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Statement of Accounts

2020/21

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Contents

Guide to the Statement of Accounts

The Statement of Accounts contains a number of different elements which are shown in the following table, together with an explanation of the purpose of each item. Throughout the Statement, various unusual or technical terms are employed which may not be familiar to all readers. A Glossary (page 79) has therefore been provided which explains the meaning of such items.

Narrative Report

Commentary by the Head of Finance (Section 151 Officer)

a. Introduction

Welcome to Newcastle-under-Lyme Borough Council's Statement of Accounts for the financial year 2020/21. The accounts give a summary of the money that the Council has received, what it has been spent on during the year, and its financial position at 31 March 2021. This Narrative Report provides a context to the accounts by presenting a summary of the Council's financial activities and its prospects for future years.

Regulations governing the production of the Statement of Accounts

The accounts have been prepared on a going concern basis and in accordance with the Accounts and Audit Regulations 2015 and the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Under the provisions of Sections 25/26 of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 the accounts were made available for inspection between 2 August 2021 and 13 August 2021, as notified on the Council's website.

The accounts are scheduled to be approved by the Audit and Standards Committee on 27 September 2021 in accordance with the Accounts and Audit Regulations 2015. The signature of the Committee Chair (who presided over the meeting) will be included at the conclusion of this report in line with these regulations as evidence of approval of the 2020/21 Statement of Accounts.

General Accounting Policies

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

There have been no changes in the Council's statutory functions during the year.

The former Interim Executive Director of Resources and Support Services informed the Ministry of Housing, Communities and Local Government by letter on 5 December 2019 of the Council's intention to make flexible use of £0.400m of capital receipts in the financial year 2020/21. The flexible use of capital receipts has been utilised in 2020/21 for expenditure that meets the eligibility criteria, in that it relates to initiatives that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery.

Statement of Accounts

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of a local authority are both technical and complex, which does not always lead to a style which is easily understood. Accordingly a Guide to the Statement of Accounts (page 4) has been provided.

Accountability/financial reporting

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

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

Newcastle under Lyme Borough Council

The Council is a second tier district council within the County of Staffordshire, with a population of 129,490. It consists of the urban areas of Newcastle and Kidsgrove, with a town council, and an extensive rural area containing nine parishes, each with a parish council.

The Council has 44 members representing residents in 21 wards following elections in May 2018. Full Council, consisting of all members, is responsible for setting Council policy, whilst other decisions within the policy framework set by Full Council are determined by a Cabinet, currently consisting of 6 members.

Operational management is carried out under the direction of the Chief Executive, two Executive Directors, the Section 151 Officer and the Monitoring Officer who currently comprise the Executive Management Team (EMT).

The Council employed 475 people (414 full time equivalents), as at 31 March 2021.

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

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

- Local services that work for local people
- Growing our people and places
- A healthy, active and safe borough
- A town centre for all

The plan sets out how the Council will work to make the borough an even better place for everyone who lives, works, studies or visits here. The Council's aims can only be achieved by taking advantage of every opportunity available and developing new ones through innovation and a more collaborative approach.

The Council is committed to strong and sustainable economic growth for the borough, focusing upon opportunities around Keele University, Newcastle town centre and Kidsgrove, the Council's unprecedented success in attracting Government funding regarding regeneration and improvements to Newcastle and Kidsgrove town centres are detailed under the Economic Recovery section of this commentary.

Equally the Council is committed to achieving visible improvements in service delivery. The most recent can be seen with the opening of the impressive Castle House, the new home for the Council and other public services set in Queen's Gardens. This move has allowed the Council to embrace a new way of working and opportunities for better service delivery both amongst our own teams and with our partners who share the space with us. It also sets the standard for future developments and partnership working in the borough. The recently commenced One Council major transformation programme is detailed under the Financial Recovery section of this commentary.

Details of the services which the Council provides and their budgets are set out in budget books for each financial year which are available on the Council's website.

Financial summary 2020/21

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

Revenue expenditure and income

Where does the money come from, and where is it spent?

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

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

The gross income (£37.856m) and expenditure (£62.849m) attributable to management reporting areas is shown in the Comprehensive Income and Expenditure Statement (page 29).

General Fund Revenue Budget outturn

The General Fund is the main revenue account of the Council and relates to all of those services which are funded by the Council Tax, Retained Business Rates and Government Grant.

The Coronavirus pandemic has had a significant impact on the Council's financial position through a mixture of lost income (£3.075m) and additional costs (£1.865m). For 2020/21 Government Coronavirus funding of £2.328m was secured (including £346k of new burdens funding to offset the costs of administering Coronavirus business support grant, hardship relief, and self-isolation grant schemes), this has significantly reduced the pressures of additional spending and pressures on the futureproof of the Council finances.

Further Government funding to assist with the Council's response to the Coronavirus was also secured during 2020/21 in relation to rough sleepers (£0.196m), outbreak control (£0.179m), enforcement (£0.061m) and the reopening of the high street (£0.115m).

The Council's revenue budget relies on service income from fees and charges of around £0.850m, per month across a wide range of services, with a significant proportion coming from J2 and car parking. Income losses from fees and charges for the financial year have amounted to £3.075m, net of furlough scheme assistance of £0.197m.

The Government announced that it will fund income losses, relating to irrecoverable fees and charges, above the first 5% at the rate of 75p in the pound for 2020/21, which again significantly insulated the Council from income related financial risks. The Government's income compensation scheme offset these income losses to the sum of £1.994m.

The Council approved a General Fund Revenue Budget of £15.690m on 19 February 2020. The outturn for 2020/21 shows a favourable variance of £0.005m against this budget.

The adverse variances that occurred during 2020/21 include:

a. Income shortfalls from sales, fees and charges which are eligible for partial reclaim via the Income Losses Scheme, these amount to £3.075m for the financial year.

b. Additional expenditure pressures as a result of the Coronavirus pandemic amount to £1.865m (a further £551k has been spent regarding the provision of services/activity for which specific funding has been received).

   These include Waste and Recycling (£798k disposal costs and hire of vehicles to allow social distancing) and a top up of the general fund reserve to its minimum level regarding the 2019/20 deficit of £0.207m.

c. Housing Benefits payments made by the Council which are not fully subsidised by the Department of Works and Pensions, mainly around the provision, often emergency, of accommodation for vulnerable and homeless people, the shortfall from this and the under recovery of overpayments will amount to £0.450m for 2020/21.

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

a. Government Funding to offset pressures that the Council has/will continue to face as a result of the Coronavirus pandemic, £3.076m has been received or is due for the financial year (£551k relates to the specific provision of services/activity and £196k relates to Furlough).

b. The Council will be reimbursed £1.994m in relation to the Income Losses scheme for eligible sales, fees and charges income shortfalls for the year.

c. Expenditure has been reduced wherever possible throughout the Council to ensure that only absolutely necessary spending is being incurred, this has helped to reduce the adverse variance on a service by service basis.

A reconciliation of the Comprehensive Income and Expenditure Statement to the deficit declared above can be seen in the table below, further information can be obtained from the statements and notes referenced:

	£000
Service provision (per CIES-p29)	3,734
Adjustments between accounting basis and funding basis (note 8-p51)	(13,588)
Movement in useable reserves (excluding transfer of surplus) (note 9-p53)	9,849
(Surplus)/Deficit for 2020/21	**(5)**

Capital expenditure

Capital expenditure includes expenditure such as the acquisition, construction, repair and maintenance of fixed assets. As capital spending contributes to the Council's priorities and vision over the short, medium and long term, the Council plans and budgets for expenditure by means of a rolling programme.

A Capital Programme totalling £12.454m was approved for 2020/21. Of this total £10.454m relates to the total cost of new schemes for 2020/21 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and a £1.000m contingency. In addition £3.025m was brought forward from the 2019/20 Capital Programme, resulting in a total Capital Programme of £15.479m for 2020/21.

Due to the Coronavirus pandemic and the financial impact this has placed on the Council, a review of the 2020/21 Capital Programme was completed with the assistance of Budget Holders and members of the Capital, Assets and Commercial Investment Review Group. The rationale behind this review was to establish which of the capital projects approved in the programme were essential or health and safety related, were unable to be commenced due to the pandemic, could be deferred due to resources and services available during the crisis or were no longer required. The resulting revised 2020/21 Capital Programme totalled £7.303m.

In addition to the revised 2020/21 Capital Programme, capital expenditure of £1.750m regarding the Advanced Towns Deal funding £0.400m regarding the Flexible Use of Capital Receipts, £0.103m of One Council expenditure and £0.220m regarding Section 106 works were planned.

Planned expenditure financed via capital for 2020/21 therefore totalled £9.776m. Actual expenditure has totalled £7.521m, £2.255m below that planned. This relates in its entirety to expenditure that has been rolled forward into 2021/22.

The capital investment made during 2020/21 and the financing of this expenditure is shown in Note 26 (page 65).

Collection Fund

Local tax income is collected by billing authorities and paid into local 'collection funds' (the Council is a billing authority). Where there is a shortfall in tax receipts (compared to expected levels), this leads to a deficit on the collection fund for which the precepting authorities are liable. Billing and major precepting authorities are usually required to meet their share of any deficit during the following financial year.

In response to shortfalls in tax receipts that have been incurred by the Council relating to Coronavirus (£0.134m primarily incurred regarding additional residents of the Borough claiming Council Tax Support and £7.400m regarding the Governments measures to assist business rates payers during the Coronavirus pandemic through reliefs and Business Rates bad debts), the government announced that repayments to meet collection fund deficits accrued in 2020/21 will instead be phased over a three-year period (2021/22 to 2023/24) to ease immediate pressures on future budgets.

The government introduced a scheme similar to the income compensation to cover 75% of local government's collection fund deficits for 2020/21, with a small number of exclusions, this compensation amounts to £1.711m for the Council. The deficit will largely be repaid during the next 3 financial years from the income compensation and from Section 31 grant paid to the Council over its budget amount regarding the Governments measures to assist business rates payers (£5.337m), the remainder will be funded from part of the Business Rates reserve balance resulting from levy savings and previous years surpluses generated.

Financial prospects

Revenue

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

The Coronavirus pandemic continues to be the greatest single risk to the health and economic wellbeing of the country since the Second World War. In February 2020 the Council established an Incident Management Team to plan the Council's response, ensuring that support to local residents and businesses was provided, that Council services were maintained, and the welfare of officers and members protected. Informal Cabinet have been regularly briefed on the work being progressed, including a daily briefing with the Leader. The approach adopted is based on existing business contingency arrangements and has put the Council in a good position in terms of stepping up its response.

The Incident Management Team interfaces with a range of groups which have been set up countywide to co-ordinate the response to the pandemic, including the Strategic Coordinating Group, and working groups on mortality management and vulnerability. Cabinet has received reports at its monthly meetings since April detailing the work of the Incident Management Team. At May's Cabinet meeting, Members emphasised that the Council was firmly focused on recovery, with key elements of the response running in parallel.

Five areas of recovery work have been, and continue to be addressed:

- Reopening safe, successful retail centres
- Supporting health and wellbeing
- Economic recovery
- Stepping up Council services
- Financial recovery

Prior to November 2020, and with the initial lockdown beginning to be eased, efforts became focused on recovery, and ensuring that both the Council and the Borough get "Back on Track" – getting the economy back to its pre-lockdown position as swiftly and safely as possible. This plan is delivered through more detailed action plans, with the Cabinet overseeing implementation through portfolio holders working closely with the Executive Management Team colleagues leading on each work stream.

From 5 November the Borough became subject to the national restrictions announced by the Government as part of the national lockdown, having previously briefly moved into Tier 2 of the previous three tier system of restrictions. On 2 December, when the national restrictions ended, the Borough along with the rest of Staffordshire was placed under Tier 3 restrictions.

At the beginning of January 2021 the Borough, along with the rest of the country, went into lockdown. The Council's efforts again shifted to responding to the new restrictions.

Outbreak Control

The Council is heavily engaged in its outbreak control work, with specific avenues of work being progressed:

- The Leader of the Council sits on the County-wide Local Outbreak Board which has regular oversight regarding infection rates and action being taken to respond.

- The Leader of the Council is chairing a Local Incident Management Team, drawing together expertise from the Borough Council, County Council, health sector, and other agencies actively involved in responding to the pandemic;

- A multi-agency board, under the chairmanship of the Deputy Leader, Cllr Sweeney, has been convened to ensure that all possible steps are being taken across the key anchor institutions to reduce infection rates in the Town Centre, particularly in the 18 to 25 year old age group.

- Colleagues from Environmental Services continue to work closely with the Director of Public Health and colleagues from across the public sector to investigate infections in high risk premises in the borough and provide advice to those running high risk premises to minimise infection spread.

- A team of colleagues has been assembled from across the Council to work as "Covid Marshalls", who have recently switched their emphasis away from encouraging the public to socially distance and to practice good Coronavirus security in the town centre, to supporting businesses to adhere to the new restrictions.

- The Council is encouraged, through its communications activity, the drive to encourage take up of testing regardless of whether individuals have symptoms. It is recognised that identifying asymptomatic carriers is an important means of breaking the infection chain and reducing spread.

Reopening Safe, Successful Retail Centres

Arrangements were put in place to facilitate the safe re-opening of Newcastle and Kidsgrove town centres and the various district centres across the borough following the initial lockdown. This included provision of advice to all businesses about "Covid Secure" arrangements that they will need to put in place, and deploying signage wherever necessary.

Covid Marshalls have been deployed in the town centre at peak times to encourage social distancing and good Coronavirus security. Arrangements are in place to ensure that signage and pavement stencils are refreshed from time to time to keep the advice re social distancing and hygiene uppermost in the publics' mind when visiting our centres.

The Council has worked to prepare the town centres for the phased re-opening from 12 April 2021, starting with the non-essential retail and outdoor dining.

The Council's re-opening plan included:

- Allocating resource to support the Police to prepare the licensed trade for re-opening.

- Administering applications for pavement licences (café/ restaurants/pubs) to enable premises to re-open to take advantage of serving food/drink in outdoor area.

- A refresh of social distance/Coronavirus secure markers around the towns.

- Proactive work by Environmental Services and Covid Marshalls promoting compliance in targeted workplaces, in particular hairdressers/barbers/gyms.

- Business Covid Marshals - monitoring of compliance across the business sector.

- Anticipation of an increase in the number of Temporary Event Notice applications and Premises Licences for events as organisers start to plan post a return to normal.

- Reopening the Market, and continuing the programme of special event markets, to encourage visitors to the town.

The Council, in partnership with Staffordshire County Council, has developed a wide ranging business advice and support programme, funded from the government's Additional Restrictions Grants, under the banner "Staffordshire Means Back to Business" which will see a range of training and support rolled out to local businesses.

Supporting Health & Wellbeing

The Council operated a helpline and online facility for individuals to reach out for assistance during the initial lockdown period. The helpline was staffed by colleagues from Jubilee 2 and linked into the national, and County support arrangements, as well as support arrangements established with the Realise Foundation and Support Staffordshire.

The Council has continued to maintain its support to vulnerable people, with three specific lines of work being prioritised:

- The support service delivered through the Realise Foundation has stepped up to receive calls from people made vulnerable by the restrictions. Typically this call centre and web portal provides advice and support to individuals who are isolated, or who need help to access food and medicine.

- The Revenues and Benefits team have continued to process applications for payments to individuals who have been required to self-isolate as a result of either contracting the virus, or being in contact with someone who has, and as a result are unable to work. The Test & Trace Self Isolations Support Scheme is focussed on individuals in receipt of particular benefits and aims to incentivise people required to self-isolate, but who would lose income by doing so. From its introduction in October 2020 until 25 June 2021 £0.140m had been paid out in grants from this fund.

- The Council's homelessness team continues to work with vulnerable people who are sleeping rough, or who are at risk of homelessness, placing them into temporary accommodation. Additional accommodation in St George's Chambers was brought on line for use in severe weather.

Economic Recovery

A total of £39.244m has been paid by the Council to businesses within the Borough under the Government's various Coronavirus related grant schemes designed to support businesses during the periods of lockdown and restrictions.

£21.673m was initially paid to businesses under the Government's grant schemes for small businesses and businesses in the retail, hospitality and leisure sectors, and the discretionary fund established to support those businesses which did not meet the criteria of the initial Government programmes. These grant schemes closed in August in line with Government direction.

Further grant payment made to businesses within the Borough as at 25 June 2021 are:

- Local Restrictions Grant - to meet the cost of payments to businesses within the business rates system that are required to close or have been severely impacted during lockdown or restriction periods. The Council have issued grants totalling £5.356m.

- Additional Restrictions Grant - to be used as discretionary grant funding to support businesses that are either closed but not in the business rating or open but severely impacted (e.g. because of closure of their suppliers or the customers they supply to). £3.739m has been paid, this has resulted in a further award of grant from the Government to issue to business within the Borough of £0.659m.

- Closed Business Lockdown Payment – to support businesses that have been required to close due to the national lockdown that began 5 January 2021. £3.519m has been paid in grants.

- Restart Grant – The Restart Grant scheme supports businesses in reopening safely as Coronavirus restrictions are lifted. Grants were made available from 1 April 2021 for business rates payers in the non-essential retail, hospitality, accommodation, leisure, personal care and gym sectors. Grants totalling £4.887m have been issued.

- Wet Led Pubs Grant – A Christmas support payment to support wet led pubs that were severely impacted over the Christmas period due to temporary restrictions. Grants of £0.069m have been paid.

The Council is continuing to work towards the recovery of the local economy, focussed on progressing major funding for regeneration and growth schemes for Newcastle and Kidsgrove town centres.

The vision to improve communications, infrastructure and connectivity in Newcastle-under-Lyme has been given the go-ahead by Central Government, the Council has been awarded £23.6 million to make the plans a reality.

The success of the Town Investment Plan is the most recent confirmation of the Government's confidence in Newcastle-under-Lyme Borough Council's aspirational Town Deal proposals which, so far, have seen more than £50 million invested in unprecedented regeneration programmes for Newcastle and Kidsgrove. This includes a successful funding bid of £11 million secured through the Future High Streets Fund.

It is believed that the projects outlined in the Town Investment Plan will generate an increase of more than £69 million a year in increased gross value added (GVA) for the area; a £2.3 million uplift in land values and will enable the regeneration of communities across the borough.

This investment builds significantly on the improvements already underway in Newcastle – funded by £1 million of advanced Town Deal funding – including a subways upgrade, CCTV extension and the demolition of a long-term vacant building to make way for accommodation for residents and businesses.

The Town Investment Plan underlines the Council's ambition to create a more attractive place to live and work, and to support the local economy, creating more jobs for more people and attracting investment and businesses into the area.

The Town Investment Plan sets out three key objectives, with projects aligned to them, how the Town Deal funding will be spent, what it will achieve and also how the £23.6 million will bring in other investment to the area.

- ***<u>Objective 1</u>: Open up growth opportunities through enhanced physical and digital connectivity aligned with clean and sustainable economic development.***

Smart Newcastle Digital Connectivity new digital infrastructure will give better access to services, employment and other digital services for residents and businesses.

A new **Digital Society Centre** will help improve digital skills for our communities and will provide grow-on space for businesses, building on the Smart Newcastle Digital Connectivity Project.

Sustainable public transport solutions will allow investment in a new sustainable bus fleet to provide low carbon buses to reduce emissions and address air quality issues in Newcastle. All existing bus shelters will be upgraded to become SMART and solar powered, use real time passenger information (RTPI), have USB charging points and LED shelter lights, all powered by a solar panel. This will include routes through Keele University, Royal Stoke Hospital and all bus shelters across Knutton, Chesterton and Silverdale.

Town Centre Permeability will see £1 million invested in upgrading the crossing on Barracks Road and improving town centre cycle access routes. Outside of the ring road, the project would include resurfacing, a new footbridge and wayfinding signage. The project will lead to a co-ordinated walking/cycling corridor between Keele University and Newcastle town centre, improving sustainable transport connectivity.

A new **Electric Charging Infrastructure** across the borough will support the transition to electric vehicles by 2030, and help address air quality issues in transport corridors.

- ***Objective 2 -** **To diversify and enhance the town centre experience by encouraging new uses to increase demand, footfall and boost the dwell time of residents and visitors.***

A new **Digital Society Centre** in the town centre will provide space for SMEs to improve skill levels including areas such as digital skills, data analytics and artificial intelligence. The centre will bring together the assets of Keele University, and the Newcastle and Stafford Colleges Group, and will complement the proposed town centre-based "Institute of Technology" as well as the "Living Lab" in Keele's new IC7 Innovation centre.

Investment in town centre gateways will include the demolition and redevelopment of the former Zanzibar nightclub by Aspire Housing to make way for new homes for key workers and young professionals as well as extra care accommodation.

The **Astley Centre for Circus and Performing Arts** will be a new, dedicated Centre for Circus in the town centre that will open up opportunities in creativity, education, tourism and heritage and build on the reputation of the town for culture and heritage.

- ***Objective 3** **- To channel investment into regenerating communities, ensuring these areas are sustainable places to live and provide residents with the infrastructure needed to improve their quality of life.***

Putting the Heart back into Knutton with Town Deal funding allowing the first stages of the Knutton Masterplan with the delivery of 240 new homes, improvements to business accommodation, a new village hall and village green and improvements to road safety.

Like Knutton, **Town Deal investment in Chesterton** will enable delivery of high quality, housing for the local community linking to Aspire Housing's wider estate regeneration plan to improve the existing housing.

The Newcastle Town Deal Board comprises representatives from the public, private, voluntary, education and community sectors.

Kidsgrove has been awarded £16.9 million for a range a major projects focusing on driving growth and opportunity through enhanced enterprise infrastructure; creating a connected and accessible town centre which links key assets, retains heritage, promotes active travel and drives new demand and footfall; and maximising leisure and recreational opportunities.

The Town Deal for Kidsgrove is on top of £750,000 of advanced funding currently being spent on boosting residents' health and well-being, including a state-of-the-art pump track at Newchapel recreation ground, a range of improvements at Clough Hall Park and the refurbishment of Kidsgrove sports centre.

Stepping-up Council Services

Since the commencement of the lockdown, staff who have been able to effectively work from home have done so. This has meant that the majority of services have continued with minimal disruption. However, a number of services have been significantly impacted either due to the risk associated with continuing business as usual, the additional demands placed on the service, or due to Government guidance. The services experiencing the most significant change are:

- J2 – closed to the public and reopened on a phased basis prior to the 5 November 2020. For the subsequent lockdown period J2 again closed to the public, from 12 April 2021, J2 recommenced services again on a phased basis.

- Museum – closed to the public prior to a reopening on 27 July. The Museum is currently closed to the public for improvements to the building and services provided.

- Customer Contact facilities – all services continue to be available online or by phone, face to face service is also availabe.

- Waste & Recycling Collection – All waste streams are being collected, including Garden Waste. The collection schedule has been adjusted to make the best use of available resource, and to respect the guidance on social distancing. Service performance has been sustained despite a very significant increase in volumes of waste being presented. The new recycling system was implement during 2020/21.

Financial Recovery

Please refer to the General Fund Revenue Budget outturn and Collect Fund sections of this commentary regarding the financial impacts of the Coronavirus pandemic during 2020-21.

Government support to the Council in regards to compensation for income losses, both from sales, fees and charges (now extended to include the first quarter of 2021/22) and from tax losses and support in terms of the funding of additional expenditure pressures experienced by the Council has been unprecedented, further funding of £0.675m has been received to assist in meeting Coronavirus related financial pressures during 2021/22. This coupled with careful monitoring of the financial position and prompt corrective action where necessary has ensured that the Council's financial resilience has been maintained and that its outlook and ability to remain a going concern has remained positive.

The Council's Medium Term Financial Strategy - which forecasts future years' budgets taking into account national and local financial situations together with the Council's priorities - has been updated (reported to Council on 24 February 2021) and identified funding gaps from 2022/23 to 2025/26 totalling £3.849m, strategies to close these gaps have identified £2.166m of savings to date leaving a remaining shortfall of £1.683m, of which £0.572m relates to 2022/23.

On 24 February 2021 the Council set a balanced budget for 2021/22. This was achieved via a vigorous Efficiency Board process including challenge sessions for each of the Portfolios involving Cabinet Members, the Executive Management Team, Heads of Service and the Finance Manager.

As a result of the Coronavirus pandemic and the financial challenge the pandemic has raised, the Council commissioned a full organisational review. This identified a requirement to make significant changes to the way Council services are delivered, recognising both the impact of the pandemic in terms of creating more and different demands on Council services and the need to retain focus on the most vulnerable and disadvantaged in the community, whilst maximising opportunities for residents to help themselves, ensuring that they have a consistent and efficient interaction with the council when needed. A major programme of work (the One Council Programme) has been commenced and will continue over the period 2021/22 to 2023/24 to implement the necessary changes, which will involve an extensive redesign of organisational structures, processes and technology, underpinned by changes in culture, leadership and governance.

Efficiencies and savings expected to be achieved through the One Council Programme will amount to circa £0.922m over a three year period and are recurring. In order to achieve the revenue savings set out above implementation costs of approximately £1.200m will be funded via the flexible use of capital receipts and contributions from the Borough Growth Fund over a two year period. These implementation costs consist of website development, ICT costs, staff time including enhanced HR support, external delivery partner and training costs together with programme assurance and contingency.

The government have announced that the Fair Funding Review (FFR) and 75% Business Rates Retention (BRR) will not be implemented in April 2021 as originally planned. Council officers will continue to work with the Government on informing the approach to funding for the next financial year and beyond.

For the purposes of the Medium Term Financial Strategy it has been assumed that the Council will be in a cost neutral position following the reform of local government finance and the introduction of 75% business rates retention, however, this cannot be guaranteed and funding streams may differ significantly from this neutral position.

The Council intends to consider ways it can facilitate and participate in the commercial and industrial development of the Borough and thereby gain access to income streams to contribute to a sustainable revenue budget. The basis for this is set out in the Investment Strategy. As a first step, it is intended to establish a Revolving Investment Fund to invest in suitable projects. Any additional income or capital appreciation generated will either be reinvested to fund further developments or used to support the Council's revenue budget.

Capital

The Capital Programme for 2021/22 to 2023/24 is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2018-22 approved by Cabinet on 19 September 2018. These schemes total £31.057m, of which £12.923m relates to 2021/22.

The Capital Programme is produced in line with the Capital Strategy for 2021/22 to 2030/31 which was approved by Full Council on 24 February 2021. In addition to the Council's corporate and service objectives, as set out in the Council Plan 2018-22, the Capital Programme is also influenced by a number of external parties and factors including Central government and its agencies, legislation requiring capital works, partner organisations, businesses, developers and the needs and views of Borough residents.

The Capital Programme for 2021/22 includes the refurbishment and reopening of Kidsgrove Sports Centre, which will enable the provision of modern, attractive, high quality leisure facilities within Kidsgrove in conjunction with the Kidsgrove Leisure Centre Community Group.

Delivering the capital programme for 2021/22 will require prudential borrowing to be undertaken. The impact of borrowing is included in the Medium Term Financial Strategy pressures for 2021/22 and future years.

Advice will be sought from the Council's Treasury Management advisors, Arlingclose, as to the most beneficial timing of prudential borrowing. Their current advice is to borrow on a short term basis (up to 4 years) from other local authorities whilst interest rates remain low.

Strategic risks

Major strategic risks affecting the Council which could impact on future service provision are currently as set out in the table below, which shows for each risk its potential impact and measures to mitigate the risk:

Risk	Impact	Mitigation
Failure to realise potential for land sales to provide funding for capital investment	Insufficient resources to fund capital investment needed to maintain service provision or to achieve objectives	Asset Management Plan, Cabinet decisions to sell, planning approvals
Failure to recruit and retain staff with required experience and skills	Reduced amount and quality of service provision. Inability to provide services	Workforce development plan, business continuity planning
Major incident	Unable to provide services during and for some time after the incident	Major incident and emergency response plans in place, incident response guide, business continuity planning,
Long term decline in income including reduction in government funding and failure to provide funding for new initiatives	Pressure on revenue budget	Included in calculation of prudent minimum balances
Pay and price increases	Pressure on revenue budget	Included in calculation of prudent minimum balances
ICT - system/software failure or malicious software incursion	Unable to provide services during and after the failure. Loss of data, corruption of data, ransom demands, unable to provide service after incursion.	Business continuity planning, back up servers
Failure to comply with legislation including data protection breaches	Legal action, compensation claims, fines, reputational damage	Standing orders and financial regulation, training, internal audit, monitoring officer
Overall budget realisation fails	Reduction in reserves, unplanned cuts to services, impact on future budgets	Budget monitoring, adequate reserves levels
Business rates retention	If overall funding reduces, there will be pressure on the revenue budget	Medium term financial strategy, modelling, business rates reserve
Failure of major contractor	Unable to provide services, additional unbudgeted costs	Market intelligence, credit checks, procurement rules and procedures

Reserves

The Council holds a number of reserves the majority of which are earmarked to meet specific categories or items of expenditure. Levels of reserves are reviewed to determine their adequacy to meet the Council's commitments and future plans and are an important consideration when preparing the budget. The Council has substantially increased the level of reserves held at 31 March 2021 in order to ensure greater financial resilience.

The Council's Section 151 Officer has recommended that a minimum level of un-earmarked reserves and contingencies of £3.100m be held to reflect the Council's levels of revenue risk. As at 31 March 2021 the Council held a General Fund balance of £3.000m and an Income Reserve of £0.100m, an increase of £1.759m when compared to the balance held at 31 March 2020.

The General Fund balance can be used to contribute to the revenue account. The required level is determined by a risk assessment of factors which might adversely impact upon the revenue budget on a worst case basis, the increased level of un-earmarked reserves and contingencies held reflects a strategic decision to increase the Council's financial resilience.

Partnerships

The Council participates in a wide range of partnership arrangements. Some are formal partnerships regulated by an agreement between the partners and some are informal in nature, many of them designed to facilitate community cohesion or to ensure awareness of community needs or to enable more efficient working practices. Examples of formal partnerships are a shared apprenticeship scheme in conjunction with Newcastle College and the administration of the Business Improvement District (BID) scheme for Newcastle town centre. Businesses within the BID area pay a supplementary business rate, collected by the Borough Council and used by the BID Board to promote the economic wellbeing and development of the town centre.

The Council 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. An example of this is the Locality Commissioning Partnership which co-ordinates contributions to third sector organisations. There are also reciprocal arrangements between neighbouring authorities for providing assistance, such as the secondment of staff, to provide continuity of service. The Council's offices at Castle House are shared with Staffordshire County Council, Staffordshire Police and Aspire Housing.

Economy, efficiency and effectiveness in the use of resources

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

Financial Regulations, Contract Procedural Rules, Standing Orders and the Council's Constitution set out the basic framework and internal controls by which Council business and administration must be conducted and are binding on all employees and members of the Council. Financial Regulations and the Contract Rules lay down procedures which must be followed when obtaining supplies and services for use by the Council to ensure that transparent and effective processes are in place. The arrangements and their effectiveness are continually kept under review as part of the ongoing management of the Council's services, medium term financial planning, continuous budgetary control procedures and regular internal audit reviews and reports.

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

Formal review takes place via the Annual Governance Statement considered and approved by Council members, which is published within the Statement of Accounts (page 19). This is informed by the Executive Management Team, Heads of Service and Business Managers to provide assurance that governance arrangements are in place and to identify required improvements.

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

Pension scheme liability

The liability relating to defined benefit pension schemes increased from £58.899m at 31 March 2020 to £71.636m at 31 March 2021. These amounts are required to be included in the Borough Council's accounts as a result of the application of International Accounting Standard 19 (IAS19) and the CIPFA Code of Accounting Practice. They relate to transactions of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities.

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The most recent formal valuations for English and Welsh Local Government Pension Scheme Funds were concluded by 31 March 2020. A reconciliation of the balance sheet from 31 March 2020 to 31 March 2021 can be seen in the 'Transactions relating to post-employment benefits' table in Note 29 (page 66), in the Comprehensive Income and Expenditure Statement (re-measurement of the defined benefit liability/asset, (page 29) and in the Balance Sheet (pension liability and pension reserve, page 31).

Audit of the accounts

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

Andrew Smith, Grant Thornton UK LLP, 4 Hardman Square, Gartside Street, Manchester, M3 3EB

Further information

Further information about the accounts is available from:

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

Comments

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

Approval of Statement of Accounts

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

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

Statement of Responsibilities

The Authority's responsibilities

The Authority is required:

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

The Head of Finance (Section 151 Officer) - responsibilities

The Head of Finance (Section 151 Officer) is the Council's statutory Section 151 Officer and as such is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) are required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2021.

In preparing the statement of accounts the Head of Finance (Section 151 Officer) has:

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

The Head of Finance (Section 151 Officer) certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Borough Council as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Sarah Wilkes Dated:

Head of Finance (Section 151 Officer)

Annual Governance Statement 2020/21

1.0 Scope of responsibility

1.1 Newcastle-under-Lyme Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newcastle-under-Lyme Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, Newcastle-under-Lyme Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 Newcastle-under-Lyme Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is available on the Council's website or can be obtained from;

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

This statement explains how Newcastle-under-Lyme Borough Council complies with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, Regulation 6(1), which requires all relevant bodies to prepare an Annual Governance Statement.

2.0 Delivering good governance in Local Government: framework

2.1 The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. To demonstrate compliance with the principles of good corporate governance, the council must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

2.2 Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for residents and service users. Further, good governance enables an authority to pursue its aims effectively whilst controlling and managing risk.

2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing and embedded process designed to identify and prioritise the risks to the achievement of Newcastle-under-Lyme Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.4 The governance framework has been in place at Newcastle-under-Lyme Borough Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

GOVERNANCE ROLES & RESPONSIBILITIES

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

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

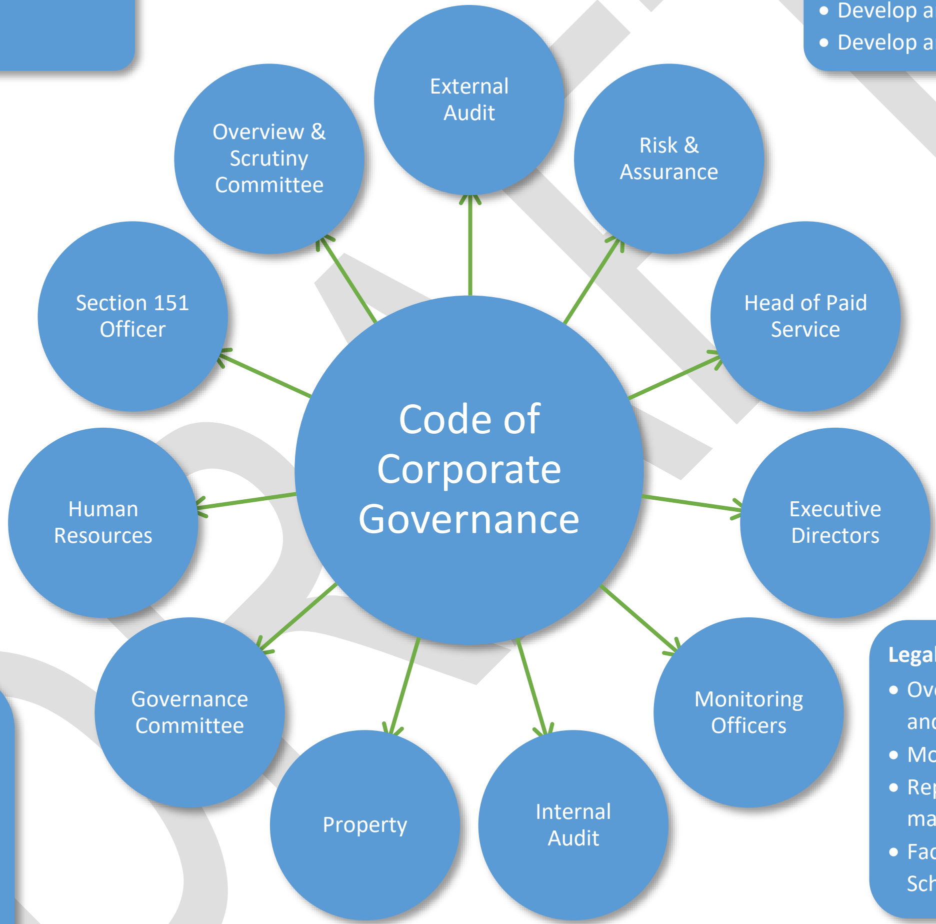
- Prepare Annual Governance Statement
- Identify and collate sources of assurance
- Complete 'Assurance Framework document
- Develop and maintain Risk Management Policy
- Develop and manage Strategic Risk Register with EMT

Financial Management

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

Executive Management Team

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



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

Service Delivery

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

Standards, Assurance / Ethics

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

Legal & Ethical Assurance

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

Asset Management

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

Assurance

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

3.0 The governance framework

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

Core Principle A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

- **Behaving with integrity:**
  - The Council has in place Codes of Conduct for both Members and Officers which set out requirements that support the need to behave with integrity.
  - The Council has a set of values which are underpinned by a set of expected behaviours.
  - All new members and officers are made aware of the Code of Conduct when they join the council.
  - The Council's Constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the Council to choose. The Constitution is divided into 16 sections which set out the basic rules governing the council's business. The Constitution is published on the council's website.

- **Demonstrating strong commitment to ethical values:**
  - The council has a framework of policies that incorporate Anti-Fraud & Corruption, Anti- Money Laundering and a Whistleblowing Policy all of which are designed to in the first instance discourage inappropriate behaviour and then secondly encourage both Members and Officers to voice any concerns they have and report any instances found.
  - Members are required to renew their declaration of interests annually and also declare any relevant interests at meetings. There is also a register of gifts and hospitality.
  - Employees are required to notify their Executive Director or Head of Service about any potential conflict of interest.
  - A register of gifts and hospitality is maintained by the Executive Management Secretarial Team, an annual reminder is issued to all Employees.

- **Respecting the rule of law;**
  - The Council has in place a Monitoring Officer who works with Members and Officers to ensure that the law is adhered to.
  - Legal advice is given in reports for all decisions to be taken by Members and Officers are also required to take advice where required.

Core Principle B	Ensuring openness and comprehensive stakeholder engagement

- **Openness:**
  - All meetings of the Authority are held in public unless the Part II requirements of the local authorities (Executive Arrangements) (Access to Information) Regulations 2000, are met in terms of confidentiality.
  - Copies of all minutes and agendas are available on the Councils website. All reports contain details of options considered and the advice provided by officers regarding legal and financial implications. The minutes include the reasons behind the decisions made.
  - The Council has a Freedom of Information Scheme in place and seeks to publish information openly on its website wherever possible and practicable to do so.

- **Engaging comprehensively with institutional stakeholders:**
  - The Council has in place a Communications Strategy which sets out how we will communicate with our residents, service users and stakeholders.
  - Since 2019/20 The Council has been part of the Staffordshire and Stoke on Trent Business Rate Pool.
  - The Council is committed to working collaboratively with a range of other partners including the County Council, education, health, housing, business, police, fire and the voluntary and community sector to achieve what is needed for the Borough.

- **Engaging with individual residents and service users effectively:**
  - The Council has a consultation framework and toolkit in place and provides details of all on-going consultation exercises/surveys on its website.

Core Principle B	Ensuring openness and comprehensive stakeholder engagement

- Whenever we seek the views from the community we provide feedback on the information received and let our residents know how it has or will be used to help shape Council decisions.
- Where appropriate, public consultation is used to seek the views of residents and stakeholders. For example, a public engagement exercise was undertaken with residents and stakeholders on the draft budget proposals. The aim of this engagement exercise was to:
  - Communicate clearly to residents and stakeholders the budget proposals for 2021/22;
  - Ensure any resident, business or stakeholder who wished to comment on the proposals had the opportunity to do so, enabling them to raise any impacts the proposals may have; and
  - Allow participants to propose alternative suggestions for consideration which they feel could achieve the objectives in a different way
- The Council carried out a consultation with it officers via its Wellbeing survey. This survey focussed on the impact of the Covid-19 pandemic on the workforce and their families. This gave a good insight as to how some of the staff were feeling and the sort of support needed going forward. A response plan was then developed with the support of the Human Resources Department and this was communicated to all staff.

Core Principle C	Defining outcomes in terms of sustainable economic, social and environmental benefits

- **Defining outcomes:**
  - The Council has a clear vision of what it wants to achieve, which is set out in its Council Plan. The vision and priorities have been informed by an analysis of needs for the Borough and also via consultation with key stakeholders and the public.
  - Each service has a Service Plan that outlines outcomes to be achieved and how they link to the Council Plan.
- **Sustainable economic, social and environmental benefits:**
  - A Sustainable Community Strategy is in place which aims to create an environment where local people can articulate their priorities, needs and aspirations.
  - In addition the capital strategy sets out the principles and objectives which the Council has identified for its capital investment and how its capital plans link to other strategies and areas of activity of the Council and its partners, this now extends to a 10 year period.
  - The Councils day to day services support the delivery of the Council Plan, performance in delivering the objectives are monitored by the Executive Management Team (officers), the Cabinet and Scrutiny Committees (Members).

Core Principle D	Determining and planning the actions necessary to optimise the achievement of the intended outcomes

- **Determining Interventions:**
  - The principles of decision making are detailed in the Councils constitution.
  - A calendar of meetings is approved and agreed by annual Council in May each year.
- **Planning Interventions:**
  - The Councils Forward Plan details all the reports relating to key decisions and the timescales within which they will be presented.
  - Service Plans are produced annually which set out the planned activities for each service area for that year.
- **Optimising the achievement of intended outcomes:**
  - The Medium Term Financial Strategy considers any changes that are required to be made to the base budget to ensure that service priorities are affordable and achievable.
  - The budget process takes account of the full cost of service delivery over the medium and longer terms.
  - The budget setting process ensures that a robust and balanced budget is approved.
  - The budget setting process allows for investment which is intended to bring future efficiencies.

Core Principle E	Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Members and Officers.

- **Developing the councils capacity:**
  - The Council regularly reviews its activities to ensure continuous improvement of service delivery.
  - The Council works closely with its partners to ensure the delivery of agreed outcomes to the community.

- **Developing the capability of the entity's leadership and other individuals:**
  - The roles of Members, Committees, Officers and Statutory Officers are set out in the Councils Constitution, which is available on the Councils website.
  - The Council has a scheme of delegation in place which forms part of the Constitution, this sets out the types of decision made by the council and who can make these.
  - The Constitution also contains Financial Regulations and Contract Procedures which provide a framework for Officers to follow when running their services and making decisions.
  - An induction programme is in place to provide training and support for all new members and officers.
  - All officers have an annual appraisal to review performance and identify any training and development needs.
  - A member development programme is in place in respect of members to identify all their training needs.
  - The Council is committed to supporting the health and well-being of the workforce through appropriate Human Resource policies, working practices and access to an occupational health service.

Core Principle F	Managing risks, performance and data through robust internal control and strong public financial management.

- **Managing Risk:**
  - The Council has a risk management policy and strategy in place.
  - A strategic risk register is maintained by the Executive Management Team, progress is monitored on a quarterly basis by the Audit and Standards Committee.
  - Operational risks are identified and managed by Heads of Service; these are reviewed and monitored quarterly.

- **Managing Performance:**
  - Heads of Service and Business Managers are responsible operationally for the performance in delivering day to day services. This in turn is monitored by Executive Directors and the Executive Management Team.
  - The performance of delivering the Councils priorities is monitored by Cabinet.
  - There are Scrutiny Committees in place to monitor the performance of the Council and hold the Cabinet to account for the decisions that it makes.

- **Robust internal control:**
  - The internal control framework comprises a range of policies and procedures to ensure sound management of the Councils operation and delivery of services.
  - Internal Audit undertakes reviews of systems that comprise the internal control and governance framework, it provides assurance and where necessary makes recommendations for improvement.
  - The Audit and Standards Committee receives reports with regards to the internal control framework. In addition quarterly reports are presented in respect of the progress and completion of the audit plan and the implementation of outstanding recommendations.

- **Managing Data:**
  - The Council has a suite of Information Security Policies to ensure and maintain the integrity of the data that it holds.
  - In addition the Council has an Information Governance Officer in place to ensure that personal data is held securely and managed appropriately.

- **Strong public financial management:**
  - The Head of Finance as the Councils Section 151 Officer is appropriately qualified and complies with the CIPFA statement on the Role of the Chief Finance Officer. In April 2016, CIPFA/SOLACE issued an updated application note on the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council complies with these requirements. The Chief Financial Officer is:
    - A key member of the Leadership Team
    - Actively involved in, and able to bring influence to bear on, all material business decisions to ensure alignment with the Authority's financial strategy
    - The lead for the promotion and delivery, by the whole Authority, of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
    - Professionally qualified and suitably experienced
    - Able to lead and direct a finance function that is resourced to be fit for purpose.
  - The Head of Finance (S151 Officer) prepares and advises the Council on its Medium Term Financial Strategy and the Budget.
  - Regular budget monitoring reports are provided to Members and Officers.
  - Financial Regulations and Contract procedures provide a framework for the day to day management of the Councils financial transactions.

<table>
<tr><th>Core Principle G</th><th>Implementing good practices in transparency, reporting and assurance (including audit) to deliver effective accountability.</th></tr>
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- **Implementing good practice in transparency and reporting:**
  - The following information is reported annually to Members and is available on the Councils website;
    - Performance in delivering the Council's priorities;
    - Statement of Accounts;
    - Annual Governance Statement;
    - Annual Internal Audit Report
    - Annual External Audit Letter
  - In addition to the above, the Council has a transparency page on the website which provides public access to information in accordance with the Local Government Transparency Code.

- **Assurance and effective accountability**
  - Internal Audit provides assurance throughout the year on the key systems of internal control.
  - The External Auditor provides assurance on the Councils financial statement.
  - The Councils governance arrangements are reviewed on an annual basis.
  - There is a Corporate Complaints, Compliments and Comments Policy in place.
  - Independent reviews of council services are undertaken from time to time, any feedback in respect of such reviews are noted and acted upon accordingly.
  - The Statutory Officers Group and Corporate Assurance Group review all corporate complaints, compliments and comments.

</td></tr>
</table>

3.2 A key element of the Councils governance arrangements concerns safeguarding. Newcastle-under-Lyme Borough Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across all its services. As a Council we are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by us. We ensure this by;

- Having a Safeguarding Policy in place,
- Mandatory training in place for all Members and Officers,
- Carrying out the appropriate level of Disclosure and Barring Service (DBS) checks for employees, and
- Working closely with the Staffordshire Safeguarding Children's Board & Staffordshire and Stoke-on-Trent Adult Safeguarding Partnership.

4.0 Review of effectiveness

4.1 Newcastle-under-Lyme Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Management Team within the authority who have responsibility for the development and maintenance of the governance and internal control environment and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The Code of Corporate Governance adopted by Newcastle-under-Lyme Borough Council demonstrates the Council is committed to ensuring that the principles of good governance flow from a shared ethos or culture, as well as from sound management systems, structures, and processes that are transparent to all its stakeholders. By making explicit the high standards of self-governance the Council aims to provide a lead to potential partners, to the public, private or voluntary sectors and to all residents.

4.3 The Audit and Standards Committee monitors effectively the system of internal control, this has been demonstrated through the completion of a self-assessment against CIPFA's checklist on 'Measuring the effectiveness of the Audit Committee'. The Committee receives regular reports on both the Audit and Risk issues and has demonstrated effective challenge to senior officers in instances of non-compliance; it can therefore be relied upon when considering the Annual Governance Statement for 2020/21.

4.4 The Scrutiny function continues to ensure effective monitoring and challenge. There are Scrutiny Committees that reflect each of the Council's Corporate Priorities. The terms of reference for each of these committees ensure that performance is effectively monitored and challenged.

4.5 Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. A risk model is used to formulate a twelve month plan which is approved by the Audit and Standards Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Executive Director. The report includes recommendations for improvements that are included within an action plan and require agreement, or challenge, by Directors. The process includes follow ups on a monthly basis, the results of which are reported quarterly to the Audit and Standards Committee in terms of fundamental recommendations and the level of assurance that can be given for that directorate based on the implementation of their recommendations. Internal Audit has continued to receive positive feedback from External Audit with regards to the coverage of their work and high professional standards.

4.6 Internal Audit can provide a level of assurance that the Council's systems of internal control are operating adequately, from their work in 2020/21.

4.7 An assessment of the role of the Chief Finance Officer (CFO) has been completed in accordance with the 'CIPFA Statement on the role of the Chief Financial Officer in public service organisations'. The statement produced by CIPFA seeks to strengthen governance and financial management throughout the public sector, in addition it sets out the core responsibilities, personal skills and professional standards that are crucial to the role. It requires that the CFO is professionally qualified, reports directly to the Chief Executive and is a member of the Leadership team. Having undertaken the assessment of the role of the CFO within the Council it can be confirmed that the Authority complies with this statement.

4.8 The role of the Head of Internal Audit has been reviewed in accordance with 'CIPFA Statement on the role of the Head of Internal Audit'. The role of the Head of Internal Audit occupies a critical position within any organisation helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role on promoting good corporate governance. The main aim of the CIPFA statement is to promote and raise the profile of the Head of Internal Audit within public service organisations. The Council's current arrangements for the provision of Internal Audit, in partnership with Stoke-on-Trent City Council, ensure that the objectives of this role are achieved.

4.9 The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council keeps the Constitution under review throughout the year, with a report setting out changes to be consolidated to Council on an annual basis.

4.10 Managers Assurance Statements are produced annually by both Executive Directors and Heads of Service. These statements provide a level of assurance with regards to the adequacy of internal controls within their own Directorate and Service Areas.

4.11 There are various specialist working groups, i.e. Statutory Officers' Group, Capital, Assets and Commercial Investment Review Group, Corporate Governance, Information Security, Procurement, and Corporate Health and Safety, that agree, oversee and review the various disciplines giving assurance that the Council complies with statute, identifies and manages its risks.

4.12 The External Auditors, Grant Thornton gave an unqualified opinion on the 2019/20 Accounts, in their Governance Report. In addition their review of the Council's arrangements for securing financial resilience concluded that the Council had robust financial systems and processes in place to manage its financial risks and opportunities and to secure a stable financial position that enabled it to continue to operate for the foreseeable future.

4.13 The Council has a zero tolerance to Fraud and Corruption, the Anti-Fraud and Corruption Framework, Fraud Response Plan and Whistleblowing Policy are in place to help deliver our commitment to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The commitment to deterring fraud and corruption is actively promoted throughout the organisation. Anyone who has any concerns about any aspect of the Council's work is actively encouraged to come forward and voice those concerns.

5.0 Significant governance issues

5.1 The following matters have been identified as issues that need to be addressed in order to further improve the Council's overall governance arrangements;

- To ensure that funding required for the Councils Capital Programme is maximised through the sale of assets identified for disposal as part of the Asset Management Strategy.
- To continue to raise the profile and status of Information Security and Governance throughout the Council. Work to ensure that information security and data protection requirements and legislation are complied with, is to be continued.
- To ensure that the Council continues to deliver services that meet the needs of our customers and respond to any issues our customers may have with the current level of service provision. Working with our partners we will ensure that we can deliver effectively and efficiently against residents/customer requirements.
- To ensure that our services demonstrate value for money we will continue to review all Service Areas against best practice and implement actions outlined in Service Plans, in addition we will seek to improve efficiencies across all Council services through the One Council Programme and ensure that the savings identified from this process can be realised.
- To work in partnership as part of the North West Staffordshire Corporate Fraud Team to ensure that the Council remains vigilant in combating and tackling all aspects of fraud and corruption.
- To develop the commercial skill sets of Officers and the Council's investment capacity in order to support the Council's long term financial sustainability.
- To improve practical guidance to governance in order to provide clearer understanding of processes to be followed throughout the organisation.
- To better manage and automate decision report production, meeting agendas, minutes and delegated decision powers and records through the digitisation agenda.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review and the forth coming Corporate Peer Review which will commence later in the year.

6.0 Reflecting the challenges and impact from the Coronavirus

6.1 The Annual Governance Statement assesses governance in place during 2020/21, therefore this section looks at the challenges and the impact the coronavirus has had on the Council.

6.2 The impact on governance can be seen under the following broad categories:

6.2.1 *Impact on business as usual in the delivery of services*

- Social distancing measures have had a significant impact on the Council's governance arrangements.
- MHCLG laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority and police and crime panel meetings held between 4 April 2020 and 6 May 2021. These regulations provide for remote access to meetings of local authorities by members of a local authority and by the press and public. The regulations also enable local authorities to hold and change the frequency and occurrence of meetings without requirement for further notice and they also remove the provisions requiring local authorities to hold annual meetings.
- Given the fundamental importance of local democracy, openness and transparency, accountability and the overarching responsibility to serve the public interest Newcastle Borough Council put arrangements in place to hold meetings virtually, allowing elected members to fully engage in taking key decisions and allow for public

participation. Since April 2020 all the Council meetings have been broadcast live and made available on our YouTube Channel.

- Agile and flexible working has now become business as usual for many of the Council's staff. This transition was achieved early in the first lockdown where all staff who could work from home were equipped to do so.

- Maintaining front line services has been a focus for Operational Services. The Waste and Recycling Service was able to continue to provide the service throughout 2020.

- The Council has also ensured that the local residents are regularly updated and kept informed about changes relating to the pandemic. Social Media has increased significantly since the start of the first lockdown, providing on-going information about local and national developments.

6.2.2 *National response to coronavirus and governance issues arising*

- The Council has and continues to work on its recovery plan. This currently looks at five areas of recovery work and includes the following areas:-
    1. Reopening Safe, Successful Retain Centres
    2. Supporting Health & Wellbeing
    3. Economic Recovery
    4. Stepping-up Council Services
    5. Financial Recovery

- With the lockdown beginning to be eased, efforts are now be focused on recovery, and ensuring that both the Council and the Borough get "Back on Track" – getting the economy back to its pre-lockdown position as swiftly and safely as possible.

- This plan is delivered through more detailed action plans, with the Cabinet overseeing implementation through portfolio holders working closely with the Executive Management Team colleagues leading on each work stream. Key work undertaken to date is detailed below

- It is still difficult to predict what actions will be needed over the next few months and possibly years. There are impacts that will need to be addressed, for instance the Council's role in dealing with local outbreaks of COVID-19 together with the Council's role in the Government's test, track and trace.

- Environmental Health are working across Staffordshire with Public Health to meet the Government's expectations on the part of the plan that will need to be addressed locally.

6.2.3 *The financial impact of delivering the local government response*

- The ongoing COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. The financial impact will be due to both unforeseen but necessary, expenditure and reduced income from fees and charges, Council Tax and Business Rates.

- The overall impact is very difficult to predict due to the frequent changes regarding the relaxation of the lockdown measures from Central Government together with anticipating the public's behaviours and responses to these changes.

- The impact will also vary by area, dependent on factors such as geography, demographics, services delivered and the nature of the local economy. However to a large extent, it will depend on how quickly the national and local economies return to normal levels of activity.

- To offset the additional financial pressures being faced by Local Government, Central Government has provided additional funding to support Council's across the country through the coronavirus pandemic. This support includes; additional grant funding, provided in five tranches; sales, fees and charges scheme which compensates for reductions in income; council tax and business rates losses which covers 75% of irrecoverable losses in council tax and business rates; local council tax support grant which will compensate authorities for the expected additional cost of Local Council Tax Support Schemes.

6.2.4 *Assessment of the longer term disruption and consequences arising from the coronavirus pandemic*

- It is essential that the Council focuses on the likely impact that the crisis, and its aftermath, will have on income levels both now and into the future.

- The COVID-19 crisis is likely to be long-lasting, affecting more than one financial year. It could be difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially if the local economy is in recession.

- This means that the assumptions underlying later years in the Medium Term Financial Strategy will need to be reviewed, making the 'funding gap' for 2022/23 and beyond larger and are likely to include:

  - *Business Rates income projections due to collection rates, growth, appeals, empty properties relief and other reliefs.*

  - *Council Tax income projections due to collection rates, growth and Local Council Tax Support.*

  - *Income projections for fees and charges including car parking, property rentals and leisure.*

  - *Transformation and savings projects especially where they are focussed on income generation.*

6.2.5 *Some Positive Outcomes for the Council*

The pandemic has not been totally without some positive outcomes for the Council, for example:

- We have demonstrated the ability to respond and change at pace where needed, something that can be further develop in the future to adapt and deliver change across the Council and its communities.

- The Council's staff have shown the ability to rapidly change mind-set and culture, thereby demonstrating we can deliver services successfully through a virtual front-door and work both flexibly and remotely.

- The pandemic has highlighted the position in regards to the resilience and integrity of our ICT infrastructure.

Once the crisis is over, the Council will conduct a review of the lessons to be learned from its response.

Signed ______________________________ **Councillor Simon Tagg, Leader of the Council**

Signed ______________________________ **Martin Hamilton, Chief Executive**

Dated ______________________________

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 30) and the Expenditure and Funding Analysis (page 48).

2019/20				2020/21		
Gross expenditure £000	Gross income £000	Net expenditure £000		Gross expenditure £000	Gross income £000	Net expenditure £000
2,667	671	1,996	Chief Executive	2,074	158	1,916
31,019	26,528	4,491	Resources & Support Services	32,309	27,758	4,551
7,021	5,244	1,777	Regeneration & Development	10,007	4,400	5,607
17,034	8,031	9,003	Operational Services	17,819	5,424	12,395
606	415	191	Corporate	640	116	524
58,347	**40,889**	**17,458**	**Cost of services**	**62,849**	**37,856**	**24,993**
918	763	155	Other operating expenditure (Note 10-p53)	3,131	3,179	(48)
6,672	5,354	1,318	Financing & investment income/expenditure (Note 11-p53)	6,124	5,380	744
9,325	24,780	(15,455)	Taxation & non-specific grant income/expenditure (Note 12-p53)	17,587	39,542	(21,955)
		3,476	**(Surplus)/deficit on service provision**			**3,734**
		(1,147)	(Surplus)/deficit on revaluation of assets			(349)
		(21,192)	Remeasurement of the defined benefit liability/asset (Note 29-p66)			11,611
		(22,339)	**Other income & expenditure**			**11,262**
		(18,863)	**Total income & expenditure**			**14,996**

- Resources and Support Services includes housing benefits grant income and expenditure of circa £23m.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The movements in the year are broken down between gains and losses incurred in accordance with accounting practices and statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease line shows the statutory General Fund balance movements in the year following those adjustments.

2020/21	General Fund balance £000	Capital receipts reserve £000	Capital grants unapplied £000	Total usable reserves £000	Unusable reserves £000	Total Council reserves £000
Balance at 31 March 2020 b/fwd	**(3,574)**	**(817)**	**(1,852)**	**(6,243)**	**(3,241)**	**(9,484)**
Movement in Reserves 2020/21						
Total comprehensive income & expenditure	3,734	-	-	3,734	11,262	14,996
Adjustment to revaluation reserve re. previous years impairment (PPE)	-	-	-	-	(238)	(238)
Adjustments between accounting & funding basis (Note 8-p51)	(13,588)	(72)	(848)	(14,508)	14,508	-
Increase/decrease in year	**(9,854)**	**(72)**	**(848)**	**(10,774)**	**25,532**	**14,758**
Balance at 31 March 2021 c/fwd	**(13,428)**	**(889)**	**(2,700)**	**(17,017)**	**22,291**	**5,274**
2019/20						
Balance at 31 March 2019 b/fwd	**(3,130)**	**(2,242)**	**(1,032)**	**(6,404)**	**15,783**	**9,379**
Movement in Reserves 2019/20						
Total comprehensive income & expenditure	3,476	-	-	3,476	(22,339)	(18,863)
Adjustments between accounting & funding basis (Note 8-p51)	(3,920)	1,425	(820)	(3,315)	3,315	-
Increase/decrease in year	**(444)**	**1,425**	**(820)**	**161**	**(19,024)**	**(18,863)**
Balance at 31 March 2020 c/fwd	**(3,574)**	**(817)**	**(1,852)**	**(6,243)**	**(3,241)**	**(9,484)**

- The General Fund balance includes £10.428m of earmarked reserves, leaving a general balance of £3.000m.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting and funding basis' (page 30).

31/03/2020 £000		31/03/2021 £000
45,720	Property, plant & equipment (Note 19-p57)	44,957
676	Surplus assets (Note 19-p57)	676
16,737	Investment property (Note 20-p60)	15,304
1,429	Heritage assets (Note 21-p61)	1,429
94	Intangible assets	31
413	Long term debtors (Note 22-p61)	406
65,069	**Long term assets**	**62,803**
-	Short term investments (Note 31-p70)	-
241	Inventories	357
13,519	Short term debtors (Note 22-p61)	21,771
4,704	Cash/cash equivalents (Note 31-p70)	4,633
18,464	**Current assets**	**26,761**
(12,388)	Short term creditors (Note 23-p61)	(17,368)
(77)	Short term borrowing (Note 31-p70)	(73)
-	Revenue grants receipts in advance	(2,284)
(890)	Provisions (Note 24-p62)	(1,060)
(13,355)	**Current liabilities**	**(20,785)**
(1,061)	Provisions (Note 24-p62)	(1,562)
(58,899)	Net pensions liability (Note 29-p66)	(71,636)
(734)	Capital grants receipts in advance	(855)
(60,694)	**Long term liabilities**	**(74,053)**
9,484	**Net assets**	**(5,274)**
6,243	**Total usable reserves** (MIRS-p30)	**17,017**
3,241	**Total unusable reserves** (Note 25-p62)	**(22,291)**
9,484	**Total reserves**	**(5,274)**

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.

2019/20 £000		2020/21 £000
3,476	**Net (surplus)/deficit on the provision of services** (per CIES-p29)	**3,734**
(2,227)	(Increase)/decrease In creditors	(4,980)
3,021	Increase/(decrease) in debtors	8,252
26	Increase/(decrease) in inventories	116
285	(Increase)/decrease in provisions	(671)
(4,553)	Charges for depreciation/impairment of non-current assets	(3,142)
(558)	Revaluation losses on property, plant & equipment	(3,704)
282	Movements in fair value of investment properties	742
(24)	Amortisation of intangible assets	(4)
(20)	Capital element of finance leases where Council is lessor	5
(3,952)	Movement in pension liability	(2,957)
(331)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(2,536)
(8,051)	**Adjustments for non-cash movements**	**(8,879)**
1,131	Capital grants & contributions unapplied credited to Comprehensive Income & Expenditure Statement	999
763	Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	3,180
-	Transfer from deferred capital receipts reserve on receipt of cash	-
1,894	**Adjustments for items that are investing/financing activities**	4,179
(2,681)	**Net cash flows from operating activities**	**(966)**
2,477	Purchase of property, plant & equipment, investment property & intangible assets	5,659
68,500	Purchase of short & long term investments	90,000
(515)	Proceeds from sale of property, plant & equipment, investment property & intangible assets	(3,380)
(68,500)	Proceeds from short & long term investments	(90,000)
(1,295)	Other receipts from investing activities	(1,248)
667	**Net cash flows from investing activities**	**1,031**
-	Cash receipts of borrowing	-
(2,864)	Other receipts from financing activities	(7,919)
-	Repayments of borrowing	5
2,397	Other payments for financing activities	7,920
(467)	**Net cash flows from financing activities**	**6**
-	Local Government Pension Scheme deficit contribution	-
(2,481)	**Net increase or decrease in cash & equivalents**	**71**
(2,223)	Cash & equivalents brought forward	(4,704)
(4,704)	**Cash & equivalents carried forward**	**(4,633)**

The cash flows for operating activities include the following items:

2019/20 £000		2020/21 £000
(97)	Interest received	(72)
-	Interest paid	1

Notes to the Financial Statements

1. Accounting Policies

i. General principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which is required to be prepared in accordance with accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and supported by International Financial Reporting Standards (IFRS).

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

Materiality levels throughout the accounts are based upon the relevance to the users of the accounts and notes and the amounts advised to the Council by its external auditors.

ii. Accruals of income and expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and used, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate rather than the cash flows fixed or determined by the contract;

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and cash equivalents

Cash is represented by cash in hand and deposits with the financial institutions repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

iv. Prior period adjustments, changes in Accounting Policies and estimates and errors

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

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

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

v. Charges to revenue for non-current assets

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

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

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

vi. Council Tax and Non Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vii. Employee benefits

Benefits payable during employment

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

Termination benefits

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

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

Post-employment benefits

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

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

- The liabilities of the Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and forecasts of projected earnings for current employees;

- Liabilities are discounted to their value at current prices, using a discount rate of 2% (2% for the unfunded scheme);

- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

    - Quoted securities – current bid price;

    - Unquoted securities – professional estimate;

    - Unitised securities – current bid price;

    - Property – market value.

The change in the net pension's liability is analysed into the following components:

- Service Cost comprising:

    - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

    - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

    - Net interest on the net defined benefit liability/asset, i.e. net interest expense for the Council - the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments;

- Remeasurements comprising
  - The return on plan assets, excluding amounts included in net interest on the net defined benefit liability/asset, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Contributions paid to the Staffordshire Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

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

viii. Events after the Balance Sheet date

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

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

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

ix. Financial instruments

Financial liabilities

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

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

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The financial assets that the Council holds are measured at amortised cost.

Financial assets measured at amortised cost

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Short term investments

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. Lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of a 12 month expected loss.

Instruments entered into before 1 April 2006

The Council has entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that a contingent liability note is needed under the policies set out in the section on provisions, contingent liabilities and contingent assets.

x. Foreign currency translation

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

xi. Government grants and contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income (non-ring fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

xii. Heritage assets

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

Museum collection

These items are reported in the Balance Sheet at insurance valuation, which is based on market values as assessed by an external valuer 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. Heritage assets may occasionally be disposed of which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see note 'xviii').

xiii. Intangible Assets

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

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

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

xiv. Inventories

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

xv. Investment property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated, however their values are considered each year according to market conditions at the year-end (i.e. if any properties or classes of properties, following consideration are thought likely to be subject to a valuation change, they are revalued). In any case every property is revalued once every five years according to a rolling programme of revaluations. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as lessee

Finance leases

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

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

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

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

Operating leases

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

The Council as lessor

Finance leases

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

Lease rentals receivable are apportioned between a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received) and finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases

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

xvii. Overheads and support services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

xviii. Property, plant and equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

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

- Infrastructure and assets under construction – depreciated historical cost. Where the historical cost is unknown, a nominal value of £1 is attributed to the asset concerned;
- Community assets - depreciated historical cost, or the valuation option as per section 4.10 of the Code of Practice on local government accounting (this permits valuations by any method that is appropriate and relevant);
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;

- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer;

- Infrastructure - straight-line allocation over estimated life of asset.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Disposals and 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

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

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

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

Contingent liabilities

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

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet.

xx. Reserves

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

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

xxi. Revenue expenditure funded from capital under statute

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

xxii. VAT

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

xxiii. Fair value measurement

Some non-financial assets such as surplus assets and investment properties are measured at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market. Measurement uses the assumptions that market participants would use when pricing an asset or liability, assuming they are acting in their best economic interest and takes account of their ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques appropriate in the circumstances are used and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

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

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

Level 3 - unobservable inputs for the asset or liability.

2. Accounting Standards that have been issued but have not yet been adopted

At the balance sheet date the following new standards and amendments to existing standards that are deemed to have material significance to the Council, have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). Implementation for local government has been deferred to 1 April 2022. The impact on the Council's Statement of Accounts is not fully know at the current time.

3. Critical judgements in applying Accounting Policies

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

- Pension Liability - Estimation of the net liability to pay pensions as at 31 March 2021 depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase and mortality rates. The assumptions used are set out in the Defined Benefit Pension Note 29. The Council uses a firm of actuaries, Hymans Robertson LLP, to provide expert advice about the assumptions to be applied.

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

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

The significant items in the Council's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- The recoverable amounts in relation to debtors (balance of trade receivables is £1.246m), the balance of the credit loss allowance totals £0.292m at 31 March 2021, an increase of £0.050m (20.1% when compared to 31 March 2020), therefore 23.4% of debt outstanding at 31 March 2021 would be covered by the credit loss allowance if all debt become uncollectable. The following significant inputs, assumptions and estimation techniques have been used in calculating the Council's approach to impairment loss allowances:

    - Debtors relating to public sector organisations are not impaired;

    - A provision matrix is utilised to estimate expected credit losses based on the 'age' of debtors. The matrix identifies the relationship between the age of the Council's debtors and the risk of non-payment based on historical collections rates;

    - Actual collection rates are calculated for invoices raised during the 6 years prior to 31 March 2021 and are used to inform estimates of what can be expected to be collected during the forthcoming 5 years, this rate is multiplied by the amount outstanding per year to given the credit loss allowance required for that year;

    - For debts over 5 years old a rate of 41.37% is applied to reflect the decreased likelihood of these debts being collected, whilst for debts over 10 years old a rate of 82.29% is applied to reflect the further decreased likelihood of these debts being collected. These rates are calculated by reviewing the amounts of debtors settled after 6 years and 8 years respectively;

    - A further allowance has been made within the credit loss allowance for debtors to reflect the potential impact of COVID-19 on the collection, this is based upon the increased level of debtors arrears from 31 March 2020 to 31 March 2021. The actual collection rates used to inform estimates of what can be expected to be collected have been uplifted by 13.2% to reflect potential Coronavirus related losses;

    - Any reasonable and supportable information relating to individual debtors in terms of past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort will also be reflected;

    - An increase of 1% in terms of the percentage of debt covered by the credit loss allowance would result in a further £12,460 being required in the credit loss allowance.

- Principal actuarial assumptions used at the balance sheet date in respect of the defined benefit pension scheme. The effects on the net pension liability of changes in the real discount rate, salary increase rate and pension increase rate are shown below:

    - 0.5% decrease in real discount rate gives an increase in liability of £19.566m;

    - 0.5% increase in the salary increase rate gives an increase in liability of £2.143m;

    - 0.5% increase in the pension increase rate gives an increase in liability of £16.996m.

  However, the assumptions interact in complex ways. During 2020/21 the Council's actuaries advised that the net pension liability had increased by £12.737m.

- The outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, impacted global financial markets and market activity was impacted in many sectors. As at the valuation date, the Valuer has considered that they can now, again, attach greater weight to market evidence for comparison purposes, to inform opinions of value.

- As at 31 March 2021 the Council had £28.232m of operational land and buildings and £15.304m of investment property on its Balance Sheet that has been valued by the Council’s qualified valuer. The Council’s Property, Plant and Equipment have been valued on one of the following three bases under IFRS:

    - Fair Value (Existing Use Value (EUV)) – method used to value operational property assets other than specialised property assets.

    - Depreciated Replacement Cost (DRC) - method used to value operational property assets of a specialised nature.

    - Fair Value (Market Value) – method used to value property assets held as investments, surplus or for sale.

  Note 20 (page 60) details the valuation techniques utilised for investment property assets.

  A 1% movement in values since the last valuation date would change the reported value of operational land and buildings assets by £0.282m (£0.310m in 2019/20) and investment property assets by £0.153m (£0.167m in 2019/20). Buildings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance of those buildings. Reductions in the budget for repairs and maintenance spending brings into doubt the useful lives assigned to buildings. If the useful life of buildings is reduced, depreciation increases and the carrying amount of the building falls.

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

- The business rates retention scheme came into effect on 1 April 2013. The accounts include a provision for the estimated costs of appeals that have been lodged with the valuation office. This is a complex modelled calculation undertaken on behalf of the Council by Inform CPI based on past success levels relating to both 2010 and 2017 valuations.

  Inform CPI Limited is an Organisational Member of the Institute of Revenues Rating and Valuation (IRRV), and is therefore bound by the Institute’s code of professional conduct. It also holds appropriate professional indemnity insurance cover that includes all Royal Institution of Chartered Surveyors (RICS) requirements.

  The staff involved are leading business rates experts who are knowledgeable in all methods of valuation, material change of circumstance appeals, allowances, valuation schemes and the identification of comparable evidence.

  The model is designed to provide a consistent approach to the calculation of potential reductions. In doing so, a number of assumptions are made relating to the proposal and appeal data submitted for calculation:

    - That the submitted records are up to date or the most recent information provided by the Valuation Office Agency (VOA). It is the responsibility of the billing authority to ensure that submitted records are timely

    - That the data provided by the VOA accurately reflects the details of proposal or appeal

    - That the proposal or appeal is still outstanding and has not been withdrawn, dismissed or settled

  Method and approach

  The estimation model is designed to give an overall estimate of the potential loss in rateable value and yield. To do this, each submitted appeal record is analysed and a potential estimated reduction calculated, by reference to:

    - Comparable hereditaments, in terms of type, size and location that have seen a reduction in rateable value in the same list

- The code of grounds of the appeal, this will affect the comparable records used and the calculation process
- The effective date of the proposal or appeal, to calculate the potential yield losses that may affect previous years
- Other trends in the rating list

A potential reduction percentage is derived from these criteria. This is applied to the rateable value contained in the submitted record and a potential appeal rateable value is calculated, in accordance with the accepted rounding approach. For example, a record with rateable value of £150,000 that is estimated to receive a 4.95% reduction would give a result of £142,575. This would be rounded to give a potential appeal rateable value of £142,000. This value is used, along with the effective date given in the record, to calculate potential rateable value and yield losses.

Yield losses for each year are calculated using the non-domestic rating multipliers for that year. Allowance is made for small business rate relief changes, in line with existing legislation, but no other adjustment is made for liability, exemption or relief.

Each record is compared to the rateable value profile for that hereditament to ensure that the effect on yield is only calculated for the period that the appealed rateable value is in force.

As at 31 March 2021 the Council's share (40%) of the estimated appeals against business rates is £2.459m, the rateable value of properties subject to Business Rates as at 31 March 2021 within the Borough totals £90.660m. The Council's share of the appeals provision amounts to 27.12% of the total rateable value, an increase in rateable value of 1% could lead to an increase in the appeals provision of £0.025m.

5. Events after the reporting period

The Statement of Accounts was authorised for issue by the Head of Finance (Section 151 Officer) on xx July 2021.

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 2021 which required the amendment of figures in the financial statements or notes to the financial statements.

The COVID-19 pandemic continues to have a significant impact on the Council's financial position, particularly through the loss of income. It is anticipated that income losses will continue to be incurred during 2021/22, the Government has continued the Income Losses compensation scheme for the first quarter of 2021/22 to partly fund these pressures, these losses may continue past the first quarter of 2021/22. However, the Council's underlying financial position is robust and the minimum level of the general fund reserve has been increased to allow further resilience.

6. Expenditure and Funding Analysis

This analysis shows how expenditure is used and funded from resources (government grants, council tax and business rates) by the Council compared to resources consumed or earned in accordance with accounting practices. It also shows how expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under accounting practice is presented fully in the Comprehensive Income and Expenditure Statement (page 29).

2019/20				2020/21		
Net expenditure chargeable to the General Fund £000	Adjustments between funding & accounting basis £000	Net Expenditure - Comprehensive Inc & Exp Statement £000		Net expenditure chargeable to the General Fund £000	Adjustments between funding & accounting basis £000	Net expenditure - Comprehensive Inc & Exp Statement £000
1,907	89	1,996	Chief Executive	1,893	23	1,916
3,831	660	4,491	Resources & Support Services	4,371	180	4,551
1,535	242	1,777	Regeneration & Development	3,363	2,244	5,607
4,891	4,112	9,003	Operational Services	8,088	4,307	12,395
2,176	(1,985)	191	Corporate	(11,350)	11,874	524
14,340	**3,118**	**17,458**	**Net cost of services**	**6,365**	**18,628**	**24,993**
(14,784)	**802**	**(13,982)**	**Other income and expenditure**	**(16,219)**	**(5,040)**	**(21,259)**
(444)	**3,920**	**3,476**	**Surplus or deficit**	**(9,854)**	**13,588**	**3,734**
3,130			**Opening General Fund/other useable reserves balance** (MIRS-p30)	**3,574**		
444			**Less/plus surplus or deficit on General Fund balance in year**	**9,854**		
3,574			**Closing General Fund/other useable reserves balance** (MIRS-p30)	**13,428**		

- The General Fund balance includes £10.428m of earmarked reserves, leaving a general balance of £3.000m

6a. Note to the Expenditure and Funding Analysis

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

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts 2020/21	Adjustments for capital purposes (Note 1) £000	Net change for the pensions adjustments (Note 2) £000	Other differences (Note 3) £000	Total adjustments £000
Chief Executive	-	9	14	23
Resources & Support Services	174	28	(22)	180
Regeneration & Development	2,218	22	4	2,244
Operational Services	4,116	80	111	4,307
Corporate	12,238	(364)	-	11,874
Net cost of services	**18,746**	**(225)**	**107**	**18,628**
Other income and expenditure	**(6,391)**	**1,351**	**-**	**(5,040)**
Difference between General Fund surplus or deficit & Comprehensive Income & Expenditure Statement surplus or deficit on the provision of services	**12,355**	**1,126**	**107**	**13,588**

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts 2019/20	Adjustments for capital purposes (Note 1) £000	Net change for the pensions adjustments (Note 2) £000	Other differences (Note 3) £000	Total adjustments £000
Chief Executive	-	70	19	89
Resources & Support Services	439	227	(6)	660
Regeneration & Development	59	173	10	242
Operational Services	3,506	545	61	4,112
Corporate	290	(524)	(1,751)	(1,985)
Net cost of services	**4,294**	**491**	**(1,667)**	**3,118**
Other income and expenditure	**(1,057)**	**1,859**	**-**	**802**
Difference between General Fund surplus or deficit & Comprehensive Income & Expenditure Statement surplus or deficit on the provision of services	**3,237**	**2,350**	**(1,667)**	**3,920**

Notes

1. Adjustments for capital purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under accounting practices.

- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable without conditions or for which conditions were satisfied.

2. Net change for the pensions adjustments

This column shows the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- **For services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- **For financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

3. Other differences

This column shows other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable recognised under statute. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

7. Segmental income and expenditure

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

2019/20 £000	Segment	2020/21 £000
	Depreciation & amortisation	
292	Resources & Support Services	174
354	Regeneration & Development	385
2,759	Operational Services	2,629
3,405	**Total**	**3,188**
	Impairment	
146	Resources & Support Services	-
372	Regeneration & Development	(2)
654	Operational Services	(12)
1,172	**Total**	**(14)**
	External Income	
487	Chief Executive	31
711	Resources & Support Services	(42)
4,197	Regeneration & Development	3,630
6,810	Operational Services	5,206
91	Corporate	116
12,296	**Total**	**8,941**

8. Adjustments between accounting basis and funding basis

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

2020/21	General Fund balance £000	Capital receipts reserve £000	Capital grants unapplied £000	Unusable reserves £000
Adjustments primarily involving - capital adjustment account				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation & impairment of non-current assets	(3,184)	-	-	3,184
Adjustment re. previous years impairment (PPE)	42	-	-	(42)
Revaluation losses on property, plant & equipment	(3,704)	-	-	3,704
Movements in fair value of investment properties	742	-	-	(742)
Amortisation of intangible assets	(4)	-	-	4
Reversal of REFCUS expenditure	(1,725)	-	-	1,725
Reversal of REFCUS income	716	-	-	(716)
Non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(2,536)	-	-	2,536
Capital element of finance leases where Council is the lessor	5	-	-	(5)
Application of capital grants received	2,463	-	-	(2,463)
Statutory provision for the financing of capital investment	41	-	-	(41)
Adjustments primarily involving - capital grants unapplied account				
Transfer of grant from revenue to the capital grants unapplied account	999	-	(999)	-
Application of grants to capital finance transferred to the capital adjustment account	-	-	151	(151)
Adjustments primarily involving - capital receipts reserve				
Transfer of sales proceeds from revenue to the capital receipts reserve	3,180	(3,180)	-	-
Use of the capital receipts reserve to finance capital	-	3,119	-	(3,119)
Transfer from deferred capital receipts reserve on receipt of cash	-	(11)	-	11
Adjustments pimarily involving - pensions reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(5,397)	-	-	5,397
Employers pension contributions and direct payments to pensioners payable in the year	4,271	-	-	(4,271)
Adjustments primarily involving - collection fund adjustment account				
Amount That Council Tax & Non-Domestic Rating income credited to the Comprehensive Income & Expenditure Statement differs From Council Tax & Non-Domestic Rating income calculated for the year	(9,390)	-	-	9,390
Adjustments primarily involving - accumulated absences account				
Amount by which Officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from remuneration chargeable calculated for the year	(107)	-	-	107
Total adjustments	**(13,588)**	**(72)**	**(848)**	**14,508**

2019/20	General Fund balance £000	Capital receipts reserve £000	Capital grants unapplied £000	Unusable reserves £000
Adjustments primarily involving - capital adjustment account				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation & impairment of non-current assets	(4,553)	-	-	4,553
Revaluation losses on property, plant & equipment	(558)	-	-	558
Movements in fair value of investment properties	282	-	-	(282)
Amortisation of intangible assets	(24)	-	-	24
Reversal of REFCUS expenditure	(380)	-	-	380
Reversal of REFCUS income	380	-	-	(380)
Non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(331)	-	-	331
Capital element of finance leases where Council is the lessor	(20)	-	-	20
Application of capital grants received in advance	33	-	-	(33)
Statutory provision for the financing of capital investment	40	-	-	(40)
Adjustments primarily involving - capital grants unapplied account				
Transfer of grant from revenue to the capital grants unapplied account	1,131	-	(1,131)	-
Application of grants to capital finance transferred to the capital adjustment account	-	-	311	(311)
Adjustments primarily involving - capital receipts reserve				
Transfer of sales proceeds from revenue to the capital receipts reserve	763	(763)	-	-
Use of the capital receipts reserve to finance capital	-	2,199	-	(2,199)
Transfer from deferred capital receipts reserve on receipt of cash	-	(11)	-	11
Adjustments pimarily involving - pensions reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(6,312)	-	-	6,312
Employers pension contributions and direct payments to pensioners payable in the year	3,962	-	-	(3,962)
Adjustments primarily involving - collection fund adjustment account				
Amount That Council Tax & Non-Domestic Rating income credited to the Comprehensive Income & Expenditure Statement differs From Council Tax & Non-Domestic Rating income calculated for the year	1,751	-	-	(1,751)
Adjustments primarily involving - accumulated absences account				
Amount by which Officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from remuneration chargeable calculated for the year	(84)	-	-	84
Total adjustments	**(3,920)**	**1,425**	**(820)**	**3,315**

9. Movements in earmarked reserves

2019/20				2020/21		
Transfers out £000	Transfers in £000	Net movement £000		Transfers out £000	Transfers in £000	Net movement £000
(207)	-	(207)	General Fund	-	1,759	1,759
(70)	-	(70)	Equipment replacement fund	(555)	141	(414)
(179)	179	-	Renewals and repairs fund	-	-	-
(78)	51	(27)	ICT development fund	(71)	50	(21)
(125)	125	-	Organisational capacity fund	-	-	-
-	-	-	Income reserve (prev. contingency)	-	-	-
(440)	1,450	1,010	Budget support fund	(1,342)	834	(508)
(11)	-	(11)	Conservation and heritage fund	(10)	10	-
-	75	75	Museum purchases fund	(4)	46	42
-	-	-	Maintenance contributions	-	-	-
(1)	-	(1)	Mayors charities reserve	(4)	-	(4)
-	4	4	Clayton Community Centre fund	-	5	5
(274)	248	(26)	Borough growth fund	(210)	250	40
-	-	-	Elections reserve	-	50	50
(12)	-	(12)	Keele masterplan reserve	(16)	-	(16)
(817)	526	(291)	Business Rates reserve	(741)	9,662	8,921
(2,214)	**2,658**	**444**	**Total**	**(2,953)**	**12,807**	**9,854**

10. Other operating expenditure

2019/20 £000		2020/21 £000
587	Parish precepts	595
201	(Gains)/losses on disposal of non-current assets	(643)
(633)	Capital income not arising from asset sales	-
155	**Total**	**(48)**

11. Financing and investment income and expenditure

2019/20 £000		2020/21 £000
-	Interest payable & similar charges	1
1,859	Interest on the net defined benefit liability	1,351
(89)	Interest receivable & similar income	(62)
(974)	Investment properties - income	(901)
(282)	Investment properties - revaluations	(742)
804	Investment properties - expenses	1,097
1,318	**Total**	**744**

12. Taxation and non-specific grant income and expenditure

2019/20 £000		2020/21 £000
(7,802)	Council Tax income	(8,187)
9,325	Non Domestic Rates expenditure	9,866
(15,855)	Non Domestic Rates income	(16,280)
(1,090)	Non-ringfenced Government grants	(4,891)
(33)	Capital grants & contributions	(2,463)
(15,455)	**Total**	**(21,955)**

13. Expenditure and income analysed by nature

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

2019/20 £000		2020/21 £000
	Expenditure	
19,716	Employees	18,222
2,372	Premises	2,159
827	Transport	915
4,332	Supplies and services	6,290
680	Grants and contributions	4,282
814	Agency and contracted services	1,256
25,275	Housing Benefits payments	22,937
6,285	Capital financing	10,309
9,912	Sources of finance expenditure	19,219
5,049	Pensions interest cost	4,102
75,262	**Total expenditure**	**89,691**
	Income	
633	Capital income not arising from asset sales	-
130	Gains/(losses) on disposal of non current assets	3,180
22,001	Sources of finance income	22,420
29,747	Government grants	42,072
139	Transfer from Collection Fund	138
2,088	Other grants and contributions	4,804
1,545	Reimbursements	1,756
8,594	Customer receipts	5,745
908	Rents	928
89	Interest and investment income	62
3,190	Pensions return on assets	2,751
2,722	Other income	2,101
71,786	**Total income**	**85,957**
3,476	**(Surplus) or deficit on provision of services**	**3,734**

14. External audit costs

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

2019/20 £000		2020/21 £000
50	External audit services carried out	66
12	Certification of grant claims and returns	13
15	Additional charges re. 2018/19	-
77		**79**

15. Members' allowances

In 2020/21 a total of £253,399 was paid to members (including the Mayor and Deputy Mayor) in respect of allowances (£251,863 in 2019/20). There were no expenses paid to members during 2020/21 (£1,500 in 2019/20).

16. Termination benefits

The Council terminated the contracts of a number of employees in 2020/21, incurring liabilities of £97,640 (£205,458 in 2019/20). The termination benefits consisted of £95,827 for loss of office and £1,813 in relation to long service awards.

17. Officers' remuneration

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

2020/21 - Post holder	Salary (£)	Benefits in kind (£)	Total exc. employer pension (£)	Employer pension (£)	Total inc. employer pension (£)
Chief Executive	108,762	-	108,762	18,598	127,360
Executive Directors		-			
Operational Services	93,426	-	93,426	15,976	109,402
Commercial Development & Economic Growth	93,426	-	93,426	15,998	109,424
Heads of Service					
Operations	63,204	-	63,204	10,830	74,034
Recycling and Fleet Services	59,724	-	59,724	10,213	69,937
Planning	59,724	-	59,724	10,213	69,937
Housing^	31,423	-	31,423	8,490	39,913
Leisure and Cultural Services^	17,656	-	17,656	2,549	20,205
Communications^	23,909	-	23,909	3,401	27,310
Environmental Health Services	63,377	-	63,377	10,837	74,214
People and Organisational Development	55,097	-	55,097	9,444	64,540
Finance^^	55,170	-	55,170	9,434	64,604
Legal and Governance Services	71,257	-	71,257	12,207	83,464

2019/20 - Post holder	Salary (£)	Benefits in kind (£)	Total exc. employer pension (£)	Employer pension (£)	Total inc. employer pension (£)
Chief Executive*	114,132	-	114,132	19,517	133,649
Executive Directors		-			
Operational Services	90,926	-	90,926	15,548	106,474
Resources & Support Services^	37,886	-	37,886	6,479	44,365
Heads of Service					
Operations	62,802	-	62,802	10,680	73,482
Recycling and Fleet Services	56,632	-	56,632	9,684	66,316
Planning^^	12,331	-	12,331	2,109	14,440
Housing	47,694	-	47,694	8,156	55,850
Leisure and Cultural Services	59,618	-	59,618	10,194	69,812
Communications	53,615	-	53,615	9,168	62,783
Environmental Health Services	60,960	-	60,960	10,429	71,389
People and Organisational Development^^	11,674	-	11,674	1,996	13,670
Finance^^	28,827	1,245	30,072	3,490	33,562
Legal and Governance Services^^	16,469	-	16,469	2,816	19,285

* This includes salary of £105,851 plus Returning Officers fees for the Parliamentary and EU Elections in 2019/20.

^ These post holders left during the year, their full time equivalent salary would exceed £50,000 per annum.

^^ These post holders started during the year, their full time equivalent salary would exceed £50,000 per annum.

18. Grant income

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

2019/20 £000		2020/21 £000
	Credited to taxation/non specific grant	
33	Capital grants	2,463
155	Other Government grants	312
1,656	Section 31/Business Rates Relief grant	7,130
935	New Homes Bonus scheme	604
-	Revenue Support grant	63
-	Coronavirus	1,916
-	Income Compensation - fees and charges	1,994
-	Income Compensation - Council Tax losses	152
-	Income Compensation - NNDR losses	1,559
2,779	**Total**	**16,193**
	Credited to services	
24,944	Housing Benefits subsidy/grants	22,583
447	Housing Benefit/Council Tax Benefit admin	444
1,512	Disabled Facilities grant	1,715
35	Individual Electoral Registration Section 31	9
945	Air Quality	148
485	Future High Street Fund	5
104	Contributions towards Community Safety	117
125	Homelessness	385
-	Additional Restrictions grant	2,104
-	Discretionary Business grant	1,133
-	Council Tax Hardship grant	1,036
459	Other grants and contributions	1,004
29,056	**Total**	**30,683**

19. Property, plant and equipment

Movements on balances

2020/21	Land & buildings £000	Infrastructure assets £000	Vehicles, plant, furniture & equipment £000	Community assets £000	Surplus assets £000	Total £000
Cost or valuation						
At 1 April 2020	**30,993**	**1,340**	**15,880**	**8,165**	**676**	**57,054**
Additions	1,705	-	3,860	-	48	5,613
Accumulated depreciation /impairment written out	(916)	-	(284)	(25)	-	(1,225)
Revaluation increases/(decreases) - revaluation reserve	43	-	31	276	-	350
Revaluation increases/(decreases) - surplus/deficit on provision of services	(3,592)	-	-	(64)	(48)	(3,704)
Derecognition - disposals	-	-	(363)	-	-	(363)
At 31 March 2021	**28,233**	**1,340**	**19,124**	**8,352**	**676**	**57,725**
Accumulated depreciation & impairment						
At 1 April 2020	(158)	(536)	(8,879)	(1,085)	-	(10,658)
Adjustment re. previous years impairment	83	-	9	188	-	280
Depreciation charge	(841)	(35)	(2,093)	(215)	-	(3,184)
Accumulated depreciation/impairment written out	916	-	284	25	-	1,225
Derecognition - disposals	-	-	245	-	-	245
At 31 March 2021	**-**	**(571)**	**(10,434)**	**(1,087)**	**-**	**(12,092)**
Net book value						
As at 31 March 2020	30,835	804	7,001	7,080	676	46,396
As at 31 March 2021	28,233	769	8,690	7,265	676	45,633

2019/20	Land & buildings £000	Infrastructure assets £000	Vehicles, plant, furniture & equipment £000	Community assets £000	Surplus assets £000	Total £000
Cost or valuation						
At 1 April 2019	**32,238**	**1,339**	**17,731**	**7,874**	**676**	**59,858**
Transfers regarding historical variances	-	-	41	(38)	-	3
Additions	812	32	1,035	305	65	2,249
Accumulated depreciation /impairment written out	(2,048)	-	-	(30)	-	(2,078)
Revaluation increases/(decreases) - revaluation reserve	1,024	-	-	415	-	1,439
Revaluation increases/(decreases) - surplus/deficit on provision of services	(515)	-	-	(93)	-	(608)
Impairment losses/(reversals) - revaluation reserve	(267)	(1)	-	(9)	-	(277)
Impairment losses/(reversals) - surplus/deficit on provision of services	(251)	(30)	(354)	(259)	(65)	(959)
Derecognition - disposals	-	-	(2,573)	-	-	(2,573)
At 31 March 2020	**30,993**	**1,340**	**15,880**	**8,165**	**676**	**57,054**
Accumulated depreciation & impairment						
At 1 April 2019	(1,757)	(500)	(8,149)	(1,242)	-	(11,648)
Transfers regarding historical variances	297	-	(582)	335	-	50
Depreciation charge	(747)	(36)	(2,389)	(209)	-	(3,381)
Accumulated depreciation/impairment written out	2,049	-	-	31	-	2,080
Derecognition - disposals	-	-	2,241	-	-	2,241
At 31 March 2020	**(158)**	**(536)**	**(8,879)**	**(1,085)**	**-**	**(10,658)**
Net book value						
As at 31 March 2019	30,481	839	9,582	6,632	676	48,210
As at 31 March 2020	30,835	804	7,001	7,080	676	46,396

Depreciation

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

The following useful lives have been used:

- Land and buildings - 60 years, unless the valuation basis is depreciated replacement cost, where individual lives apply to each asset;
- Vehicles, plant, furniture and equipment – between 5 and 15 years dependent upon an assessment of the asset;
- Infrastructure - no specific life. Depreciation is based on a historical composite calculation;
- Community assets - 20 years.

Capital commitments

Capital commitments at 31 March 2021 totalled £5.147m, this includes £5.103m ring-fenced for the refurbishment of Kidsgrove Sports Centre. There were no capital commitments at 31 March 2020.

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 2021 and for the prior period.

31/03/2020 Restated £000		31/03/2021 £000
676	Surplus assets	676
	Land and buildings	
2,926	Community Centres	2,845
5,243	Car Parks	2,978
2,186	Depot	2,123
5,502	Offices	5,593
221	Guildhall	221
251	Bus Station	216
1,125	Cemeteries	1,176
809	Crematorium	826
8,891	Leisure Centres	8,676
2,540	Parks and Sports grounds	2,215
411	Museum	353
73	Public toilets	73
95	Business Centre	129
720	Other land and buildings	809
1,340	Infrastructure assets	1,340
15,880	Vehicles, plant, furniture, equipment	19,124
8,165	Community assets	8,352
57,054	**Total**	**57,725**

Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is re-valued at least every five years, the vast majority of these assets have been revalued during the financial year 2020/21 as a result of the Coronavirus pandemic. All valuations are carried out internally. Valuations of land and buildings are carried out in accordance with the professional standards of the Royal Institution of Chartered Surveyors using the BCIS indices. Valuations of vehicles, plant, and equipment are based on historic cost. The significant assumptions applied in estimating the fair values are, whether a property asset is a specialised asset, which governs its valuation treatment, whether an asset is being used for operational purposes and whether there is any impairment applicable to the asset.

Valuations over the rolling period were as follows:

	Land & buildings £000	Vehicles, plant, furniture & equipment £000	Community assets £000	Infrastructure assets £000	Surplus assets £000	Total £000
Carried at historical cost	-	19,124	5,911	1,340	-	26,375
Valued at fair value at:						
31 March 2021	28,233	-	2,441	-	676	31,350
Total cost or valuation	**28,233**	**19,124**	**8,352**	**1,340**	**676**	**57,725**

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.

20. Investment properties

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

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

2019/20 £000		2020/21 £000
16,415	**Balance at 1 April**	**16,737**
43	Additions - subsequent expenditure	153
-	Disposals	(2,328)
282	Net gains/(losses) - fair value adjustments	742
(3)	Transfers (to)/from property, plant & equipment	-
16,737	**Balance at 31 March**	**15,304**

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	31/03/2021 £000	Valuation technique used to measure fair value	Unobservable Inputs	Sensitivity
Shops	2,211	Investment method	Rental values yield	(a)
Offices	1,434	Investment method	Rental values yield	(a)
Industrial units	3,057	Investment method	Rental values yield	(a)
Other	3,048	Investment method	Rental values yield	(a)
Development sites	5,554	Comparable method	Capital value	(a)
	15,304			

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

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

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

21. Heritage assets

Reconciliation of the carrying value of heritage assets held by the Council

The Council's collection of museum artefacts is reported in the Balance Sheet (page 31) 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 2020/21.

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.

Outdoor structures

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

22. Debtors

31/03/2020 £000	Short term	31/03/2021 £000
1,239	Trade receivables	1,246
12,280	Other receivable amounts	20,525
13,519	**Total**	**21,771**

31/03/2020 £000	Long term	31/03/2021 £000
127	Finance lease balances outstanding	132
286	Kickstart loans (re. home improvements)	274
413	**Total**	**406**

23. Creditors

31/03/2020 £000		31/03/2021 £000
717	Trade payables	524
11,671	Other payables	16,844
12,388	**Total**	**17,368**

24. Provisions

	Short term	Long term			Total long term
	NNDR appeals £000	Insurance claims £000	MMI £000	NNDR appeals £000	£000
Balance at 1 April 2019	**1,216**	**143**	**34**	**843**	**1,020**
Additional provisions made	-	8	16	25	49
Amounts used	(326)	(8)	-	-	(8)
Balance at 1 April 2020	**890**	**143**	**50**	**868**	**1,061**
Additional provisions made	170	76	-	531	607
Amounts used	-	(73)	(33)	-	(106)
Balance at 31 March 2021	**1,060**	**146**	**17**	**1,399**	**1,562**

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

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

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

25. Unusable reserves

Balances in relation to the Council's unusable reserves are shown below:

31/03/2020 £000		31/03/2021 £000
	Capital:	
14,444	Revaluation reserve	14,445
45,833	Capital adjustment account	42,541
412	Deferred capital receipts reserve	406
	Revenue:	
(58,899)	Pensions reserve	(71,636)
1,858	Collection fund adjustment account	(7,532)
(407)	Accumulated absences account	(515)
3,241	**Total unusable reserves**	**(22,291)**

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.

2019/20 £000		2020/21 £000
14,395	**Balance at 1 April**	**14,444**
-	Adjustment re. previous years impairment	238
4,001	Upward revaluation of assets not charged to the surplus/deficit on the provision of services	1,548
(2,854)	Downward revaluation of assets & impairment losses not charged to the surplus/deficit on the provision of services	(1,198)
(949)	Difference between fair value depreciation and historical cost depreciation	(552)
(149)	Accumulated gains on assets sold or scrapped	(35)
14,444	**Balance at 31 March**	**14,445**

Capital adjustment account

The capital adjustment account is used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system. Statute requires that the charge to the General Fund is determined by the capital controls system. The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

The following table shows the disclosure to the revaluation reserve regarding the amendment between the revaluation reserve and the capital adjustment account.

2019/20 £000		2020/21 £000
47,336	**Balance at 1 April**	**45,833**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:	
(4,553)	Charges for depreciation/impairment of non-current assets	(3,184)
-	Adjustment re. previous years impairment (PPE)	42
(24)	Amortisation of intangible Assets	(4)
(380)	REFCUS expenditure	(1,725)
380	REFCUS income	716
(331)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(2,536)
282	Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	742
(558)	Revaluation losses on property, plant and equipment	(3,704)
33	Application of grants to capital financing from the capital grants received in advance account	2,463
(20)	Capital element of finance leases where Council is the lessor	5
40	Minimum revenue provision contribution	41
(5,131)		**(7,144)**
	Capital financing applied in the year:	
2,199	Use of the capital receipts reserve to finance new capital expenditure	3,119
311	Application of grants to capital financing from the capital grants unapplied account	151
20	Capital element of finance leases where Council is the lessor	(5)
	Adjusting Amounts Written Out of Revalutation Reserve	
949	Difference between fair value depreciation/historical cost depreciation	552
149	Accumulated gains on assets sold or scrapped	35
(1,503)		**(3,292)**
45,833	**Balance at 31 March**	**42,541**

Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Statute requires that the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the capital receipts reserve.

2019/20 £000		2020/21 £000
443	**Balance at 1 April**	**412**
(11)	Transfer to the capital receipts reserve upon receipt of cash	(11)
(20)	Capital element of finance leases where Council is the lessor	5
412	**Balance at 31 March**	**406**

Pension reserve

The pension reserve is used to reconcile payments made for the year to statutory pension schemes in accordance with the schemes requirements, and the net change in the authority's recognised liability under the Code's adoption of IAS19 – *Employee Benefits*. A transfer is made to or from the pensions reserve to ensure that the charge to the General Fund reflects the amount required to be raised in taxation. For example, the debit balance on the reserve shows that the authority has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.

2019/20 £000		2020/21 £000
(77,741)	**Balance at 1 April**	**(58,899)**
21,192	Remeasurements of the net defined benefit liability/(asset)	(11,611)
(6,312)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services	(5,397)
3,962	Employers pensions contributions and direct payments to pensioners payable in the year	4,271
(58,899)	**Balance at 31 March**	**(71,636)**

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.

2019/20 £000		2020/21 £000
107	**Balance at 1 April**	**1,858**
(293)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year	(20)
2,044	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	(9,370)
1,858	**Balance at 31 March**	**(7,532)**

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.

2019/20 £000		2020/21 £000
(323)	**Balance at 1 April**	**(407)**
323	Settlement or cancellation of accrual made at the end of the preceding year	407
(407)	Amounts accrued at the end of the current year	(515)
(407)	**Balance at 31 March**	**(515)**

26. 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.

2019/20 £000		2020/21 £000
4,404	**Opening capital financing requirement**	**4,364**
	Capital investment	
2,249	Property, plant & equipment	5,613
43	Investment properties	153
251	Intangible assets	30
380	REFCUS	1,725
	Sources of finance	
(2,199)	Capital receipts	(3,119)
(724)	Government grants & other contributions	(3,330)
(40)	Sums set aside from revenue	(41)
4,364	***Closing capital financing requirement***	**5,395**
	Explanation of movements in year	
-	Capital expenditure financed from internal borrowing	1,072
(40)	**Increase/(decrease) in capital financing requirement**	**1,031**

27. Impairment losses

During 2020/21 the Council has undertaken an impairment review of its non-current asset, at 31 March 2021 no impairment was chargeable.

28. Related parties

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

Central Government

The UK government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has (e.g. council tax bills, housing benefits).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is shown in Note 15 (page 54). During 2020/21, expenditure transactions with Staffs County Council totalled £1,025,829, and New Vic Theatre totalled £47,000. One member is employed by Staffs CC, as a social worker and as such has no direct influence on financial issues, and one member is a Director of the New Vic Theatre, which is in receipt of an annual grant from NULBC. A further 2 members are the proprietors of a B&B in the borough and have received a single Coronavirus business grant in the sum of £10,000.

Officers

No payments have been made to any entities that have a relationship with Council officers during 2020/21.

29. Defined benefit pension schemes

Participation in pension schemes

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

The Council participates in:

- The Local Government Pension Scheme (LGPS), administered locally by Staffordshire County Council - this has a career average revalue earnings (CARE) benefit design, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;

- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due;

- The Staffordshire Pension Scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Pensions Committee of Staffordshire County Council. Policy is determined in accordance with the Pension Fund Regulations;

- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts as described in the accounting policies note.

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The 31 March 2019 formal valuations for English and Welsh Local Government Pension Scheme Funds were concluded by 31 March 2020.

The reconciliation of the balance sheet from 31 March 2020 to 31 March 2021 as can be seen in the 'Transactions relating to post-employment benefits' table below, in the Comprehensive Income and Expenditure Statement (re-measurement of the defined benefit liability/asset) and in the Balance Sheet (pension liability and pension reserve).

Transactions relating to post-employment benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement (page 30). 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:

2019/20			2020/21	
LGPS £000	Unfunded benefits £000		LGPS £000	Unfunded benefits £000
		Comprehensive Income & Expenditure Statement		
		Cost of services:		
4,697	-	Current service cost	3,991	-
(244)	-	Past service costs/(gains)	55	-
-	(435)	Unfunded benefit contributions	-	(419)
		Financing and investment income & expenditure		
1,859	-	Net interest expense	1,351	-
6,312	**(435)**	**Total pension benefit charged to the surplus/deficit on provision of services**	**5,397**	**(419)**
		Remeasurement of the net defined benefit liability comprising:		
13,274	-	Return on plan assets	(29,786)	-
(7,678)	-	Changes in demographic assumptions	2,552	-
(14,736)	-	Changes in financial assumptions	40,506	-
(12,052)	-	Other experience	(1,661)	-
(21,192)	**-**	**Total pension benefit charged to Comprehensive Income & Expenditure Statement**	**11,611**	**-**
		Movement in Reserves Statement		
(6,312)	435	Reversal of net charges made to the surplus/deficit on provision of services for pension benefits	(5,397)	419
		Actual amount charged against the General Fund balance for pensions		
3,962	-	Employers' contributions payable to scheme	4,271	-
-	(435)	Retirement benefits payable to pensioners	-	(419)
(2,350)	**-**		**(1,126)**	**-**

Pensions assets and liabilities recognised in the Balance Sheet

2019/20 £000		2020/21 £000
(173,789)	Present value of defined benefit obligation-funded	(216,830)
(5,790)	Present value of defined benefit obligation-unfunded	(6,000)
120,680	Fair value of plan assets	151,194
(58,899)	**Net liability arising from defined benefit obligation**	**(71,636)**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

2019/20 £000		2020/21 £000
203,854	Present value of funded liabilities	173,789
6,781	Present value of unfunded liabilities	5,790
210,635	**Opening position as at 1 April**	**179,579**
4,697	Current service cost	3,991
(244)	Past service cost	55
5,049	Interest cost	4,102
684	Contributions by scheme participants	742
	Remeasurements:	
(14,736)	Changes in financial assumptions	40,506
(7,678)	Changes in demographic assumptions	2,552
(12,052)	Other Experience	(1,661)
(6,341)	Benefits paid	(6,617)
(435)	Unfunded benfits paid	(419)
179,579	**Closing balance as at 31 March**	**222,830**
173,789	Present value of funded liabilities	216,830
5,790	Present value of unfunded liabilities	6,000

Local Government Pensions Scheme assets comprised

2019/20 Fair value of scheme assets			2020/21 Fair value of scheme assets	
Quoted £000	Unquoted £000		Quoted £000	Unquoted £000
		Equities:		
4,472	-	Consumer	5,879	-
4,830	-	Manufacturing	6,309	-
1,612	-	Energy & utilities	1,672	-
4,264	-	Financial	5,336	-
3,772	-	Health & care	3,802	-
2,939	-	Information technology	6,470	-
104	-	Other	164	-
21,993	-		29,632	-
		Bonds		
9,704	-	Corporate (investment)	10,442	-
-	-	Corporate (non-investment grade)	-	-
9,704	-		10,442	-
		Property		
-	11,886	UK	-	11,581
-	11,886		-	11,581
		Investment funds		
51,434	-	Equities	72,634	-
10,136	-	Bonds	10,062	-
-	2,146	Hedge funds	-	572
-	6,236	Other	-	7,255
61,570	8,382		82,696	7,827
-	5,106	Private equity	-	6,552
2,039	-	Cash/cash equivalents	246	-
95,306	**25,374**	**Total assets**	**123,016**	**25,960**

Reconciliation of the Movements in the fair value of the scheme assets

2019/20 £000		2020/21 £000
134,495	**Opening value of scheme assets**	120,680
	Remeasurement gain/(loss):	
3,190	Interest Income on plan assets	2,751
(13,274)	Return on assets excluding net interest	29,786
	Actuarial gains/(losses)	
1,926	Employer contributions	3,852
684	Contributions by scheme participants	742
(6,341)	Benefits paid	(6,617)
120,680	**Closing balance at 31 March**	**151,194**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest valuation of the scheme as at 31 March 2020. The principal assumptions used by the actuary have been:

2019/20			2020/21	
LGPS	Unfunded		LGPS	Unfunded
		Longevity at 65 for current pensioners:		
21.2		Men	21.4	
23.6		Women	24.0	
		Longevity at 65 for future pensioners:		
22.1		Men	22.5	
25.0		Women	25.7	
2.30%		Rate of increase in salaries	3.25%	
1.90%	1.90%	Rate of increase in pensions (CPI)	2.85%	2.85%
2.30%	2.30%	Rate for discounting scheme liabilities	2.00%	2.00%
50%		Take up 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.

	Increase in defined benefit obligation £000
0.5% decrease in real discount rate	19,566
0.5% increase in the salary increase rate	2,143
0.5% increase in the pension increase rate (CPI)	16,997

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Staffordshire County Council has agreed a strategy with the scheme's actuary to achieve a funding strategy to recoup the past deficit over the next 20 years. Funding levels are monitored on an annual basis.

The total contribution estimated to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £3.855m.

30. Contingent assets and liabilities

The Council has recognised a contingent asset in relation to legal action that is being co-ordinated by the Local Government Association against a vehicle supplier cartel.

The claim is for losses suffered as a result of a cartel affecting the prices of medium and heavy-duty trucks purchased between approximately 1997 and 2011. All the major truck manufacturers were found guilty of participation in the cartel. The Council will be seeking to recover the extra amounts that it paid for trucks as a result of the cartel inflating prices. This may amount to £0.150m.

Contingent liabilities as at 31 March 2021 are:

(a) Municipal Mutual Insurance

In 1992/93 the Council's insurers, Municipal Mutual Insurance, ceased accepting business. The Scheme of Arrangement that was established to ensure an orderly wind up of the company determined that a levy could be made on the Council. The exact amount cannot be quantified, although the maximum is £785,566. £200,850 has been set aside as a provision for these costs, of which £183,891 has been paid to the administrator. This leaves a maximum contingent liability of £601,674.

(b) VAT

The computation of the Council's 2020/21 position in respect of exempt category Value Added Tax has yet to be agreed with Revenue and Customs. If the 5% allowance has been exceeded, up to £150,000 in VAT may become payable.

(c) Housing stock transfer warranty

Liabilities in relation to a 40 year warranty given by the Council in respect of the transfer of its housing stock to a registered social landlord in February 2000 could arise. The amount of the potential liability cannot be quantified but could amount to several million pounds.

(d) Castle House liquidated damages

The Council is in communication with the developers of Castle House (Kier) regarding liquidated damages. If the liquidated damages are not settled there could be a potential liability of approximately £0.500m.

31. Financial instruments

Categories and fair values of financial Instruments

The following categories of financial instruments are carried in the Balance Sheet at amortised cost (page 31); the table below also shows the fair values of these financial instruments:

2019/20		Measured at amortised cost	2020/21	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		Financial Liabilities		
2,337	2,337	Creditors	3,304	3,304
77	77	Borrowings	73	73
		Financial Assets		
4,674	4,674	Debtors	3,121	3,121
4,704	4,704	Cash/cash equivalents	4,633	4,633

Debtors/Creditors vary from the balance sheet as statutory debtors and payments in advance (£9.258m in 2019/20 and £18.650m in 2020/21) and statutory creditors and receipts in advance (£10.052m in 2019/20 and £14.064m in 2020/21) are excluded from the classification of financial instruments.

Income, expense, gains and losses

2019/20				2020/21		
Expenses & losses £000	Income & gains £000	Total £000		Expenses & losses £000	Income & gains £000	Total £000
-	-	-	Net loss on financial assets measured at amortised cost	-	-	-
-	-	-	Interest expense on financial assets measured at amortised cost	1	-	1
-	**-**	**-**	**Total expense in provision of services**	**1**	**-**	**1**
-	(89)	(89)	Interest income on financial assets measured at amortised cost	-	(62)	(62)
-	**(89)**	**(89)**	**Total income in provision of services**	**-**	**(62)**	**(62)**
-	**(89)**	**(89)**	**Net (gain)/loss for the year**	**1**	**(62)**	**(61)**

32. Nature and extent of risks arising from financial instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;

- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;

- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

Credit risk

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

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

- Investment counterparties are assessed as to their suitability in relation to credit ratings supplied by the main ratings agencies, with the additional consideration of credit default swap data. A limit is placed on the amount which can in total be placed with individual counterparties and categories of counterparties;

- Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set where considered necessary. Credit references are obtained where contracts are entered into;

- The Council's policy regarding the write off of debtors is that all possible recovery procedures must have been exhausted, significant staffs resources are committed to the recovery of debtors by the Revenues Section. Indicators that are considered when write offs are recommended include insolvency or other legal proceedings being commenced and the death of the debtor.

The following significant inputs, assumptions and estimation techniques have been used in calculating the Council's approach to impairment loss allowances:

- Debtors relating to public sector organisations are not impaired;

- A provision matrix is utilised to estimate expected credit losses based on the 'age' of debtors. The matrix identifies the relationship between the age of the Council's debtors and the risk of non-payment based on historical losses;

- An allowance has been made within the credit loss allowance for debtors to reflect the potential impact of COVID-19 on the collection, this is based upon the increased level of debtors arrears from 31 March 2020 to 31 March 2021;

- Any reasonable and supportable information relating to individual debtors in terms of past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort.

The changes in the lifetime expected credit loss allowance for debtors measured at amortised costs are as follows:

2019/20 £000		2020/21 £000
275	**Balance at 1 April**	**242**
(55)	Amounts written off	(151)
22	Changes in models/risk parameters	201
242	**Balance at 31 March**	**292**

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has access to borrowing from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments. The maturity analysis of borrowing is as follows:

31/03/2020 £000		31/03/2021 £000
77	Less than one year	73
77		**73**

All trade creditors are due to be paid in less than one year.

Interest rate risk

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

Changes in interest receivable on variable rate investments will be posted to the surplus or deficit on the provision of services and affect the General Fund balance. Movements in the fair value of fixed rate investments that have a market price will be reflected in other comprehensive income and expenditure. At 31 March 2021 the Council had no investments.

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.

33. Leases

Council as lessee

Finance leases

As at 31 March 2021 the Council has no requirement to commit to making minimum payments under finance leases.

Operating leases

The Council has a small amount of equipment acquired by entering into operating leases (postage franking machines). The minimum lease payments as at 31 March 2021 are shown below:

31/03/2020 £000		31/03/2021 £000
1	Not later than one year	1
3	Later than one year, less than five years	3
-	Later than five years	-
4		**4**

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

31/03/2020 £000		31/03/2021 £000
1	Minimum lease payments	1
1		**1**

Council as lessor

Finance leases

The Council has leased out 4 properties on a finance lease basis, with terms remaining ranging from 25 to 75 years.

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

31/03/2020 £000		31/03/2021 £000
	Finance lease debtor (net present value of minimum lease payments):	
20	Current	14
145	Non-current	132
374	Unearned finance income	342
539	**Gross investment in the lease**	**488**

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

31/03/2020			31/03/2021	
Minimum lease payments £000	Finance lease liabilities £000		Minimum lease payments £000	Finance lease liabilities £000
51	31	Not later than one year	42	28
155	104	Later than one year, less than five years	149	99
333	240	Later than five years	297	215
539	**375**		**488**	**342**

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:

31/03/2020 £000		31/03/2021 £000
427	Not later than one year	492
422	Later than one year, less than five years	712
926	Later than five years	1,008
1,775		**2,212**

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.

2019/20 Council Tax £000	2019/20 Business Rates £000	2019/20 Total £000		2020/21 Council Tax £000	2020/21 Business Rates £000	2020/21 Total £000
			Income			
(64,832)	-	(64,832)	Council Tax Payers	(66,472)	-	(66,472)
-	-	-	COVID Hardship Government Grant	(1,036)	-	(1,036)
-	(33,742)	(33,742)	Business Rates Payers	-	(21,217)	(21,217)
			Transfer of previous years deficit			
-	(287)	(287)	- Newcastle-under-Lyme Borough Council	(59)	-	(59)
-	(64)	(64)	- Staffordshire County Council	(380)	-	(380)
-	-	-	- Office of Police & Crime Commissioner	(66)	-	(66)
-	(7)	(7)	- Staffordshire Fire and Rescue Authority	(23)	-	(23)
-	(358)	(358)	- Central Government	-	-	-
(64,832)	**(34,458)**	**(99,290)**	**Total income**	**(68,036)**	**(21,217)**	**(89,253)**
			Expenditure			
			Council Tax precepts			
7,867	-	7,867	- Newcastle-under-Lyme Borough Council	8,115	-	8,115
46,256	-	46,256	- Staffordshire County Council	48,452	-	48,452
8,038	-	8,038	- Office of Police & Crime Commissioner	8,415	-	8,415
2,811	-	2,811	- Staffordshire Fire and Rescue Authority	2,888	-	2,888
			Business Rates apportionment			
-	11,918	11,918	- Newcastle-under-Lyme Borough Council	-	14,302	14,302
-	10,130	10,130	- Staffordshire County Council	-	3,218	3,218
-	298	298	- Staffordshire Fire and Rescue Authority	-	358	358
-	7,449	7,449	- Central Government	-	17,878	17,878
			Other expenditure			
-	139	139	Cost of Collection	-	138	138
-	22	22	Transitional Protection	-	101	101
271	144	415	Provision for Bad Debts	335	2,573	2,908
-	(752)	(752)	Provision for Appeals	-	1,754	1,754
			Transfer of previous years surplus			
228	-	228	- Newcastle-under-Lyme Borough Council	-	1,729	1,729
1,452	-	1,452	- Staffordshire County Council	-	1,335	1,335
231	-	231	- Office of Police & Crime Commissioner	-	-	-
88	-	88	- Staffordshire Fire and Rescue Authority	-	43	43
-	-	-	- Central Government	-	1,215	1,215
67,242	**29,348**	**96,590**	**Total expenditure**	**68,205**	**44,644**	**112,849**
2,410	**(5,110)**	**(2,700)**	**Deficit/(surplus) for the year**	**169**	**23,427**	**23,596**
(1,460)	**183**	**(1,277)**	**Balance brought forward at 1 April**	**950**	**(4,927)**	**(3,977)**
2,410	**(5,110)**	**(2,700)**	**Deficit/(surplus) for the year**	**169**	**23,427**	**23,596**
950	**(4,927)**	**(3,977)**	**Balance carried forward at 31 March**	**1,119**	**18,500**	**19,619**
			Allocation of Collection Fund balance			
115	(1,971)	(1,856)	- Newcastle-under-Lyme Borough Council	134	7,400	7,534
676	(1,542)	(866)	- Staffordshire County Council	798	1,513	2,311
41	(49)	(8)	- Staffordshire Fire and Rescue Authority	48	185	233
-	(1,365)	(1,365)	- Central Government	-	9,402	9,402
118	-	118	- Office of Police & Crime Commissioner	139	-	139
950	**(4,927)**	**(3,977)**		**1,119**	**18,500**	**19,619**

Notes

1. Business Rates

The Council collects business rates in its area based on non-domestic rateable values (£90.815m at 31 March 2020 and £90.660m at 31 March 2021) multiplied by a uniform business rate. The rate is specified by the Government, in 2019/20 the rate was 50.4p, with a reduction for “small businesses” to 49.1p on application (49.3p in 2018/19 - “small business” reduction, 48.0p).

The administration of business rates aims to give Councils a greater incentive to grow businesses but also results in financial risks relating to volatility in appeals and non-collection of rates. Local authorities retain a proportion of the total collectable rates due, in the case of Newcastle-under-Lyme the local share is 40%. The remainder is distributed to preceptors, these are Central Government (50%), Staffordshire County Council (9%) and Stoke-on-Trent and Staffordshire Fire Authority (1% share).

The business rates shares payable for 2020/21 were estimated, via the NNDR1 return, before the start of the financial year as £17.878m to Central Government, £3.218m to Staffordshire County Council, £0.358m to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and £14.302m to Newcastle-under-Lyme Borough Council.

The total of these sums (£35.756m) has been paid in 2020/21 and charged to the collection fund in year.

The actual business rates payable for 2020/21, 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 £16.651m.

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 (£35.756m) and the actual business rates payable per the NNDR3 return (£16.651m) is £19.105m - a deficit to the collection fund for 2020/21 due to the implementation of the Government’s COVID-19 pandemic related business rates reliefs, the write off of a significant bad debt (and subsequent increase in the required level of bad debts provision) and an increase in the required level of appeals provision.

In addition to the business rates shares payable for 2020/21, the estimated 2019/20 surplus declared in January 2020 regarding business rates of £4.322m was repaid to the Council, Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

The actual 2019/20 surplus was calculated to be £4.927m, therefore there remained £0.605m in the repayment of this surplus in 2020/21 which reduced the estimated 2020/21 deficit declared in January 2021, which is repayable to the Collection Fund by the Council, Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

Taking into account the overpayment regarding the 2019/20 deficit and the 2020/21 surplus, the business rates collection fund has a deficit of £18.500m as at 31 March 2021.

Of the £18.500m deficit, the Council’s share amounts to £7.400m, this can be repaid to the Collection Fund over a 3 year period and will largely be funded by Section 31 grant paid to the Council to offset income lost as a result of the Government’s COVID-19 pandemic related business rates reliefs and by Tax Losses income compensation.

Please note that balances and transactions relating to 2020/21 are distributed as per the shares under the 50% business rates retention scheme, whilst those balances relating to 2019/20 are distributed as per the revised shares under the 75% business rates retention pilot.

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 2020/21 to the value of £9.362m.

2. Council Tax

Council Tax Income is derived from charges raised, in eight valuation bands, according to the value of residential properties. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and Newcastle-under-Lyme Borough Council for the forthcoming year and dividing this by the council tax base. The average Band D tax in 2020/21of £1,799.42 compared with £1,734.66 in 2019/20. 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 2020/21 was 37,387 (37,117 in 2019/20), this was derived as follows:

Band & value range	Number of dwellings	After discounts/ exemptions	Ratio to band D	Band D equivalents
Band A-	-	56	5/9	32.00
Band A (Up to £40,000)	24,177	16,469	6/9	10,979
Band B (£40,001 - £52,000)	10,595	8,787	7/9	6,834
Band C (£52,001 - £ 68,000)	11,364	9,928	8/9	8,825
Band D (£68,001 - £88,000)	5,037	4,596	9/9	4,596
Band E (£88,001 - £120,000)	2,733	2,490	11/9	3,043
Band F (£120,001 - £160,000)	1,746	1,617	13/9	2,336
Band G (£160,001 - £320,000)	931	868	15/9	1,446
Band H (Over £320,000)	49	30	18/9	59
				38,150
Less non collection rate (2%)				(763)
Borough Council Tax base				**37,387**

In addition to the Council Tax payable for 2020/21, the estimated 2019/20 deficit declared in January 2020 regarding Council Tax of £0.528m was repaid to the collection fund by preceptors (Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council).

The actual 2019/20 deficit was calculated to be £0.950m; therefore there was a balance of £0.539m on the repayment of this deficit in 2020/21 which will need to be recouped during 2021/22 from the preceptors.

Taking into account the 2019/20 deficit to be repaid, the deficit declared to the preceptors for 2020/21 in January 2021 was £0.529m. The actual deficit balance of the Council Tax collection fund as at 31 March 2021 is £1.119m. This deficit, is primarily due to the balance of the 2019/20 remaining to be repaid and an increased number of residents claiming Council Tax support as a result of the COVID-19 pandemic.

Of the £1.119m deficit, the Council's share amounts to £0.134m, this can be repaid to the Collection Fund over a 3 year period.

Audit Certificate

Independent Auditors report to the Members of Newcastle under Lyme Borough Council

Report on the Audit of the Financial Statements

Opinion to be provided by Grant Thornton upon completion of their audit of the Statement of Accounts

Glossary

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

Accounting Policies

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

Accruals

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

Actuarial gains and losses

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

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

Amortisation

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

Assets register

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

Balance Sheet

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

Business Improvement District (BID)

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

Capital expenditure

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

Capital grants receipts in advance account

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

Capital grants unapplied account

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

Capital receipts

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

CIPFA

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

Collection Fund

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

Community assets

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

Consistency

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

Contingent asset

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

Contingent liability

A contingent liability is either: -

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control;

- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Creditors

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

Current service cost

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

Curtailment

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

Debtors

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

Deferred liabilities

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

Defined benefit pension scheme

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

Depreciation

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

Discretionary benefits

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

Expected rate of return on pension assets

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

Experience gains and losses

See actuarial gains and losses

Fair value

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

Fair value hierarchy

A three level classification of techniques used in order to measure the fair value of financial assets and liabilities. The highest level (level 1) uses quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date, level 2 uses inputs other than quoted prices that are observable for the asset, either directly or indirectly and level 3 uses unobservable inputs for the asset or liability. Techniques employed should aim to maximise the use of observable inputs and minimise the use of unobservable inputs.

Financial instrument

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

Financial Reporting Standards (FRSs)

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

Financial year

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

Fixed assets

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

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

Operational assets

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

Non-operational assets

- Investment Properties;
- Assets Held for Sale.

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

Formula grant

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

General Fund revenue account

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

Government grants

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

Heritage assets

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

Historical cost

Actual cost of acquiring or constructing an asset.

Impairment

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

Infrastructure assets

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

Interest cost

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

Insurance value

The value placed upon an asset for insurance purposes.

Intangible assets

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

Inventories

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

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

Investments

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

Investment properties

Interest in land and/or buildings:

- In respect of which construction work and development have been completed;
- Which is held for its investment potential, any rental income being negotiated at arm’s length; 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 employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue expenditure

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

Revenue expenditure funded from capital under statute (REFCUS)

Expenditure which does not result in the creation of a fixed asset and which is classified as capital for funding purposes but is chargeable to the 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 are measured using the projected unit method. Reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

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

Useful life

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