

# Statement of Accounts

2016/17



# Contents

	Guide to the Statement of Accounts	4
	Narrative Report	6
	Statement of Responsibilities	15
	Financial Statements	16
	Comprehensive Income and Expenditure Statement	16
	Movement in Reserves Statement	17
	Balance Sheet	18
	Cash-Flow Statement	19
	Notes to the Financial Statements	20
1.1.	Accounting Policies, Standards, Judgements, Assumptions and Adjustments	20
2.	Expenditure and Funding Analysis	21
2.1.1.	Reconciliation to the Comprehensive Income and Expenditure Statement	21
2.1.2.	Segmental Income	23
3.1.1.	Adjustments Between Accounting Basis and Funding Basis	24
3.1.2.	Transfers to/from Earmarked Reserves	26
3.2.1.	Other Operating Expenditure	26
3.2.2.	Financing and Investment Income and Expenditure	26
3.2.3.	Taxation and Non Specific Grant Income	27
3.2.4.	Expenditure and Income Analysed by Nature	27
3.2.5.	External Audit Costs	27
3.2.6.	Members' Allowances	28
3.2.7.	Termination Benefits	28
3.2.8.	Officers' Remuneration	28
3.2.9.	Grant Income	29
3.3.1.	Property Plant and Equipment	29
3.3.2.	Investment Properties	32
3.3.3.	Heritage Assets	33
3.3.4.	Debtors	33
3.3.5.	Creditors	34
3.3.6.	Provisions	34
3.3.7.	Usable Reserves	35
3.3.8.	Unusable Reserves	36
3.4.1.	Cash Flow Statement – Analysis of Adjustments	39
3.4.2.	Cash Flow Statement – Operating Activities	40
3.4.3.	Cash Flow Statement – Investing Activities	40
3.4.4.	Cash Flow Statement – Financing Activities	40
4.1.	Capital Expenditure and Capital Financing	41

4.2.	Impairment Losses	41
4.3.	Related Parties	41
4.4.	Defined Benefit Pension Schemes	42
4.5.	Contingent Assets and Liabilities	45
4.6.1.	Analysis and Values	46
4.6.2.	Nature and Extent of Risks Arising from Financial Instruments	47
4.7.	Leases	49
4.8.	Prior Period Restatements	50
	Collection Fund	52
	Audit Certificate	55
	Appendices	56
	Appendix 1 – Accounting Policies, Standards, Judgements, Assumptions and Adjustments	56
	Appendix 2 – Supplementary Accounts	70
	Appendix 3 – Annual Governance Statement	71
	Appendix 4 – Glossary of Terms	71

# Guide to the Statement of Accounts

The Statement of Accounts contains a number of different elements which are shown in the following table, together with an explanation of the purpose of each item. Throughout the Statement, various unusual or technical terms are employed which may not be familiar to all readers. A Glossary of Terms (Appendix 4 - page 72) has therefore been provided which explains the meaning of such items.

Page	Item	Purpose
6	Narrative Report 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.
15	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.
16	Financial Statements	These are the Financial Statements which the Council must publish in its Statement of Accounts.
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	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 to remove accounting charges, such as for the depreciation of assets, which are not chargeable according to regulations or to meet the cost of items charged to the CIES which the Council has funded from reserves.
18	Balance Sheet	Sets out the Council's financial position on 31 March 2017. Provides details of the Council's balances, reserves and current assets employed in Council operations together with summarised information on the long term assets held and details of any current liabilities.
19	Cash Flow Statement	Summarises the total cash movement of the Council's Transactions.
20	Notes to the Financial Statements	These provide additional information and have been grouped into three categories as set out below.
20	Technical Issues	Outline technical issues such as the Council's accounting policies. Details are set out in Appendix 1.
21	Expenditure and Funding Analysis	Shows how expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.
24	Further Analysis of items included in the Financial Statements	Provide a breakdown of figures included in the Financial Statements.

<b>41</b>	Additional Information supplementing the Financial Statements	To provide additional information.
<b>52</b>	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/central government.
<b>55</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>56</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>70</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>71</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>72</b>	Appendix 4 Glossary of Terms	Explanation of technical or unusual terms used in the Statement of Accounts.



# Narrative Report

## Commentary 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 2016/17. 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 2017.

### b. Regulations Governing the Production of the Statement of Accounts

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2015, the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2016/17" and the "Service Reporting Code of Practice 2016/17" published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the provisions of Sections 25/26 of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, the accounts were made available for inspection between 3 July and 11 August 2017, as advertised in the local press.

The accounts were approved by the Audit and Standards Committee on 25 September 2017 in accordance with paragraph 9 (2) of the Accounts and Audit Regulations 2015. The signature of the Committee Chair (who presided over the meeting) is included at the conclusion of this statement in line with these regulations as evidence of approval of the 2016/17 Statement of Accounts.

### c. General Accounting Policies

The accounting policies (page 56) adopted by the Council comply with the relevant recommended accounting practice. The Council's service costs have been analysed in the Comprehensive Income and Expenditure Statement (page 16) according to the Council's management reporting structure. In addition, the analysis of capital expenditure (page 41) follows CIPFA's recommendations showing non-current and intangible assets separately. These recommended practices are all designed to meet the requirements of International Financial Reporting Standards.

There have been no changes in accounting policies during the year apart from those required to accommodate changes to the presentation of the statement of accounts outlined in the following section and changing the valuation date in relation to plant, property and equipment from 31 March (the year-end) to 1 April (the start of the year) in order to ensure a more timely closedown process. There have been no changes in 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, which does not always lead to a style which is easily understood. Accordingly a Guide to the Statement of Accounts (page 4) has been provided.

The 2016/17 Accounting Code of Practice requires a number of changes to the Statement of Accounts, some of them concerning the way that information is presented in existing statements and some requiring additional information to be provided, particularly the provision of a new Expenditure and Funding Analysis and associated Notes (page 21) which provide a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund Balance and the amounts in the Comprehensive Income and Expenditure Statement. Where the format of existing statements has been amended for 2016/17, the comparative figures for 2015/16 have been restated. The analysis of the cost of services has been changed from one based on functional services as prescribed by CIPFA to one based on the Council's own management reporting structure.

## e. Accountability/Financial Reporting

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

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

## f. Economic Downturn and Public Expenditure Reductions

The national economic climate continues to have an adverse effect upon the Council's finances. In particular it has impacted upon the income received from leisure centre fees, market stalls, rental from commercial properties and from car parks. While there are signs that the situation continues to improve (e.g. planning fees income has experienced an increase) close monitoring and evaluation of these areas is needed in order to assess the risk to the Council's finances.



Funding from central government to support the revenue budget was again reduced in 2016/17. Efficiency savings were agreed when the budget for 2016/17 was set in February 2016 by the Full Council in order to allow for this reduction.

## g. General Fund Revenue Budget Outturn

The outturn position in relation to the General Fund Revenue Budget was a positive variance of £6k, i.e. the net budget was £14.138m and the outturn was £14.132m. This amount has been transferred into the Budget Support Fund. The balance on the Fund, as at 31 March 2017 is £0.269m, as against its balance at 1 April 2016, which was £0.341m. In addition to the transfer into the Fund of £6,000, a net transfer of some £78,000 was made from the fund, largely comprising payments in respect of 2016/17 commitments carried forward and to finance invest to save projects.

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 and those incurred during the establishment of the new Waste and Recycling service meant that 2016/17 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. The table below shows how the surplus arose:

	£m
<b>Expenditure (Comprehensive Income &amp; Expenditure -p16)</b>	62,160
<b>Income (Comprehensive Income &amp; Expenditure -p16)</b>	(43,114)
<b>Net Service Expenditure</b>	19,046
<b>Non-Service Specific Income &amp; Expenditure</b>	
Interest Receivable	(115)
Investment Properties Net Expenditure	(4,947)
Council Tax Income	(6,886)
Non-Domestic Rates Net Income	(4,220)
Non-Ringfenced Government Grants	(4,051)
Pensions Net interest Cost	2,336
Other Items	(245)
Reversal of Pensions Net Interest Cost & other Pensions	(1,769)
Transactions via Pensions Reserve	
Reversal of Capital Charges included in Service Costs	1,185
Transactions with Other Unusable Reserves (Collection Fund	98
Adjustment & Accumulated Absences)	
Transactions with Earmarked Reserves	(438)
<b>Outturn</b>	<b>(6)</b>

## h. Financial Summary 2016/17

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

### Revenue Expenditure and Income

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

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

In accordance with the Business Rates Retention Scheme, the Council retains a share of the business rates collected after paying part over to the Government, Staffordshire County Council and the Staffordshire Fire and Rescue Authority.

Alongside business rates arrangements, the Council receives Revenue Support Grant (£1.814m in 2016/17) from the government, based on an assessment of the relative needs of local authorities, derived from factors such as population, deprivation levels, number of commuters and visitors to the area.

The gross income attributable to management reporting areas is shown in the Comprehensive Income and Expenditure Statement (page 16).

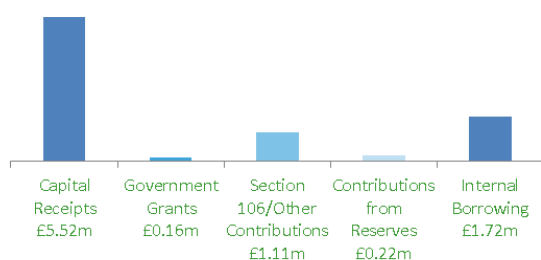
#### *How the money was spent*

The Comprehensive Income and Expenditure Statement (page 16) shows that Gross Expenditure for the year was £62.160m across the management reporting areas.

### 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 2017.

**2016/17 Sources of Capital Funding**  
**£8.73m**



There are a number of sources of funding which may be available to finance the Council's capital expenditure. In 2016/17 and previous years the major sources of finance have been capital receipts (from sales of land, property and other assets) and contributions from external parties towards the cost of capital projects.

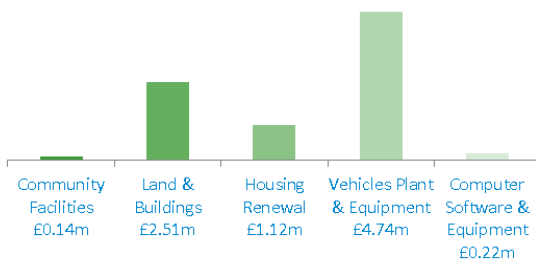
Some of the funds which the Council holds in reserves may be used to finance capital expenditure. These include the ICT Development Fund and the New Homes Bonus Reserve. The balances on the Council's reserves are shown in note 3.3.7 (page 35).

External Borrowing can also be used to finance capital expenditure. This has not recently been employed by the Council and has not been incurred in 2016/17. The Council has used internal balances (internal borrowing) to fund the £1.72m of the expenditure incurred in 2016/17 in respect of its new shared administrative building, Castle House, currently being constructed. This is reflected in a change to its Capital Financing Requirement (note 4.1 page 41).

Whether it is employed in the future (other than to fund the Council's contribution towards the costs of Castle House in 2017/18) will depend upon its cost relative to other means of capital financing and the availability of other sources of capital financing.



## 2016/17 Capital Investment £8.73m



In 2016/17 the Council planned to spend £14.25m, including expenditure on projects brought forward from 2015/16 where under spending had occurred in that year. £6.10m of this was in respect of Castle House expenditure. As it became apparent there would be delays in receiving the majority of the capital receipts needed to fully fund the 2016/17 capital programme, a number of schemes, amounting to around £2.50m in total, were put on hold and expenditure was restricted to defined priority areas only. This resulted in a revised planned expenditure amount of £11.74m (£8.73m was spent, leaving the balance to be carried forward to 2017/18).

The shortfall in spending occurred because some projects were not commenced or completed in 2016/17, for example some of the replacement vehicles for the waste collection service were not delivered and paid for until 2017/18 and contributions towards the cost of Castle House did not need to be made as early as anticipated.

## i. Financial Prospects

### Revenue

The Council is committed to the delivery of high quality services. Integral to this is the need to effectively target financial resources in line with stated aims and objectives working against the background of an adverse economic situation.

The Council's Medium Term Financial Strategy (MTFS) - which forecasts future years' budgets taking into account national and local financial situations together with the Council's priorities – has identified shortfalls for each year from 2017/18 to 2021/22.

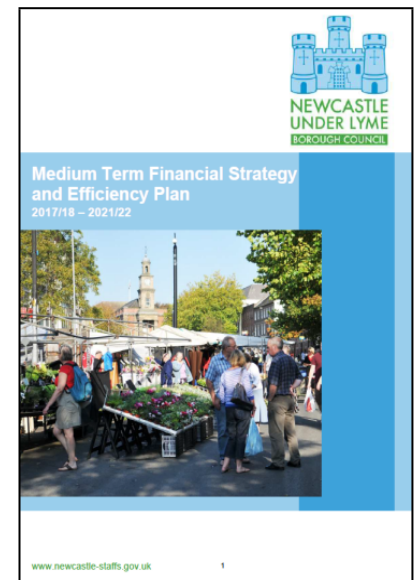
The forecast shortfall for 2017/18 was £2.728m. On 22 February 2017 the Council set a balanced budget. This was achieved by increasing council tax, efficiency savings and the identification of additional sources of income sufficient to meet the shortfall. The majority of these savings were identified through a review of the Council's services focussing on particular areas where it was felt that savings could be achieved.

The government's continuing desire to achieve reductions in public expenditure will impact upon the Council's finances. 2016/17 saw a significant reduction in central government support by way of the formula grant which is repeated in 2017/18 (a reduction of £0.684m (13.1%) from the 2016/17 level).

The Council has accepted and had confirmed a four year funding settlement, up to and including 2019/20. This includes further significant reductions in government funding.

In view of the MTFS forecasts work continues in looking at how the Council's decreasing resources can be best used to meet the needs of the Borough's residents and businesses and to define the likely service and budgetary characteristics of the Borough Council. This includes:

- Predictive modelling of future tax base levels in relation to council tax, business rates and new homes bonus.
- Reducing the Burden - aiming to stop or reduce low value tasks which do not enhance outcomes 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 and 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 – a review of all vacant posts, restructures and flexible early retirements.



- Good housekeeping - reviewing all service expenditure.
- These plans are considered by a member led Budget Review Group which endorses the savings plans before they are submitted to Cabinet and Council for approval. The plans are also scrutinised by members through the scrutiny committee process. The Budget Review Group has also carried out work to prioritise services to enable resources to be directed to those which meet corporate priorities and represent the optimum use of resources.

## Capital

The capital programme approved on 22 February 2017 provides for total capital spending of £14.791m over two financial years, this capital spending includes Castle House and a large part of the capital cost of the new Recycling and Waste Service.

Only £0.500m is included in the programme for new capital investment funded by the Council in 2017/18, due to the forecast shortage of capital receipts for financing of schemes. A number of sites in the Council's ownership have been approved for sale and these are being actively marketed with a view to achieving disposal and consequent capital receipts, largely towards the end of 2017/18 and beyond.

There will 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. Should further land sales not be made or any of the projected land sales do not proceed or are delayed, it will be necessary to either curtail capital spending or to borrow to fund it, which will incur a revenue cost.

The Budget Review Group and the Capital Programme Review Group reviews and monitors the overall Capital Strategy within the context of the Medium Term Financial Strategy; ensures that projects are delivered against priorities; monitors the programme monthly 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. It also reviews the Council's assets and the need for investment to keep them fit for 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 of a general nature. These reserves are listed in note 3.3.7 (page 35). Levels of reserves are reviewed to determine their adequacy to meet the Council's commitments and future plans. A review of their adequacy will be an important consideration when preparing the 2018/19 budget.

The un-earmarked portion of the General Fund Balance, originally built up out of past surpluses, can be used to contribute to the revenue account. The required level is determined by a risk assessment of factors which might adversely impact upon the revenue budget on a worst case basis. The current level, as at 31 March 2017 is £1.200m. The Budget Support Fund is also available for supporting future years' revenue budgets.

## Partnerships

The Council participates in a wide range of partnership arrangements. Some are formal partnerships regulated by an agreement between the partners and some are informal in nature, many of them designed to facilitate community cohesion or to ensure awareness of community needs or to enable more efficient working practices.

Examples of formal partnerships are a shared apprenticeship scheme in conjunction with Newcastle College and the administration of the Business Improvement District (BID) scheme for Newcastle town centre. Businesses within the BID area pay a supplementary business rate, collected by the Borough Council and used by the BID Board to promote the economic wellbeing and development of the town centre.

The Council works closely with other public sector organisations to obtain value for money in relation to supplies and services and to provide the public with easy access to all of the partners' services from its facilities. Examples of this are the Staffordshire Connects Partnership intended to standardise ICT software use across Staffordshire authorities for customer facing services and the Locality Commissioning Partnership which co-ordinates contributions to third sector organisations. There are also reciprocal arrangements between neighbouring authorities for providing assistance, such as the secondment of staff, to provide continuity of service.

The regeneration of the Ryecroft area of Newcastle town centre is being carried out in partnership with Staffordshire County Council and the relocation of the Council's offices will be to Castle House where facilities will be shared with Staffordshire County Council and Staffordshire Police.



## **j. Economy, Efficiency and Effectiveness in the Use of Resources**

Local Authorities are obliged to achieve economy, efficiency and effectiveness in their use of resources. Arrangements are in place to ensure that value for money is obtained when Council resources are expended, that there is proper stewardship and governance in relation to these matters and the arrangements are kept under review to ensure they are adequate and effective.

Financial Regulations, Contract Procedural Rules, Standing Orders and the Council's Constitution set out the basic framework and internal controls by which Council business and administration must be conducted and are binding on all employees and members of the Council. Financial Regulations and the Contract Rules lay down procedures which must be followed when obtaining supplies and services for use by the Council to ensure that transparent and effective processes are in place.

The arrangements and their effectiveness are continually kept under review as part of the ongoing management of the Council's services, medium term financial planning, continuous budgetary control procedures and regular internal audit reviews and reports.

The Executive Management Team receive and review monthly budget monitoring reports and initiate action to deal with any significant variances revealed. Members are kept up to date regarding the budgetary position via quarterly performance monitoring reports to Cabinet, which also include non-financial performance indicators showing how services are delivering on their key targets. There is also a formal member led scrutiny process, with five service area focussed Scrutiny Committees and an overarching Scrutiny Chairs/Vice Chairs Committee to enable service delivery to be monitored.

Formal review takes place via the Annual Governance Statement considered and approved by Council members, which is published within the Statement of Accounts (page 71). This is informed by Executive Directors and senior managers to provide assurance that governance arrangements are established and identifying required improvements.

The Capital Strategy and Asset Management Strategy sets out the framework within which the capital programme is managed and resources made available to finance the programme. Approval to proceed with capital investment is only given provided the necessary resources are available to finance it. An important element providing assurance regarding resource availability is an approved realistic programme of asset disposals. Capital investment and resources are assessed and monitored by the Budget Review Group and the Capital Programme Review Group. The group aims to ensure that the capital investment programme meets the Council's priorities, is affordable and that projects are carried out on time and within budget.

The Council has an ongoing programme of utilising new information technology to streamline service delivery, to redesign services to remove manual intervention wherever possible and to encourage customers to contact and transact with the Council online. Progress to date in these areas has enabled flexible, efficient and cost effective working and made it easier for customers to deal with the Council and further efficiencies and improvements in customer service are planned for the future.



For 2016/17 the external auditor concluded that the Council's arrangements for securing economy, efficiency and effectiveness were proper and significant.

## **k. Assets and Liabilities Acquired**

No significant assets or liabilities have been acquired during 2016/17. Whilst vehicles required for the operation of the new in house waste recycling service were acquired, these replaced vehicles operated by the former contractor which were included in the Council's balance sheet as required by regulations relating to finance leases. Castle House, which is currently under construction, will not be owned by the Council so will not be included in the balance sheet.

## **l. Pensions Scheme Liability**

The Liability relating to Defined Benefit Pension Schemes increased from £68.428m at 31 March 2016 to £71.709m at 31 March 2017. These amounts are required to be included in the Borough Council's accounts as a result of the application of International Accounting Standard 19 (IAS19) and the CIPFA Code of Accounting Practice. They relate to transactions of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities. 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.

## **m. Specific Events in 2017/18 and Beyond**

The government has published its response to the consultation on the future of the New Homes Bonus scheme, which rewards authorities and communities for the numbers of new homes which are built or become occupied after standing empty. There will be a number of changes which, from 2017/18 will adversely affect local authorities. It is intended to reduce the amount paid as New Homes Bonus and re-direct this saving towards social care. Specific changes can be summarised as follows:

- New Homes Bonus amounts earned will be payable for five years in 2017/18 and then for four years in subsequent years rather than the current six.
- New payments will only be made for housing that is built over a nationally established baseline of 0.4% as it is thought by the Government that building would occur up to this level whether or not an incentive was given.
- Payments may be reduced where new developments take place only after successful appeals against an original decision to refuse permission (this will be implemented from 2018/19).



There will be a negative impact on the Council's finances arising from these changes in 2017/18 of £0.777m.

Longer term, the government is in the process of enacting legislation to permit local authorities to retain all of the business rates which are collected. This would enable the government to cease to pay revenue support grant and a number of other grants to authorities who would become dependent upon the income from business rates and council tax as the main source of their funding. This represents a fundamental change to the way authorities are funded.

Consultation and discussion of the precise ways in which this change can be effected are ongoing between local authority bodies and the government. Until this process is complete, it is difficult to predict the extent to which the Council's finances will be affected. The timescale for implementation of these changes has not yet been firmly established, although it is intended that they should be in place by 2020.

As well as the above legislative changes affecting all local authorities, there are a number of other specific developments which affect the Council in 2017/18 and beyond.



The most significant of these will be the move from the current administrative headquarters at the Civic Offices to the purpose built Castle House situated adjacent to the Queen's Gardens in the town centre. This building will accommodate Borough Council staff and services together with locally focussed ones of Staffordshire County Council and Staffordshire Police. The cost of construction of the new building and subsequent running costs will be shared between the three partners, according to the accommodation they will occupy. The construction of the new building is well advanced and the move is scheduled to take place in September 2017. The site of the present Civic Offices will become part of a redevelopment of the Ryecroft area to provide a mixture of retail and residential property.



Revenue budget savings will be made owing to moving to a more modern and efficient building which will also facilitate more agile working practices to be introduced and provide improved facilities for customers. Once Castle House is operational, the customer facilities at the Guildhall will no longer be required and an alternative use is being sought for the building.

Following the closure of the former municipal golf course situated at Keele Road, the Council has embarked 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. The results of the master-planning exercise are due to be received in the near future.

2017/18 will be the first full year of operation for the new waste recycling arrangements which commenced in July 2016, whereby the service transferred from an external contractor to in house provision and new ways of working were introduced, with the intention of providing a more efficient service and significant long term savings to the revenue budget. Altogether around £2.800m will have been invested in new vehicles and equipment and alterations to facilities at the Knutton Lane depot. Despite problems experienced when the new service started, it is anticipated to achieve planned savings of around £0.500m per annum.

## **n. 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



## **o. 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

## **p. 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.

## **q. Approval of Statement of Accounts**

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

The Statement of Accounts was approved at a meeting of the Audit and Standards Committee on 25 September 2017

Signed:

(Chair of the Audit and Standards Committee) Dated

# Statement of Responsibilities

## The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the 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 2017.

In preparing the 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 2017 and its income and expenditure for the year ended 31 March 2017.

Kelvin Turner

Dated:

Executive Director (Resources and Support Services)

# Financial Statements

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost of providing services in accordance with accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement (page 17) and the Expenditure and Funding Analysis (page 21).

2015/16				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,987	959	3,028	Chief Executive	3,791	948	2,843
36,024	32,461	3,563	Resources & Support Services	35,123	31,441	3,682
7,482	4,189	3,293	Regeneration & Development	9,656	4,346	5,310
13,521	6,010	7,511	Operational Services	12,720	6,153	6,567
646	180	466	Corporate	870	226	644
<b>61,660</b>	<b>43,799</b>	<b>17,861</b>	<b>Cost of Services</b>	<b>62,160</b>	<b>43,114</b>	<b>19,046</b>
460	541	(81)	Other Operating Expenditure ( <a href="#">Note 3.2.1-p26</a> )	395	312	83
4,616	4,782	(166)	Financing & Investment Income/Expenditure ( <a href="#">Note 3.2.2-p26</a> )	2,176	4,901	(2,725)
9,469	24,575	(15,106)	Taxation & Non-Specific Grant Income ( <a href="#">Note 3.2.3-p27</a> )	9,951	25,436	(15,485)
		<b>2,508</b>	<b>(Surplus)/Deficit on Service Provision</b>			<b>919</b>
		(253)	(Surplus)/Deficit on Revaluation of Assets			(144)
		(8,680)	Remeasurement of the Defined Benefit Liability/Asset ( <a href="#">Note 4.4-p42-p45</a> )			312
		<b>(8,933)</b>	<b>Other Income &amp; Expenditure</b>			<b>168</b>
		<b>(6,425)</b>	<b>Total Income &amp; Expenditure</b>			<b>1,087</b>

### Note

Resources and Support Services includes housing benefits expenditure and housing benefits grant income of circa £30m.

### Restatement

As a result of the application of changes in the 2016/17 Accounting Code of Practice, the format of the Comprehensive Income and Expenditure Statement has changed compared with that for 2015/16. Accordingly, the amounts for 2015/16 have been restated where necessary. The changes concern:

- The segmental information in the top section of the Statement has changed from a service based analysis to an analysis based on the way in which expenditure and income is reported to those charged with governance, i.e. the Council's management structure.
- The above analysis does not include recharges between accounts, showing instead expenditure and income directly attributable to the headings shown before any recharges are made.

See Note 4.8 (page 50) for details of the restatement.

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

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
2016/17	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2016 B/Fwd</b>	<b>(3,507)</b>	<b>(6,586)</b>	<b>(889)</b>	<b>(10,982)</b>	<b>11,139</b>	<b>157</b>
<b>Movement in Reserves 2016/17</b>						
Total Comprehensive Income & Expenditure	919			919	168	1,087
Adjustments Between Accounting & Funding Basis ( <a href="#">Note 3.1.1-p24-p25</a> )	(487)	4,975	(237)	4,251	(4,251)	-
<b>Increase/Decrease in Year</b>	<b>432</b>	<b>4,975</b>	<b>(237)</b>	<b>5,170</b>	<b>(4,083)</b>	<b>1,087</b>
<b>Balance at 31 March 2017 C/Fwd</b>	<b>(3,075)</b>	<b>(1,611)</b>	<b>(1,126)</b>	<b>(5,812)</b>	<b>7,056</b>	<b>1,244</b>
<b>2015/16</b>						
<b>Balance at 31 March 2016 B/Fwd</b>	<b>(4,284)</b>	<b>(6,365)</b>	<b>(868)</b>	<b>(11,517)</b>	<b>18,099</b>	<b>6,582</b>
<b>Movement in Reserves 2015/16</b>						
Total Comprehensive Income & Expenditure	2,508	-	-	2,508	(8,933)	(6,425)
Adjustments Between Accounting & Funding Basis ( <a href="#">Note 3.1.1-p24-p25</a> )	(1,731)	(221)	(21)	(1,973)	1,973	-
<b>Increase/Decrease in Year</b>	<b>777</b>	<b>(221)</b>	<b>(21)</b>	<b>535</b>	<b>(6,960)</b>	<b>(6,425)</b>
<b>Balance at 31 March 2016 C/Fwd</b>	<b>(3,507)</b>	<b>(6,586)</b>	<b>(889)</b>	<b>(10,982)</b>	<b>11,139</b>	<b>157</b>

### Note

The General Fund Balance includes £1.875m of Earmarked Reserves (2015/16 £2.307m), therefore leaving a general balance of £1.200m.

### Restatement

As a result of the changes in the 2016/17 Accounting Code of Practice, the format of the Movement in Reserves Statement has changed compared with that for 2015/16. Accordingly, the amounts for 2015/16 have been restated where necessary. The changes concern:

- The inclusion of earmarked reserves in the General Fund Balance which means that there is no longer a requirement to show movements in relation to these reserves in the Statement;
- One line showing the balance on the Comprehensive Income and Expenditure Statement is now shown rather than splitting this between the Surplus or Deficit on Provision of Services and Other Comprehensive Income and Expenditure.

See Note 4.8 (page 50) for details of the restatement.

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' (page 17).

31/03/2016 £000		31/03/2017 £000
40,323	Property, Plant & Equipment (Note 3.3.1-p29)	43,899
1,025	Surplus Assets (Note 3.3.1-p29)	1,025
14,527	Investment Property (Note 3.3.2-p32)	18,893
1,429	Heritage Assets (Note 3.3.3-p33)	1,429
158	Intangible Assets	81
591	Long Term Debtors (Note 3.3.4-p33)	545
<b>58,053</b>	<b>Long Term Assets</b>	<b>65,872</b>
7,549	Short Term Investments (Note 4.6.1-p46-p47)	3,460
206	Inventories	236
9,306	Short Term Debtors (Note 3.3.4-p33-p34)	8,000
595	Cash/Cash Equivalents (Note 4.6.1-p46-p47)	376
<b>17,656</b>	<b>Current Assets</b>	<b>12,072</b>
(5,693)	Short Term Creditors (Note 3.3.5-p34)	(5,738)
(59)	Short Term Borrowing (Note 4.6.1-p46-p47)	(70)
<b>(5,752)</b>	<b>Current Liabilities</b>	<b>(5,808)</b>
(1,290)	Provisions (Note 3.3.6-p34)	(1,270)
(68,428)	Net Pensions Liability (Note 4.4-p42-p45)	(71,709)
(396)	Capital Grants Receipts in Advance	(401)
<b>(70,114)</b>	<b>Long Term Liabilities</b>	<b>(73,380)</b>
<b>(157)</b>	<b>Net Assets</b>	<b>(1,244)</b>
	<b>Usable Reserves (Note 3.3.7-p35-p36)</b>	
1,200	General Fund Balance	1,200
2,307	Other Usable Reserves	1,875
6,586	Capital Receipts Reserve	1,611
889	Capital Grants Unapplied Account	1,126
<b>10,982</b>	<b>Total Usable Reserves</b>	<b>5,812</b>
	<b>Unusable Reserves (Note 3.3.8-p36-p39)</b>	
14,711	Revaluation Reserve	14,855
43,634	Capital Adjustment Account	49,632
620	Deferred Capital Receipts Reserve	545
(69,628)	Pensions Reserve	(71,709)
(110)	Collection Fund Adjustment Account	(7)
(366)	Accumulated Absences Account	(372)
<b>(11,139)</b>	<b>Total Unusable Reserves</b>	<b>(7,056)</b>
<b>(157)</b>	<b>Total Reserves</b>	<b>(1,244)</b>



## Cash-Flow Statement

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

2015/16 £000		2016/17 £000
2,508	Net (Surplus)/Deficit on the Provision of Services	919
	<b>Adjustments (Note 3.4.1-p39)</b>	
(264)	For non-cash movements	(760)
1,299	For items that are Investing/Financing Activities	831
<b>3,543</b>	<b>Net Cash Flows from Operating Activities</b>	<b>990</b>
(1,484)	Investing Activities (Note 3.4.3-p40)	554
(2,335)	Financing Activities (Note 3.4.4-p40)	(1,325)
<b>(276)</b>	<b>Net Increase or Decrease in Cash &amp; Equivalents</b>	<b>219</b>
(319)	Cash & Equivalents brought forward	(595)
<b>(595)</b>	<b>Cash &amp; Equivalents carried forward</b>	<b>(376)</b>

# Notes to the Financial Statements

These Notes are set out in the following Sections:

1. Technical Issues
2. Expenditure and Funding Analysis
3. Further Analysis of Items Included in the Financial Statements
4. 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 accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice for Local Authorities 2016/17 supported by International Financial Reporting Standards (IFRS). Detailed information relating to Accounting Policies employed and other technical accounting issues are set out at Appendix 1 (page 56), 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

## 2. Expenditure and Funding Analysis

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

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund	Adjustments between Funding & Accounting Basis	Net Expenditure - Comprehensive Inc & Exp Statement		Net Expenditure Chargeable to the General Fund	Adjustments between Funding & Accounting Basis	Net Expenditure - Comprehensive Inc & Exp Statement
£000	£000	£000		£000	£000	£000
2,965	63	3,028	Chief Executive	2,845	(2)	2,843
3,216	347	3,563	Resources & Support Services	3,545	137	3,682
1,949	(886)	1,063	Regeneration & Development	1,808	(1,445)	363
5,934	1,577	7,511	Operational Services	5,686	881	6,567
(13,287)	630	(12,657)	Corporate	(13,452)	916	(12,536)
<b>777</b>	<b>1,731</b>	<b>2,508</b>	<b>Surplus or Deficit</b>	<b>432</b>	<b>487</b>	<b>919</b>
<b>4,284</b>			<b>Opening General Fund Balance</b>	<b>3,507</b>		
<b>(777)</b>			<b>Less/Plus Surplus or Deficit on General Fund Balance in Year</b>	<b>(432)</b>		
<b>3,507</b>			<b>Closing General Fund Balance</b>	<b>3,075</b>		

### 2.1. Notes to the Expenditure and Funding Analysis

#### 2.1.1. Reconciliation to the Comprehensive Income and Expenditure Statement

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

#### 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Chief Executive	30	(25)	(7)	(2)
Resources & Support Services	220	(66)	(17)	137
Regeneration & Development	(1,395)	(62)	12	(1,445)
Operational Services	982	(118)	17	881
Corporate	(1,021)	2,040	(103)	916
<b>Difference between General Fund surplus or deficit &amp; Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(1,184)</b>	<b>1,769</b>	<b>(98)</b>	<b>487</b>

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Chief Executive	33	12	18	63
Resources & Support Services	229	29	89	347
Regeneration & Development	(957)	28	30	(899)
Operational Services	1,499	48	42	1,589
Corporate	(696)	1,882	(555)	631
<b>Difference between General Fund surplus or deficit &amp; Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>108</b>	<b>1,999</b>	<b>(376)</b>	<b>1,731</b>

## Notes

### 1. Adjustments for Capital Purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable without conditions or for which conditions were satisfied.

### 2. Net Change for the Pensions Adjustments

This column shows the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### 3. Other Differences

This column shows other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable recognised under statute.

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and Business Rates that was projected to be received at the start of

the year and the income recognised under accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## 2.1.2. Segmental Income and Expenditure

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires that where certain items of significant income and expenditure are included in the 'net expenditure chargeable to the general fund' as shown in the Expenditure and Funding Analysis, these must be disclosed in a separate note as shown below:

2015/16 £000	Segment	2016/17 £000
	<b><i>Depreciation &amp; Amortisation</i></b>	
33	Chief Executive	30
223	Resources & Support Services	175
248	Regeneration & Developmet	317
1,143	Operational Services	906
-	Corporate	-
<b>1,647</b>	<b>Total</b>	<b>1,428</b>
	<b><i>Impairment</i></b>	
-	Chief Executive	-
7	Resources & Support Services	45
161	Regeneration & Developmet	264
511	Operational Services	77
-	Corporate	-
<b>679</b>	<b>Total</b>	<b>386</b>
	<b><i>External Income</i></b>	
816	Chief Executive	840
1,007	Resources & Support Services	904
5,053	Regeneration & Development	5,579
5,915	Operational Services	6,028
273	Corporate	556
<b>13,064</b>	<b>Total</b>	<b>13,907</b>



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

#### 3.1. In Relation to the Movement in Reserves Statement

##### 3.1.1. Adjustments Between Accounting Basis and Funding Basis

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

2016/17	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments Primarily Involving - 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	(1,730)	-	-	1,730
Revaluation Losses on Property, Plant & Equipment	-	-	-	-
Movements in Fair Value of Investment Properties	4,303	-	-	(4,303)
Amortisation of Intangible Assets	(84)	-	-	84
Reversal of Revenue Expenditure Funded from Capital Under Statutus (REFCUS) expenditure	(3,305)	-	-	3,305
Reversal of REFCUS income	1,014	-	-	(1,014)
Non-Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal	(191)	-	-	191
Capital Element of Finance Leases Where Council is the Lessor	(34)	-	-	34
<b>Insertion of Items Not Debited or Credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Statutory Provision for the Financing of Capital Investment	-	-	-	-
Capital Expenditure charged in year to the General Fund	381	-	-	(381)
<b>Adjustments Primarily Involving - Capital Grants Unapplied Account</b>				
Capital Grants & Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	329	-	(329)	-
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	-	-	92	(92)
<b>Adjustments Primarily Involving - Capital Receipts Reserve</b>				
Transfer of Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	519	(519)	-	-
Use of the Capital Receipts Reserve to Finance Capital	-	5,518	-	(5,518)
Transfer from Deferred Capital Receipts Reserve on Receipt of Cash	(17)	(24)	-	41
<b>Adjustments Primarily Involving - Pensions Reserve</b>				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(5,496)	-	-	5,496
Employers pension contributions and direct payments to pensioners payable in the year	3,727	-	-	(3,727)
<b>Adjustments Primarily Involving - Collection Fund Adjustment Account</b>				
Amount That Council Tax & Non-Domestic Rating Income Credited to the Comprehensive Income & Expenditure Statement Differs From Council Tax & Non-Domestic Rating Income Calculated for the Year	103	-	-	(103)
<b>Adjustments Primarily Involving - Accumulated Absences Account</b>				
Amount by Which Officer Remuneration Charged to the Comprehensive Income & Expenditure Statement on an Accruals Basis Differs from Remuneration Chargeable Calculated for the Year	(6)	-	-	6
<b>Total Adjustments</b>	<b>(487)</b>	<b>4,975</b>	<b>(237)</b>	<b>(4,251)</b>

2015/16	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments Primarily Involving - 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	(2,180)	-	-	2,180
Revaluation Losses on Property, Plant & Equipment	(34)	-	-	34
Movements in Fair Value of Investment Properties	1,471	-	-	(1,471)
Amortisation of Intangible Assets	(111)	-	-	111
Capital Grants & Contributions Applied	62	-	-	(62)
Non-Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal	(881)	-	-	881
Capital Element of Finance Leases Where Council is the Lessor	(42)	-	-	42
Reversal of REFCUS expenditure	(1,272)	-	-	1,272
Reversal of REFCUS income	1,208	-	-	(1,208)
<b>Insertion of Items Not Debited or Credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Statutory Provision for the Financing of Capital Investment	155	-	-	(155)
Capital Expenditure charged in year to the General Fund	217	-	-	(217)
<b>Adjustments Primarily Involving - Capital Grants Unapplied Account</b>				
Capital Grants & Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	31	-	(31)	-
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	-	-	10	(10)
<b>Adjustments Primarily Involving - Capital Receipts Reserve</b>				
Transfer of Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	1,268	(1,268)	-	-
Use of the Capital Receipts Reserve to Finance Capital	-	1,047	-	(1,047)
Contribution From the Capital Receipts Reserve to Finance	(1)	1	-	-
Payments to the Government Capital Receipts Pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve on Receipt of Cash	-	(1)	-	1
<b>Adjustments Primarily Involving - Pensions Reserve</b>				
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income & Expenditure Statement	(5,063)	-	-	5,063
Employers pension contributions and direct payments to pensioners payable in the year	3,064	-	-	(3,064)
<b>Adjustments Primarily Involving - Collection Fund Adjustment Account</b>				
Amount That Council Tax & Non-Domestic Rating Income Credited to the Comprehensive Income & Expenditure Statement Differs From Council Tax & Non-Domestic Rating Income Calculated for the Year	556	-	-	(556)
<b>Adjustments Primarily Involving - Accumulated Absences Account</b>				
Amount by Which Officer Remuneration Charged to the Comprehensive Income & Expenditure Statement on an Accruals Basis Differs from Remuneration Chargeable Calculated for the Year	(179)	-	-	179
<b>Total Adjustments</b>	<b>(1,731)</b>	<b>(221)</b>	<b>(21)</b>	<b>1,973</b>

### 3.1.2. Transfers to/from Earmarked Reserves

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

2016/17	Transfers Out £000	Transfers In £000	Net Movement £000
Equipment Replacement Fund	(107)	212	105
Renewals and Repairs Fund	(390)	390	-
ICT Development Fund	(247)	90	(157)
New Homes Bonus Reserve	(165)	165	-
Contingency Reserve Fund	(91)	-	(91)
Budget Support Fund	(80)	8	(72)
Conservation and Heritage Fund	-	10	10
Museum Purchases Fund	-	4	4
Maintenance Contributions	(30)	44	14
Mayors Charities Reserve	(3)	-	(3)
Revenue Investment Fund	(1)	35	34
Business Rates Reserve	(276)	-	(276)
<b>Total</b>	<b>(1,390)</b>	<b>958</b>	<b>(432)</b>

Details of all transfers to/from reserves, both usable and unusable, are shown in notes 3.3.7 and 3.3.8 (pages 35 and 36) together with a note of the nature and purpose of each reserve. The transfers shown above for both the ICT Development Fund and the New Homes Bonus Reserve exclude capital transfers.

## 3.2. In Relation to the Comprehensive Income and Expenditure Statement

### 3.2.1. Other Operating Expenditure

2015/16 £000		2016/17 £000
306	Parish Precepts	395
1	Payment to Housing Capital Receipts Pool	-
112	(Gains)/Losses on Disposal of Non-Current Assets	191
(500)	Capital Income not Arising from Asset Sales	(503)
<b>(81)</b>	<b>Total</b>	<b>83</b>

### 3.2.2. Financing and Investment Income and Expenditure

2015/16 £000		2016/17 £000
13	Interest Payable & Similar Charges	1
2,307	Interest on the Net Defined Benefit Liability	2,336
(256)	Interest Receivable & Similar Income	(115)
(1,207)	Investment Properties - Rental Income	(1,240)
(1,471)	Investment Properties - Revaluations	(4,303)
448	Investment Properties - Expenses	596
<b>(166)</b>	<b>Total</b>	<b>(2,725)</b>

### 3.2.3. Taxation and Non Specific Grant Income

2015/16 £000		2016/17 £000
(6,679)	Council Tax Income	(6,886)
9,508	Non Domestic Rates Expenditure	9,587
(13,585)	Non Domestic Rates Income	(13,807)
(4,257)	Non-Ringfenced Government Grants	(4,050)
(93)	Capital Grants & Contributions	(329)
<b>(15,106)</b>	<b>Total</b>	<b>(15,485)</b>

### 3.2.4. Expenditure and Income Analysed by Nature

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

2015/16 £000		2016/17 £000
	<b>Expenditure</b>	
16,338	Employees	17,447
3,235	Premises	2,552
1,064	Transport	1,171
4,603	Supplies and Services	6,786
1,103	Grants	1,374
725	Contributions	282
2,116	Agency and Contracted Services	1,229
30,751	Housing Benefits Payments	30,102
855	Capital Financing	(2,489)
12	Capital Financing Costs	1
1	Direct Revenue Financing Expenditure	-
9,776	Sources of Finance Expenditure	10,346
5,626	Pensions Interest Cost less Return on Asset	5,882
<b>76,205</b>	<b>Total Expenditure</b>	<b>74,683</b>
	<b>Income</b>	
387	Direct revenue Financing Income	312
19,255	Sources of Finance Income	20,477
37,210	Government grants	35,213
141	Transfer from Collection Fund	140
724	Other Grants and Contributions	1,402
3,037	Reimbursements	2,767
7,549	Customer Receipts	8,158
1,170	Rents	1,070
256	Interest and Investment Income	115
585	Summons Costs	510
3,319	Pensions Return on Assets	3,546
64	Recharges to Other Services	54
<b>73,697</b>	<b>Total Income</b>	<b>73,764</b>
<b>2,508</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>919</b>

### 3.2.5. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims by the Council's external auditors (Grant Thornton):

2015/16 £000		2016/17 £000
55	External audit services carried out	55
6	Certification of grant claims and returns	6
<b>61</b>		<b>61</b>

### 3.2.6. Members' Allowances

In 2016/17 a total of £319,048 was paid to members (including the Mayor and Deputy Mayor) in respect of allowances (£323,126 in 2015/16).

### 3.2.7. Termination Benefits

The Council terminated the contracts of a number of employees in 2016/17, incurring liabilities of £57,327 (£100,743 in 2015/16). The termination benefits consisted of £53,753 for loss of office and £3,574 in relation to long service awards.

### 3.2.8. Officers' Remuneration

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

2016/17 - Post Holder	Salary (£)	Benefits in Kind (£)	Total exc. Employer Pension (£)	Employer Pension (£)	Total inc. Employer Pension (£)
Chief Executive*	114,489	-	114,489	18,702	133,191
<b>Executive Directors</b>					
Regeneration & Development	86,530	2,750	89,280	16,414	105,694
Operational Services	86,530	1,375	87,905	14,797	102,702
Resources & Support Services	86,530	-	86,530	14,797	101,327
<b>Heads of Service</b>					
Operations	58,532	1,650	60,182	10,053	70,235
Planning	56,736	-	56,736	9,702	66,438
Leisure and Cultural Services	56,736	-	56,736	9,702	66,438
Recycling and Fleet Services	55,316	1,650	56,966	9,503	66,469
Housing, Regeneration and Assets	53,894	1,650	55,544	9,216	64,760
Communications	51,023	1,650	52,673	8,725	61,398
Finance	51,023	1,651	52,674	2,908	55,582
Environmental Health	52,357	-	52,357	8,965	61,322

2015/16 - Post Holder	Salary (£)	Benefits in Kind (£)	Total exc. Employer Pension (£)	Employer Pension (£)	Total inc. Employer Pension (£)
Chief Executive**	113,139	-	113,139	19,368	132,507
<b>Executive Directors</b>					
Regeneration & Development	85,673	2,750	88,423	15,724	104,147
Operational Services	85,673	1,375	87,048	14,753	101,801
Resources & Support Services	85,673	-	85,673	14,759	100,432
<b>Heads of Service</b>					
Operations	56,174	1,650	57,824	9,852	67,676
Planning	56,174	-	56,174	9,606	65,780
Leisure and Cultural Services	56,174	-	56,174	9,606	65,780
Recycling and Fleet Services	53,360	1,650	55,010	9,222	64,232
Housing, Regeneration and Assets	51,236	1,650	52,886	8,843	61,729
Communications	50,518	1,650	52,168	8,645	60,813
Finance	50,518	1,650	52,168	8,639	60,807

\* This includes salary of £100,733 plus Returning Officers fees for the Borough Council Elections.

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



### 3.2.9. Grant Income

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

2015/16 £000		2016/17 £000
	<b>Credited to Taxation/Non Specific Grant</b>	
93	Planning Obligations Contributions	329
213	Other Government Grants	53
85	New Burdens Grant (Land Charges)	14
846	Section 31/Business Rates Relief Grant	580
1,407	New Homes Bonus Scheme	2,170
2,682	Revenue Support Grant	1,814
<b>5,326</b>	<b>Total</b>	<b>4,960</b>
	<b>Credited to Services</b>	
30,581	Housing Benefits Subsidy/Grants	29,849
619	Housing Benefit/Council Tax Benefit Admin	547
654	Disabled Facilities Grant	998
265	New Homes Bonus	-
104	Individual Electoral Registration Section 31	62
274	Other Grants	124
111	Contributions towards Community Safety	75
<b>32,608</b>	<b>Total</b>	<b>31,655</b>

### 3.3. In Relation to the Balance Sheet

#### 3.3.1. Property Plant and Equipment

##### Movements on Balances

2016/17	Land & Buildings	Infrastructu re Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 1 April 2016</b>	<b>30,585</b>	<b>1,337</b>	<b>13,574</b>	<b>7,210</b>	<b>1,025</b>	<b>53,731</b>
Additions	219	1	4,943	81	-	5,244
Revaluation Increases/(Decreases) - Revaluation Reserve	140	-	-	15	-	155
Revaluation Increases/(Decreases) - Surplus/Deficit on Provision of Services	(219)	-	-	-	-	(219)
Derecognition - Disposals	(109)	-	(1,255)	(66)	-	(1,430)
Transfers Between Asset Categories	(145)	-	-	62	-	(83)
Other Movements in Cost or Valuation	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>30,471</b>	<b>1,338</b>	<b>17,262</b>	<b>7,302</b>	<b>1,025</b>	<b>57,398</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
<b>At 1 April 2016</b>	(2,237)	(422)	(8,726)	(998)	-	(12,383)
Depreciation Charge	(595)	(26)	(633)	(91)	-	(1,345)
Derecognition - Disposals	5	-	1,249	-	-	1,254
<b>At 31 March 2017</b>	<b>(2,827)</b>	<b>(448)</b>	<b>(8,110)</b>	<b>(1,089)</b>	<b>-</b>	<b>(12,474)</b>
<b>Net Book Value</b>						
As at 31 March 2016	28,348	915	4,848	6,212	1,025	41,348
As at 31 March 2017	27,644	890	9,152	6,213	1,025	44,924

2015/16	Land & Buildings	Infrastructure Assets	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 1 April 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>
Additions	775	-	539	(61)	-	1,253
Deletions	-	-	-	-	-	-
Revaluation Increases/(Decreases) - Revaluation Reserve	(425)	-	-	31	-	(394)
Revaluation Increases/(Decreases) - Surplus/Deficit on Provision of Services	(677)	-	-	66	-	(611)
Derecognition - Disposals	-	-	(809)	-	-	(809)
Transfers Between Asset Categories	230	-	-	(37)	-	193
Other Movements in Cost or Valuation	-	-	-	337	-	337
<b>At 31 March 2016</b>	<b>30,585</b>	<b>1,337</b>	<b>13,574</b>	<b>7,210</b>	<b>1,025</b>	<b>53,731</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
<b>At 1 April 2015</b>	(2,264)	(396)	(8,451)	(871)	-	(11,982)
Depreciation Charge	(520)	(26)	(857)	(131)	-	(1,534)
Derecognition - Disposals	-	-	582	4	-	586
Derecognition - Other	547	-	-	-	-	547
<b>At 31 March 2016</b>	<b>(2,237)</b>	<b>(422)</b>	<b>(8,726)</b>	<b>(998)</b>	<b>-</b>	<b>(12,383)</b>
<b>Net Book Value</b>						
As at 31 March 2015	28,418	941	5,393	6,003	1,025	41,780
As at 31 March 2016	28,348	915	4,848	6,212	1,025	41,348

## Depreciation

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

The following useful lives have been used:

- Land and Buildings - 60 years, unless the valuation basis is depreciated replacement cost, where individual lives apply to each asset;
- Vehicles, Plant, Furniture & 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 2017, the Council has entered into one contract for the acquisition, construction or enhancement of Property, Plant and Equipment in 2017/18 and future years, budgeted to cost £0.339m. The commitment relates to vehicles for the new waste recycling service. Similar commitments at 31 March 2016 were £2.542m.

## 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 2017 and for the prior period.

31/03/2016 £'000		31/03/2017 £'000
1,025	Surplus Assets	1,025
	<b>Land and Buildings</b>	
2,795	Community Centres	2,795
6,581	Car Parks Charging	6,580
1,655	Car Parks Non-charging	1,523
1,500	Depot	1,500
4,011	Offices	4,011
380	Guildhall	380
294	Bus Station	294
1,245	Cemeteries	1,245
498	Crematorium	498
9,057	Leisure Centres	8,936
1,487	Parks and Sports Grounds	1,487
520	Museum	520
113	Public Toilets	113
157	Business Centre	157
293	Other Land and Buildings	432
1,337	Infrastructure Assets	1,338
13,574	Vehicles, Plant, Furniture, Equipment	17,262
7,209	Community Assets	7,302
<b>53,731</b>	<b>Total</b>	<b>57,398</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 are carried out internally. Valuations of land and buildings are carried out in accordance with the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, and equipment are based on historic cost. The significant assumptions applied in estimating the fair values are, whether a property asset is a specialised asset, which governs its valuation treatment, whether an asset is being used for operational purposes and whether there is any impairment applicable to the asset.

Valuations over the five year rolling period were as follows:

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Infrastructure Assets £000	Surplus Assets £000	Total £000
Carried at Historical Cost	141	14,894	6,069	1,338	-	22,442
Valued at Fair Value at:						
31 March 2013	19,246	1,906	582	-	-	21,734
31 March 2014	5,732	462	-	-	500	6,694
31 March 2015	1,228	-	-	-	525	1,753
31 March 2016	3,984	-	590	-	-	4,574
31 March 2017	140	-	61	-	-	201
<b>Total Cost or Valuation</b>	<b>30,471</b>	<b>17,262</b>	<b>7,302</b>	<b>1,338</b>	<b>1,025</b>	<b>57,398</b>

### Fair Value Measurement of Surplus Assets

Surplus Assets are measured at fair value. Level 3 of the Fair Value Hierarchy applies in estimating the fair values and the valuation technique employed is the investment basis, using the rental value and yield as unobservable inputs. Significant changes in any of these inputs will result in a lower or higher fair value. There have been no changes in any of the valuation techniques employed during the year.

### 3.3.2. Investment Properties

There are no restrictions on the Council's ability to realise the value of its investment property or on the Council's right to the receipt of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of level 3 investment properties over the year:

2015/16 £000		2016/17 £000
<b>14,218</b>	<b>Balance at 1 April</b>	<b>14,527</b>
-	Additions - Purchases	-
67	Additions - Subsequent Expenditure	254
(660)	Disposals	(21)
820	Net Gains/(Losses) - Fair Value Adjustments	4,133
612	Termination of Finance Leases	-
(530)	Transfers (To)/From Property, Plant & Equipment	-
<b>14,527</b>	<b>Balance at 31 March</b>	<b>18,893</b>

Gains or losses from changes in the fair value of investment property are recognised in the Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure line (page 16).

#### Valuation Techniques used to determine Level 3 Fair Values for Investment Properties

The fair value for development sites is based on the market approach using current market conditions, sales prices and other relevant information for similar assets in the area. Local market conditions are such that similar land is not extensively purchased and sold and the level of observable inputs are not significant leading to categorisation at Level 3 in the fair value hierarchy.

Other Investment Properties are valued using the investment approach, whereby actual or estimated rental income is capitalised to provide a capital value. The rental income is calculated by reference to actual or estimated values having regard to market evidence. The yield multiplier is based on comparable evidence. These properties are, therefore, categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

The following table shows quantitative information relating to fair value measurement of investment properties using significant unobservable inputs.

Investment Property Type	31/03/2017 £000	Valuation technique used to measure fair value	Unobservable Inputs	Sensitivity
Shops	3,617	Investment Method	Rental Values Yield	(a)
Offices	1,298	Investment Method	Rental Values Yield	(a)
Industrial Units	2,292	Investment Method	Rental Values Yield	(a)
Other	2,986	Investment Method	Rental Values Yield	(a)
Development Sites	8,700	Comparable Method	Capital Value	(a)
	<b>18,893</b>			

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

There has been no change in the valuation techniques used during the year.

In estimating the fair value of investment properties, the highest and best use of the properties is their current use.

The fair value of Investment Property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the professional standards of the Royal Institution of Chartered Surveyors.

### 3.3.3. 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 (page 18) at an insurance valuation of £1.429m, which is based on market values as assessed by an external valuer in October 2006.

These valuations are updated by the museum curator in respect of significant items and changes. New items are added at cost, if purchased and at valuation, if donated, where they are significant. Other Heritage assets, i.e. outdoor structures, are not recognised on the Balance Sheet because there is no reliable cost or valuation information to enable them to be valued. There have been no movements in the valuation of Heritage Assets during 2016/17.

#### Museum Exhibits

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

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

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

### 3.3.4. Debtors

#### Long Term Debtors

31/03/2016 £000		31/03/2017 £000
217	Finance Lease Balances Outstanding	178
1	Right to Buy Mortgages	1
373	Kickstart Loans (re home improvements)	366
<b>591</b>	<b>Total</b>	<b>545</b>

## Short Term Debtors

31/03/2016 £000		31/03/2017 £000
2,173	Central Government Bodies	790
1,088	Other Local Authorities	1,606
93	NHS Bodies	-
5,952	Other Entities & Individuals	5,604
<b>9,306</b>	<b>Total</b>	<b>8,000</b>

### 3.3.5. Creditors

31/03/2016 £000		31/03/2017 £000
1,893	Central Government Bodies	1,955
1,463	Other Local Authorities	1,573
57	Public Corporations & Trading Funds	25
2,082	Other Entities & Individuals	2,185
<b>5,495</b>	<b>Total</b>	<b>5,738</b>

### 3.3.6. Provisions

	NNDR Appeals £000	Insurance Claims £000	Employee Benefits £000	MMI £000	Total £000
<b>Balance at 1 April 2015</b>	346	104	188	79	717
Additional Provisions Made	773	4	366	-	1,143
Amounts Used	(346)	(36)	(188)	-	(570)
<b>Balance at 1 April 2016</b>	773	72	366	79	1,290
Additional Provisions Made	644	97	372	14	1,127
Amounts Used	(692)	(21)	(366)	(68)	(1,147)
Unused Amounts Reversed	-	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>725</b>	<b>148</b>	<b>372</b>	<b>25</b>	<b>1,270</b>

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

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

The 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 MMI Provision has been created to provide for possible claw-back (levy) of sums paid out by the administrator of Municipal Mutual Insurance (MMI), in the event of MMI becoming insolvent.



### 3.3.7. Usable Reserves

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

	31/03/2015	Transfers	Transfers	31/03/2016	Transfers	Transfers	31/03/2017
	£000	Out	In	£000	Out	In	£000
		£000	£000		£000	£000	
<b>Capital:</b>							
Capital Receipts Reserve	6,365	(1,047)	1,268	6,586	(6,112)	1,137	1,611
Capital Grants Unapplied	868	(221)	242	889	(443)	680	1,126
<b>Both Revenue and Capital:</b>							
Equipment Replacement Fund	376	(141)	141	376	(107)	212	481
Renewals and Repairs Fund	3	(431)	430	2	(390)	390	2
ICT Development Fund	253	(118)	90	225	(247)	90	68
New Homes Bonus Reserve	-	(186)	186	-	(165)	165	-
New Initiatives Fund	57	(57)	-	-	-	-	-
<b>Revenue:</b>							
General Fund Balance	1,200	-	-	1,200	-	-	1,200
Contingency Reserve Fund	276	(50)	-	226	(91)	-	135
Budget Support Fund	297	(28)	72	341	(80)	8	269
Conservation and Heritage Fund	37	(12)	10	35	-	10	45
Museum Purchases Fund	68	(8)	-	60	-	4	64
Maintenance Contributions	76	(50)	35	61	(30)	44	75
Mayors Charities Reserve	12	(1)	-	11	(3)	-	8
Standards Fund	6	-	-	6	-	-	6
Deposit Guarantee Scheme Reserve	36	-	-	36	-	-	36
Revenue Investment Fund	112	(76)	35	71	(1)	35	105
Keele Master Plan Reserve	-	-	139	139	-	-	139
Business Rates Reserve	1,475	(800)	43	718	(276)	-	442
<b>Total</b>	<b>11,517</b>	<b>(3,226)</b>	<b>2,691</b>	<b>10,982</b>	<b>(7,945)</b>	<b>2,775</b>	<b>5,812</b>

Note 3.1.2 (page 26) shows 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 available for use, i.e. they have no conditions or 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 gym equipment;
- The Renewals and Repairs Fund is used 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.
- 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 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 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;
- 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 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 properly;
- The Museum Purchases Fund was established by a small bequest which has been added to by contributions and proceeds from the sale of exhibits. It is 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 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 Keele Master Plan reserve was created to hold funds for expenditure incurred with the sale or development of land owned by various stakeholders including the land of the former Keele Golf Course site;
- 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.

### 3.3.8. Unusable Reserves

Balances in relation to the Council's Unusable Reserves are shown below:

31/03/2016 £000		31/03/2017 £000
	<b>Capital:</b>	
14,711	Revaluation Reserve	14,855
43,634	Capital Adjustment Account	49,632
620	Deferred Capital Receipts Reserve	545
	<b>Revenue:</b>	
(69,628)	Pensions Reserve	(71,709)
(110)	Collection Fund Adjustment Account	(7)
(366)	Accumulated Absences Account	(372)
<b>(11,139)</b>	<b>Total Unusable Reserves</b>	<b>(7,056)</b>

The nature and purpose of these reserves and a summary of their transactions is as set out below.

#### Revaluation Reserve

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

2015/16 £000		2016/17 £000
<b>14,458</b>	<b>Balance at 1 April</b>	<b>14,711</b>
283	Upward Revaluation of Assets not charged to the Surplus/Deficit on the Provision of Services	144
(30)	Downward Revaluation of Assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
<b>14,711</b>	<b>Balance at 31 March</b>	<b>14,855</b>

### Capital Adjustment Account

The Capital Adjustment Account is used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system. Statute requires that the charge to the General Fund is determined by the capital controls system. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2015/16 £000		2016/17 £000
<b>43,916</b>	<b>Balance at 1 April</b>	<b>43,634</b>
	<b><i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i></b>	
(2,180)	Charges for depreciation/impairment of non-current assets	(1,730)
(34)	Revaluation losses on Property, Plant & Equipment	-
(111)	Amortisation of Intangible Assets	(84)
(64)	Revenue Expenditure Funded from Capital Under Statute	(2,291)
(881)	Amounts of non-current Assets written off on disposal or sale as part of the gain/loss on disposal	(191)
<b>(3,270)</b>		<b>(4,296)</b>
	<b><i>Capital financing applied in the year:</i></b>	
1,047	Use of the Capital Receipts Reserve to finance new capital expenditure	5,518
62	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	-
10	Application of grants to capital financing from the Capital Grants Unapplied Account	92
155	Statutory Provision for the financing of capital investment charged against the General Fund	-
217	Capital expenditure charged against the General Fund	381
<b>1,491</b>		<b>5,991</b>
1,471	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	4,303
26	Reinstatement of Investment Properties at end of finance lease	-
-	Loan repayments	-
<b>43,634</b>	<b>Balance at 31 March</b>	<b>49,632</b>

### Deferred Capital Receipts 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. Statute requires that the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

2015/16 £000		2016/17 £000
<b>690</b>	<b>Balance at 1 April</b>	<b>620</b>
(1)	Transfer to the Capital Receipts Reserve upon receipt of cash	(41)
(43)	Capital element of finance leases where Council is the lessor	(34)
(26)	Reinstatement of Investment Properties at end of finance lease	-
<b>620</b>	<b>Balance at 31 March</b>	<b>545</b>

### Pensions Reserve

The Pensions Reserve is used to reconcile payments made for the year to statutory pension schemes in accordance with the schemes requirements, and the net change in the authority's recognised liability under the Code's adoption of IAS 19 – *Employee Benefits*. A transfer is made to or from the pensions reserve to ensure that the charge to the General Fund reflects the amount required to be raised in taxation. For example, the debit balance on the Reserve shows that the authority has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.

2015/16 £000		2016/17 £000
<b>(76,309)</b>	<b>Balance at 1 April</b>	<b>(69,628)</b>
8,680	Remeasurements of the net defined benefit liability/(asset)	(312)
(5,526)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(5,496)
3,527	Employers pensions contributions and direct payments to pensioners payable in the year	3,727
<b>(69,628)</b>	<b>Balance at 31 March</b>	<b>(71,709)</b>

### Collection Fund Adjustment Account

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

2015/16 £000		2016/17 £000
<b>(666)</b>	<b>Balance at 1 April</b>	<b>(110)</b>
-	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year	(136)
556	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year	239
<b>(110)</b>	<b>Balance at 31 March</b>	<b>(7)</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

2015/16 £000		2016/17 £000
(188)	<b>Balance at 1 April</b>	<b>(366)</b>
188	Settlement or cancellation of accrual made at the end of the preceding year	366
(366)	Amounts accrued at the end of the current year	(372)
<b>(366)</b>	<b>Balance at 31 March</b>	<b>(372)</b>

### 3.4. In Relation to the Cash Flow Statement

#### 3.4.1. Cash Flow Statement – Analysis of Adjustments

##### Adjustments to Net Surplus/Deficit on the Provision of Services for Non Cash Movements

2015/16 £000		2016/17 £000
4,022	(Increase)/Decrease In Creditors	(477)
(125)	Increase/(Decrease) in Debtors	(828)
44	Increase/(Decrease) in Inventories	30
(491)	(Increase)/Decrease in Provisions	20
(2,180)	Charges for Depreciation/Impairment of Non-Current Assets	(1,730)
(34)	Revaluation Losses on Property, Plant & Equipment	-
1,471	Movements in fair value of Investment Properties	4,303
(111)	Amortisation of Intangible Assets	(84)
62	Capital Grants & Contributions applied	-
(42)	Capital Element of Finance Leases Where Council is Lessor	(34)
(1,999)	Movement in Pension Liability	(1,769)
(881)	Non-Current Assets Written Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	(191)
<b>(264)</b>		<b>(760)</b>

##### Adjustments to Net Surplus/Deficit on the Provision of Services for Items that are Investing and Financing Activities

£000		£000
31	Capital Grants & Contributions Unapplied Credited to Comprehensive Income & Expenditure Statement	329
1,268	Transfer of Cash Sales Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income & Expenditure Statement	519
-	Transfer from Deferred Capital Receipts Reserve on Receipt of Cash	(17)
<b>1,299</b>		<b>831</b>

### 3.4.2. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/16 £000		2016/17 £000
(232)	Interest Received	(135)
13	Interest Paid	1

### 3.4.3. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2015/16 £000		2016/17 £000
1,286	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	5,472
60,477	Purchase of Short & Long Term Investments	50,183
(1,376)	Proceeds from Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(460)
(61,750)	Proceeds from Short & Long Term Investments	(54,250)
(121)	Other Receipts From Investing Activities	(391)
<b>(1,484)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>554</b>

### 3.4.4. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2015/16 £000		2016/17 £000
(1,523)	Cash Receipts of Borrowing	(11)
(1,377)	Other Receipts from Financing Activities	(662)
155	Cash Payments for Liabilities re. Finance Leases	-
1,500	Repayments of Borrowing	-
(1,090)	Other Payments for Financing Activities	(652)
<b>(2,335)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(1,325)</b>



## 4. Additional Information Supplementing the Core Financial Statements

### 4.1. 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.

2015/16 £000		2016/17 £000
(503)	<b>Opening Capital Financing Requirement</b>	(895)
(237)	Correction of opening CFR balance*	-
(740)		(895)
	<b>Capital Investment</b>	
1,172	Property, Plant & Equipment	5,245
67	Investment Properties	171
32	Intangible Assets	8
1,272	REFCUS	3,305
	<b>Sources of Finance</b>	
(1,047)	Capital Receipts	(5,518)
(1,279)	Government Grants & Other Contributions	(1,107)
(217)	Sums Set Aside From Revenue	(381)
(155)	Minimum Revenue Provision	-
(895)	<b>Closing Capital Financing Requirement</b>	828
	<b>Explanation of Movements in Year</b>	
(155)	Minimum Revenue Provision	-
-	Capital expenditure financed from internal borrowing	1,723
(155)	<b>Increase/(Decrease) in Capital Financing Requirement</b>	1,723

\* This correction relates to the de-recognition of assets leased in under a finance lease which terminated in 2010/11. The de-recognition arising from the termination was recorded in the accounts and reflected in the balance sheet, but was not reflected in this note. The effect of the adjustment is to reduce the capital financing requirement by £0.237m.

### 4.2. Impairment Losses

During 2016/17 the Council has recognised the following impairment losses in relation to capital expenditure incurred on enhancing non-current assets that 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 impairment losses for 2016/17 was £0.386m (2015/16 £0.645m). The whole of the impairment loss is reversed out via the Movement in Reserves Statement (page 17) in accordance with statutory provisions so that it is not a charge against council tax.

### 4.3. 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

The UK government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of

many of the transactions that the Council has (e.g. council tax bills, housing benefits). Grants received from government departments are set out in in note 3.2.9 (page 29).

## Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid is shown in note 3.2.6 (page 28). During 2016/17, expenditure transactions with Keele University totalled £21,929. Four members are employed by Keele University, as lecturers / administrative staff and as such have no direct influence. One member is employed by J.C. Bamford Excavators Limited and transactions totalled £81,887, however they have no direct influence upon the transactions. One member is also a Non-Executive Director on the Board of Aspire Housing. Payments to Aspire Housing during 2016/17 amounted to £971,631. The majority of this is in relation to housing benefit rental payments.

## Officers

No payments have been made to any entities that have a relationship with Council officers during 2016/17.

## 4.4. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Council participates in:

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

### Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement (page 17). 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:

2015/16			2016/17	
LGPS £000	Unfunded Benefits £000		LGPS £000	Unfunded Benefits £000
		<b>Comprehensive Income &amp; Expenditure Statement</b>		
		<b>Cost of Services:</b>		
3,186	-	Current Service Cost	2,991	-
33	-	Past Service Costs/(Gains)	169	-
-	(463)	Unfunded Benefit Contributions	-	(451)
		<b>Financing and Investment Income &amp; Expenditure</b>		
2,307	-	Net Interest Expense	2,336	-
<b>5,526</b>	<b>(463)</b>	<b>Total Pension Benefit Charged to the Surplus/Deficit on Provision of Services</b>	<b>5,496</b>	<b>(451)</b>
		<b>Remeasurement of the Net Defined Benefit Liability Comprising:</b>		
2,215	-	Return on Plan Assets	(17,855)	-
-	-	Changes in Demographic Assumptions	(773)	-
(8,533)	-	Changes in Financial Assumptions	26,433	-
(2,362)	-	Other Experience	(7,493)	-
<b>(8,680)</b>	<b>-</b>	<b>Total Pension Benefit Charged to Comprehensive Income &amp; Expenditure Statement</b>	<b>312</b>	<b>-</b>
		<b>Movement in Reserves Statement</b>		
(5,526)	463	Reversal of Net Charges Made to the Surplus/Deficit on Provision of Services for Pension Benefits	(5,496)	451
		<b>Actual Amount Charged Against the General Fund Balance for Pensions</b>		
3,527	-	Employers' Contributions Payable to Scheme	3,727	-
-	(463)	Retirement Benefits Payable to Pensioners	-	(451)
<b>(1,999)</b>	<b>-</b>		<b>(1,769)</b>	<b>-</b>

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

2015/16 £000		2016/17 £000
(174,601)	Present Value of Defined Benefit Obligation	(195,644)
106,173	Fair value of Plan Assets	123,935
<b>(68,428)</b>	<b>Net Liability Arising From Defined Benefit Obligation</b>	<b>(71,709)</b>

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

2015/16			2016/17	
Funded Liabilities £000	Unfunded Liabilities £000		Funded Liabilities £000	Unfunded Liabilities £000
186,221	(3,165)	Opening Balance	178,229	(3,628)
3,186	-	Current Service Cost	2,991	-
5,626	-	Interest Cost	5,882	-
726	-	Contributions by Scheme Participants	721	-
(10,895)	-	Actuarial (Gains)/Losses	18,167	-
(6,668)	(463)	Benefits Paid	(6,436)	(451)
33	-	Past Service Costs/(Gains)	169	-
<b>178,229</b>	<b>(3,628)</b>	<b>Closing Balance</b>	<b>199,723</b>	<b>(4,079)</b>

## Local Government Pensions Scheme Assets comprised

2015/16 Fair Value of Scheme Assets			2016/17 Fair Value of Scheme Assets	
Quoted £000	Unquoted £000		Quoted £000	Unquoted £000
7,566	-	<b>Equities:</b>	8,313	-
6,190	-	- Consumer	7,167	-
2,421	-	- Manufacturing	3,072	-
6,847	-	- Energy & Utilities	8,301	-
5,703	-	- Financial	6,896	-
6,466	-	- Health & Care	8,295	-
126	-	- Information Technology	123	-
35,319	-	- Other	42,167	-
5,343	-	<b>Bonds</b>	9,204	-
-	-	- Corporate (Investment)	-	-
5,343	-	- Corporate (Non-Investment Grade)	9,204	-
-	9,425	<b>Property</b>	-	9,977
-	9,425	UK	-	9,977
36,087	-	<b>Investment funds</b>	41,367	-
5,422	-	- Equities	6,778	-
-	2,485	- Bonds	-	2,433
-	2,971	- Hedge Funds	-	1,849
41,509	5,456	- Other	48,145	4,282
-	3,322	Private Equity	-	3,934
5,799	-	Cash/Cash Equivalents	6,226	-
<b>87,970</b>	<b>18,203</b>	<b>Total Assets</b>	<b>105,742</b>	<b>18,193</b>

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

2015/16 £000		2016/17 £000
109,037	<b>Opening Value of Scheme Assets</b>	106,173
	<b>Remeasurement Gain/(Loss):</b>	
3,319	Expected Rate of Return	3,546
(2,215)	Other	17,855
	<b>Actuarial Gains/(Losses)</b>	
1,974	Employer Contributions	2,076
726	Contributions by Scheme Participants	721
(6,668)	Benefits Paid	(6,436)
<b>106,173</b>	<b>Closing Balance at 31 March</b>	<b>123,935</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, 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 2016. The principal assumptions used by the actuary have been:

2015/16			2016/17	
LGPS	Unfunded		LGPS	Unfunded
22.1		<b>Longevity at 65 for current pensioners:</b>	22.1	
24.3		Men	24.4	
		Women		
24.3		<b>Longevity at 65 for future pensioners:</b>	24.1	
26.6		Men	26.4	
		Women		
3.1%	3.1%	Rate of Inflation	3.4%	3.4%
4.1%		Rate of Increase in Salaries	2.8%	
2.1%	2.1%	Rate of Increase in Pensions	2.4%	2.4%
3.4%	3.4%	Rate for Discounting Scheme Liabilities	2.5%	3.4%
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 analysis below is based on possible changes of the assumptions occurring and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme.

	Impact on Defined Benefit Obligation £000
0.5% decrease in real discount rate	16,408
0.5% increase in the salary increase rate	2,706
0.5% increase in the pension increase rate	13,432

### 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 2018/19, to show the position as at 31 March 2019.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £3.384m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2018 are £0.451m.

The weighted average duration of the defined benefit obligation for scheme members is 16.3 years.

## 4.5. Contingent Assets and Liabilities

The Council does not have any contingent assets. Contingent liabilities as at 31 March 2017 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. A total of £193,824 has been set aside as a provision for these costs, of which £101,000 was paid to the administrator in 2014/15 and £67,829 was paid in 2016/17. This leaves a maximum contingent liability of £527,176.

### (b) VAT

The computation of the Council's 2016/17 position in respect of exempt category Value Added Tax has yet to be agreed with Revenue and Customs. If the 5% allowance has been exceeded, up to £150,000 in VAT may become payable.

### (c) Housing Stock Transfer Warranty

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

### (d) Mandatory Relief from Business Rates – NHS Trusts

The Council has received requests for mandatory relief from NHS Trusts that if agreed would amount to a backdated refund of approximately £380,000. There is no certainty evident with the requests. A final adjudication would be required before the Council would make any kind of provision for this request.

## 4.6. Financial Instruments

### 4.6.1. Analysis and Values

#### Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet (page 18):

31/03/2016		31/03/2017
Current £000		Current £000
7,549	Investments (Loans and Receivables)	3,460
9,897	Debtors *	8,545
59	Borrowings	70
5,495	Creditors	5,738
595	Cash/Cash Equivalents	376

#### Income, Expense, Gains and Losses

2015/16				2016/17		
Expenses & Losses £000	Income & Gains £000	Total £000		Expenses & Losses £000	Income & Gains £000	Total £000
13	-	13	Interest Expense Included in Provision of Services	1	-	1
<b>13</b>	<b>-</b>	<b>13</b>	<b>Total Expense in Provision of Services</b>	<b>1</b>	<b>-</b>	<b>1</b>
-	(256)	(256)	Interest Income	-	(115)	(115)
<b>-</b>	<b>(256)</b>	<b>(256)</b>	<b>Total Income in Provision of Services</b>	<b>-</b>	<b>(115)</b>	<b>(115)</b>
<b>13</b>	<b>(256)</b>	<b>(243)</b>	<b>Net (Gain)/Loss for the Year</b>	<b>1</b>	<b>(115)</b>	<b>(114)</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;
- 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 are as follows:



31/03/2016			31/03/2017	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
59	59	<b>Liabilities</b>	70	70
5,495	5,495	Financial Liabilities	5,738	5,738
		Creditors		
7,549	7,549	<b>Assets</b>	3,460	3,460
9,897	9,897	Loans & Receivables	8,545	8,545
595	595	Debtors *	376	376
		Cash/Cash Equivalents		

\* Debtors include Long Term Debtors of £0.545m (31/03/17) and £0.591m (31/03/16), relating to mortgagors and finance leases.

## 4.6.2. 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 aims to minimise adverse effects on the resources available. Risk management is carried out under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Credit Risk

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £0.043m 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 2017 that this was likely to crystallise.

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

	Amount at 31 March 2017	Historic default	Historic default adjusted for market conditions	Estimated maximum exposure at 31 March 2017	Estimated maximum exposure at 31 March 2016
	£000	%	%	£000	£000
Deposits with Banks/Financial Institutions	A 3,460	B 0%	C 1.25%	(A X C) 43	94
Customers (Trade Debtors)	2,893	-	15%	434	454
				<b>477</b>	<b>548</b>

No credit limits were exceeded during the reporting period and 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 £2.135m of the £2.893m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31/03/2016 £000		31/03/2017 £000
141	30 to 89 Days	83
134	90 to 180 Days	86
2,176	Over 180 Days	1,966
<b>2,451</b>		<b>2,135</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 borrowing from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments. The maturity analysis of financial liabilities is as follows:

31/03/2016 £000		31/03/2017 £000
7,549	Less Than One Year	3,460
<b>7,549</b>		<b>3,460</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.

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 2017, if interest rates had been one per cent higher with all other variables held constant, the financial effect would be an increase of £0.109m.

### Price Risk

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

### Foreign Exchange Risk

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

## 4.7. Leases

### Council as Lessee

#### Finance Leases

As at 31 March 2017 the Council has no requirement to commit to making minimum payments under finance leases.

#### Operating Leases

The Council no longer has any items of vehicles and equipment acquired by entering into operating leases.

### Council as Lessor

#### Finance Leases

The Council has leased out 5 properties on a finance lease basis, with terms remaining ranging from 15 to 75 years.

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

31/03/2016 £000		31/03/2017 £000
	<b>Finance Lease Debtor (Net Present Value of Minimum Lease Payments):</b>	
39	Current	17
155	Non-current	153
558	Unearned Finance Income	495
<b>752</b>	<b>Gross Investment in the Lease</b>	<b>665</b>

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

31/03/2016			31/03/2017	
Minimum Lease Payments £000	Finance Lease Liabilities £000		Minimum Lease Payments £000	Finance Lease Liabilities £000
87	48	Not Later Than One Year	51	34
177	141	Later Than One Year, Less Than Five Years	168	122
488	368	Later Than Five Years	446	339
<b>752</b>	<b>557</b>		<b>665</b>	<b>495</b>

#### Operating Leases

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

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

31/03/2016 £000		31/03/2017 £000
869	Not Later Than One Year	788
856	Later Than One Year, Less Than Five Years	646
1,392	Later Than Five Years	1,377
<b>3,117</b>		<b>2,811</b>

## 4.8. Prior Period Restatements

### Comprehensive Income and Expenditure Statement

Expenditure and income on services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The Code requires that authorities present expenditure and income on services on the basis of its reportable segments per the Council's internal management reporting structure. The analysis does not include recharges between accounts, showing instead expenditure and income directly attributable to the headings. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). The following table shows how the net expenditure and income has been restated:

2015/16	Published Original £000	Restated							Recharges	
		Chief Executive £000	Operational Services £000	Regeneration & Dev. £000	Resources & Support £000	Corporate £000	Other £000	Total CIES £000	Recharges Excluded £000	Total £000
Central Services	2,515	736	-	21	526	121	-	1,404	1,111	2,515
Cultural & Related	7,152	-	4,775	399	-	-	-	5,174	1,978	7,152
Environmental	10,963	221	8,251	1,360	-	-	-	9,832	1,131	10,963
Planning Services	2,533	-	24	1,699	-	-	-	1,723	810	2,533
Highways & Transport	1,243	-	35	689	-	-	-	724	519	1,243
Housing Services	33,621	58	-	1,605	31,969	-	-	33,632	(11)	33,621
Corporate	2,246	899	-	-	-	58	-	957	1,289	2,246
Non-Distributed Costs	186	-	-	-	-	172	-	172	14	186
Administration	-	1,480	-	536	3,401	44	-	5,461	(5,461)	-
Holding Accounts	-	593	436	1,173	128	251	-	2,581	(2,581)	-
<b>Total Expenditure</b>	<b>60,459</b>	<b>3,987</b>	<b>13,521</b>	<b>7,482</b>	<b>36,024</b>	<b>646</b>	<b>-</b>	<b>61,660</b>	<b>(1,201)</b>	<b>60,459</b>
Central Services	(1,413)	(490)	-	-	(923)	-	-	(1,413)	-	(1,413)
Cultural & Related	(2,736)	-	(2,472)	(267)	-	-	-	(2,739)	3	(2,736)
Environmental	(3,898)	(94)	(3,212)	(595)	-	-	-	(3,901)	3	(3,898)
Planning Services	(772)	-	-	(772)	-	-	-	(772)	-	(772)
Highways & Transport	(1,352)	-	(137)	(1,215)	-	-	-	(1,352)	-	(1,352)
Housing Services	(32,561)	-	-	(1,106)	(31,455)	-	-	(32,561)	-	(32,561)
Corporate	(267)	(267)	-	-	-	-	-	(267)	-	(267)
Non-Distributed Costs	-	-	-	-	-	-	-	-	-	-
Administration	-	(91)	(15)	(2)	(71)	(8)	-	(187)	187	-
Holding Accounts	-	(17)	(174)	(232)	(12)	(172)	-	(607)	607	-
<b>Total Income</b>	<b>(42,999)</b>	<b>(959)</b>	<b>(6,010)</b>	<b>(4,189)</b>	<b>(32,461)</b>	<b>(180)</b>	<b>-</b>	<b>(43,799)</b>	<b>800</b>	<b>(42,999)</b>
Other Operating Expenditure	(81)						(81)	(81)		(81)
Financing & Investment Income/Expenditure	235						(166)	(166)	401	235
Taxation & Non-Specific Grant Income	(15,106)						(15,106)	(15,106)		(15,106)
(Surplus)/Deficit on Provision of Services										
(Surplus)/Deficit on Revaluations	(253)						(253)	(253)		(253)
Remeasurement of the Defined Benefit Liability	(8,680)						(8,680)	(8,680)		(8,680)
<b>Total</b>	<b>(6,425)</b>	<b>3,028</b>	<b>7,511</b>	<b>3,293</b>	<b>3,563</b>	<b>466</b>	<b>(24,286)</b>	<b>(6,425)</b>	<b>-</b>	<b>(6,425)</b>

## Movement in Reserves Statement

The CIPFA Code of Local Authority Accounting requires the General Fund Balance to be presented. Previously Earmarked General fund Reserves have been separately presented. As a consequence of this change, it is necessary to restate the figure for “adjustments between accounting and funding basis” in order that transfers between reserves in relation to capital expenditure funded from revenue (£0.217m) are accounted for correctly. This also affects the Unusable Reserves column of the statement. The 2015/16 Movement in Reserves has been restated for these changes, as shown in the table below:

	Published Original			Restated	
	General Fund Balance	Earmarked General Fund Reserves	Unusable Reserves	General Fund Balance	Unusable Reserves
2015/16	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015 B/Fwd</b>	<b>(1,200)</b>	<b>(3,084)</b>	<b>18,099</b>	<b>(4,284)</b>	<b>18,099</b>
<b>Movement in reserves 2015/16</b>					
Surplus/(Deficit) on Provision of Services	2,508	-	-	-	-
Other Comprehensive Income & Expenditure	-	-	(8,933)	-	-
Total Comprehensive Income and Expenditure	-	-	-	2,508	(8,933)
Adjustments between Accounting and Funding Basis	(1,948)	-	2,190	(1,731)	1,973
<b>Net Increase/Decrease Before Transfers to earmarked Reserves</b>	<b>560</b>	<b>-</b>	<b>(6,743)</b>	<b>-</b>	<b>-</b>
Transfers to/from Earmarked Reserves	(560)	777	(217)	-	-
<b>Increase/Decrease in Year</b>	<b>-</b>	<b>777</b>	<b>(6,960)</b>	<b>777</b>	<b>(6,960)</b>
<b>Balance at 31 March 2016 C/Fwd</b>	<b>(1,200)</b>	<b>(2,307)</b>	<b>11,139</b>	<b>(3,507)</b>	<b>11,139</b>

## Collection Fund

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

2015/16 Council Tax £'000	2015/16 Business Rates £'000	2015/16 Total £'000		2016/17 Council Tax £'000	2016/17 Business Rates £'000	2016/17 Total £'000
(53,488)	-	(53,488)	<b>Income</b>	(55,571)		(55,571)
-	(33,588)	(33,588)	Council Tax Payers			
			Business Rates Payers		(34,678)	(34,678)
			<b>Transfer of Previous Years Deficit</b>			
-	(800)	(800)	- Newcastle-under-Lyme Borough Council	-	(276)	(276)
-	(180)	(180)	- Staffordshire County Council	-	(62)	(62)
-	-	-	- Office of Police & Crime Commissioner	-	-	-
-	(20)	(20)	- Staffordshire Fire and Rescue Authority	-	(7)	(7)
-	(1,000)	(1,000)	- Central Government	-	(345)	(345)
<b>(53,488)</b>	<b>(35,588)</b>	<b>(89,076)</b>	<b>Total Income</b>	<b>(55,571)</b>	<b>(35,368)</b>	<b>(90,939)</b>
			<b>Expenditure</b>			
			<b>Council Tax Precepts</b>			
6,541	-	6,541	- Newcastle-under-Lyme Borough Council	6,906	-	6,906
36,907	-	36,907	- Staffordshire County Council	39,276	-	39,276
6,259	-	6,259	- Office of Police & Crime Commissioner	6,408	-	6,408
2,430	-	2,430	- Staffordshire Fire and Rescue Authority	2,537	-	2,537
			<b>Business Rates Apportionment</b>			
-	13,144	13,144	- Newcastle-under-Lyme Borough Council	-	13,571	13,571
-	2,958	2,958	- Staffordshire County Council	-	3,054	3,054
-	328	328	- Staffordshire Fire and Rescue Authority	-	339	339
-	16,430	16,430	- Central Government	-	16,964	16,964
			<b>Other Expenditure</b>			
-	141	141	Cost of Collection	-	139	139
-	(230)	(230)	Transitional Protection	-	373	373
202	359	561	Provision for Bad Debts	255	448	703
-	1,067	1,067	Provision for Appeals	-	(120)	(120)
			<b>Transfer of Previous Years Surplus</b>			
140	-	140	- Newcastle-under-Lyme Borough Council	116	-	116
809	-	809	- Staffordshire County Council	690	-	690
140	-	140	- Office of Police & Crime Commissioner	117	-	117
54	-	54	- Staffordshire Fire and Rescue Authority	45	-	45
<b>53,482</b>	<b>34,197</b>	<b>87,679</b>	<b>Total Expenditure</b>	<b>56,350</b>	<b>34,768</b>	<b>91,118</b>
<b>(6)</b>	<b>(1,391)</b>	<b>(1,397)</b>	<b>Deficit/(Surplus) for the Year</b>	<b>779</b>	<b>(600)</b>	<b>179</b>
<b>(1,137)</b>	<b>2,122</b>	<b>985</b>	<b>Balance Brought Forward at 1 April</b>	<b>(1,143)</b>	<b>731</b>	<b>(412)</b>
<b>(6)</b>	<b>(1,391)</b>	<b>(1,397)</b>	<b>Deficit/(Surplus) for the year</b>	<b>779</b>	<b>(600)</b>	<b>179</b>
<b>(1,143)</b>	<b>731</b>	<b>(412)</b>	<b>Balance Carried Forward at 31 March</b>	<b>(364)</b>	<b>131</b>	<b>(233)</b>
			<b>Allocation of Collection Fund Balance</b>			
(144)	292	148	- Newcastle-under-Lyme Borough Council	(46)	52	6
(809)	66	(743)	- Staffordshire County Council	(259)	12	(247)
(53)	7	(46)	- Staffordshire Fire and Rescue Authority	(42)	1	(41)
-	366	366	- Central Government	-	66	66
(137)	-	(137)	- Office of Police & Crime Commissioner	(17)	-	(17)
<b>(1,143)</b>	<b>731</b>	<b>(412)</b>		<b>(364)</b>	<b>131</b>	<b>(233)</b>



## Notes

### 1. Business Rates

The Council collects business rates in its area based on non-domestic rateable values (£86.944m at 31 March 2017 and £86.369m at 31 March 2016) multiplied by a uniform business rate. The rate is specified by the Government, in 2016/17 the rate was 49.7p, with a reduction for “small businesses” to 48.4p on application (49.3p in 2015/16 - “small business” reduction, 48.0p).

In 2013/14, the administration of business rates 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 in appeals and non-collection of rates. Instead of paying business rates 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 2016/17 were estimated, via the NNDR1 return, before the start of the financial year as £16.964m to Central Government, £3.054m to Staffordshire County Council, £0.339m to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and £13.571m to Newcastle-under-Lyme Borough Council.

The total of these sums (£33.928m) has been paid in 2016/17 and charged to the collection fund in year.

The actual business rates payable for 2016/17, 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 £33.837m.

The variance between the estimated business rates shared between Central Government, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and Newcastle-under-Lyme Borough Council as per the NNDR1 return (£33.928m) and the actual business rates payable per the NNDR3 return (£33.837m) is £0.091m - a deficit to the collection fund for 2016/17.

In addition to the business rates shares payable for 2016/17, the estimated 2015/16 deficit declared in January 2016 regarding business rates of £0.691m was repaid into the collection fund by Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

The actual 2015/16 deficit was calculated to be £0.731m, therefore there was a shortfall of £0.040m in the collection of this deficit in 2016/17 which will need to be recouped, along with the estimated 2016/17 deficit declared in January 2017, from Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority during 2017/18.

Taking into account the remaining 2015/16 deficit and the 2016/17 deficit, the business rates collection fund has a deficit of £0.131m as at 31 March 2017.

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 2015/16 to the value of £9.587m.

### 2. Council Tax

Council Tax Income is derived from charges raised, in eight valuation bands, according to the value of residential properties. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and Newcastle-under-Lyme Borough Council for the forthcoming year and dividing this by the council tax base. The average Band D tax in 2016/17 of £1,517.04 compared with £1,470.78 in 2015/16.

Multiplication of this amount by the proportions set out in the Council Tax Base table below gives the amount due for a property in each band.

The Council Tax base for 2016/17 was 36,078 (35,242 in 2015/16), this was derived as follows:

Band & Value Range	Number of Dwellings	After Discounts & Exemptions	Ratio to Band D	Band D Equivalents
Band A-	-	51	5/9	28.36
Band A (Up to £40,000)	23,846	15,935	6/9	10,623.60
Band B (£40,001 - £52,000)	10,307	8,418	7/9	6,546.94
Band C (£52,001 - £68,000)	11,173	9,691	8/9	8,614.02
Band D (£68,001 - £88,000)	4,926	4,456	9/9	4,455.98
Band E (£88,001 - £120,000)	2,701	2,474	11/9	3,023.26
Band F (£120,001 - £160,000)	1,717	1,573	13/9	2,272.08
Band G (£160,001 - £320,000)	912	837	15/9	1,395.80
Band H (Over £320,000)	46	22	18/9	43.50
				<b>37,004</b>
Less non collection rate (2.5%)				(925)
<b>Borough Council Tax Base</b>				<b>36,078</b>

In addition to the Council Tax payable for 2016/17, the estimated 2015/16 surplus declared in January 2016 regarding Council Tax of £0.968m 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 2015/16 surplus was calculated to be £1.143m, therefore there was a balance of £0.174m on the payment of this surplus in 2015/16 which will need to be paid during 2017/18 to the preceptors.

Taking into account the remaining 2015/16 surplus, the surplus declared to the preceptors for 2016/17 in January 2017 was £0.365m. The actual balance of the Council Tax collection fund as at 31 March 2017 is £0.364m.

# Audit Certificate

## Independent Auditors Report to the Members of Newcastle under Lyme Borough Council

To be provided by Grant Thornton.

# Appendices

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

### Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which is required to be prepared in accordance with accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), 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 when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the risks and rewards of ownership to the purchaser and it is probable that economic benefits 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 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 used, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with the 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.

#### iv. Exceptional Items

When items of income and expenditure are material to understanding the Council's financial performance, 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.

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

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

Changes in accounting policies are made when required by accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively 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 benefits such as wages and salaries, annual leave and sick leave and non-monetary benefits for current employees that are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements or other form of leave, e.g. time off in lieu earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service at the earlier of when the Council can no longer withdraw the offer of those benefits or costs for a restructuring are recognised.

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

## Post Employment Benefits

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

- The Local Government Scheme is accounted for as a defined benefits scheme:
- The liabilities of the Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and forecasts of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (3.4% for the unfunded scheme). 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 by the pension fund actuary based on the constituents of the iBoxx AA Corporate Bond index.
- 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 4.5, (pages 45 to 46) 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 3.3.3 (page 33) 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. 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', page 64).

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

## xviii. Property, Plant and Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

- The purchase;
- 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.

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.

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.

### **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 4.5 to the accounts (pages 45 to 46).

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 4.5 to the accounts (pages 45 to 46) 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. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets 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.

## **xxv. Fair Value Measurement**

Some non-financial assets such as surplus assets and investment properties are measured at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market. Measurement uses the assumptions that market participants would use when pricing an asset or liability, assuming they are acting in their best economic interest and takes account of their ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Valuation techniques appropriate in the circumstances are used, and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date;

Level 2 - inputs other than quoted prices that are observable for the asset, either directly or indirectly;

Level 3 - unobservable inputs for the asset or liability.

## **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. There are no changes which are expected to impact upon the 2017/18 Statement of Accounts.

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

In applying the accounting policies set out 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.

## **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 2017 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 2017 the Council's share of the estimated appeals against business rates is £0.725m.

## Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director (Resources and Support Services) on 25th May 2017. 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 2017 which required the amendment of figures in the financial statements or notes to the financial statements.

## Appendix 2 – Supplementary Accounts

### Building Control Account

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-charging
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employees	502	318	184
Premises	16	10	6
Transport	12	8	4
Supplies & Services	6	4	2
Central Support	93	58	35
Structural Engineers	21	21	-
<b>Total Expenditure</b>	<b>650</b>	<b>419</b>	<b>231</b>
Building Regulation Charges	375	375	-
Miscellaneous Income	2	2	-
<b>Total Income</b>	<b>377</b>	<b>377</b>	<b>-</b>
<b>Surplus/ (Deficit)</b>	<b>(273)</b>	<b>(42)</b>	<b>(231)</b>

### 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 01/04/2016 £000	Expend. £000	Income £000	Balance 31/03/2017 £000
Newcastle Almshouses Trust (Accom. For Poor)	36	8	16	44
Sports Advisory Council (Assistance to Sport)	17	16	19	20
Museum Purchase Fund (Purchase of Exhibits)	6	-	-	6
	Balance 01/10/2015 £000	Expend. £000	Income £000	Balance 30/09/2016 £000
United Charities Eliza Hinds Charity (Grave Maintenance)	3	-	3	6
United Charities Relief in Need (Gifts - Elderly)	31	2	5	34
United Charities Relief in Sickness (Gifts - Elderly)	75	4	11	82
	<b>168</b>	<b>30</b>	<b>54</b>	<b>192</b>

The United Charities financial year ends at 30 September each year. The balances brought forward in relation to these charities are those at 30 September 2015 and the carried forward balances are those for 30 September 2016.

### Business Improvement District

The Council provides services as an agent to the Newcastle-under-Lyme Business Improvement District. The Council collected income of £0.318m on behalf of the Business Improvement District during the financial year 2016/17, this amount was accordingly paid to the Business Improvement District.

**Appendix 3 – Annual Governance Statement 2016/17**

To be provided by Head of Audit and Elections.



## 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.

### Business Improvement District (BID)

A BID is a defined area within which businesses are required to pay an additional business rates levy (a business rates supplement) in order to fund projects within the BID's boundaries. A completely separate body from the Council is responsible for operating the BID scheme. The BID is often funded primarily through the levy but can also draw on other public and private funding streams. The Council as billing authority collects the supplement and pays it over to the BID body, whose income it is, charging the body for the costs of collection.

### Capital Expenditure

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

### Capital Grants Receipts in Advance Account

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

### Capital Grants Unapplied Account

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

## Capital Receipts

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

## CIPFA

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

## Collection Fund

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

## Community Assets

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

## Consistency

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

## Contingent Asset

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

## Contingent Liability

A contingent liability is either: -

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

## Creditors

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

## Current Service Cost

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

## Curtailment

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

## Debtors

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

## Deferred Liabilities

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

## Defined Benefit Pension Scheme

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

## Depreciation

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

## Discretionary Benefits

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

## Expected Rate of Return on Pension Assets

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

## Experience Gains and Losses

See Actuarial Gains and Losses

## Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market.

## Fair Value Hierarchy

A three level classification of techniques used in order to measure the fair value of financial assets and liabilities. The highest level (Level 1) uses quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date, Level two uses inputs other than quoted prices that are observable for the asset, either directly or indirectly and Level 3 uses unobservable inputs for the asset or liability. Techniques employed should aim to maximise the use of observable inputs and minimise the use of unobservable inputs.

## Financial Instrument

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

## Financial Reporting Standards (FRSs)

Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

## Financial Year

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

## Fixed Assets

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

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

### Operational assets

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

### Non operational assets

- Investment Properties;
- Assets Held for Sale.

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

## Formula Grant

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

## General Fund Revenue Account

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

## Government Grants

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

## Heritage Assets

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

## Historical Cost

Actual cost of acquiring or constructing an asset.

## iBoxx

iBoxx bond market indices are benchmarks for professional use and comprise liquid investment grade bond issues. They enable investors to analyse and select benchmarks that reflect their investment profile

## Impairment

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

## Infrastructure Assets

Fixed assets that are not able to be taken away, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are highways and sewers.

## Interest Cost

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

## Insurance Value

The value placed upon an asset for insurance purposes.

## Intangible Assets

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

## Inventories

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

- 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.

## Long Term Debtors

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

## Material Items

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

## National Non-Domestic Rate (NNDR)

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

## Non-Distributed Costs

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

## Past Service Cost

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

## Precept

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

## Prior Period Adjustments

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

## Provisions

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

## Quoted Securities

Assets such as shares that are traded on financial exchanges.

## Realisable Value

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

## Related Parties

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

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

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

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

## Related Party Transaction

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

## Reserves

Reserves fall into two different categories:



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

### Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an 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 day-to-day running of the Council, including employee costs, running expenses and capital financing costs.

### Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

### Revenue Support Grant (RSG)

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

### Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities 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.

### Unitised Securities

A fund that is sold in units specified by a fund manager, rather than shares of fund managed assets.

### Unquoted Securities

Assets such as shares that are not traded on financial exchanges.

### Useful Life

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