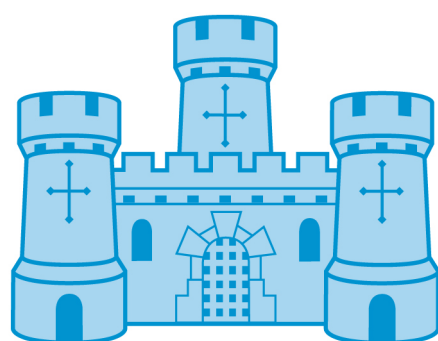


# STATEMENT OF ACCOUNTS 2014/15



**NEWCASTLE  
UNDER LYME**  
**BOROUGH COUNCIL**

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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. The various elements have been colour-coded to more easily identify them when reading through the Statement of Accounts, where the same colours are used to highlight subject headings, etc.

Throughout the Statement, various unusual or technical terms are employed which may not be familiar to all readers. A Glossary of Terms (Appendix 4 - page 69) has, therefore, been provided which explains the meaning of such items.

Page	Item	Purpose
5	Foreword by the Executive Director - Resources and Support Services	Provides a guide to the main features of the accounts and a commentary on the Council's financial position and the factors affecting its finances.
14	Statement of Responsibilities	Sets out the respective responsibilities of the Council and the Executive Director - Resources and Support Services in relation to financial administration and accounting.
15	Core Financial Statements	These are the Core Financial Statements which the Council must publish in its Statement of Accounts.
15	Movement in Reserves Statement	Shows movements in reserves split between usable and unusable reserves. It also reconciles the outturn on the Comprehensive Income and Expenditure Statement (CIES) to the General Fund Balance, by taking account of the adjustments necessary and made by transfers to or from reserves, either: <ul style="list-style-type: none"> <li>• To remove accounting charges, such as for the depreciation of assets, which are not chargeable according to regulations or</li> <li>• To meet the cost of items charged to the CIES which the Council has decided to fund from reserves.</li> </ul>
16	Comprehensive Income and Expenditure Statement	Shows the accounting cost of providing services in accordance with generally accepted accounting practice. This is not the same as the amount to be funded from taxation in accordance with regulations, which is shown in the Movement in Reserves Statement.
17	Balance Sheet	Sets out the Council's financial position on 31 March 2015. It provides details of the Council's balances and reserves and current assets employed in Council operations together with summarised information on the long term assets held and details of any current liabilities.
18	Cash Flow Statement	Summarises the total cash movement of the Council's transactions.
19	Notes to the Core Financial Statements	These provide additional information and have been grouped into three categories as set out below.
19	Technical Issues	Outline technical issues such as the council's accounting policies. Details are set out in Appendix 1.
19	Further Analysis of items included in the Core Financial Statements	Provide a breakdown of figures included in the Core Financial Statements.
36	Additional Information supplementing the Core Financial Statements	Provide additional information to assist in understanding the Council's finances.
49	Collection Fund and Notes	Reflecting the statutory requirement for the Council to maintain a separate account recording details of receipts of council tax and business rates and the associated payments to precepting authorities and central government.

<b>52</b>	Audit Certificate	The external auditor's opinion on the accounts and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
<b>53</b>	Appendices	
<b>53</b>	Appendix 1 Accounting Policies, Standards, Judgements, Assumptions and Adjustments	Information in relation to technical issues in order to provide a fuller understanding of the accounts and how they have been compiled.
<b>67</b>	Appendix 2 Supplementary Accounts	Information relating to the North Staffs Building Control Partnership and Trust Funds, whose transactions are not included in the Council's accounts.
<b>68</b>	Appendix 3 Annual Governance Statement	Provides an account of the processes, systems and records which demonstrate assurance for the effectiveness of the framework of governance of the Council's discharge of its responsibilities.
<b>69</b>	Appendix 4 Glossary of Terms	Explanation of technical or unusual terms used in the Statement of Accounts.

## **Foreword - By the Executive Director - Resources and Support Services**

### **a) Introduction**

Welcome to Newcastle-under-Lyme Borough Council's Statement of Accounts for the financial year 2014/15. It sets out a summary of the money that the Council received and what it has been spent on and highlights specific issues regarding its financial position at 31 March 2015.

### **b) Regulations Governing the Production of the Statement of Accounts**

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2011 and the requirements of the 2014/15 "Code of Practice on Local Authority Accounting" published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the provisions of Section 15/16 of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011, the accounts were made available for inspection between 15 June and 10 July 2015, as advertised in the local press.

The accounts were approved by the Audit and Risk Committee on 28 September 2015 in accordance with paragraph 8 (3) of the Accounts and Audit Regulations 2011. The signature of the Committee Chair (who presided over the meeting) is included at the conclusion of this foreword in line with these regulations as evidence of approval of the 2014/15 Statement of Accounts.

### **c) General Accounting Policies**

The accounting policies adopted by the Council comply with the relevant recommended accounting practices unless indicated otherwise and are explained in Appendix 1. The Council's expenditure has been analysed in the Comprehensive Income and Expenditure Statement according to the standard classification recommended by CIPFA. In addition, the analysis of capital expenditure follows CIPFA's recommendations showing non-current and intangible assets separately. These recommended practices, classifications and recommendations are all designed to meet the requirements of International Financial Reporting Standards. There have been no changes in accounting policies or the Council's statutory functions during the year.

### **d) Statement of Accounts**

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

### **e) Accountability / Financial Reporting**

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

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

**f) Economic Downturn and Public Expenditure Reductions**

The current national economic climate continues to have an adverse effect upon the Council's finances, in common with other local authorities. In particular it has impacted upon the amount of income received from leisure centre fees, market stall income, reduced rental income from commercial properties and income from car parks. Whilst there are some signs that the situation is improving, for example planning fees income has experienced a modest increase, it remains necessary to closely monitor and evaluate these areas in order to assess the risk to the Council's finances.

The amount of funding from central government to support the revenue budget was again reduced in 2014/15. This was offset by efficiency savings agreed when the budget for 2014/15 was set in February 2014 by the Full Council.

**g) General Fund Revenue Budget Outturn**

The outturn position in relation to the General Fund Revenue Budget was a positive variance of £7k, i.e. the net budget was £14.894m and the outturn was £14.887m.

This was in line with budget monitoring predictions of a final outturn close to the original budget for the year. The difficult operational conditions arising from the factors outlined previously meant from the outset that 2014/15 would be another challenging year financially for the Council. Members and officers have therefore continued to operate within an environment of tight budget management to, wherever possible, mitigate any adverse impact.

**h) Financial Summary 2014/15**

The financial activities of the Council can be categorised as either Revenue or Capital. Revenue spending represents the costs of consuming supplies and providing services delivered by the Council in its day to day business during the year. Capital spending relates to items which will provide benefit to the Borough over a number of years.

**Revenue Expenditure and Income**

***Where does the money come from?***

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

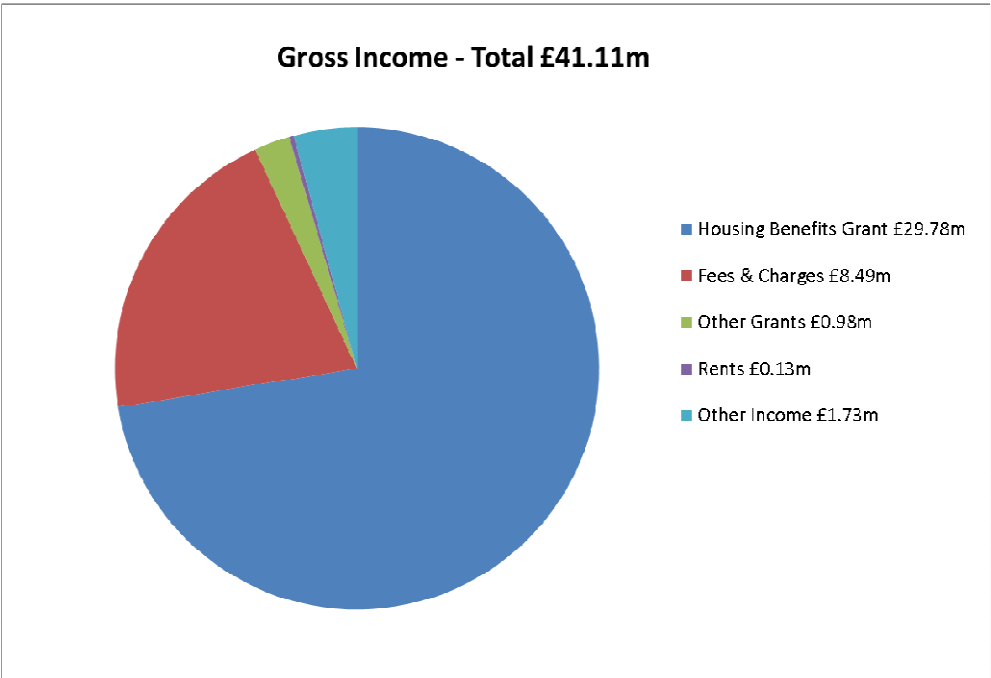
This is the second year of the Business Rates Retention Scheme, whereby the Council retains a share of the business rates collected after paying part over to the Government, Staffordshire County Council and the Staffordshire Fire and Rescue Authority. In 2014/15 additional rates income retained in excess of the amount included in the 2014/15 revenue budget amounted to £0.454m. This amount was paid into the Business Rates Reserve and is available for future use, particularly to meet the council's share of business rates collection fund deficits, which amounted to £0.871m in 2014/15 so this will be the first call on the reserve in 2015/16, and to meet shortfalls in business rates income which could arise in later years. If, in the longer term, it becomes apparent that a significant balance is likely to be built up in the reserve, it can be used to support revenue initiatives.

Alongside the new business rates arrangements, the Council continues to receive Revenue Support Grant from the government, the amount of which is based on an assessment of the relative needs of local authorities, derived from such factors as population, deprivation levels, number of commuters, visitors to the area etc. In 2014/15 the Council received an amount of £3.551m in respect of Revenue Support Grant. In addition an amount of £0.311m was received in respect of Council Tax Freeze Grant because it held the Council Tax levies for 2014/15 at the same levels as in 2013/14 (£0.070m) and ongoing grant (£0.241m) payable because there was no increase in 2011/12 from 2010/11 levels and in 2013/14.

Council Tax is a property based charge payable by local residents and the amount payable depends on the value band that the property is placed into by the Valuation Office. National Non-Domestic Rates, known as Business Rates, are payable by owners of businesses and properties. The government determine the amount to be paid by

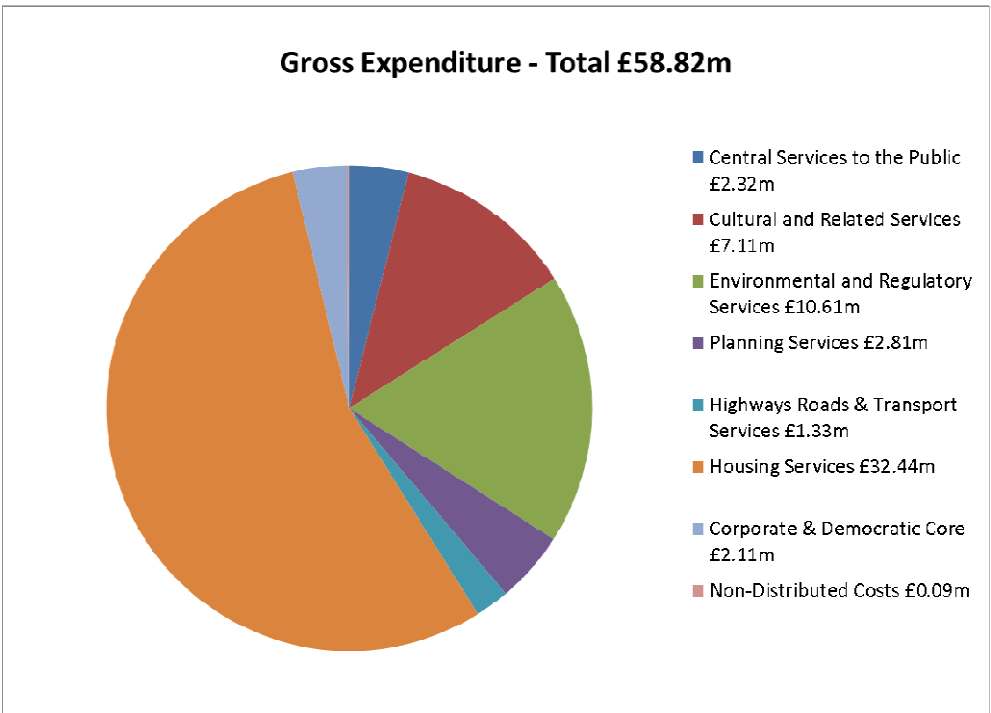
setting an amount payable for each pound of rateable value of the properties concerned. The Valuation Office sets these values.

The gross income received by services, as shown in the Comprehensive Income and Expenditure Statement (page 16), is shown in the chart below analysed over sources of income:



***How the money was spent***

The Comprehensive Income and Expenditure Statement (page 16) shows that Gross Expenditure for the year was £58.82m across defined service areas prescribed by CIPFA to facilitate comparison between councils and as set out in the following chart:



### ***What we planned to spend***

The Council set an original Net Revenue Budget for 2014/15 of £14.894m on 26 February 2014.

### ***What we actually spent***

Actual net expenditure was £14.887m. As mentioned earlier, this represents a positive variance compared to the original budget of £7,000.

This amount has been transferred into the Budget Support Fund. The balance on the Fund, as at 31 March 2015 is £0.297m, as against its balance at 1 April 2014, which was £0.333m. In addition to the transfer into the Fund of £7,000, a net transfer of some £43,000 was made into it comprising payments in respect of 2014/15 commitments carried forward and to finance invest to save projects and £36,500 to meet planning appeal costs, together with repayments into the Fund in relation to savings arising from previous invest to save projects.

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

	£m
<b>Expenditure</b>	58.818
<b>Income</b>	(41.106)
<b>Net Service Expenditure</b>	17.712
<b>Non-Service Specific Income and Expenditure</b>	
Interest Receivable	(0.169)
Investment Properties Net Expenditure	(1.900)
Council Tax Income	(6.292)
Non-Domestic Rates Net Income	(3.884)
Non-Ringfenced Government Grants	(5.016)
Pensions Net interest Cost	2.814
Other Items	(0.491)
Reversal of Pensions Net Interest Cost via Pensions Reserve	(2.814)
Reversal of Capital Charges included in Service Costs	(2.949)
Transactions with Earmarked Reserves	2.982
<b>Out-turn</b>	(0.007)

### ***Capital Expenditure***

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

As capital spending contributes to the Council's aims and objectives over more than one year, the Council plans and budgets for expenditure by means of a "rolling" programme. This programme was last updated in February 2015.

There are a number of sources of funds which may be available to finance the Council's capital expenditure. In 2014/15 and previous years the major source of finance has been capital receipts. These have arisen from sales of land, property and other assets.

Another significant source of funding is contributions from external parties towards the cost of capital projects. Such contributions may be made by developers as part of planning agreements, by various statutory and non-statutory bodies towards projects which promote the aims with which those bodies are concerned, by grant-aiding bodies and by government departments where national policy dictates that local authorities should be assisted, by the payment of grant, to carry out desirable projects.

Some of the funds which the Council holds in reserves may be used to finance capital expenditure. Specific reserves which can be used for this purpose are the New Initiatives, and ICT Development Funds and the New Homes Bonus Reserve. In addition the Contingency Reserve may be used to meet capital costs. The balances on the Council's reserves are shown in note 2.3.7 (page 31) to the accounts. A small amount of capital expenditure may be financed directly from the General Fund Revenue Account.

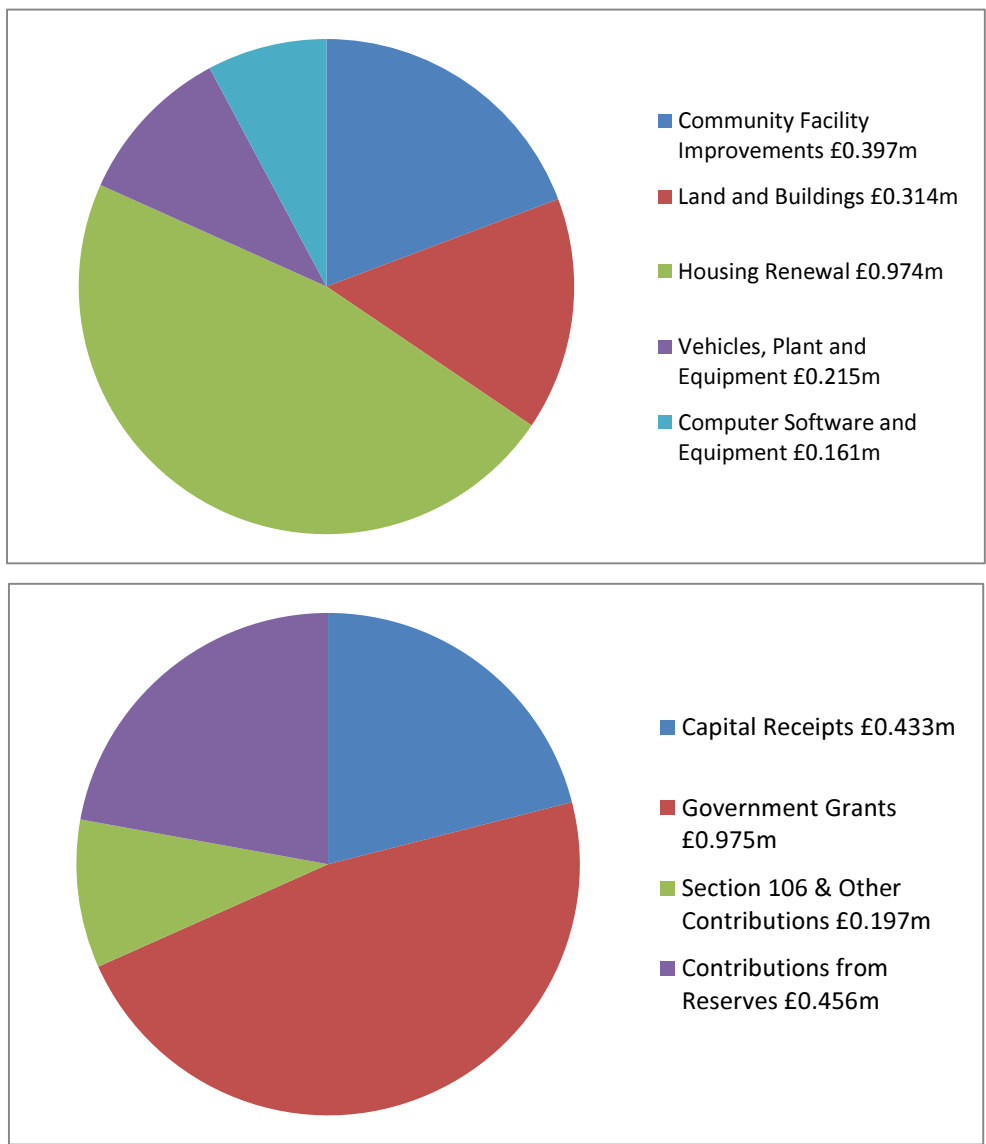


Borrowing is another means that can be used to finance capital expenditure. This is not presently employed by the Council and it currently has no long term debt. Whether it is employed in the future will depend upon its cost relative to other means of capital financing and the availability (or lack of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

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

In 2014/15 it was planned to spend £4.067m, including expenditure on projects brought forward from 2013/14 where under spending had occurred in that year. In fact £2.061m was spent, leaving most of the balance to be carried forward to 2015/16. The shortfall in spending occurred because some projects were unable to be commenced or completed in 2014/15, for example; vehicles scheduled for replacement have been kept in use for as long as they are capable of being operated economically; the results of consultation regarding the replacement/repair of play equipment are awaited; external funding has yet to be confirmed or received (Madeley Extracare contribution, Pooldam Marshes nature reserve); further work that is dependent upon the completion of works by other parties (Lowlands Road); and, the finalisation of scheme design and costs/contributions (Clayton Sports Centre, Brampton Park).

The charts below show the areas of capital investment in 2014/15 followed by the means employed to fund that investment.



## i) Financial Prospects

### Revenue

The Council is committed to the delivery of high quality services, as evidenced by its service reviews and transformation programmes. Integral to this is the need to effectively target financial resources in line with stated aims and objectives working against the background of the adverse economic situation referred to earlier. The Council's Medium Term Financial Strategy (MTFS) - which forecasts future years' budgets taking into account the national and local financial situation together with the Council's priorities - identified shortfalls for each year from 2015/16 to 2019/20.

The forecast shortfall for 2015/16 was £2.15m. On 25 February 2015 the Council set a balanced budget without any increase in council tax. This was achieved by means of efficiency savings and the identification of additional sources of income sufficient to meet the shortfall. The majority of these savings were identified through a review of the Council's services focussing on particular areas where it was felt savings could be achieved.

The government's continuing desire to achieve significant reductions in public expenditure will inevitably impact upon the Council's own finances. 2014/15 saw a continuing significant reduction in central government support by way of the formula grant which is repeated in 2015/16 (a reduction of some £1.1m (15.6%) from the 2014/15 level). The government has given limited information about the amounts of funding for subsequent years but indications are that further reductions will continue to be made in this support for some time.

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

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

### Capital

The capital programme approved on 26 February 2015 provided for total capital spending of £9.390m over two financial years. The Council will have sufficient available resources to finance this programme in the form of unapplied capital receipts, reserves, contributions and grants. However, following completion of the existing programme sources of capital funding held by the Council will be reduced to seriously low levels unless significant sales of assets are completed. Specific reserves earmarked for meeting capital expenditure, which previously existed, have been exhausted, whilst the remaining balance on the ICT Development Fund is earmarked for funding ICT system replacement and enhancement rather than general capital investment. Resources may, therefore, be limited to support a future programme of capital investment of any significant size.

There will, however, be a continuing need for capital investment to maintain service continuity, particularly in replacement plant and equipment and to maintain operational buildings in a fit state. If this need is to be satisfied, it will be necessary to look to generate capital receipts from sales of assets or to make use of Prudential (affordable) borrowing. For some projects it may be possible to obtain some grant income or contributions from partner

organisations but in the current economic climate such opportunities are limited. The Council has determined that its capital investment needs will be met as a first resort from receipts from asset sales rather than through borrowing. Already, a number of sites in its ownership have been approved for sale and these are being actively marketed with a view to achieving disposal and consequent capital receipts in 2015/16 and 2016/17. Further proposed sites for sale will be considered by the Council in order to maintain a flow of capital receipts to sustain a capital programme to at least cover these essential investments.

The Council has recognised the need to continually monitor and review its capital programme and resources. The "Capital Programme Review Group" reviews the overall Capital Strategy within the context of the Medium Term Financial Strategy; ensures that projects are delivered against priorities and support service improvements; monitors the programme on a month by month basis and ensures value for money is achieved i.e. outcomes are fit for purpose and investment is targeted to maximise the needs and outcomes for local people. An "Assets Review Group" reviews the state of the Council's assets and the need for investment to keep them fit for continuing use and compiles the draft capital investment programme for submission to Cabinet for approval.

### **Reserves**

The Council holds a number of reserves which have been established either to meet specific categories of expenditure or are of a general nature. These reserves are listed in note 2.3.7 (page 31) to the accounts. Some of the reserves may be used to finance both capital and revenue expenditure. The levels of reserves are kept under review to determine their adequacy to meet the Council's spending commitments and future plans. A review of their adequacy will be an important consideration when preparing the 2016/17 budget.

The General Fund Balance, originally built up out of past surpluses on the Revenue Account, can be used to contribute when required to a particular year's revenue account. The required level is determined by reference to a risk assessment of factors which might adversely impact upon a year's revenue budget on a "worst case" basis. The current level, as at 31 March 2015 is £1.2m. In addition the Budget Support Fund is available for supporting future years' revenue budgets.

### **Partnerships**

The Council participates in a number of partnerships. Its contributions towards the partnerships with which it is involved may be "in kind", for example the provision of staff and services, or consist of meeting expenses or making contributions towards costs incurred by other partners or their associates.

#### **j) Assets and Liabilities Acquired**

There have been no significant assets or liabilities acquired during 2014/15.

#### **k) Pensions Scheme Liability**

The Liability relating to Defined Benefit Pension Schemes increased from £70.171m to £74.019m. This increase varies from the increase in the Pensions Reserve balance as a result of the prepayment (in return for a significant discount) of pensions contributions for 2015/16 and 2016/17, further details of the prepayment are included in note 3.4. These amounts are required to be included in the Borough Council's accounts as a result of the application of International Accounting Standard 19 (IAS19) and the CIPFA Code of Accounting Practice. Neither directly relate to Borough Council transactions - they relate to those of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities (after deduction of the value of scheme assets). Whilst the net liability indicates the Council's long term commitment to pay retirement benefits, statutory arrangements for funding the deficit mean that its financial position remains healthy.

**l) Specific Events in 2015/16**

There are no significant finance-related legislative changes which will affect the Council in 2015/16 apart from a change in the method of funding of disabled facilities grants (DFGs). Hitherto these have been partially funded by government grant payable directly to the Council but this will change from 2015/16 whereby funding will be from the newly established Staffordshire Better Care Fund. Funding will be from an overall pot held by the Fund which is available to fund a wide variety of health related functions of which DFGs are only one element in competition with the others. For 2015/16 £0.654m will be received from the Fund, which is in line with previous levels. However, it will be up to the Fund to determine how much will be made available for DFGs and it remains to be seen whether the Council will continue in future years to receive funding at similar levels to those experienced previously.

A developer has now been selected to take forward the redevelopment of the former Sainsburys supermarket site at Ryecroft in Newcastle town centre. This site is jointly owned by the Borough Council and Staffordshire County Council. The two councils share expenses and income in relation to the site with the Borough Council having a 25 per cent interest. As part of this comprehensive redevelopment, the Borough Council may vacate its current administrative headquarters, the Civic Offices, which are adjacent to the Ryecroft site and relocate elsewhere, either in a joint development with other public sector bodies, principally the County Council, or utilising other property. The exact nature of the redevelopment and possible relocation will depend on the selected developer's proposal and financial offer. If it takes place, the project will span several years and involve significant capital and revenue spending

The former municipal golf course situated at Keele Road has now been closed. The Council is to embark upon a "master-planning" exercise in order to determine the most appropriate long term strategic solution for this land and other sites in the western and southern fringes of urban Newcastle, working with other strategic landowners in the locality and taking into account the current local plan process, with a budget of £0.139m being allocated in 2015/16 for carrying out the process.

Work will take place in 2015/16 to prepare for the new waste recycling service approved by Cabinet on 23 July 2014, whereby this will transfer from an external contractor to in house provision and by introducing new ways of working will provide significant long term savings to the revenue budget. Whilst the restyled service will commence in 2016/17 much of the capital investment of around £2.000m in new vehicles and equipment and alterations to facilities at the Knutton Lane depot will take place in 2016/17.

**m) Audit of the Accounts**

The Borough Council's appointed auditors, Grant Thornton UK LLP, currently undertake the annual audit of the accounts. Their contact details are:

John Gregory  
Grant Thornton UK LLP  
20 Colmore Circus  
Birmingham  
B4 6AT

**n) Further Information**

Further information about the Accounts is available from:

Kelvin Turner  
Executive Director - Resources and Support Services  
Civic Offices  
Merrial Street  
Newcastle,  
Staffs ST5 2AG

**o) Comments**

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

Kelvin Turner  
Executive Director - Resources and Support Services

**p) Approval of Statement of Accounts**

The Accounts and Audit Regulations 2011 require the Statement of Accounts to be considered by and approved by a Council Committee or the Full Council and for the Statement to be signed at the meeting by the person presiding. This statement has been approved by the Audit and Risk Committee and this is evidenced by the signature of that Committee's Chair, who presided at the meeting, which is shown below.

The Statement of Accounts was approved at a meeting of the Audit and Risk Committee on 28 September 2015

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

## Statement of Responsibilities

### The Authority's Responsibilities

#### The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director - Resources and Support Services;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts.

### The Executive Director - Resources and Support Services' Responsibilities

- The Executive Director - Resources and Support Services is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2015.

#### In preparing this statement of accounts, the Executive Director - Resources and Support Services has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.
- Kept proper accounting records which were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### The Executive Director - Resources and Support Services Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Borough Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Kelvin Turner

Executive Director - Resources and Support Services

Date:

## Core Financial Statements

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2013 Brought Forward</b>	(1,200)	(2,495)	(2,702)	(1,296)	(7,693)	905	(6,788)
<b>Movement in Reserves during 2013/14</b>							
Surplus/(Deficit) on Provision of Services	3,851	-	-	-	3,851	-	3,851
Other Comprehensive Income & Expenditure	-	-	-	-	-	2,892	2,892
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>3,851</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,851</b>	<b>2,892</b>	<b>6,743</b>
Adjustments Between Accounting & Funding Basis (Note 2.1.1)	(5,376)	-	(693)	143	(5,926)	5,926	-
<b>Net Increase/Decrease Before Transfers to Earmarked Reserves</b>	<b>(1,525)</b>	<b>-</b>	<b>(693)</b>	<b>143</b>	<b>(2,075)</b>	<b>8,818</b>	<b>6,743</b>
Transfers to/from Earmarked Reserves	1,525	(870)	-	-	655	(655)	-
<b>Increase/Decrease in Year</b>	<b>-</b>	<b>(870)</b>	<b>(693)</b>	<b>143</b>	<b>(1,420)</b>	<b>8,163</b>	<b>6,743</b>
<b>Balance at 31 March 2014 Carried Forward</b>	<b>(1,200)</b>	<b>(3,365)</b>	<b>(3,395)</b>	<b>(1,153)</b>	<b>(9,113)</b>	<b>9,068</b>	<b>(45)</b>

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2014 Brought Forward</b>	(1,200)	(3,365)	(3,395)	(1,153)	(9,113)	9,068	(45)
<b>Movement in Reserves during 2014/15</b>							
Surplus/(Deficit) on Provision of Services	2,773	-	-	-	2,773	-	2,773
Other Comprehensive Income & Expenditure	-	-	-	-	-	3,854	3,854
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>2,773</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,773</b>	<b>3,854</b>	<b>6,627</b>
Adjustments Between Accounting & Funding Basis (Note 2.1.1)	(2,948)	-	(2,970)	285	(5,633)	5,633	-
<b>Net Increase/Decrease Before Transfers to Earmarked Reserves</b>	<b>(175)</b>	<b>-</b>	<b>(2,970)</b>	<b>285</b>	<b>(2,860)</b>	<b>9,487</b>	<b>6,627</b>
Transfers to/from Earmarked Reserves (Note 2.1.2)	175	281	-	-	456	(456)	-
<b>Increase/Decrease in Year</b>	<b>-</b>	<b>281</b>	<b>(2,970)</b>	<b>285</b>	<b>(2,404)</b>	<b>9,031</b>	<b>6,627</b>
<b>Balance at 31 March 2015 Carried Forward</b>	<b>(1,200)</b>	<b>(3,084)</b>	<b>(6,365)</b>	<b>(868)</b>	<b>(11,517)</b>	<b>18,099</b>	<b>6,582</b>

### Comprehensive Income and Expenditure Statement

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

2013/14			2014/15		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	£000	£000	£000
2,480	1,296	1,184	2,315	1,349	966
7,896	2,728	5,168	7,112	2,257	4,855
11,288	3,886	7,402	10,608	3,971	6,637
2,829	783	2,046	2,812	824	1,988
2,000	1,526	474	1,334	1,518	(184)
33,458	31,619	1,839	32,445	31,095	1,350
2,261	18	2,243	2,106	92	2,014
176	-	176	86	-	86
<b>62,388</b>	<b>41,856</b>	<b>20,532</b>	<b>58,818</b>	<b>41,106</b>	<b>17,712</b>
312	1,192	(880)	297	362	(65)
3,228	1,869	1,359	2,017	1,248	769
-	17,160	(17,160)	-	15,643	(15,643)
		<b>3,851</b>			<b>2,773</b>
		(1,177)			(201)
		4,069			4,055
		<b>2,892</b>			<b>3,854</b>
		<b>6,743</b>			<b>6,627</b>
		<b>Cost of Services</b>			
		Other Operating Expenditure (Note 2.2.1)			
		Financing & Investment Income/Expenditure (Note 2.2.2)			
		Taxation & Non-Specific Grant Income (Note 2.2.3)			
		<b>(Surplus)/Deficit on Provision of Services</b>			
		(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets			
		Actuarial Gains/Losses on Pensions Assets/Liabilities			
		<b>Other Comprehensive Income &amp; Expenditure</b>			
		<b>Total Comprehensive Income &amp; Expenditure</b>			



<b>Balance Sheet</b>
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The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31/03/2014		Note	31/03/2015	
£000	£000		£000	£000
42,003	Property, Plant & Equipment	2.3.1		40,755
1,394	Surplus Assets	2.3.1		1,025
14,365	Investment Property	2.3.2		14,218
1,429	Heritage Assets	2.3.3		1,429
233	Intangible Assets			217
1,923	Long Term Debtors	2.3.4		676
<b>61,347</b>	<b>Long Term Assets</b>			<b>58,320</b>
3,558	Short Term Investments	3.7.1		8,808
88	Inventories			162
13,752	Short Term Debtors	2.3.4		10,688
259	Cash and Cash Equivalents			319
<b>17,657</b>	<b>Current Assets</b>			<b>19,977</b>
(7,288)	Short Term Creditors	2.3.5		(9,200)
(24)	Short Term Borrowing	3.7.1		(36)
(211)	Deposits			(196)
<b>(7,523)</b>	<b>Current Liabilities</b>			<b>(9,432)</b>
(636)	Provisions	2.3.6		(799)
(70,171)	Net Pensions Liability	3.4	(74,019)	
(297)	Deferred Liabilities		(155)	
				(74,174)
	(332) Capital Grants Receipts in Advance			(474)
<b>(71,436)</b>	<b>Long Term Liabilities</b>			<b>(75,447)</b>
<b>45</b>	<b>Net Assets</b>			<b>(6,582)</b>
	<b>Usable Reserves</b>	2.3.7		
1,200	General Fund Balance		1,200	
3,365	Other Usable Reserves		3,084	
3,395	Capital Receipts Reserve		6,365	
1,153	Capital Grants Unapplied Account		868	
<b>9,113</b>	<b>Total Usable Reserves</b>			<b>11,517</b>
	<b>Unusable Reserves</b>	2.3.8		
14,257	Revaluation Reserve		14,458	
45,838	Capital Adjustment Account		43,916	
1,869	Deferred Capital Receipts Reserve		690	
(70,171)	Pensions Reserve		(76,309)	
(670)	Collection Fund Adjustment Account		(666)	
(191)	Accumulated Absences Account		(188)	
<b>(9,068)</b>	<b>Total Unusable Reserves</b>			<b>(18,099)</b>
<b>45</b>	<b>Total Reserves</b>			<b>(6,582)</b>

<b>Cash Flow Statement</b>
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The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

<b>2013/14</b>		<b>2014/15</b>	
<b>£000</b>		<b>£000</b>	<b>Note</b>
3,851	Net (Surplus)/Deficit on the Provision of Services	2,773	
(3,924)	Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	(10,353)	2.4.1
	Adjustments re. items in the Net Surplus/Deficit on the Provision of Services that are Investing/Financing Activities		
1,296		3,075	2.4.1
<u>1,223</u>	Net Cash Flows from Operating Activities	<u>(4,505)</u>	
(1,605)	Investing Activities	2,840	2.4.3
<u>351</u>	Financing Activities	<u>1,605</u>	2.4.4
(31)	Net Increase or Decrease in Cash/Cash Equivalents	(60)	
(228)	Cash/Cash Equivalents brought forward	(259)	
<u>(259)</u>	<b>Cash/Cash Equivalents carried forward</b>	<u>(319)</u>	

## Notes to the Financial Statements

These Notes are set out in the following Sections:

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

### 1. Technical Issues

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

The Financial Statements and the financial records maintained by the Council must be prepared and maintained in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Best Value Code of Practice 2014/15 supported by International Financial Reporting Standards (IFRS).

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

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

### 2. Further Analysis of Items Contained in the Financial Statements

#### 2.1 In Relation to the Movement in Reserves Statement

##### 2.1.1 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2014/15

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

2013/14

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments Primarily Involving the Capital Adjustment Account:</b>				
<b>Reversal of Items Debited or Credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Charges for Depreciation & Impairment of Non-Current Assets	(2,490)	-	-	2,490
Revaluation Losses on Property, Plant & Equipment	(2,045)	-	-	2,045
Movements in Market Value of Investment Properties	495	-	-	(495)
Amortisation of Intangible Assets	(84)	-	-	84
Capital Grants & Contributions Applied	818	-	-	(818)
Amounts of Non-Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(178)	-	-	178
Capital Element of Finance Leases Where Council is the Lessor	(72)	-	-	72
<b>Insertion of Items Not Debited or Credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Statutory Provision for the Financing of Capital Investment	163	-	-	(163)
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account:</b>				
Capital Grants & Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	(57)	-	57	-
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	-	-	87	(87)
<b>Adjustments Primarily Involving the Capital Receipts Reserve:</b>				
Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	1,354	(1,354)	-	-
Use of the Capital Receipts Reserve to Finance Capital Expenditure	-	782	-	(782)
Contribution From the Capital Receipts Reserve to Finance Payments to the Government Capital Receipts Pool	(2)	2	-	-
Transfer from Deferred Capital Receipts Reserve on Receipt of Cash	-	(38)	-	38
Principal Repayments re Long Term Debtor (Loan)	-	(87)	-	87
<b>Adjustments Primarily Involving the Pensions Reserve:</b>				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(5,226)	-	-	5,226
Employers pension contributions and direct payments to pensioners payable in the year	2,647	-	-	(2,647)
<b>Adjustments Primarily Involving the Collection Fund Adjustment Account:</b>				
Amount by Which Council Tax & Non-Domestic Rating Income Credited to the Comprehensive Income & Expenditure Statement Differs From Council Tax & Non-Domestic Rating Income Calculated for the Year in Accordance With Statutory Requirements	(685)	-	-	685
<b>Adjustments Primarily Involving the Accumulated Absences Account:</b>				
Amount by Which Officer Remuneration Charged to the Comprehensive Income & Expenditure Statement on an Accruals Basis Differs from Remuneration Chargeable in the Year in Accordance With Statutory Requirements	(14)	-	-	14
<b>Total Adjustments</b>	<b>(5,376)</b>	<b>(695)</b>	<b>144</b>	<b>5,927</b>

**2.1.2 Transfers to/from Earmarked Reserves**

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

<b>2014/15</b>	<b>Transfers Out £000</b>	<b>Transfers In £000</b>	<b>Net Movement £000</b>
Contingency Reserve Fund	15	-	15
Budget Support Fund	77	(41)	36
Conservation & Heritage Fund	25	-	25
ICT Development Fund	28	(70)	(42)
Equipment Replacement Fund	588	(614)	(26)
Insurance Fund	215	-	215
Museum Purchases Fund	-	(2)	(2)
Maintenance Contributions	17	(15)	2
Mayors Charities Reserve	-	-	-
New Initiatives Fund	18	-	18
Standards Fund	9	-	9
Renewals & Repairs Fund	412	(360)	52
New Homes Bonus Reserve	18	-	18
Revenue Investment Fund	77	(100)	(23)
Business Rates Reserve	332	(454)	(122)
<b>Total</b>	<b>1,831</b>	<b>(1,656)</b>	<b>175</b>

Details of all transfers to/from reserves, both usable and unusable, are shown in notes 2.3.7 and 2.3.8, together with a note of the nature and purpose of each reserve.

**2.2 In Relation to the Comprehensive Income and Expenditure Statement****2.2.1 Other Operating Expenditure**

<b>2013/14 £000</b>	<b>2014/15 £000</b>
293 Parish Precepts	293
2 Payments to the Housing Capital Receipts Pool	2
(228) (Gains)/Losses on Disposal of Non-Current Assets	85
(947) Capital Income not Arising from Asset Sales	(445)
<b>(880) Total</b>	<b>(65)</b>

**2.2.2 Financing and Investment Income and Expenditure**

<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2014/15 £000</b>
37 Interest Payable & Similar Charges		24
2,851 Net Interest on the "Net Defined Benefit Liability (Asset)"		2,814
(377) Interest Receivable & Similar Income		(169)
(1,644) Investment Properties - Rental Income	(1,079)	
(496) Investment Properties - Revaluations	(1,565)	
988 (1,152) Investment Properties - Expenses	744	(1,900)
<b>1,359 Total</b>		<b>769</b>

**2.2.3 Taxation and Non Specific Grant Income**

2013/14 £000	2014/15 £000
(6,516) Council Tax Income	(6,585)
(3,904) Non Domestic Rates Income & Expenditure	(3,884)
(5,979) Non-Ringfenced Government Grants	(5,016)
(761) Capital Grants & Contributions	(158)
<b>(17,160) Total</b>	<b>(15,643)</b>

**2.2.4 External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2013/14 £000	2014/15 £000
72 Services in Accordance with Section 5 of the Audit Commission Act 1998	67
11 Fees for Grant Certification Under Section 28 of the Audit Commission Act 1998	8
<b>83</b>	<b>75</b>

**2.2.5 Members' Allowances**

In 2014/15 a total of £324,709 was paid to members (including the Mayor and Deputy Mayor) in respect of allowances (£328,545 in 2013/14).

**2.2.6 Termination Benefits**

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £8,216 (£20,462 in 2013/14). The termination benefits consisted of £2,200 loss of office and £6,016 long service awards.

**2.2.7 Officers' Remuneration**

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

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

<b>2013/14 Senior Officers - Salary Between £50,000 &amp; £150,000 per year</b>					
<b>Post Holder</b>	<b>Salary</b>	<b>Benefits in Kind</b>	<b>Total exc. Employer's Pension Contributions</b>	<b>Employer Pension Contributions</b>	<b>Total inc. Employer's Pension Contributions</b>
	<b>(£)</b>	<b>(£)</b>	<b>(£)</b>	<b>(£)</b>	<b>(£)</b>
Chief Executive **	103,168	-	103,168	24,705	127,873
<b>Executive Directors:</b>					
Regeneration & Development	83,993	2,063	86,056	21,997	108,053
Resources & Support Services	83,993	-	83,993	20,746	104,739
Operational Services	83,993	2,063	86,056	20,746	106,802
<b>Heads of Service:</b>					
Leisure and Cultural Services	55,073	2,200	57,273	13,603	70,876
Customer & ICT Services	55,073	2,200	57,273	13,603	70,876
Operations	55,073	2,200	57,273	13,603	70,876
Business Improvement & Partnerships	53,694	2,200	55,894	-	55,894
Planning Services	53,694	-	53,694	13,262	66,956

\* This includes salary of £99,736 plus Returning Officers fees for the Borough Council Elections.

\*\* This includes salary of £99,736 plus Returning Officers fees for the Borough Council Elections.

5 other Council employees received between £50,000 and £55,000 remuneration during 2014/15 (excluding employer's pension contributions), (compared to 7 employees in 2013/14).

## 2.2.8 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15:

<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b>Credited to Taxation/Non Specific Grant Income</b>	
(25) Lottery Fund Contribution	-
786 Planning Obligations Contributions	158
19 Other Government Grants	34
242 Council Tax Freeze Grant	311
949 Council Tax Support Grant (merged with Revenue Support Grant)	-
411 Section 31/Business Rates Relief Grant	733
959 New Homes Bonus Scheme	1,116
127 Local Services Support Grant	125
4,156 Revenue Support Grant	3,551
<b>7,624 Total</b>	<b>6,028</b>
<b>Credited to Services</b>	
29,784 Housing Subsidy - Rent Allowance	28,997
792 Housing Subsidy - Housing Benefit Administration	699
519 Disabled Facilities Grant	541
72 New Burdens - Council Tax Reform	48
44 Fuel Poverty Fund Grant	-
125 Discretionary Housing Grant	151
83 Other Grants	173
71 Contributions towards Community Safety Service	141
11 Other Contributions	21
<b>31,501 Total</b>	<b>30,771</b>



## 2.3 In Relation to the Balance Sheet

### 2.3.1 Property Plant and Equipment

#### Movements on Balances

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

	Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
At 1 April 2013	33,175	1,340	12,862	6,236	1,394	55,007
Additions	178	-	1,404	1,023	-	2,605
Deletions	-	-	-	-	-	-
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	236	-	173	-	-	409
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(2,680)	-	(47)	(419)	-	(3,146)
Derecognition - Disposals	-	-	(1,063)	-	-	(1,063)
Transfers Between Asset Categories	-	(3)	-	-	-	(3)
Other Movements in Cost or Valuation	(50)	-	-	-	-	(50)
<b>At 31 March 2014</b>	<b>30,859</b>	<b>1,337</b>	<b>13,329</b>	<b>6,840</b>	<b>1,394</b>	<b>53,759</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
At 1 April 2013	(1,988)	(345)	(7,372)	(609)	-	(10,314)
Depreciation Charge	(558)	(26)	(1,117)	(130)	-	(1,831)
Derecognition - Disposals	-	-	935	-	-	935
Derecognition - Other	848	-	-	-	-	848
<b>At 31 March 2014</b>	<b>(1,698)</b>	<b>(371)</b>	<b>(7,554)</b>	<b>(739)</b>	<b>-</b>	<b>(10,362)</b>
<b>Net Book Value</b>						
As at 31 March 2013	31,187	995	5,490	5,627	1,394	44,693
As at 31 March 2014	29,161	966	5,775	6,101	1,394	43,397

### Depreciation

Depreciation is applied on a straight line basis. No depreciation is applied to land. Where an asset includes land, the value of this element is excluded before applying depreciation. A 10% residual value is assumed in most cases which is deducted from the depreciable amount before applying depreciation.

The following useful lives have been used in the calculation of depreciation:

- Land and Buildings - 60 years, unless the valuation basis is depreciated replacement cost, where individual lives apply to each asset concerned;
- Vehicles, Plant, Furniture & Equipment - 5 years for most items, 15 years for wheeled bins;
- Infrastructure - no specific life. Depreciation is based on a historical composite calculation;
- Community Assets - 20 years.

### Capital Commitments

At 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £0.088m. Similar commitments at 31 March 2014 were £0.413m. The major commitment is:

- £88,261 relating to Landscaping works at Lowlands Road.

**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 2015 and for the prior period.

31/03/2014 £'000		31/03/2015 £'000
1,394	Surplus Assets	1,025
	Land and Buildings	
2,742	Community Centres	2,742
7,022	Car Parks Charging	7,020
1,633	Car Parks Non-charging	1,730
1,500	Depot	1,500
3,937	Offices	3,937
380	Guildhall	380
294	Bus Station	294
1,341	Cemeteries	1,151
473	Crematorium	473
9,057	Leisure Centres	9,057
1,521	Parks and Sports Grounds	1,521
520	Museum	520
192	Public Toilets	113
247	Other Land and Buildings	245
1,337	Infrastructure Assets	1,337
13,329	Vehicles, Plant, Furniture and Equipment	13,843
	Community Assets	
224	Development Sites	564
6,616	Other	6,310
<b>53,759</b>	<b>Total</b>	<b>53,762</b>

**Revaluations**

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, and equipment are based on historic cost. The significant assumptions applied in estimating the fair values are, whether a property asset is a specialised asset, which governs its valuation treatment, whether an asset is still being used for operational purposes and whether there is any impairment applicable to the asset.

Valuations over the five year rolling period were as follows:

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Infrastructure Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	9	11,476	6,293	1,337	-	19,115
Valued at Fair Value at:						-
31 March 2011	6,190	1,486	17	-	-	7,693
31 March 2012	13,112	420	3	-	-	13,535
31 March 2013	4,002	462	561	-	-	5,025
31 March 2014	6,141	-	-	-	500	6,641
31 March 2015	1,228	-	-	-	525	1,753
<b>Total Cost or Valuation</b>	<b>30,682</b>	<b>13,844</b>	<b>6,874</b>	<b>1,337</b>	<b>1,025</b>	<b>53,762</b>

**2.3.2 Investment Properties**

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

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
13,916	Balance at 1 April 2014	14,365
	Additions:	
-	Purchases	-
15	Subsequent Expenditure	5
(50)	Disposals	(2,788)
481	Net Gains/(Losses) From Fair Value Adjustments	1,560
-	Termination of Finance Leases	1,105
	Transfers:	-
3	(To)/From Property, Plant & Equipment	(29)
<b>14,365</b>	<b>Balance at 31 March 2015</b>	<b>14,218</b>

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

The Council's collection of museum artefacts is reported in the Balance Sheet at insurance valuation, which is based on market values as assessed by an external valuer in October 2006. It is intended to update the valuations by means of a peer review undertaken by another local authority.

These valuations are updated where necessary by the museum curator in respect of significant items and changes. New items are added at cost, if purchased and at valuation, if donated, where they are significant. Other Heritage assets, i.e. outdoor structures, are not recognised on the Balance Sheet because there is no reliable cost or valuation information to enable them to be valued.

The following table sets out the movements in respect of heritage assets for 2014/15 and the previous year.

<b>Movements</b>	<b>£000</b>
<b>Cost or Valuation</b>	
At 1 April 2013	1,429
Revaluations	-
Impairment Losses/(Reversals) Recognised in the Surplus/Deficit on the Provision of Services	-
<b>At 31 March 2014</b>	<b>1,429</b>
<b>Cost or Valuation</b>	
At 1 April 2014	1,429
Additions	-
Disposals	-
Revaluations	-
Impairment Losses/(Reversals) Recognised in the Revaluation Reserve	-
Impairment Losses/(Reversals) Recognised in the Surplus/Deficit on the Provision of Services	-
<b>At 31 March 2015</b>	<b>1,429</b>

**Further Information***Museum Exhibits*

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

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

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

*Outdoor Structures*

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

**2.3.4 Debtors****Long Term Debtors**

<b>31/03/2014</b>		<b>31/03/2015</b>
<b>£000</b>		<b>£000</b>
1,438	Finance Lease Balances Outstanding	283
87	Loan to Kidsgrove Town Council	-
4	Right to Buy Mortgages	1
394	Kickstart Loans (re home improvements)	392
<b>1,923</b>	<b>Total</b>	<b>676</b>

**Short Term Debtors**

<b>31/03/2014</b>		<b>31/03/2015</b>
<b>£000</b>		<b>£000</b>
5,803	Central Government Bodies	2,660
2,034	Other Local Authorities	1,486
46	NHS Bodies	68
-	- Public Corporations & Trading Funds	-
5,869	Other Entities & Individuals	6,474
<b>13,752</b>	<b>Total</b>	<b>10,688</b>

**2.3.5 Creditors**

31/03/2014		31/03/2015
£000		£000
2,857	Central Government Bodies	4,525
1,611	Other Local Authorities	1,515
4	NHS Bodies	-
157	Public Corporations & Trading Funds	57
2,659	Other Entities & Individuals	3,103
<b>7,288</b>	<b>Total</b>	<b>9,200</b>

**2.3.6 Provisions**

	NDR Appeals Provision £000	Insurance Claims Provision £000	Employee Benefits £000	Land Charges £000	MMI Provision £000	Total £000
<b>Balance at 1 April 2013</b>	208	103	178	-	180	669
Additional Provisions Made	-	-	192	82	-	274
Amounts Used	-	(28)	(178)	-	(101)	(307)
Unused Amounts Reversed	-	-	-	-	-	-
<b>Balance at 1 April 2014</b>	208	75	192	82	79	636
Additional Provisions Made	346	56	188	-	-	590
Amounts Used	(208)	(27)	(192)	-	-	(427)
Unused Amounts Reversed	-	-	-	-	-	-
<b>Balance at 31 March 2015</b>	<b>346</b>	<b>104</b>	<b>188</b>	<b>82</b>	<b>79</b>	<b>799</b>

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

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

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

The Land Charges Provision has been created to provide for possible repayments of personal search fee income following a change in the law relating to charging for personal searches.

The MMI Provision has been created to provide for possible clawback (levy) of sums paid out by the administrator of Municipal Mutual Insurance (MMI), in the event of MMI being assessed as "insolvent".

### 2.3.7 Usable Reserves

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

	At 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	At 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	At 31 March 2015 £000
<b>Capital:</b>							
Capital Receipts Reserve	2,702	(827)	1,520	3,395	(456)	3,426	6,365
Capital Grants Unapplied	1,296	(1,141)	998	1,153	(460)	175	868
<b>Both Revenue and Capital:</b>							
Equipment Replacement Fund	277	(78)	150	350	(588)	614	376
Renewals & Repairs Fund	46	(451)	460	55	(412)	360	3
ICT Development Fund	509	(223)	35	321	(138)	70	253
New Homes Bonus Reserve	491	(1,404)	931	18	(363)	345	-
New Initiatives Fund	97	(22)	-	75	(18)	-	57
<b>Revenue:</b>							
General Fund Balance	1,200	-	-	1,200	-	-	1,200
Insurance Fund	158	(441)	498	215	(215)	-	-
Contingency Reserve Fund	102	(283)	472	291	(15)	-	276
Budget Support Fund	426	(100)	7	333	(77)	41	297
Conservation and Heritage Fund	64	(16)	14	62	(25)	-	37
Museum Purchases Fund	66	(2)	2	66	-	2	68
Maintenance Contributions	83	(49)	44	78	(17)	15	76
Mayors Charities Reserve	11	(15)	16	12	-	-	12
RENEW Reserve	122	(122)	-	-	-	-	-
Standards Fund	15	-	-	15	(9)	-	6
Deposit Guarantee Scheme Reserve	28	-	4	32	-	4	36
Revenue Investment Fund	-	(11)	100	89	(77)	100	112
Business Rates Reserve	-	(82)	1,435	1,353	(332)	454	1,475
<b>Total</b>	<b>7,693</b>	<b>(5,267)</b>	<b>6,686</b>	<b>9,113</b>	<b>(3,202)</b>	<b>5,606</b>	<b>11,517</b>

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

- The Capital Receipts Reserve contains the balance of unapplied capital receipts arising from the disposal of fixed assets.
- The Capital Grants Unapplied Reserve contains the balance of unused grants and contributions which are available for use, i.e. they either have no conditions attached to them or any conditions have been met;
- The Equipment Replacement Fund is maintained to provide for the replacement of certain items of equipment, such as the crematorium cremators and printing equipment;
- The Renewals and Repairs Fund is maintained for the repair and maintenance of Council-owned buildings, structures and fixed plant. It is funded through a contribution from the General Fund revenue account, based on the estimated frequency and amount of future expenditure on repairs and maintenance for each building or structure, or item of fixed plant.
- The ICT Development Fund is to be used to meet the costs of new IT requirements and the replacement of IT equipment;
- The New Homes Bonus Reserve was created to hold unused balances in relation to New Homes Bonus grant.
- The New Initiatives Fund was established to fund new initiatives, both capital and revenue, not currently provided for in the Council's budgets;
- The General Fund Balance exists to meet the cost of any unexpected adverse occurrences affecting the General Fund revenue budget or any of the occurrences materialising which are identified in the risk assessment relating to that budget;
- The Insurance Fund was used to meet the cost of the insurance cover required by the Council and any

- excesses for which the Council is liable. For future years this will be accounted for via the general fund.
- The Contingency Reserve Fund is used to finance expenditure in respect of contingencies that may arise in the future, for example redundancy payments consequent upon service reviews. £76,000 has been allocated to be used to fund the production of the local plan;
  - The Budget Support Fund was created by crediting to it surpluses arising on the General Fund Revenue Account. It is to be used to support the revenue budget and the "Invest to Save" initiatives. It is also used to enable budget provision to be carried forward to future years by appropriating to it unspent balances where a commitment exists;
  - The Conservation and Heritage Fund exists to provide grants to the owners of buildings of historical significance to enable them to be maintained in a state of good repair;
  - The Museum Purchases Fund was established by a small bequest which has been added to by contributions from revenue account and proceeds from the sale of exhibits surplus to requirements. It is to be used to purchase exhibits for the museum and to conserve and enhance the display of existing exhibits;
  - Maintenance Contributions are received from developers of housing and other schemes and are to be used to fund the maintenance of open spaces taken over from those developers;
  - The Mayors Charities Reserve represents the balance on the Mayors Charities activity;
  - The RENEW Reserve was used to meet revenue costs arising from the Council's participation in the Housing Market Renewal Pathfinder for North Staffordshire (RENEW). It has now been closed and transferred to the Contingency Reserve Fund;
  - The Standards Fund is used to ensure that the Council meets its responsibilities under the Ethical and other standards frameworks;
  - The Deposit Guarantee Reserve was created to hold the unspent balances relating to the Guarantee Scheme for landlord deposits in respect of homeless persons;
  - The Revenue Investment Fund is used to fund projects in support of corporate priorities.
  - The Business Rates Reserve was created as a consequence of the new rates retention arrangements. It will receive excess rates income above the budgeted amount. It may be used for any purpose but particularly to meet Business Rates Collection Fund deficits and future rate income shortfalls.

### 2.3.8 Unusable Reserves

Movements in the Council's unusable reserves are shown below:

	At 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	At 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	At 31 March 2015 £000
<b>Capital:</b>							
Revaluation Reserve	13,080	(467)	1,644	14,257	(676)	877	14,458
Capital Adjustment Account	47,721	(5,324)	3,441	45,838	(6,437)	4,515	43,916
Deferred Capital Receipts Reserve	1,981	(112)	-	1,869	(1,179)	-	690
<b>Revenue:</b>							
Pensions Reserve	(63,523)	(10,140)	3,492	(70,171)	(18,703)	12,565	(76,309)
Collection Fund Adjustment	14	(832)	148	(670)	(17)	21	(666)
Accumulated Absences Account	(178)	(191)	178	(191)	(188)	191	(188)
<b>Total</b>	<b>(905)</b>	<b>(17,066)</b>	<b>8,903</b>	<b>(9,068)</b>	<b>(27,200)</b>	<b>18,169</b>	<b>(18,099)</b>

The nature and purpose of these reserves is as set out below:

The Revaluation Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). It is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the balance sheet is greater because they are carried at revalued amounts rather than depreciated historical cost. It was established with a nil balance on 1 April 2007.



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

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

**2.4 In Relation to the Cash Flow Statement****2.4.1 Cash Flow Statement – Analysis of Adjustments**

2013/14 £000	2014/15 £000
(315) (Increase)/Decrease In Creditors	(1,714)
- (Increase)/Decrease in Deposits	15
2,442 Increase/(Decrease) in Debtors	(2,393)
51 Increase/(Decrease) in Inventories	73
33 (Increase)/Decrease in Provisions	(163)
(2,490) Charges for Depreciation & Impairment of Non-Current Assets	(2,594)
(2,045) Revaluation Losses on Property, Plant & Equipment	(98)
495 Movements in Market value of Investment Properties	1,565
(84) Amortisation of Intangible Assets	(106)
818 Capital Grants & Contributions applied	128
(72) Capital Element of Finance Leases Where Council is Lessor	(50)
(2,579) Reversal of Items re. Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(2,083)
(178) Amounts of Non-Current Assets Written Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(2,933)
<b>(3,924)</b>	<b>(10,353)</b>

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

2013/14 £000	2014/15 £000
(57) Capital Grants & Contributions Unapplied Credited to Comprehensive Income & Expenditure Statement	(220)
1,353 Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	3,295
<b>1,296</b>	<b>3,075</b>

**2.4.2 Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

2013/14 £000	2014/15 £000
(277) Interest Received	(169)
37 Interest Paid	24

### 2.4.3 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2013/14 £000		2014/15 £000
2,212	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	1,312
123,719	Purchase of Short & Long Term Investments	135,445
(1,089)	Proceeds from Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(3,712)
(125,330)	Proceeds from Short & Long Term Investments	(130,195)
(1,117)	Other Receipts From Investing Activities	(10)
<b>(1,605)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>2,840</b>

### 2.4.4 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2013/14 £000		2014/15 £000
(7,250)	Cash Receipts of Short & Long Term Borrowing	(11)
(273)	Other Receipts from Financing Activities	(817)
163	Cash Payments for Liabilities re. Finance Leases	143
7,250	Repayments of Short & Long Term Borrowing	-
461	Other Payments for Financing Activities	2,290
<b>351</b>	<b>Net Cash Flows from Financing Activities</b>	<b>1,605</b>

### 3. Additional Information Supplementing the Core Financial Statements

#### 3.1 Capital Expenditure and Capital Financing

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

2013/14 £000	2014/15 £000
<b>(197) Opening Capital Financing Requirement</b>	<b>(360)</b>
<i>Capital Investment</i>	
2,178 Property, Plant & Equipment	988
15 Investment Properties	5
150 Intangible Assets	89
940 REFCUS	979
<i>Sources of Finance</i>	
(782) Capital Receipts	(433)
(1,503) Government Grants & Other Contributions	(1,172)
(998) Sums Set Aside From Revenue	(456)
(163) Minimum Revenue Provision	(143)
<b>(360) Closing Capital Financing Requirement</b>	<b>(503)</b>
<i>Explanation of Movements in Year</i>	
- Assets Acquired Under Finance Leases	-
(163) Minimum Revenue Provision	(143)
<b>(163) Increase/(Decrease) in Capital Financing Requirement</b>	<b>(143)</b>

#### 3.2 Impairment Losses

During 2014/15 the Council has recognised the following impairment losses in relation to capital expenditure incurred on the enhancement of non-current assets where such expenditure does not increase the value of the asset concerned. An amount equal to this is charged as an impairment loss to the service which uses the asset in the Comprehensive Income and Expenditure Statement. The total amount of such impairment losses for 2014/15 was £0.675m (2013/14 £0.659m). The whole of the impairment loss is reversed out via the Movement in Reserves Statement in accordance with statutory provisions so that it is not a charge against council tax.

#### 3.3 Related Parties

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

##### Central Government

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

## Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid in 2014/15 is shown in note 2.2.5. During 2014/15, expenditure transactions with Keele University totalled £12,115. One member is employed by Keele University as a lecturer.

## Officers

Payments were made to two entities relating to a Council Officer. Both officers have no direct involvement in procuring the services concerned.

### 3.4 Defined Benefit Pension Schemes

#### Participation in Pension Schemes

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

The Council participates in:

- The Local Government Pension Scheme (LGPS), administered locally by Staffordshire County Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;
- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due;
- The Staffordshire Pension Scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Pensions Committee of Staffordshire County Council. Policy is determined in accordance with the Pension Fund Regulations;
- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

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

In order to account for this transaction, the prepayment must be charged directly to the Pensions Liability, without any corresponding equal and opposite transaction in the Pensions Reserve. As a result of this the balance of the Pensions Liability is shown as being £2.290m different than the balance of the Pension Reserve.

In 2015/16 the prepayment relating to that year will be transferred to the general fund revenue account via a transfer from the Pensions Reserve with a similar transaction in 2016/17. After these transactions have occurred, the two accounts will once more be mirror images of each other.

### Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. 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:

2013/14			2014/15		
LGPS	Discretionary		LGPS	Discretionary	
£000	Benefits		£000	Benefits	
	£000			£000	
Comprehensive Income & Expenditure Statement					
Cost of Services:					
2,708	-	Current Service Cost	2,724	-	
125	-	Past Service Costs/(Gains)	23	-	
-	(458)	Unfunded Benefit Contributions		(465)	
Financing and Investment Income & Expenditure					
2,851	-	Net Interest Expense	2,814	-	
5,684	(458)	Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services	5,561	(465)	
Remeasurement of the Net Defined Benefit Liability					
Comprising:					
(467)	-	Return on Plan Assets (exc Net Interest Expense)	10,359	-	
(3,730)	-	Actuarial Gains & Losses Arising on Changes of Demographic Assumptions	-	-	
(3,364)	-	Actuarial Gains & Losses Arising on Changes in Financial Assumptions	(15,641)	-	
3,492	-	Other	1,227	-	
(4,069)	-	Total Post Employment Benefit Charged to Comprehensive Income & Expenditure Statement	(4,055)	-	
Movement in Reserves Statement					
(5,684)	458	Reversal of Net Charges Made to the Surplus/Deficit on Provision of Services for Post Employment Benefits in Accordance with the Code	(5,561)	465	
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:					
3,105		Employers' Contributions Payable to Scheme	3,478	-	
	(458)	Retirement Benefits Payable to Pensioners	-	(465)	
(2,579)	-		(2,083)	-	

### Pensions Assets and Liabilities Recognised in the Balance Sheet

2013/14			2014/15		
LGPS £000	Discretionary Benefits £000		LGPS £000	Discretionary Benefits £000	
(165,605)	-	Present Value of the Defined Benefit Obligation	(183,056)	-	
95,434	-	Fair value of Plan Assets	109,037	-	
(70,171)	-	Sub-Total	(74,019)	-	
-	-	Other Movements in the Liability (Asset)	-	-	
<b>(70,171)</b>	-	<b>Net Liability Arising From Defined Benefit Obligation</b>	<b>(74,019)</b>	-	

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

2013/14		2014/15	
Funded Liabilities: LGPS	Unfunded Liabilities: Discretionary Benefits	Funded Liabilities: LGPS	Unfunded Liabilities: Discretionary Benefits
£000	£000	£000	£000
159,572	(2,242)	168,305	(2,700)
2,708	-	2,724	-
7,023	-	6,711	-
695	-	711	-
3,602	-	14,414	-
(5,420)	(458)	(6,667)	(465)
125	-	23	-
<b>168,305</b>	<b>(2,700)</b>	<b>186,221</b>	<b>(3,165)</b>
<b>Closing Balance</b>			

**Local Government Pensions Scheme Assets comprised:**

2013/14		2014/15	
Fair Value of		Fair Value of	
Quoted	Unquoted	Quoted	Unquoted
£000	£000	£000	£000
<i>Equities:</i>			
7,249	-	9,351	-
6,778	-	-	-
3,994	-	2,835	-
7,161	-	6,959	-
4,995	-	4,576	-
4,362	-	4,230	-
2,011	-	8,382	-
<b>36,550</b>	-	<b>36,333</b>	-
<i>Bonds</i>			
7,142	-	8,277	-
-	-	-	-
<b>7,142</b>	-	<b>8,277</b>	-
<i>Property</i>			
-	7,011	-	8,874
-	7,011	-	8,874
<i>Investment funds</i>			
28,239	-	36,134	-
4,638	-	5,829	-
-	1,808	-	2,607
-	3,006	-	3,211
<b>32,877</b>	<b>4,814</b>	<b>41,963</b>	<b>5,818</b>
-	2,990	-	3,464
4,051	-	4,308	-
<b>80,620</b>	<b>14,815</b>	<b>90,881</b>	<b>18,156</b>
<b>Total Assets</b>			

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

2013/14 £000		2014/15 £000
93,807	Opening Value of Scheme Assets	95,434
	<i>Remeasurement Gain/(Loss):</i>	
4,172	Expected Rate of Return	3,897
(467)	Other	10,359
	<i>Actuarial Gains/(Losses)</i>	
2,647	Employer Contributions	5,303
695	Contributions by Scheme Participants	711
(5,420)	Benefits Paid	(6,667)
<b>95,434</b>	<b>Closing Balance at 31 March</b>	<b>109,037</b>

**Basis for Estimating Assets and Liabilities**

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

2013/14			2014/15		
LGPS	Discretionary Benefits		LGPS	Discretionary Benefits	
		<b>Longevity at 65 for current pensioners:</b>			
22.1		Men	22.1		
24.3		Women	24.3		
		<b>Longevity at 65 for future pensioners:</b>			
24.3		Men	24.3		
26.6		Women	26.6		
2.6%	2.6%	Rate of Inflation	2.1%	2.1%	
4.4%		Rate of Increase in Salaries	4.0%		
2.6%	2.6%	Rate of Increase in Pensions	2.1%	2.1%	
4.1%	4.1%	Rate for Discounting Scheme Liabilities	3.1%	3.1%	
50%		Take up re Converting Annual Pension to Lump Sum	50%		

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	<b>Impact on the Defined Benefit Obligation £000</b>
1 year increase in member life expectancy	5,492
0.5% decrease in real discount rate	16,589
0.5% increase in the salary increase rate	4,971
0.5% increase in the pension increase rate	11,291



### **Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Staffordshire County Council has agreed a strategy with the scheme's actuary to achieve a funding strategy to recoup the past deficit over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed in 2016/17, to show the position as at 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2016 is £3.095m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2016 are £465k.

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

### **3.5 Contingent Assets and Liabilities**

The Council does not have any contingent assets. Contingent liabilities as at 31 March 2015 are:

#### **(a) Municipal Mutual Insurance**

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

#### **(b) VAT**

The computation of the Council's 2014/15 position in respect of exempt category Value Added Tax has yet to be agreed with Revenue and Customs. If the 5% allowance has been exceeded, up to £150,000 in VAT may become payable.

#### **(c) Land Sales Receipts**

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

#### **(d) Housing Stock Transfer Warranty**

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

#### **(e) Lancaster Buildings**

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

#### **(f) Planning Costs**

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

### 3.6 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are based on the reports made to the Council's Executive Management Team in the form of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

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

<b>Directorate Income &amp; Expenditure 2014/15</b>	<b>Chief Executive</b>	<b>Operational Services</b>	<b>Regeneration &amp; Development</b>	<b>Corporate Items</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, Charges & Other Service Income	(818)	(5,683)	(2,468)	(1,376)	(10,345)
Government Grants	(46)	(41)	(745)	(29,930)	(30,762)
Recharges Income (Excluding Administration)	(223)	(5,106)	(3,581)	(2,321)	(11,231)
<b>Total Income</b>	<b>(1,087)</b>	<b>(10,830)</b>	<b>(6,794)</b>	<b>(33,627)</b>	<b>(52,338)</b>
Employee Expenses	610	6,250	2,785	1,554	11,199
Other Service Expenses	1,210	9,426	3,237	30,158	44,031
Recharges Expenditure (Excluding Administration)	1,301	3,250	4,464	3,181	12,196
<b>Total Expenditure</b>	<b>3,121</b>	<b>18,926</b>	<b>10,486</b>	<b>34,893</b>	<b>67,426</b>
<b>Net Expenditure</b>	<b>2,034</b>	<b>8,096</b>	<b>3,692</b>	<b>1,266</b>	<b>15,088</b>

<b>Directorate Income &amp; Expenditure 2013/14</b>	<b>Chief Executive</b>	<b>Operational Services</b>	<b>Regeneration &amp; Development</b>	<b>Corporate Items</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, Charges & Other Service Income	(769)	(6,082)	(2,490)	(1,097)	(10,438)
Government Grants	-	-	(594)	(30,823)	(31,417)
Recharges Income (Excluding Administration)	(286)	(5,308)	(5,051)	(2,928)	(13,573)
<b>Total Income</b>	<b>(1,055)</b>	<b>(11,390)</b>	<b>(8,135)</b>	<b>(34,848)</b>	<b>(55,428)</b>
Employee Expenses	606	6,362	2,800	1,718	11,486
Other Service Expenses	1,205	10,118	2,996	31,493	45,812
Recharges Expenditure (Excluding Administration)	1,407	3,939	4,958	3,743	14,047
<b>Total Expenditure</b>	<b>3,218</b>	<b>20,419</b>	<b>10,754</b>	<b>36,954</b>	<b>71,345</b>
<b>Net Expenditure</b>	<b>2,163</b>	<b>9,029</b>	<b>2,619</b>	<b>2,106</b>	<b>15,917</b>

Classification: NULBC UNCLASSIFIED

The reconciliation below shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2013/14 £000		2014/15 £000
15,917	Net Expenditure in the Directorate Analysis	15,088
4,615	Amounts in Comprehensive Income & Expenditure Statement Not Reported to Management	2,624
<b>20,532</b>	<b>Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>17,712</b>

The following reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Directorate Analysis	Services & Support services in Analysis	Amounts not Reported to Management for Decision Making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(10,345)	(771)	-	-	(11,116)	-	(11,116)
Interest & Investment Income	-	-	-	-	-	(169)	(169)
Income from Council Tax	-	-	-	-	-	(6,585)	(6,585)
Non Domestic Rates Income & Expenditure	-	-	-	-	-	(3,884)	(3,884)
Government Grants & Contributions	(30,762)	-	-	-	(30,762)	(5,016)	(35,778)
Recharges Income	(11,231)	-	-	(10,956)	(22,187)	-	(22,187)
Investment Properties Income & Expenditure	-	-	-	-	-	(1,900)	(1,900)
Capital Income	-	-	-	-	-	(603)	(603)
<b>Total Income</b>	<b>(52,338)</b>	<b>(771)</b>	<b>-</b>	<b>(10,956)</b>	<b>(64,065)</b>	<b>(18,157)</b>	<b>(82,222)</b>
Employee Expenses	11,199	4,926	-	-	16,125	-	16,125
Other Service Expenses	44,031	4,205	-	-	48,236	-	48,236
Recharges Expenditure	12,196	2,596	-	-	14,792	-	14,792
Depreciation, Amortisation & Impairment	-	-	2,624	-	2,624	-	2,624
Interest Payments	-	-	-	-	-	24	24
Precepts & Levies	-	-	-	-	-	293	293
Payments to Housing Capital Receipts Pool	-	-	-	-	-	2	2
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	-	85	85
Pensions Interest Cost/Return on Assets	-	-	-	-	-	2,814	2,814
<b>Total Expenditure</b>	<b>67,426</b>	<b>11,727</b>	<b>2,624</b>	<b>-</b>	<b>81,777</b>	<b>3,218</b>	<b>84,995</b>
<b>Surplus/Deficit on Provision of Services</b>	<b>15,088</b>	<b>10,956</b>	<b>2,624</b>	<b>(10,956)</b>	<b>17,712</b>	<b>(14,939)</b>	<b>2,773</b>

### 3.7 Financial Instruments

#### 3.7.1 Analysis and Values

##### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

31/03/2014			31/03/2015		
Long Term	Current		Long Term	Current	
£000	£000		£000	£000	
		<b>Investments</b>			
-	3,558	Loans & Receivables	-	8,808	
-	3,558	<b>Total Investments</b>	-	8,808	
	14,029	<b>Debtors *</b>		11,364	
	24	<b>Borrowings</b>		36	
	7,288	<b>Creditors</b>		9,200	
	259	<b>Cash/Cash Equivalents</b>		319	

\* Debtors include Long Term Debtors of £676k (31/03/15), £485k (31/03/14), these relate to mortgagors and finance leases.

##### Income, Expense, Gains and Losses:

2013/14				2014/15		
Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans & Receivables	Total		Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans & Receivables	Total
£000	£000	£000		£000	£000	£000
1	-	1	Interest Expense Included in Provision of Services	-	-	-
1	-	1	Total Expense in Provision of Services	-	-	-
-	(67)	(67)	Interest Income	-	(35)	(35)
-	(6)	(6)	Interest Income re. Impaired Financial Assets	-	-	-
-	(152)	(152)	Reversed Impairment	-	-	-
-	(225)	(225)	Total Income in Provision of Services	-	(35)	(35)
<b>1</b>	<b>(225)</b>	<b>(224)</b>	<b>Net (Gain)/Loss for the Year</b>	<b>-</b>	<b>(35)</b>	<b>(35)</b>

##### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The impairment relating to the deposit with Heritable Bank is recognised;
- No early repayment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31/03/2014			31/03/2015	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
		<b>Liabilities</b>		
24	24	Financial Liabilities	36	36
7,288	7,288	Creditors	9,200	9,200
		<b>Assets</b>		
3,558	3,558	Loans & Receivables	8,808	8,808
14,029	14,029	Debtors *	11,364	11,364
259	259	Cash/Cash Equivalents	319	319

\* Debtors include Long Term Debtors of £676k (31/03/15), £485k (31/03/14), these relate to mortgagors and finance leases.

### 3.7.2 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

#### Credit Risk

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £0.110m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2015	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2015	Estimated maximum exposure to default and uncollectability at 31 March 2015	Estimated maximum exposure at 31 March 2014
	£000 A	% B	% C	£000 (A X C)	£000
Deposits with Banks/Financial Institutions	8,808	0%	1.25%	110	44
Customers (Trade Debtors)	4,192	-	15%	629	527
				<b>739</b>	<b>571</b>

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

The Council does not generally allow credit for customers, such that £3.2m of the £4.192m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/2014	31/03/2015
£000	£000
151 31 to 89 Days	509
134 90 to 149 Days	550
2,584 Over 150 Days	2,141
<b>2,869</b>	<b>3,200</b>

### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. At present the Council has no intention of entering into any long term borrowing arrangements. The maturity analysis of financial liabilities is as follows:

31/03/2014	31/03/2015
£000	£000
3,558 Less Than One Year	8,808
<b>3,558</b>	<b>8,808</b>

### Interest Rate Risk

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

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure. At 31 March 2015, if interest rates had been one per cent higher with all other variables held constant, the financial effect would be an increase of £76k.

### Price Risk

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

**Foreign Exchange Risk**

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

**3.8 Leases****Council as Lessee***Finance Leases*

The Council has acquired a number of items of vehicles and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31/03/2014	31/03/2015
£000	£000
302 Vehicles, Plant, Furniture & Equipment	161
<b>302</b>	<b>161</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31/03/2014	31/03/2015
£000	£000
<b>Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):</b>	
173 Current	155
155 Non-current	-
37 Finance Costs Payable in Future Years	6
<b>365 Minimum Lease Payments</b>	<b>161</b>

The minimum lease payments will be payable over the following periods:

31/03/2014		31/03/2015	
Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
£000	£000	£000	£000
173	25 Not Later Than One Year	155	6
155	12 Later Than One Year and Not Later Than Five Years	-	-
-	- Later Than Five Years	-	-
<b>328</b>	<b>37</b>	<b>155</b>	<b>6</b>

*Operating Leases*

The Council has acquired a number of items of vehicles and equipment by entering into operating leases, with typical lives of 4 years. The future minimum lease payments due under non-cancellable leases in future years are:

31/03/2014	31/03/2015
£000	£000
24 Not Later Than One Year	-
- Later Than One Year and Not Later Than Five Years	-
- Later Than Five Years	-
<b>24</b>	<b>-</b>

Classification: NULBC UNCLASSIFIED

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

2013/14 £000	2014/15 £000
24 Minimum Lease Payments	22
<b>24</b>	<b>22</b>

**Council as Lessor**

*Finance Leases*

The Council has leased out 6 properties on a finance lease basis, with terms remaining from 15 to 75 years.

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

31/03/2014 £000	31/03/2015 £000
<b>Finance Lease Debtor (Net Present Value of Minimum Lease Payments):</b>	
222 Current	94
11,714 Non-current	791
10,498 Unearned Finance Income	602
<b>22,434 Gross Investment in the Lease</b>	<b>1,487</b>

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

31/03/2014		31/03/2015	
Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Finance Lease Liabilities
£000	£000	£000	£000
372	150	146	52
1,502	657	404	154
20,560	9,691	937	396
<b>22,434</b>	<b>10,498</b>	<b>1,487</b>	<b>602</b>

*Operating Leases*

The Council leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports facilities and community centres;
- To gain income from its investment properties;
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

31/03/2014 £000	31/03/2015 £000
677 Not Later Than One Year	852
1,268 Later Than One Year and Not Later Than Five Years	647
1,642 Later Than Five Years	1,232
<b>3,587</b>	<b>2,731</b>



## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

2013/14 £000			2014/15 £000	
<b>Expenditure</b>				
6,372	Council Tax Precepts and Demands	- Borough Council	6,466	
35,297		- County Council	35,841	
6,103		- Police Authority	6,197	
2,324		- Fire Authority	2,360	
<u>50,096</u>				50,864
13,749	Business Rates Payment of Shares	- Borough Council	13,035	
3,093		- County Council	2,933	
344		- Fire Authority	326	
17,186		- Central Government	16,293	
<u>34,372</u>				32,587
<b>Business Rates</b>				
142	- Cost of Collection		142	
520	- Provision for Appeals		865	
(73)	- Transitional Protection		131	
<u>589</u>				1,138
<b>Provision for Bad Debts</b>				
193	- Council Tax			366
211	- Business Rates			221
<b>Contribution Towards Previous Years Surplus/(Deficit)</b>				
(30)	- Council Tax		800	
-	- Business rates		(830)	(30)
<b>85,431</b>	<b>Total Expenditure</b>			<b>85,146</b>
<b>Income</b>				
33,091	Business Ratepayers		33,075	
51,422	Council Taxpayers		52,198	
<u>84,513</u>				85,273
<b>84,513</b>	<b>Total Income</b>			<b>85,273</b>
<b>(918)</b>	<b>Surplus/(Deficit) For The Year</b>			<b>127</b>
<b>Collection Fund Balance</b>				
(156)	Balance at Beginning of Year			(1,112)
(38)	Transfer to General Fund (re. Community Charge)			-
(918)	Surplus/(Deficit) for the Year			127
<b>(1,112)</b>	<b>Balance at end of Year</b>			<b>(985)</b>

### NOTES

#### 1. Business Rates

The Council collects business rates in its area based on non-domestic rateable values multiplied by a uniform business rate. The rate is specified by the Government and in 2014/15 was 48.2p, with a reduction for "small businesses" to 47.1p on application (47.1p in 2013/14 - "small business" reduction, 46.2p).

	2013/14 £	2014/15 £
Non Domestic Rateable Value at year-end	85,543,817	85,391,982

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to a central pool, local authorities retain a proportion of the total collectable rates due. In the case of Newcastle-under-Lyme the local share is 40%. The remainder is distributed to preceptors, these are Central Government (50%), Staffordshire County Council (9%) and Stoke-on-Trent and Staffordshire Fire Authority (1%).

The business rates shares payable for 2014/15 were estimated, via the NNDR1 return, before the start of the financial year as £16.293m to Central Government, £2.933m to Staffordshire County Council, £0.326m to Stoke-on-Trent and Staffordshire Fire Authority and £13.035m to Newcastle-under-Lyme Borough Council.

The total of these sums (£32.587m) has been paid in 2014/15 and charged to the collection fund in year.

The actual business rates payable for 2014/15, 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 £31.716m.

The variance between the estimated business rates shared between Central Government, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council as per the NNDR1 return (£32.587m) and the actual business rates payable per the NNDR3 return (£31.716m) is £0.871m - a deficit to the collection fund for 2014/15.

In addition to the business rates shares payable for 2014/15, the estimated 2013/14 deficit declared in January 2014 regarding NNDR of £0.830m was repaid into the collection fund by Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire Authority.

The actual 2013/14 deficit was calculated to be £2.081m, therefore there was a shortfall of £1.251m in the collection of this deficit in 2014/15 which will need to be recouped, along with the estimated 2014/15 deficit declared in January 2015, from Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire Authority during 2015/16.

Taking into account the remaining 2013/14 deficit and the 2014/15 deficit, the NNDR collection fund has a deficit of £2.122m as at 31 March 2015.

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 2014/15 to the value of £9.239m.

## 2. Council Tax

Council Tax Income is derived from charges raised according to the value of residential properties which have been classified into eight valuation bands for this purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire 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 2014/15 of £1,449.43 compared with £1,449.43 in 2013/14. Multiplication of this amount by the proportions set out below gives the amount due for a property in each band:

Band A-	5/9
Band A	6/9
Band B	7/9
Band C	8/9
Band D	9/9
Band E	11/9
Band F	13/9
Band G	15/9
Band H	18/9

The Council Tax base for 2014/15 was 34,890 (34,361 in 2013/14).

In 2013/14, the local government finance regime was revised and Council Tax Benefit Grant is no longer received by the Council. This has been replaced by a Council Tax Support Scheme which is administered in each authority.

The Council Tax Base for 2014/15 was derived as follows:

<b>Band &amp; Value Range</b>	<b>Number of Dwellings</b>	<b>After Discounts &amp; Exemptions</b>	<b>Ratio to Band D</b>	<b>Band D Equivalents</b>
Band A-	-	50	5/9	28
Band A (Up to £40,000)	23,823	15,404	6/9	10,269
Band B (£40,001 - £52,000)	10,178	8,193	7/9	6,372
Band C (£52,001 - £ 68,000)	10,938	9,357	8/9	8,317
Band D (£68,001 - £88,000)	4,520	4,034	9/9	4,034
Band E (£88,001 - £120,000)	2,666	2,376	11/9	2,904
Band F (£120,001 - £160,000)	1,704	1,561	13/9	2,255
Band G (£160,001 - £320,000)	907	828	15/9	1,381
Band H (Over £320,000)	45	21	18/9	42
				<b>35,602</b>
Less adjustment for collection rates (2%)				(712)
<b>Borough Council Tax Base</b>				<b>34,890</b>

In addition to the Council Tax payable for 2014/15, the estimated 2013/14 surplus declared in January 2014 regarding Council Tax of £0.800m was repaid to the preceptors (Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council).

The actual 2013/14 surplus was calculated to be £0.969m, therefore there was a surplus of £0.169m on the payment of this surplus in 2014/15 which will need to be paid, along with the estimated 2014/15 surplus declared in January 2015, Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council during 2015/16.

Taking into account the remaining 2013/14 surplus and the 2014/15 surplus of £0.968m, the Council Tax collection fund has a surplus of £1.137m as at 31 March 2015.

This is as a result of the implementation of the Council Tax Technical Reforms implemented during 2013/14 and 2014/15 which have enabled greater amounts of Council Tax to be collected.

## **Audit Certificate**

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

## Appendices

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

#### 1. Accounting Policies

##### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Best Value Accounting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

##### ii. Accruals of Income and Expenditure

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

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

##### iii. Cash and Cash Equivalents

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

##### iv. Exceptional Items

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

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

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

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

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

**vi. Charges to Revenue for Non-Current Assets**

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

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

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

**vii. Employee Benefits**

**Benefits Payable During Employment**

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

**Termination Benefits**

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

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

## Post Employment Benefits

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

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

- The liabilities of the Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and forecasts of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 3.1%. IAS19 states that the discount rate used to place a value on the liabilities should be “determined by reference to market yields at the end of the reporting period on high quality corporate bonds”. The calculation of the discount rate uses data intended to match to the duration of the pension liabilities of a typical employer together with the use of a weighted average duration to tailor the rate used to an individual employers liability duration profile. The data referred to is the government bond yield curve, which is readily available, and a corporate bond yield curve, constructed in the following manner:
  - Using the UBS corporate bond curve (derived by applying the UBS delta curve fitting methodology to the constituents of the iBoxx £ corporates AA index) for durations up to 8 years
  - From 12 years onwards using a gilts curve plus a long term average credit spread of 1.0% p.a. (based on the actuary’s judgement of market conditions as at 31 January 2015)
  - Interpolate between the two approaches for durations between 8 and 12 yearsThis is a change in policy from the methodology employed in respect of 2013/14, which did not take account of differences in duration in relation to particular employers and which also used one set of data applied to the whole of the liability, regardless of duration.;
- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unitised securities – current bid price;
  - Property – market value.
- The change in the net pensions liability is analysed into the following components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - Net interest on the net defined benefit liability/asset, i.e. net interest expense for the Council - the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments;
  - The return on plan assets, excluding amounts included in net interest on the net defined benefit liability/asset, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Contributions paid to the Staffordshire Pension Fund - cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and

replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

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

### **viii. Events After the Balance Sheet Date**

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

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

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

### **ix. Financial Instruments**

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

#### **Financial Liabilities**

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

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

#### **Financial Assets**

Financial assets are classified into two types:

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

#### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive



Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

### **Short Term Investments**

Short term investments include:

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

### **Available-for-Sale Assets**

The Council has no available for sale assets.

### **Instruments Entered Into Before 1 April 2006**

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

### **x. Foreign Currency Translation**

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

### **xi. Government Grants and Contributions**

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

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

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

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

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

## **xii. Intangible Assets**

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **xiii. Heritage Assets**

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

### **Museum Collection**

These items are reported in the Balance Sheet at insurance valuation, which is based on market values as assessed by an external valuer in October 2006. It is intended to update the valuations by means of a peer review undertaken by another local authority. These valuations are updated where necessary by the museum curator in respect of significant items and changes. New items are added at cost, if purchased and at valuation, if donated, where they are significant. It is considered that obtaining a complete revaluation each year for all items would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. No depreciation is charged since the items in the collection are deemed to have indeterminate lives.

### **Outdoor Structures**

There is no reliable cost or valuation information available to enable these items to be valued. Consequently, they are not recognised on the Balance Sheet.

### **General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment (see note 'xviii'). Heritage assets may occasionally be disposed of which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see note 'xviii').

#### **xiv. Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

#### **xv. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated, however their values are considered each year according to market conditions at the year-end (i.e. if any properties or classes of properties, following consideration are thought likely to be subject to a valuation change, they are revalued). In any case every property is revalued once every five years according to a rolling programme of revaluations. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **xvi. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **The Council as Lessee**

##### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset.

Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and, a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

## **Operating Leases**

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

## **The Council as Lessor**

### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

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

## **Operating Leases**

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

## **xvii. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2014/15 (BVACOP).

## Classification: NULBC UNCLASSIFIED

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and costs relating to long-term unused assets arising from reduced activity, the loss of a function or area of work.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### **xviii. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. No de minimis level, below which expenditure is not capitalised, applies. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost. Where the historical cost is unknown, a nominal value of £1 is attributed to the asset concerned;
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

## Classification: NULBC UNCLASSIFIED

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

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

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

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

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

### **Impairment**

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

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

## Classification: NULBC UNCLASSIFIED

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

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

### **Disposals and Non-current Assets Held for Sale**

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

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

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

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

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

### **xix. Provisions, Contingent Liabilities and Contingent Assets**

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

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

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

Classification: NULBC UNCLASSIFIED

### **Contingent Liabilities**

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

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

### **xx. Reserves**

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

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

### **xxi. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure (less any grant or contribution received towards it) from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **xxii. VAT**

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

### **xxiii. Council Tax**

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

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



#### **xxiv. National Non Domestic Rates (NNDR)**

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

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

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

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

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

- International Financial Reporting Standard (IFRS) 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.
- International Financial Reporting Interpretations Committee (IFRIC) 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.
- Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

### **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Identifying whether leases of assets are operating or finance leases;
- Whether contractual arrangements have the substance of a lease;
- Whether land and buildings owned by the Council are investment properties;
- Whether the Council's exposure to possible losses is to be accounted for as a provision or a contingent liability.

#### **4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

The significant items in the Council's Balance Sheet at 31 March 2015 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- The recoverable amounts in relation to debtors;
- Principal actuarial assumptions used at the balance sheet date in respect of the defined benefit pension scheme;
- Fair values for property plant and equipment that are not based on recently observed market prices;
- Fair values for financial assets that are not based on recently observed market prices.
- The business rates retention scheme came into effect on 1 April 2013. The accounts include a provision for the estimated costs of appeals that have been lodged with the valuation office. This is a complex calculation based on past success levels. As at 31 March 2015 the Council's share of the estimated appeals against business rates is £0.346m.

#### **5. Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Executive Director - Resources and Support Services on 26 June 2015. 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 2015 which required the amendment of figures in the financial statements or notes to the financial statements.

## Appendix 2 – Supplementary Accounts

### 1. Building Control Account

#### NORTH STAFFORDSHIRE BUILDING CONTROL PARTNERSHIP 2014-2015 FINANCIAL YEAR

The Building (Local Authority Charges) Regulations 2010 require the disclosure of information regarding the setting of charges for the administration of the building control function, however, certain activities performed by the Building Control Division cannot be charged for, such as providing general advice and carrying out enforcement.

The statement below combines the building control accounts for Stoke-on-Trent City Council and Newcastle Borough Council (The North Staffordshire Building Control Partnership) and shows the total cost of providing the service divided between chargeable and non-chargeable activities.

	Total	Fee Earning	Non-chargeable
	£000	£000	£000
Salaries	488	317	171
Premises	17	11	6
Transport	12	8	4
Supplies	6	4	2
Central Support	85	51	34
Structural Eng	38	38	-
<b>Total Expenditure</b>	<b>646</b>	<b>429</b>	<b>217</b>
Building Regulation Charges	441	441	-
Miscellaneous Income	1	1	-
<b>Total Income</b>	<b>442</b>	<b>442</b>	<b>-</b>
<b>Surplus/ (deficit)</b>	<b>(204)</b>	<b>13</b>	<b>(217)</b>

### 2. Trusts and Other Similar Funds

The following statement summarises the balances and movements during the year of the various Funds for which the Council assumes a supervisory role. Balances relating to these Funds are not included in the Consolidated Balance Sheet and their transactions are not included in the Consolidated Revenue Account.

	Balance at 1 April 2014	Expenditure	Income	Balance at 31 March 2015
	£000	£000	£000	£000
Newcastle Almshouses Trust (Accom. For Poor)	14	6	17	25
Sports Advisory Council (Assistance to Sport)	3	18	19	4
Museum Purchase Fund (Purchase of Exhibits)	6	-	-	6
United Charities Eliza Hinds Charity (Grave Upkeep)	3	-	-	3
United Charities Relief in Need (Gifts for Elderly)	30	1	2	31
United Charities Relief in Sickness (Gifts for Elderly)	73	2	3	74
	<b>129</b>	<b>27</b>	<b>41</b>	<b>143</b>

The United Charities financial year ends at 30 September each year. The balances brought forward in relation to these charities are, in fact, those at 30 September 2013 and the carried forward balances are those for 30 September 2014.

**Appendix 3 – Annual Governance Statement 2014/15**

To be inserted

**Signed** \_\_\_\_\_ **Councillor Elizabeth Shenton, Leader of the Council**

**Signed** \_\_\_\_\_ **John Sellgren, Chief Executive**

**Dated** \_\_\_\_\_

## Appendix 4 – Glossary of Terms

To assist readers of the Statement of Accounts to understand its contents the following definitions are provided of terms used in the text.

### **Accounting Policies**

Accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for and presenting assets, liabilities, gains, losses, and changes to reserves.

### **Accruals**

The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses);
- The actuarial assumptions have changed.

### **Amortisation**

An annual charge to a revenue account to reduce the value of an asset to zero over a period of years.

### **Assets Register**

A register of the Council's fixed assets which records their essential details, including their description and location, valuation, basis of valuation, life and service chargeable for their use.

### **Balance Sheet**

This shows a summary of the overall financial position of the Council at the end of the financial year.

### **Capital Expenditure**

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

### **Capital Grants Receipts in Advance Account**

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

### **Capital Grants Unapplied Account**

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

### **Capital Receipts**

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

### **CIPFA**

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

### **Collection Fund**

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

### **Community Assets**

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

**Consistency**

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

**Contingent Asset**

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

**Contingent Liability**

A contingent liability is either: -

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

**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.

**Creditors**

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

**Curtailment**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include termination of employees' services earlier than expected, for example as a result of discontinuing a segment of the business and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**Debtors**

Amounts owed to the Council for goods and services, where the income has not been received at the end of the financial year.

**Deferred Liabilities**

These are liabilities which by arrangement are payable beyond the next year at some point in the future or are paid off by an annual sum over a period of time, specifically for this Council amounts outstanding in respect of finance leases.

**Defined Benefit Pension Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**Depreciation**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**Discretionary Benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

### **Expected Rate of Return on Pension Assets**

For a funded defined benefit pension scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **Experience Gains and Losses**

See Actuarial Gains and Losses

### **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 Instrument**

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

### **Financial Year**

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

### **Fixed Assets**

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

The classes of fixed assets required to be included in the accounting statements are:

#### **Operational assets**

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

#### **Non operational assets**

- Investment Properties;
- Assets Held for Sale.

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

### **General Fund Revenue Account**

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

### **Government Grants**

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

### **Heritage Assets**

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

### **Historical Cost**

Actual cost of acquiring or constructing an asset.

### **Impairment**

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

### **Infrastructure Assets**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are highways and sewers.

### **Interest Cost**

For a defined benefit pension scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Insurance Value**

The value placed upon an asset for insurance purposes.

### **Intangible Assets**

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Specifically purchased software licenses are included in this category of asset.

### **Inventories**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventories comprise the following categories:

- Goods or other assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances;
- Finished goods.

### **Investments**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be qualified as current assets.

### **Investment Properties**

Interest in land and/or buildings:

- In respect of which construction work and development have been completed;
- Which is held for its investment potential, any rental income being negotiated at arm's length; and
- Which do not support the service or strategic objectives of the Council.

### **Leasing**

Method of financing the provision of capital assets which does not provide for the title to the asset to pass to the authority. In return for the use of the asset the Council pays rental charges over a specified period of time. There are two basic types of leasing arrangement:

- Finance leases which transfer the risks and rewards of ownership of an asset to the lessee (the Council) and such assets are included within the fixed assets in the Balance Sheet;
- Operating leases where the ownership of the asset remains with the lessor and annual rental is charged direct to the revenue account.

### **Liquid Resources**

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or are traded in an active market. Council tax and National Non Domestic Rates receipts under or overpaid to the major precepting authorities and the Department of Communities and Local Government, respectively, are also included in the Management of Liquid Resources section of the Cash Flow Statement.

### **Long Term Debtors**

Comprises amounts which are owed to the Council which are not investments and which are not expected to be realised within the next financial year. The main items included in this heading are outstanding loans from the Council to other bodies and outstanding amounts in respect of finance leases of Council properties to other bodies.

### **Material Items**

An item is material if its omission, non-disclosure or misstatement could be expected to lead to a distortion of the view given by the financial statements.



### **National Non-Domestic Rate (NNDR)**

Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally. The amount collected is distributed via the business rates retention scheme to Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire Authority. The remainder is retained by the Borough Council but is subject to a tariff payment and pool levy.

### **Non-Distributed Costs**

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

### **Past Service Cost**

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

### **Precept**

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

### **Prior Period Adjustments**

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

### **Provisions**

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

### **Realisable Value**

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

### **Related Parties**

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

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

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

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

### **Related Party Transaction**

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

### **Reserves**

Reserves fall into two different categories:

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

**Retirement Benefits**

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

**Revenue Expenditure**

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

**Revenue Expenditure Funded from Capital under Statute**

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

**Revenue Support Grant (RSG)**

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

**Scheme Liabilities**

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

**Settlement**

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

**Useful Life**

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