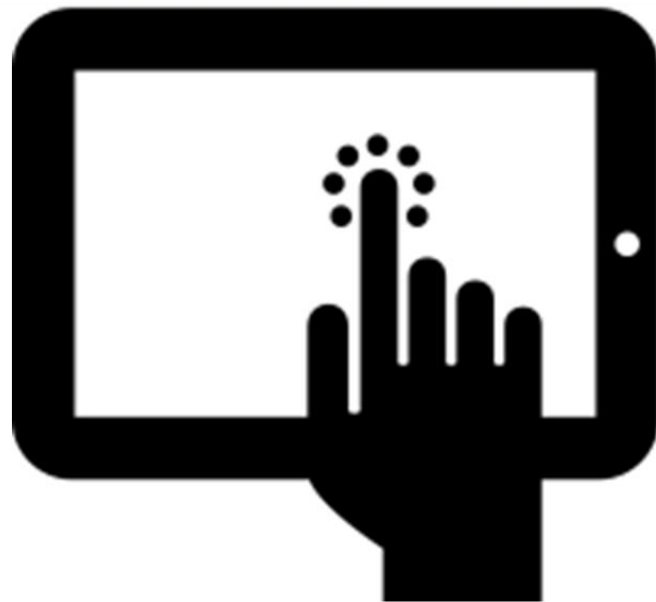




# STATEMENT OF ACCOUNTS 2017/18



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# **Statement of Accounts**

**Year ended 31<sup>st</sup> March 2018**

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# STATEMENT OF ACCOUNTS

2017 – 2018

<b>Contents</b>	<b>Page</b>
Narrative Statement by the Chief Finance Officer	1 - 4
Guide to the Main Financial Statements	5 - 6
Statement of Responsibilities for the Statement of Accounts	7
Comprehensive Income and Expenditure Statement	9
Movement in Reserves Statement	10 - 11
Balance Sheet	12
Cash Flow Statement	13
Notes to the Accounts (See table of notes overleaf)	14 - 86
Collection Fund	87 - 92
Independent Auditors Report	93 - 97
Glossary of Terms	98 – 101
Annual Governance Statement	102 - 107

## TABLE OF DISCLOSURE NOTES

Note	Description	Page
1	Accounting policies	14 - 27
2	Accounting standards issued but not yet adopted	27 - 28
3	Critical judgements	28
4	Assumptions about the future and major sources of estimation	29 - 30
5	Note to the expenditure and funding analysis	30 - 36
6	Expenditure and income analysed by nature	36
7	Material items of income and expense	37
8	Adjustments between accounting basis and funding basis	37 - 40
9	Earmarked reserves	41
10	Other operating expenditure	42
11	Financing and investment income	42
12	Taxation and non-specific grant income	42
13	Property, plant and equipment	43 - 46
14	Investment properties	47 - 49
15	Intangible assets	49 - 50
16	Heritage assets	50 - 51
17	Long term investments	51
18	Long term debtors	51
19	Financial instruments	52 - 54
20	Financial risks	54 - 57
21	Stocks / inventories	57
22	Construction contracts	57
23	Debtors	58
24	Cash and cash equivalents	58
25	Creditors	58 - 59
26	Provisions	59
27	Borrowing	60
28	Usable reserves	60
29	Unusable reserves	60 – 64
30	Cash flow notes – operating activities	65
31	Cash flow notes – investing activities	66
32	Cash flow notes – financing activities	66
33	Trading activities	66
34	Officer's remuneration	67 – 68
35	Member allowances	69
36	External audit services	69
37	Grant income	69 – 70
38	Related party transactions	70 – 71
39	Capital expenditure and financing	71
40	Finance and operating leases	72 – 74
41	Impairment losses	74 – 75
42	Termination benefits and exit packages	75 – 76
43	Pensions	76 – 82
44	Contingent liabilities	82 – 83
45	Contingent Assets	83
46	Prior period restatement of service expenditure and income	84-85
47	Events after the balance sheet date	86
48	Authorised for issue	86

# **NARRATIVE STATEMENT BY THE CHIEF FINANCE OFFICER**

## **INTRODUCTION**

I am pleased to introduce the Council's Statement of Accounts for the year ended 31<sup>st</sup> March 2018. These accounts are presented in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy.

The outturn being presented to the Council's Cabinet reports a revenue budget under-spend of £0.5m. This is a very pleasing outcome, particularly considering the extent of annual savings that have been built into the budget since 2010. Despite unprecedented reductions in core central government funding of £5.8m or 70% for 2011/12 to 2017/18, the Council's proactive approach to the management of resources has enabled our share of the council tax to reduce over the same period. Members and officers across the Council deserve credit for their tight budget management in what continues to be challenging circumstances for local authority finances.

During the course of 2017/18 the Council has completed the vast majority of works at the Town Hall in advance of moving its main office accommodation from the Maltsters on Wetmore Road. This will deliver ongoing savings to the revenue budget. As a result of our prudent approach to financial management we have taken the opportunity to utilise some windfall monies to reduce our underlying borrowing requirement (£0.7m), which will reduce the financial burden on future tax payers. We have also continued our support for neighbourhood projects and disabled facility grants. In addition, we have made significant progress with a procurement exercise in relation to the future delivery of our Cultural Services and commenced feasibility work in relation to Burton Town Centre Regeneration.

In February 2018, the Council approved a four year Medium Term Financial Strategy which demonstrates that the Council is sustainable during this period. The strategy does, nevertheless, highlight a number of risks and that further ongoing savings will be required to ensure long term sustainability. Our published efficiency plan sets out our approach to ensuring that the Council remains well placed to meet the challenges ahead and ensure that the residents of East Staffordshire continue to receive high quality services at a low cost.

The statements presented within the Council's accounts demonstrate a healthy fiscal position for the Borough Council. Despite the challenges during the year, we maintained our prudent and sensible approach to financial management and I am grateful for the support of members and officers who continue to endorse such an approach.

## **KEY AREAS OF SIGNIFICANCE WITHIN THE ACCOUNTS**

The Comprehensive Income and Expenditure Account set out on page 9 of this document shows a surplus position on the provision of services of £1.1m. This statement measures the authority's financial performance in terms of the resources consumed and generated over the period and is presented in a similar format to a commercial enterprise. However the authority is required by law to set its budget and raise council tax on a different accounting basis. As a consequence there are a number of statutory adjustments that are made to this figure (set out on page 37-38), in order to determine the movement on the general fund balances, which was neutral as the revenue outturn surplus has been set aside within earmarked reserves to support future initiatives to deliver savings to the revenue budget.

The general fund balance represents a minimum working balance in order to deal with any unexpected events. As at 31<sup>st</sup> March 2018 the balance, stands at £1.278m. This is an appropriate level for an authority of this size, level of expenditure and risk profile, it is also consistent with the approved medium term financial strategy. The Council also holds a number of other specific earmarked reserves to mitigate against key risks (including the impact of the Business Rates Retention Scheme) but also to allow for projects to take place over a number of years, and also to meet the future borrowing costs. The Balance Sheet set out on page 12, shows an increase in the total net worth of £3m. The most significant underlying reason for this change relates to a reduction in the estimated pension fund liability

from £54m to £52m. The pension fund liability is calculated by a firm of actuaries and is based on a number of assumptions. The pension liability represents the underlying long term commitment that the authority has to pay future retirement benefits. During the course of 2017/18 the Council has made a pre-payment of contributions to the Pension fund of £2.2m relating to sums due in 2018/19 and 2019/20. This has resulted in a net saving to the revenue budget, arising from the early receipt of funds into the pension scheme. The fund is regularly assessed to determine the level of future contributions necessary to ensure that it is funded in the long term and any increase in these contributions must be met from the Council's budget.

## REVENUE OUTTURN 2017/2018

### General Fund

The table below sets out the position of the General Fund for 2017/2018. When the Budget for the year was agreed in February 2017, it assumed total expenditure of £10.582m.

The outturn position shows that at the end of the year the amount to be raised had decreased to £10.065m, giving a surplus to be taken to reserves of £0.517m.

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	£'000	£'000	£'000
Service Expenditure	10,582	10,065	(517)
To be met from:			
Revenue Support Grant	813	813	-
Retained Business Rates	3,084	3,084	-
Transition Grant	15	15	
Collection Fund			
Demand for Year	6,460	6,460	-
Previous Years' Surplus	210	210	-
Total Revenue Budget Support	<u>10,582</u>	<u>10,582</u>	-
Surplus for Year		(517)	(517)
	<b><u>10,582</u></b>	<b><u>10,065</u></b>	<b><u>(517)</u></b>

A full reconciliation between the above management outturn position and the financial statements is shown within the expenditure and funding analysis shown in note 5 to the accounts.

### COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Business Rates (NNDR) and its distribution to the relevant authorities.

The Collection Fund shows an in year surplus of £0.3m, this includes a deficit of £0.8m in relation to Council Tax and a £1.1m surplus in relation to Business Rates. However, this position is after taking into account payments of £1.5m (Council Tax) and £0.9m (Business Rates) relating to prior year surpluses. Overall, after taking into account the balance brought forward from 2016/17, the Collection Fund has a net surplus of £6.6m, which will be distributed in 2018/19 and 2019/20, in accordance with the respective legislative requirements.

Further details are given in the Collection Fund Income and Expenditure account and notes on pages 87 onwards.



## CAPITAL EXPENDITURE 2017/2018

During 2017/2018 the Council spent £1.832m on capital projects. A breakdown by scheme and the sources of funds used to finance this expenditure is shown below.

<b>Analysis of Capital Expenditure</b>	<b>£'000</b>	<b>Sources of Finance</b>	<b>£'000</b>
Town Hall Office Accommodation	785	Revenue including Reserves	857
Disabled Facility Grants	782	Capital Grants and Contributions	916
Dove Way/Pennycroft Works	133	Capital Receipts	59
Car Park - Contactless Machines	72		
Neighbourhood Working Fund	35		
Brewhouse Arts Centre	23		
Other	2		
	<b><u>1,832</u></b>		<b><u>1,832</u></b>

## BORROWING

At the end of 2017/2018 the total external loan debt of the Council was £11.401m (£11.460m at 31<sup>st</sup> March 2017). The Council's underlying need to borrow reduced during the year from £18.6m to £16.9m, which includes the voluntary set-aside of windfall resources of £0.7m. This will generate savings to the revenue budget and reduce the burden of existing debt on future taxpayers.

In addition to which, liabilities associated with finance leases amount to £1.378m as at 31<sup>st</sup> March 2018 (£1.889m as at 31<sup>st</sup> March 2017). In the main, this relates to the Council's Waste Vehicle fleet acquired during the course of 2015/16.

## PENSIONS

For the purposes of International Accounting Standard 19 (Accounting and Reporting by Retirement Benefit plans), the results of the Pension Fund actuary's calculations in respect of the Local Government Pension scheme on behalf of the Council revealed a net liability of £52m at 31 March 2018. This is shown under Long-term Liabilities on the Balance Sheet on page 12.

The pension liability of £52m represents the underlying long term commitment that the authority has to pay future retirement benefits. This deficit has no direct impact on the budget of the authority or the level of council tax. The fund is regularly assessed to determine the level of future contributions necessary to ensure that it is funded in the long term and any increase in these contributions must be met from the Council's budget.

During the course of 2017/18 the Council has made a pre-payment of contributions to the Pension fund of £2.2m relating to sums due in 2018/19 and 2019/20. This has resulted in a net saving to the revenue budget, arising from the early receipt and investment of monies into the pension fund.

## **PERFORMANCE AGAINST THE CORPORATE PLAN**

The Council has approved a Corporate Plan covering the period 2018/19 onwards. This is updated and refreshed on an annual basis and performance monitored throughout the year. For 2017/18 the Council set 117 corporate plan targets, of which 95% were fully achieved, which is consistent with the previous year. Overall performance is monitored against our three overarching priorities, as follows:

- Value for Money Council Services (96% fully achieved)
- Promoting Local Economic Growth (95% fully achieved)
- Protecting and Strengthening Communities (92% fully achieved)

Looking ahead to 2018/19, the Council has set a range of development targets, including:

- Leisure and Cultural Services Delivery review – transition to a new provider
- Deliver better services to support Homelessness
- Delivery of a new improved in-house Disabled Facility Grant Service
- Town Centre Regeneration Programme
- Smarter Services – A digitised Council

Further details on the Corporate Plan can be found at: [www.eaststaffsbc.gov.uk/performance-management/corporate-plan](http://www.eaststaffsbc.gov.uk/performance-management/corporate-plan)

## **FINANCIAL STRATEGY FOR 2018/19 ONWARDS**

The council approved its Medium term Financial Strategy for 2018/19 to 2021/22 in February 2018. This set out further significant central government funding reductions both from reductions to Revenue Support Grant and also scaling back of the New Homes Bonus Funding. In addition to this, the strategy also highlights some significant risks including those associated with the scheme which localises income from business rates, and the future levels of funding from central government arising from the various reviews that are currently taking place. These could have a significant impact on how resources are allocated within the sector from 2020/21 onwards.

Many of these financial pressures arise as a result of the economic conditions. Nevertheless, the Council has set out a robust strategy, which means that whilst there will continue to be a need to identify ongoing savings; the budget for 2018/19 has been balanced with a small contribution from reserves (£0.1m). The Council has published an efficiency plan which sets out our approach to delivering the savings that will be needed to balance the budget from 2019/20 onwards. This includes a procurement exercise which is currently underway, with a view to appointing a third party operator(s) to deliver our Cultural Services during the course of 2018/19. This is expected to deliver substantial savings to the authority.

Further information in relation to the Medium Term Financial Strategy can be found on our website at: [www.eaststaffsbc.gov.uk/budgets-and-spending](http://www.eaststaffsbc.gov.uk/budgets-and-spending).

## **AUDIT OF THE ACCOUNTS**

The Council's auditors, Grant Thornton UK LLP, undertake the audit of these accounts. The contact details for the Auditor are: Mark Stocks, Partner, Grant Thornton UK LLP, The Colmore Building, 20 Colmore Circus, Birmingham, West Midlands B4 6AT.

## **FURTHER INFORMATION**

The accounts and accompanying statistics in the following pages contain a great deal of information about East Staffordshire Borough Council's finances. I hope you will find it interesting. Further information on the Council's accounts is available from the Financial Management Unit, Town Hall, Burton Place, Burton upon Trent, DE14 2EB. Or by telephone (01283) 508399 or e-mail to [financial.managment@eaststaffsbc.gov.uk](mailto:financial.managment@eaststaffsbc.gov.uk). The public has a statutory right to inspect and, if they wish, object to the accounts prior to the completion of the audit.

# **GUIDE TO THE MAIN FINANCIAL STATEMENTS**

The Council's accounts for the year 2017/2018 are set out on the following pages. The accounts comprise:

## **Statement of Responsibilities for the Statement of Accounts**

Within this statement the respective responsibilities of the Council and the Chief Finance Officer are set out in relation to the preparation of the accounts, and also of members in the approval of the accounts.

## **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxations. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the movement in reserves statement.

## **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The 'Net Increase/Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those that the authority 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 capital receipts may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserves), 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 'Adjustment between accounting basis and funding basis under regulations'.

## **Cash Flow Statement**

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

**Collection Fund Account**

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

**Annual Governance Statement**

This sets out the framework within which internal control is managed and reviewed and provides reasonable assurance as to its effectiveness. The statement reports on any weaknesses identified and the actions being taken to rectify these.

**Glossary of Terms**

This explains the technical terms used within the Statement of Accounts.

# **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

## **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 Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## **The Responsibilities of the Chief Finance Officer**

The Chief Finance Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code of Practice.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## **Certificate of the Chief Finance Officer**

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Borough Council at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Sal Khan CPFA, MSc  
Chief Finance Officer

Date:

## **Member Approval of the Statement of Accounts**

The approval of East Staffordshire Borough Council's Statement of Accounts is the responsibility of a meeting of the Audit (Approval of Statement of Accounts) Committee.

The Accounts were presented and approved at the meeting of the Audit (Approval of Statement of Accounts) Committee on 24<sup>th</sup> July 2018.

Councillor D Goodfellow  
Chair, (Approval of Statement of Accounts) Committee

Date:

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## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### For the year ended 31 March 2018

2016/17 (restated)			2017/18			
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
821	(322)	499		889	(363)	526
3,226	(1,679)	1,547	Arts, Brewhouse and Functions	3,529	(1,663)	1,866
579	(20)	559	Community and Open Spaces	504	(18)	486
1,036	(33)	1,003	Corporate Management Team	896	(28)	868
130	0	130	Corporate and Commercial	141	0	141
130	(36)	94	Cultural Services - Marketing	154	(35)	119
5,418	(1,946)	3,472	Enterprise	5,503	(1,875)	3,628
1,256	(798)	458	Environment	1,403	(867)	536
569	(27)	542	Environmental Health	662	(26)	636
409	(145)	264	Financial Services	521	(313)	208
417	(14)	403	Housing	477	(10)	467
609	(15)	594	Human Resources and Payments	584	(15)	569
155	(228)	(73)	IT and Printing	230	(175)	55
799	(458)	341	Land Charges	878	(374)	504
3,185	(1,994)	1,191	Legal Services	3,555	(1,841)	1,714
422	(225)	197	Leisure Centres - Indoor Facilities	465	(242)	223
982	(814)	168	Leisure Centres - Outdoor Facilities	1,060	(1,096)	(36)
28,432	(28,013)	419	Planning	27,548	(27,233)	315
235	0	235	Revenue, Benefits and Customer Contacts	66	0	66
718	(714)	4	Non Distributed Costs	767	(715)	52
49,528	(37,481)	12,047	External Funding and Holding Accounts	49,832	(36,889)	12,943
1,125	0	1,125	<b>Cost of Services</b>			
5,755	(3,622)	2,133	Other operating expenditure	1,145	0	1,145
19,497	(35,804)	(16,307)	Financing and investment income and expenditure	4,685	(4,617)	68
			Taxation and non specific grant income and expenditure	18,706	(34,029)	(15,323)
75,905	(76,907)	(1,002)	<b>(Surplus) or Deficit on Provision of Service</b>	74,368	(75,535)	(1,167)
	643		(Surplus)/deficit on revaluation of non current assets		536	
	6,293		Remeasurement of the net defined pension liability		(2,444)	
		6,936	<b>Other Comprehensive Income and Expenditure</b>			(1,908)
		5,934	<b>Total Comprehensive Income and Expenditure</b>			(3,075)

*Note: The comparator figures for 2016/17 have been represented to reflect the most recent management structure/operating segments and ensure a like for like comparison with the figures for 2017/18 – Further details can be found at note 46.*

**MOVEMENT IN RESERVES STATEMENT**  
For the year ended 31 March 2018

	General Fund		Total General Fund Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves (Note 28)	Unusable Reserves (Note 29)	Total Authority Reserves
	Balance	Earmarked Reserves						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017 carried forward</b>	<b>1,278</b>	<b>12,181</b>	<b>13,459</b>	<b>0</b>	<b>612</b>	<b>14,071</b>	<b>(23,907)</b>	<b>(9,836)</b>
<b>Movement in reserves during 2017/18</b>								
Surplus on provision of services	1,167	0	1,167	0	0	1,167	0	1,167
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	1,908	1,908
Total Comprehensive Income and Expenditure	1,167	0	1,167	0	0	1,167	1,908	3,075
Adjustments between accounting basis & funding basis under regulations (note 8)	(698)	0	(698)	0	112	(586)	586	0
Net Increase before Transfers to Earmarked Reserves	469	0	469	0	112	581	2,494	3,075
Transfers to/from Earmarked Reserves (note 9)	(469)	469	0	0	0	0	0	0
Increase / (Decrease) in Year	0	469	469	0	112	581	2,494	3,075
<b>Balance at 31 March 2018 carried forward</b>	<b>1,278</b>	<b>12,650</b>	<b>13,928</b>	<b>0</b>	<b>724</b>	<b>14,652</b>	<b>(21,413)</b>	<b>(6,761)</b>



**MOVEMENT IN RESERVES STATEMENT**  
For the year ended 31 March 2017

	General Fund		Total General Fund Reserves £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves (Note 28) £'000	Unusable Reserves (Note 29) £'000	Total Authority Reserves £'000
	Balance £'000	Earmarked Reserves £'000						
<b>Balance at 31 March 2016 carried forward</b>	<b>1,278</b>	<b>11,255</b>	<b>12,533</b>	<b>0</b>	<b>1,997</b>	<b>14,530</b>	<b>(18,432)</b>	<b>(3,902)</b>
<b>Movement in reserves during 2016/17</b>								
Surplus on provision of services	1,002	0	1,002	0	0	1,002	0	1,002
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(6,936)	(6,936)
Total Comprehensive Income and Expenditure	1,002	0	1,002	0	0	1,002	(6,936)	(5,934)
Adjustments between accounting basis & funding basis under regulations (note 8)	(76)	0	(76)	0	(1,385)	(1,461)	1,461	0
Net Increase before Transfers to Earmarked Reserves	926	0	926	0	(1,385)	(459)	(5,475)	(5,934)
Transfers to/from Earmarked Reserves (note 9)	(926)	926	0	0	0	0	0	0
Increase / (Decrease) in Year	0	926	926	0	(1,385)	(459)	(5,475)	(5,934)
<b>Balance at 31 March 2017 carried forward</b>	<b>1,278</b>	<b>12,181</b>	<b>13,459</b>	<b>0</b>	<b>612</b>	<b>14,071</b>	<b>(23,907)</b>	<b>(9,836)</b>

**BALANCE SHEET**  
as at 31<sup>st</sup> March 2018

<b>31st March 2017</b>		Note	<b>31st March 2018</b>
£'000			£'000
37,015	Property, Plant and Equipment	13	<b>35,980</b>
9,520	Investment Property	14	<b>10,577</b>
43	Intangible Assets	15	<b>27</b>
428	Heritage Assets	16	<b>405</b>
16	Long Term Investments	17	<b>11</b>
885	Long Term Debtors	18	<b>843</b>
<b>47,907</b>	<b>Long Term Assets</b>		<b>47,843</b>
	<b>Current Assets</b>		
15,940	Short Term Investments	20	<b>17,443</b>
110	Inventories	21	<b>123</b>
4,096	Short Term Debtors	23	<b>5,505</b>
9,419	Cash and Cash Equivalents	24	<b>5,552</b>
<b>29,565</b>	<b>Current Assets</b>		<b>28,623</b>
(625)	Short-Term Borrowing	27	<b>(625)</b>
(14,274)	Short Term Creditors	25	<b>(11,684)</b>
<b>(14,899)</b>	<b>Current Liabilities</b>		<b>(12,309)</b>
(2,187)	Provisions	26	<b>(2,196)</b>
(10,835)	Long Term Borrowing	27	<b>(10,776)</b>
(54,371)	Pension Liability	43	<b>(51,873)</b>
(1,889)	Other Long Term Liabilities	40	<b>(1,378)</b>
(3,127)	Capital Grants Receipts in Advance	37	<b>(4,695)</b>
<b>(72,409)</b>	<b>Long Term Liabilities</b>		<b>(70,918)</b>
<b>(9,836)</b>	<b>Net Assets</b>		<b>(6,761)</b>
	<b>Financed by:</b>		
(23,907)	Unusable Reserves	29	<b>(21,413)</b>
14,071	Usable Reserves	28	<b>14,652</b>
<b>(9,836)</b>	<b>Total Net Worth</b>		<b>(6,761)</b>

**CASH FLOW STATEMENT**  
**For the year ended 31 March 2018**

	Note	2017/2018 £'000	2016/2017 £'000
Net (surplus) or deficit on the provision of services		(1,167)	(1,002)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	30	578	(3,793)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30	1,089	1,856
<b>Net cash flows from operating activities</b>		<b>500</b>	<b>(2,939)</b>
Investing activities	31	2,608	2,496
Financing activities	32	759	(2,223)
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>3,867</b>	<b>(2,666)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(9,419)</b>	<b>(6,753)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(5,552)</b>	<b>(9,419)</b>

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/2018 financial year and its position as at the year-end 31 March 2018. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial reporting Standards (IFRS). The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii. Accruals of Income and Expenditure

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

- Revenue receivable from fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services or in the case of other income streams, when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet. Exceptions to this principle relate to electricity, gas and similar periodic payments, which are charged at the date of meter reading rather than being apportioned between financial years. In addition, housing benefits payments are matched to the subsidy claim which includes 52 weekly payment runs. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- 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 payable and receivable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Where the exact amount due in respect of accruals has not yet been confirmed, for example grant entitlements from Central Government, the accounts reflect the best estimate and use latest available information. The estimation techniques used have not generally been changed from the previous year.

**iii. Tax Income (Council Tax, Non-Domestic Rates (NNDR) /Business Rates)**

Billing authorities act as agents, collecting council tax and non-domestic rates (NNDR) on behalf of major preceptors (including government for NNDR) and, as principals, collecting council tax and NNDR 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 NNDR. 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 NNDR collected could be less than predicted.

Accounting for Council Tax and NNDR

The Council Tax and NNDR income and expenditure included in the comprehensive Income and Expenditure Statement is the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

**iv. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

**v. Exceptional Items**

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the authority's 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.

#### **vii. 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 the 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; and
- Amortisation of intangible fixed assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation, impairment losses and amortisations are therefore replaced by a contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

#### **viii Employee Benefits**

Benefits Payable during Employment

Short term employee benefits are those expected to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render the service to the authority. An accrual is made for the cost of the holiday entitlements (or any form of leave, such as time off in lieu) earned by employees but not taken before the year end in which employees can carry forward into the next financial year. The accrual is charged to the surplus or deficit in 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 authority 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 Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for restricting.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of 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 year-end.

## Post-Employment Benefits

The employees of the Council may participate in the Local Government Pension Scheme administered by Staffordshire County Council, which provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

### **The Local Government Pension Scheme**

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

The liabilities of the Staffordshire County Council pension scheme attributable to this 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 the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of future earnings by employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (2.6% 2016/17). This rate is equal to the yield available on long-dated, high quality corporate bonds and is commonly referred to as the AA Corporate Bond Rate.

The assets of Staffordshire County Council 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. This is allocated to the revenue accounts of the services for whom the employees worked.
- Past service gains/costs – the increase or decrease in liabilities arising from decisions made in the current year relating to years of service earned in earlier years. This is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.
- Net interest cost on the defined benefit liability, i.e. Net interest expense for the authority – the change during the period in the net defined benefit liability 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 calculate by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the defined benefit liability – charged to the Pension Reserve as other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is debited to the Pensions Reserve as other Comprehensive Income and Expenditure.

- Contributions paid to Staffordshire County Council 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 limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Movement on 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 year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on 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.

## **ix Events after the Balance Sheet Date**

An event occurring after the balance sheet date of 31 March, which provides evidence of conditions which existed at 31 March, is an adjusting event with the amounts shown in the Statement of Accounts updated to take account of the new information.

An event occurring after 31 March which indicates conditions that arose from 1 April onwards is a non-adjusting event with no effect on amounts included in the Statement of Accounts. However if these events are material they are disclosed in the notes to the accounts.

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

## **x Financial Instruments**

### Financial Assets

Financial assets i.e. amounts invested, are classified as either loans and receivables which are assets with fixed or determinable payments but are not quoted in an active market, or available-for-sale assets which have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are initially measured at fair value and carried in the balance sheet 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 the Council 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 of the loan agreement.

If an asset is identified as impaired because of a likelihood that payments due will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the assets original effective interest rate.



## Financial Liabilities

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

For most of 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 Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to the Income and Expenditure Account in the year of repurchase/settlement. However if repurchase takes place as part of a restructuring of the loan portfolio involving the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term remaining on the loan against which the premium was payable or discount receivable when it was repaid or a nominated shorter period. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movements in Reserves Statement.

### **xi. Foreign Currency Translation**

From time to time the authority occasionally enters into a transaction denominated in a foreign currency. The transaction is converted into sterling at the exchange rate applicable on the date of the transaction.

### **xii. Government Grants and Contributions**

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

- The authority will comply with the conditions attached to the payments, and
- The grants and contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the 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 capital grants) in the Comprehensive Income and Expenditure Statement.

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

### **xiii. Heritage Assets**

The authority's heritage assets include various paintings, sculptures and civic items which are held primarily as a contribution to knowledge and culture. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with our accounting policies for plant property and equipment. However some of these measurement rules are relaxed in relation to Heritage Assets.

Heritage asset records are maintained within the fixed asset register and insurance records. Access to the vast majority of these items can be gained via the Brewhouse Centre and mayoral and civic rooms within the Town Hall.

Heritage Assets are measured and reported in the balance sheet based on insurance valuation, which are periodically updated. However sculptures are reported within the balance sheet at depreciated historic cost.

All assets are depreciated to the Comprehensive Income and Expenditure Statement based on an estimate of their useful lives – generally 50 years with sculptures 25 years. The carrying values are reviewed where there is evidence of impairment this is recognised and measured in accordance with our general policies on impairment, as set out in xx.

Further information in relation to Heritage Assets is set out with note 14 to the accounts.

### **xiv. Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council, e.g. computer software and related licences, is capitalised at cost when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service lines in the Comprehensive Income and Expenditure Statement over the economic life of the investment to reflect the consumption of benefits.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses are recognised within the relevant service line within the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains or 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 sale proceeds greater than the £10,000) the Capital Receipts Reserve.

## **xv. Interests in Companies and Other Entities**

The Council has an interest in the following limited companies: Uttoxeter Leisure and Development Company Ltd, set up to run the Uttoxeter Racecourse; Uttoxeter Estates Limited, whose principal activity is property ownership and management. This interest does not require the preparation of group accounts. In the Council's accounts, this interest is recorded as financial assets at cost.

## **xvi. Inventories and Long Term Contracts**

Stocks/Inventories are included in the accounts on the basis of the latest price paid. This is a departure from the requirements of the Code, which require stocks to be shown at the lower of cost or net realisable value. The effect of the different treatment is immaterial.

Work in progress on long term contracts, for which interim valuations are made, is included in the surplus or deficit in the provision of services at historical cost covering labour, materials and direct overheads, net of any progress payments received.

## **xvii. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. As a non-financial asset, investment properties are valued at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses 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.

## **xviii Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks 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.

## **Finance Leases – Authority as Lessee**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of a 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 authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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 assets estimated life (where ownership of the asset does not transfer to the authority at the end of the lease period).

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

## **Operating Leases – Authority as Lessee**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the 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 start of the lease).

## **Finance Leases – Authority as Lessor**

Where the authority 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 authority'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 plant, property and equipment 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 – Authority as Lessor**

Where the authority 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. Any significant 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 the rental income.

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

Assets that have physical substance and are held for use in the provision of 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**

All expenditure on the acquisition, creation or enhancement of tangible plant, property and equipment is capitalised on an accruals basis, provided that it yields benefit to the Council and the services it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset, e.g. repairs and maintenance, is charged to revenue as it is incurred.

### **Measurement**

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The authority does not capitalise borrowing costs. Assets are then carried in the balance sheet using the following measurement bases:

- other land and buildings, vehicles, plant and equipment – current value, determined as the amount that would be paid for the asset in existing use.
- infrastructure, community assets and assets under construction - depreciated historical cost.
- Surplus assets, the current value measurement base is fair value, estimated at highest and best use from the market participants' perspective.

Where there is not market-based evidence of fair 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 that 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 fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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 the 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 in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of 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 the balance (up to the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the impairment is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line 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 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 yet available for use (i.e. assets under construction).

**Depreciation is calculated on the following bases:**

- Buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset.
- Infrastructure - straight line allocation over the useful life of the 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 charge 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.

**De Minimis Levels**

Charges to Revenue are made subject to a de minimis level regarding the capitalisation of expenditure. This has been set at £15,000 for land and buildings and £10,000 for equipment. If expenditure that would normally be capital is incurred below these levels, it would normally be charged directly to the revenue cost of the service concerned.

**Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through the 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 the 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 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 receipts are appropriated to the Capital Receipts Reserve from the General Fund balance in the Movement in Reserves Statement. These receipts can only be used for new capital investment or set aside to reduce the authority's underlying need to borrow.

The written off value of disposals is not a charge against council tax, as the cost of plant, property and equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Reserve balance in the Movement in Reserves Statement.

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

### **Provisions**

Provisions are made where an event has taken place that gives the authority 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 authority may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

Provisions are charges as an expense to the appropriate line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and can measure 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 each balance Sheet date – where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement anticipated), the provision is reversed (or reduced) and credited back to the relevant service.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the authority 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 authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow or resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not included in the accounts as an item of expenditure. They are disclosed in the Notes to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the authority 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 authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow or economic benefits or service potential.

## **xxi Reserves**

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent useable resources for the Council. These reserves are explained in the relevant accounting policies.



## **xxii. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

REFCUS represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. REFCUS incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has decided to meet the cost of the REFCUS from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Movement in Reserves Statement so that there is no impact on the level of council tax.

## **xxiii Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

## **xxiv. Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties 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 to sell the asset or transfer the liability takes place either:

- a) In the principal market for the assets or liability; or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participants 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.

The authority uses valuation techniques that are appropriate in the circumstances 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 authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices include within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

## **2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED**

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom: The following standards have been introduced into the 2018/19 Code, taking effect from 1<sup>st</sup> April 2018:

#### IFRS 9 – Financial Instruments:

This introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cash flows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council’s financial assets does not anticipate any impairment.

#### IFRS 15 – Revenue from Contracts with Customers including amendments to IFRS 15 and clarifications to IFRS 15 Revenue from Contracts with Customers:

This presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

#### Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for unrealised Losses:

This applies to deferred tax assets related to debt instruments measured at fair value. The Council’s does not have such debt instruments.

#### Amendments to IAS7 Statement of Cash flows; Disclosure Initiative.

May potentially require some additional analysis of Cash Flows from Financing Activities in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

The following standard is expected to be introduced into the code from 2019/20:

#### IFRS 16 Leases

This 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).

### **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in note 1, the authority 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 as follows:-

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority have been impaired as a result of a need to close facilities and reduce levels of service provision.
- The Business Rates Retention Scheme came into effect from 1<sup>st</sup> April 2013. The accounts include a provision for the estimated cost of both appeals that have been lodged with the Valuation Office and likely future appeals against the rateable value of businesses in the area, as well as a provision against the potential cost of applications for mandatory relief from NHS Trusts. The accounts contain judgements as to the extent that these appeals/applications are likely to arise and be successful.

#### 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 authority 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 items in the authority's Balance Sheet as at 31<sup>st</sup> March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual result differs from assumptions
Pensions Liability	Estimation of the net liability to pay pensions (£51.9m as at 31 <sup>st</sup> March 2018) depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, an increase in member life expectancy of 1 year would result in an increase in the pension liability of approx. £7.6m
Plant, Property and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The total carry value of depreciation as at 31 <sup>st</sup> March 2018 is £9.4m, with annual charges of £1.6m.	If the useful lives of assets reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that annual depreciation charge for buildings would increase by £0.037m for every year that useful lives had to be reduced.
Business Rate Appeals	As at 31 <sup>st</sup> March the Council's share of the estimated appeals against business rates is £2.2m. This is a complex calculation based on past success levels for individual categories of properties.	Every 1% increase in the overall level of success would increase the provision by £0.2m.

<p>Fair Value Measurements</p>	<p>When fair value for financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where level 1 inputs are not available the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties the external valuer).</p>	<p>The authority uses the discounted cash flow model to measure the fair value of some of its investment properties.</p> <p>Significant unobservable inputs used include management assumptions regarding rent levels, vacancy levels and discount rates.</p> <p>Significant changes in any of these unobservable inputs would result in lower or higher fair value measurement.</p>
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This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

## 5. EXPENDITURE AND FUNDING ANALYSIS

The expenditure and funding analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## 5a – Expenditure and Funding Analysis (2017/18)

	<b>2017/18</b>				
	Net Amount Reported as part of Management Outturn	Adjustment to arrive at net amount chargeable to the General fund Balances*	Net Expenditure chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Arts, Brewhouse and Functions	396	0	396	130	526
Community and Open Spaces	1,501	(8)	1,493	373	1,866
Corporate Management Team	409	0	409	77	486
Corporate and Commercial	792	3	795	73	868
Cultural Services - Marketing	132	0	132	9	141
Enterprise	126	(29)	97	22	119
Environment	2,991	119	3,110	518	3,628
Environmental Health	469	(25)	444	92	536
Financial Services	1,382	768	2,150	(1,514)	636
Housing	286	(106)	180	28	208
Human Resources and Payments	1,525	0	1,525	(1,058)	467
IT and Printing	496	0	496	73	569
Land Charges	(11)	52	41	14	55
Legal Services	(432)	117	(315)	819	504
Leisure Centres - Indoor Facilities	987	120	1,107	607	1,714
Leisure Centres - Outdoor Facilities	139	(2)	137	86	223
Markets	3	2	5	(5)	0
Planning	(83)	(56)	(139)	103	(36)
Revenue, Benefits and Customer Coni	207	(115)	92	223	315
Corporate Items	(1,254)	(737)	(1,991)	1,991	0
Contributions to / (from) Reserves	4	(4)	0	0	0
Non Distributed Costs	0	0	0	66	66
External Funding/Holding Accounts	0	872	872	(820)	52
<b>Cost of Services</b>	<b>10,065</b>	<b>971</b>	<b>11,036</b>	<b>1,907</b>	<b>12,943</b>
Other Income and expenditure	(10,582)	(923)	(11,505)	(2,605)	(14,110)
<b>(Surplus) or Deficit</b>	<b>(517)</b>	<b>48</b>	<b>(469)</b>	<b>(698)</b>	<b>(1,167)</b>
<b>Opening General Fund Balance</b>			<b>(13,459)</b>		
Less/Plus (Surplus) or Deficit			<b>(469)</b>		
<b>Closing General Fund Balance at 31st March</b>			<b>(13,928)</b>		
<b>General Fund Working Balance</b>			<b>1,278</b>		
<b>Earmarked Reserves (Note 9)</b>			<b>12,650</b>		
			<b>13,928</b>		

\* This column includes net transfers to and from earmarked reserves.

	<b>2016/17</b>				
	Net Amount	Adjustment	Net	Adjustments	Net Expenditure
	Reported as	to arrive at	Expenditure	between the	in the
	part of	net amount	chargeable	Funding and	Comprehensive
	Management	chargeable to	to the General	Accounting	Income and
	Outturn	the General fund	Fund Balance	Basis	Expenditure
		Balances*			Statement
	£'000	£'000	£'000	£'000	£'000
Arts, Brewhouse and Functions	407	15	422	77	499
Community and Open Spaces	1,167	(33)	1,134	413	1,547
Corporate Management Team	522	8	530	29	559
Corporate and Commercial	825	(18)	807	196	1,003
Cultural Services - Marketing	127	-	127	3	130
Enterprise	103	(15)	88	6	94
Environment	3,221	(17)	3,204	268	3,472
Environmental Health	428	-	428	30	458
Financial Services	1,441	(69)	1,372	(830)	542
Housing	280	(25)	255	9	264
Human Resources and Payments	1,350	-	1,350	(947)	403
IT and Printing	544	-	544	50	594
Land Charges	(7)	(70)	(77)	4	(73)
Legal Services	(277)	113	(164)	505	341
Leisure Centres - Indoor Facilities	770	16	786	405	1,191
Leisure Centres - Outdoor Facilities	150	(6)	144	53	197
Markets	111	29	140	(140)	0
Planning	130	(7)	123	45	168
Revenue, Benefits and Customer Conl	156	177	333	86	419
Corporate Items	(1,092)	(1,008)	(2,100)	2,100	0
Contributions to / (from) Reserves	508	(508)	0	0	0
Non Distributed Costs	0	0	0	235	235
External Funding/Holding Accounts	0	33	33	(29)	4
<b>Cost of Services</b>	<b>10,864</b>	<b>(1,385)</b>	<b>9,479</b>	<b>2,568</b>	<b>12,047</b>
Other Income and expenditure	(11,239)	834	(10,405)	(2,644)	(13,049)
<b>(Surplus) or Deficit</b>	<b>(375)</b>	<b>(551)</b>	<b>(926)</b>	<b>(76)</b>	<b>(1,002)</b>
<b>Opening General Fund Balance</b>			<b>(12,533)</b>		
Less/Plus (Surplus) or Deficit			<b>(926)</b>		
<b>Closing General Fund Balance at 31st March</b>			<b>(13,459)</b>		
<b>General Fund Working Balance</b>			<b>(1,278)</b>		
<b>Earmarked Reserves (Note 9)</b>			<b>(12,181)</b>		
			<b>(13,459)</b>		

\* This column includes net transfers to and from earmarked reserves.

The operating segments/service divisions have been revised from those published in the 2016/17 accounts to reflect the latest management structure and ensure a like for like comparison with the 2017/18 figures.

<b>Adjustments between Funding and Accounting Basis 2017/18</b>				
<b>Adjustments from General fund to arrive at the Comprehensive Income and Expenditure Statement amounts.</b>	<b>Adjustments for Capital Purposes (Note 1)</b>	<b>Net Change for the Pensions Adjustments (Note 2)</b>	<b>Other Differences (Note 3)</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Segment</b>				
Arts, Brewhouse and Functions	50	79	1	130
Community and Open Spaces	236	135	2	373
Corporate Management Team	-	76	1	77
Corporate and Commercial	-	72	1	73
Cultural Services - Marketing	-	9	-	9
Enterprise	2	20	-	22
Environment	695	371	(548)	518
Environmental Health	3	88	1	92
Financial Services	(1,147)	56	(423)	(1,514)
Housing	-	28	-	28
Human Resources and Payments	-	(1,059)	1	(1,058)
IT and Printing	40	33	-	73
Land Charges	-	14	-	14
Legal Services	(1,034)	97	1,756	819
Leisure Centres - Indoor Facilities	375	281	(49)	607
Leisure Centres - Outdoor Facilities	40	45	1	86
Markets	50	25	(80)	(5)
Planning	-	101	2	103
Revenue, Benefits and Customer Contacts	7	213	3	223
Corporate Items	-	-	1,991	1,991
Contributions to / (from) Reserves	-	-	-	0
Non Distributed Costs	66	-	-	66
External Funding and Holding Accounts	-	36	(856)	(820)
<b>Net Cost of Services</b>	<b>(617)</b>	<b>720</b>	<b>1,804</b>	<b>1,907</b>
Other income and expenditure from the Expenditure and Funding Analysis	(150)	1,394	(3,849)	(2,605)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>(767)</b>	<b>2,114</b>	<b>(2,045)</b>	<b>(698)</b>

<b>Adjustments between Funding and Accounting Basis 2016/17</b>				
<b>Adjustments from General fund to arrive at the Comprehensive Income and Expenditure Statement amounts.</b>	<b>Adjustments for Capital Purposes (Note 1)</b>	<b>Net Change for the Pensions Adjustments (Note 2)</b>	<b>Other Differences (Note 3)</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Segment</b>				
Arts, Brewhouse and Functions	50	27	-	77
Community and Open Spaces	369	44	-	413
Corporate Management Team	-	29	-	29
Corporate and Commercial	173	23	-	196
Cultural Services - Marketing	-	3	-	3
Enterprise	2	4	-	6
Environment	708	114	(554)	268
Environmental Health	2	28	-	30
Financial Services	(441)	17	(406)	(830)
Housing	-	9	-	9
Human Resources and Payments	-	(947)	-	(947)
IT and Printing	39	11	-	50
Land Charges	-	4	-	4
Legal Services	464	26	15	505
Leisure Centres - Indoor Facilities	374	86	(55)	405
Leisure Centres - Outdoor Facilities	40	13	-	53
Markets	52	9	(201)	(140)
Planning	-	45	-	45
Revenue, Benefits and Customer Contacts	7	79	-	86
Contingency Items	-	-	2,100	2,100
Contributions to / (from) Reserves	-	-	-	0
Non Distributed Costs	235	-	-	235
External Funding and Holding Accounts	-	9	(38)	(29)
<b>Net Cost of Services</b>	<b>2,074</b>	<b>(367)</b>	<b>861</b>	<b>2,568</b>
Other income and expenditure from the Expenditure and Funding Analysis	(910)	1,631	(3,365)	(2,644)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>1,164</b>	<b>1,264</b>	<b>(2,504)</b>	<b>(76)</b>

This table has been restated from the figures published within the 2016/17 to reflect the latest operating segments/ management structure and ensure a like for like comparison with the figures for 2017/18.

### **Explanatory Notes:**

#### **Note 1 - Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and adjusts for the statutory financing charge (MRP) and Revenue Expenditure Financed from Capital under Statute (REFCUS).

In addition, within the other income and expenditure it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. The taxation and non-specific grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or which conditions were satisfied in the year.



## **Note 2 - Net Change for Pensions Adjustments**

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 CIES.

## **Note 3 - Other Differences**

The other main differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For services – this includes adjustments for employee benefits, such as accrued leave, which are adjusted through the Accumulated Absences Account.
- For financing and investment income and expenditure – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts
- 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 NDR that was projected to be received at the start of the year and the income recognised under generally accepted 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.
- In addition, there are a number of re-classifications of expenditure for the purposes of conversion to the format for the Comprehensive Income and Expenditure. These include the transfer of New Homes Bonus from the corporate items line to the Taxation and non-specific Income line and the transfer of interest payments and receipts from financial services to the financing and investment line.

<b>(b) Segmental Income: Fees, charges from external customers on a Segmental Basis is Analysed Below</b>		
<b>Segment</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Arts, Brewhouse and Functions	(315)	(283)
Community and Open Spaces	(1,597)	(1,622)
Corporate Management Team	(18)	(18)
Corporate and Commercial	(3)	(3)
Environment	(1,827)	(1,892)
Environmental Health	(84)	(53)
Financial Services	(25)	(26)
Housing	(153)	(135)
Human Resources and Payments	(7)	(7)
IT and Printing	(14)	(14)
Land Charges	(145)	(127)
Legal Services	(1,091)	(1,201)
Leisure Centres - Indoor Facilities	(1,838)	(1,992)
Leisure Centres - Outdoor Facilities	(236)	(225)
Markets	(203)	(150)
Planning	(1,033)	(655)
Revenue, Benefits and Customer Contacts	(1,251)	(1,022)
External Funding and Holding Accounts	(166)	(165)
<b>Total Income from external customers analysed on a segmental basis</b>	<b>(10,006)</b>	<b>(9,590)</b>

The comparative figures for 2016/17 have been restated to reflect the latest operating segments/management structure to ensure a like for like comparison with 2017/18.

## 6. EXPENDITURE AND INCOME ANALYSED BY NATURE

The following table provides any analysis of the Income and Expenditure, consistent with the Comprehensive Income and Expenditure Statement, analysed subjectively:

<b>Expenditure/Income</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Employees	<b>13,108</b>	11,494
Other service expenses	<b>9,750</b>	9,842
Depreciation, amortisation, impairment and revaluation	<b>1,737</b>	2,358
Interest Payments, including Pensions	<b>4,177</b>	4,727
Business Rates Transfers	<b>18,706</b>	19,497
Housing Benefits	<b>25,744</b>	26,862
Precepts	<b>1,146</b>	1,124
Loss on Disposal of Assets	<b>0</b>	1
<b>Total Expenditure</b>	<b>74,368</b>	<b>75,905</b>
<b>Income</b>		
Fees, charges and other service income	<b>(10,006)</b>	(9,590)
Other Grants and Contributions	<b>(1,156)</b>	(914)
Interest and investment income, including Pensions	<b>(2,418)</b>	(2,696)
Income from council tax and non-domestic rates	<b>(29,285)</b>	(30,315)
Government Grants (Note 37)	<b>(31,410)</b>	(33,392)
Gain on Disposal of Assets/Financial Instruments	<b>(48)</b>	-
Upward Revaluation of Investment Properties	<b>(1,212)</b>	-
<b>Total Income</b>	<b>(75,535)</b>	<b>(76,907)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(1,167)</b>	<b>(1,002)</b>

## 7. MATERIAL AND OTHER NOTABLE ITEMS OF INCOME AND EXPENSE

### Pension Fund Pre-payment

The Council's Pension Fund is subject to triennial reviews by an independent actuary to assess the levels of contributions that will be required. The latest valuation took place as at 31<sup>st</sup> March 2016 and resulted in an overall increase in contribution rates of 2%. This includes employer contribution rates plus a deficit repair lump sum payment. The Council has taken the option to pay the annual lump sum amounts for the three years to March 2020 as one advance payment of £3.052m. This was paid in April 2017 and reflects a discount of 3.8% on the nominal sums. Of this lump sum amount, £0.885m has been charged to the General Fund Balance, via the Movement in Reserves Statement relating to the 2017/18 allocation and £2.167m is held within the Pension Reserve to be charged to the General fund Balance in 2018/19 and 2019/20.

There were no material items of income and expenses during 2016/17.

## 8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2017/18	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Movement in Unusable reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Amortisation of intangible fixed assets	16	-	-	(16)
Depreciation and impairment of fixed assets	1,557	-	-	(1,557)
Revaluation losses on plant, property and equipment	(21)	-	-	21
Movements in market value of investment properties	(1,057)	-	-	1,057
Capital grants and contributions applied	(916)	-	-	916
Gain or loss associated with financial instruments	(142)	173	-	(31)
Gain on disposal of non current assets	0	-	-	0
Revenue expenditure funded from capital under statute	816	-	-	(816)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Minimum revenue provision for capital financing	(928)	-	-	928
Voluntary set-aside for repayment of debt	(729)	-	-	729
Capital expenditure charged in-year to the General Fund	(857)	-	-	857
<b>Adjustment Primarily involving the Capital Receipts Reserve</b>				
Use of capital receipts to finance new capital expenditure	-	(59)	-	59
Repayment of debt from capital receipts	-	-	-	0
Transfer from deferred capital receipts reserve upon receipt of cash	-	(2)	-	2
Balance carried forward to next page	(2,261)	112	0	2,149

<b>2017/18</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Reserve</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance brought forward from last page</b>	<b>(2,261)</b>	<b>112</b>		<b>2,149</b>
<b>Adjustment primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in the year in accordance with statutory requirements	<b>(31)</b>	-	-	<b>31</b>
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to Comprehensive Income and Expenditure (see note 43)	<b>4,379</b>	-	-	<b>(4,379)</b>
Employers pensions contributions and direct payments to pensioners payable in the year	<b>(2,265)</b>	-	-	<b>2,265</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<b>117</b>	-	-	<b>(117)</b>
Amounts by which business rates income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in	<b>(637)</b>	-	-	<b>637</b>
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>0</b>	-	-	<b>0</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(698)</b>	<b>112</b>	<b>0</b>	<b>586</b>

Comparator information for 2016/17 on this note is shown below.

<b>2016/17</b>	<b>General Fund Balance £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Total Movement in Unusable reserves £'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Amortisation of intangible fixed assets	15	-	-	(15)
Depreciation and impairment of fixed assets	1,615	-	-	(1,615)
Revaluation losses on plant, property and equipment	284			(284)
Movements in market value of investment properties	445	-	-	(445)
Capital grants and contributions applied	(1,671)	-	-	1,671
Gain or loss associated with financial instruments	(125)	125		0
Gain on disposal of non current assets	1	60	-	(61)
Revenue expenditure funded from capital under statute	917	-	-	(917)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Minimum revenue provision for capital financing	(983)	-	-	983
Capital expenditure charged in-year to the General Fund Balance	(37)	-	-	37
<b>Adjustment Primarily involving the Capital Receipts Reserve</b>				
Use of capital receipts to finance new capital expenditure	-	(238)	-	238
Repayment of debt from capital receipts	-	(1,332)	-	1,332
Transfer from deferred capital receipts reserve upon receipt of cash				0
Balance carried forward to next page	461	(1,385)	0	924

<b>2016/17</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Reserve</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance brought forward from last page</b>	<b>461</b>	<b>(1,385)</b>		<b>924</b>
<b>Adjustment primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in the year in accordance with statutory requirements	<b>(31)</b>	-	-	<b>31</b>
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to Comprehensive Income and Expenditure (see note 43)	<b>3,380</b>	-	-	<b>(3,380)</b>
Employers pensions contributions and direct payments to pensioners payable in the year	<b>(2,116)</b>	-	-	<b>2,116</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<b>(35)</b>	-	-	<b>35</b>
Amounts by which business rates income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<b>(1,733)</b>	-	-	<b>1,733</b>
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(2)</b>	-	-	<b>2</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(76)</b>	<b>(1,385)</b>	<b>0</b>	<b>1,461</b>

## 9. TRANSFER TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

	Balance at 31st March 2016	Transfers Out In 2016/17	Balance at 31st March 2017	Transfers Out In 2017/18	Balance at 31st March 2018
	£'000	£'000 £'000	£'000	£'000 £'000	£'000
New Homes Bonus	3,459	(34) 907	4,332	(784) 736	4,284
Contingency Fund	2,505	(559) 801	2,747	(336) 524	2,935
Business Rate Retention Scheme	698	(840) 257	115	(7) 930	1,038
Capital Programme	1,030	(15) 936	1,951	(1,234) 0	717
Debt Repayment	783	(492) 58	349	(23) 375	701
Planning Reserve	321	0 40	361	0 0	361
Housing Benefits	172	(205) 103	70	(7) 183	246
Building Control Fee Earning	241	0 0	241	0 2	243
Insurance Fund	228	0 0	228	0 0	228
IT Equipment	190	0 13	203	(3) 0	200
New Burdens	155	(196) 177	136	(40) 100	196
Car Park Maintenance	181	0 0	181	0 0	181
Housing Options Fund	155	0 25	180	(13) 0	167
Other Reserves	272	(218) 107	161	(34) 33	160
Professional Reserve	138	(23) 39	154	(45) 38	147
Homelessness Reduction Act	0	0 0	0	(12) 132	120
Licensing Income Volatility	121	(42) 81	160	(77) 26	109
Growth Point Agenda	101	(15) 0	86	(9) 28	105
Local Strategic Partnership	118	(31) 0	87	0 0	87
Elections	65	(13) 25	77	(25) 15	67
Safer And Active Communities	56	0 1	57	(6) 0	51
Prevention of Violent Extremism	47	0 4	51	0 0	51
Planning Reserve (Ringfenced)	0	0 0	0	0 51	51
Neighbourhood Working Fund	0	0 0	0	0 51	51
Migration Impact Fund	40	0 0	40	0 0	40
LPSA Grant	37	0 0	37	0 0	37
Uttoxeter Synthetic Pitch	21	0 6	27	(1) 6	32
Implementing Electoral Registration	31	0 0	31	0 0	31
Budget Carry Forward	90	(90) 119	119	(119) 14	14
	<b>11,255</b>	<b>(2,773) 3,699</b>	<b>12,181</b>	<b>(2,775) 3,244</b>	<b>12,650</b>

Further information in relation to the most significant reserves is described below.

**New Homes Bonus:** Funding set aside as part of the approved four year Medium Term Financial Strategy.

**Contingency Fund:** (£2.9m) for unexpected events to support one-off non-recurring items as part of the Medium Term Financial Strategy.

**Business Rate Retention Scheme:** held against the known risks associated with income volatility from the Business Rates Retention Scheme. This volatility arises due to appeals, reliefs and government changes that are outside of the Council's control.

**10. OTHER OPERATING EXPENDITURE**

	<b>2017/18</b>	<b>2016/17</b>
	£'000	£'000
Parish Council Precepts	<b>1,074</b>	1,041
Parish Council Tax Support Grant	<b>71</b>	83
Gains / losses on disposal of non current assets	<b>0</b>	1
	<b><u>1,145</u></b>	<u>1,125</u>

**11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	<b>2017/18</b>	<b>2016/17</b>
	£'000	£'000
Interest payable and similar charges	<b>586</b>	590
Interest element of finance leases	<b>42</b>	96
Gain/Loss from financial instruments	<b>(142)</b>	(125)
Revised Impairment of financial instruments	<b>(2)</b>	(11)
Net Pension Interest Expense	<b>1,394</b>	1,631
Interest receivable and similar income	<b>(137)</b>	(150)
Income and expenditure in relation to investment properties and changes in their fair values (note 14)	<b>(1,754)</b>	(100)
Gain/Loss on Trading Accounts (note 33)	<b>81</b>	202
	<b><u>68</u></b>	<u>2,133</u>

**12. TAXATION AND NON SPECIFIC GRANT INCOME/EXPENDITURE**

	<b>2017/18</b>	<b>2016/17</b>
	£'000	£'000
Council tax income	<b>(7,627)</b>	(7,591)
Non domestic rates income	<b>(20,949)</b>	(22,276)
Business Rates Tariff to Birmingham City Council	<b>17,662</b>	18,835
Revenue support grant	<b>(813)</b>	(1,507)
Transitional Grant	<b>(15)</b>	(15)
New Homes Bonus	<b>(2,091)</b>	(2,183)
Capital grants and contributions	<b>(133)</b>	(912)
Small Business Rate Relief	<b>(1,132)</b>	(585)
Business Rates Compensation Grant	<b>(225)</b>	(73)
	<b><u>(15,323)</u></b>	<u>(16,307)</u>



### 13. PROPERTY, PLANT AND EQUIPMENT

<b>Movements in 2017/18</b>	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure £'000</b>	<b>Community Assets £'000</b>	<b>Assets Under Constuction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
1st April 2017	29,940	6,801	3,838	2,190	325	3,359	46,453
Additions	58				859	99	1,016
Revaluations recognised in the Revaluation Reserve	(532)						(532)
Revaluations recognised in the Provision of Services	87					(66)	21
Reclassifications	40				(40)		0
Reclassifications of overall nil value							0
Disposals to I & E		(181)					(181)
<b>31st March 2018</b>	<b>29,593</b>	<b>6,620</b>	<b>3,838</b>	<b>2,190</b>	<b>1,144</b>	<b>3,392</b>	<b>46,777</b>
<b>Depreciation and Impairment</b>							
1st April 2017	(1,863)	(3,944)	(1,934)	(1,697)	0	0	(9,438)
Depreciation charge	(598)	(764)	(130)	(48)			(1,540)
Reclassifications of overall nil value							0
Revaluation recognised in the Revaluation reserve							0
Disposal to I & E		181					181
<b>31st March 2018</b>	<b>(2,461)</b>	<b>(4,527)</b>	<b>(2,064)</b>	<b>(1,745)</b>	<b>0</b>	<b>0</b>	<b>(10,797)</b>
<b>Balance Sheet as at 1st April 2017</b>							
	<b>28,077</b>	<b>2,857</b>	<b>1,904</b>	<b>493</b>	<b>325</b>	<b>3,359</b>	<b>37,015</b>
<b>Balance Sheet as at 31st March 2018</b>							
	<b>27,132</b>	<b>2,093</b>	<b>1,774</b>	<b>445</b>	<b>1,144</b>	<b>3,392</b>	<b>35,980</b>

Comparator figures for 2016/17 are shown on the following page.

<b>Movements in 2016/17</b>	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure £'000</b>	<b>Community Assets £'000</b>	<b>Assets Under Constuction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
1st April 2016	29,632	6,741	3,851	2,299	752	4,145	47,420
Additions	14	82			979		1,075
Revaluations recognised in the Revaluation Reserve	(207)					(627)	(834)
Revaluations recognised in the Provision of Services						(284)	(284)
Reclassifications	772				(1,406)	125	(509)
Reclassifications of overall nil value	(271)	(15)	(13)	(109)			(408)
Disposals to I & E		(7)					(7)
<b>31st March 2017</b>	<b>29,940</b>	<b>6,801</b>	<b>3,838</b>	<b>2,190</b>	<b>325</b>	<b>3,359</b>	<b>46,453</b>
<b>Depreciation and Impairment</b>							
1st April 2016	(1,724)	(3,138)	(1,821)	(1,758)	0	0	(8,441)
Depreciation charge	(601)	(827)	(126)	(48)			(1,602)
Reclassifications of overall nil value	271	15	13	109			408
Revaluation recognised in the Revaluation reserve	191						191
Disposal to I & E		6					6
<b>31st March 2017</b>	<b>(1,863)</b>	<b>(3,944)</b>	<b>(1,934)</b>	<b>(1,697)</b>	<b>0</b>	<b>0</b>	<b>(9,438)</b>
<b>Balance Sheet as at 1st April 2016</b>	<b>27,908</b>	<b>3,603</b>	<b>2,030</b>	<b>541</b>	<b>752</b>	<b>4,145</b>	<b>38,979</b>
<b>Balance Sheet as at 31st March 2017</b>	<b>28,077</b>	<b>2,857</b>	<b>1,904</b>	<b>493</b>	<b>325</b>	<b>3,359</b>	<b>37,015</b>

For the purposes of valuation assets are grouped into classes. Assets within a class are valued at the same time. The table below shows the different classes within the asset net book value totals shown in the table above.

	<b>31st March 2018</b>	<b>31st March 2017</b>
	£'000	£'000
<b>Other Land and Buildings:</b>		
Car Parks	<b>8,455</b>	8,865
Cemeteries & Crematorium	<b>219</b>	231
Changing Rooms	<b>61</b>	76
Community Centre	<b>1,075</b>	1,111
Leisure	<b>8,852</b>	9,231
Misc Property	<b>6,222</b>	6,271
Operational Buildings	<b>1,858</b>	1,888
Public Conveniences	<b>390</b>	404
<b>Vehicles, Plant and Equipment</b>	<b>2,093</b>	2,856
<b>Infrastructure</b>	<b>1,774</b>	1,905
<b>Community Assets</b>	<b>445</b>	493
<b>Assets Under Construction</b>	<b>1,144</b>	325
<b>Surplus Assets</b>	<b>3,392</b>	3,359
	<b>35,980</b>	37,015

## Depreciation

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

Other Land and Buildings	10 – 100 years
<b>Vehicles, Plant and Equipment</b>	
Car Park Ticket Machines	15 years
CCTV Cameras	Between 5 and 10 years
Computer Hardware and Software	3 or 5 years
Parking Meters	15 years
Play Equipment	10 years
Recycling Bins	10 years
Others	between 2 and 10 years
<b>Infrastructure Assets</b>	
Bus shelters	15 years
Lighting	10 years
High Street/New Street improvements	50 years
Tree Planting	100 years
Others, including footpaths, traffic calming, Cycle routes etc.	Between 10 and 25 years
<b>Community Assets</b>	
Enhancement of Parks and Open Spaces	10 years
Works of Art and Sculptures	25 or 50 years

## Capital Commitments

The Council has £84k in commitments outstanding in relation to capital contracts as at 31<sup>st</sup> March 2018 (2017 £11k).

## Effects of Changes in Estimates

There have been no material changes in estimates during 2017/18.

## Revaluations

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. Valuations as at 1<sup>st</sup> April 2014, 2015, 2016 and 2017 have been undertaken by externally appointed valuers, Rushton Hickman. An element of the surplus asset value (£1.5m) in relation to land off High Street, Burton (also known as Bargates) has been valued by Salloway Property Consultants at 31<sup>st</sup> March 2018. The basis for valuation is set out in the accounting policies.

For those assets not subject to formal revaluation during the course of 2017/18, the valuer has performed a desk top review to ensure that these assets are not materially misstated from their balance sheet carrying value.

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	TOTAL £'000
Valued at historical cost	<b>236</b>	<b>2,093</b>	-	<b>2,329</b>
Valued at current value as at 1 April				
2017	<b>8,420</b>			<b>8,420</b>
2016	<b>5,913</b>			<b>5,913</b>
2015	<b>36</b>			<b>36</b>
2014	<b>10,493</b>			<b>10,493</b>
Valued at current value as at 31 March 2016	<b>1,961</b>			<b>1,961</b>
Valued at current value as at 31 December 2017	<b>73</b>		<b>1,892</b>	<b>1,965</b>
Valued at current value as at 31 March 2018			<b>1,500</b>	<b>1,500</b>
<b>Net Book Value at 31 March 2018</b>	<b>27,132</b>	<b>2,093</b>	<b>3,392</b>	<b>32,617</b>
Other Assets (all valued and depreciated, where necessary)				
Infrastructure Assets				<b>1,774</b>
Community Assets				<b>445</b>
Assets Under Construction				<b>1,144</b>
<b>Net Book Value of Assets at 31 March 2018</b>				<b>35,980</b>

Since 1 April 2015, the council's surplus properties are valued in accordance with the fair value hierarchy and have been assessed as level 2 (see note 1 xxv for explanation of level 2). The valuation technique for surplus properties at level 2 uses a market approach which takes into account market conditions, recent sale prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased/sold and the level of observable inputs are significant.

#### 14. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	£'000
Rental income from investment property	<b>(740)</b>	(777)
Direct operating expenses arising from investment property	<b>43</b>	232
Loss on Disposal	<b>0</b>	0
Revaluation Changes	<b>(1,057)</b>	445
<b>Net (Gain) / Loss</b>	<b>(1,754)</b>	(100)

Movements during the year in relation to Investment Property carrying value are shown in the table below:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	£'000
Balance at start of year	<b>9,520</b>	9,516
Additions	-	-
Reclassifications from Assets under Construction	-	509
Disposals	-	(60)
Net gains/losses from fair value adjustments	<b>1,057</b>	(445)
<b>Balance at Year end</b>	<b>10,577</b>	9,520

#### Fair value measurement of investment properties

##### Fair Value Hierarchy

The council's investment property portfolio has been assessed as either level 2 or level 3 for valuation purposes (see note 1 xxv for explanation of fair value levels). Details are shown in the tables below:

<b>31st March 2018</b> Recurring fair value measurements using:	<b>Quoted prices in active markets for identical assets</b>	<b>Other significant observable inputs</b>	<b>Other significant Unobservable inputs</b>	<b>Fair Value 31st March 2018</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	£'000	£'000	£'000	£'000
Residential	0	0	0	0
Office Units	0	0	335	335
Commercial units	0	77	7,564	7,641
Other	0	2,483	118	2,601
<b>Total</b>	<b>0</b>	<b>2,560</b>	<b>8,017</b>	<b>10,577</b>

<b>31st March 2017</b>	<b>Quoted prices in active markets for identical assets</b>	<b>Other significant observable inputs</b>	<b>Other significant Unobservable inputs</b>	<b>Fair Value 31st March 2017</b>
Recurring fair value measurements using:	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	£'000	£'000	£'000	£'000
Residential	0	0	0	0
Office Units	0	0	327	327
Commercial units	0	77	6,460	6,537
Other	0	2,542	114	2,656
<b>Total</b>	<b>0</b>	<b>2,619</b>	<b>6,901</b>	<b>9,520</b>

#### **Transfers between levels of the fair value hierarchy**

No transfers have taken place between levels of the fair value hierarchy in 2017/18 (2016/17 – NIL).

#### **Valuation Techniques used to determine Level 2 and Level 3 Fair Values for Investment Properties:**

##### Significant Observable Inputs – Level 2

The fair value for investment properties at level 2 has been measured using a market approach which takes into account market conditions, recent sale prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased/sold and the level of observable inputs are significant, leading to properties being categorised as level 2 on the fair value hierarchy.

##### Significant Unobservable Inputs – Level 3

The fair value for investment properties at level 3 has been measured using an income approach taking account available factors such as rent, duration of lease, occupancy and local market conditions. Properties where there is little or no active market are also included here.

#### **Highest and Best Use of Investment Properties**

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

#### **Valuation Techniques and Process**

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

The fair value of the authority's investment properties is measured annually at each reporting date. All valuations are carried out by an independent external valuer, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers regarding all valuation matters.

**Reconciliation of Fair Value Measurements (using significant unobservable inputs)  
Categorised within level 3 of the Fair Value Hierarchy**

	<b>2017/18</b>	<b>2016/17</b>
	£'000	£'000
<b>Balance at start of year</b>	<b>6,901</b>	<b>6,757</b>
Transfer into/out Level 3	-	-
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value.	1,116	144
Additions/Disposals	-	-
<b>Balance at Year end</b>	<b>8,017</b>	<b>6,901</b>

Gains or losses arising from changes in fair value of the investment property are recognised in the surplus or deficit on the provision of services – financing and investment income and expenditure line.

**Quantitative Information about Fair Value measurement of Investment Properties using Significant Unobservable Inputs – Level 3**

	<b>As at 31st March 2018 £'000</b>	<b>Valuation Technique used to measure fair value</b>	<b>Unobservable inputs</b>	<b>Range (weighted average used)</b>	<b>Sensitivity</b>
Office Units	335	Income	} Future rental income/yield }	} 5% -11% (9.1%) }	Significant variations in yield will result in a significantly lower or higher fair value
Commercial units	7,564	Income			
Other	114	Income			
Other	4	Market	No active market	n/a	n/a
<b>Total</b>	<b>8,017</b>				

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

**15. INTANGIBLE ASSETS**

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the authority. The useful life assigned to the major software suites used by the authority is generally 5 years.

The carrying amount of these software licences is amortised on a straight line basis. The amortisation of £16k to revenue was charged to the waste management services within the environmental services line in the Net Cost of Services within the Comprehensive Income and Expenditure Statement.

	<b>2017/18</b>	<b>2016/17</b>
	£'000	£'000
<b>Balance at start of year</b>		
Gross Carrying amount	403	396
Accumulated amortisation	(360)	(345)
<b>Net Carrying Amount at start of year</b>	<b>43</b>	<b>51</b>
Additions	0	7
Disposals	0	0
Amortisation for Period	(16)	(15)
Amortisation on disposals	0	0
<b>Net Carrying Amount at end of year</b>	<b>27</b>	<b>43</b>

## 16. HERITAGE ASSETS

Reconciliation of the carrying value of heritage assets held by the authority is set out below. Valuations are undertaken, as set out below, with the last valuation dated January 2010.

	Ceramics £'000	Art Work £'000	Civic Regalia £'000	Other £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>					
1st April 2010	65	176	60	119	420
Additions -2011/12		95			95
Impairment recognised in Revaluation Reserve		(5)			(5)
Impairment recognised in the provision of Services		(6)			(6)
<b>Gross Cost/Valuation</b>	<b>65</b>	<b>260</b>	<b>60</b>	<b>119</b>	<b>504</b>
Depreciation b/f	(9)	(54)	(7)	(17)	(87)
Depreciation in Year	(1)	(8)	(2)	(2)	(13)
Impairment recognised in the provision of services		1			1
<b>Cumulative Depreciation</b>	<b>(10)</b>	<b>(61)</b>	<b>(9)</b>	<b>(19)</b>	<b>(99)</b>
<b>Net Book Value 31/3/17</b>	<b>56</b>	<b>217</b>	<b>53</b>	<b>102</b>	<b>428</b>
<b>Net Book Value 31/3/18</b>	<b>55</b>	<b>199</b>	<b>51</b>	<b>100</b>	<b>405</b>

### Ceramics, Porcelain & Silverware etc.

The authority's collection of ceramics, porcelain work and silverware is reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.



### Art Collection

The authority's art collection includes a number of paintings and bronze figures which are held at both the Town Hall and the Brewhouse as well as a number of sculptures located around the Borough. Paintings are held within the Balance Sheet at insurance valuation, which is based on market values. These are updated periodically. Sculptures are held within the balance sheet at depreciated historic cost.

### Civic Regalia

This includes the mayoral chains, mace and stand. These are reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.

### Other items

This includes other misc items including fifty two leaded window panels of past mayors of the Borough from 1880 – 1975. These items are also reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.

### Additions

During the course of 2017/18 there were no new additions.

The code requires, where practical, the disclosure of information in relation to these assets for the previous 4 years. This is neither practical nor significant in the context of these accounts.

## 17. LONG-TERM INVESTMENTS

	<b>2017/18</b>	<b>2016/17</b>
	£'000	£'000
Icelandic Investments (long term element)	8	13
Other	3	3
	<b>11</b>	<b>16</b>

This represents the long term element of the Impaired Icelandic investments. Further details can be found at Note 41.

## 18. LONG-TERM DEBTORS

These are mortgage advances made to previous Council tenants and private individuals under the Housing Act 1958. In addition, following the winding up of the Kickstart programme, loans to households totalling £162k were transferred to the Council and £59k repayments have been received to date. Transactions for the year are as follows:

	Balance at 1 April £'000	Accrued in Year £'000	Repaid for year £'000	Balance at 31 March £'000
Housing Advances	<b>21</b>	1	-	<b>22</b>
Yeoman Industrial Estate	<b>36</b>		(12)	<b>24</b>
Kick Start Loan Portfolio	<b>134</b>	-	(31)	<b>103</b>
Plant, Property and Equipment - Finance Leases	<b>694</b>	-	-	<b>694</b>
	<b>885</b>	1	(43)	<b>843</b>

## 19. FINANCIAL INSTRUMENTS

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Short-Term	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Financial liabilities at amortised cost	<b>10,776</b>	10,835	<b>625</b>	625
Financial liabilities at fair value through profit and loss	<b>0</b>	0		0
<b>Total Borrowings</b>	<b>10,776</b>	10,835	<b>625</b>	625
Loans and receivables	<b>8</b>	14	<b>17,495</b>	22,359
Available-for-sale financial assets	<b>0</b>	0	<b>5,500</b>	3,000
Unquoted Equity Investment at Cost	<b>0</b>	0	<b>0</b>	0
<b>Total Investments</b>	<b>8</b>	14	<b>22,995</b>	25,359
Financial assets carried at contract amounts (note 1)	<b>843</b>	885	<b>3,547</b>	3,002
<b>Total Debtors</b>	<b>843</b>	885	<b>3,547</b>	3,002
Financial liabilities carried at contract amounts (note 1)	<b>0</b>	0	<b>4,293</b>	6,865
<b>Total Creditors</b>	<b>0</b>	0	<b>4,293</b>	6,865
Finance Lease Liabilities	<b>1,378</b>	1,889	<b>0</b>	0
<b>Total other Long Term Liabilities</b>	<b>1,378</b>	1,889	<b>0</b>	0

Note 1 – These exclude statutory amounts relating to the collection fund.

An analysis of financial liabilities is shown in note 27 – Borrowing. Details of loans and receivables are given in note 17 – Long-term investments.

### Income, expense, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	<b>Financial Liabilities</b>		<b>Financial Assets</b>		<b>Total</b>
	<b>31st March 2018</b>	31st March 2017	<b>31st March 2018</b>	31st March 2017	<b>31st March 2018</b>
	£'000	£'000	£'000	£'000	£'000
Interest expense	<b>586</b>	590	<b>0</b>	0	<b>586</b>
<b>Total expense in surplus or deficit in the provision of services</b>	<b>586</b>	590	<b>0</b>	0	<b>586</b>
Interest income	<b>0</b>	0	<b>(137)</b>	(150)	<b>(137)</b>
Impairment changes	<b>0</b>	0	<b>(2)</b>	(11)	<b>(2)</b>
Gains on de-recognition	<b>0</b>	0	<b>0</b>	0	<b>0</b>
<b>Total income in surplus or deficit in the provision of services</b>	<b>0</b>	0	<b>(139)</b>	(161)	<b>(139)</b>
<b>Net loss/(gain) for the year</b>	<b>586</b>	590	<b>(139)</b>	(161)	<b>447</b>

#### **Fair Values of assets and liabilities that are not measured at fair Value (but for which fair value disclosures are required)**

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

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments/receipts in the future in today's terms.

The discount rate used in the NPV calculation should be equal to the current rate in relation to an instrument from a comparable lender. This is the rate applicable in the market on the date of valuation.

The new borrowing rate, as opposed to the premature repayment rate, has been used for PWLB borrowing. The premature repayment rate includes a margin representing the lender's profit on rescheduling loans, which should not be included in the fair value calculation. For comparison purposes this has been included in a footnote to the table.

Accrued interest has been included in the fair value calculation to provide a comparison with the carrying value on the Balance Sheet.

Fair value has not been established for the authority's unquoted equity investments as it cannot be reliably estimated – attempts to value these assets has produced significant differences in valuations. As this is the case, these are measured at cost until reliable estimates can be obtained.

The rates used in the valuation were obtained by Link Assets Services from the market on 31 March 2017, using bid prices where applicable. There has been no change in the valuation techniques used during the financial year for the financial instruments.

The fair values calculated are as follows:

	31 March 2018		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities	<b>11,401</b>	<b>14,279</b>	11,461	14,935*

The fair value is higher than the carrying amount as premia would be payable if loans were prematurely repaid.

*\*The table above shows the fair value of PWLB loan liabilities calculated using the new borrowing rate. By comparison using the premature borrowing rate would give a fair value figure of £15.240m as at 31<sup>st</sup> March 2018 and £16.013m as at 31<sup>st</sup> March 2017.*

In respect of investments, the carrying amount is deemed to be a reasonable approximation of the fair value.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

#### **Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value**

	31st March 2018 Other significant observable inputs (Level 2) £'000	31st March 2017 Other significant observable inputs (Level 2) £'000
Financial Liabilities held at amortised cost		
Loans and borrowings	<b>14,279</b>	14,935
	<b>14,279</b>	14,935

## **20. FINANCIAL INSTRUMENTS RISKS**

### **Nature of Risks**

The Council's activities expose it to a variety of financial risks, with the key risks being:

- 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;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in factors such as interest rate movements.

### **Procedures for Managing Risks**

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. These procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting the Council's overall borrowing, its maximum and minimum exposures to fixed and variable rates, its maximum and minimum exposures in the maturity structure of its debt and its maximum annual exposures to investments maturing beyond a year;
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties.

The Council meeting of 27th February 2018 approved and accepted the Treasury Management Strategy Statement and Annual Investment Strategy 2017/2018 covering the above and which includes Prudential Indicators for 2017/2018 to 2019/2020. Actual performance for 2017/2018 is reported in the Annual Treasury Management Report submitted to Council in June 2018.

The Council maintains documented principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These are included in Treasury Management Practices which are a requirement of the Code and are reviewed annually.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers i.e. outstanding debtors. Deposits are not made with banks and financial institutions unless they meet the minimum requirements and do not exceed the limits set in the investment criteria outlined in the Annual Investment Strategy 2017/2018.

The Council uses the creditworthiness service provided by Link Assets Services. This service uses a sophisticated modelling approach with credit ratings from all three agencies – Fitch, Moody's and Standard Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The strategy recognises only institutions in Countries with an 'AA' sovereignty weighting, with the UK being the only exception, and reviews all ratings on a regular basis, removing those counterparties that no longer meet the criteria.

The table below highlights all short-term investments held at the 31<sup>st</sup> March 2018.

<b>Balance Sheet 31st March 2017 £</b>	<b>Institution / Account</b>	<b>Principal £</b>	<b>Accrued Interest £</b>	<b>Balance Sheet 31st March 2018 £</b>
3,507,740	Lloyds	2,500,000	4,803	2,504,803
2,502,815	Bank Of Scotland	2,500,000	2,253	2,502,253
3,400,157	Barclays	-	-	-
3,000,000	RBS	1,000,000	3,436	1,003,436
-	Nationwide Building Society	1,500,000	2,236	1,502,236
-	Nordea	1,500,000	2,857	1,502,857
-	Rabobank	1,500,000	3,370	1,503,370
-	Barclays Notice Account	3,410,782	-	3,410,782
3,500,000	Santander Notice Account	3,500,000	-	3,500,000
29,401	Icelandic Investments (Short Term Element)	13,689	-	13,689
<b>15,940,113</b>	<b>Total</b>	<b>17,424,471</b>	<b>18,955</b>	<b>17,443,426</b>

Other deposit account investment balances held within the balance sheet as cash equivalents are as follows:

Balance Sheet 31st March 2017 £	Institution / Account	Principal £	Accrued Interest £	Balance Sheet 31st March 2018 £
0	Barclays	15	-	15
78,274	Royal Bank of Scotland	223,430	-	223,430
1,450,000	Federated Money Market Fund	2,000,000	-	2,000,000
4,000,000	Insight Money Market Fund	3,400,000	-	3,400,000
4,000,000	Standard Life Money Market Fund	-	-	-
<b>9,528,274</b>	<b>Total</b>	<b>5,623,445</b>	<b>0</b>	<b>5,623,445</b>

Further information relating to financial assets that have been impaired (Icelandic Investments) can be found in notes 41.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

In relation to customers, the overdue amount from customers can be classified by age. This is shown in the table below.

	Amounts at 31 March 2018 £000s	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2016 %	Estimated maximum exposure to default and uncollectability £000s
Customers	1,252	1.7%	2.7%	34
<b>Total</b>	<b>1,252</b>			<b>34</b>

Period	£000
Less than 90 days	591
90 days to 150 days	14
150 days to 365 days	49
Greater than 365 days	598

### Liquidity Risk

The Council has access to borrowings from the Money Markets to cover any day to day cash flow needs and the Public Works Loan Board provides access to longer term funds. The Council is required by the Local Government Finance Act 1992 to set a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

## Re-financing Risk

This risk relates to both the maturing of longer term financial assets and financial liabilities. The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for longer than one year are the key parameters used to address this risk.

Operational risks are addressed within the approved parameters which include:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is shown in note 27.

## Market Risk

The Council is exposed to interest rate movements on its borrowings and investments and has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy Statement sets the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The authority also, as part of the budget setting process, models the potential variation of interest rates during the year and the effect this would have on the budget, and in turn on the I&E at the year end. Given the level of variable rate deposits held as at the 31<sup>st</sup> March 2018, an increase (or decrease) of 1% on this day would not have a significant impact upon the accounting statements.

The Council has no financial assets or liabilities denominated in foreign currencies.

## 21. STOCKS / INVENTORIES

Stock balances at the end of each year are as follows:

	<b>31 March 2017</b>	<b>Expenses</b>	<b>Drawn Down</b>	<b>31 March 2018</b>
	£'000	£'000	£'000	£'000
Fuel	9	308	(278)	39
Other Stock Items	101	386	(403)	84
	<b>110</b>	<b>694</b>	<b>(681)</b>	<b>123</b>

## 22. CONSTRUCTION CONTRACTS

At 31<sup>st</sup> March 2018 the council had £0.084m of construction contracts in progress (£0.011m as at 31<sup>st</sup> March 2017).

## 23. DEBTORS

	Note	31 March 2018 £'000	31 March 2017 £'000
<b>Amounts falling due in one year -</b>			
HMRC	a	168	57
Other Government Departments	b	709	73
Local Authorities		549	445
Collection Fund	c	1,821	1,511
Sundry Debtors		4,493	4,054
		<u>7,740</u>	<u>6,140</u>
Provision for bad debts	d	(2,235)	(2,044)
		<u>5,505</u>	<u>4,096</u>

### Notes

- Increased sums outstanding in relation to VAT claims, mainly arising from capital projects.
- This increase largely arises from sums outstanding from Central Government in relation to the Business Rates Retention Scheme.
- Collection Fund debtors include the authority's share of Council Tax and Business Rates Arrears.
- The provision for bad debts includes £1.743m (£1.626m in 2016/17) relating to general customer accounts and housing benefit overpayments, £0.234m (£0.181m in 2016/17) relating to the authority's share of outstanding Council Tax and £0.258m (£0.237m in 2016/17) relating to the authority's share of outstanding Business Rates.

## 24. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2018 £'000	31 March 2017 £'000
Bank current accounts	(72)	(109)
Investment deposit accounts	5,624	9,528
Short term deposits of less than one month	0	0
	<u>5,552</u>	<u>9,419</u>

## 25. CREDITORS

	Note	31 March 2018 £'000	31 March 2017 £'000
HMRC	a	168	172
Other Government Departments	b	5,631	4,915
Amount due to Precepting Authorities	c	1,371	1,710
Other Local Authority Creditors	d	1,419	1,164
Collection Fund	e	954	1,001
Treasury Management	f	0	3,000
Sundry Creditors		2,141	2,312
		<u>11,684</u>	<u>14,274</u>



## Notes

- a) Amounts due in relation to Income Tax, National Insurance and the Apprentice Levy
- b) Amounts due to other government departments have increased due to an improved position in relation to Business Rates as set out in the collection fund and monies owed in relation to Housing Benefit Subsidy Grant.
- c) Amounts due to precepting authorities have decreased in line with the position shown in the Collection Fund.
- d) This includes monies owed to Birmingham City Council in respect of Business Rates Pooling arrangement, which has increased as at 31<sup>st</sup> March 2018.
- e) Reflects the authority's share of business rates and council tax held in advance or owing to rate payers.
- f) An outstanding obligation of £3m from 31<sup>st</sup> March 2017 following an investment commitment was dealt with during the year in line with its treasury management strategy.

## 26. PROVISIONS

The following table provides a list of provisions the authority has made at the end of the financial year:

	Note	31st March 2017 £'000	Provisions Made £'000	Provision Reversed £'000	Amounts used £'000	31st March 2018 £'000
West Midlands Pensions	a	28	-	-	(4)	24
Business Rates	b	2,159	1,873	-	(1,860)	2,172
		2,187	1,873	0	(1,864)	2,196

a) W M Pensions Liability

The Council has a liability to contribute towards the pension cessation liability associated with West Midlands Councils.

b) Business Rates Appeals/Relief

This represents the council's share of a provision for appeals against the individual businesses rateable value that have been lodged with the Valuation Office (£1.898m as at 31<sup>st</sup> March 2018), together with a provision (£0.274m) against claims by NHS Trusts against for mandatory relief. The equivalent figures at 31<sup>st</sup> March 2017 were £1.875m and £0.284m.

## 27. BORROWING

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
<b>Long Term</b>		
<b>Analysis of Loans by Type</b>		
Public Works Loan Board	6,276	6,335
Money Market - LOBOs	4,500	4,500
Other Loans	0	0
Total Long Term Borrowing	10,776	10,835
<b>Analysis of Loans by Maturity</b>		
Maturing in 1-2 Years	60	60
Maturing in 2-5 Years	166	169
Maturing in 5-10 Years	6,822	6,843
Maturing in 10-15 Years	3,723	3,746
Maturing in more than 15 Years	5	17
	10,776	10,835
<b>Short Term</b>		
Public Works Loan Board	162	162
Other Loans	463	463
Total Short Term Borrowing	625	625

## 28. USABLE RESERVES

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement. Further narrative context is set out below:

### General Fund Balance

This is a working balance held against unforeseen events and represents approximately 2% of gross expenditure.

### Earmarked Reserves

These are reserves held by the authority for specific purposes and further detailed information is set out within note 9 to these accounts.

### Capital Receipts

The Council receives receipts following the agreement to sell its long term assets. These are held within the capital receipts reserve and applied to relevant capital expenditure or repayment of debt in accordance with the approved capital programme and Medium Term Financial Strategy.

## 29. UNUSABLE RESERVES

A breakdown of the unusable reserves is set out in the following tables:

	Note	31 March 2018 £'000	31 March 2017 £'000
Revaluation Reserve	a	5,218	5,858
Capital Adjustment Account	b	25,732	23,450
Financial Instruments Adjustment Account	c	(247)	(278)
Pensions Reserve	d	(54,041)	(54,371)
Deferred Capital Receipts Reserve	e	125	154
Collection Fund Adjustment Account	f	1,995	1,475
Accumulated Absences Account	g	(195)	(195)
		<u>(21,413)</u>	<u>(23,907)</u>

### (a) Revaluation Reserve

This was established with an opening balance of zero in 2007/08. The Reserve records as a credit the accumulated gains on the Property, Plant and Equipment held by the Council, arising from increases in value as a result of inflation or other factors. The Reserve is debited with amounts equal to depreciation charged on the revalued part of each asset, or where greater their impairment value and with the carrying amount of any asset sold or otherwise disposed of.

	2017/18 £'000	2016/17 £'000
<b>Balance Brought Forward</b>	<b>5,858</b>	6,605
Revaluation of Fixed Assets	(536)	(643)
Depreciation of Revaluation Gains	(104)	(104)
<b>Balance as at 31st March</b>	<u><b>5,218</b></u>	<u>5,858</u>

### (b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with amounts set aside by the authority as financing towards the costs.

The account also contains accumulated gains and losses on Investment Properties. In addition, the account also contains accumulated revaluation gains on Property, Plant and Equipment, before the Revaluation Reserve was created.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance Brought Forward</b>	<b>23,450</b>	22,422
<u>Capital Financing</u>		
Usable Capital Receipts	<b>59</b>	238
Revenue	<b>857</b>	37
Grants and Contributions	<b>916</b>	1,671
Debt repayment from capital receipts	<b>0</b>	1,332
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Depreciation and Impairment of Fixed Assets	<b>(1,557)</b>	(1,615)
Revaluation Losses on Plant, Property and Equipment	<b>21</b>	(284)
Amortisation of Intangible Assets	<b>(16)</b>	(15)
Revenue Expenditure Financed from Capital Under Statute	<b>(816)</b>	(917)
Fixed Asset Disposals	-	(60)
Minimum Revenue Provision	<b>928</b>	983
Voluntary Set aside for repayment of debt	<b>729</b>	-
Movements in market value of investment properties	<b>1,057</b>	(445)
Gain or loss on Disposal of Fixed Assets	-	(1)
<u>Other Movements</u>		
Revaluation Reserve - Depreciation	<b>104</b>	104
<b>Balance as at 31st March</b>	<b>25,732</b>	23,450

### c) Financial Instrument Adjustment Account

This account holds the deferred cost of premiums incurred following the restructuring of debt. The balance is charged to the general fund balance within the Movement in Reserves Statement and is detailed in note 6 to the accounts.

	<b>31st March</b>	<b>Movements</b>	<b>31st March</b>
	<b>2017</b>		<b>2018</b>
	£'000	£'000	£'000
Deferred Premia	(278)	31	<b>(247)</b>
<b>Total</b>	<b>(278)</b>	<b>31</b>	<b>(247)</b>

#### d) Pensions Reserve

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

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(54,371)</b>	(46,814)
Actuarial gains and (losses) on pensions assets and liabilities	<b>2,444</b>	(6,293)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	<b>(4,379)</b>	(3,380)
Employers pension contributions and direct payments to pensioners payable in year	<b>2,265</b>	2,116
<b>Balance at 31st March</b>	<b><u>(54,041)</u></b>	<u>(54,371)</u>

#### e) Deferred Capital Receipts Reserve

Deferred capital receipts are amounts derived from the sale of assets or from advances made to other bodies, which will be received or be repayable in instalments over agreed periods of time. They mainly arise from mortgages on the sale of council houses and loans inherited from the now defunct Kickstart scheme, which are shown as long-term debtors on the asset side of the Balance Sheet.

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>154</b>	154
Transfer to the Capital Receipts Reserve upon receipt of cash	<b>(29)</b>	-
<b>Balance at 31st March</b>	<b><u>125</u></b>	<u>154</u>

#### f) Collection Fund Adjustment Account

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

	<b>31 March 2018</b>	<b>31 March 2017</b>
	£'000	£'000
<b>Balance at 1 April</b>	<b>1,475</b>	(293)
Amount by which council tax income collected to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	<b>(117)</b>	35
Amount by which business rates income collected to the Comprehensive Income and Expenditure Statement is different from business income calculated for the year in accordance with statutory requirements	<b>637</b>	1,733
<b>Balance at 31st March</b>	<b>1,995</b>	1,475

#### g) Accumulated Absences Account

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

	<b>31 March 2018</b>	<b>31 March 2017</b>
	£'000	£'000
<b>Balance at 1 April</b>	<b>(195)</b>	(197)
Cancellation of accrual made at end of preceding year	<b>195</b>	197
Amounts accrued at the end of the current year	<b>(195)</b>	(195)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>0</b>	<b>2</b>
<b>Balance at 31st March</b>	<b>(195)</b>	(195)

### 30. CASH FLOW STATEMENT – OPERATING ACTIVITIES

Adjustments made to the Net Surplus or deficit on the Provision of Services for non-cash and other movements not relating to operating activities are as follows:

	31 March 2018	31 March 2017
	£'000	£'000
Depreciation	<b>(1,553)</b>	(1,615)
Impairment and downward revaluations	<b>17</b>	(284)
Amortisation	<b>(16)</b>	(15)
Increase/ (decrease) in debtors	<b>1,417</b>	(155)
(Increase)/decrease in creditors	<b>(398)</b>	(94)
increase/(decrease) in stock	<b>13</b>	17
pension liability	<b>54</b>	(1,264)
Carrying amount of non-current assets sold	<b>0</b>	(60)
Increase/decrease in other provisions	<b>(9)</b>	135
Increase/decrease in value of investment properties	<b>1,057</b>	(445)
Icelandic Interest/impairment	<b>(4)</b>	(13)
<b>Adjustment for non-cash movements</b>	<b>578</b>	<b>(3,793)</b>
Capital grants credited to income and expenditure account	<b>916</b>	<b>1,671</b>
Net adjustment from sale of long and short term investments	<b>173</b>	<b>125</b>
Proceeds from sale of Property, plant and equipment	<b>0</b>	<b>60</b>
<b>Adjustment for investing and financing activities</b>	<b>1,089</b>	<b>1,856</b>

The Cash flows for operating activities include the following items:

	31 March 2018	31 March 2017
	£'000	£'000
Interest received	<b>(130)</b>	(174)
Interest paid	<b>585</b>	590
<b>Total</b>	<b>455</b>	416

### 31. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of property, plant and equipment, investment property and intangible assets	<b>815</b>	1,798
Purchase of short term and long term investments	<b>53,427</b>	39,263
Proceeds from sale of short term and long term investments	<b>(48,915)</b>	(36,872)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>(12)</b>	(12)
Other capital receipts	<b>(172)</b>	(125)
Other grants and contributions received	<b>(2,535)</b>	(1,556)
<b>Total</b>	<b>2,608</b>	2,496

### 32. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Cash receipts of short and long term borrowing	<b>(3,000)</b>	0
Cash payments for the reduction of outstanding liabilities relating to finance leases	<b>511</b>	543
Repayments of short and long term borrowing	<b>3,059</b>	65
Net (inflow)/outflow from NNDR collected and payable to the authorities	<b>(180)</b>	(2,837)
Net (inflow)/outflow from Council Tax collected and payable to the preceptors	<b>369</b>	6
<b>Total</b>	<b>759</b>	<b>(2,223)</b>

### 33. TRADING ACTIVITIES

The Council operated retail markets in Burton upon Trent during 2017/18, generating rental income from the letting of stalls. Their financial results are set out below:

<b>2016/17</b>				<b>2017/18</b>		
<b>Exp</b>	<b>Income</b>	<b>Deficit</b>		<b>Exp</b>	<b>Income</b>	<b>Deficit</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
352	(150)	202	Market Undertakings	284	(203)	81
<b>352</b>	<b>(150)</b>	<b>202</b>		<b>284</b>	<b>(203)</b>	<b>81</b>



### 34. OFFICERS' REMUNERATION

The number of employees whose remuneration in the year ended 31 March 2018 was £50,000 or more, excluding employers' pension contributions, in £5,000 bands is set out in the table below.

The authority has undertaken significant management restructuring exercises in recent years, which has generated significant on-going savings. As a result of this there are 5 ongoing posts attracting salaries above £50,000. This includes the Chief Executive, Heads of Service, the Monitoring Officer and the ICT Manager. In addition to which, as a result of a restructuring exercise during 2017/18, the table includes the Land Charges Manager position, which has been deleted. The number of employees within the bandings below for 2016/17 included honoraria payments made to the Chief Accountant.

Following the departure of a Head of Service during the course of 2016/17 and as part of the Council's ongoing efficiency drive, the post remains vacant under new interim management arrangements.

Remuneration Band	2017/18	2017/18	2016/17	2016/17
	Total Number of Employees	Of which, Employees leaving during 2017/18	Total Number of Employees	Of which, Employees leaving during 2016/17
£50,000 - £54,999	1		2	
£55,000 - £59,999				
£60,000 - £64,999	2	1	1	
£65,000 - £69,999				
£70,000 - £74,999				
£75,000 - £79,999			1	
£80,000 - £84,999	1			
£85,000 - £89,999			1	
£90,000 - £114,999	1		1	1*
£115,000 - £119,999				
£120,000 - £124,999			1	
£125,000 - £179,999	1			
£180,000 - £184,999				
	<b>6</b>	<b>1</b>	<b>7</b>	<b>1</b>

\*Posts deleted/or temporarily vacant as part of ongoing efficiency drive as noted above.

Further details in relation to Senior Officers' remuneration are outlined within the tables below. This information is in accordance with statutory regulations which came into effect from 31<sup>st</sup> March 2010 and includes comparator information for 2016/17. The definition used to determine Senior Officers has been taken from the Audit and Accounts Regulations which reference the Local Government and Housing Act 1989, and for this authority includes the Chief Executive and Heads of Service.

### Detailed Information of Senior Officers Remuneration – 2017/18

The authority has generated significant ongoing savings through a management re-structuring in recent years and this is set out in more detailed above. Benefits in Kind figures represent car allowance and mileage payments made to officers using cars to drive for business need. In addition, these figures include costs associated with the car leasing scheme, whereby officers have sacrificed salary in terms of their entitlement to incremental grade progression.

Post holder information	Salary (including fees & allowances) 2017/18	Compensation for Loss of Office	Benefits in Kind (see note above)	Total Remuneration excluding pension contributions 2017/18	Pension contributions	Total Remuneration including pension contributions 2017/18
<u>Current Senior Management Roles*</u>	£	£	£	£	£	£
Chief Executive	127,412		4,706	132,118	19,366	151,484
Head of Service - Sal Khan	88,241		5,121	93,362	13,412	106,774
Head of Service - Mark Rizk	83,038		564	83,602	12,622	96,224

### Detailed Comparative Information of Senior Officers Remuneration – 2016/17

Post holder information	Salary (including fees & allowances) 2016/17	Compensation for Loss of Office	Benefits in Kind (see note above)	Total Remuneration excluding pension contributions 2016/17	Pension contributions	Total Remuneration including pension contributions 2016/17
<u>Current Senior Management Roles</u>	£	£	£	£	£	£
Chief Executive	121,617		4,560	126,177	18,486	144,663
Head of Service - Sal Khan	82,833		4,966	87,799	12,591	100,390
Head of Service - Paul Costiff #	95,631		5,442	101,073	11,409	112,482
Head of Service - Mark Rizk	75,106		927	76,033	11,416	87,449

#Post vacant following interim management restructure

\*The current senior management roles include a temporary annual honoraria payment of £5,000 as part of the interim management arrangements following the departure of a Head of Service in 2016/17.

### 35. MEMBERS ALLOWANCES

The Council is required to disclose the total of members allowances paid each year. In 2017/2018 a total of £259,286 was paid in allowances. In addition other expenses reimbursed by the Council including travel and subsistence and telephone/broadband charges totalled £3,954. Comparative figures for 2016/2017 were £256,095 and £4,115 respectively.

### 36. EXTERNAL AUDIT SERVICES

Fees payable to Grant Thornton for external audit and inspection were:

	<b>2017/18</b>	<b>2016/17</b>
	£'000	£'000
Code of Practice Audit	<b>49</b>	49
Certification of Grant Claims and Returns	<b>16</b>	11
Fees for Other Services	-	8
	<b><u>65</u></b>	<u>68</u>

In addition, the Council also received a refund of £6k from Public Sector Audit Appointments during the course of 2017/18.

### 37. GRANT INCOME

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement including:

	<b>2017/18</b>	<b>2016/17</b>
	£'000	£'000
<b>Credited to Taxation and non Specific Grant Income</b>		
Revenue Support Grant	<b>(813)</b>	(1,507)
Transitional Relief	<b>(15)</b>	(15)
Business Rates - Reliefs - Compensation	<b>(225)</b>	(73)
New Homes Bonus	<b>(2,091)</b>	(2,183)
Capital Grants and Contributions	<b>(133)</b>	(912)
Small Business Rate Relief	<b>(1,132)</b>	(585)
<b>Credited to Services</b>		
NNDR Collection Grant	<b>(175)</b>	(179)
Housing Benefits Administration Grants	<b>(492)</b>	(579)
Housing and Council Tax Benefits Subsidy	<b>(25,238)</b>	(26,235)
New Burdens Grant	<b>(167)</b>	(192)
EU Referendum Grant	<b>0</b>	(159)
Independent Electoral Registration Grant	<b>(14)</b>	(14)
Other Capital Grants Conditions Met	<b>(1)</b>	(15)
Disabled Facilities Grant	<b>(782)</b>	(744)
Homelessness Grants	<b>(132)</b>	0
	<b><u>(31,410)</u></b>	<u>(33,392)</u>

The authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the giver if these conditions are not met. The balances at year end are as follows:

	<b>31st March 18</b>	<b>31st March 17</b>
	<b>£'000</b>	<b>£'000</b>
Growth Point	<b>883</b>	1,017
Regional Housing Grant	<b>207</b>	207
Section 106 - Developers Deposits	<b>3,406</b>	1,891
Others	<b>199</b>	12
	<b><u>4,695</u></b>	<b><u>3,127</u></b>

### **38. RELATED PARTY TRANSACTIONS**

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council, and include members, chief officers and close family members of the same household as these individuals. 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 authority.

#### **Central Government**

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework, within which the council operates, provides a significant proportion of its funding in the form of grants and prescribes the term of many of the transactions that the authority has with other parties (i.e. council tax bills and housing benefits). Grants received from government departments are set out in note 37, with sums due to or from central government set out within the debtors and creditors notes – 23 and 25 respectively.

#### **Members and Officers**

Declarations under section 81 of the Local Government Act 2000 and under the Local Authorities (Model Code of Conduct) (England) Order 2001 are made by members. In addition, members and officers make annual disclosures of their interests to the Council's Monitoring Officer for inclusion in the Register of Members and Officers Interests. Members have to make declarations on individual committee agenda items. Finally a separate declaration has been returned at year-end by members and chief officers.

Based on these key data sources, no material related party transactions have been identified for 2017/2018 amongst either Members or Chief Officers.

A number of Councillors serve on, or have interests in the following outside bodies which receive or have received some form of financial support from the Council:

#### **2017/2018**

East Staffordshire Citizens Advice Bureau  
East Staffordshire Sports Council

#### **2016/2017**

Burton and District Arts Council  
East Staffordshire Citizens Advice Bureau  
East Staffordshire Sports Council

Financial support for the above bodies totalled £0.024m for 2017/2018 compared to £0.048m for 2016/2017.

In addition a number of councillors and officers serve on, or have interests in the following outside bodies, which have some financial dealings with the Council:

**2017/2018**

Burton Albion Community Trust  
 Burton Caribbean Association  
 Staffordshire Wildlife Trust  
 Uttoxeter Heath Community Centre  
 Uttoxeter Juniors Football Club  
 YMCA

**2016/2017**

Branston Golf and Country Club  
 Burton Albion Community Trust  
 Burton Caribbean Association  
 Staffordshire Wildlife Trust  
 Uttoxeter Heath Community Centre  
 YMCA

Payments made to the above bodies in 2017/2018 totalled £0.048m, with receipts being £0.003m. This compares to payments of £0.084m and receipts of £0.121m for 2016/2017.

Furthermore payments made to Trent and Dove Housing Ltd in respect of housing benefit for 2017/2018 totalled £11.555m, compared to £12.037m for 2016/2017. There were receipts of £0.006m in 2017/18 compared to no receipts in 2016/17.

**39. CAPITAL EXPENDITURE AND FINANCING**

The table below demonstrates that there has been a decrease in the capital financing requirement of £1.7m. The capital financing requirement represents the Council's underlying need to borrow in order to finance capital expenditure that has already been incurred.

	<b>2017/18</b>	2016/17
	<b>£'000</b>	£'000
<b>Opening Capital Financing Requirement</b>	<b>18,595</b>	20,821
<u>Capital Investment:</u>		
Property, Plant and Equipment	<b>1,016</b>	1,075
Intangible Assets	<b>0</b>	7
Revenue Expenditure Financed from Capital Under Statute	<b>816</b>	917
<u>Sources of Finance:</u>		
Capital Receipts	<b>(59)</b>	(238)
Capital Grants	<b>(916)</b>	(1,671)
Revenue/Reserves	<b>(857)</b>	(37)
Minimum Revenue Provision	<b>(928)</b>	(983)
Debt Repayment from Capital Receipt	<b>0</b>	(1,333)
Voluntary Set Aside	<b>(729)</b>	0
Increase/(Reduction) in Long-term Debtors	<b>(42)</b>	37
<b>Closing Capital Financing Requirement</b>	<b>16,896</b>	18,595
<b>EXPLANATION OF MOVEMENTS IN YEAR</b>		
In year Debt Repayment	<b>(1,699)</b>	(2,279)
Increase/(Decrease) in underlying need to borrow	<b>0</b>	53
	<b>(1,699)</b>	(2,226)

#### 40. FINANCE AND OPERATING LEASE RENTALS

##### Authority as Lessee

##### Finance Leases

The assets acquired under finance leases are carried as property, plant and equipment in the Balance Sheet at the following net amounts:

	<b>2017/18</b>	2016/17
	<b>£'000</b>	£'000
Property, Plant and equipment	<b>1,343</b>	1,863
	<b><u>1,343</u></b>	<u>1,863</u>

Depreciation in relation to these finance leases which is included within the Comprehensive Income and Expenditure Account amounts to £519,936 (£519,936 in 2016/17).

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

	<b>2017/18</b>	2016/17
	<b>£'000</b>	£'000
Finance lease liabilities (net present value of minimum lease payments)	<b>1,378</b>	1,888
Finance costs	<b>50</b>	92
Minimum Lease Payments	<b><u>1,428</u></b>	<u>1,980</u>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Not more than one year	<b>553</b>	553	<b>523</b>	511
later than one year and not later than five years	<b>875</b>	1,427	<b>855</b>	1,377
Later than five years	-	-	-	-
	<b><u>1,428</u></b>	<u>1,980</u>	<b><u>1,378</u></b>	<u>1,888</u>

Contingent rents incurred during the period amount to £0 (£41,136 – 2016/17)

## Operating Leases

The authority has acquired a small number of vehicles and properties under operating leases.

Future minimum lease payments due under non-cancellable leases in future years are as follows:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	£'000
Not more than one year	<b>258</b>	326
later than one year and not later than five years	<b>469</b>	901
Later than five years	<b>1,046</b>	1,097
	<b>1,773</b>	2,324

The expenditure is charged directly to the appropriate line within the Comprehensive Income and Expenditure Statement. In 2017/18 this amounted to £353,489 (comparator figure for 2016/17 - £337,798).

## Authority as Lessor

### Finance Leases

The authority has leased out property at Branston Golf Course and Uttoxeter Racecourse on long term finance leases of 125 and 200 years respectively.

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

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	£'000
Finance lease debtor (net present value of minimum lease payments)	<b>693</b>	693
Unearned finance income	<b>7,795</b>	7,856
<b>Gross investment in the lease</b>	<b>8,488</b>	8,549

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

	Gross Investment in the Lease		Finance Lease Liabilities	
	2017/18	2016/17	2017/18	2016/17
	£'000	£'000	£'000	£'000
Not more than one year	61	61	61	61
later than one year and not later than five years	244	244	244	244
Later than five years	8,183	8,244	7,490	7,551
	<b>8,488</b>	8,549	<b>7,795</b>	7,856

There were no contingent rentals receivable for the period.

### Operating Leases

The authority leases out property under operating leases for the generation of income to support the budget.

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

	2017/18	2016/17
	£'000	£'000
Not more than one year	391	165
later than one year and not later than five years	1,132	508
Later than five years	5,241	5,300
	<b>6,764</b>	5,973

The future minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Income receivable in relation to operating leases was £504,829 in 2017/18 (£505,214 in 2016/17) and this has been included within the Comprehensive Income and Expenditure Account.

## 41. IMPAIRMENT LOSSES

### Impairment of Plant, Property and Equipment

During the year the authority has recognised an impairment loss of £10k on heritage assets, of which £5k has been recognised in the Provision of Services and £5k in the Revaluation Reserve.

### Impairment of Investments

#### Background

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £5m deposited across 2 of these institutions, with varying maturity dates and interest rates as follows:



Bank	Deposit Date	Maturity	Amount (£)	Interest
KSF	08/09/2008	08/10/2008	2,000,000	5.41%
Landsbanki	01/09/2008	02/01/2009	1,000,000	5.87%
Landsbanki	01/08/2008	02/02/2009	1,000,000	6.05%
Landsbanki	01/08/2008	02/03/2009	1,000,000	6.00%

The Council sold its Landsbanki claims in 2013/14, recovering £2.8m in total. The administration process in relation to KSF continues.

#### Position at 31<sup>st</sup> March 2018: Kaupthing Singer and Friedlander Ltd

The Council has received £1.7m of repayments between 2009/10 & 2017/18, demonstrating that the vast majority of the original sums have now been recovered. The authority considers that it appropriate to make an impairment adjustment for the deposits. Based on the latest information the level of impairment shown within the 2016/17 accounts as been adjusted downwards by £0.004m, as shown within the table below:-

Bank	Original Deposit £'000	2016/17		Repayments £'000	2017/18	
		Carry Amount £'000	Impairment £'000		Carry Amount £'000	Impairment £'000
KSF	2,000	43	264	1,718	22	260
	<b>2,000</b>	<b>43</b>	<b>264</b>	<b>1,718</b>	<b>22</b>	<b>260</b>

The impairment loss shown within the accounts of £0.260m has been calculated by discounting the assumed cash flows at the effective interest rate of the deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. Adjustments to the assumptions will continue to be made in future years in light of the most recent information.

At the time the 2016/17 accounts were published, the total amount estimated to be received was to be 86.5% of the claim. The current estimated total distributions to unsecured creditors should be in the range of 86.25p to 87p in the pound.

The following repayment schedule has been assumed to calculate the recoverable amount (present value of £0.022m), as set out in the table above. This is based on expected total repayments of 86.5% of the claim.

June 2018	0.35%	December 2018	0.35%
December 2019	0.43%		

## **42. TERMINATION BENEFITS AND EXIT PACKAGES**

The authority terminated the contracts of a number of employees in 2017/18 incurring liabilities of £43k (£21k in 2016/17). This reduction in numbers of staff is consistent with the council's medium term financial strategy and the delivery of service efficiencies to ensure the best possible value for money is delivered for our residents. The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20k	6	3	0	0	6	3	£ 21,379	£ 10,264
£20 - £40k	0	1	0	0	0	1	0	33,051
£40 - £60k	0	0	0	0	0	0	0	0
£60 - £80k	0	0	0	0	0	0	0	0
£80 - £100k	0	0	0	0	0	0	0	0
£100 - £150k	0	0	0	0	0	0	0	0
<b>Total</b>	6	4	0	0	6	4	21,379	43,315

### 43. PENSIONS

#### Participation in Pension Schemes

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

The Council participates in the Local Government Pensions Scheme. This scheme is administered locally by Staffordshire County Council. It is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Staffordshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee. Further details can be found in the Annual Report published on the Staffordshire County Council Pension Fund website.

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

#### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the council tax is based on the cash payable in the year, so the real costs of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

<b>Comprehensive Income and Expenditure Statement</b>	<b>Local Government Pension Scheme</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost of Services</b>		
Current Service Cost	<b>2,985</b>	1,749
Past Service Costs	<b>0</b>	0
Effect of Settlements	<b>0</b>	0
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	<b>1,394</b>	1,631
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,379</b>	3,380
<b>Other Post Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
Return on Plan Assets (excluding the amount included in the net interest expense)	<b>247</b>	(11,670)
Actuarial gains and losses arising on changes in demographic assumptions	<b>0</b>	(759)
Actuarial gains and losses arising on changes in financial assumptions	<b>(2,654)</b>	19,800
Other	<b>(37)</b>	(1,078)
	<b>(2,444)</b>	<b>6,293</b>
<b>Total Post Employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>1,935</b>	<b>9,673</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(4,379)</b>	(3,380)
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme relating to 2017/18	<b>2,265</b>	2,116
	<b>(2,114)</b>	(1,264)

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	<b>Local Government Pension Scheme</b>	
	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
Present value of the defined benefit obligation	<b>137,331</b>	136,694
Fair Value of Plan Assets	<b>(85,458)</b>	(82,323)
Sub total	<b>51,873</b>	54,371
Other Movements in the liability	<b>0</b>	0
<b>Net liability arising from benefit obligation</b>	<b>51,873</b>	54,371

## Reconciliation of the Movements in the Fair Value of Scheme (Plan Assets).

	<b>Local Government Pension Scheme</b>	
	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
Opening fair value of scheme assets	<b>82,323</b>	69,538
Interest Income	<b>2,155</b>	2,410
Remeasurement gain/(loss):		
The return on plan assets, excluding the the amount included in the net interest	<b>(247)</b>	11,670
Contributions from employer relating to current year	<b>2,265</b>	2,116
Advance Lump Sum Contributions from employer relating to future years*	<b>2,168</b>	-
Contributions from employees	<b>474</b>	459
Benefits Paid	<b>(3,680)</b>	(3,870)
<b>Closing fair value of scheme assets</b>	<b>85,458</b>	<b>82,323</b>

\*further narrative on this is outlined in the paragraph below.

## Pension Fund Pre-payment

The Council's Pension Fund is subject to triennial reviews by an independent actuary to assess the levels of contributions that will be required. The latest valuation took place as at 31<sup>st</sup> March 2016 and resulted in an overall increase in contribution rates of 2%. This includes employer contribution rates plus a deficit repair lump sum payment. The Council has taken the option to pay the annual lump sum amounts for the three years to March 2020 as one advance payment of £3.052m. This was paid in April 2017 and reflects a discount of 3.8% on the nominal sums. Of this lump sum amount, £0.885m has been charged to the General Fund Balance, via the Movement in Reserves Statement relating to the 2017/18 allocation and £2.167m is held within the Pension Reserve to be charged to the General fund Balance in 2018/19 and 2019/20.

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

	Local Government Pension Scheme	
	2017/18 £'000	2016/17 £'000
Opening balance at 1 April	<b>136,694</b>	116,352
Current Service Cost	<b>2,985</b>	1,749
Interest Cost	<b>3,549</b>	4,041
Contributions from scheme participants	<b>474</b>	459
Remeasurement (gains) and losses:		
Actuarial gains/ losses arising from changes in demographic assumptions	<b>0</b>	(759)
Actuarial gains/ losses arising from changes in financial assumptions	<b>(2,654)</b>	19,800
Other	<b>(37)</b>	(1,078)
Past Service Cost	<b>0</b>	0
Benefits Paid	<b>(3,680)</b>	(3,870)
<b>Closing balance at 31 March</b>	<b>137,331</b>	136,694

**Local Government Pension Scheme assets comprised:**

	Fair Value of Scheme Assets	
	2017/18 £'000	2016/17 £'000
Cash & Cash Equivalents	3,917	4,135
Equity Securities:		
Consumer	3,704	5,522
Manufacturing	3,569	4,761
Energy & Utilities	1,046	2,041
Financial Institutions	3,468	5,514
Health & Care	2,530	4,580
Information Technology	2,421	5,510
Other	93	82
Sub total equity	<b>16,831</b>	28,010
Bonds:		
Corporate Bonds	6,484	6,113
Government	0	0
Sub total bonds	<b>6,484</b>	6,113
Property:		
UK Property	6,611	6,627
Overseas Property	0	0
Sub total property	<b>6,611</b>	6,627
Private Equity:		
All	2,495	2,613
Sub total equity	<b>2,495</b>	2,613
Other investment funds and unit trusts:		
Equities	40,386	27,478
Bonds	5,029	4,502
Hedge Funds	1,500	1,616
Other	2,205	1,229
Sub total investment funds	<b>49,120</b>	34,825
<b>Total Assets</b>	<b>85,458</b>	82,323

**Basis for Estimating Assets & 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 dependant on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2018.

The significant assumptions used by the actuary have been:

	<b>2017/18</b>	<b>2016/17</b>
	%	%
Long Term expected rate of return on assets:		
Equities	<b>2.7</b>	2.6
Bonds	<b>2.7</b>	2.6
Property	<b>2.7</b>	2.6
Cash	<b>2.7</b>	2.6
Mortality assumptions		
Longevity at 65 for current pensioners		
Male	<b>22.1</b>	22.1
Female	<b>24.4</b>	24.4
Longevity at 65 for future pensioners		
Male	<b>24.1</b>	24.1
Female	<b>26.4</b>	26.4
Rate of inflation	<b>3.4</b>	3.4
Rate of increase in salaries	<b>2.8</b>	2.8
Rate increase in pensions	<b>2.4</b>	2.4
Rate for discounting scheme liabilities	<b>2.7</b>	2.6

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

	<b>Impact on the Defined Obligation in the Scheme</b>	
	<b>Increase in Assumption</b>	<b>Decrease in Assumption</b>
	<b>£000</b>	<b>£000</b>
0.5 decrease in Real Discount Rate		<b>13,858</b>
1 year increase in member life expectancy	<b>6,867</b>	
0.5% increase in the Salary Increase Rate	<b>1,918</b>	
0.5% increase in the Pension Increase Rate	<b>11,769</b>	

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

The County Council has agreed a strategy with the fund actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The latest triennial revaluation was completed on 31<sup>st</sup> March 2016.

The scheme takes into account the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31<sup>st</sup> March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earning schemes to pay pensions and other benefits to public servants.

The authority anticipates payment of £1,131,000 in expected contributions to the scheme in relation to the financial year 2018/19.

## **44. CONTINGENT LIABILITES**

### **Externally Funded Schemes**

The Council was previously involved as the accountable body in a number of schemes where grants are received from external funding agencies - primarily the European Commission for European Regional Development Fund (ERDF) grant and Advantage West Midlands for Single Regeneration Budget grant. Under the conditions for offer of grant, there is a potential for these bodies to claw-back grants if these conditions are not met, although none are known at present.

### **Pennycroft Industrial Site – Relocation**

The Council has undertaken remediation and infrastructure works at sites located on Pennycroft Lane and Dove Way. These sites have planning permission granted for commercial and residential use. The Council is currently pursuing a sale of these properties. However it is likely that a compensation package to relocate existing tenants will be required under the lease arrangements.

### **Municipal Mutual Insurance**

The Scheme of Arrangement was enacted in 2012/13. The liability upon the Council as a scheme creditor cannot be fully estimated at this stage for unknown claims incurred but not yet reported. Whilst the council has considered the financial impact in producing its Statement of Final Accounts there is a risk that the Council's financial liability could increase from this level.

### **Business Rates – Appeals and Reliefs**

The Council has made a provision for NNDR Appeals based on its best estimate of the actual liability as at the year-end in known appeals and an estimate of future appeals against the new 2017 list. These estimates are based on historical data in relation to the level and success of appeals, it is possible that the actual costs may exceed provision based on historical data analysis.

The Council has also made a provision against applications that have been made by NHS Trusts for Mandatory Relief. Whilst the Council believes there is a strong legal case to rebut these applications, there remains a risk that the applications which are being appealed through the courts are successful. The estimated backdated cost of this to the authority is £1.4m, of which £0.3m has been provided for.

### **EU Referendum**

The UK voted on 23 June 2016 to leave the European Union, this has created a great deal of uncertainty as politicians seek to grapple with the reality they now face. However, it is in everyone's interest that a clear and achievable transition is agreed promptly. It is expected that the transition will take place over a two-year period allowing at least some time to plan for the major changes that will follow.

We will keep up to date with the situation as it unfolds and as information is available to advise on any concerns for the Council's financial and operational position including:



- Future levels of Government support / funding;
- The potential for an economic downturn / recession and impact on Council service provision / finances;
- Impact on interest rates and investment and other income for the Council e.g. treasury management interest, car parking, planning, commercial & industrial rents etc.;
- Impact on business rates collection levels;
- Potential impact on Property Valuations and the Pension Fund.

#### **45. CONTINGENT ASSETS**

##### **Decision to Sell Assets: Dove Way/Pennycroft Lane**

The Council has undertaken a competitive exercise to dispose of brownfield sites at Dove Way and Pennycroft Lane following infrastructure and remediation works. These sites have planning permission and their development will bring additional housing and employment to the area. These sites are held at a book value of £2.7m on 31<sup>st</sup> March 2018. On 19<sup>th</sup> May 2017 the Council made a decision to sell these sites, subject to further detailed negotiations with the preferred bidder and existing tenants.

##### **Decision to Sell Assets: Bargates Site/Land at High Street, Burton**

The Council has taken the decision to sell the land at High Street, Burton (also known as Bargates). This is subject to planning permission which has not yet been granted to the developer. The asset is held in the Balance Sheet, under surplus assets, at a book value of £1.5m.

#### 46. PRIOR PERIOD RESTATEMENT OF SERVICE EXPENDITURE AND INCOME

Expenditure on services and income disclosed within in the Comprehensive Income and Expenditure Statement is in accordance with the CIPFA Code of Local Authority Accounting in the UK. This requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. During the course of 2017/18 the management structure has changed and therefore the comparative figures for 2016/17 within the Comprehensive Income and Expenditure Statement have been amended to reflect the revised structure and ensure a like for like comparison. This relates to the Enforcement Services Division being disaggregated under a number of other divisions. The tables below demonstrate the changes:

Net Expenditure	As reported in the Comprehensive Income and Expenditure Statement 2016/17	Adjustments to revised management structure 2017/18	As restated 2016/17
	£000's	£000's	£000's
Arts, Brewhouse and Functions	499	0	499
Community and Open Spaces	2,247	(700)	1,547
Corporate Management Team	559	0	559
Corporate and Commercial	1,003	0	1,003
Cultural Services - Marketing	130	0	130
Enforcement	(595)	595	0
Enterprise	94	0	94
Environment	3,472	0	3,472
Environmental Health	438	20	458
Financial Services	542	0	542
Housing	264	0	264
Human Resources and Payments	403	0	403
IT and Printing	594	0	594
Land Charges	(73)	0	(73)
Legal Services	256	85	341
Leisure Centres - Indoor Facilities	1,191	0	1,191
Leisure Centres - Outdoor Facilities	197	0	197
Planning	168	0	168
Revenue, Benefits and Customer Contacts	419	0	419
Non Distributed Costs	235	0	235
External Funding and Holding Accounts	4	0	4
<b>Cost of Services</b>	<b>12,047</b>	<b>0</b>	<b>12,047</b>

Gross Expenditure	As reported in the Comprehensive Income and Expenditure Statement 2016/17	Adjustments to revised management structure 2017/18	As restated 2016/17
	£000's	£000's	£000's
Arts, Brewhouse and Functions	821	0	821
Community and Open Spaces	2,590	636	3,226
Corporate Management Team	579	0	579
Corporate and Commercial	1,036	0	1,036
Cultural Services - Marketing	130	0	130
Enforcement	1,125	(1,125)	0
Enterprise	130	0	130
Environment	5,418	0	5,418
Environmental Health	1,233	23	1,256
Financial Services	569	0	569
Housing	409	0	409
Human Resources and Payments	417	0	417
IT and Printing	609	0	609
Land Charges	155	0	155
Legal Services	333	466	799
Leisure Centres - Indoor Facilities	3,185	0	3,185
Leisure Centres - Outdoor Facilities	422	0	422
Planning	982	0	982
Revenue, Benefits and Customer Contacts	28,432	0	28,432
Non Distributed Costs	235	0	235
External Funding and Holding Accounts	718	0	718
<b>Cost of Services</b>	<b>49,528</b>	<b>0</b>	<b>49,528</b>
Gross Income	As reported in the Comprehensive Income and Expenditure Statement 2016/17	Adjustments to revised management structure 2017/18	As restated 2016/17
	£000's	£000's	£000's
Arts, Brewhouse and Functions	(322)	0	(322)
Community and Open Spaces	(343)	(1,336)	(1,679)
Corporate Management Team	(20)	0	(20)
Corporate and Commercial	(33)	0	(33)
Cultural Services - Marketing	0	0	0
Enforcement	(1,720)	1,720	0
Enterprise	(36)	0	(36)
Environment	(1,946)	0	(1,946)
Environmental Health	(795)	(3)	(798)
Financial Services	(27)	0	(27)
Housing	(145)	0	(145)
Human Resources and Payments	(14)	0	(14)
IT and Printing	(15)	0	(15)
Land Charges	(228)	0	(228)
Legal Services	(77)	(381)	(458)
Leisure Centres - Indoor Facilities	(1,994)	0	(1,994)
Leisure Centres - Outdoor Facilities	(225)	0	(225)
Planning	(814)	0	(814)
Revenue, Benefits and Customer Contacts	(28,013)	0	(28,013)
Non Distributed Costs	0	0	0
External Funding and Holding Accounts	(714)	0	(714)
<b>Cost of Services</b>	<b>(37,481)</b>	<b>0</b>	<b>(37,481)</b>

A number of associated notes have also been re-stated to ensure consistency with the re-stated comparator figures in the Comprehensive Income and Expenditure Statement.

#### **47. EVENTS AFTER BALANCE SHEET DATE**

The unaudited statement of Accounts was authorised for issue on 31<sup>st</sup> May 2018. The audited accounts were presented to the Scrutiny (Value for Money Council Services) Committee on 24<sup>th</sup> July 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements have not been adjusted for the following events which took place after 31<sup>st</sup> March 2018, as they provide information that is relevant to an understanding of the authority's financial position but are not material to the accounts as a whole:

##### NNDR Appeals Provision

Since the 31<sup>st</sup> March 2018 we have received more up to date information in relation to the settlement of a number of outstanding NNDR appeals. This information indicates that the provision held within the accounts is £0.361m lower than the estimated settlement figure. This will be adjusted in the 2018/19 accounts.

#### **48. DATE FINANCIAL STATEMENTS AUTHORISED FOR ISSUE**

The unaudited accounts were issued on 31<sup>st</sup> May 2018 and the audited accounts were authorised for issue on 24<sup>th</sup> July 2018. Events occurring after this date have not been recognised in the financial statements.

**Sal Khan CPFA, MSc**  
**Chief Finance Officer**



# **Collection Fund 2017 – 2018**

# COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2018

2016/17 Council Tax £'000	2016/17 Business Rates £'000	2016/17 Total £'000		2017/18 Council Tax £'000	2017/18 Business Rates £'000	2017/18 Total £'000
<b>INCOME</b>						
(56,049)	-	(56,049)	Council Tax Payers	(59,061)	-	(59,061)
-	(57,221)	(57,221)	Income from Business Ratepayers	-	(55,077)	(55,077)
			Transfer of Business Rates Deficit			
-	(808)	(808)	- Government	-	-	-
-	(145)	(145)	- Staffordshire County Council	-	-	-
-	(16)	(16)	- Staffordshire Fire Authority	-	-	-
-	(646)	(646)	- East Staffordshire Borough Council	-	-	-
<b>(56,049)</b>	<b>(58,836)</b>	<b>(114,885)</b>		<b>(59,061)</b>	<b>(55,077)</b>	<b>(114,138)</b>
<b>EXPENDITURE</b>						
			Precepts			
38,277	-	38,277	- Staffordshire County Council	41,075	-	41,075
6,245	-	6,245	- Staffordshire PCC	6,513	-	6,513
2,473	-	2,473	- Staffordshire Fire Authority	2,573	-	2,573
7,368	-	7,368	- East Staffordshire BC	7,534	-	7,534
			Business Rates			
-	27,297	27,297	- Payment to Government	-	26,088	26,088
-	4,913	4,913	- Staffordshire County Council	-	4,696	4,696
-	546	546	- Staffordshire Fire Authority	-	523	523
-	21,838	21,838	- East Staffordshire BC	-	20,871	20,871
-	179	179	- Cost of Collection	-	175	175
-	-	-	- Interest on Refunds	-	-	-
-	113	113	- Other Provisions	-	(25)	(25)
			Bad and Doubtful Debts			
-	(76)	(76)	- Provisions	399	53	452
-	356	356	- Write Offs	194	673	867
-	(161)	(161)	Change in Provision for Appeals	-	55	55
			Transfer of Collection Fund Surplus			
-	-	-	- Central Government	-	438	438
937	-	937	- Staffordshire County Council	1,089	79	1,168
159	-	159	- Staffordshire PCC	178	-	178
62	-	62	- Staffordshire Fire Authority	70	9	79
187	-	187	- East Staffordshire BC	210	351	561
<b>55,708</b>	<b>55,005</b>	<b>110,713</b>		<b>59,835</b>	<b>53,986</b>	<b>113,821</b>
<b>(341)</b>	<b>(3,831)</b>	<b>(4,172)</b>	<b>Deficit/(Surplus) for the Year</b>	<b>774</b>	<b>(1,091)</b>	<b>(317)</b>
<u>Collection Fund Balance</u>						
(2,892)	738	(2,154)	Balance brought forward at 1 April	(3,233)	(3,093)	(6,326)
(341)	(3,831)	(4,172)	Deficit/(Surplus) for Year (as above)	774	(1,091)	(317)
<b>(3,233)</b>	<b>(3,093)</b>	<b>(6,326)</b>	<b>Balance c/f at 31 March</b>	<b>(2,459)</b>	<b>(4,184)</b>	<b>(6,643)</b>
			Allocated to			
(438)	(1,237)	(1,675)	- East Staffordshire Borough Council	(321)	(1,674)	(1,995)
(2,276)	(278)	(2,554)	- Staffordshire County Council	(1,751)	(377)	(2,128)
(372)	-	(372)	- Staffordshire PCC	(277)	-	(277)
(147)	(31)	(178)	- Staffordshire Fire Authority	(110)	(42)	(152)
-	(1,547)	(1,547)	- Government	-	(2,091)	(2,091)
<b>(3,233)</b>	<b>(3,093)</b>	<b>(6,326)</b>		<b>(2,459)</b>	<b>(4,184)</b>	<b>(6,643)</b>

# NOTES TO THE COLLECTION FUND ACCOUNT

## 1. General

The Collection Fund is an agent's Statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The Statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Business Rates and its distribution to Local Government bodies and the Government.

The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in subsequent financial years. For East Staffordshire, the Council Tax precepting bodies are Staffordshire County Council, Staffordshire Police and Crime Commissioner (PCC) and Staffordshire Fire Authority.

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils greater incentive to grow businesses in the Borough. It does, however, also increase financial risk due to non-collection and the volatility of the business rates tax base.

Business Rates surpluses or deficits declared by the billing authority in relation to Collection Fund are apportioned to the relevant bodies in subsequent financial years in their respective proportions.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

## 2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent number of Band D dwellings).

The Council Tax base for 2017/18 was 35,950 (35,160 in 2016/18). The tax base for 2017/18 was approved by executive decision on 7<sup>th</sup> December 2016 and was calculated as follows:

<b>Valuation Band</b>	<b>No. of Dwellings after Discounts and Exemptions</b>	<b>Ratio to Band D</b>	<b>Band D Equivalent Dwellings</b>
A Up to £40,000	15,739	6/9	10,488
B £40,001 to £52,000	9,969	7/9	7,754
C £52,001 to £68,000	7,691	8/9	6,836
D £68,001 to £88,000	5,526	9/9	5,526
E £88,001 to £120,000	3,958	11/9	4,837
F £120,001 to £160,000	2,074	13/9	2,996
G £160,001 to £320,000	1,074	15/9	1,789
H Over £320,000	73	18/9	146
	46,104		40,372
Less adjustment for council tax support			(3,688)
Less adjustment for collection rates and property changes			(734)
<b>Council Tax Base for 2017/18</b>			<b>35,950</b>

### 3. Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

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

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency. As such, authorities are expected to make a provision for these amounts. The total provision at 31<sup>st</sup> March 2018 has been calculated at £4.744m (£4.689m at 31<sup>st</sup> March 2017).

The business rates shares payable to preceptors for 2017/18 were estimated before the start of the financial year and these sums have been paid in 2017/18 and charged to the Collection Fund in year.

The total non-domestic rateable value at 31 March 2018 was £137.229m, compared to £138.129m at 31 March 2017. The national non-domestic rate multiplier for the year was 47.9p for properties with a rateable value in excess of £51k and 46.6p for properties with a rateable value lower than £51k, compared to 49.7p and 48.4p respectively for the previous year.



#### 4. Provisions for Doubtful Debts and for Valuation Appeals

##### Provision for Council Tax Doubtful Debts

The Collection Fund account provides for doubtful debts on arrears on the basis of prior year experience and current years' collection rates.

	<b>2017/18</b> £000	2016/17 £000
Balance at 1 April	<b>1,335</b>	1,335
Net Increase/(Decrease) in Provision	<b>399</b>	-
<b>Balance at 31 March</b>	<b>1,734</b>	1,335

East Staffordshire Borough Councils proportion of this provision is shown below.

	<b>2017/18</b> £000	2016/17 £000
Balance at 1 April	<b>181</b>	186
Net Increase/(Decrease) in Provision	<b>53</b>	(5)
<b>Balance at 31 March</b>	<b>234</b>	181

##### Provision for Business Rates / NNDR Doubtful Debts

The Collection Fund account also provides for doubtful debts on NNDR arrears.

	<b>2017/18</b> £000	2016/17 £000
Balance at 1 April	<b>593</b>	669
Net Increase/(Decrease) in Provision	<b>53</b>	(76)
<b>Balance at 31 March</b>	<b>646</b>	593

East Staffordshire Borough Councils proportion of this provision is shown below.

	<b>2017/18</b> £000	2016/17 £000
Balance at 1 April	<b>237</b>	267
Net Increase/(Decrease) in Provision	<b>21</b>	(30)
<b>Balance at 31 March</b>	<b>258</b>	237

##### NNDR – Provision for Appeals/Reliefs

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the valuation Office Agency (VOA) not settled as at 31<sup>st</sup> March 2018.

	<b>2017/18</b>	2016/17
	<b>£000</b>	£000
Balance at 1 April	<b>4,689</b>	4,850
Net Increase/(Decrease) in Provision	<b>55</b>	(161)
<b>Balance at 31 March</b>	<b>4,744</b>	4,689

East Staffordshire Borough Councils proportion of this provision is shown below.

	<b>2017/18</b>	2016/17
	<b>£000</b>	£000
Balance at 1 April	<b>1,875</b>	1,940
Net Increase/(Decrease) in Provision	<b>22</b>	(65)
<b>Balance at 31 March</b>	<b>1,897</b>	1,875

In addition to which, the authority has received a number of applications from NHS Trusts for backdated mandatory relief, which is the subject of a national litigation case. Whilst the authority believes that these applications are not valid, the accounts include a provision of £0.686m (£0.710m 31<sup>st</sup> March 2017) against the possibility this is successfully appealed in the courts, with East Staffordshire Borough Council's element being £0.274m (£0.284m – 31<sup>st</sup> March 2017).



# **Independent Auditor's Report**

# **Independent auditor's report to the members of East Staffordshire Borough Council**

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of East Staffordshire Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Who we are reporting to**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 8 and 98 to 107, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Responsibilities for the Statement of Accounts set out on page 7, 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 Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Scrutiny (Audit and Value for Money Council Services) Committee is Those Charged with Governance.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **Report on other legal and regulatory requirements -Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

*M C Stocks*

Mark Stocks  
For and on behalf of Grant Thornton UK LLP,  
Appointed Auditor

Grant Thornton UK LLP  
The Colmore Building  
Colmore Plaza  
Birmingham  
B4 6AT

26<sup>th</sup> July 2018



# **Glossary of Terms**



# GLOSSARY OF TERMS

## **Accounting Concepts**

The fundamental accounting principles that are applied to ensure that the Statement of Accounts present a true and fair view of the financial performance and position of the local authority.

## **Accounting Policies**

Accounting policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the authority that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy, for example, will specify the estimation basis for accruals where there is uncertainty over the amount.

## **Accruals**

Sums included in the accounts to recognise revenue and capital expenditure and income incurred or earned in the financial year, but for which actual payment had not been made or received as at 31 March (see Creditors and Debtors).

## **Balances**

The total level of funds the Council has accumulated over the years.

## **Capital Expenditure**

Expenditure on the acquisition of a fixed asset, or which adds to the life or value of an existing fixed asset.

## **Capital Receipts**

Income received from the sale of assets and from the repayment of grants and loans made by the Council. Capital receipts may be used to finance new capital expenditure or to repay loan debt.

## **Collection Fund**

A separate account which records receipts of Council Tax and Business Rates. Payments to the Council and other authorities are shown.

## **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.

## **Balance Sheet**

A statement of the recorded assets, liabilities and other balances of the Council at the end of the financial year.

## **Creditors**

Amounts owed by the Council for works done, goods received or services provided within the financial year, but for which payment has not been made at the end of the financial year.

## **Debtors**

Amounts owed to the Council for works carried out, goods provided or services rendered within the financial year, but for which payment has not been received at the end of the financial year.

## **Deferred Credits**

Are deferred capital receipts, which are amounts derived from the sale of assets which will be received in instalments over agreed periods of time.

## **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

## **Earmarked Reserve**

A sum set aside for a specific purpose.

## **Emoluments**

All sums paid to or receivable by an employee, including the money value of any non-cash benefits.

## **Events after the Balance Sheet Date**

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed for issue by the Chief Finance Officer.

## **Fees and Charges**

Income arising from the provision of services e.g. the use of leisure facilities.

# GLOSSARY OF TERMS

## **Finance Lease**

A lease that transfers all the risks and rewards of ownership of a fixed asset to the lessee.

## **Financial Year**

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

## **IFRS**

International Financial Reporting Standards.

## **General Fund**

The account which records the cost of all Council services except those shown in the Collection Fund.

## **Government Grants**

Grants made by the government and other bodies towards either revenue or capital expenditure, in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

## **Gross Expenditure (Total Cost)**

Gross expenditure includes expenditure relating to employees, premises, transport, supplies and services, third party payments, transfer payments, support services and capital charges including depreciation.

## **Impairment**

A reduction in the value of a fixed asset to below the amount it is included on the balance sheet.

## **Income and Expenditure Account**

This statement reports the net cost for the year of all the functions for which the authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

## **Infrastructure Assets**

Assets belonging to the Council which cannot be transferred or sold and therefore their cost is only recoverable by continued use of the asset created. Examples are highways and footpaths.

## **Intangible Assets**

Represents expenditure on assets that do not have a physical substance but are identifiable

and controlled by the Council (e.g. computer software licences).

## **Investments**

The lending of surplus revenue balances to provide additional income in the form of interest received.

## **Investment Properties**

Are held by the Council for investment purposes only and cannot be classified as any other type of asset.

## **Liabilities**

Amounts due to individuals or organisations, which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

## **Materiality**

An item is material if its omission, non-disclosure or mis-statement in financial statements could lead to a distortion of the view given by those statements.

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

Are rates levied on business properties and therefore known as business rates. The Council collects these rates and under the Business Rates Retention Scheme this is shared 50% to central government, 40% to East Staffordshire Borough Council, 9% to the County Council and 1% to the Fire Authority.

## **Net Book Value**

The amount at which fixed assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

## **Net Current Replacement Cost**

Cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

## **Net Expenditure**

Net expenditure is gross expenditure less income from grants, contributions, sales, fees and charges, rents and recharges.

## **Net Realisable Value**

Open market value of an asset in its existing use, less the expenses to be incurred in realising the asset.

# GLOSSARY OF TERMS

## **Non-Operational Assets**

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets surplus to requirements and awaiting sale or redevelopment.

## **Operating Lease**

The ownership of the asset remains with the leasing company who charge an annual rental.

## **Operational Assets**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## **Precepts**

Amounts which the Council is required to collect as council tax on behalf of other authorities.

## **Prior Period Adjustments**

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 which are likely to be incurred, but where the amount and date on which they will arise is uncertain.

## **Prudence**

The concept that income is not anticipated but is recognised only when realised in the form of cash or other assets and which can be assessed with reasonable certainty.

## **Public Works Loan Board (PWLB)**

Central Government Agency which lends money to local authorities, usually at interest rates which are more favourable than those found elsewhere.

## **Related Party**

Two or more parties are related where one party has control or is able to influence the financial or operational policies of another.

## **Residual Value**

The net realisable value of an asset at the end of its useful life.

## **Revenue Expenditure**

Expenditure on the day-to-day running of the Council, such as employee costs and supplies and services.

## **Revenue Support Grant (RSG)**

A grant paid by Central Government towards the cost of providing services.

## **Stocks**

The value of items purchased for use on a continuing basis, but which have not been used at the balance sheet date.

## **Tangible Fixed Assets**

Tangible assets that yield benefits to the council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

## **Useful Life**

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



# **Annual Governance Statement**

# ANNUAL GOVERNANCE STATEMENT 2017/18

## 1. SCOPE OF RESPONSIBILITY

East Staffordshire Borough Council (ESBC) 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. ESBC 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.

In discharging this overall responsibility, ESBC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

ESBC 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 can be found on our website, or can be obtained from the Corporate and Commercial Team. The statement explains how ESBC has complied with the code, and also meets the requirements of The Accounts and Audit Regulations 2015, regulation 6(1)(b), which requires all relevant bodies to prepare an annual governance statement.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.

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 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 process designed to identify and prioritise the risks to the achievement of ESBC'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.

The governance framework has been in place at ESBC for the year ended 31<sup>st</sup> March 2018 and up to the date of approval of the annual report and statement of accounts.

## 3. THE GOVERNANCE FRAMEWORK

ESBC operates a number of systems and processes that comprise the authority's governance arrangements including:

- The clear statement of corporate objectives in the Corporate Plan and Service Plans, with the monitoring of achievement of corporate objectives via quarterly monitoring at the Corporate Management Team, Cabinet and Scrutiny. The Corporate Plan, and Service Plans, are reviewed annually. Communication with respect to the Corporate Plan is carried out with key stakeholders externally and through internal communications. Service Plans are communicated through internal communications and via the employee appraisal process;

- The effective facilitation and operation of policies and decision-making processes including Cabinet and Scrutiny Committees, the Council's Constitution and delegated decision making powers. The Constitution sets out how the Council operates and the procedures which are followed to enable transparent and accountable decisions to be made by the Cabinet. Scrutiny Committees provide the opportunity for independent Member review of Cabinet decisions and Council services and meetings are open to the public except where confidential matters are being disclosed. In addition, delegated decision making authority is given to senior officers in certain circumstances outlined in the Council's Constitution. The Council publishes a Forward Plan containing details of future key decisions to be made by the Council;
- The operation of the statutory officer roles of Head of Paid Service (Chief Executive), Chief Financial Officer and Monitoring Officer, having specific responsibility for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer has the authority to report to Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration, thereby stopping the proposal or decision being implemented until the report has been considered;
- The statutory officers have the statutory duty to report to all the local authority's Elected Members if there is or is likely to be unlawful expenditure or an unbalanced budget set;
- The Council's procedure rules, and scheme of delegation are contained within the authority's Constitution. The constitution is reviewed on a regular and ongoing basis, with recommendations regarding changes and improvements being made to full Council;
- Effective financial management of the Council is conducted in accordance with Financial Regulations as Appended to Part 4 of the Constitution and appropriate professional standards, under the responsibility of the Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. This includes comprehensive budget setting processes and budgetary control systems, clearly defined capital expenditure guidelines and regular reporting mechanisms to Services and Members including quarterly and annual financial reports that indicate financial performance against forecasts. The Council has introduced a reporting mechanism to demonstrate the relationship between financial and operational performance. The Council has in place an annually updated financial plan in line with Central Government's funding policy and aligned with the authority's Corporate Plan;
- The Council maintains an Internal Audit Service, which operates to the Public Sector Internal Audit Standards;
- The Council has a formally constituted Audit Committee, the Scrutiny (Audit & Value for Money Council Services) Committee, which is responsible for providing independent assurance on the adequacy and effectiveness of the authority's control environment;
- The Council has positions for two independent members to reside on the Scrutiny (Audit & Value For Money Council Services) Committee;
- The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter;
- There is a robust risk management approach which is considered and overseen by the Scrutiny (Audit & Value for Money Council Services) Committee. The policy enables the Council to identify, and take appropriate action to mitigate against or eradicate significant risks to the Council's objectives in line with the requirements of the Council's Risk Management Strategy. This approach is continually being developed, maintained and embedded through the proactive participation of all services, which strengthens the links between risk management and audit;
- Corporate review of services, processes and procedures to ensure the economical, effective and efficient use of resources, combined with target setting and monitoring via a performance management framework designed to secure continuous improvement in the way in which its services are delivered;

- Services are delivered by suitably trained and experienced staff, all posts having detailed job descriptions and person specifications while training and development needs are identified through a staff appraisal scheme which ensures that objectives and targets are clear and agreed;
- The adoption and use of PRINCE2 methodology to ensure the effective and ultimately successful management of projects. This, combined with the regular meeting of the Business Assurance Group (BAG), enables the Council to proactively monitor and appraise appropriate projects;
- A comprehensive performance management and benchmarking framework including regular reporting to senior officers and Members through to Cabinet;
- An effective approach to engaging with local people and other stakeholders through partnership arrangements, electronic channels such as the website and social media, and through the Customer Service Centres;
- A customer feedback scheme for the public to make complaints, comments, compliments and constructive criticism about any aspect of the Council's services, which is used to improve services;
- The Council's whistle-blowing policy enables the authority to receive and investigate alleged incidences of malpractice or illegal activities. The policy is reviewed and updated on a regular basis, and allows for staff, members, partners, public and other stakeholders the opportunity to report such instances of malpractice or illegal activity. The policy is widely publicised, and is effectively communicated to the aforementioned stakeholders;
- Appropriate governance arrangements are put in place for each of the partnerships the authority is involved with and relevant partnerships are reviewed;
- Developing the capacity and capability of Members in order to improve and become more effective, and also ensure that officers (including statutory officers) have the capability and capacity to deliver efficiency; and
- The authority's financial management arrangements conform to the governance requirements of the CIPFA statement on The Role of The Chief Financial Officer in Local Government. By doing so, the Authority is able to demonstrate that the core principles are adhered to and achieved.

#### **4. REVIEW OF EFFECTIVENESS**

ESBC 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 senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

In practice, this review of the effectiveness of the system of internal control is an ongoing process incorporating the various elements described above. This review has carried out throughout 2017/18 and encompassed the following:

- The ongoing review of existing corporate policies and production and approval of new or revised policies and procedures in accordance with best practice. This included reviews of the Recovery and Write-Off Policies and a review of the Council Tax Support;

- The ongoing review of the Council's Constitution by Members and Senior Officers of the Council;
- The continued operation of clear policy and decision making through Cabinet and Regulatory Committees and review and challenge through Scrutiny Committees;
- There was a formal adoption to the change of the Scrutiny arrangements which amalgamated the Audit Committee, Value for Money Scrutiny Committee into the Scrutiny (Audit & Value For Money Council Services) Committee; and the Protecting and Strengthening Communities Scrutiny Committee, the Promoting Local Economic Growth Scrutiny Committee and the Health Scrutiny Committee into Scrutiny (Economic Growth, Communities and Health) Committee;
- Formal reporting mechanisms to members to review and monitor the work of the Internal Audit Service through reports to the Scrutiny (Audit & Value For Money Council Services) Committee, including an annual report containing an opinion statement on the overall adequacy and effectiveness of the Council's internal control environment;
- The development of the authority's chosen internal audit supplier, CW Audit, and implementing advice and guidance;
- The Scrutiny (Audit & Value For Money Council Services) Committee also, as part of its terms of reference, approves and/or recommends changes to the Annual Governance Statement, and reviews its content and effectiveness on an annual basis;
- The Scrutiny (Audit & Value For Money Council Services) Committee has received training and briefing sessions to support with its effectiveness;
- There have been a number of training and briefing sessions that were made available and delivered to Scrutiny (Audit & Value For Money Council Services) Committee Members;
- Scrutiny Committees have reviewed decisions made by Cabinet and have also either carried out or commenced a number of specific reviews. These have included the Derby / Burton hospital merger, the Virgin Care contract, the Bargates land purchase, Income Generation, Disabled Facility Grants, Outside Bodies and Anti-Social Behaviour;
- The Standards Committee is responsible for the Council's ethical framework, and works closely with the Monitoring Officer. Issues covered by the Committee's terms of reference include member conduct and ethical standards;
- There have been quarterly formal reports being considered by Cabinet which focus on both Corporate Plan and Financial Performance;
- The Scrutiny (Audit & Value for Money Council Services) Committee received and reviewed the quarterly financial performance reports. Alongside the Scrutiny (Economic Growth, Communities and Health) Committee, corporate performance was reviewed against the Corporate Plan through quarterly performance reports;
- Internal Audit review of services and functions based on a risk assessed audit plan, in order to provide an independent opinion on the adequacy and effectiveness of the system of internal control;
- Internal Audit's presence and participation on appropriate Council projects in order to provide additional assurance;
- There are quarterly review meetings that are held with external auditors and the Council's three statutory officers on an individual basis;
- There are regular meetings that are held between the Head of Internal Audit/ the Chief Executive and the Head of Internal Audit/Chief Finance Officer;



- The Council's Project Management approach has been continuously improved, which included specific recommendations put forward by the Scrutiny (Audit & Value for Money Council Services) Committee; and
- There are regular meetings between the Council's three statutory officers to discuss risk and governance.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

During the 2017/18 financial year no significant governance issues arose.

We propose that we continue to maintain the level of governance at the authority, whilst striving to improve wherever we can.

Signed: .....

Leading Member on behalf of East Staffordshire Borough Council

Signed: .....

Chief Executive on behalf of East Staffordshire Borough Council