts to 30 September for 2 years, came into force on 31 March 2021. At the close of this period a review will be undertaken to determine whether there is a continued need to have an extended deadline.
- 1.2 The regulations require the draft Statement of Accounts to be published on or before 1 June. It is intended that they will be made available for public inspection between 1 June 2023 and 14 June 2023.
- 1.3 The external audit will commence during July, primarily for the selection of samples and will be completed prior to 11 September 2023.
- 1.4 The final Statement of Accounts will be presented to the Audit and Standards Committee for approval on 11 September 2023.
- 1.5 This report focuses on reporting the provisional outturn position and the key elements of the Council's provisional financial position as at 31 March 2023.

2. Issues

The General Fund Outturn

- 2.1 The General Fund is the main revenue account of the Council and relates to all of those services which are funded by the Council Tax, Retained Business Rates and Government Grant.
- 2.2 The Coronavirus pandemic continues to have an impact on the Council's financial position, primarily through lost income, although this is showing a marked improvement compared to the losses incurred during 2020/21 and 2021/22. No Government funding for 2022/23 in respect of financial pressures relating to the Coronavirus pandemic (including income compensation) is to be received.
- 2.3 The Council's revenue budget relies on service income from fees and charges of around £725k per month across a wide range of services, with a significant proportion coming from Jubilee 2 and car parking. Income losses from fees and charges for the financial year amount to £0.683m.
- 2.4 The Council approved a General Fund Revenue Budget of £15.269m on 23 February 2022. The outturn for 2022/23 shows a favourable variance of £0.008m against this budget.
- 2.5 The adverse variances that occurred during 2022/23 include:
- a. Income shortfalls from sales, fees and charges which amount to £0.683m for the financial year,
 - b. A shortfall of £0.241m in Housing Benefits subsidy grant regarding accommodation for which full subsidy is not claimable,
 - c. A pay award of £1,925 per full time employee, which is in excess of the amount provided for in the budget (2.5%), including national insurance and pension the additional amount totalled £0.591m for the financial year,
 - d. Increased fuel (£0.139m), electricity (£0.181m) and gas (£0.222m) prices when compared to the amounts provided for in the budget.
- 2.6 These adverse variances have been offset in full by the following favourable variances:
- a. Utilisation of the Cost of Living Reserve that was established during the budget setting for 2022/23 in order to respond to any above inflationary increases in costs. The £0.400m paid into this reserve will be fully used.
 - b. Use of £0.240m New Homes Bonus funding paid into the Budget Support Fund which was established during the budget setting for 2022/23 in order to boost the Council's financial resilience during 2022/23 as a result of the continued impact of the Coronavirus pandemic.
 - c. Application of £0.167m Administration grant paid to the Council and set aside during 2021/22 in relation to Coronavirus grants and a further £0.111m grant received in relation to the administration of Council Tax Rebate grants received during 2022/23.
 - d. A refund of £0.130m is payable to the Council in respect of Business Rates payable in relation to the Museum following a backdated revaluation in rateable value.

- e. Interest receivable on cash that the Council holds in terms of Town Deal and Future High Street funding, together with Section 31 grant and remaining Coronavirus grant funding (that are repayable to Central Government) has increase significantly following recent interest rate hikes to £0.578m for the financial year. This has also eliminated the need for any in year borrowing to be undertaken saving £0.120m in interest payments.
- f. The levy payment payable to the Business Rates pool that the Council is a part of is £0.141m less than estimated for 2022/23. Additionally, the levy payable in relation to 2021/22 has been met from the Business Rates Reserve (£0.116m).

Flexible Use of Capital Receipts

2.9 The Service Director for Finance (Section 151 Officer) informed the Department for Levelling Up, Housing and Communities (DLUHC) by letter of the Council's intention to make flexible use of capital receipts in the financial year 2022/23. The flexible use of capital receipts has been utilised in 2022/23 for expenditure to a value of £0.100m that meets the eligibility criteria, in that it relates to initiatives (Digital Delivery), that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery. This is in addition to the agree flexible use of capital receipts to part fund expenditure in relation the One Council programme (£0.242m) has been utilised during 2022/23.

Balance Sheet

2.10 The main features of the balance sheet (page 28) in the draft Statement of Accounts) are as follows:

- a. There are fixed assets of £69.321m (£65.443m at 31 March 2022) which consist of Plant, Property and Equipment, Surplus Assets, Investment Properties and Heritage Assets, the increased net book value relates primarily to investment into Kidsgrove Sports Centre and the upwards revaluation of land and buildings including both Kidsgrove Sports Centre and Jubilee 2.
- b. Assets held for sale total £1.925m (£4.725m at 31 March 2022), this relates to the sale of assets held within this category (Knype Way and Market Drayton Road).
- c. Short-term investments of £17m and cash of £4.381m (£14m and £1.704m respectively at 31 March 2022), this relates to monies temporarily held due to cash flows. These include Town Deals Fund and Future High Streets Fund grants received in advance of spend.
- d. Revenue Grants received in advance of £0.760m, a reduction from £3.259m at 31 March 2022. This mainly relates to the application and repayment to Central Government of Coronavirus Additional Relief Funding in respect of Business Rates (£2.409m).
- e. Capital Grants received in advance have increased to £20.474m from £3.724m at 31 March 2022. This relates to further Town Deals Fund and Future High Streets Fund grants that have been received in advance of spend (balance held has increased by £16.750m).
- f. The amount the Council owes to its creditors is £11.681m. Creditors have decreased from £22.077m at 31 March 2022. This is primarily due to the receipt of the Council Tax

rebate at the close of 2021/22 which was awarded to residents in 2022/23 (£7.460m) and Section 31 Grant that was repaid to Central Government during 2022/23 (£5.226m).

- g. The amount that the Council is due from its debtors is £12.287m. Debtors have decreased from £14.144m at 31 March 2022. This is primarily due to a reduction in the amount repayable by preceptors of the collection fund in respect of the collection fund balance and the associated arrears and provisions.
- h. The liability (and the corresponding reserve) relating to defined benefit pension schemes decreased from £45.239m at 31 March 2022 to £3.010m at 31 March 2023. These amounts are required to be included in the Council's accounts as a result of the application of International Accounting Standard 19 (IAS19). They relate to transactions of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities. The discount rate used to assume future investment return is a key financial assumption made by the actuary, the large increase in the discount rate (4.75% as per market conditions at 31 March 2023, compared to 2.70% at 31 March 2022) has driven a large reduction in the value placed on the obligations side of the balance sheet and subsequently a large reduction in the pension liability.
- i. Other usable reserves have decreased from £8.739m at 31 March 2022 to £3.045m. This relates largely to the use of the Business Rates Reserve to repay prior years collection fund deficits which relate to reliefs issued to Business Rate payers during the COVID-19 pandemic (£5.030m) and for which the Council received Section 31 grant, which was paid into this reserve for this purpose. It also relates to the net use of amounts purposely set aside in the Budget Support Fund (£0.385m), Elections Reserve (£0.150m) and Walley's Quarry Reserve (£0.151m).

The Collection Fund

2.11 Local tax income is collected by billing authorities and paid into local 'collection funds' (the Council is a billing authority). Where there is a difference in tax receipts (compared to expected levels), this leads to a surplus or deficit on the collection fund. Billing and major precepting authorities are usually required to meet their share of any deficit during the following financial year or in the instance of a surplus a repayment to the precepting authorities will be made.

2.12 In response to forecast shortfalls in tax receipts relating to the Government's COVID-19 pandemic related business rates reliefs, the government announced that Section 31 grant would be awarded to cover the costs of these reliefs. This amount is estimated via the NNDR1 return and the actual relief is reported and reconciled at the close of the financial year.

2.13 The cumulative variances in tax receipts (i.e including the impact of balances held in respect of previous years) and the impact of Section 31 grant received as at 31 March 2023 are:

Tax	Total (Surplus)/Deficit	Council's Share
Council Tax	(£0.273m)	(£0.029m)
Business Rates	(£1.709m)	(£0.684m)
Total re. Tax Receipts	(£1.982m)	(£0.713m)
Section 31 Grant Shortfall	£0.260m	£0.104m
Total	(£1.722m)	(£0.609m)

2.14 The surplus shown is repayable to the Council in future years and will subsequently be transferred to the Business Rates reserve, which is used to provide for any collection fund or Section 31 grant shortfalls.

Reserves

2.15 The Council has usable revenue reserves totalling £5.205m. The main items, with their balances at 31 March 2023, and a comparison to the balances forecast for the close of 2022/23 as per the 2023/24 budget setting, are:

Reserve/Fund	Balance 31.03.23 (£'000's)	Balance Forecast Budget Setting (£'000's)	Variance (£'000's)	Comments
General Fund	2,160	2,160	-	Unforeseen adverse events. Approved balance of £2.160m
Income Contingency	100	100	-	To manage year to year income variations. Approved balance of £0.100m
Walley's Quarry Reserve	672	600	72	To assist with the Council's actions regarding air quality issues at Walley's Quarry
Equipment Replacement	37	42	(5)	Replacement of Environmental Heath equipment
Budget Support – General	528	-	528	Additional funding committed to during 2022/23 to be utilised in 2023/24
Budget Support – Planning Policy	195	200	(5)	To provide funding for the Borough Local Plan
Budget Support – Housing	312	200	112	Homelessness funding to be utilised in future periods
Borough Growth	59	-	59	To fund investment in corporate priorities
Conservation & Heritage	32	30	2	To provide repair grants to owners of historic buildings
Mayor's Charity	10	-	10	To hold funds on behalf of the Mayor's charity
Museum Purchases	38	61	(23)	Balance held to be utilised on Museum projects
Business Rates	1,043	1,043	-	£0.201m held as business rates contingency. Remainder held as contingency re. fair funding review
Elections	-	-	-	To provide budget on a 4 year cycle for Borough Elections
Clayton Community Centre	19	19	-	Sinking fund held on behalf of Committee (contributions made by Committee)
Totals	5,205	4,455	750	

2.16 The General Fund Balance is £2.160m as at 31 March 2023. The amount required to be held in this reserve is assessed each year when the revenue budget is compiled, by identifying and quantifying the risks applicable to the revenue budget and using this information as the basis to calculate a prudent sum to keep in reserve to meet those risks should they arise.

2.17 The levels of reserves will be considered as part of the budget preparation process for 2024/25. Some may require contributing to, either from the revenue budget or a transfer from another reserve.

Capital Expenditure

2.18 A Capital Programme totalling £32.309m was approved for 2022/23. Of this total £30.309m relates to the total cost of new schemes for 2022/23 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and £1.000m contingency. In addition £5.548m was brought forward from the 2021/22 Capital Programme (including £4.017m from the Town Deals Fund and the Future High Streets Fund), resulting in a total Capital Programme of £37.857m for 2022/23.

2.19 A mid-year review of the capital programme for 2022/23 has subsequently been undertaken as part of the Efficiency Board and budget setting process in order to identify any projects that may need to be re-profiled from 2022/23 into future years. The revised capital programme for 2022/23 totalling £32.977m was approved by Cabinet on 6 December 2022.

2.20 In addition to the revised 2022/23 Capital Programme additional capital expenditure of £0.342m regarding the Flexible Use of Capital Receipts and One Council expenditure were incurred as well as expenditure that was fully funded by grant (£0.606m).

2.20 Planned expenditure financed via capital for 2022/23 therefore totalled £33.925m. Actual expenditure has totalled £7.545m, £26.380m below that planned. This relates to expenditure that has been rolled forward into 2023/24 (£24.013m) including projects planned under the Town Deals and Future High Streets funds that will be progressed during 2023/24, disabled facilities grant that will be utilised in future periods (£0.547m) and unused contingency funding (£0.691m) plus a number of projects for whereby costs have been value engineered or whereby a decision has been made not to progress with the project until a future period (£1.129m).

2.22 The expenditure of £7.545m was financed as shown below:

Financed by:	£ (000)
Capital Receipts	3.208
Government Grants and Other Contributions	4.337
Total	7.545

3. Proposal

3.1 The General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2023 be noted.

3.2 The draft Statement of Accounts for 2022/23 be approved for publication and audit.

4. Reasons for Proposed Solution

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

5. **Options Considered**

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

6. **Legal and Statutory Implications**

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

7. **Equality Impact Assessment**

7.1 There are no differential equality issues arising.

8. **Financial and Resource Implications**

8.1 The General Fund outturn for the financial year 2022/23 shows a favourable variance against the budget of £0.008m. This amount has been paid into the Budget Support Fund.

8.2 £24.013m of the 2022/23 capital programme will be carried forward to the financial year 2023/24. Projects planned under the Town Deals and Future High Streets funds that will continue to be progressed during 2023/24.

8.3 The General Fund Reserve of £2.160m is in accordance with the risk assessed minimum value as approved as part of the 2022/23 budget setting process.

8.4 The Council's share of the Collection Fund surplus amounts to £0.714m which is repayable to the Council in future years, this will be contributed to the Business Rates Reserve.

9. **Major Risks**

9.1 The ongoing cost of living crisis and changing market conditions represents the greatest risk to the revenue budget, particularly with regard to the impact it may have upon both utility prices and income receivable in relation to services where customers may choose whether or not to use Council facilities or in the case of the waste/recycling service where the volume of recycled materials is liable to fluctuate. The impact of cost of living crisis is apparent in the reporting of this provisional outturn, impacting primarily on utility costs and the situation will continue to be monitored through the normal budget monitoring procedures during the financial year 2023/24.

8.2 The capital programme requires regular monitoring to identify any projects which are falling behind their planned completion dates. This will be carried out by the Capital, Assets and Commercial Investments Review Group, which meets on a bi-monthly basis together with quarterly and annual reports to Cabinet.

8.3 The above represents a high level view of risk. There are detailed risk registers available if members wish to see them.

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



11. **Key Decision Information**

11.1 This is not a key decision.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Quarterly Finance and Performance Review Reports to Cabinet.

13. **List of Appendices**

13.1 Draft Statement of Accounts 2022/23.

14. **Background Papers**

14.1 Quarterly Finance and Performance Review Reports to Cabinet.



Statement of Accounts

2022/23



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Guide to the Statement of Accounts

The Statement of Accounts contains a number of different elements, which are shown in the following table, together with an explanation of the purpose of each item. Throughout the Statement, various unusual or technical terms are employed which may not be familiar to all readers. A Glossary (page 72) 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 Service Director for 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.
26	Financial Statements	The Financial Statements which the Council must publish.
26	Comprehensive Income and Expenditure Statement	Shows the accounting cost of providing services in accordance with accounting practice.
27	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.
28	Balance Sheet	Sets out the Council's financial position on 31 March 2023. Provides details of the Council's balances, reserves and assets employed in Council operations together with any liabilities.
29	Cash Flow Statement	Details the total cash movement of the Council's transactions.
30	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.
69	Collection Fund	Records details of receipts of Council tax and business rates and the associated payments to precepting authorities/central government.
72	Glossary	Explanation of technical or unusual terms used in the Statement of Accounts.

Narrative Report

Commentary by the Service Director for Finance (Section 151 Officer)

a. Introduction

Welcome to Newcastle-under-Lyme Borough Council's Statement of Accounts for the financial year 2022/23. 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 2023. 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 1 June 2023 and 14 June 2023, as notified on the Council's website.

The accounts are scheduled to be approved by the Audit and Standards Committee on 11 September 2023 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 2022/23 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 Service Director for 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 2022/23. The flexible use of capital receipts has been utilised in 2022/23 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, covering 211 square kilometres with a population density of 584 residents per square kilometre, compared to 337 across the County. 53,400 households making up a population of approximately 123,300 and are spread across a mix of urban and rural areas. There are two town centres, Newcastle and Kidsgrove, and a number of rural and urban villages across the Borough containing nine parishes, each with a parish Council.

In 2023, the Borough celebrates the 850th anniversary of the charter granted by King Henry II which brought the Borough into being.

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, the Deputy Chief Executive, and nine Service Directors who include the Section 151 Officer and the Monitoring Officer making up the Corporate Leadership Team (CLT).

The Council employed 446 people (392 full time equivalents), at 31 March 2023.

The Council Plan 2022-2026 signals a step change in the Council's focus on climate change and sustainability. The Council Plan, which can be found on the Council's website, details the Council's plans for the period incorporated in the Statement of Accounts. The plan sets out the Council's aspirations and priorities.

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

- One Council Delivering for Local People,
- A Successful and Sustainable Growing Borough,
- Healthy, Active and Safe Communities,
- 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 has worked hard to secure more than £50m from government programmes aimed at boosting the economic fortunes of areas such as Newcastle and Kidsgrove. This plan includes a transformational portfolio of major projects but also reflects our ambition to attract yet more funding and take this work even further.

The plan builds on four years of achievement, despite the huge disruption caused by the COVID-19 lockdowns. It is very likely that the initial period of this plan's delivery will be strongly influenced by the impact of rising energy costs and their impact on the cost of living. Our key achievements, summarised in the plan, provide an excellent foundation from which to respond to this issue and to shape the next four years of delivery and improvement.

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 2022/23

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.

In December 2020 MHCLG (now DLUHC) confirmed to the Council that its Future High Street Fund business case submission had been successful and that £11.048m was approved for Newcastle town centre. In January 2021 the Council submitted confirmation of its acceptance of the grant and detailed that the funding would be used to secure the demolition of the former Civic Offices, design and build a new multi-storey car park, acquire and demolish York Place and undertake public realm works. Projects 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, project funding from the Future High Streets Fund is £7.2m.
- Improvement to the market area to support a more vibrant market and performance spaces, £0.075m.
- 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, £3m.
- New pedestrian wayfinding around the town centre to aid navigation between key sites in and around the town centre, £0.321m.

£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 (sustainable 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 (£36.411m) and expenditure (£56.157m) attributable to management reporting areas is shown in the Comprehensive Income and Expenditure Statement (page 26).

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 Council approved a General Fund Revenue Budget of £15.269m on 23 February 2022. The outturn for 2022/23 shows a favourable variance of £0.008m against this budget.

The adverse variances that occurred during 2022/23 include:

- a. Income shortfalls from sales, fees and charges which amount to £0.683m for the financial year.
- b. A shortfall of £0.241m in Housing Benefits subsidy grant regarding accommodation for which full subsidy is not claimable.
- c. A pay award of £1,925 per full time employee, which is in excess of the amount provided for in the budget (2.5%), including national insurance and pension the additional amount totalled £0.591m for the financial year.
- d. Increased fuel (£0.139m), electricity (£0.181m) and gas (£0.222m) prices when compared to the amounts provided for in the budget.

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

- a. Utilisation of the Cost of Living Reserve that was established during the budget setting for 2022/23 in order to respond to any above inflationary increases in costs. The £0.400m paid into this reserve will be fully used.
- b. Use of £0.240m New Homes Bonus funding paid into the Budget Support Fund which was established during the budget setting for 2022/23 in order to boost the Council's financial resilience during 2022/23 as a result of the continued impact of the Coronavirus pandemic.
- c. Application of £0.167m Administration grant paid to the Council and set aside during 2021/22 in relation to Coronavirus grants and a further £0.111m grant received in relation to the administration of Council Tax Rebate grants received during 2022/23.
- d. A refund of £0.130m is payable to the Council in respect of Business Rates payable in relation to the Museum following a backdated revaluation in rateable value.
- e. Interest receivable on cash that the Council holds in terms of Town Deal and Future High Street funding, together with Section 31 grant and remaining Coronavirus grant funding (that are repayable to Central Government) has increased significantly following recent interest rate hikes to £0.578m for the financial year. This has also eliminated the need for any in year borrowing to be undertaken saving £0.120m in interest payments.

- f. The levy payment payable to the Business Rates pool that the Council is a part of is £0.141m less than estimated for 2022/23. Additionally, the levy payable in relation to 2021/22 has been met from the Business Rates Reserve (£0.116m).

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-p26)	2,666
Adjustments between accounting basis and funding basis (Note 8-p46)	3,028
Movement in useable reserves (excluding transfer of surplus) (Note 9-p48)	(5,702)
(Surplus)/Deficit for 2022/23	(8)

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 £32.309m was approved for 2022/23. Of this total £30.309m relates to the total cost of new schemes for 2022/23 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and £1.000m contingency. In addition £5.548m was brought forward from the 2021/22 Capital Programme (including £4.017m from the Town Deals Fund and the Future High Streets Fund), resulting in a total Capital Programme of £37.857m for 2022/23.

A mid-year review of the capital programme for 2022/23 has subsequently been undertaken as part of the Efficiency Board and budget setting process in order to identify any projects that may need to be re-profiled from 2022/23 into future years. The revised capital programme for 2022/23 totalling £32.977m was approved by Cabinet on 6 December 2022.

In addition to the revised 2022/23 Capital Programme additional capital expenditure of £0.342m regarding the Flexible Use of Capital Receipts and One Council expenditure were incurred as well as expenditure that was fully funded by grant (£0.606m).

Planned expenditure financed via capital for 2022/23 therefore totalled £33.925m. Actual expenditure has totalled £7.545m, £26.380m below that planned. This relates to expenditure that has been rolled forward into 2023/24 (£24.013m) including projects planned under the Town Deals and Future High Streets funds that will be progressed during 2023/24, Disabled Facilities Grant that will be utilised in future periods (£0.547m) and unused contingency funding (£0.691m) plus a number of projects for whereby costs have been value engineered or whereby a decision has been made not to progress with the project until a future period (£1.129m).

The capital investment made during 2022/23 and the financing of this expenditure is shown in Note 27 (page 60).

Collection Fund

Local tax income (i.e. Business Rates and Council Tax) is collected by billing authorities and paid into local 'collection funds' (page 69) (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 (£33.465m) and the actual business rates payable per the NNDR3 return (£32.745m) is £0.720m - a deficit to the collection fund for 2022/23 due to a significant change in rateable value for a large business rates payer which has been backdated by the Valuation Office to 2010.

In addition to the business rates shares payable for 2022/23, the estimated 2021/22 deficit declared in January 2022 regarding business rates of £12.024m 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 2021/22 deficit was calculated to be £9.595m, therefore there remains £2.429m in the collection fund balance carried forward which is payable from the Collection Fund to the Council, Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority in relation to 2021/22.

Taking into account the remaining 2021/22 amount to be paid back to the preceptors and the 2022/23 deficit, the business rates collection fund has a surplus of £1.709m as at 31 March 2023. Of the surplus, the Council's share amounts to £0.683m.

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 (£73.744m) and the actual Council Tax payable (£72.239m) is £0.495m - a surplus to the collection fund for 2022/23 due to band change increases and reductions in reliance on Council Tax support.

In addition to the Council Tax payable for 2022/23, the estimated 2021/22 surplus declared in January 2022 regarding Council Tax of £0.275m was repaid to 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 2021/22 surplus was calculated to be £0.053m, therefore there remains £0.222m in the collection fund balance carried forward which is repayable to the Collection Fund by Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council in relation to 2021/22.

Taking into account the remaining 2021/22 amount to be repaid and the 2022/23 surplus, the Council Tax collection fund has a surplus of £0.273m as at 31 March 2023. Of the surplus, the Council's share amounts to £0.030m.

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 Council closely manages all of its resources to ensure it delivers the services that local people need, and to prepare for future challenges. The priority actions under 'One Council Delivering for Local People' include workforce development, community engagement, partnership working, financial discipline, high quality value for money services and delivering the transformational One Council Programme, which won a bronze award for 'Best Transformation Team' category in the iESE Public Sector Transformation Awards 2023. The programme has to date made recurrent savings of circa £0.780m.

The Coronavirus pandemic continues to have an impact on the Council's financial position, primarily through lost income, although this has shown a marked improvement compared to the losses incurred during 2020/21 and 2021/22. No Government funding for 2022/23 in respect of financial pressures relating to the Coronavirus pandemic (including income compensation) has been received.

During the year the Council has had to utilise resources (both financial and staff time) in dealing with an environmental crisis due to Hydrogen Sulphide (H₂S) escaping from a local landfill site. This problem, which has been debated in Parliament and which the national press have used to characterise the village of Silverdale as "Britain's Smelliest Village", has generated over 20,000 complaints to the Council. The scale of work undertaken by the Council on this issue soaked up a huge amount of corporate resource but has resulted in a greatly improved situation for local residents and securing an Abatement Notice against the site operator – a rare achievement on an Environment Agency regulated site.

Economic and Community Impact

The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Council's outlook for 2023/24.

The Bank of England (BoE) increased Bank Rate by 0.75% to 3.0% in November 2022, the largest single rate hike since 1989 and the eighth successive rise since December 2021. The decision was voted for by a 7-2 majority of the Monetary Policy Committee (MPC), A number of subsequent smaller rises cumulated with a rate of 4.5% in May 2023.

Stubborn inflation and tight labour markets have refocused attention on inflation, even as the economic risks increase.

In the UK, with upward revisions to growth and persistent inflation, sticky amid continued solid wage growth, investors are betting on further Bank Rate hikes beyond 4.5%. The UK economy has surprised with its strength in the first quarter of 2023. Government support for the cost of living, stronger wage growth and household savings have partly offset the dual headwinds of high inflation and interest rates.

Households will also benefit from a likely decline in retail energy bills in the second half of 2023. However, the lagged effect of aggressive monetary tightening will increasingly pressure economic activity. Household spending will be affected by increases in mortgage payments, while business investment/spending will fall back due to higher borrowing costs. Diminished spending will inevitably increase unemployment. T

he labour market remains tight. Recent signs suggest some loosening, although wage growth has remained solid. As unemployment rises, market imbalances and thus wage growth should ease, but recent data indicates this may take some time. Inflation will fall sharply from April, as changes in base effects become the driver of the headline rate. Food price inflation should also decelerate soon.

However, the MPC will increasingly target core inflation and wage growth, being especially wary about declining inflation rates creating strong real wage growth, thus supporting on-going consumer-led inflation. Rates will therefore remain higher for longer.

The labour market remains relatively tight, with the March's statistics showing the unemployment rate increased to 3.8%, from the 3.7% at the close of the previous quarter. The number of those unemployed for over 12 months marginally increased during this period. Earnings were up strongly in nominal terms by 5.9% for total pay and 6.6% for regular pay. The private sector has an average regular pay growth of 6.9% compared to 5.9% in the public sector.

Residents of the Borough have been impacted by the Cost of Living Crisis by increasing energy and food costs. The Council has provided support via the Energy Bills Support Scheme funded by Central Government together with the Council Tax Support Fund.

The Council has also been impacted by increasing fuels costs and has incurred additional gas, electric and vehicle fuel costs amounting to £0.542m during 2022-23.

Financial Recovery

The Medium Term Financial Strategy (MTFS) sets out the Council's financial position over the next 5 years. This is aligned to the Council Plan 2022-2026 and is the key vehicle for ensuring efficiency in service delivery and targeting resources to priority areas. The updated MTFS was reported to Cabinet on 10 January and 7 February 2023, and reflects the impact of the Local Government Finance Settlement. The MTFS provides for a gap in 2023/24 of £2.103m and a revised gap to reflect the continued review of the capital programme, over the 5 year period of the MTFS of £5.873m.

A number of savings and funding strategies have been identified as being both feasible and sustainable, via a vigorous Financial Efficiency Board process. The Financial Efficiency Board is made up of the Leader of the Council, the Portfolio Holder for Finance and Town Centres, the Cabinet Portfolio Holders, the Corporate Leadership Team and Finance Officers. During the summer months service directorates are asked to provide saving plans for the coming financial year and future years. These saving proposals are then challenged and discussed at various meetings held with the members of the Financial Efficiency Board which acts like a star chamber session. Once the saving proposals have been reviewed and challenged, the approved savings are put forward as part of the MTFS update and form part of the budget setting process. Savings proposals put forward can be revisited at any time.

One Council is a "spend to save" programme with an agreed investment of £1.2m. Recurrent benefits of circa £1m will be achieved moving forward. The savings are set to be staggered over the life of the 3 year programme (£0.196m achieved in 2021/22, £0.601m achieved in 2022/23 with a further £0.376m in 2023/24).

The Council has a Borough Growth Fund which was established in 2020 for the purpose of enabling investment in corporate priorities. The Borough Growth Fund is required to be used to invest in initiatives that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income.

The savings and funding strategies identified will enable continued investment of £0.250m in the Council's priorities as per the Council Plan 2022-2026 via the Borough Growth Fund. The Borough Growth Fund will continue to be used to provide pump priming investment in initiatives, including Digital Delivery, that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income.

Consultation is likely to take place during 2023/24 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 MTFS 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 2023/24 to 2025/26 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 2022-26 approved by Cabinet on 6 September 2022. These schemes total £48.064m, including major investment into the Borough via external funding (and elements of matched funding contributions from the Council) in terms of the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kildsgrove.

The Capital Programme is produced in line with the Capital Strategy for 2023/24 to 2032/33, which was approved by Full Council on 15 February 2023. In addition to the Council's corporate and service objectives, as set out in the Council Plan 2022-26, 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 2023/24 allows for a further contribution of £2.600m to the Multi Storey Car Park to reflect increased build costs resulting from inflationary pressures faced within the construction sector.

Delivering the Capital Programme for 2023/24 will require prudential borrowing to be undertaken. The impact of borrowing is included in the MTFS pressures for 2023/24 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 relatively 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 £1.910m be held to reflect the Council's levels of revenue risk.

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 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 Newcastle Partnership Funding Commissioning Group 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 Procedural 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 Corporate Leadership 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 Corporate Leadership Team, Service Directors 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 £45.239m at 31 March 2022 to £3.010m at 31 March 2023. These amounts are required to be included in the Council's accounts as a result of the application of International Accounting Standard 19 (IAS19) and the CIPFA Code of Accounting Practice. 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 2023. A reconciliation of the balance sheet from 31 March 2022 to 31 March 2023 can be seen in the 'Transactions relating to post-employment benefits' table in Note 30 (page 61), in the Comprehensive Income and Expenditure Statement (re-measurement of the defined benefit liability/asset, (page 26) and in the Balance Sheet (pension liability and pension reserve, page 28).

The discount rate used to assume future investment return is a key financial assumption made by the actuary, the large increase in the discount rate (4.75% as per market conditions at 31 March 2023, compared to 2.70% at 31 March 2022) has driven a large reduction in the value placed on the obligations side of the balance sheet and subsequently a large reduction in the pension liability.

Audit of the Accounts

The 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, 17th Floor, 103 Colmore Row, Birmingham, B3 3AG

Further Information

Further information about the accounts is available from:

Sarah Wilkes, Service Director for 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:

Dated:

Cllr Paul Waring

Chair of the Audit and Standards Committee

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 Service Director for 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 Service Director for Finance (Section 151 Officer) - Responsibilities

The Service Director for 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 2023.

In preparing the statement of accounts the Service Director for 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 Service Director for Finance (Section 151 Officer) Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Sarah Wilkes

Dated:

Service Director for Finance (Section 151 Officer)

Annual Governance Statement 2022/23

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:

Service Director for Finance (Section 151 Officer), Castle House, Barracks Road, Newcastle, Staffordshire, ST5 1BL
- 1.4 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 2023 and up to the date of approval of the Statement of Accounts.

GOVERNANCE ROLES & RESPONSIBILITIES

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

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

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

Financial Management

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

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

Standards, Assurance / Ethics

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

Asset Management

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

Assurance

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

Corporate Leadership Team

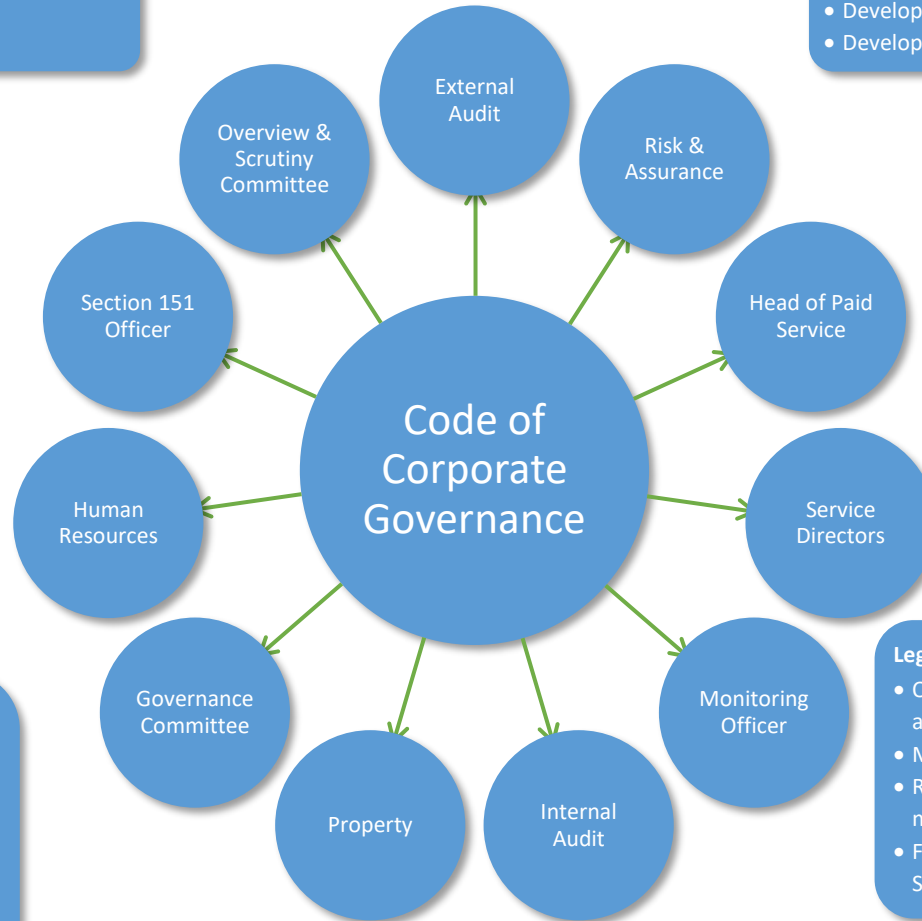
- Driving forward strategic agenda
- Organise and manage service delivery
- Develop and deliver Council Strategy

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



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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)'.
- 3.2 The Council operates a number of systems, policies and procedures that constitute or contribute to the operation of the internal control environment and support the principles set out in the Code of Corporate Governance as detailed in the tables below:

Core Principle A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
<ul style="list-style-type: none"> • Behaving with integrity: <ul style="list-style-type: none"> - The Council has in place Codes of Conduct for both Members and Officers which set out requirements that support the need to behave with integrity, - The Council has a set of values which are underpinned by a set of expected behaviours, - All new Members and Officers are made aware of the Code of Conduct when they join the Council, - The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the Council to choose. - The Constitution is divided into 6 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 Service Director about any potential conflict of interest, - A register of gifts and hospitality is maintained by the Corporate Leadership Secretarial Team. • Respecting the rule of law: <ul style="list-style-type: none"> - The Council has in place a Monitoring Officer who works with Members and Officers to ensure that the law is adhered to, - Legal advice is given in reports for all decisions to be taken by Members and Officers are also required to take advice where required. 	

Core Principle B	Ensuring openness and comprehensive stakeholder engagement
<ul style="list-style-type: none"> • Openness: <ul style="list-style-type: none"> - All meetings of the Council are held in public unless the Part II requirements of the local authorities (Executive Arrangements) (Access to Information) Regulations 2000, are met in terms of confidentiality, - Copies of all minutes and agendas are available on the Councils website. All reports contain details of options considered and the advice provided by Officers regarding legal and financial implications. The minutes include the reasons behind the decisions made, - The Council has a Freedom of Information Scheme in place and seeks to publish information openly on its website wherever possible and practicable to do so. • Engaging comprehensively with institutional stakeholders: <ul style="list-style-type: none"> - The Council has in place a Communications Strategy which sets out how we will communicate with our residents, service users and stakeholders, - Since 2019/20 The Council has been part of the Staffordshire and Stoke-on-Trent Business Rate Pool, - The Council is committed to working collaboratively with a range of other partners including the County Council, education, health, housing, business, police, fire and the voluntary and community sector to achieve what is needed for the Borough. • Engaging with individual residents and service users effectively: <ul style="list-style-type: none"> - The Council has a consultation framework and toolkit in place and provides details of all on-going consultation exercises/surveys on its website, 	

Core Principle B	Ensuring openness and comprehensive stakeholder engagement
<ul style="list-style-type: none"> - Whenever we seek the views from the community we provide feedback on the information received and let our residents know how it has or will be used to help shape Council decisions, - Where appropriate, public consultation is used to seek the views of residents and stakeholders. For example, a public engagement exercise was undertaken with residents and stakeholders on the draft budget proposals. The aim of this engagement exercise was to: <ul style="list-style-type: none"> ▪ Communicate clearly to residents and stakeholders the budget proposals for 2023/24, ▪ 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 2022-2026 and supported by the MTFS. 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 Priority Delivery Plan that outlines outcomes to be achieved and how they link to the Council Plan. - The Council priorities are; <ul style="list-style-type: none"> ▪ One Council Delivering for Local People, ▪ A Successful and Sustainable Growing Borough, ▪ Healthy, Active and Safe Communities, ▪ Town Centres for All. • 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 Corporate Leadership Team (Officers), the Cabinet and Scrutiny Committees (Members). The Council Plan can be viewed on the Council website at https://www.newcastle-staffs.gov.uk/policies-1/Council-plan-2022-2026/6 	

Core Principle D	Determining and planning the actions necessary to optimise the achievement of the intended outcomes
<ul style="list-style-type: none"> • Determining Interventions: <ul style="list-style-type: none"> - The principles of decision making are detailed in the Council's Constitution, however the Council has in place a robust decision-making process with all Cabinet reports being considered by the Corporate Leadership Team to give a view on the strategic implications. Additionally, report authors should seek clearance from all corporate services, including legal and finance, for reports prior to publication. All reports follow a standard template which identifies the decision maker, the decision or action required, why the report is recommended and alternative options considered. - A calendar of meetings is approved and agreed by Full Council covering the period of the Council Plan 2022-2026. • 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, - Priority Delivery Plans are produced annually which set out the planned activities for each service area for that year. - Performance monitoring is undertaken to understand if and how the priorities identified within the Council Plan are being achieved. This is undertaken through service planning and identification of key performance indicators to show how services help to achieve the priorities of the Council. A number of corporate Indicators have been identified and are reported quarterly to the Corporate Leadership Team, Cabinet Members and Scrutiny Committee. 	

Core Principle D	Determining and planning the actions necessary to optimise the achievement of the intended outcomes
<ul style="list-style-type: none"> - Additionally, an update on all major projects is reported to the Corporate Leadership Team on a monthly basis to review project progress and identify any key issues and risks, with actions identified and monitored as relevant. This is then reported in summary to Cabinet Members. • Optimising the achievement of intended outcomes: <ul style="list-style-type: none"> - The MTFS 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. - The Council has a Workforce Development Plan which is currently being updated in order to capture the Council’s capacity needs. • 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 Procedural Rules 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, which is reviewed and approved annually, - A strategic risk register is maintained by the Corporate Leadership Team, progress is monitored on a quarterly basis by the Audit and Standards Committee, - Operational risks are identified and managed by Service Directors; these are reviewed and monitored quarterly. - The Council’s Audit and Standards Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment and the integrity of the financial reporting and annual governance statement process. This committee receives periodic reports regarding risk management and approves the risk management policy. This committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. • Managing Performance: <ul style="list-style-type: none"> - Service Directors and Business Managers are responsible operationally for the performance in delivering day to day services. This in turn is monitored by the Corporate Leadership Team, - The performance of delivering the Council’s priorities is monitored by Cabinet, - The Council Plan 2022-2026 is monitored by the Council’s Scrutiny Committee which reviews performance and financial monitoring information to support the delivery of the Council Plan and budget strategy. The Annual Statement of Accounts contains a review of key achievements and performance made against the Council Plan. • 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, 	

Core Principle F	Managing risks, performance and data through robust internal control and strong public financial management.
<ul style="list-style-type: none"> - 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, - The General Data Protection Regulations (GDPR) introduced a requirement for accountability and governance in discharging the Council's obligations as data controller. The Council has established an Information Governance Group. The role of this group is to oversee the effectiveness, compliance and governance of information practice across the Council. The group is led by the Service Director for Legal and Governance, as the senior responsible Officer, with Officers from all service areas across the Council. The group usually meets bi-monthly and reports once a month to the Council's Corporate Leadership Team to monitor compliance, - Data protection training is mandatory for all employees of the Council and temporary members of staff and an online training module is available for elected Council Members, - The Council recognises that Cyber Security is a persistent and growing threat to the systems and data that the Council holds and uses. It therefore recognised that reviews of Cyber Security and the associated awareness for Officers and Members is not a one-off exercise. The Council will keep technology, threats and education under constant review to ensure it is meeting with its obligations for all systems regardless of setting. • Strong public financial management: <ul style="list-style-type: none"> - The Service Director for Finance as the Councils Section 151 Officer is appropriately qualified and complies with the CIPFA statement on the Role of the Chief Finance Officer. In April 2016, CIPFA/SOLACE issued an updated application note on the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council complies with these requirements. The Chief Financial Officer is: <ul style="list-style-type: none"> ▪ A key member of the Corporate 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 Service Director for Finance (Section 151 Officer) prepares and advises the Council on its MTFs and the Budget, - Regular budget monitoring reports are provided to Members and Officers, - Financial Regulations and Contract Procedural Rules 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. - The Council maintains an internal audit function which operates to the standards set out in the 'Public Sector Internal Audit Standards'. An assessment against the standard is carried out each year with the outcome being reported to the Audit and Standards Committee as part of the chief internal auditor's annual report. A chief internal auditor protocol, to ensure that arrangements operated by the Council meet the requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations, has been included in the constitution. 	

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 Council is committed to openness and transparency and publishing as much Council data as it can in order to increase accountability. - 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. - The Council's Constitution sets out how decisions are made and specific reference to decision making by 	

Core Principle G	Implementing good practices in transparency, reporting and assurance (including audit) to deliver effective accountability.
<p>Council, Cabinet, committees and subcommittees established by the Council and scrutinised by the Scrutiny Committees. The Constitution includes the Officer Scheme of Delegation which sets out the powers and functions that are delegated to named Council Officers. The compilation of a Register of Delegated powers is a statutory requirement and is maintained by the Service Director for Legal and Governance.</p> <ul style="list-style-type: none"> • 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 Corporate Leadership 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 2022/23.

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 Service Director. The report includes recommendations for improvements that are included within an action plan and require agreement, or challenge, by Service 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 2022/23.
- 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 Service Directors. These statements provide a level of assurance with regards to the adequacy of internal controls within their own 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 2021/22 Accounts, in their Annual Report. In addition their review of the Council's governance arrangements advised that 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 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. A review will be completed on data retention/storage/disposal to ensure continued compliance,
 - 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,

- Consideration will be given on how to keep partners better informed on the progress of regeneration projects,
- 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 Priority Delivery 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 develop the commercial skill sets of Officers and the Council's investment capacity in order to support the Council's long term financial sustainability. Whilst it is recognised that the Council has strong financial management, it is important to continue to promote joint responsibility and accountability for the financial health of the organisation,
- To continue to improve practical guidance to governance in order to provide clearer understanding of processes to be followed throughout the organisation, starting with a review and update of the Financial Regulations and Contract Procedure Rules,
- A new Digital Strategy is being drafted to highlight areas for future service delivery improvements,
- A Project Register will be produced detailing all projects the Council is working on (capital and revenue). The Project Register will detail the nature of the project the project delivery service, responsible Officer, details of cost and details of any partners involved.

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 recently completed Corporate Peer Review.

6.0 Conclusion

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 needs for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: _____ **Date:** _____

Martin Hamilton

Chief Executive

Signed: _____ **Date:** _____

Cllr Simon Tagg

Leader of the Council

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 27) and the Expenditure and Funding Analysis (page 43).

2021/22				2022/23		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£000	£000	£000		£000	£000	£000
11,503	4,117	7,386	Chief Executive	8,741	1,348	7,393
8,198	4,519	3,679	Growth and Development	7,626	5,836	1,790
42,065	30,619	11,446	Sustainable Environment & Operations	39,790	29,227	10,563
61,766	39,255	22,511	Cost of services	56,157	36,411	19,746
3,039	1,530	1,509	Other operating expenditure (Note 10-p48)	3,628	3,322	306
5,885	5,077	808	Financing & investment income/expenditure (Note 11-p48)	7,733	6,564	1,169
13,830	35,997	(22,167)	Taxation & non-specific grant income/expenditure (Note 12-p48)	10,726	29,281	(18,555)
		2,661	(Surplus)/deficit on service provision			2,666
		(2,956)	(Surplus)/deficit on revaluation of assets (Note 26-p57)			(1,152)
		(29,510)	Remeasurement of the defined benefit liability/asset (Note 30-p61)			(44,940)
		(32,466)	Other income & expenditure			(46,092)
		(29,805)	Total income & expenditure			(43,426)

- Sustainable Environment and Operations includes housing benefits grant income and expenditure of circa £20m.
- The split of expenditure and income relating to the Cost of Services for 2021/22 has been restated to reflect the changes to Directorates within the Council. Expenditure and income remain the same in total relating to the Cost of Services.
- The change to Directorates has also been reflected in restatements to Note 6 (page 43) and Note 7 (page 45) to the accounts for 2021/22. Expenditure and income remain the same in total in both notes.

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
2022/23	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022 b/fwd	(10,899)	(264)	(2,869)	(14,032)	(10,500)	(24,532)
Movement in Reserves 2022/23						
Total comprehensive income & expenditure	2,666	-	-	2,666	(46,092)	(43,426)
Adjustments between accounting & funding basis (Note 8-p46)	3,028	(113)	(760)	2,155	(2,155)	-
(Increase)/decrease in year	5,694	(113)	(760)	4,821	(48,247)	(43,426)
Balance at 31 March 2023 c/fwd	(5,205)	(377)	(3,629)	(9,211)	(58,747)	(67,958)
2021/22						
Balance at 31 March 2021 b/fwd	(13,428)	(889)	(2,700)	(17,017)	22,290	5,273
Movement in Reserves 2021/22						
Total comprehensive income & expenditure	2,661	-	-	2,661	(32,466)	(29,805)
Adjustments between accounting & funding basis (Note 8-p46)	(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)

- The General Fund balance includes £3.045m 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 27).

31/03/2022 £000		31/03/2023 £000
48,638	Property, plant & equipment (Note 19-p52)	53,245
4,033	Surplus assets (Note 19-p52)	2,099
11,554	Investment property (Note 20-p55)	12,759
1,218	Heritage assets (Note 21-p56)	1,218
192	Intangible assets	243
387	Long term debtors (Note 23-p56)	379
66,022	Long term assets	69,943
14,000	Short term investments (Note 32-p65)	17,000
4,725	Assets held for sale (Note 22-p56)	1,925
323	Inventories	338
14,144	Short term debtors (Note 23-p56)	12,287
1,704	Cash/cash equivalents (Note 32-p65)	4,381
34,896	Current assets	35,931
(22,077)	Short term creditors (Note 24-p57)	(11,681)
(85)	Short term borrowing (Note 32-p65)	(55)
(3,259)	Revenue grants receipts in advance (Note 18-p51)	(760)
(394)	Provisions (Note 25-p57)	(1,301)
(25,815)	Current liabilities	(13,797)
(1,608)	Provisions (Note 25-p57)	(635)
(45,239)	Net pensions liability (Note 30-p61)	(3,010)
(3,724)	Capital grants receipts in advance (Note 18-p51)	(20,474)
(50,571)	Long term liabilities	(24,119)
24,532	Net assets	67,958
14,032	Total usable reserves (MIRS-p27)	9,211
10,500	Total unusable reserves (Note 26-p57)	58,747
24,532	Total reserves	67,958

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.

2021/22 £000		2022/23 £000
2,661	Net (surplus)/deficit on the provision of services (CIES-p26)	2,666
(4,709)	(Increase)/decrease In creditors	16,512
(7,627)	Increase/(decrease) in debtors	(5,598)
(34)	Increase/(decrease) in inventories	15
620	(Increase)/decrease in provisions	66
(2,868)	Charges for depreciation/impairment of non-current assets	(2,147)
(1,999)	Revaluation losses on property, plant & equipment	331
845	Movements in fair value of investment properties	(6)
(6)	Amortisation of intangible assets	(6)
(14)	Capital element of finance leases where Council is lessor	-
(3,113)	Movement in pension liability	(2,711)
(2,439)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(2,977)
(21,344)	Adjustments for non-cash movements	3,479
210	Capital grants & contributions unapplied credited to Comprehensive Income & Expenditure Statement	-
1,530	Transfer of cash sales proceeds credited as part of the gain/loss on disposal to Comprehensive Income & Expenditure Statement	3,321
1,740	Adjustments for items that are investing/financing activities	3,321
(16,943)	Net cash flows from operating activities	9,466
11,478	Purchase of property, plant & equipment, investment property & intangible assets	4,781
556,250	Purchase of short & long term investments	373,500
(1,530)	Proceeds from sale of property, plant & equipment, investment property & intangible assets	(3,329)
(542,250)	Proceeds from short & long term investments	(370,500)
(4,058)	Other receipts from investing activities	(16,750)
19,890	Net cash flows from investing activities	(12,298)
(6,280)	Other receipts from financing activities	(3,617)
(12)	Repayments of borrowing	30
6,274	Other payments for financing activities	3,742
(18)	Net cash flows from financing activities	155
2,929	Net increase or decrease in cash & equivalents	(2,677)
(4,633)	Cash & equivalents brought forward	(1,704)
(1,704)	Cash & equivalents carried forward	(4,381)

The cash flows for operating activities include the following items:

2021/22 £000		2022/23 £000
(38)	Interest received	(606)
-	Interest paid	-

Notes to the Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 4.75%,
- 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 Council'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. 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 Council'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 Council'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 Council'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. These are not defined as critical judgements for the purposes of the Statement of Accounts.

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 2023 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- 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:
 - 0.1% decrease in real discount rate gives an increase in liability of £2.365m,
 - 0.1% increase in the salary increase rate gives an increase in liability of £0.286m,
 - 0.1% increase in the pension increase rate gives an increase in liability of £2.113m.
- As at 31 March 2023 the Council had £42.173m of operational land and buildings and £12.759m 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 55) 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 £0.422m (£0.313m in 2021/22) and investment property assets by £0.128m (£0.115m in 2021/22). Buildings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance of those buildings.

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

5. Events after the reporting period

The Statement of Accounts was authorised for issue by the Service Director for Finance (Section 151 Officer) on 23 May 2023.

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 2023, which required the amendment of figures in the financial statements or notes to the financial statements.

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 26).

2021/22				2022/23		
Net expenditure chargeable to the General Fund	Adjustments between funding & accounting basis	Net Expenditure - Comprehensive Inc & Exp Statement		Net expenditure chargeable to the General Fund	Adjustments between funding & accounting basis	Net expenditure - Comprehensive Inc & Exp Statement
£000	£000	£000		£000	£000	£000
7,288	98	7,386	Chief Executive	6,790	603	7,393
591	3,088	3,679	Growth and Development	1,481	309	1,790
8,460	2,986	11,446	Sustainable Environment & Operations	8,471	2,092	10,563
16,339	6,172	22,511	Net cost of services	16,742	3,004	19,746
(13,810)	(6,040)	(19,850)	Other income and expenditure	(11,046)	(6,034)	(17,080)
2,529	132	2,661	(Surplus) or deficit	5,696	(3,030)	2,666
13,428			Opening General Fund/other useable reserves balance (MIRS-p27)	10,899		
(2,529)			Less/plus surplus or deficit on General Fund balance in year	(5,696)		
10,899			Closing General Fund/other useable reserves balance (MIRS-p27)	5,203		

- The General Fund balance includes £3.045m 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
2022/23	£000	£000	£000	£000
Chief Executive	733	(7)	(123)	603
Growth and Development	44	305	(40)	309
Sustainable Environment & Operations	1,091	1,140	(139)	2,092
Net cost of services	1,868	1,438	(302)	3,004
Other income and expenditure	(7,306)	1,273	(1)	(6,034)
Difference between General Fund surplus/deficit & Comprehensive Income & Expenditure Statement surplus or deficit on the provision of services	(5,438)	2,711	(303)	(3,030)

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	86	(14)	26	98
Growth and Development	2,816	346	(74)	3,088
Sustainable Environment & Operations	1,657	1,299	30	2,986
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 or deficit & Comprehensive Income & Expenditure Statement surplus or deficit on the provision of services	(2,963)	3,113	(18)	132

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:

2021/22 £000	Segment	2022/23 £000
	<i>Depreciation & amortisation</i>	
510	Chief Executive	391
605	Growth and Development	545
1,759	Sustainable Environment & Operations	1,217
2,874	Total	2,153
	<i>Impairment</i>	
(12)	Growth and Development	-
(190)	Sustainable Environment & Operations	-
(202)	Total	-
	<i>External Income</i>	
1,029	Chief Executive	884
3,580	Growth and Development	4,110
7,346	Sustainable Environment & Operations	6,561
11,955	Total	11,555

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.

2022/23	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	(2,147)	-	-	2,147
Revaluation gains on property, plant & equipment	331	-	-	(331)
Movements in fair value of investment properties	(6)	-	-	6
Amortisation of intangible assets	(6)	-	-	6
Reversal of REFCUS expenditure	(2,764)	-	-	2,764
Reversal of REFCUS income	1,463	-	-	(1,463)
Non-current assets written-off on disposal or sale as part of the gain/(loss) on disposal	(2,977)	-	-	2,977
Capital element of finance leases where Council is the lessor	(8)	-	-	8
Application of capital grants received	2,874	-	-	(2,874)
Revenue contributions to capital financing	-	-	-	-
Statutory provision for the financing of capital investment	44	-	-	(44)
Adjustments primarily involving - capital grants unapplied account				
Transfer of grant from revenue to the capital grants unapplied account	760	-	(760)	-
Adjustments primarily involving - capital receipts reserve				
Transfer of sales proceeds from revenue to the capital receipts reserve	3,321	(3,321)	-	-
Use of the capital receipts reserve to finance capital	-	3,208	-	(3,208)
Adjustments primarily involving - pensions reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(6,824)	-	-	6,824
Employers pension contributions and direct payments to pensioners payable in the year	4,113	-	-	(4,113)
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	4,551	-	-	(4,551)
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	303	-	-	(303)
Total adjustments	3,028	(113)	(760)	(2,155)

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 & impairment 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 in advance	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)

9. Movements in Earmarked Reserves

2021/22				2022/23		
Transfers out £000	Transfers in £000	Net movement £000		Transfers out £000	Transfers in £000	Net movement £000
(840)	-	(840)	General Fund	-	-	-
(176)	1,001	825	Walleys Quarry reserve	(611)	460	(151)
(24)	9	(15)	Equipment replacement fund	(6)	9	3
-	-	-	Cost of living reserve	(400)	400	-
(385)	1,000	615	Budget support fund	(777)	392	(385)
(1)	10	9	Conservation and heritage fund	(12)	10	(2)
(142)	25	(117)	Museum purchases fund	(26)	4	(22)
-	3	3	Mayors charities reserve	-	3	3
-	5	5	Clayton Community Centre fund	-	5	5
(270)	250	(20)	Borough growth fund	(241)	250	9
-	100	100	Elections reserve	(200)	50	(150)
(8)	-	(8)	Keele masterplan reserve	-	-	-
(5,410)	2,324	(3,086)	Business Rates reserve	(5,030)	26	(5,004)
(7,256)	4,727	(2,529)	Total	(7,303)	1,609	(5,694)

10. Other Operating Expenditure

2021/22 £000		2022/23 £000
600	Parish precepts	651
909	(Gains)/losses on disposal of non-current assets	(345)
1,509	Total	306

11. Financing and Investment Income and Expenditure

2021/22 £000		2022/23 £000
1,449	Interest on the net defined benefit liability	1,241
(37)	Interest receivable & similar income	(606)
(823)	Investment properties - income	(1,018)
(695)	Investment properties - revaluations	498
914	Investment properties - expenses	1,054
808	Total	1,169

12. Taxation and Non-Specific Grant Income and Expenditure

2021/22 £000		2022/23 £000
(8,196)	Council Tax income	(8,628)
9,944	Non Domestic Rates expenditure	9,754
(16,724)	Non Domestic Rates income	(15,633)
(2,095)	Non-ringfenced Government grants	(1,174)
(5,096)	Capital grants & contributions	(2,874)
(22,167)	Total	(18,555)

13. Expenditure and Income Analysed by Nature

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

2021/22 £000		2022/23 £000
	Expenditure	
21,189	Employees	21,703
2,231	Premises	2,402
907	Transport	1,179
7,260	Supplies and services	6,956
4,362	Grants and contributions	1,366
690	Agency and contracted services	594
21,317	Housing Benefits payments	20,174
7,682	Capital financing	6,758
14,430	Sources of finance expenditure	11,377
4,452	Pensions interest cost	5,735
84,520	Total expenditure	78,244
	Income	
1,530	Gains/(losses) on disposal of non current assets	3,323
25,045	Sources of finance income	22,698
37,594	Government grants	28,452
137	Transfer from Collection Fund	137
2,417	Other grants and contributions	2,709
1,320	Reimbursements	1,126
8,287	Customer receipts	8,639
864	Rents	1,064
37	Interest and investment income	606
3,003	Pensions return on assets	4,494
1,625	Other income	2,330
81,859	Total income	75,578
2,661	(Surplus) or deficit on provision of services	2,666

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):

2021/22 £000		2022/23 £000
69	External audit services carried out	64
13	Certification of grant claims and returns	18
82		82

15. Members' Allowances

In 2022/23 a total of £256,676 was paid to Members (including the Mayor and Deputy Mayor) in respect of allowances (£248,812 in 2021/22). There were no expenses paid to Members during 2022/23 (nil in 2021/22).

16. Termination Benefits

The Council terminated the contracts of a number of employees in 2022/23, incurring liabilities of £100,563 (£232,683 in 2021/22). The termination benefits related in their entirety to the mutually agreed resignation scheme.

17. Officers' Remuneration

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

2022/23 - Post holder	Salary (£)	Benefits in kind (£)	Total exc. employer pension (£)	Employer pension (£)	Total inc. employer pension (£)
Chief Executive	112,818	-	112,818	20,349	133,167
Executive Directors		-			
Sustainable Environment	96,986	-	96,986	16,585	113,571
Growth and Development	97,190	-	97,190	9,482	106,672
Heads of Service					
Neighbourhood Delivery	64,902	-	64,902	11,270	76,172
Sustainable Environment	64,254	-	64,254	10,987	75,241
Commercial Delivery	51,403	-	51,403	8,790	60,193
Regulatory Services	64,254	-	64,254	11,172	75,426
Strategy, People and Performance	61,302	-	61,302	10,498	71,800
Finance	71,184	-	71,184	12,164	83,348
Legal and Governance	74,806	-	74,806	12,742	87,548

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		-			
Sustainable Environment	95,061	-	95,061	16,255	111,316
Growth and Development	95,061	-	95,061	16,300	111,361
Heads of Service					
Neighbourhood Delivery	62,367	-	62,367	10,885	73,252
Sustainable Environment	62,329	-	62,329	10,658	72,987
Planning [^]	46,272	-	46,272	7,913	54,185
Commercial Delivery ^{^^}	35,150	-	35,150	8,226	43,376
IT and Digital [^]	48,906	-	48,906	14,083	62,990
Regulatory Services	62,418	-	62,418	11,130	73,548
Strategy, People and Performance	57,647	-	57,647	9,902	67,549
Finance	63,647	-	63,647	10,884	74,531
Legal and Governance	72,329	-	72,329	12,413	84,742

[^] 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.

Nine further employees received remuneration from salary in excess of £50,000, each 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:

2021/22 £000		2022/23 £000
	Credited to taxation/non specific grant	
5,096	Capital grants	2,874
476	Other Government grants	157
159	Lower Tier Services grant	171
-	Services grant	258
3,761	Section 31/Business Rates Relief grant	2,535
355	New Homes Bonus scheme	523
64	Revenue Support grant	66
675	Coronavirus	-
365	Income Compensation - fees and charges	-
10,951	Total	6,584
	Credited to services	
20,821	Housing Benefits subsidy/grants	19,500
444	Housing Benefit/Council Tax Benefit admin	427
1,715	Disabled Facilities grant	1,715
240	Air Quality	-
329	Bus Retrofit	-
414	Estate Regeneration	-
127	Future High Street Fund	102
574	Town Deals	435
42	Contributions towards Community Safety	32
588	Homelessness	414
2,352	Additional Restrictions grant	-
-	UK Shared Prosperity fund	166
-	Social Housing Decarbonisation fund	510
1,387	Other grants and contributions	1,276
29,033	Total	24,577

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

31/03/2022 £000		31/03/2023 £000
	Revenue grants received in advance	
-	Contributions towards Community Safety	37
-	Future High Street Fund	31
-	Town Deals	399
-	UK Shared Prosperity Fund	293
206	Council Tax Rebate grant	-
510	Social Housing Decarbonisation Fund	-
2,409	Coronavirus - Additional Relief Fund (NDR)	-
134	Community Renewal Fund	-
3,259	Total	760

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

31/03/2022 £000		31/03/2023 £000
	Capital grants received in advance	
1,689	Future High Street Fund	3,096
1,005	Town Deals	15,912
-	UK Shared Prosperity Fund	135
1,030	Section 106 Agreements	1,331
3,724	Total	20,474

19. Property, Plant and Equipment

Movements on Balances

2022/23	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 2022	31,309	1,375	12,563	6,186	4,033	5,828	61,294
Additions	917	-	834	-	720	1,369	3,840
Accumulated depreciation /impairment written out	(1,032)	-	-	-	(15)	-	(1,047)
Revaluation increases/(decreases) - revaluation reserve	2,805	-	-	(984)	(669)	-	1,152
Revaluation increases/(decreases) - surplus/deficit on provision of services	1,317	-	-	(151)	(835)	-	331
Reclassifications (to)/from investment property	(340)	-	-	-	-	-	(340)
Asset reclassifications	7,197	-	-	1,135	(1,135)	(7,197)	-
Derecognition - disposals	-	-	(676)	-	-	-	(676)
At 31 March 2023	42,173	1,375	12,721	6,186	2,099	-	64,554
Accumulated depreciation & impairment							
At 1 April 2022	-	(593)	(6,745)	(1,285)	-	-	(8,623)
Depreciation charge	(1,033)	(35)	(866)	(198)	(15)	-	(2,147)
Accumulated depreciation/impairment written out	1,033	-	512	-	15	-	1,560
At 31 March 2023	-	(628)	(7,099)	(1,483)	-	-	(9,210)
Net book value							
As at 31 March 2022	31,309	782	5,818	4,901	4,033	5,828	52,671
As at 31 March 2023	42,173	747	5,622	4,703	2,099	-	55,344

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

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 2023 or at 31 March 2022.

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 2023 and for the prior period.

31/03/2022 £000		31/03/2023 £000
5,828	Assets under construction	-
4,033	Surplus assets	2,099
	Land and buildings	
3,724	Community Centres	3,774
2,896	Car Parks	3,542
2,123	Depot	2,417
5,550	Offices	6,202
235	Bus Station	224
1,318	Cemeteries	1,446
813	Crematorium	813
8,882	Leisure Centres	18,062
3,267	Parks and Sports grounds	3,515
934	Museum	801
81	Public toilets	40
1,486	Other land and buildings	1,337
1,375	Infrastructure assets	1,375
12,563	Vehicles, plant, furniture, equipment	12,721
6,186	Community assets	6,186
61,294	Total	64,554

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 2022/23. 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	12,721	6,186	-	-	20,282
Valued at fair value at: 31 March 2023	42,173	-	-	-	2,099	-	44,272
Total cost or valuation	42,173	1,375	12,721	6,186	2,099	-	64,554

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. £1.135m of surplus assets were reclassified as community assets as at 31 March 2023.

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:

2021/22 £000		2022/23 £000
14,749	Balance at 1 April	11,554
1,518	Additions - subsequent expenditure	883
(220)	Disposals	(12)
843	Net gains/(losses) - fair value adjustments	(6)
(461)	Transfers (to)/from property, plant & equipment	340
(4,875)	Transfers (to)/from assets held for sale	-
11,554	Balance at 31 March	12,759

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. £0.340m of land and buildings were reclassified as investment properties as at 31 March 2023.

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	31/03/2023 £000	Valuation technique used to measure fair value	Unobservable Inputs	Sensitivity
Shops	3,840	Investment method	Rental values yield	(a)
Offices	922	Investment method	Rental values yield	(a)
Industrial units	4,422	Investment method	Rental values yield	(a)
Other	3,575	Investment method	Rental values yield	(a)
	12,759			

(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 28) at an insurance valuation of £1.218m, which is based on market values as assessed by an external valuer.

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

2021/22 £000		2022/23 £000
555	Balance at 1 April (current assets)	4,725
	Assets newly classified as held for sale:	
4,875	- From investment properties	-
(555)	- Disposals	(2,800)
(150)	- Revaluation losses	-
4,725	Balance at 31 March (current assets)	1,925

23. Debtors

31/03/2022 £000	Short term	31/03/2023 £000
1,326	Trade receivables	1,609
12,818	Other receivable amounts	10,678
14,144	Total	12,287

31/03/2022 £000	Long term	31/03/2023 £000
113	Finance lease balances outstanding	106
274	Kickstart loans (re. home improvements)	273
387	Total	379

24. Creditors

31/03/2022 £000		31/03/2023 £000
663	Trade payables	412
21,414	Other payables	11,269
22,077	Total	11,681

25. Provisions

	Short term	Long term			Total long term £000
	NNDR appeals £000	Insurance claims £000	MMI £000	NNDR appeals £000	
Balance at 1 April 2021	1,060	146	17	1,399	1,562
Additional provisions made	-	28	-	59	87
Amounts used	(666)	(28)	(13)	-	(41)
Balance at 1 April 2022	394	146	4	1,458	1,608
Additional provisions made	907	46	-	-	46
Amounts used	-	(46)	-	(973)	(1,019)
Balance at 31 March 2023	1,301	146	4	485	635

The NDR 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:

31/03/2022 £000		31/03/2023 £000
	Capital:	
16,814	Revaluation reserve	17,430
42,872	Capital adjustment account	43,428
388	Deferred capital receipts reserve	380
	Revenue:	
(45,239)	Pensions reserve	(3,010)
(3,838)	Collection fund adjustment account	713
(497)	Accumulated absences account	(194)
10,500	Total unusable reserves	58,747

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.

2021/22 £000		2022/23 £000
14,445	Balance at 1 April	16,814
-	- Adjustment re. previous years impairment	-
3,386	Upward revaluation of assets not charged to the surplus/deficit on the provision of services	3,408
(430)	Downward revaluation of assets & impairment losses not charged to the surplus/deficit on the provision of services	(2,256)
(570)	Difference between fair value depreciation and historical cost depreciation	(536)
(17)	Accumulated gains on assets sold or scrapped	-
16,814	Balance at 31 March	17,430

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.

2021/22 £000		2022/23 £000
42,541	Balance at 1 April	42,872
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:	
(2,868)	Charges for depreciation/impairment of non-current assets	(2,147)
(6)	Amortisation of intangible Assets	(6)
(3,265)	REFCUS expenditure	(2,764)
1,937	REFCUS income	1,463
(2,439)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(2,977)
845	Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	(6)
(1,849)	Revaluation losses on property, plant and equipment	331
(150)	Revaluation losses on assets held for sale	-
5,097	Application of capital grants to capital financing	2,874
172	Revenue contributions to capital financing	-
(14)	Capital element of finance leases where Council is the lessor	(8)
42	Minimum revenue provision contribution	44
(2,498)		(3,196)
	Capital financing applied in the year:	
2,155	Use of the capital receipts reserve to finance new capital expenditure	3,208
41	Application of grants to capital financing from the capital grants unapplied account	-
32	Application of grants to capital financing from the capital grants received in advance account	-
14	Capital element of finance leases where Council is the lessor	8
	Adjusting Amounts Written Out of Revaluation Reserve	
570	Difference between fair value depreciation/historical cost depreciation	536
17	Accumulated gains on assets sold or scrapped	-
331		556
42,872	Balance at 31 March	43,428

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.

2021/22 £000		2022/23 £000
406	Balance at 1 April	388
(18)	Capital element of finance leases where Council is the lessor	(8)
388	Balance at 31 March	380

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 Council'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 Council has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.

2021/22 £000		2022/23 £000
(71,636)	Balance at 1 April	(45,239)
29,510	Remeasurements of the net defined benefit liability/(asset)	44,940
(7,543)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services	(6,824)
4,430	Employers pensions contributions and direct payments to pensioners payable in the year	4,113
(45,239)	Balance at 31 March	(3,010)

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 Council 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.

2021/22 £000		2022/23 £000
(7,532)	Balance at 1 April	(3,838)
134	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year	30
3,560	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	4,521
(3,838)	Balance at 31 March	713

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.

2021/22 £000		2022/23 £000
(515)	Balance at 1 April	(497)
515	Settlement or cancellation of accrual made at the end of the preceding year	497
(497)	Amounts accrued at the end of the current year	(194)
(497)	Balance at 31 March	(194)

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.

2021/22 £000		2022/23 £000
5,395	Opening capital financing requirement	10,726
	Capital investment	
9,793	Property, plant & equipment	3,840
1,518	Investment properties	883
167	Intangible assets	58
3,265	REFCUS	2,764
	Sources of finance	
(2,155)	Capital receipts	(3,208)
(7,043)	Government grants & other contributions	(4,337)
(172)	Revenue contributions	-
(42)	Minimum revenue provision	(44)
10,726	Closing capital financing requirement	10,682
	Explanation of movements in year	
5,545	Capital expenditure financed from internal borrowing	-
5,331	Increase/(decrease) in capital financing requirement	(44)

28. Impairment Losses

The Council has undertaken an impairment review of its non-current assets at 31 March 2023, 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, a number of Members are also Members of Staffordshire County Council. The total of Members' allowances paid is shown in Note 15 (page 49).

During 2022/23 two Members declared involvement with the New Victoria Theatre, that received £39,498 from the Council, of which £25,000 related to an annual cultural grant. This grant was in line with the budget approved by Full Council for 2022/23.

Payments totalling £13,253 were also made to Keele University, where one Member is employed as a lecturer. No direct influence over this expenditure exists.

Officers

No payments have been made to any entities that have a relationship with Council Officers during 2022/23. A Council Officer has declared that their spouse is a director of the Philip Astley Project CIC. The Officer is involved with the Kidsgrove Town Deal, and not the Newcastle Town Deal, and therefore has no direct influence over the project.

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 2022 formal valuations for English and Welsh Local Government Pension Scheme Funds were concluded by 31 March 2023.

The reconciliation of the balance sheet from 31 March 2022 to 31 March 2023 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).

The discount rate used to assume future investment return is a key financial assumption made by the actuary, the large increase in the discount rate (4.75% as per market conditions at 31 March 2023, compared to 2.70% at 31 March 2022) has driven a large reduction in the value placed on the obligations side of the balance sheet and subsequently a large reduction in the pension liability.

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 27). 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:

2021/22			2022/23	
LGPS £000	Unfunded benefits £000		LGPS £000	Unfunded benefits £000
		Comprehensive Income & Expenditure Statement		
		Cost of services:		
6,094	-	- Current service cost	5,583	-
-	(408)	- Unfunded benefit contributions	-	(400)
		Financing and investment income & expenditure		
1,449	-	- Net interest expense	1,241	-
7,543	(408)	Total pension benefit charged to the surplus/deficit on provision of services	6,824	(400)
		Remeasurement of the net defined benefit liability comprising:		
(15,250)	-	- (Return)/loss on plan assets	7,319	-
(1,239)	-	- Changes in demographic assumptions	(4,364)	-
(13,307)	-	- Changes in financial assumptions	(67,447)	-
286	-	- Other experience	19,552	-
(29,510)	-	Total pension benefit charged to Comprehensive Income & Expenditure Statement	(44,940)	-
		Movement in Reserves Statement		
(7,543)	408	Reversal of net charges made to the surplus/deficit on provision of services for pension benefits	(6,824)	400
		Actual amount charged against the General Fund balance for pensions		
4,430	-	- Employers' contributions payable to scheme	4,113	-
-	(408)	- Retirement benefits payable to pensioners	-	(400)
(3,113)	-		(2,711)	-

Pensions Assets and Liabilities Recognised in the Balance Sheet

2021/22 £000		2022/23 £000
(207,352)	Present value of defined benefit obligation-funded	(154,630)
(5,492)	Present value of defined benefit obligation-unfunded	(4,512)
167,605	Fair value of plan assets	156,132
(45,239)	Net liability arising from defined benefit obligation	(3,010)

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

2021/22		2022/23
£000		£000
216,830	Present value of funded liabilities	207,352
6,000	Present value of unfunded liabilities	5,492
222,830	Opening position as at 1 April	212,844
6,094	Current service cost	5,583
4,452	Interest cost	5,735
776	Contributions by scheme participants	791
	Remeasurements:	
(13,307)	Changes in financial assumptions	(67,447)
(1,239)	Changes in demographic assumptions	(4,364)
286	Other Experience	12,973
(6,640)	Benefits paid	(6,573)
(408)	Unfunded benefits paid	(400)
212,844	Closing balance as at 31 March	159,142
207,352	Present value of funded liabilities	154,630
5,492	Present value of unfunded liabilities	4,512

Local Government Pensions Scheme Assets Comprised

2021/22			2022/23	
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000		Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000
5,643	-	Equities:	5,256	-
4,605	-	- Consumer	4,290	-
1,265	-	- Manufacturing	1,178	-
6,006	-	- Energy & utilities	5,595	-
6,342	-	- Financial	5,908	-
7,294	-	- Health & care	6,795	-
31,155	-	- Information technology	29,022	-
		Bonds		
9,846	-	- Corporate (investment)	9,172	-
9,846	-		9,172	-
		Property		
-	13,422	UK	-	12,503
-	13,422		-	12,503
		Investment funds		
79,619	-	- Equities	74,169	-
10,490	-	- Bonds	9,772	-
-	62	- Hedge funds	-	58
-	446	- Infrastructure	-	416
-	7,692	- Other	-	7,165
90,109	8,200		83,941	7,639
-	8,304	Private equity	-	7,736
6,569	-	Cash/cash equivalents	6,119	-
137,679	29,926	Total assets	128,254	27,878

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

2021/22 £000		2022/23 £000
151,194	Opening value of scheme assets	167,605
	Remeasurement gain/(loss):	
3,003	Interest Income on plan assets	4,494
-	Other experience	(6,579)
15,250	Return on assets excluding net interest	(7,319)
	Actuarial gains/(losses)	
4,022	Employer contributions	3,713
776	Contributions by scheme participants	791
(6,640)	Benefits paid	(6,573)
167,605	Closing balance at 31 March	156,132

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 2022. The principal assumptions used by the actuary have been:

2021/22		2022/23
LGPS		LGPS
	Longevity at 65 - current pensioners (years):	
21.2	Men	20.6
23.8	Women	23.9
	Longevity at 65 - future pensioners (years):	
22.2	Men	21.3
25.5	Women	25.7
3.60%	Rate of increase in salaries	3.50%
3.20%	Rate of increase in pensions (CPI)	3.00%
2.70%	Rate for discounting scheme liabilities	4.75%

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.

	<u>Increase in defined benefit obligation £000</u>
0.1% decrease in real discount rate	2,365
1 year increase in member life expectancy	6,366
0.1% increase in the salary increase rate	286
0.1% increase in the pension increase rate (CPI)	2,113

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 2024 is £4.096m.

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 2023 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 £777,024, of which £182,308 has been paid to the administrator. This leaves a maximum contingent liability of £596,924.

(b) 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 28); the table below also shows the fair values of these financial instruments:

2021/22		Measured at amortised cost	2022/23	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		Financial Liabilities		
2,588	2,588	Creditors	1,889	1,889
85	85	Borrowings	55	55
		Financial Assets		
14,000	14,000	Short term investments	17,000	17,000
2,921	2,921	Debtors	4,327	4,327
1,704	1,704	Cash/cash equivalents	4,381	4,381

Debtors/Creditors vary from the balance sheet as statutory debtors and payments in advance (£7.960m in 2022/23 and £11.223m in 2021/22) and statutory creditors and receipts in advance (£9.792m in 2022/23 and £19.489m in 2021/22) are excluded from the classification of financial instruments.

Income, Expenses, Gains and Losses

2021/22				2022/23		
Expenses & losses £000	Income & gains £000	Total £000		Expenses & losses £000	Income & gains £000	Total £000
-	(37)	(37)	Interest income on financial assets measured at amortised cost	-	(606)	(606)
-	(37)	(37)	Total income in provision of services	-	(606)	(606)

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 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 a future event such as COVID-19 on the collection, this is based upon the increased level of debtors arrears from 31 March 2020 to 31 March 2022 (i.e. during the period of COVID-19),
- 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:

2021/22 £000		2022/23 £000
292	Balance at 1 April	188
(103)	Amounts written off	(99)
(1)	Changes in models/risk parameters	33
188	Balance at 31 March	122

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:

31/03/2022 £000		31/03/2023 £000
85	Less than one year	55
85		55

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.

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. 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 and Operating Leases

As at 31 March 2023 the Council has no requirement to commit to making minimum payments under finance leases. Its commitment to making payments under operating leases is immaterial.

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:

31/03/2022 £000		31/03/2023 £000
14	Current	12
113	Non-current	106
319	Unearned finance income	287
446	Gross investment in the lease	405

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

31/03/2022			31/03/2023	
Minimum lease payments £000	Finance lease liabilities £000		Minimum lease payments £000	Finance lease liabilities £000
42	28	Not later than one year	36	24
143	99	Later than one year, less than five years	143	95
261	192	Later than five years	226	168
446	319		405	287

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:

31/03/2022 £000		31/03/2023 £000
518	Not later than one year	408
456	Later than one year, less than five years	426
1,010	Later than five years	816
1,984		1,650

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.

2021/22 Council Tax £000	2021/22 Business Rates £000	2021/22 Total £000		2022/23 Council Tax £000	2022/23 Business Rates £000	2022/23 Total £000
			Income			
(71,362)	-	(71,362)	Council Tax Payers	(74,430)	-	(74,430)
-	-	-	COVID Hardship Government Grant	-	-	-
(162)	-	(162)	Household Support Fund	-	-	-
-	(30,141)	(30,141)	Business Rates Payers	-	(32,710)	(32,710)
			Transfer of previous years deficit			
(48)	(5,375)	(5,423)	- Newcastle-under-Lyme Borough Council	-	(4,810)	(4,810)
(310)	(1,058)	(1,368)	- Staffordshire County Council	-	(1,082)	(1,082)
(54)	-	(54)	- Office of Police & Crime Commissioner	-	-	-
(18)	(134)	(152)	- Staffordshire Fire and Rescue Authority	-	(120)	(120)
-	(6,871)	(6,871)	- Central Government	-	(6,012)	(6,012)
(71,954)	(43,579)	(115,533)	Total income	(74,430)	(44,734)	(119,164)
			Expenditure			
			Council Tax precepts			
8,245	-	8,245	- Newcastle-under-Lyme Borough Council	8,570	-	8,570
50,461	-	50,461	- Staffordshire County Council	52,784	-	52,784
8,848	-	8,848	- Office of Police & Crime Commissioner	9,363	-	9,363
2,922	-	2,922	- Staffordshire Fire and Rescue Authority	3,027	-	3,027
			Business Rates apportionment			
-	14,642	14,642	- Newcastle-under-Lyme Borough Council	-	13,386	13,386
-	3,295	3,295	- Staffordshire County Council	-	3,012	3,012
-	366	366	- Staffordshire Fire and Rescue Authority	-	334	334
-	18,302	18,302	- Central Government	-	16,733	16,733
			Other expenditure			
-	137	137	Cost of Collection	-	137	137
-	(13)	(13)	Transitional Protection	-	(50)	(50)
306	(537)	(231)	Provision for Bad Debts	191	44	235
-	(1,518)	(1,518)	Provision for Appeals	-	(166)	(166)
			Transfer of previous years surplus			
-	-	-	- Newcastle-under-Lyme Borough Council	27	-	27
-	-	-	- Staffordshire County Council	201	-	201
-	-	-	- Office of Police & Crime Commissioner	36	-	36
-	-	-	- Staffordshire Fire and Rescue Authority	11	-	11
-	-	-	- Central Government	-	-	-
70,782	34,674	105,456	Total expenditure	74,210	33,430	107,640
(1,172)	(8,905)	(10,077)	Deficit/(surplus) for the year	(220)	(11,304)	(11,524)
1,119	18,500	19,619	Balance brought forward at 1 April	(53)	9,595	9,542
(1,172)	(8,905)	(10,077)	Deficit/(surplus) for the year	(220)	(11,304)	(11,524)
(53)	9,595	9,542	Balance carried forward at 31 March	(273)	(1,709)	(1,982)
			Allocation of Collection Fund balance			
-	3,838	3,838	- Newcastle-under-Lyme Borough Council	(30)	(683)	(713)
(43)	864	821	- Staffordshire County Council	(196)	(154)	(350)
(1)	96	95	- Staffordshire Fire and Rescue Authority	(11)	(17)	(28)
-	4,797	4,797	- Central Government	-	(855)	(855)
(9)	-	(9)	- Office of Police & Crime Commissioner	(36)	-	(36)
(53)	9,595	9,542		(273)	(1,709)	(1,982)

Notes

1. Business Rates

The Council collects business rates in its area based on non domestic rateable values (£90.595m at 31 March 2023 and £90.747m at 31 March 2022) multiplied by a uniform business rate. The rate is specified by the Government, in 2022/23 the rate was 51.2p, with a reduction for “small businesses” to 49.9p on application (unchanged from 2021/22).

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 2022/23 were estimated, via the NNDR1 return, before the start of the financial year as £16.733m to Central Government, £3.012m to Staffordshire County Council, £0.334m to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and £13.386m to Newcastle-under-Lyme Borough Council.

The total of these sums (£33.465m) has been paid in 2022/23 and charged to the collection fund in year.

The actual business rates payable for 2022/23, 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 £32.745m.

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 (£33.465m) and the actual business rates payable per the NNDR3 return (£32.745m) is £0.720m - a deficit to the collection fund for 2022/23 due to a significant change in rateable value for a large business rates payer which has been backdated by the Valuation Office to 2010.

In addition to the business rates shares payable for 2022/23, the estimated 2021/22 deficit declared in January 2022 regarding business rates of £12.024m 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 2021/22 deficit was calculated to be £9.595m, therefore there remains £2.429m in the collection fund balance carried forward which is payable from the Collection Fund to the Council, Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority in relation to 2021/22.

Taking into account the remaining 2021/22 amount to be paid back to the preceptors and the 2022/23 deficit, the business rates collection fund has a surplus of £1.709m as at 31 March 2023.

Of the surplus, the Council's share amounts to £0.684m.

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 2022/23 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 2022/23 of £1,940.46 compared with £1,884.11 in 2021/22. 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 2022/23 was 37,668 (37,087 in 2021/22), this was derived as follows:

Band & value range	Number of dwellings	After discounts/ exemptions	Ratio to band D	Band D equivalents
Band A-	-	55	5/9	30
Band A (Up to £40,000)	24,398	16,321	6/9	10,880
Band B (£40,001 - £52,000)	10,682	8,745	7/9	6,802
Band C (£52,001 - £ 68,000)	11,490	10,007	8/9	8,895
Band D (£68,001 - £88,000)	5,197	4,707	9/9	4,707
Band E (£88,001 - £120,000)	2,797	2,532	11/9	3,095
Band F (£120,001 - £160,000)	1,819	1,703	13/9	2,460
Band G (£160,001 - £320,000)	965	899	15/9	1,498
Band H (Over £320,000)	51	35	18/9	70
				38,437
Less non collection rate (2%)				(769)
Borough Council Tax base				37,668

The Council Tax precepts payable for 2022/23 were £52.784m to Staffordshire County Council, £9.363m to Office of the Police and Crime Commissioner Staffordshire, £3.027m to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and £8.570m to Newcastle-under-Lyme Borough Council.

The total of these sums (£73.744m) has been paid in 2022/23 and charged to the collection fund in year.

The actual Council Tax payable for 2022/23, when taking into account bad debts was calculated to be £74.239m.

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 (£73.744m) and the actual Council Tax payable (£74.239m) is £0.495m - a surplus to the collection fund for 2022/23 due to band change increases and reductions in reliance on Council Tax support.

In addition to the Council Tax payable for 2022/23, the estimated 2021/22 surplus declared in January 2022 regarding Council Tax of £0.275m was repaid to 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 2021/22 surplus was calculated to be £0.053m, therefore there remains £0.222m in the collection fund balance carried forward which is repayable to the Collection Fund by Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council in relation to 2021/22.

Taking into account the remaining 2021/22 amount to be repaid and the 2022/23 surplus, the Council Tax collection fund has a surplus of £0.273m as at 31 March 2023.

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 Council'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 Council'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 Council'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 Council 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 Council.

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 Council. 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 Council 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 (NDR)

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 Council but is subject to a tariff payment and pool levy.

Non-Distributed Costs

Overheads from which no user now benefits and which are not apportioned to services.

Past Service Cost

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

Precept

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

Prior Period Adjustments

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

Provisions

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

Quoted Securities

Assets such as shares that are traded on financial exchanges.

Realisable Value

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

Related Parties

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

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

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

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

Related Party Transaction

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

Reserves

Reserves fall into two different categories:

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

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure

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

Revenue Expenditure Funded From Capital Under Statute (REFCUS)

Expenditure which does not result in the creation of a fixed asset and which is classified as capital for funding purposes but is chargeable to the Comprehensive Income and Expenditure Account (revenue account) as revenue expenditure. Any grants or contributions towards such expenditure are also chargeable to the revenue account. An appropriation is made to the revenue account from the capital adjustment account of the amount of expenditure financed from capital resources. Such expenditure was formerly referred to as deferred charges.

Revenue Support Grant (RSG)

Grant paid to local authorities by Central Government to help finance its general expenditure.

Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method. Reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

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

Useful Life

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

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CORPORATE LEADERSHIP TEAM'S REPORT TO

Audit & Standards Committee 30 May 2023

Report Title: Updated Finance and Contract Procedure Rules

Submitted by: Monitoring Officer

Portfolios: One Council, People & Partnerships

Ward(s) affected: N/A

Purpose of the Report

To ask the Committee to note the new set of Finance and Contact Procedure Rules

Recommendation

That the committee;

- 1) note the new Finance and Contract Procedure Rules as set out in the appendix.**

Reasons

The Finance and Contract Procedure Rules (FCPRs) haven't been substantially revised since September 2020. They were not revised alongside the rest of the Constitution when the Constitution was substantially updated at Annual Council in 2022, resulting in the adoption of a bespoke, modern constitution. The adoption of the proposed FCPRs would bring them into line with the rest of the new Constitution, bringing efficiency improvements through clarity and brevity and by updating and streamlining outdated or unnecessarily complex processes. In doing so, the new FCPRs also bring improved governance and provide a clearer, centralised framework in areas such as joint and collaborative working and grant funding.

1. Background

- 1.1 Members will recall that a new Constitution was adopted by unanimous vote of Council at its Annual meeting in 2022. The new Constitution took a completely fresh, bespoke approach to its layout, format and content, significantly updating and modernising it and making it much more user-friendly and accessible.
- 1.2 Constitutions are "living documents" and must change from time to time to reflect how the Council does and would like to work, to make its operations more efficient and to ensure it achieves the correct balance between efficiency and sound governance. It is reviewed on at least an annual basis, with proposed changes being brought to Annual Council for Members to consider.

- 1.3 Members will be aware that whilst the rest of the Constitution was substantially revised and updated during 2022, with a new Constitution being adopted by unanimous vote of Council at its 2022 Annual meeting, the FCPRs were not reviewed as part of that process.
- 1.4 This approach was taken predominantly because a comprehensive review of FCPRs at that time would have delayed the adoption of the rest of the constitution, given the length and complexity of that version of the FCPRs. In addition, there was also significant legislative change to the procurement regime which anticipated, so there was some sense in pausing to evaluate the likely impacts of that development on the FCPRs.
- 1.5 Whilst those legislative changes are still expected, it is likely to be 12 months or more before they take shape and come into force, so it is considered prudent to update our FCPRs in the meantime. There are some significant operational efficiency benefits to be gained in doing so, along with some governance improvements and the additional advantages of the FCPRs moving to a format and drafting style that matches the rest of the new Constitution.

2. **Issues**

- 2.1 The FCPRs set out how the council manages its operational financial processes, and the rules governing how the council procures goods, services and works and manages its contracting arrangements.
- 2.2 The current FCPRs are found in appendices F5 and F6 of the Constitution and run to some 178 pages. They are a direct “lift and shift” (with some formatting changes) of the FCPRs that were in the Council’s old Constitution, last updated in September 2020.

Streamlining the FCPR

- 2.3 The revision of the FCPR has removed rules which are better suited to an operational practice manual as opposed to being in the main body of the rules themselves. These issues are appropriately contained in FCPRs as “headline” considerations only, establishing the principles and the importance of such controls, but with the detail sitting at an operational manual level. These are issues which should not require Council approval to change/update.
- 2.4 The rules which move to operational manuals are:
 - Processes to be followed when stocks are delivered (inspection at the time of delivery for quantity/quality etc.; directions as to signing stock sheets, certifying accuracy, collating records, stock taking etc.)
 - Provisions relating to ordering and paying for supplies and services, referencing outdated systems and forms.
 - Provisions relating to the commercial strategy

- Provisions relating to project governance, partnerships, internal control, risk, audit, insurance, staffing costs & expenses, member allowances, and internal financial reporting.

Correcting Anomalies

2.5 The review of the FCPS identified differences between what the current FCPRs say, and what is actual (and correct) current practice. The new FCPRs have been drafted to reflect actual (and correct) current practice:

- Removing the need for the Section 151 Officer to be consulted/ involved in negotiations in *all* cases where an agreement “or other arrangement” in excess of £50k is “contemplated with external third parties...which may have financial implications for the council”. This is unhelpfully vague and there are other adequate controls within the decision making process which makes this unnecessary.
- Standardising the financial limits which trigger different requirements in the contracting process (credit checks, risk assessments, anti-bribery checks).
- The FCPRs currently have a £10,000 threshold at which contracts must be placed on a regional portal or the Council’s website. That threshold should (in law) be £25,000.
- Aligning to £50,000 the form (terms and conditions) of contracts which must be approved by Legal Services and the size of contract which needs to be put through the formal Legal Services signing/sealing processes to remove an existing misalignment.
- Aligning the requirement to execute under seal with current law. The new FCPRs provide clarity and guidance on this approach and will expedite contract completion arrangements without sacrificing proper governance controls.
- Clarification of arrangements for “performance bonds” when letting contracts such that bonds are not required for contracts up to £250,000, and the advice of the S151 Officer should be sought on a case-by-case basis thereafter.

Improved Governance

2.6 The revised FCPRs include additions designed specifically to improve governance controls:

- Exceptions to the procurement rules can currently be approved for appropriate reasons (market failure, single supplier, urgency). The revised rules increase controls by allowing approval by the S151 Officer and Monitoring Officer only, rather than any Chief Officer, and use of these “waiver” processes to be reported to the Audit & Standards committee on a regular basis as part of the Council’s performance monitoring practices.

- The revised rules contain sections that provide a clear framework on joint and collaborative working, particularly where the council acts as the “accountable body” in a wider partnership. Whilst we have adequate governance frameworks around the various programmes associated with Levelling Up, it is prudent for the FCPRs to contain an overarching framework in these areas.

Summary

2.7 This report provides an overview of the substantive alterations proposed in the new rules. It is beyond the scope of this report to summarise *all* of the changes made as the new FCPRs are based on a fresh model, rather than being the result of iterative improvements to the existing version. Members can be assured, however, that there have been no changes to the hierarchy of financial limits in terms of when approvals must move from Officer, to Cabinet to Council.

2.8 Members should also keep in mind that as a part of the Constitution, the FCPRs are also a “living document” and should properly be kept under constant review and updated as needs be. A substantive review of the provisions on procurement and contracting will be required when the legislative changes referred to above come into effect, which is anticipated to be mid to late 2024.

3. Proposal

3.1 That the committee note the new Finance and Contract Procedure Rules as set out in the appendix.

4. Reasons for Proposed Solution

4.1 The Finance and Contract Procedure Rules (FCPRs) haven’t been substantially revised since September 2020. They were not revised alongside the rest of the Constitution when the Constitution was substantially updated at Annual Council in 2022, resulting in the adoption of a bespoke, modern constitution. The adoption of the proposed FCPRs would bring them into line with the rest of the new Constitution, bringing efficiency improvements through clarity and brevity and by updating and streamlining outdated or unnecessarily complex processes. In doing so, the new FCPRs also bring improved governance and provide a clearer, centralised framework in areas such as joint and collaborative working and grant funding.

5. Options Considered

5.1 An option would be to simply carry on with the existing FCPRs, until the changes to the procurement regime come into effect. Another option would be to explore piecemeal amendments to the existing rules to deal only with some of the more pressing issues, until that time.

5.2 However, there are considerable benefits in terms of operational efficiency and improved governance in the proposed update and revised format that wouldn’t be realised if that alternative approach was taken. A piecemeal approach to

amendments is likely to be resource intensive and unachievable on any useful timescale.

6. Legal and Statutory Implications

6.1 There are no legal implications arising in respect of the first three proposed changes. The review has been very carefully undertaken by the Monitoring Officer, Section 151 Officer, Deputy Section 151 Officer and the Councils' lead Procurement Officer. Great care has been taken to ensure that the proposed new FCPRs are up to date and in accordance with all relevant statutory requirements.

6.2 Through that process, the Officer team has identified (and rectified) some areas where the rules were out of date and have clarified and simplified processes which greatly increases the likelihood of the rules being better understood and followed. This greatly reduces the likelihood of the Council falling into error in the way in which it conducts its financial and procurement/contracting functions.

7. Equality Impact Assessment

7.1 There are no equality implications arising from the proposals.

8. Financial and Resource Implications

8.1 There are no direct financial or resource implications, but improved clarity and simplicity in the processes governed by the rules will deliver operational efficiencies in day-to-day practice. The governance improvements proposes will ensure better stewardship of council resources and the updates and clarity provided around the procurement and contracting processes in particular will reduce the likelihood of an error leading to potentially significant costs in resolving a governance failure.

9. Major Risks

9.1 The greatest risk lies in not updating the rules.

10. UN Sustainable Development Goals (UNSDG)

10.1 Contributing to the smoother and more efficient operation of the Council contributes towards the following goals:-



11. Key Decision Information

11.1 N/A

12. **Earlier Cabinet/Committee Resolutions**

12.1 Adoption of the new Constitution, Annual Council May 2022.

13. **List of Appendices**

13.1 New FCPRs

14. **Background Papers**

14.1 N/A



Part F – Appendices

Section F5:- Finance and Contract Procedure Rules

F5A:- Introduction and Overview

In Part F:-

Section F1 contains the Member Code of Conduct

Section F2 contains the Member Planning Protocol

Section F3 contains the Officer Code of Conduct

Section F4 contains the Officer/Member Relations Protocol

This Section (F5) contains the Finance and Contract Procedure Rules that govern how the council manages its financial affairs. The Rules are split into the following eight parts:-

- **This section (F5A)** contains an introduction and overview to the principles of good financial management, the roles and responsibilities of Officers and Members and the various documents and processes that form the council's financial management framework.
- **Part F5B** Financial Management
- **Part F5C** Financial Planning
- **Part F5D** Risk Management and Control of Resources
- **Part F5E** Financial Systems and Procedures
- **Part F5F** Contract Procedure Rules
- **Part F5G** Collaborative Working and ASDVs
- **Part F5H** Glossary



Part F – Appendices

Section F5:- Finance and Contract Procedure Rules

F5A:- Introduction and Overview

A1. Introduction

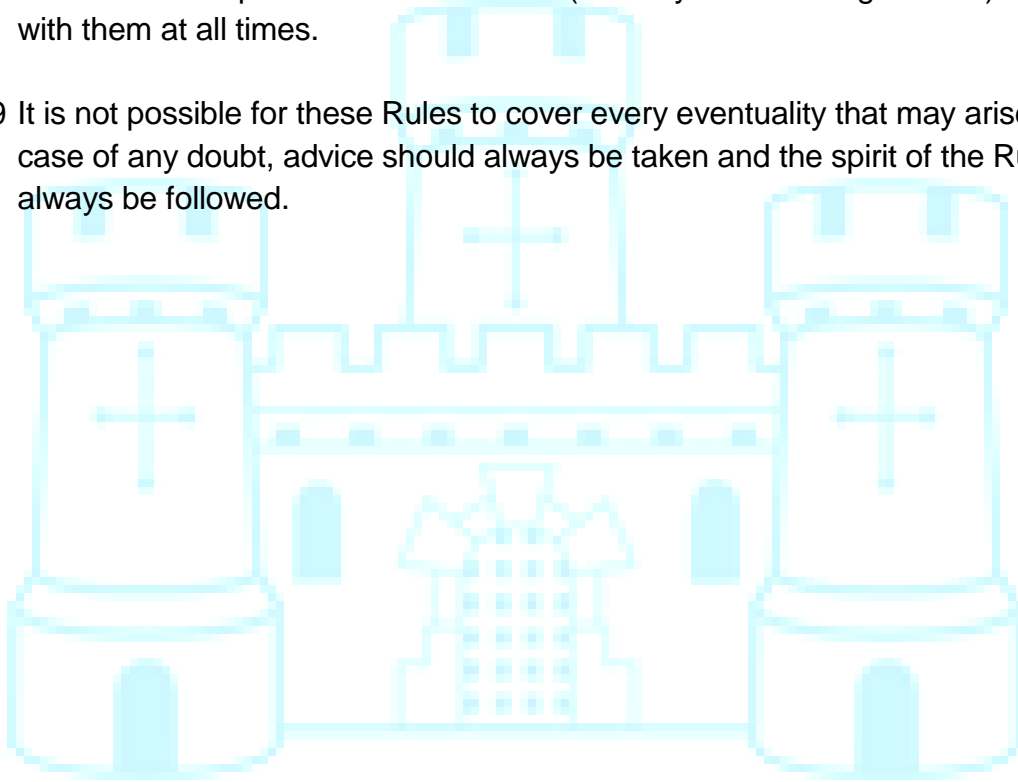
- A1.1 Section A1 of the Constitution contains an overview of the main components of the council and how they relate to each other. It explains how the decisions that the council has to make are made either by all of the elected Members acting together in a meeting of Full Council (“Council”), by the Cabinet, by committees or by Officers.
- A1.2 Section A2 explains the council’s core objective in decision-making and sets out the principles of decision-making that all Members and Officers must observe. The rest of the Constitution sets out various rules about who is authorised to take different types of decisions and how decisions should be taken and recorded.
- A1.3 Whenever a decision is taken, it will have a financial implication in terms of either a cost or a saving (which includes income) for the council. These Finance and Contract Procedure Rules (“the Rules”) provide the framework for managing those implications and setting out who is authorised to make decisions that have different types of financial implications.
- A1.4 The Rules apply to every Member and Officer of the council and anyone acting on the council’s behalf. These rules sit alongside all of the rules, codes, protocols and principles contained in or made under the Constitution. All decision makers need to ensure that they are not only empowered under the Constitution to make every decision that they propose to make, but that they are also authorised under these Rules to incur the financial implications of every decision that they make.
- A1.5 All Members and Officers are under a duty to ensure the security of resources under their control, and to ensure that the use of resources is lawful, properly authorised, provides value for money and achieves best value. Failure to comply with the Rules may lead to disciplinary action, legal action, or may even amount to a criminal offence so Officers should always seek advice from their line management if they are in any doubt about any aspects of the Rules.
- A1.6 The Section 151 Officer is responsible for keeping the Rules under review, issuing any advice or guidance, making minor amendments, or recommending significant amendments to Council as and when required.



A1.7 The Section 151 Officer is also responsible for reporting breaches of the Rules to Council and/or the Cabinet.

A1.8 The Corporate Leadership Team is responsible for ensuring that all Officers are aware of the requirements of the Rules (and any associated guidance) and comply with them at all times.

A1.9 It is not possible for these Rules to cover every eventuality that may arise. In the case of any doubt, advice should always be taken and the spirit of the Rules should always be followed.



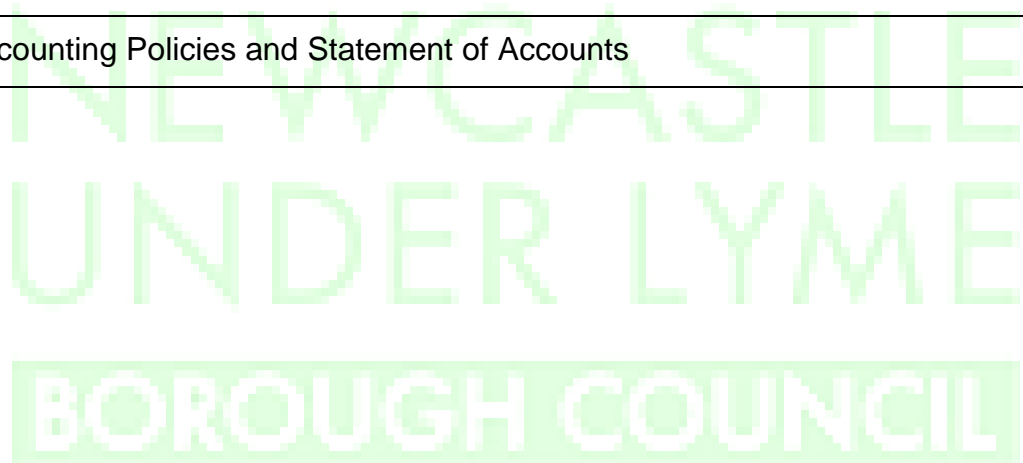
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Part F – Appendices
Section F5:- Finance and Contract Procedure Rules
F5B:- Financial Management

In this Section:-

B1	Why is Financial Management Important?
B2	Overview
B3	What is covered in this Section?
B4	Overview of Roles and Responsibilities for Financial Management
B5	Budgeting Overview
B6	Budget Management Framework
B7	Budget changes – Virements and Supplementary Estimates
B8	Budget changes – Virement and Supplementary Estimate Approval Limits
B9	Administrative Virements
B10	Gateway Approval Process for new Capital Schemes
B11	Year End Revenue and Capital Carry Forwards
B12	Accounting Policies and Statement of Accounts





B1. Why is Financial Management Important?

B1.1 Financial management is essential to ensure that public funds are kept secure and used properly to best effect. This section explains who is accountable for the proper financial management of the council.

B2. Overview

B2.1 The Finance and Contract Procedure Rules (“the Rules”) form part of a set of rules and processes that must be followed to ensure effective financial management.

B2.2 In accordance with the “executive arrangements” form of local governance under the Local Government Act 2000, Council decides who will discharge the various functions that it is responsible for. This is set out in the Constitution that records the delegation of power to the Cabinet, committees and Officers.

B2.3 Council also approves and adopts these Rules that are contained within the Constitution. These Rules provide a framework for managing the council’s financial affairs, and the financial implications of decisions made under the delegation arrangements set out in the Constitution. These Rules apply to everyone who makes decisions for the Council or on its behalf.

B2.4 The Rules set out the financial limits that Members and Officers must operate within. Beneath these Rules, the Section 151 Officer also maintains a table of financial authorisation limits for Officers within each individual service (“Financial Scheme of Delegation”).

B2.5 There are also Codes of Practice in force from time to time that set out the steps of any detailed procedures or processes that need to be followed to ensure the Rules are properly applied in practice. These are issued by the Section 151 Officer.

B3. What is covered in this Section?

B3.1 This Section contains a short “high level” overview of the roles and responsibilities delegated by the Constitution, including Council, Cabinet, committees and Officers.

B3.2 This section also contains an overview of the process for approving changes to the council’s budget, including:

- a) When Section 151 Officer and/or Member approval is required
- b) what can be approved within services



c) accounting policies and statement of accounts

B4. Overview of Roles and Responsibilities for Financial Management

B4.1 The Constitution sets out in detail the arrangements Council has put in place for decisions to be taken by Members and Officers. These Rules apply to the financial implications of all decisions taken under those arrangements. It is important that all decision makers are familiar with the provisions in the Constitution and these Rules that, together, authorise them to make decisions.

B4.2 The following is a “high level” summary of the decision making arrangements contained in the Constitution:-

- a) Council. Council adopts the Budget and Policy Framework. It also is responsible for discharging a number of functions it has “reserved” for itself. Council has also constituted a number of committees that discharge delegated powers. Part B of the Constitution contains information about the roles and responsibilities of Council and its committees.
- b) The Cabinet. The Cabinet is responsible for proposing the Budget and Policy Framework to Council. Once approved, the Cabinet is responsible for taking all the necessary steps to implement it. The Cabinet operates collectively and, in cases of urgency, through individual Cabinet Members. Part C of the Constitution contains information about the roles and responsibilities of the Cabinet and individual Cabinet Members.
- c) Officers. Officers are responsible for the vast majority of day-to-day operational decisions under powers delegated to them by both Council and the Cabinet. In addition, there are certain specified Officers (“Statutory” and “Proper Officers”) who are responsible for discharging certain specified functions. Part E of the Constitution contains more information about the roles and responsibilities of Officers.

B5. Budgeting Overview

B5.1 In February each year, Council sets a budget for the following financial year. Inevitably, in a large and complex organisation, changes will need to be made to this approved budget during the year. To ensure that there is appropriate approval and control over these changes, the council operates two main approaches. These are:-



- a) Changes that have a material financial or policy impact will generally require the approval of the Section 151 Officer and/or Members. The type and level of approval required will depend on the nature of the proposed changes and the source of funding. Specific guidance on the approval process is set out below.
- b) Changes that are of an administrative nature can be approved by Service Directors. Financial approval limits generally for individual Officers are set out in the table maintained by the Section 151 Officer. This table is reviewed on at least an annual basis and published on the intranet.

B6. Budget Management Framework

B6.1 The Section 151 Officer is responsible for establishing an appropriate framework of budget management and controls which ensures that:-

- a) budget management is exercised within the annual budget, unless Council agrees otherwise
- b) each Service Director has timely information available on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- c) expenditure is committed only against an approved budget
- d) all Officers responsible for committing expenditure comply with relevant guidance, including the Finance and Contract Procedure Rules
- e) Each cost centre has a single named budget manager, determined by the relevant Service Director and notified to the Section 151 Officer
- f) significant variances from approved budgets are investigated and reported by budget managers regularly.

B6.2 Service Directors are responsible for maintaining budgetary control within their departments, in adherence to the principles set out in this document and, in particular:-

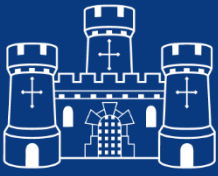
- a) to ensure that all income and expenditure is properly recorded and accounted for
- b) to ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Service Director (grouped



together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure

- c) to ensure that spending remains within the service's overall approved budget, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast
- d) to ensure that a monitoring process is in place to review performance and service levels in conjunction with the budget
- e) to prepare and submit reports to the Cabinet on the service's projected expenditure compared with its budget, in consultation with the Section 151 Officer
- f) to ensure prior approval at the appropriate level for new proposals that create financial commitments in future years, change existing policies, initiate new policies or materially extend or reduce the council's services
- g) to ensure compliance with the scheme of virement set out in B7 to B9 below
- h) to agree with the relevant Service Director where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Service Director's level of service activity
- i) to ensure best value is obtained in service delivery
- j) to ensure that resources are used only for the purposes for which they were intended
- k) to prepare regular reports in the approved format on overall financial and non-financial performance and progress against planned service outcomes (as part of the Council Plan/Priority Delivery Plans), and for submitting these to the Cabinet and the relevant Scrutiny Committee after consulting the Section 151 Officer, in accordance with agreed procedures. Service Directors will report periodically to their capital oversight/review group on the progress and forecast of all capital expenditure and income against the approved programme.

B6.3 The key reporting stages are:



- a) approval of service outcome plans, including budget statements and performance targets
- b) approval of projects through the relevant capital oversight/review group to be included in the Capital Programme
- c) quarterly reviews of revenue and capital expenditure. Final outturn reports for both revenue and capital expenditure, including full post-implementation review, on all capital schemes completed during the year.

B6.4 In addition, the reports will be specifically required to give details in respect of the following:-

- a) potential overspends and proposed remedial action, including any impact on future year's budgets which may need consideration in the on-going Medium Term Financial Strategy for policy and financial planning
- b) amendments to approved budgets such as supplementary revenue and capital estimates where Member approval is required
- c) write off of bad debts or assets where Member approval is required.

B7. Budget Changes – Virements and Supplementary Estimates

Introduction and Explanation

B7.1 Council sets the budget in advance of each financial year. It does so by determining how much the council will spend (and receive) through service delivery, in total, in each financial year. Council then allocates these amounts to different budget areas or "lines" for different services, and then for different purposes or functions within individual services.

B7.2 As part of setting the budget, Council also approves the capital programme each year. The capital programme comprises a series of rolling annual allocations for one off projects like ICT infrastructure renewal, vehicle fleet replacement, property acquisitions or upgrades and regeneration projects. Each of these specific projects is represented by a separate line in the capital programme. There can be, within each capital programme allocation, a number of individual schemes.



- B7.3 During the course of the year, services may wish to undertake an activity not originally identified in the approved budget. There might also be circumstances in which delivering a planned activity will cost more than anticipated or generate less income than anticipated.
- B7.4 There might also be, during any financial year, a need to alter the capital programme to add, prioritise or accelerate a particular scheme, or to deal with cost increases as a scheme progresses.
- B7.5 In order to accommodate these changes with no overall impact on the approved service budgets, funds will either have to be transferred between different lines of the budget Council has approved, or new funding will have to be brought into the budget lines that Council has approved. New funding typically comes from external sources such as unanticipated income or grant funding. In some cases, it might come from reserves or borrowing.
- B7.6 The transfer of funds between the budget lines that Council has approved is known as a virement. Where it relates to service provision or recurring spend, it is known as a revenue virement. Bringing new funding into the budget lines that Council has approved is known as a supplementary estimate. This will be either a capital supplementary estimate or a revenue supplementary estimate depending on whether the additional funding is needed for service provision/recurring spend or “one-off” spend on a project in the capital programme.
- B7.7 Virements and supplementary estimates can often mean that activities or outcomes Council approved and is expecting to be delivered when setting the budget and policy framework are going to change. For this reason, different levels of authorisation for virements and supplementary estimates are needed depending on the potential impacts. The various authorisation requirements are set out below.
- B7.8 Where a proposed virement or supplementary estimate would involve transferring funds from the general fund reserve it must be approved by Council regardless of value. Even where a proposed virement or supplementary estimate does not draw on reserves, Council approval will nevertheless be required if the proposal will have significant implications (as determined by the Section 151 Officer) for future years’ budgets. Examples of this include borrowing, or utilising capital receipts, beyond any limitations set by council in the budget.
- B7.9 This is because there are certain requirements around maintaining adequate levels of reserves and preserving the security of future year’s budgets that can only be



determined by Council on the advice of the Section 151 Officer. It is important that these controls are not circumvented by the virement/supplementary estimates scheme.

B7.10 The finance team must be consulted where there is any uncertainty as to the need for a virement or supplementary estimate, or in applying of the approval limits below to arrive at the correct authorisation process.

B8. Budget Changes – Virement and Supplementary Estimate Approval Limits

B8.1 Where the proposal does not involve transferring funds from general reserves, the approval levels are as follows:

Revenue Virements/Supplementary Estimates

Approver	Approval Limit
Service Directors	Up to £50k
Section 151 Officer in consultation with relevant Cabinet Member(s)	£50k< to £100k
Cabinet	£100k< to £1m
Council	£1m<

Capital Virements/Supplementary Estimates

Approver	Approval Limit
Service Director	Up to £50k
Section 151 Officer in consultation with relevant Cabinet Member(s)	£50k< to £250k
Cabinet	£250k< to £2m
Council	£2m<

B8.2 It is important to remember that if a proposed virement or supplementary estimate would involve transferring funds from the general fund reserve, or if (in the opinion of the Section 151 Officer) it will have significant implications on future years' budgets, it must be approved by council.

B8.3 Where a report taken to Cabinet/Council or an Officer Decision Notice ("ODN") results in the approval of a recommendation which necessitates a virement or supplementary estimate, there is no further/separate requirement to seek authorisation for the virement or supplementary estimate in question so long as:-

- a) The approving body is authorised to approve the virement or supplementary estimate in question by reference to the approval limits above; and,



- b) The financial implications section of the report or ODN in question deals with the issue of virement/supplementary estimates

B9. Administrative Virements

B9.1 Some virements are essentially of an administrative nature, as they do not involve a change from existing approved policies. Administrative virements would include the following examples:-

- a) implementation of restructuring and reorganisation proposals that have already received the appropriate level of Officer and Member approval
- b) routine changes to the structure of the chart of accounts
- c) changes to notional accounting budgets which are required for reporting purposes but which do not affect the council's cash expenditure. Examples include changes to the depreciation and deferred grants budget

B9.2 Where the virement is (as determined by the Section 151 Officer) solely of an administrative nature, approval is only required from the Section 151 Officer or Deputy Section 151 Officer.

B10. Gateway Approval Process for new Capital Schemes

B10.1 Where services wish to undertake a new capital scheme which is not already included in the council's approved capital programme, they must (regardless of value) follow the relevant "Gateway" approval process from time to time in force. The purpose of Gateway approval processes is to stress test or scrutinise proposals prior to seeking formal Member/Officer authorisation to proceed.

B10.2 The Gateway approval process will vary depending on the nature and cost of a scheme but will typically require the preparation of a business case in a prescribed form, the business case will go through a process of consideration at Member/Officer level that may include a scheme or project specific Member/Officer/stakeholder oversight board or group.

B10.3 The Section 151 Officer will devise and publish Gateway approval processes on the intranet (from time to time) along with any prescribed forms of documents that relate. Advice should be sought from the finance team on a case-by-case basis to confirm the appropriate approval process.



B10.4 Once the relevant “Gateway” approval process has been completed, all other formal governance approvals must be completed before incurring unbudgeted expenditure on the scheme. For example, if supplementary estimates or virements are required, the approval processes set out above must be completed. Formal, reasoned decisions should be taken at Council, Cabinet or Officer level (as the case may be) and documented, informed by the outcome of the Gateway approval process. All contract and procurement procedure rules must then be followed.

B11. Year End Revenue and Capital Carry Forwards

Carry Forward of Underspend

B11.1 During the course of the financial year, services can request permission to provisionally carry forward an underspend at year-end. In-year, these carry forwards will be approved in principle as subject to outturn. The approval limits for these in-year individual carry forwards are:

Revenue

Approver	Approval Limit
Section 151 Officer	Up to £100k
Cabinet	£100k<

Capital

Approver	Approval Limit
Section 151	Up to £250k
Cabinet	£250k<

B11.2 All carry forward proposals must be supported by the appropriate justification demonstrating that the resources carried forward will be earmarked for a specific purpose or issue. Service Directors should include provisional indications of likely carry forward requests in their quarterly reviews of performance.

B11.3 Before approval is sought for a carry forward, Service Directors should ensure that there are no unfunded overspends within their department. It is extremely unlikely that proposed carry forwards for a service will be approved if there are unfunded overspends elsewhere within the department.

B11.4 For capital budgets, underspends against rolling annual allocations funded from council resources or non-ring-fenced grant funding will only be approved on an exception basis, with any commitments expected to be the first call on the following year’s capital allocation. For committed one-off schemes, re-profiling into future



years will be automatically approved provided the scheme remains a priority for the council at that time.

B12. Accounting Policies and Statement of Accounts

B12.1 The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in the format required by the Code of Practice on Local Council Accounting in the United Kingdom for each financial year ending 31 March.

B12.2 The key controls for accounting policies are:-

- a) Systems of internal control that ensure financial transactions are lawful
- b) Suitable accounting policies are selected and applied consistently
- c) Accurate and complete accounting records are maintained
- d) Financial statements are prepared which present a true and fair view of the financial position of the Council.

B12.3 The Section 151 Officer is responsible for:-

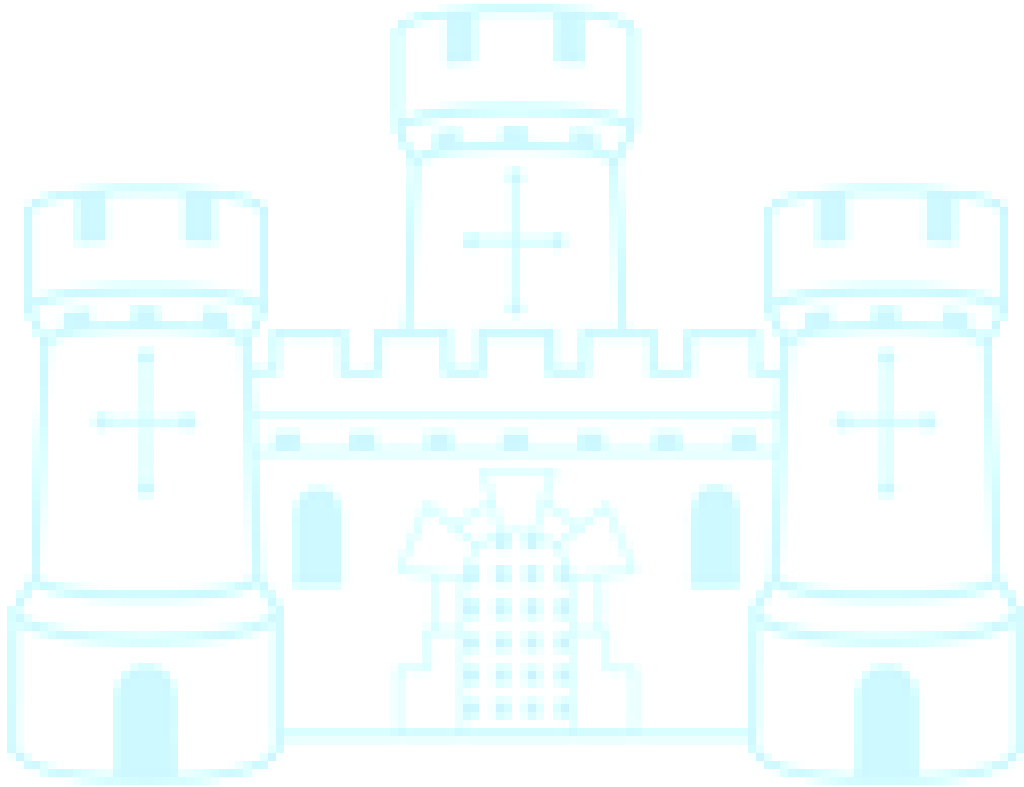
- a) selecting suitable accounting policies and ensuring that they are applied consistently
- b) exercising supervision over financial and accounting records and systems
- c) preparing and publishing reports containing the statements on the overall finances of the council including the council's Annual Report and Accounts.

B12.4 The Section 151 Officer is responsible for determining the accounting procedures and records for the council. All accounting procedures will be approved by the Section 151 Officer.

B12.5 Service Directors are responsible for ensuring that staff in their departments are aware of, and adhere to, the accounting policies, procedures and guidelines set by the Section 151 Officer.



B12.6 All accounts and accounting records will be compiled by the Section 151 Officer or under his/her direction. The form and content of records maintained in other directorates will be approved by the Section 151 Officer.



NEWCASTLE
UNDER LYME
BOROUGH COUNCIL



Part F – Appendices
Section F5:- Finance and Contract Procedure Rules
F5C:- Financial Planning

In this Section:-

C1	Why is Financial Planning important?
C2	What is covered in this Section?
C3	Policy Framework
C4	Revenue Expenditure
C5	Revenue Budget Preparation
C6	Budget Monitoring and Control
C7	Determination, Monitoring & Control of affordable borrowing
C8	Responsibility for borrowing
C9	Capital Expenditure
C10	Capital Approvals and Strategic Projects
C11	Capital Monitoring and Amendments to the Capital Programme
C12	Capital Receipts
C13	Leasing and Rental Agreements
C14	Maintenance of Reserves





C1. Why is Financial Management Important?

C1.1 Section A1 of the Constitution explains how Council adopts the Budget and Policy Framework following proposals from the Cabinet, and that once adopted the Cabinet is responsible for its implementation. In terms of financial planning, the key elements of the Budget and Policy Framework are as follows. These might go by different names from time to time.

C2. What is covered in this Section?

C2.1 This section contains information on:-

- a) Policy Framework
- b) Budgeting
- c) Format of the Budget
- d) Revenue Budget Preparation, Monitoring and Control
- e) Determination, Monitoring and Control of Affordable Borrowing
- f) Resource Allocation
- g) Capital Programmes
- h) Leasing and Rental Agreements
- i) Maintenance of Reserves
- j) Reporting

C3. Policy Framework

C3.1 Council is responsible for approving the Budget and Policy Framework. The policy framework will comprise the statutory plans and strategies which the Council is required to produce.

C3.2 Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.

C3.3 Council is responsible for approving the process to enable changes to be made to the budget during the financial year. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

C3.4 Each year the Council produces:-

- a) The Council Plan detailing its objectives and targets over a 3 to 4 year planning horizon



b) A Medium Term Financial Strategy detailing the financial and service scenario over a 3 to 4 year planning horizon and the policy and expenditure options required to respond to this scenario.

C3.5 The Section 151 Officer will advise Council on the financial environment, financial policies, including the appropriate levels of reserves and contingencies, the amount of borrowing outstanding and an appropriate treasury management strategy. The Section 151 Officer will also advise Council on the policy and expenditure options to assist in the determination of its Budget. Individual Service Directors will support this process by assessing and advising on the service scenario and policy and expenditure options for revenue and capital in their area of responsibility, in a form determined by the Section 151 Officer.

C3.6 The Cabinet, advised by the Section 151 Officer, will develop a budget package including financing options, policy and expenditure options and a capital programme. This will be subject to review by the relevant Scrutiny Committee and Cabinet before consideration by Council. The final Budget and Council Tax precept will be determined by Council.

C4. Revenue Expenditure

C4.1 Revenue expenditure is broadly defined as any expenditure incurred on the day-to-day running of the Council. Examples of revenue expenditure include salaries, energy costs, and consumable supplies and materials.

C5. Revenue Budget Preparation

C5.1 The Section 151 Officer is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Cabinet, before submission to Council. Council may amend the budget or ask the Cabinet to reconsider it before approving it in accordance with the Constitution.

C5.2 It is the responsibility of Service Directors to ensure that budget estimates reflecting agreed plans are submitted to the Cabinet and that these estimates are prepared in line with any guidance issued by the Section 151 Officer.

C5.3 The Section 151 Officer is responsible for approving the council's tax base for the forthcoming year and reflecting this within the budget.

C5.4 The Cabinet will then submit a 'final budget' to Council for approval.



C5.5 The Section 151 Officer is responsible for reporting to Council on the robustness of estimates contained within the budget proposed by the Cabinet and the adequacy of reserves allowed for in the budget proposals.

C5.6 Council shall not approve additional net expenditure to either revenue or capital budgets without first having considered the advice of the Cabinet and the Section 151 Officer on the financial implications arising.

C6. Budget Monitoring and Control

C6.1 The Section 151 Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations at a corporate level and report to the Cabinet on the overall position on a regular basis.

C6.2 It is the responsibility of the Corporate Leadership Team to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Section 151 Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Section 151 Officer to any problems.

C6.3 In addition, the Section 151 Officer will:-

a) administer the Council's scheme of virements and supplementary estimates (both administrative and those requiring Member approval)

b) prepare and submit reports on the Council's projected income and expenditure compared with the budget on a regular basis

C7. Determination, Monitoring & Control of Affordable Borrowing

C7.1 Under the Local Government Act 2003, the Council is required to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities (Prudential Code).

C7.2 The key objectives of the Prudential Code are to ensure that within a clear framework the capital investment plans of local authorities are affordable, prudent and sustainable. A further objective is to ensure that treasury management activity supports prudence, affordability and sustainability.



C7.3 The Prudential Code requires that prior to the commencement of the financial year the following prudential indicators for the forthcoming financial year and at least the two subsequent financial years must be approved by Council.

C7.4 The minimum indicators required for the following three year period are:-

- a) estimates of the ratio of financing costs to net revenue stream
- b) estimates of capital expenditure and how it will be financed
- c) estimates of the increases in Council Tax and Weekly Rents that would result from the totality of the estimated capital expenditure
- d) estimates of capital financing requirements (underlying need to borrow for a capital purpose) and estimated level of gross external borrowing (total debt)
- e) the authorised limit for external debt
- f) the operational boundary for external debt
- g) a limit on the amount of fixed rate investments and fixed rate borrowing the Council may have during the year
- h) a limit on the amount of variable rate investments and variable rate borrowing the Council may have during the year
- i) the maximum proportion of fixed rate loans maturing in specified periods
- j) the maximum amount to be invested for longer than 1 year

C7.5 After the year end, actual values are to be calculated for:-

- a) ratio of financing costs to net revenue stream
- b) capital expenditure
- c) capital financing requirement
- d) external debt



C7.6 In addition, Council will set for itself the following local Financial Health Indicators (FHIs) for the current year, the following year and the two successive years:

- a) interest and debt repayment costs as a % of net budget
- b) the total borrowing requirement as a % of the Council's net budget

C8. Responsibility for Borrowing

C8.1 The Section 151 Officer is responsible for:-

- a) establishing procedures to both monitor performance against all forward looking prudential indicators and for ensuring that gross external borrowing does not exceed the Council's authorised limit
- b) reporting to Council any significant deviations from expectations
- c) ensuring that regular monitoring is undertaken in year against the prudential indicators of affordability and sustainability by reviewing estimates of financing costs to revenue, the capital financing requirement and the local FHIs
- d) reporting to Council, setting out management action, where there is significant variation in the estimates used to calculate these prudential indicators, for example caused by major overruns of expenditure on projects or not achieving in-year capital receipts

C9. Capital Expenditure

C9.1 Capital expenditure is broadly defined as expenditure, on the acquisition of an asset, or expenditure which adds to (rather than merely maintains), the value of an existing asset. It also includes spending that extends the useful life of an asset and increases usability, provided that the asset yields benefits to the council and the services it provides for a period of more than one year.

C10. Capital Approvals and Strategic Projects

C10.1 The council has developed a Gateway approval process that sets out the process, procedure and documentation that must be used for all proposals to be included in the council's approved capital programme and for strategic projects. The purpose of this process is to ensure that all proposals are both affordable and fit with corporate priorities. Details of the processes (and relevant documentation) that must be followed are published on the intranet.



C10.2 The Section 151 Officer will review this process as required and it is the responsibility of each project manager to ensure that they keep up to date with the process and documentation.

C11. Capital Monitoring and Amendments to the Capital Programme

C11.1 As part of the annual policy and planning process, schemes in the capital programme which have not reached an advanced stage will be reconsidered.

C11.2 All capital schemes and allocations should be approved through the annual capital programme setting process, within the timetable set out by the Section 151 Officer and approved at the annual budget setting Council.

C11.3 In exceptional cases, there will be a need for a new capital project to be approved in-year. The Gateway Approval Process for these in-year schemes is set out in Rule B10 of Section F5B (Financial Management).

C11.4 Project managers must ensure that the project specification remains consistent with the approved business case and continues to represent value for money for the council. Where project outcomes or costs alter significantly from those originally approved, a revised Business Case must be completed for approval through the Gateway approval process.

C11.5 Wherever possible, expenditure funded by rechargeable works should be included in the Capital Programme. Where this is not possible, Service Directors may approve (in consultation with the Section 151 Officer) capital expenditure in respect of urgent work to repair, replace or reinstate vehicles, buildings or equipment where the work is to be fully funded from insurance monies.

C11.6 In addition, Service Directors may authorise essential design work subject to available budget required in advance of the start of the financial year on capital schemes that are in the programme approved by Council in February.

C12. Capital Receipts

C12.1 The Section 151 Officer must be informed of all proposed sales of land and buildings so that the effect on financial and property management can be assessed.

C12.2 Council will determine, in each budget setting process, the amount of receipts to be set aside for the repayment of debt and how the balance of such receipts is to



be used in the coming financial year. Use of unbudgeted receipts arising in-year shall be subject to the scheme of virement/supplementary estimate (Rule B8.1).

C13. Leasing and Rental Agreements

C13.1 Leasing or renting agreements must not be entered into unless the service has established that they do not constitute a charge against the Council's prudential borrowing limits. Advice can be obtained from the Section 151 Officer on general leasing arrangements and on whether the lease is a finance or operating lease.

C13.2 The Section 151 Officer's approval must be obtained for all agreements that may involve a leasing charge, excluding leases relating to land or property.

C14. Maintenance of Reserves

C14.1 The Section 151 Officer is responsible for advising the Cabinet and/or Council on prudent levels of reserves for the Council, taking into account of the advice of the external auditor.

C14.2 The key controls are:

- a) to maintain reserves in accordance with the Code of Practice on Local Council Accounting in the United Kingdom and agreed accounting policies
- b) for each reserve established, the purpose, usage and basis of transactions should be clearly identified
- c) authorisation of expenditure from the General Fund Reserve is in accordance with the limits set out in F4B (Financial Management) Rule B8.2. Expenditure from Earmarked Reserves/Contingencies is to be authorised by the Section 151 Officer. In addition, the Section 151 Officer may authorise any (in any amount):-
 - i. any appropriation to and from reserves of unused grant and contribution income
 - ii. any appropriation where there is a legislative requirement (or equivalent), and the Council has no discretion in undertaking the transfer
 - iii. any appropriation within the budget agreed by Council



Part F – Appendices

Section F5:- Finance and Contract Procedure Rules

F5D:- Risk Management and Control of Resources

In this Section:-

D1	Insurance
D2	Risk Management
D3	Business Continuity
D4	Internal Controls
D5	Internal Audit
D6	External Audit
D7	Preventing Fraud and Corruption
D8	Assets
D9	Property
D10	Inventories
D11	Stocks
D12	Cash
D13	Asset disposal and Write off
D14	Treasury Management
D15	Investments and Borrowings
D16	Funds held for Third Parties
D17	Salaries and Wages
D18	Early Retirement and Severance
D19	Travelling and Subsistence
D20	Code of Conduct
D21	Retention of Records



D1. Insurance

- D1.1 The Service Director Legal and Governance is responsible for preparing the Council's risk management policy statement on behalf of the Corporate Leadership Team (CLT), for promoting it throughout the council and for advising Cabinet on appropriate insurance cover.
- D1.2 The Service Director Legal and Governance will maintain and administer the Council's insurances in accordance with the Risk Management Strategy that describes the Council's approach to managing risk.
- D1.3 The Service Director Legal and Governance is responsible for authorising the settlement or repudiation of insurance claims and associated costs. Advice will be sought from the council's insurance solicitors and insurers.
- D1.4 Service Directors are responsible for informing the Service Director Legal and Governance immediately of:-
- a) any insurance claims received
 - b) any events which may result in an insurance claim against the council
 - c) the terms of any indemnity that the council is required to give prior to entering into any contracts, agreements, partnership or arrangements.
 - d) any new risks that might require to be insured, together with any changed circumstances affecting existing risks. Consideration should be given to new projects, new ways of working and changes in legislation where insurance impacts are often overlooked
 - e) changes to the assets insured by the council
 - f) changes to the responsibility of the council
- D1.5 No new insurances may be taken out without prior consultation with the Service Director Legal and Governance.
- D1.6 Service Directors must ensure the retention of documents in accordance with the corporate retention policy and that there is co-operation with the risk and insurance team in providing the correct documentation within the strict timescales of the Civil Procedure Rules when dealing with claims.



D1.7 Service budgets will be charged with the cost of legal penalties or losses incurred by the Council because of any failure to comply with the requirements of the Civil Procedure Rules and these Finance and Contract Procedure Rules relating to claims.

D2. Risk Management

D2.1 The Council's approach to risk management is that it should be effective in helping to optimise the balance between risk taking and control, maximising opportunities and encouraging innovation.

D2.2 Service Directors are responsible for ensuring the Risk Management Policy and Strategy is implemented and that the Risk Management Framework operates within their Services. Risk management should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.

D2.3 There are several levels of risk register within the council. There should be a movement of risks both upwards and downwards through the levels and treatment so that risks are addressed at the most appropriate level of the organisation:-

- a) Corporate Risk Register - contains risks that impact on the organisation's overall objectives either because of their frequency of occurrence across several services or the significance of the impact
- b) Service Risk Registers - contain strategic and operational risks that impact on the delivery of service objectives
- c) Team Risk Registers – there may be very specific operational risks that affect the delivery of team priorities that are not recorded in Service Risk Registers. These should be recorded in Team Risk Registers which should act as a feeder for risks to be elevated to the Service Risk Register if needs be
- d) Programme/Project Risk Register – contain risks associated with individual projects. Due to the speed of project delivery, these risks are more likely to be more dynamic and must be more frequently monitored and reported

D2.4 Service Directors are responsible for ensuring risk management is carried out at both an operational and strategic level in accordance with the corporate risk management framework.



- D2.5 Service Risk Registers are a perpetual living document and should be reviewed and reported at least quarterly. They must align with the relevant Priority Delivery Plan as an important part of monitoring performance and outcomes as well as helping to inform the Council's risk appetite and the Corporate Risk Register.
- D2.6 Service Directors will take account of and address corporate risks where appropriate within their Service Risk Register. They will inform the risk and insurance team of any service risks that could be considered significant enough to highlight at a corporate level.
- D2.7 The Corporate Risk Register is maintained by the Service Director Legal and Governance. It will be reported to the Corporate Leadership Team on a regular basis.
- D2.8 The Audit and Standards Committee will also receive risk management reports on a regular basis to monitor the effective development and operation of risk management in the Council. The Committee provides independent assurance of the adequacy of the risk management framework and the internal control environment.

D3. Business Continuity

- D3.1 The Corporate Leadership Team is responsible for determining the Business Continuity Strategy and ensuring it is compliant with the Civil Contingencies Act 2004. Service Directors are responsible for implementing it and monitoring its effectiveness.
- D3.2 The Service Director Strategy, People and Performance develops the strategy and supporting framework on behalf of the Corporate Leadership Team.
- D3.3 The Audit and Standards Committee is responsible for approving the Business Continuity Strategy and reviewing its effectiveness as part of the risk management framework and the internal control environment.
- D3.4 Service Directors are responsible for ensuring that arrangements are in place to ensure the continuity of service delivery in the event of a disruptive incident. This is managed through the development of robust Business Continuity Plans that are regularly maintained and tested in accordance with the Business Continuity Strategy.



D3.5 Service Directors are responsible for ensuring that arrangements/contracts for significant areas of service provision include requirements for contractors, partners and suppliers to have robust and tested business continuity plans. This should include the ongoing monitoring and compliance with this requirement via contract performance management and, where necessary, joint exercises.

D4. Internal Controls

D4.1 The Section 151 Officer and Service Director Legal and Governance are responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes, regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

D4.2 It is the responsibility of Service Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

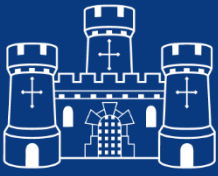
D5. Internal Audit

D5.1 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2015 more specifically require that a “relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

D5.2 The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

D5.3 This function can be delivered by a team internal to the council or it can be contracted out under the supervision of the Section 151 Officer.

D5.4 The Accounts and Audit Regulations 2015 require the council to review the effectiveness of its governance framework, including the system of internal control, on an annual basis and report the results in an Annual Governance Statement.



This statement must provide a description of the governance framework within the council, a description of any work undertaken to assess its effectiveness and any significant governance weaknesses identified.

- D5.5 To contribute to the production of the Annual Governance Statement, the Section 151 Officer is responsible for planning and delivering a programme of independent review of the council's activities, the scope of the programme being based on the council's objectives and an assessment of the risk, which may affect the achievement of these objectives.
- D5.6 The Section 151 Officer is also responsible for reporting to those charged with governance and can satisfy this requirement by presenting an annual report to the Audit and Standards Committee, summarising the audit plan for the coming year and a commentary on audit activity which is completed or in progress. Quarterly reports setting out progress against the annual audit plan and delivery against its key performance indicators are also taken to the Audit and Standards Committee. In addition, any matters of material importance in relation to audit matters are also reported to Cabinet and the Audit and Standards Committee.
- D5.7 Audit staff will have full access to all premises, staff, assets, records and third party fund transactions as is necessary to conduct their reviews. With regards to organisations participating in partnering arrangements, including alternative delivery vehicles where provided for in the contract or service level agreement, audit staff shall have such access to premises, staff, assets and records of the partner as is necessary for the purposes of the partnering arrangement.
- D5.8 Partners will be required to grant reasonable access when requested and details of such access should be agreed with the partner and set down in the partnering agreement. Where the right of access has not been specified in existing arrangements then appropriate discussions with partners should take place. Similar rights of access should be determined as part of the establishment of any alternative service delivery vehicles, and should be similarly agreed and documented in the contract or service level agreement.
- D6. External Audit**
- D6.1 The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.



D6.2 The Local Audit and Accountability Act 2014 (the Act) established new arrangements for the audit and accountability of relevant authorities and these new arrangements include the ability for local authorities to appoint their own local (external) auditors via an 'auditor panel'. An auditor panel can be established individually or jointly with one or more other authority.

D6.3 The Council may, from time to time, also be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

D7. Preventing Fraud and Corruption

D7.1 The Section 151 Officer is responsible for the development and maintenance of an Anti-Fraud and Corruption Strategy.

D7.2 The Council has an approved Anti-Fraud and Corruption Strategy that places responsibility for maintaining an anti-fraud culture with all Members, managers and individual members of staff. Any matters which involve, or are thought to involve, any fraud or other significant irregularity involving council assets or those of a third party fund, must be notified immediately to the Section 151 Officer, in conjunction with other Officers detailed in the council's Anti-Fraud and Corruption Strategy, who will decide what steps are necessary.

D7.3 In line with the Anti-Fraud and Corruption Strategy, the Service Director Legal and Governance in his/her role as Monitoring Officer will, in consultation with the appropriate Service Directors, decide whether any matter under investigation should be referred to the Police or appropriate enforcement agency.

D8. Assets

D8.1 In the context of these Rules, assets are defined as the resources, other than people, that the Council uses to deliver its service functions. Assets include buildings, land, infrastructure, furniture, equipment, plant, vehicles, stores and intellectual property such as computer software, data and information of all kinds.

D8.2 Service Directors are responsible for the care, control and proper, economical use of all assets used in connection with the operation and delivery of their Services. Proper records should be maintained for these assets, together with appropriate arrangements for their management and security.

D8.3 Service Directors are responsible for ensuring that assets are used only for official purposes and that all appropriate rights, licenses and insurances are obtained.



D8.4 Service Directors are responsible for ensuring that all computer software used is properly licensed.

D8.5 Service Directors are expected to have policies in place for:-

- a) the effective disposal of surplus assets
- b) asset replacement programme
- c) compilation of and regular review of asset inventories

D9. Property

D9.1 The Council's approach to property asset management is based on two main principles:-

- a) property is a corporate resource, owned by the council, not by individual services. This principle underpins the fact that property is one of the council's most expensive resources and that it needs to be managed proactively to support service delivery and improvement across all services
- b) property is held to support the delivery of the council's corporate objectives. This is to be delivered through a rigorous policy of property review and the disposal of any properties that are no longer required to meet corporate objectives

D9.2 The council's policies, aims and objectives relating to property asset management are explained further in the asset management strategy.

D9.3 Property assets are comparatively "illiquid" and changes necessarily take time to implement. Service Directors should be aware of this when planning new initiatives or changes to service delivery patterns and must ensure that the Service Director Commercial Delivery is consulted at the earliest possible stage of the planning process in order that appropriate advice and support can be given.

D9.4 Service Directors are responsible for ensuring that property under their day to day control is occupied/used in accordance with all appropriate legal and regulatory requirements and that nothing occurs which might diminish the value of the asset. Particular care is required when carrying out alterations to a building and where



any form of shared use with another organisation is planned. The advice of the Service Director Commercial Delivery must be obtained before this is permitted.

D9.5 All property acquisitions, lettings and disposals must be negotiated and approved in accordance with the Property Scheme of Delegation.

D10. Inventories

D10.1 Service Directors must ensure that proper arrangements are made to maintain inventories of all valuable and transportable items, including vehicles, furniture, computer and other equipment (including software), visual aids, expensive tools and sports equipment.

D10.2 The inventory must be updated for all acquisitions and disposals and checked at least annually. Items acquired under leasing arrangements must be separately identified for disclosure in the published final accounts.

D11. Stocks

D11.1 Stock are defined as consumable items constantly required and held by a service centre in order to fulfil its functions. Service Directors are responsible for the control of stocks. They must ensure that stocks are appropriately recorded, do not exceed reasonable requirements and that all significant stock is accounted for in the year-end accounts. Stocks should be checked at least once a year, more frequently in the case of expensive items.

D12. Cash

D12.1 Cash held on any council premises should be held securely and should not exceed any sums for which the council is insured (guidance on limits is available from the council's insurance team). If this is unavoidable, in exceptional circumstances the Service Director is responsible for making appropriate security arrangements.

D12.2 The type of receptacle used to secure the cash should be appropriate to the amount of cash held and records detailing the amounts should be maintained and stored separately to the cash.

D13. Asset Disposal and Write Off

D13.1 The disposal/write off of non-property assets must be authorised as follows:-



Approval level	Value of Disposal
Section 151 Officer	Up to £5k
Section 151 Officer in consultation with the relevant Cabinet Member	5k< to £10k
Cabinet	£10k<

D13.2 Any write off which arises because of theft or fraud must be notified immediately to the Section 151 Officer.

D14. Treasury Management

D14.1 The council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.

D14.2 Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to Council by the Cabinet. The Section 151 Officer has delegated responsibility for implementing and monitoring the statement.

D14.3 All money in the hands of the council is controlled by the Section 151 Officer as designated for the purposes of Section 151 of the Local Government Act 1972, referred to in the code as the Finance Service Director.

D14.4 The Section 151 Officer is responsible for submitting to Council, for its approval, a proposed treasury management strategy prior to the start of the financial year to which it relates.

D14.5 All executive decisions on borrowing, investment or financing shall be delegated to the Section 151 Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.

D14.6 The Section 151 Officer is responsible for reporting on the activities of the treasury management operation and, on the exercise of the Section 151 Officer's delegated treasury management powers, to the Audit and Standards Committee on a 6-monthly basis during the financial year. In addition, an annual report on the treasury management activity undertaken in the previous financial year will be presented to Audit and Standards Committee and then full Council for approval by 30 September of the following financial year.



D15. Investments and Borrowings

D15.1 It is the responsibility of the Section 151 Officer to:-

- a) ensure that all investments of money are made in the name of the council or in the name of nominees approved by Council
- b) ensure that all securities that are the property of the council or its nominees and the title deeds of all property in the council's ownership are held in the custody of the appropriate Service Director
- c) effect all borrowings in the name of the council
- d) act as the council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the council
- e) that the amount of borrowing outstanding at any point in time does not exceed the council's authorised limit for the year.

D16. Funds Held for Third Parties

D16.1 It is the responsibility of the Section 151 Officer to:-

- a) arrange for all third party funds to be held, wherever possible, in the name of the Council (e.g. 'Newcastle-under-Lyme Council on behalf of...')
- b) arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Section 151 Officer, and to maintain written records of all transactions
- c) ensure that trust funds are operated within any relevant legislation and the specific requirements of any trust

D16.2 All Officers acting as trustees by virtue of their official position shall deposit trust assets and securities with the Section 151 Officer, unless the Trust Deed provides otherwise.

D17. Salaries and Wages

D17.1 Service Directors are responsible, in consultation with the Service Director Strategy, People and Performance, for providing accurate and appropriate information and instructions to enable the calculation and prompt payment of



salaries, expenses and pensions. This includes details of appointments, promotions, re-gradings, resignations, dismissals, retirements and absences from duty. The Section 151 Officer will arrange for payment to the appropriate bodies, of all statutory disbursements, including taxation, and other payroll deductions.

- D17.2 Time sheets and other pay documents which are used to generate payment of salaries, wages or other employee-related expenses must be submitted via authorised electronic inputs. Service Directors are responsible for ensuring that they are certified by an authorised Officer and that they are submitted to the payroll provider in accordance with the specified timetable.
- D17.3 The Service Director Strategy, People and Performance will implement national and local pay agreements as soon as possible after their notification from the appropriate body. Arrangements for funding such awards will be determined each year as part of the budgetary process.

D18. Early Retirement and Severance

- D18.1 Where Service Directors wish to bring forward proposals under the council's policies on severance and early retirement, they must be accompanied by a full cost and affordability assessment. The relevant Service Director (or the Chief Executive if the request relates to a Service Director), Section 151 Officer and Monitoring Officer (or their nominated deputy) must approve all requests. Member approval from the Employment Committee and/or Council is required in accordance with the terms of reference for the Employment Committee.
- D18.2 Service Directors will generally be required to meet the costs of severance and early retirement from within their approved budget.

D19. Travelling and Subsistence

- D19.1 Service Directors are responsible for instructing the Service Director Strategy, People and Performance and for providing appropriate and accurate information to enable the prompt and accurate payment of travelling, subsistence and other expenses to employees in accordance with the terms of employment agreed by the Council.
- D19.2 Service Directors are responsible for ensuring that Council employees who use their cars for official business are properly insured to indemnify the Council against any loss and for ensuring that payments are only made in respect of journeys that are necessary and actually undertaken.



D19.3 All claims for reimbursement must be made using appropriate authorised electronic inputs.

D20. Code of Conduct

D20.1 The Code of Conduct for Employees must be followed by all Officers. It covers standards, disclosure of information, political neutrality, relationships, appointments and other employment matters, outside commitments, personal interests, equality issues, separation of roles during tendering, gifts and hospitality, use of financial resources and sponsorship.

D20.2 Where an outside organisation wishes to sponsor or is asked to sponsor a local government activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts and hospitality apply, as detailed in the Code of Conduct for Employees.

D21. Retention of Records

D21.1 The Returning Officer will be responsible for maintaining complete and accurate records and for reconciliation with regard to elections' accounts.

D21.2 The council, in common with other public and private organisations, has certain statutory obligations it has to meet for the retention of its records. It also has to fulfil the requirements of HM Revenue and Customs, other legislative requirements and the external auditors in respect of its financial records.

D21.3 All records held should have an appropriate retention period assigned to them, which meets the needs of the service in question but also the requirements of statutory obligations such as those relating to financial records, limitation of liability, and data protection/freedom of information.

D21.4 The majority of financial records must be kept for 6 years from the end of the tax year to which they relate. However, some records may need to be kept for longer periods e.g. if required to defend future insurance claims. It is possible others can be destroyed within shorter periods.

D21.5 The Council's retention schedules, available on the intranet, set out the length of time for which different types of records should be kept. The schedules are based on legislative requirements and best practice, and as such must be adhered to by Services.



Part F – Appendices

Section F5:- Finance and Contract Procedure Rules

F5E:- Financial Systems and Procedures

In this Section:-

E1	Banking Arrangements
E2	Charging
E3	Trading
E4	Charging and Trading Policy
E5	Collection of Income
E6	Bad Debts
E7	General Principles - Ordering and paying for work, goods and services
E8	Payment of Invoices
E9	Non-invoice payments
E10	Credit cards
E12	Payment to Members
E13	Taxation





E1. Banking Arrangements

- E1.1 It is the responsibility of the Section 151 Officer to operate such bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Section 151 Officer or their nominated deputy.
- E1.2 The Section 151 Officer will approve the terms under which banking services, including overdraft facilities, are provided.
- E1.3 All bank accounts must be titled impersonally with the prefix of Newcastle-under-Lyme Borough Council subject to any exceptions agreed by the Section 151 Officer.
- E1.4 Subject to any directions given by the Council, all arrangements with the council's bankers must be made solely through the Section 151 Officer. No bank accounts may be opened or arrangements made with any other bank except with the agreement of the Section 151 Officer.
- E1.5 Bank transfers, CHAPS payments and faster payments from the General Fund and the council's other main drawings accounts must be signed by the Section 151 Officer, or their nominated deputy.
- E1.6 Cheques drawn must bear the signature of the Section 151 Officer or be signed by other Officers authorised to sign by the Section 151 Officer.
- E1.7 No direct debits should be set up unless authorised by the Section 151 Officer.

E2. Charging

- E2.1 This section E2 applies to services that the Council has a power but not an obligation to provide ("discretionary services") and for which it is proposed to make a charge to recover all or part of the costs incurred by the Council in providing the services.
- E2.2 Service Directors are responsible for ensuring that legal advice is sought before introducing charging, in relation to legal powers, authorisation, Member engagement, consultation and related issues. The Service Director Legal and Governance should also be consulted before proceeding with a project that involves a new policy for charging for discretionary services or a variation on previous practice.



E3. Trading

E3.1 This section (E3) applies where the Council proposes to provide services to third parties in the public sector and on a commercial basis.

E3.2 The Council's approach to trading is one which is based on risk but which also empowers services and encourages external income generation. Business case approval from the Corporate Leadership Team must be obtained before trading and the business case will be reviewed by the Corporate Leadership Team not less than annually. Legal advice must be sought in advance in relation to trading with bodies that are not classed as public bodies within the meaning of the Local Authorities (Goods and Services) Act 1940.

E4. Charging and Trading Policy

E4.1 Charges should be reviewed annually to ensure that they are still compliant with all the legal and financial requirements and increased annually where relevant. Charges must be based on the principle of full-cost recovery, unless there is a statutory limit on charges (e.g. planning fees) including all service and corporate overheads.

E4.2 Any in-year variation of charges is to be approved by the relevant Service Director in consultation with the Portfolio Holder.

E5. Collection of Income

E5.1 Officers must comply with arrangements determined by the Section 151 Officer for the safe and efficient collection and recording of all money due to the council.

E5.2 Service Directors are responsible for ensuring that accounts for income due to the council, including grant claims, reimbursements and third party contributions, are raised immediately and accurately in a form approved by the Section 151 Officer. These must include VAT where appropriate.

E5.3 The cost of collection should be taken into account when raising accounts. Service Directors must ensure that the method of collection is appropriate to the value of the transaction. Officers must endeavour to collect payment at point of service/sale wherever possible, especially for low value charges (e.g. under £100).

E5.4 Service Directors are responsible for ensuring that all income received is receipted, where required, recorded correctly against the appropriate budgets, and in the case of cash and cheques, banked with the minimum of delay. The frequency of banking should follow the guidelines provided by the Section 151



Officer to avoid incurring disproportionate banking charges on relatively low value transactions, taking into account local security and insurance cover arrangements.

- E5.5 Where a service wishes to collect income by electronic means (i.e. by debit card, credit card, contactless payments etc.) using an external service provider then prior to putting in place such arrangements the service will need to seek the approval of the Section 151 Officer in respect of the accounting procedures to be put in place for recording the income. In addition, the service will be responsible for ensuring that the external service provider meets the requirements of the Payment Card Industry Data Security Standards (PCI DSS) both when appointed and for all subsequent periods during which their services are being used.
- E5.6 Service Directors are responsible for monitoring income collection and ensuring appropriate recovery action is taken. A summary of the position on the level of outstanding debt and collection issues should be included in outturn reports. Full provision for income outstanding is made in service accounts. However, this should not preclude pursuit of the debt.
- E5.7 Credit notes must be authorised by appropriate Officers nominated by the Section 151 Officer.
- E5.8 Any receipts, tickets or other documents used as receipts should be in a format agreed by the Section 151 Officer.
- E6. Bad Debts**
- E6.1 The council has a corporate debt recovery policy with the guiding principle that customers have a responsibility to pay amounts that have been properly assessed as being due. The council is committed to using the most appropriate and effective recovery methods available to it and does so in accordance with its approved debt policy and debt recovery code of practice.
- E6.2 In certain circumstances, and for justifiable reasons, it will be necessary to classify some debts as irrecoverable and to recommend that they be written off.
- E6.3 The Section 151 Officer (or their nominated deputy) and the Service Director Legal and Governance are authorised to write off any value of debt where there are reasons that prevent the Council from attempting any further recovery action. These reasons are usually as follows:-



- a) the debtor has been declared bankrupt or has entered into insolvency arrangements
- b) the debtor has gone into liquidation
- c) the debtor has had their debt remitted by the Court
- d) the debtor has been granted a Debt Relief Order for the debt
- e) the debtor is deceased and there is evidence of no estate

E6.4 Debts that are being written off for a reason other than those listed in D6.3, must be approved in accordance with the following limits:-

Approval level	Value of Disposal
Section 151 Officer	Up to £5k
Section 151 Officer in consultation with the relevant Cabinet Member	5k< to £10k
Cabinet	£10k<

E6.5 Service Directors are responsible for ensuring that an adequate provision for bad debt is made in the Council's accounts at year-end and that contributions to this provision are included in budgetary projections and outturn reports.

E7. General Principles – Ordering and Paying for Goods and Services

E7.1 Service Directors are responsible for ensuring all required processes are followed to enable the prompt and accurate payment for goods and services provided and for the analysis of expenditure.

E7.2 Except for purchases by credit card, or where an exception has been agreed in accordance with D7.9, all purchases must be supported by an official requisition and purchase order unless previously agreed with the Section 151 Officer. No payment will be made unless there is an official purchase order. All purchases, including by credit card, must have regard to the Finance and Contract Procedure Rules.

E7.3 All requisition and purchase orders must be authorised in accordance with the relevant financial scheme of delegation. All requisition and purchase orders must



be raised within and relate to the current financial year, with the exception of the dual year posting period.

- E7.4 All official purchase orders must include, as a minimum, the order number, the price agreed with the supplier, description of the goods or services to be provided, the delivery address, the address where invoices must be received and the terms and conditions for the goods and services to be provided.
- E7.5 Service Directors must ensure that there is adequate separation of duties in the raising and authorisation of requisitions, authorising of purchase orders, receipt of goods and authorisation of payments to creditors.
- E7.6 Service Directors must ensure robust processes to continually maintain service HR records and schemes of delegation so that electronic workflows associated with core financial systems are not compromised.
- E7.7 All purchasing activity must be carried out in accordance with the council's procurement strategy and advice issued about efficient and effective use of the council's core financial and e-procurement systems and processes. Such processes will include the deployment of credit cards. Invoices received for payment must comply with the council's best practice processes.
- E7.8 Approval of the Section 151 Officer must be sought in advance of entering into any supply agreement with a commercial creditor who has not been set up on the Council's core financial system.
- E7.9 Service Directors must consult the procurement team on appropriate arrangements for purchases of goods and services that cannot be accommodated within standard ordering and payment processes.
- E8. Payment of Invoices**
- E8.1 All invoices must be sent directly by the creditor to the address stated on the official purchase order to enable prompt payment. Unless there are exceptional circumstances, all creditor invoices should be sent to the finance team.
- E8.2 All invoices, as a minimum, must include:-
- a. the official purchase order number
 - b. the name and address of the council (as customer)



- c. an invoice number
- d. the description of the goods or services provided
- e. the quantity delivered
- f. the delivery address
- g. the date of the invoices and/or date of delivery of the goods or services
- h. the address and VAT registration number of the supplier and the net price
- i. the amount of VAT charged at the prevailing rate(s) and the total amount charged
- j. any discount for prompt payment.

E8.3 Invoices received without a valid purchase order number will be returned to the creditor as unauthorised for payment.

E8.4 The Council's standard payment terms are between 10 and 30 days from receipt of a correct invoice by BACS (Bankers Automated Clearing System). Alternative terms may not be negotiated or agreed with suppliers without the explicit approval of the Section 151 Officer. Service Directors are responsible for notifying suppliers of these terms and for ensuring that they are observed by all those involved in the purchasing and payment processing.

E8.5 Payment will only be made for goods and services which have been formally receipted in accordance with receipting procedures set out by the Section 151 Officer.

E9. Non-invoice Payments

E9.1 Where Service Directors wish to initiate a payment to a third party without a supporting invoice, an official request for payment must be submitted to the Section 151 Officer. Non-invoice payments should be requested on an exceptional basis only. Where payments of this type need to be made on a regular basis, Service Directors must consider, in conjunction with the finance team, other alternative options that may be more appropriate.



- E9.2 Any such requests must be authorised by the Section 151 Officer who is responsible for ensuring that all payment details provided are accurate and that supporting records and documentation are available to substantiate the payment, including an official VAT receipt to allow for the reclaim of any VAT element. A pro-forma invoice, a request for payment, a supplier statement and a credit card voucher are NOT official VAT receipts.
- E9.3 Appropriately authorised requests for payment will be processed by the Section 151 Officer and paid by BACS. Cheques will only be used in exceptional cases and by prior agreement.
- E9.4 Payments or reimbursements in respect of salaries and wages, travelling expenses or other employment allowances must be processed through the Payroll system and not treated as a non-invoice payment.

E10. Credit Cards

- E10.1 The Council operates a scheme that offers Officers the flexibility to procure goods and services with a credit card.
- E10.2 Service Directors are responsible for the appropriate deployment and management of credit cards within their service. Further guidance on the use of credit cards is available on the council's intranet site.
- E10.3 The credit card procedure sets out the terms, processes and procedures under which the scheme operates. It is important that when the card is used, it is used to purchase appropriate items only. The card should be used for low value, low risk purchases and not be used to bypass the Finance and Contract Procedure Rules.
- E10.4 Council credit card spend is under constant scrutiny down to line level detail. Credit cards should be used for official purposes only. All spend will be reviewed internally on a regular basis with a report issued to Corporate Leadership Team every 6 months.

E11. Payments to Members

- E11.1 The Section 151 Officer is responsible for paying all allowances and duly authorised expenses to Members.

E12. Taxation

- E12.1 It is the responsibility of the Section 151 Officer to:-

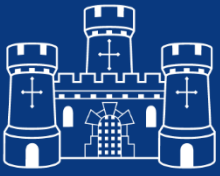


- a) complete all Inland Revenue returns regarding PAYE
- b) submit the Council's VAT return to HMRC each month and complete a monthly return of VAT inputs and outputs to HM Revenue and Customs
- c) provide details to HM Revenue and Customs regarding the Construction Industry Tax Deduction Scheme
- d) maintain up-to-date guidance for Council employees on taxation issues

E12.2 It is the responsibility of Service Directors to:-

- a) ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations
- b) ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements
- c) ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency
- d) follow the guidance on taxation issued by the Section 151 Officer

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Part F – Appendices

Section F5:- Finance and Contract Procedure Rules

F5F:- Contract Procedure Rules

In this Section:-

F1	Basic Principles
F2	Statute
F3	Compliance
F4	Consequence of Breach
F5	Review
F6	Corporate Contracts
F7	Frameworks
F8	In-house Suppliers
F9	Joint Procurement
F10	Authority to Proceed
F11	Insurance
F12	Form of Contract
F13	Bonds and Security
F14	Procurements of Goods, Services or Works below the PCR 2015 Find a Tender Threshold
F15	Procurement of Goods, Services or Works above the PCR 2015 Threshold
F16	Remedies for breach of the Regulations
F17	Timescales
F18	Electronic Tendering
F19	General Rules for Procurements Involving an Element of Competition
F20	Abandonment
F21	Contracts Finder
F22	Signing/Sealing
F23	Waiving the Rules
F24	Payment of Undisputed Invoices
F25	Public Services (Social Value) Act 2012
F26	Additional Matters
F27	Consultancy Procedure

BOROUGH COUNCIL



F1. Basic Principles

F1.1 The aim of the Contract Procedure Rules (“the Rules”) is to:-

- a) ensure compliance with all legal requirements
- b) achieve best value
- c) ensure transparency, openness, non-discrimination and fair competition
- d) demonstrate probity, consistency, accountability and integrity
- e) ensure compliance with the council’s procurement strategy

F1.2 The principles of transparency, non-discrimination and equality are obligations that apply to all procurements and must be complied with at all times.

F1.3 These Rules are supplemented by Procurement Procedure Guidance (“PPG”) as indicated. The PPGs will be updated as required so Officers must check the intranet site for the latest version.

F2. Statute

F2.1 The Council is required by s.135 of the Local Government Act 1972 to make standing orders to ensure competition and regulate the procurement process.

F2.2 The Council must also comply with various other statutes when purchasing goods, works or services, including the Public Contracts Regulations 2015 (PCR 2015).

F2.3 The risks of non-compliance are significant and include awards of damages and contracts being set aside.

F3. Compliance

F3.1 These rules apply to the following undertaken by or on behalf of the council:-

- a) the purchase of all goods, services or works
- b) concessions



c) in circumstances where the Council is procuring goods, works or services on behalf of a collaborative working arrangement

d) in circumstances where the Council is seeking a commercial partner for the purposes of a joint venture

- F3.2 All references in these Rules apply equally to a) to d) above as appropriate and as advised by the procurement team. All Officers are responsible for ensuring compliance with these Rules.
- F3.3 Third parties acting on behalf of the council must also comply with the Rules. Officers instructing third parties to procure contracts must supply the third party with a copy of the Rules.
- F3.4 Officers and third parties must ensure that any conflicts of interest are avoided. Any conflicts of interest must be declared to appropriate line managers as set out in the Officer Code of Conduct. Legal advice must be obtained by Officers where any conflict has potential to impact on contractual relationships.
- F3.5 Corruption is a criminal offence. All Officers who let, manage or supervise contracts must act in accordance with the highest standards of propriety and ensure adequate records are kept.
- F3.6 Differences in the interpretation of these rules will be resolved by the Service Director Legal and Governance in consultation with the Section 151 Officer.
- F3.7 These Rules do not apply to the sale, leasing or purchase of land or any interest in land or any contract of employment or loans or the sale, issue or purchase of any shares or other similar financial asset.
- F3.8 These Rules do not apply to an award of a contract in the following circumstances:
- a) any contracts between the council and a company that is controlled by it (sometimes referred to as a Teckal company)
 - b) any contracts between the council and a company that is jointly controlled by the council with another contracting authority; or



- c) any contract which establishes or implements a co-operation between the council and another contracting authority with the aim of ensuring that public services they have to perform are provided with a view to achieving objectives they have in common and where implementation of the co-operation is governed solely by considerations relating to the public interest and participating contracting authorities perform on the open market less than 20% of the activities concerned by that co-operation
 - d) any service contract awarded by the council to another contracting authority based on an exclusive right that the latter enjoys pursuant to a law, regulation or published administrative provision which is compatible with the PCR 2015.
- F3.9 For contracts falling within the exceptions at F3.8, written advice from the Service Director Legal and Governance must be obtained to ensure that the specific rules relating to the exceptions apply and to ensure that the award does fall outside of the scope of these Rules.
- F3.10 Additional goods, services or works within the scope of a contract with a company that is wholly or jointly owned by the Council may be permitted but shall comply with the general provisions for authority to vary as found in paragraphs F12.10 to F12.12. It may be possible to increase the scope of a contract falling within F3.8 a) or b) above, but before seeking to do so, the Officer shall prepare a business case demonstrating value for money. Increasing the scope of such a contract shall comply with the general change principles stated in paragraphs F12.7 and F12.8 below, shall be recorded in writing by ODN and shall be authorised by the relevant Service Director and the Service Director Legal and Governance.
- F3.11 In calculating the total value of a contract, the following principles shall apply to determine the total value:
- a) the total amount payable over the term of the contract plus any extension period, net of VAT, including any form of option and any renewal of the contract by all council services utilising the contract
 - b) where the award of a contract involves lots, the total amount payable for all of the lots, net of VAT, including any form of option and any renewal of the contract by all council services utilising the contract



- c) for joint purchasing arrangements, the contract value shall be the aggregate of both parties' spend under the contract.

F3.12 No Officer shall take any steps or omit to do something in order to seek to subdivide procurements or payments to avoid the application of the Rules or any part of the Rules or the PCR 2015.

F3.13 Rules relating to grants and collaborative working arrangements are dealt with in Sections F5G and F5H of the Rules respectively.

F4. Consequence of Breach

F4.1 Failure to comply with any of these rules may be considered a breach of the Officer Code of Conduct and may result in disciplinary action and legal proceedings against the Officer or third parties concerned. No Officer shall take any steps or omit to do something amounting to a knowing or reckless attempt to avoid the Rules.

F4.2 Any Officer who fails to follow the Rules may lose the protection of the indemnity given to Officers by the Council and therefore may have personal liability for a contract or any losses.

F4.3 Where it becomes apparent that a service has failed to comply with the Rules the Service Director must immediately notify the Monitoring Officer and Section 151 Officer. The Service Director must complete a Waiver And Record of Non-Adherence (WARN) form outlining the reasons for the non-compliance and the steps taken to prevent a re-occurrence.

F4.4 The content of WARN forms must be approved by the Section 151 Officer and the Monitoring Officer. The Audit and Standards Committee will receive periodic reports on the WARN process and significant single occurrences will be reported to the next available meeting of the Audit and Standards Committee. Service Directors may be required to attend Audit and Standards Committee to explain the circumstance leading to the WARN.

F5. Review

F5.1 The Service Director Legal and Governance will keep the Rules under review and shall have authority to make minor amendments and updates as required. Any significant changes require the consent of full Council.



F5.2 The Service Director Legal and Governance will report to the Audit and Standards Committee who will make recommendations to Council.

F5.3 The Service Director Legal and Governance and the Section 151 Officer will keep the procurement strategy and procurement procedure guidance under review and have authority to make such amendments and updates as required.

F6. Corporate Contracts

F6.1 Officers must always check if there is an existing council contract in place before starting a new procurement activity.

F6.2 If a council contract exists, it must be used unless the contract allows for, and the council's procurement team authorise, another course of action.

F7. Frameworks

F7.1 A framework contract is an agreement with suppliers which establishes the terms governing contracts from which orders for goods, services or works may be placed or 'called off'.

F7.2 Frameworks may only be used when:-

- a) the works, goods or services required are clearly identified within the framework
- b) the framework allows the Council to participate
- c) the framework adheres to the aims of the Rules

F7.3 Officers must ensure that they follow the rules applicable to the framework that set out how individual contracts can be called off. Often this will involve a further procurement activity, referred to as a mini competition. Even where not a requirement, a mini competition should be considered to adhere to the aims of the Rules. Advice must be sought from the procurement team. Advice must be sought from Legal Services in accordance with rule F13 below concerning contract terms, to ensure contract terms are acceptable.

F7.4 Authority to establish a new framework agreement must be evidenced in an Officer Decision Notice (ODN) signed by the Service Director Legal and Governance and Section 151 Officer before procurement activity is started and must be supported by a business case. The business case must clearly state the



maximum value of the framework agreement, the range of contracting authorities able to call-off from it and monitoring arrangements, in particular relating to the total spend under the framework and compliance with call-off procedures.

F7.5 No framework agreement established by the council shall exceed a contract term of 4 years unless exceptional circumstances exist which are substantiated and are related to the subject matter of the framework agreement. If a framework agreement is to exceed a term of 4 years, then the reasons for this must be set out in the ODN to establish a new framework agreement.

F7.6 No contracting authority shall be entitled to call off from a framework agreement established by the council unless the contracting authority has signed an access agreement with the council. The Service Director Legal and Governance must advise on the most appropriate form of access agreement.

F8. In House Suppliers

F8.1 Various services may be available internally from within the council or by any council controlled companies that the council has established. The procurement team can provide advice on utilising these services.

F9. Joint Procurement

F9.1 It is best practice to consider working with others either internally or externally where there may be benefits to a joint procurement with other service areas or public bodies to achieve economies of scale and prevent duplication.

F9.2 Advice from the Service Director Legal and Governance must be sought as to the most appropriate form of agreement for joint procurement activity and the apportionment of risk between the parties.

F9.3 If the Council is responsible for any procurement under such joint arrangements, which result in the Council entering into a contract with a supplier, the Rules must be followed.

F10. Authority to Proceed

F10.1 Before beginning a procurement, the service Officer is responsible for ensuring that the appropriate authority and budget is in place. The form of the authority will depend on the value, strategic importance of the proposed contract, budget implications and risks.



F10.2 Member authority to commence a procurement process will not normally be required, even where the decision to ultimately let a contract will be a Key Decision. However, Service Directors should ensure that there is sufficient budget in place to undertake the procurement exercise and let a contract and that doing so will not be contrary to the budget and policy framework.

F10.3 It is prudent to ensure that relevant Members are briefed and content with the proposal to procure, particularly if the ultimate letting of a contract will amount to a Key Decision. This is to avoid wasted resource in running a procurement process in circumstances where Cabinet might ultimately decline to award a contract.

F10.4 Notwithstanding the content of rule F10.3 above, Officers must consider whether the decision to procure is in itself a Key Decision because of the likely cost of the procurement process. If so, a Cabinet decision will be required prior to commencing procurement and notice of the same will need to be given in the Forward Plan.

F10.5 Authority to proceed must be evidenced in writing and include confirmation from the budget holder that budget is available to procure and ultimately let a contract. Acceptable forms of authority include:-

- a) minutes of the Cabinet
- b) an Officer Decision Notice
- c) a relevant extract from the appropriate scheme of delegation

F11. Insurance

F11.1 Officers are responsible for checking that all chosen contractors provide written evidence of adequate insurance to cover public liability, employers' liability and if necessary professional indemnity for the full duration of the contract.

F11.2 Indemnity levels must reflect the risk to the Council which typically will be for each and every contract:-

- a) £5 million for public liability
- b) £10 million for employers liability



c) £2 million for professional indemnity

F11.3 The levels required may be reduced following the written consent of the Service Director Legal and Governance either as a one off in respect of a particular contract or, where other arrangements have been agreed, for particular types of contract. The service Officer shall consider insurance risks and issues before commencing a procurement and shall seek any necessary approvals prior to issue of the invitation to tender.

F11.4 In some circumstances, it may be necessary to obtain specialist insurance. Service Officers shall be responsible for making enquiries with Insurance Team.

F12. Form of Contract

F12.1 The form of contract must be identified in advance. Every request for a quote ("RFQ") or invitation to tender ("ITT") must be accompanied by the appropriate form of contract. The Council's standard form of contract must be used. In exceptional cases, an alternative form of contract may be used such as the supplier's form of contract or a varied form of the council's standard contract, but with the prior written agreement of the Service Director Legal and Governance.

F12.2 F12.1 does not apply to call-off contracts from frameworks. In addition, in appropriate circumstances, industry standards such as PSPC, NEC, JCT, JClI, ACE, RIBA & ICE may be used with the Council's additional standard clauses covering freedom of information and other local government specific issues. These additional clauses are available from Legal Services. Officers must ensure that the published RFQ/ITT includes the correct form of contract or refers to the correct industry standard.

F12.3 Letters of Intent will only be used in exceptional circumstances and with the written consent of the Service Director Legal and Governance.

F12.4 Advice need not be taken from legal services on the final draft of a contract with a value of up to £50,000 where the council's standard form of contract has been used with no amendments, additions or deletions to the council's standard clauses.

F12.5 The final draft of all contracts over £50,000, contracts that must be executed as a deed (irrespective of value) or any other contract (whether specifically or by type) stipulated by the Service Director Legal and Governance must be approved by



legal services (or in some other manner agreed by the Service Director Legal and Governance) before they are executed.

- F12.6 When selecting the form of contract, be sure to consider whether it will need to be executed “under hand” (signed) or as a deed. See rule F22 below.
- F12.7 A change to a contract, such as an extension of the contract period (in addition to any extension period included in the original contract), or a change to any of the terms or adding in scope to the goods, works or services, is known as a variation to the contract.
- F12.8 When drafting the specification for the ITT, it is good practice to provide for a variation in clear, precise and unequivocal words that state the scope of the variation(s) permitted and the conditions under which the variation(s) shall apply, provided that such variation(s) do not alter the overall nature of the contract. For example, the ITT may state additional goods, works or services that may be included in the contract in the future, or an extension in time of the contract period.
- F12.9 In relation to PCR 2015 procurements, variations to contracts shall only be permitted where the variation falls into one of the categories listed in Regulation 72 as amended from time to time. Variations to such contracts shall be recorded in writing by Officer Decision Notice and shall be authorised by the Service Director and the Service Director Legal and Governance. The procurement team shall ensure that appropriate notices are issued to comply with Regulation 72 requirements.
- F12.10 For non PCR 2015 procurements, Officers shall not enter into variations which would extend the contract beyond the original scope or which would increase the contract price by more than an additional 20% of the original contract price, without the approval of the Section 151 Officer and Service Director Legal and Governance. Such approval shall be evidenced by ODN signed by the Section 151 Officer and Service Director Legal and Governance. A business case will be required to obtain this approval. The procurement team will keep a record of such approvals. Any variation pursuant to this paragraph 12.7 shall comply with the principles in paragraphs F12.7 and F12.8 above.
- F12.11 In all cases, any variation shall be agreed between the parties to the contract and as a minimum shall be recorded in writing and signed by the parties.



- F12.12 In no circumstances shall a variation be made to a contract which has ended or which has been terminated. If there is no provision within the contract terms for a variation of the type required, legal advice shall be sought.
- F12.13 Contracts must be effectively monitored throughout the period of the contract by the relevant contract manager and appropriate records kept in accordance with the council's document retention scheme.
- F12.14 Contracts shall not permit payment in advance except in respect of software licences, hardware or software support, HP leases, deposits, warranties or new or additional water, electricity and gas connections instigated by a new build or refurbishment project, unless the Service Director and Section 151 Officer agree otherwise, such agreement to be recorded in writing.
- F12.15 Part payments may be made during the contract period after the completion of a stage of work provided that the services, goods or works have been completed or delivered. The contract shall include a clear payment schedule which identifies milestones and payment dates or shall identify the events and performance indicators which will trigger a part payment. No part payment shall be made unless the contract precisely sets out the payment schedule and the circumstances in which the part payment shall be made.
- F12.16 Payments made under a contract shall be made in accordance with the relevant scheme of delegation and these Rules.
- F13. Bonds and Security**
- F13.1 A performance bond or adequate security will be required where:-
- a) the nature and length of the contract is such that the risk of failure is sufficiently high
 - b) the estimated cost of re-establishing a service if the contract fails is relatively high
 - c) the financial and technical standing of the contractor is such that the risk of the failure is sufficiently high.

- F13.2 Contracts with a value of up to £250,000 and which appropriately mitigate risk through staged payments or retentions will not typically require a bond or other



security (though security may still be sought if any of F13.1 a) to c) apply). In all cases of contracts with a value of more than £250,000, a decision of the Section 151 Officer should be sought.

F13.3 The amount of the bond will be 10% of the total contract value unless otherwise agreed by the Section 151 Officer.

F13.4 Where the contractor is a limited company which is part of a larger group, the ultimate holding company may be required to provide a parent company indemnity or guarantee in addition to or instead of a performance bond or other security.

F14. Procurements of Goods, Services or Works below the Public Contracts Regulations 2015 (“PCR2015”) Find a Tender Thresholds

F14.1 Where the estimated costs of any goods, services or works is less than the PCR 2015 thresholds, quotes shall be invited as outlined below:-

Value	Procedure
Under £5k	Awarding to a contractor from the council's approved list of contractors on a rotational basis where applicable. In other cases, direct awards are permissible but there is a requirement to be able to demonstrate compliance with the principles of Rule F1.1 across a period of time/range of awards.
£5k< to £25k	At least two written quotations
£25k< to the PCR2015 Thresholds	A minimum of three quotations sought through the appropriate e-tendering portal.

F14.2 The PCR 2015 threshold is reviewed biennially, and advice must be taken from the procurement team as to the threshold at the time of planning a procurement.

F14.3 The procedure for under threshold procurements is explained in PPGs.

F15. Procurement of Goods, Services or Works above the PCR 2015 Threshold

F15.1 The PCR 2015 apply to above threshold contracts for the supply of goods, services and works. There is a separate procedure (known as the 'light touch



regime') for social care and health care contracts and other contracts specified in Schedule 3 of the Regulations as explained in PPGs.

F15.2 There are six types of procurement routes available for contracts exceeding the PCR 2015 threshold:-

- a) Open Procedure
- b) Restricted Procedure (including through the use of a dynamic purchasing system)
- c) Competitive Procedure with Negotiation
- d) Competitive Dialogue
- e) Innovation Partnerships and
- f) Call Off from a Framework Agreement.

F15.3 There is a separate procedure for some types of procurements, known as the light touch regime, which is explained in the PPGs.

F15.4 Advice shall be taken from the procurement team as to the most appropriate type of procurement procedure. PPGs contain a general guide to the types of procurement procedures.

F15.5 The procedures to be followed for each type of procurement at F15.2 (a) to (f) above are set out in the 2015 regulations and cannot be varied under any circumstances. PPG5 explains the procedure for the Open Procedure. PPGs explain the procedure for the Restricted Procedure. The types of procurement at F15.2 (c), (d) and (e) are not to be used unless the appropriate procedures apply. There is a separate procedure for social care and health care procurements and other contracts specified in Schedule 3 of the Regulations. Call-offs under a framework agreement shall follow the procedure set down by the framework authority.

F15.6 Before commencing any above PCR 2015 threshold procurement, advice must be taken from the procurement team.



F16. Remedies for Breach of the Regulations

F16.1 The consequences for breaches of the Regulations for over threshold procurement are significant and include:-

- a) setting aside of contracts following a declaration of ineffectiveness
- b) financial penalties
- c) awards of damages and costs to successful challengers
- d) compensation to the contractor for repudiatory breach of contract
- e) costs of delays in provision of the required goods/services/works
- f) costs of further procurement.

F16.2 Officer compliance with these Rules and the Regulations is therefore essential.

F17. Timescales

F17.1 Procurements over threshold can take a minimum of 4 months and sometimes over 18 months to complete depending on complexity.

F17.2 An accelerated procedure may be available for use in urgent circumstances after consultation with the Service Director Legal and Governance. The Service Director shall certify the urgency making it impractical to comply with the stipulated timescales.

F18. Electronic Tendering

F18.1 The Council utilises an e-procurement software solution for competitive procurement activities of £25,000 and over.

F18.2 Officers must use the e-procurement solution for all procurements with a value of £25,000 and over unless the Section 151 Officer has provided written consent for the exception or unless the procurement is being conducted through a framework that has its own e-procurement software, when it is permissible to use the e-procurement facility provided by the framework provider.



F19. General Rules for Procurements Involving an Element of Competition

F19.1 For procurements of £25,000 and over, Service Officers must contact the procurement team before the commencement of procurement activities to agree the appropriate process that will ensure value for money and adequate competition.

F19.2 Service Officers are responsible for drafting a clear and robust specification. The specification must set out exactly what the Council requires and timescales for delivery.

F19.3 Where a variant is permitted, the service Officer must set out the minimum requirement(s) of the variant. Lots must be considered where appropriate and the procurement team will advise on the best use of lots.

F19.4 The tender documentation must as a minimum include:-

- a) the time, date and internet address for submission of tenders
- b) information the supplier must provide
- c) timescales for the project
- d) the criteria for award
- e) the contract documents
- f) method for dealing with queries during the tender period

F19.5 The tender documentation must state that the council is not bound to accept the lowest or any tender.

F19.6 The tender documentation must set out how errors in tenders will be dealt with using one of the following two ways:-

- a) the tenderer shall be given details of the error(s) found during the evaluation and shall be given the opportunity to confirm without amendment or withdraw the tender; or



- b) amending the tender to correct genuine error(s) provided that in this case, apart from these genuine errors, no other adjustment, revision or qualification is permitted.

F19.7 The ITT must state that by submitting a tender the tenderer agrees to the council's contract terms. There shall be no discussion or negotiation about the contract terms prior to the tender close date. Once an award has been made, modifications may exceptionally be necessary, for example to address an error, where an issue with consistency with the specification is identified or exceptionally where a condition is at odds with the approach in that sector of the market. Legal advice shall always be obtained to ensure that any modification is appropriately drafted. Such modifications shall comply with the general principles listed below:-

- a) the modifications shall not render the contract materially different from the one forming part of the ITT
- b) had the modifications been included originally with the ITT, the modification would not have allowed for the admission of bidders other than those initially selected OR for the acceptance of a tender other than that originally accepted OR have attracted additional bidders
- c) the modifications do not change the economic balance of the contract in favour of the contractor in a way which was not provided for in the original contract;
- d) The modification does not extend the scope of the contract beyond PCR 2015 prescribed parameters.

F19.8 Any modifications which do not fall within at least one of the conditions listed in (a) to (d) above shall require approval by ODN from the Service Director Legal and Governance. Advice shall always be taken from the Service Director Legal and Governance before agreeing to any modifications of the Council's contract terms.

F19.9 Evaluation criteria are the basis on which scores are given to assess responses. Tender evaluation criteria are assessed on:-

- a) price or quality only
- b) MEAT (Most Economically Advantageous Tender) based on a consideration of quality and cost



- c) Life cycle costing
- d) Fixed price with quality criterion only
- e) Community Wealth Building
- f) Social Value

F19.10 Guidance on evaluation criteria is contained in the PPGs.

F19.11 A record of all tenders received shall be kept on the e-procurement solution and shall include:-

- a) service name
- b) bidder's names
- c) tender value
- d) date
- e) reasons for any disqualifications for late tenders and
- f) name of those who were invited but did not submit a tender

F19.12 Any request for an extension to a tender period must be made no later than the period stated in the ITT and in any event before the tender close date and shall be agreed by the Service Director Legal and Governance. If an extended date is permitted all tenderers must be advised.

F19.13 Clear written records must be kept of the assessment process. For all PCR 2015 procurements, a report must be written and retained by the service until the expiry of the contract term. The procurement team shall advise what must be recorded in the procurement report.

F19.14 Negotiation or discussion is generally not permitted except for certain types of procedures that permit negotiation or where it clearly states in the ITT that negotiation or discussion is part of the tender process. If used, negotiations or



discussions must be recorded either contemporaneously or as soon as possible after the negotiation or discussion has concluded.

F19.15 A contract procured under the Regulations cannot be entered into or a framework agreement concluded until the end of the standstill period. The standstill period is 10 calendar days from issue of the unsuccessful letters and intention to award letter. The period will be extended to the next working day if the standstill period ends on a non-working day. The standstill period ends at midnight.

F19.16 Where timescales allow, for non PCR 2015 contracts, a voluntary standstill period of 10 days between decision to award the contract and actual contract award can be implemented. Advice should be taken from the Service Director Legal and Governance on whether or not to apply a voluntary standstill period.

F20. Abandonment

F20.1 If less than three tenders are received, consideration should be given as to whether continuing with the process will achieve a competitive price, value for money and quality of services. A further advertisement may be required.

F20.2 Before abandonment or recommencement of an above threshold procurement, there shall be consultation with the Service Director Legal and Governance to ensure appropriate procedure and risk management.

F21. Contracts Finder

F21.1 All relevant procurement opportunities which involve an element of competition over £25,000 shall be advertised on "Contracts Finder". An element of competition means where the procurement opportunity is put into the public domain for the attention of suppliers generally. It does not include situations where a tender or quote is sought from a limited number of suppliers such as a call-off from a framework agreement or seeking quotes/tenders from selected suppliers.

F21.2 An award of a relevant contract shall be notified on "Contracts Finder". PPGs explain when an opportunity or award has to be advertised on "Contracts Finder".

F22. Signing and Sealing

F22.1 Contracts with a value of up to £50,000 that are not required to be executed as a deed may be signed by the Service Director in accordance with a service scheme of delegation.



F22.2 Unless otherwise agreed in writing by the Service Director Legal and Governance, contracts with a value of more than £50,000 and contracts that are required to be executed as a deed (irrespective of value) must be executed by:-

- a) The Service Director Legal and Governance or the Section 151 Officer or the Chief Executive; and
- b) An authorised Member signatory

F22.3 Contracts will be executed “under hand” (signed) unless required in law or by the Service Director Legal and Governance to be executed as a deed. Contracts required to be executed as a deed in law typically include:-

- a) Transfers of land or interests in land
- b) Some Leases
- c) Mortgages and Charges
- d) Certain documents in respect of Trusts
- e) Agreements made without consideration
- f) Gifts or tangible goods without delivery
- g) A release or variation of certain rights

F22.4 In addition to legal requirements to execute some contracts as a deed, there can be advantages to executing other types of contracts as deeds. This will typically occur in respect of high value/risk transactions and/or where contractual relations will be continuing for some time. In these situations, the council may want to execute the contract as a deed to:-

- a) be able to take action for breach of contract over a longer period
- b) prevent the contracting party (or their successor in title) calling into question, at a later date, the validity or effectiveness of the contract or the accuracy of statement of fact made in the contract



F22.5 Advice should be taken from Legal Services on execution requirements where there is any doubt.

F22.6 Contracts must be executed and completed before work is started to ensure incorporation of terms. Making payments before the contract is sealed or signed may be a breach of the Rules and may result in disciplinary action.

F23. Waiving the Rules

F23.1 Where an Officer intends to seek an exemption to these Rules on the grounds set out below the Officer shall obtain the written consent of the Service Director Legal and Governance and the Section 151 Officer by way of a Waiver And Record of Non-Adherence (WARN) form.

F23.2 The Audit and Standards Committee will receive periodic reports on the WARN process and significant single occurrences will be reported to the next available meeting of the Audit and Standards Committee. Service Directors may be required to attend Audit and Standards Committee to explain the circumstance leading to the WARN.

F23.3 Other than in exceptional circumstances, there shall be no retrospective approval of an exemption and the matter will have to be recorded and reported as a Non-adherence instead, in accordance with rules F4.3 and F4.4 above.

F23.4 Requests to waive these rules for under PCR 2015 threshold contracts may be authorised in the following circumstances, following a robust audit:

- a) goods, services or execution of works are obtainable only from one source or contractor and there is no reasonably satisfactory alternative
- b) compatibility issues such that procurement from another source would be uneconomic given the investment in previous infrastructure;
- c) in cases of genuine urgency or emergency (which shall not include urgency or emergency arising on account of a failure to comply with the Rules when there has been ample opportunity to do so) where it can be clearly demonstrated that the time required to comply with the Rules would have a significant adverse impact on the council's interests



- d) where a recent, directly analogous and diligently undertaken compliant procurement process evidences a lack of genuine competition
- e) Other such circumstances as shall be agreed by the Service Director Legal and Governance and the Section 151 Officer

F23.5 Where it has not been possible to advertise through Find a Tender and publish a contract award notice, the Council may, under Regulation 99(3) of the Public Contracts Regulations 2015, publish a Voluntary Transparency Notice, justifying the decision to award without prior publication of a contract notice.

F23.6 Authority to publish a Voluntary Transparency Notice must be documented in an ODN signed by the Service Director Legal and Governance, Section 151 Officer and Service Director providing full justification for the publication and future procurement plans.

F23.7 All WARNS signed pursuant to E23.1 shall be held by Legal Services and shall be available for inspection as required.

F24. Payment of Undisputed Invoices

F24.1 The Council has a duty under the PCR 2015 for every public contract (whether it is above or below the PCR 2015 threshold) to pay undisputed invoices within 30 days. PPGs explain the requirements for payment of undisputed invoices.

F25. Public Services (Social Value) Act 2021

F25.1 The Council must consider the social value of its approach to procurement and whether social or environmental criteria or conditions may be appropriate and permissible. PPGs explain the requirements for social value.

F26. Additional Matters

F26.1 PPGs set out additional matters which might be relevant to a procurement and Officers are advised to refer to PPGs before commencing a procurement.

F27. Consultancy Procedure

F27.1 Officers shall follow the separate consultancy procedure in addition to the Rules.

F27.2 External consultants or advisors may only be appointed to provide professional or consulting services if such services are not available within the council or if the Officers providing them do not have the resources to meet what is required. Where



such services are available in-house, the appointing Officer must consult with the Service Director Strategy, People and Performance and the Section 151 Officer before taking any decision to make an external appointment.

- F27.3 Consideration should always be given to using approved frameworks, examples include YPO (Yorkshire Purchasing Organisation), ESPO (Eastern Shires Purchasing Organisation, CCS (Crown Commercial Service) and Homes England.
- F27.4 External consultants and technical Officers engaged to supervise contracts must follow these Rules as applicable and their contracts for services must state this requirement.
- F27.5 Procurement plans and/or tenders prepared by external consultants on behalf of the Council must be referred to the procurement team for approval and advice.
- F27.6 All contracts for external consultants and advisors shall explicitly require that the consultants or advisors provide immediately any or all documents and records maintained by them relating to the services provided at the request of the appointing Officer, and lodge all such documents and records with the appropriate Officer at the end of the contract.
- F27.7 The appointing Officer shall ensure that any consultant working for the Council has appropriate indemnity insurance.
- F27.8 Any consultant used by the council shall be appointed in accordance with these Rules. Where the council uses consultants to act on its behalf in relation to any procurement, then the appointing Officer shall ensure that the consultants carry out any procurement in accordance with these Rules and using the council's standard terms and conditions of contract in any procurement that the consultant carries out. No consultant shall make any decision on whether to award a contract or whom a contract should be awarded to. The appointing Officer shall ensure that the consultant's performance is monitored.
- F27.9 Where the engagement of a consultant is required to support a procurement process or related project, the consultant should sign an appropriately drafted confidentiality agreement.



Part F – Appendices

Section F5:- Finance and Contract Procedure Rules

F5G:- Collaborative Working and ASDVs

In this Section:-

G1	General
G2	Written Agreement
G3	Accountable Body
G4	Collaborative Working Approval Process
G5	ASDV Background
G6	Approval to set up an Alternative Service Delivery Vehicle
G7	Operational Governance
G8	ASDV Reporting
G9	Directors of ASDVs

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G1. General

- G1.1 The term “collaborative working” covers a wide array of joint working arrangements. For the purposes of this section, the term “collaborative working” means working with one or more third parties collectively to achieve a shared objective.
- G1.2 The council’s contribution to collaborative working may be capital, revenue or contributions in kind such as staff time, and contributions of any kind fall within this section.
- G1.3 This section does not cover public-to-public or public to private contractual arrangements. This is covered under section F of the Finance and Contract Procedure Rules.
- G1.4 In any circumstance where the council undertakes procurement in respect of collaborative working, the council’s Finance and Contract Procedure Rules shall apply.
- G1.5 The council will maintain a register of significant partnerships and all significant partnerships will be subject to an annual review that will be reported to Audit and Standards Committee.
- G1.6 As a measure of best practice, all collaboration agreements should be subject to a complete review at least every 4 years.
- G1.7 Any collaboration which involves the creation of or participation in a separate legal entity such as a limited company, trust or charity, must be set up and approved in accordance with the governance arrangements as set out below.

G2. Written Agreement

- G2.1 Collaborative working arrangements must be recorded in writing, the content and format of which must be approved by the Service Director Legal and Governance.
- G2.2 Any collaborative working involving the commitment of significant council resources (be they finance, staff, land, buildings or equipment), or where the council acts as an accountable body, must have a formal agreement in place approved by the Service Director Legal and Governance



G3. Accountable Body

G3.1 Any collaborative working in which the council is to act as Accountable/Responsible Body must be approved by the relevant Service Director and the Section 151 Officer.

G3.2 Where the council does act as the accountable body, the full cost of this service must be charged to the collaborative working arrangement (including a fair share of corporate overheads or equivalent in kind contribution)

G4. Collaborative Working Approval Process

G4.1 The approval process for participation in a collaborative working arrangement is based on:-

- a) compliance with corporate outcomes
- b) the financial contribution of the council

G4.2 If the council's financial contribution has not already been included in the approved budget, further approval will be required. The level of approval required will depend on both the amount, and whether the funding is to come from existing budgets or from reserves. These approval limits are set out in Section F5B (Rule B8.1) of the Finance and Contract Procedure Rules. The financial contribution of the Council should be assessed over the lifetime of the collaborative working arrangement and shall include the all staffing/resource costs as well as any financial contributions provided.

G4.3 Each Service Director is responsible for preparing regular reports for the Cabinet Member outlining the key outcome and achievements of each collaborative working arrangement. The report should also review the affordability and continued relevance of the arrangement to the Council's corporate objectives.

G5. ASDV Background

G5.1 The term Alternative Service Delivery Vehicle (ASDV) refers to a range of different organisations which:-

- a) have been set up by the council, either alone or with a partner (public or private sector)
- b) are legally separate from the council



c) are operationally independent of the council, but the council has retained significant control over key strategic issues.

G5.2 ASDVs can take a number of different legal forms. The main types include company limited by shares, company limited by guarantee and Trusts.

G5.3 Each ASDV will have its own governance arrangements, business plans, policies and procedures for managing its business, which can be different to those of the council.

G5.4 In most cases, the council will have at least three distinct relationships with its ASDV. Each of these relationships is subject to different considerations, rules and processes. It is essential when configuring and operating an ASDV that a careful approach is taken to delineating roles and responsibilities to put in place operational safeguards to deal with conflicts that might arise. These conflicts can arise between these distinct relationships or roles, or more generally, where an Officers or Members has a role in respect of the ASDV and in respect of the Council. These roles, relationships and potential conflicts must be kept under constant review.

- a) As an ASDV director. Directors are responsible for the operational leadership and direction of the ASDV and are ultimately accountable to the ASDVs shareholders. Their primary duty is to promote the interests of the ASDV and conflicts can arise where policy or political imperatives do not align with the best interests of the ASDV, and ASDV directors have a lead role in setting or delivering policy/political imperatives and in ensuring the success of the ASDV.
- b) As a shareholder/owner of the business. The shareholder's primary role is to hold the ASDV directors to account for their leadership, direction and success of the ASDV. Conflicts can arise where policy or political imperatives do not align with the best interests of the ASDV and shareholders have a lead role in setting or delivering policy/political imperatives and in ensuring the success of the company.
- c) As a customer of the ASDV or as a supplier of goods or services to the ASDV. Customers commissioning services or acquiring goods from the ASDV or supplying goods or services to the ASDV are primarily concerned with achieving best value for the council. Conflicts can arise where a commissioning/supplying decision taker also has responsibilities to the company as a director or



shareholder. There is an inherent conflict in seeking to achieve best value for the Council and promoting the interests of the ASDV.

G6. Approval to set up an ASDV

G6.1 Setting up a new ASDV is likely to be an expensive, complex and time-consuming process requiring significant input from a number of Council services and external specialists. To ensure consistency with corporate priorities and minimise the risk of abortive costs, the set up needs to be in 3 distinct stages:-

- a) approval by the Corporate Leadership Team to develop an Outline Business Case to establish the new ASDV
- b) Production of an outline Business Case (OBC) to support the development of a full business case
- c) Production of a Full Business Case (FBC).

G6.2 Cabinet approval will be required at OBC and FBC stage. Depending on the structure of the proposed ASDV specific Cabinet approval may also be required for:-

- a) Council pension guarantees
- b) Provision of working capital loans
- c) The initial/Year 1 Annual Business Plan (ABP)
- d) Key Reserved Matters.

G6.3 Approval of any working capital loans or pension guarantees shall be undertaken in accordance with the thresholds set out under rule B8.1 above.

G6.4 Scrutiny Committee consideration at FBC stage can also be beneficial

G7. Operational Governance

G7.1 A Member or joint Officer/Member shareholder committee is typically a best practice approach to taking responsible for making decisions that relate to the Council's role as shareholder or owner of the ASDV. Those sitting on a shareholder committee must have sufficient knowledge and experience to be able to hold ASDV Directors



to account for performance, and to robustly interrogate and challenge business plans and performance data.

- G7.2 The exact process and range of shareholder decisions will be different for each ASDV. However, as a minimum, a formal Council (as shareholder) decision will be required to approve the annual business plan and any changes to the legal structure of the company (e.g. changes in shares). Any changes to HR and or remuneration policies will be approved by reference to the likely financial impact in line with the thresholds set out in rule B8.1 above.
- G7.3 Council approval to change the scope/range of services should initially be obtained from the Corporate Leadership Team. Further approval will depend on the size and nature of services covered by the proposed change and therefore advice should be obtained from the Service Director Legal and Governance.
- G7.4 Company approval will depend on each company's own governance processes.
- G7.5 If the ASDVs supplies goods or services to the Council, then generally the standard FCPRs applicable to any third party supplier should be applied to decisions affecting the ASDV in its role as a supplier. The primary exception is ASDVs that are Teckal exempt. In these cases, the Council can award contracts to the ASDV without a competitive procurement process. The award of a contract under a Teckal exemption should still be subject to a business case assessment demonstrating value for money is being achieved.
- G7.6 Each ASDV will have its own equivalent of the Councils FCPRs. Changes to these documents will generally not require any approval from the Council.
- G7.7 The ability of the Council to wind-up or liquidate an ASDV will be set out in the Shareholder Agreement or Articles of Association of each ASDV. Putting an ASDV into liquidation is likely to be a significant step with major HR, legal, financial and service delivery implications. It is therefore likely that such a decision will require Cabinet approval.

G8. Reporting

- G8.1 Each ASDV will be required to provide regular shareholder financial and performance reports to the Council. The form and timing of reports will be defined by the Section 151 Officer and Service Director Legal and Governance.



G8.2 If the ASDV supplies services to the Council, it will also have to provide performance reports in accordance with its contractual obligations. These contractual performance reports will be incorporated as part of the standard Officer/Member process used for all suppliers.

G8.3 Regular monitoring reports should be taken to the appropriate Scrutiny Committee.

G9. Directors of ASDVs

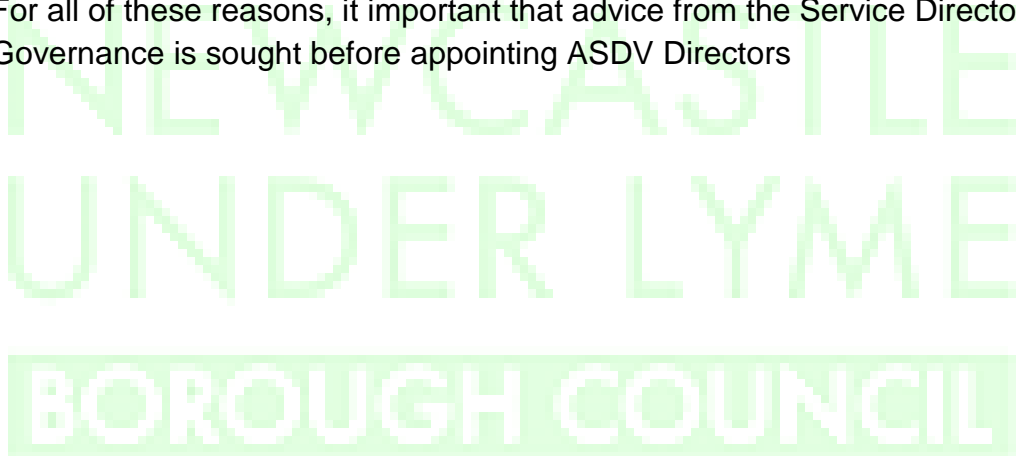
G9.1 Both Members and Officers may act as a director of one or more of the Councils ASDVs, however many councils have elected not to have Member directors (or for Members to be ex-officio Directors only) to avoid the potential conflict of interest issues described above (political imperative Vs best interests of the ASDV).

G9.2 The role of Director includes some significant personal responsibilities and liabilities, and a significant time commitment to the ASDV and in maintaining the necessary skills to be an effective Director.

G9.3 A Director's primary duty is owed to the ASDV. Directors should be appointed solely based on their skills, knowledge and expertise after undertaking skills matrix analysis to match candidate Directors to the needs of the ASDV from time to time.

G9.4 Regular, robust performance assessment and training of Directors is essential to the success of an ASDV.

G9.5 For all of these reasons, it important that advice from the Service Director Legal and Governance is sought before appointing ASDV Directors





Part F – Appendices
Section F5:- Finance and Contract Procedure Rules
F5H:- Glossary

Appropriation	Amounts transferred between the Revenue account and revenue or capital reserves
Bad debt	A debt owed to the Council where the cash will not be collected and therefore the debt needs to be written off. See also provision for bad debts below.
Balances (Revenue Account)	The accumulated surplus of income over expenditure. Members may agree that Balances be used to reduce future Council Tax precepts although a minimum level, consistent with prudence and best practice will be maintained. Amounts in excess of that required for day-to-day cash management and to finance working capital can be invested to generate interest income to the Authority.
Capital Approval	The capital programme provision as amended by any supplementary estimates or virements.
Capital Expenditure	Expenditure on the purchase, construction or replacement of capital (fixed) assets or expenditure that adds to the life or value of an existing fixed asset.
Capital Programme	The Authority's plan of capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, Highway Improvement schemes and design fees, and the acquisition of vehicles and major items of equipment.
Capital Project / Scheme	These terms mean the same thing and are used interchangeably within these Rules. A project/scheme may be separately identified in the capital programme or be an item within a themed allocation (for example ICT or building maintenance).

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Capital Receipts	Income received from the sale of capital assets and available, subject to rules laid down by the Government, to finance new capital expenditure or to repay debt.
Carry Forward	An increase or reduction in a Service's new financial year budget, stemming from either an under or overspend in the previous year. All carry forwards (except for Schools) need the approval of the Cabinet upon the presentation of a business case.
Commitment	The value of any order or contract placed, prior to payment for goods / services having been made.
Contingencies	Sums set aside as part of the Councils budgets to meet either: (a) the potential costs of activities expected to occur during the year over and above those costs included in Service budgets (pay and price contingency); or (b) items that are difficult to predict in terms of financial impact or timing (contingency for uncertain items).
Council Fund	The Council's main revenue fund to which all revenue receipts are credited, and from which revenue liabilities are discharged. The movement on the fund in the year represents the excess of income over expenditure within the Consolidated Revenue Account. The level of balances held is based on the Council's assessment of the level of risk and uncertainty and the potential call on such reserves. Also known as the General Fund Reserve.
Corporate Leadership Team	The Corporate Leadership Team is the Chief Executive, Deputy Chief Executive, Section 151 Officer, Monitoring Officer and Service Directors,
Debt Write-Off	Realising the cost of debt that is considered to be "bad" (unrecoverable) by writing it off against the revenue account or bad debt provision.
Earmarked Reserves	Reserves that can only be used for a specific use or purpose.



Financial Scheme of Delegation	A table setting out the financial limits within which Officers are authorised to incur expenditure. The table is held and maintained by the Section 151 Officer
Financial Year	The Council's accounting period covers the 12 months from April 1 to March 31.
Find a Tender Service	Find a Tender Service (FTS) is the home of higher-value, public contract opportunities (tenders) within the UK. The Find a Tender Service can be used by both Public Buyers and Suppliers. For Public Buyers, the use of the portal complies with Public Contract Regulations 2015.
Forward Plan	The statutory notice given of an intention to take a "Key Decision". See Section C3 of the Constitution.
Internal Control	A procedural system designed to manage risk to an acceptable level whereby different staff Members perform different parts of a task, so that no one person is entirely responsible for processing a transaction from start to finish.
Key Decision	A decision of such significance that additional processes apply. See Section C3 of the Constitution.
Leases	Agreements covering the hire/rental of equipment or buildings, generally for a specified period of time and at a specified rate. There are two types of leases, Operating and Finance
Leases (operating)	A lease where the risks and rewards of ownership remain with the lessor.
Leases (finance)	A lease where most of the risks and rewards associated with ownership are transferred to the lessee (responsibility for maintenance, insurance, etc. will fall to the Council)



Monitoring Officer	The Officer appointed by Council as the Monitoring Officer for the purposes of Section 5 of the Local Government and Housing Act 1989. The Monitoring Officer has statutory duties to report on matters they believe to be illegal or that amount to maladministration and is responsible for matters relating to the conduct of Members and Officers. They are also responsible for the operation of the council's Constitution.
Option Appraisal/Business Case	This is required for all Capital schemes and all significant revenue proposals and takes the form of a Business Case Template. This will be used to assess whether the scheme is affordable, deliverable and in accordance with the corporate plan. Consequences to the Service are considered and evaluated and it will also provide a basis for monitoring and reporting progress. In the case of revenue proposals, it will also take into account the risk and impact on users.
Policy and Expenditure Planning	The Council's annual cycle of planning for the medium and short-term future, aimed at achieving optimal allocation of available resources.
Policy and Expenditure Proposals	Proposals, including new policies, which have resource implications and will be subject to appraisal by Members, the Corporate Management Team and external consultees before inclusion in the annual budget.
Procurement	The process of acquiring goods, services and works which includes the choice of supplier, the specification of goods/ services/works required and the initiation of a purchase order or contract agreement.
Provision	An amount set aside by the Authority for any liabilities of uncertain amount or timing that have been incurred. The main

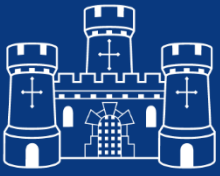
BOROUGH COUNCIL



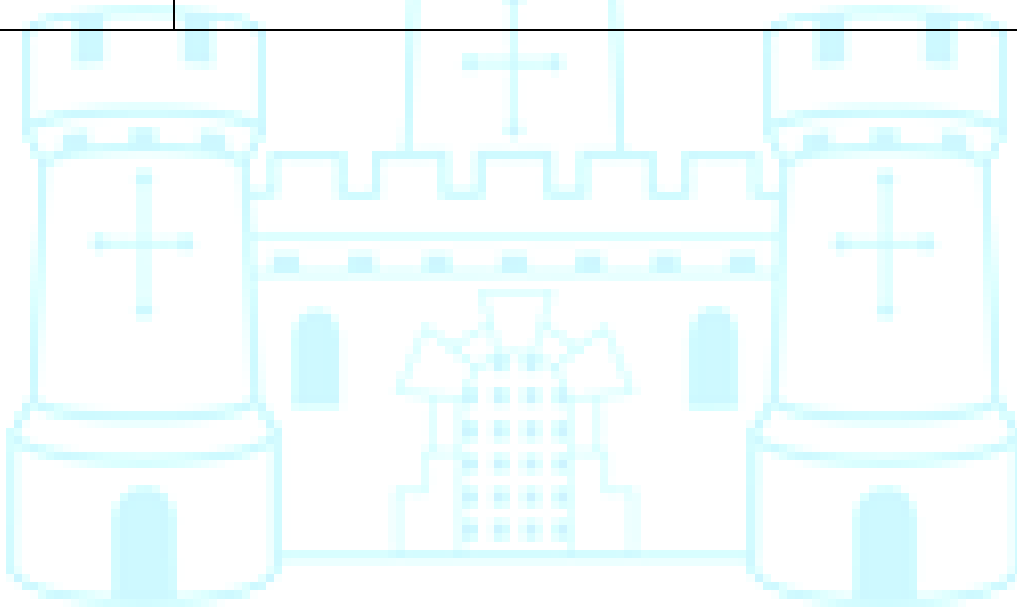
	category is estimates of liabilities or losses already incurred but whose exact amount will be determined in the future (e.g. bad debts, obsolete stock). See also Capital Provision and Provision for Doubtful Debt.
Provision for Doubtful Debt	An allocation of funds set aside from Service revenue budgets to cover amounts that may not be recoverable from debtors.
Prudential Borrowing Limits	The maximum amount of borrowing that the Council can enter into at any one point in time during the year. This limit is set by Council prior to the start of the year to which it relates and cannot be breached under any circumstances.
Quotation	An informal priced offer setting out the terms and conditions to supply requested goods or services.
Revenue Account	The Account that sets out the Council's income and expenditure for the year for non-capital spending.
Revenue Expenditure	Spending on the day-to-day running expenses of the Council. It includes expenditure on employees, premises, transport and supplies and services.
Ring Fencing	Certain budgets agreed by the Section 151 Officer are "ring-fenced". This means that under-spends on these budgets will return to balances and overspends will be met centrally. This is to reflect the fact that certain items of expenditure are either demand-led or so significantly influenced by extraneous factors that they are beyond the direct control of managers. Ring-fenced budgets include planning levies, external audit fees and election expenses.
Schemes of Delegation	Schemes of Delegation are the documents that set out, for each Service, any powers that Members of the Corporate Leadership Team have delegated to other Officers. Service Directors are responsible for maintaining up to date and accurate Schemes of Delegation and lodging a copy of the same with the Director of Legal and Governance.



Section 151 Officer	The Officer designated by Council as the Section 151 Officer for the purposes of the Local Government Act 1972. The Section 151 Officer is responsible for the proper administration of the council's financial affairs.
Service Plan/Priority Delivery Plans	A plan which outlines measurable Service aims for the year ahead, encompassing both core purpose and specific key objectives for any given year. The Plan will consider both inputs and outputs.
Starts value	Represents the full value of the Council's contribution to a Capital Scheme irrespective of the timing of the payments.
Supplementary Capital Estimate (SCE)	Additional resources approved by Members with funds either provided by a third-party (e.g. developer contributions, receipts, government grant), by the use of Council reserves or from the Revenue budget
Supplementary Revenue Estimate (SRE)	An approved increase to a Service revenue budget during the financial year, funded centrally from reserves, contingencies or external funding sources such as grants or partner contributions.
Tender	A formal priced offer in response to an invitation to supply goods, services or works against a specification.
Tenderer	Any person or organisation invited to submit a Tender.
Third Party Funds	Funds provided by outside bodies or individuals in support of Council activities, establishments or clients. Can sometimes be known as trust funds.
Threshold	The financial level at which award of contract regimes under prevailing Public Contract Regulations 2015 apply
Underspend	An underspend results when the net costs of a budget holder are lower than the net budget for the year.
"Up to" or "to"	In tables setting out financial thresholds "up to" or "to" means up to and including the amount stated. In the same tables, "<" means more than.



Virement	A Revenue virement is a transfer of amounts from one budget heading to another within, or between, Service Directors of Service. Capital virements cover any changes to Capital budgets funded from within the existing Capital programme.
Voluntary Transparency Notice	A notice providing justification of the decision of the Council to award the contract without prior publication of a contract notice, in accordance with the requirements of Regulation 99(4) of the Public Contract Regulations 2015.



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AUDIT & STANDARDS COMMITTEE



Work Programme 2023/24

Chair

Cllr P. Waring

Vice-Chair

Cllr B. Panter

Members

Cllrs M. Holland, J. Whieldon, W. Brockie,
M. Stubbs and S. Talbot

Officer Champions

Sarah Wilkes / Daniel Dickinson

The Audit & Standards Committee is responsible for overseeing the Council's audit and assurance arrangements. Its role is to provide independent assurance to members of the adequacy of the Council's corporate governance arrangements including risk management its systems of internal control. More information is available in Section B2 of the Council's constitution.

For more information on the Committee or its work Programme please contact the Democratic Services:

- ✚ Geoff Durham at geoff.durham@newcastle-staffs.gov.uk or on (01782) 742222
- ✚ Alexandra Bond at alexandra.bond@newcastle-staffs.gov.uk or on (01782) 742211

Planned Items

DATE OF MEETING	ITEM	NOTES
30/05/2023	<ul style="list-style-type: none"> • Draft Statement of Accounts 2022/23 • Revised Finance and Contract Procedure Rules 	
17/07/2023	<ul style="list-style-type: none"> • Health and Safety Report 2022/23 • Q4 Internal Audit Progress Report 2022/23 • Treasury Management Annual Report 2022/23 • Q4 Corporate Risk Management Report 2022/23 • Annual Internal Audit Report and Annual Opinion 	

Previous Items

DATE OF MEETING	ITEM	NOTES
17/04/2023	<ul style="list-style-type: none"> • Internal Audit Charter 2023/24 • Internal Audit Plan 2023/24 • Corporate Fraud Arrangements 2023/24 • Committee Work Plan 2023/24 • Risk Management Policy & Strategy 2023/24 • External Audit 	

Last updated on 15th May 2023