



# STATEMENT OF ACCOUNTS 2015/16



Uttoxeter Leisure Centre

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# **Statement of Accounts**

**Year ended 31<sup>st</sup> March 2016**



# STATEMENT OF ACCOUNTS

2015 – 2016

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# **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 2016. 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 presented to the Council's Cabinet reports a revenue budget under-spend of £0.3m. 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 £4.3m or 52% for 2011/12 to 2015/16, 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 2015/16 the Council has set aside funding towards the repayment of debt (£1.5m), undertaken infrastructure and remediation works at Dove Way, Uttoxeter and invested in the re-development of the changing rooms at Shobnall Leisure Complex. We have also continued our support for neighbourhood projects and disabled facility grants.

In February 2016, the Council approved a four year Medium Term Financial Strategy which demonstrates that the Council is sustainable and able to meet the anticipated funding reductions during this parliament. This will ensure that the Council remains well placed to meet the challenges ahead and 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 £0.2m. 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 31-34), in order to determine the movement on the general fund balance, which was neutral as the revenue outturn surplus has been set aside in accordance with the approved financial strategy.

The general fund balance represents a minimum working balance in order to deal with any unexpected events. As at 31<sup>st</sup> March 2016 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 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 £14m. The most significant underlying reason for this increase relates to a reduction in the estimated pension fund liability from £57m to £47m. The pension fund liability is calculated by a firm of actuaries and is based on a number of assumptions. It is these assumptions that have changed, resulting in the

reduced liability. The pension liability represents the underlying long term commitment that the authority has to pay future retirement benefits. This reduced liability has had no direct impact on the budget for the authority or the levels 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.

## REVENUE OUTTURN 2015/2016

### General Fund

The table below sets out the position of the General Fund for 2015/2016. When the Budget for the year was agreed in February 2015, it assumed total expenditure of £11.933m.

The outturn position shows that at the end of the year the amount to be raised had decreased to £11.599m, giving a surplus to be taken to reserves of £0.334m.

	<b>Budget</b> £'000	<b>Outturn</b> £'000	<b>Variance</b> £'000
Service Expenditure	11,933	11,599	(334)
To be met from:			
Revenue Support Grant	2,306	2,306	-
Retained Business Rates	3,243	3,243	-
Collection Fund			
Demand for Year	6,207	6,207	-
Previous Years' Surplus	177	177	-
Total Revenue Budget Support	<u>11,933</u>	<u>11,933</u>	-
Surplus for Year		(334)	(334)
	<b><u>11,933</u></b>	<b><u>11,599</u></b>	<b><u>(334)</u></b>

A full reconciliation between the above management outturn position and the financial statements is shown within note 32 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 £4.4m, this includes a surplus of £0.3m in relation to Council Tax and a £4.1m surplus in relation to Business Rates. However, the Business Rates position is after taking into account contributions of £3.2m towards the prior year shortfalls. As a result there is an in-year surplus on the Business rates Account of £0.9m. Overall, after taking into account the balance brought forward from 2014/15, the Collection Fund has a net surplus of £2.2m, which will be distributed in 2016/17 and 2017/18, in accordance with the respective legislative requirements.

Further details are given in the Collection Fund Income and Expenditure account and notes on pages 85 onwards.



## CAPITAL EXPENDITURE 2015/2016

During 2015/2016 the Council spent £3.1m 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>Sources of Finance</b>	
	£'000		£'000
Dove Way Infrastructure Works	1,070	Borrowing	285
Pennycroft Remediation Works	285	Revenue including Reserves	215
Shobnall Leisure Complex	679	Capital Grants and Contributions	2,288
Disabled Facility Grants	460	Capital Receipts	309
ICT Desktop Equipment Renewals	198		
Regents Park Estate Play Equipment	140		
Growth Point Projects	84		
Other	181		
	<b><u>3,097</u></b>		<b><u>3,097</u></b>
Finance Leases	<b><u>2,600</u></b>	Borrowing	<b><u>2,600</u></b>

During the year, the Council made a debt repayment of £1.54m financed from capital receipts.

## BORROWING

At the end of 2015/2016 the total external loan debt of the Council was £11.526m (£11.598m at 31<sup>st</sup> March 2015). In addition to which, liabilities associated with finance leases amount to £2.431m as at 31<sup>st</sup> March 2016 (£0.523m as at 31<sup>st</sup> March 2015). This increase relates to the new 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 £47m at 31 March 2016. This is shown under Long-term Liabilities on the Balance Sheet on page 12.

The pension liability of £47m 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.

## CHANGE IN ACCOUNTING POLICIES

The Code of Practice has been updated to reflect the adoption of IFRS 13 and the introduction of the concept of current value and now requires assets valued at market value to be included at their highest and best use. This has resulted in a relatively small increase in the values associated our investment properties and a number of additional disclosures within the notes to the accounts. Further information can be found in the accounting policies at note 1 xxv.

## **PERFORMANCE AGAINST THE CORPORATE PLAN**

The Council has approved a Corporate Plan covering the period 2016/17 onwards. This is updated and refreshed on an annual basis and performance monitored throughout the year. For 2015/16 the Council set 123 corporate plan targets, of which 94% 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 (93% fully achieved)
- Promoting Local Economic Growth (86% fully achieved)
- Protecting and Strengthening Communities (100% fully achieved)

Looking ahead to 2016/17, the Council has set a range of development targets, including:

- Market Square Development
- Leisure and Cultural Services Delivery review
- A range of sports and open spaces initiatives

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 2016/17 ONWARDS**

The council approved its Medium term Financial Strategy for 2016/17 to 2019/20 in February 2016. 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.

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 2016/17 has been balanced with a surplus.

Further information in relation to the Medium Term Financial Strategy can be found on our website at: [www.eaststaffsbc.gov.uk/budgets-and-spending/budgets-and-spending](http://www.eaststaffsbc.gov.uk/budgets-and-spending/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, Colmore Plaza, 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, The Malsters, Wetmore Road, Burton upon Trent, DE14 1LS. Or by telephone (01283) 508399 or e-mail to [financial.management@eaststaffsbc.gov.uk](mailto:financial.management@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 2015/2016 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 economic cost in the year of providing services in accordance with proper practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations: this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## **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 surplus or deficit on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund Balance for Council Tax setting purposes. The 'Net Increase/Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## **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 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 2016 and its income and expenditure for the year ended 31 March 2016.

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.

These Accounts were presented and approved at the meeting of the Audit (Approval of Statement of Accounts) Committee on 26<sup>th</sup> July 2016.

Councillor L Milner  
Chair, Audit (Approval of Statement of Accounts) Committee

Date:

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**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
**For the year ended 31 March 2016**

	Note	2015/16			2014/2015		
		Gross	Gross	Net	Gross	Gross	Net
		Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public		2,758	(1,563)	1,195	2,517	(1,412)	1,105
Cultural services and related services		7,576	(2,723)	4,853	9,651	(2,187)	7,464
Environmental and regulatory Services		7,459	(2,671)	4,788	6,816	(2,262)	4,554
Planning services		2,684	(1,752)	932	3,091	(2,712)	379
Highways and transport services		1,108	(1,880)	(772)	1,412	(1,929)	(517)
Housing services		30,324	(29,663)	661	30,228	(29,193)	1,035
Corporate and democratic core		1,243	(20)	1,223	1,283	(33)	1,250
Non distributed costs	5	2,199	0	2,199	354	0	354
<b>Cost of Services</b>		<b>55,351</b>	<b>(40,272)</b>	<b>15,079</b>	<b>55,352</b>	<b>(39,728)</b>	<b>15,624</b>
Other operating expenditure	8			1,082			988
Financing and investment income and expenditure	9			1,078			2,388
Taxation and non specific grant income and expenditure	10			(17,424)			(15,332)
<b>(Surplus) or Deficit on Provision of Service</b>				<b>(185)</b>			<b>3,668</b>
(Surplus)/deficit on revaluation of non current assets	11		(1,096)			(738)	
Remeasurement of the net defined pension liability	43		(12,455)			8,811	
<b>Other Comprehensive Income and Expenditure</b>				<b>(13,551)</b>			<b>8,073</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(13,736)</b>			<b>11,741</b>

**MOVEMENT IN RESERVES STATEMENT**  
For the year ended 31 March 2016

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves (Note 27)	Unusable Reserves (Note 28)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2015 carried forward</b>	<b>1,278</b>	<b>10,694</b>	<b>0</b>	<b>3,552</b>	<b>15,524</b>	<b>(33,162)</b>	<b>(17,638)</b>
<b>Movement in reserves during 2015/16</b>							
Surplus on provision of services	185	0	0	0	185	0	185
Other Comprehensive Income and Expenditure	0	0	0	0	0	13,551	13,551
Total Comprehensive Income and Expenditure	185	0	0	0	185	13,551	13,736
Adjustments between accounting basis & funding basis under regulations (note 6)	376	0	0	(1,555)	(1,179)	1,179	0
Net Increase before Transfers to Earmarked Reserves	561	0	0	(1,555)	(994)	14,730	13,736
Transfers to/from Earmarked Reserves (note 7)	(561)	561	0	0	0	0	0
Increase / (Decrease) in Year	0	561	0	(1,555)	(994)	14,730	13,736
<b>Balance at 31 March 2016 carried forward</b>	<b>1,278</b>	<b>11,255</b>	<b>0</b>	<b>1,997</b>	<b>14,530</b>	<b>(18,432)</b>	<b>(3,902)</b>



**MOVEMENT IN RESERVES STATEMENT**  
For the year ended 31 March 2015

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves (Note 27) £'000	Unusable Reserves (Note 28) £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2014 carried forward</b>	<b>1,278</b>	<b>11,261</b>	<b>0</b>	<b>5,360</b>	<b>17,899</b>	<b>(23,796)</b>	<b>(5,897)</b>
<b>Movement in reserves during 2014/15</b>							
Deficit on provision of services	(3,668)	0	0	0	(3,668)	0	(3,668)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(8,073)	(8,073)
Total Comprehensive Income and Expenditure	(3,668)	0	0	0	(3,668)	(8,073)	(11,741)
Adjustments between accounting basis & funding basis under regulations (note 6)	3,101	0	0	(1,808)	1,293	(1,293)	0
Net Increase before Transfers to Earmarked Reserves	(567)	0	0	(1,808)	(2,375)	(9,366)	(11,741)
Transfers to/from Earmarked Reserves (note 7)	567	(567)	0	0	0	0	0
Increase / (Decrease) in Year	0	(567)	0	(1,808)	(2,375)	(9,366)	(11,741)
<b>Balance at 31 March 2015 carried forward</b>	<b>1,278</b>	<b>10,694</b>	<b>0</b>	<b>3,552</b>	<b>15,524</b>	<b>(33,162)</b>	<b>(17,638)</b>

**BALANCE SHEET**  
as at 31<sup>st</sup> March 2016

<b>31st March 2015</b>		Note	<b>31st March 2016</b>
£'000			£'000
37,023	Property, Plant and Equipment	11	<b>38,979</b>
8,873	Investment Property	12	<b>9,516</b>
47	Intangible Assets	13	<b>51</b>
454	Heritage Assets	14	<b>441</b>
80	Long Term Investments	15	<b>20</b>
892	Long Term Debtors	16	<b>848</b>
<b>47,369</b>	<b>Long Term Assets</b>		<b>49,855</b>
	<b>Current Assets</b>		
5,073	Short Term Investments	18	<b>10,561</b>
145	Inventories	19	<b>94</b>
4,798	Short Term Debtors	21	<b>4,275</b>
7,492	Cash and Cash Equivalents	22	<b>6,753</b>
<b>17,508</b>	<b>Current Assets</b>		<b>21,683</b>
(264)	Short-Term Borrowing	26	<b>(632)</b>
(6,836)	Short Term Creditors	24	<b>(9,072)</b>
<b>(7,100)</b>	<b>Current Liabilities</b>		<b>(9,704)</b>
(2,624)	Provisions	25	<b>(2,321)</b>
(11,334)	Long Term Borrowing	26	<b>(10,895)</b>
(57,292)	Pension Liability	43	<b>(46,814)</b>
(524)	Other Long Term Liabilities	40	<b>(2,431)</b>
(3,641)	Capital Grants Receipts in Advance	37	<b>(3,275)</b>
<b>(75,415)</b>	<b>Long Term Liabilities</b>		<b>(65,736)</b>
<b>(17,638)</b>	<b>Net Assets</b>		<b>(3,902)</b>
	<b>Financed by:</b>		
(33,162)	Unusable Reserves	28	<b>(18,432)</b>
15,524	Usable Reserves	27	<b>14,530</b>
<b>(17,638)</b>	<b>Total Net Worth</b>		<b>(3,902)</b>

**CASH FLOW STATEMENT**  
**For the year ended 31 March 2016**

	Note	<b>2015/2016</b> £'000	<b>2014/2015</b> £'000
Net (surplus) or deficit on the provision of services		(185)	3,668
Adjustments to net surplus or deficit on the provision of services for non-cash movements	29	(4,912)	(7,745)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	29	<u>2,316</u>	<u>1,979</u>
<b>Net cash flows from operating activities</b>		<b>(2,781)</b>	<b>(2,098)</b>
Investing activities	30	4,593	4,181
Financing activities	31	(1,073)	(2,694)
<b>Net (increase) or decrease in cash and cash equivalents</b>		<u><b>739</b></u>	<u><b>(611)</b></u>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<u><b>(7,492)</b></u>	<u><b>(6,881)</b></u>
<b>Cash and cash equivalents at the end of the reporting period</b>		<u><b>(6,753)</b></u>	<u><b>(7,492)</b></u>

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/2016 financial year and its position as at the year-end 31 March 2016. The Authority is required to prepare an annual statement of accounts by the Audit and Accounts Regulations, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice, supported by International Financial reporting Standards (IFRS). The accounting convention adopted is 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:

- 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 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 stocks 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.
- 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)

Non Domestic Rates (NNDR)

- Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year are treated as accrued income.

- Tariff payments included in the Comprehensive Income & Expenditure Statement for the year are treated as accrued expenditure.

#### Council Tax

- Council Tax income included in the Comprehensive Income & Expenditure Statement for the year are treated as accrued income.

Both NNDR Income, tariff payments and Council Tax will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income and expenditure. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NNDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for Council Tax, NNDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.

Revenue relating to such things as council tax, business rates, etc shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non- exchange transactions and there can be no difference between the delivery and payment dates.

#### **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, ie. 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. 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 3.5% (3.2% 2014/15). 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 pensions liability is analysed into the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year. 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 as part of Non Distributed Costs.
- Net interest cost on the defined benefit liability, ie. 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 the period – taking into account any changes in the net defined benefit payments.
- 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 pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. 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.

At the present time the Council has no available-for-sale assets.



## 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**

Monetary assets denominated in a foreign currency are converted to sterling at the rate of exchange applicable to that date and included in the Bank figure on the balance sheet.

### **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-ringfenced 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 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 and Instaffs (UK) Ltd, set up to promote inward investment in Staffordshire. 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 appropriate revenue account 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 (eg. 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 (ie. 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. Overheads and Support Services**

The costs of support services are charged to the services that benefit from the support service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14. The total absorption costing principle is used with the full cost of support services being shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation (e.g. council and committee meetings, the Lord Mayor and civic expenses).
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the net expenditure.

### **xx. 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.

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 (ie 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.

## **xxi. 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 charged 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.

## **xxii 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 policy.

## **xxiii. 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.

## **xxiv 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.

## **xxv. 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**

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a single asset, with separate components. Infrastructure Assets held by the Borough Council do not meet the classification within the Code for a Highways Network and therefore there will not be any impact on our accounts.

In addition there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

## **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 authority has £0.3m deposited with an Icelandic bank which is in administration. These accounts contain judgements and assumptions in relation to the timing and amount of future repayments.
- 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 appeals that have been lodged with the Valuation Office 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 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 2016 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 (£46.8m as at 31 <sup>st</sup> March 2016) 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, a increase in member life expectancy of 1 year would result in a increase in the pension liability of £3.5m
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 2016 is £9.4m, with annual charges of £1.5m.	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 £0.047m 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 £0.5m

<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>
<p>Arrears</p>	<p>At 31 March 2016, the authority had a balance of sundry debtors for £2m. A review of significant balances suggested impairment of doubtful debts of 49% (£0.947m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a 25% increase in the amount of the impairment of doubtful debts would require an additional £0.24m to be set aside as an allowance.</p>

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

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

Included within the Non-distributed cost line of the Comprehensive Income and Expenditure Statement is a material asset revaluation. This relates to land at High Street, Burton which has seen a reduction in value of £2.2m. There has also been a material increase in the asset relating to land at Dove Way Uttoxeter of £2.1m. This is incorporated within the (surplus)/deficit on the revaluation of non current assets within the Comprehensive Income and Expenditure Statement.

There were no material items of income and expenses during 2014/15.

**6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

<b>2015/16</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	12	0	0	(12)
Depreciation and impairment of fixed assets	1,496	0	0	(1,496)
Revaluation losses on plant, property and equipment	2,499	0	0	(2,499)
Movements in market value of investment properties	(643)	0	0	643
Capital grants and contributions applied	(2,288)	0	0	2,288
Gain on disposal of financial instruments	(201)	230	0	(29)
Gain on disposal of non current assets	(32)	0	0	32
Revenue expenditure funded from capital under statute	571	0	0	(571)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Minimum revenue provision for capital financing	(905)	0	0	905
Capital expenditure charged in-year to the General Fund	(215)	0	0	215
<b>Adjustment Primarily involving the Capital Receipts Reserve</b>				
Use of capital receipts to finance new capital expenditure	0	(308)	0	308
Repayment of debt from capital receipts	0	(1,540)	0	1,540
Transfer from deferred capital receipts reserve upon receipt of cash	0	63	0	(63)
Balance carried forward to next page	294	(1,555)	0	1,261

<b>2015/16</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>294</b>	<b>(1,555)</b>	<b>0</b>	<b>1,261</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>0</b>	<b>0</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>3,952</b>	<b>0</b>	<b>0</b>	<b>(3,952)</b>
Employers pensions contributions and direct payments to pensioners payable in the year	<b>(1,975)</b>	<b>0</b>	<b>0</b>	<b>1,975</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>(34)</b>	<b>0</b>	<b>0</b>	<b>34</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>(1,826)</b>	<b>0</b>	<b>0</b>	<b>1,826</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>(4)</b>	<b>0</b>	<b>0</b>	<b>4</b>
<b>TOTAL ADJUSTMENTS</b>	<b>376</b>	<b>(1,555)</b>	<b>0</b>	<b>1,179</b>

Comparator information for 2014/15 on this note is shown below.

<b>2014/15</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	12	0	0	(12)
Depreciation and impairment of fixed assets	1,352	0	0	(1,352)
Revaluation losses on plant, property and equipment	2,933	0	0	(2,933)
Movements in market value of investment properties	(110)	0	0	110
Capital grants and contributions applied	(801)	0	0	801
Gain on sale of fixed assets	(215)	1,064	0	(849)
Revenue expenditure funded from capital under statute	755	0	0	(755)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Minimum revenue provision for capital financing	(767)			767
Capital expenditure charged in-year to the General Fund	(525)			525
<b>Adjustment Primarily involving the Capital Receipts Reserve</b>				
Use of capital receipts to finance new capital expenditure		(3,709)		3709
Capital Receipts due - Conditions not met	(800)	800		
Transfer from deferred capital receipts reserve upon receipt of cash		37		(37)
Balance carried forward to next page	<b>1,834</b>	<b>(1,808)</b>	<b>0</b>	<b>(26)</b>

<b>2014/15</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>1,834</b>	<b>(1,808)</b>	<b>0</b>	<b>(26)</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>3,685</b>			<b>(3,685)</b>
Employers pensions contributions and direct payments to pensioners payable in the year	<b>(1,859)</b>			<b>1,859</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>(104)</b>			<b>104</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>(420)</b>			<b>420</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>(4)</b>			<b>4</b>
<b>TOTAL ADJUSTMENTS</b>	<b>3,101</b>	<b>(1,808)</b>	<b>0</b>	<b>(1,293)</b>



## 7. 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 2015/16.

	Balance at 1 April 2014	Transfers		Balance at 31st March 2015	Transfers		Balance at 31st March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
New Homes Bonus	915	0	1,136	2,051	(36)	1,444	3,459
Contingency Fund	3,771	(1,921)	530	2,380	(539)	664	2,505
Capital Programme	442	(183)	415	674	(24)	380	1,030
Debt Repayment	644	(225)	0	419	(128)	492	783
Business Rate Retention Scheme	2,241	(865)	546	1,922	(1,283)	59	698
Planning Reserve	292	0	90	382	(95)	34	321
Building Control Fee Earning	136	0	31	167	0	74	241
Insurance Fund	228	0	0	228	0	0	228
IT Equipment	275	0	52	327	(207)	70	190
Car Park Maintenance	180	0	70	250	(69)	0	181
Housing Benefits	460	(327)	35	168	(75)	79	172
New Burdens	328	(196)	146	278	(170)	47	155
Housing Repossession Fund	114	0	17	131	0	24	155
Professional Reserve	0	0	52	52	(18)	104	138
Other Reserves	259	(90)	33	202	(106)	39	135
Licensing Income Volatility	0	0	0	0	0	121	121
Local Strategic Partnership	66	(4)	0	62	0	56	118
Housing and Planning Delivery	38	0	0	38	(41)	112	109
Growth Point Agenda	125	(14)	0	111	(10)	0	101
Budget Carry Forward	205	(205)	140	140	(140)	90	90
Elections	137	0	17	154	(97)	8	65
Safer And Active Communities	53	(1)	6	58	(3)	1	56
Prevention of Violent Extremism	54	0	0	54	(7)	0	47
Migration Impact Fund	59	(15)	0	44	(4)	0	40
LPSA Grant	37	0	0	37	0	0	37
Implementing Electoral Registration	5	(5)	22	22	0	9	31
Shopmobility	30	0	0	30	0	0	30
Business Development	80	(89)	200	191	(172)	0	19
Area Based Grant	87	0	0	87	(87)	0	0
Wheelie Bin Reserve	0	0	35	35	(35)	0	0
	<b>11,261</b>	<b>(4,140)</b>	<b>3,573</b>	<b>10,694</b>	<b>(3,346)</b>	<b>3,907</b>	<b>11,255</b>

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

**Contingency Fund:** (£2.5m) for unexpected events to support one-off non-recurring items as part of the Medium Term Financial Strategy.

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

**Business Rate Retention Scheme:** To meet ESBC's element of shortfall in relation to the Business Rate Retention Scheme shown within the Collection Fund.

**Capital Programme:** (£1.0m) committed as part of the Council's approved capital programme.

**Debt Repayment:** (£0.8m) used to lessen the effect of the increased statutory repayment requirement.

**8. OTHER OPERATING EXPENDITURE**

	<b>2015/16</b>	<b>2014/15</b>
	£'000	£'000
Parish Council Precepts	<b>1,019</b>	966
Parish Council Tax Support Grant	<b>95</b>	112
Gains / losses on disposal of non current assets	<b>(32)</b>	(90)
	<b><u>1,082</u></b>	<u>988</u>

**9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	<b>2015/16</b>	<b>2014/15</b>
	£'000	£'000
Interest payable and similar charges	<b>595</b>	602
Interest element of finance leases	<b>88</b>	100
Gain/Loss on disposal of financial instruments	<b>(201)</b>	0
Revised Impairment of financial instruments	<b>13</b>	1
Net Pension Interest Expense	<b>1,835</b>	2,001
Interest receivable and similar income	<b>(174)</b>	(119)
Income and expenditure in relation to investment properties and changes in their fair values (note 12)	<b>(1,303)</b>	(620)
Gain/Loss on Trading Accounts (note 33)	<b>224</b>	423
	<b><u>1,077</u></b>	<u>2,388</u>

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

	<b>2015/16</b>	<b>2014/15</b>
	£'000	£'000
Council tax income	<b>(7,438)</b>	(7,278)
Non domestic rates income	<b>(21,682)</b>	(20,688)
Business Rates Tariff to Birmingham City Council	<b>18,679</b>	18,329
Revenue support grant	<b>(2,306)</b>	(3,255)
New Homes Bonus	<b>(1,927)</b>	(1,618)
Council Tax Freeze Grant	<b>(70)</b>	(69)
Capital grants and contributions	<b>(1,839)</b>	(89)
Small Business Rate Relief	<b>(557)</b>	(523)
Business Rates Compensation Grant	<b>(284)</b>	(141)
	<b><u>(17,424)</u></b>	<u>(15,332)</u>

## 11. PROPERTY, PLANT AND EQUIPMENT

<b>Movements in 2015/16</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 2015	29,237	5,454	3,868	2,372	356	4,083	45,370
Additions	1	2,938	25		2,139	5	5,108
Revaluations recognised in the Revaluation Reserve	(12)					1,108	1,096
Revaluations recognised in the Provision of Services	(369)					(2,196)	(2,565)
Reclassifications	775	(62)	(42)	(73)	(1,743)	1,145	0
Disposals to I & E		(1,589)					(1,589)
Other Movements							0
31st March 2016	29,632	6,741	3,851	2,299	752	4,145	47,420
<b>Depreciation and Impairment</b>							
1st April 2015	(1,150)	(3,819)	(1,686)	(1,692)	0	0	(8,347)
Depreciation charge	(640)	(642)	(135)	(66)			(1,483)
Reclassifications							0
Revaluation recognised in the Provision of Services	66						66
Disposal to I & E		1,072					1,072
Depreciation to I & E		251					251
31st March 2016	(1,724)	(3,138)	(1,821)	(1,758)	0	0	(8,441)
<b>Balance Sheet as at 1st April 2015</b>							
	28,087	1,635	2,182	680	356	4,083	37,023
<b>Balance Sheet as at 31st March 2016</b>							
	27,908	3,603	2,030	541	752	4,145	38,979

Comparator figures for 2014/15 are shown on the following page.

<b>Movements in 2014/15</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 Construction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
1st April 2014	25,425	5,268	3,868	2,372	3,016	5,269	<b>45,218</b>
Additions	4,251	255			356		<b>4,862</b>
Revaluations recognised in the Revaluation Reserve	803					(65)	<b>738</b>
Revaluations recognised in the Provision of Services	(4,258)					(321)	<b>(4,579)</b>
Reclassifications	3,016				(3,016)	(800)	<b>(800)</b>
Disposals to I & E		(69)					<b>(69)</b>
Other Movements							<b>0</b>
31st March 2015	29,237	5,454	3,868	2,372	356	4,083	<b>45,370</b>
<b>Depreciation and Impairment</b>							
1st April 2014	(2,158)	(3,273)	(1,544)	(1,620)	0	(58)	<b>(8,653)</b>
Depreciation charge	(580)	(546)	(142)	(72)			<b>(1,340)</b>
Reclassifications							<b>0</b>
Revaluation recognised in the Provision of Services	1,588					58	<b>1,646</b>
31st March 2015	(1,150)	(3,819)	(1,686)	(1,692)	0	0	<b>(8,347)</b>
<b>Balance Sheet as at 1st April 2014</b>							
	<b>23,267</b>	<b>1,995</b>	<b>2,324</b>	<b>752</b>	<b>3,016</b>	<b>5,211</b>	<b>36,565</b>
<b>Balance Sheet as at 31st March 2015</b>							
	<b>28,087</b>	<b>1,635</b>	<b>2,182</b>	<b>680</b>	<b>356</b>	<b>4,083</b>	<b>37,023</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 2016</b>	<b>31st March 2015</b>
	£'000	£'000
Other Land and Buildings:		
Car Parks	<b>8,865</b>	8,865
Cemeteries & Crematorium	<b>243</b>	254
Changing Rooms	<b>90</b>	105
Community Centre	<b>1,148</b>	1,184
Leisure	<b>9,596</b>	9,461
Misc Property	<b>5,629</b>	5,835
Operational Buildings	<b>1,920</b>	1,951
Public Conveniences	<b>418</b>	432
Vehicles, Plant and Equipment	<b>3,602</b>	1,635
Infrastructure	<b>2,030</b>	2,182
Community Assets	<b>541</b>	680
Assets Under Construction	<b>752</b>	356
Surplus Assets	<b>4,145</b>	4,083
	<b>38,979</b>	37,023

### Depreciation

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

Other Land and Buildings	10 – 100 years
Vehicles, Plant and Equipment	
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
Infrastructure Assets	
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
Community Assets	
Enhancement of Parks and Open Spaces	10 years
Works of Art and Sculptures	25 or 50 years

### Capital Commitments

The Council has £0.4m in commitments outstanding in relation to capital contracts as at 31<sup>st</sup> March 2016.

## Effects of Changes in Estimates

There have been no material changes in estimates during 2015/16.

## Revaluations

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations at 1<sup>st</sup> April 2012 were undertaken by the Council's internal valuer, the former Assets and Estates Manager who was RICS qualified. Valuations as at 1<sup>st</sup> April 2013, 2014 and 2015 have been undertaken by externally appointed valuers, Rushton Hickman. An element of the surplus asset value (£1.7m) in relation to land off High Street, Burton has been valued by AR Argyle Chartered Surveyors at 31<sup>st</sup> March 2016. The basis for valuation is set out in the accounting policies.

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	TOTAL £'000
Valued at historical cost	<b>329</b>	<b>3,603</b>		<b>3,932</b>
Valued at current value as at 1 April				
2015	<b>36</b>			<b>36</b>
2014	<b>13,887</b>			<b>13,887</b>
2013	<b>11,063</b>			<b>11,063</b>
2012	<b>200</b>			<b>200</b>
2011	<b>351</b>			<b>351</b>
Valued at current value as at 31 March	<b>2,042</b>		<b>4,145</b>	<b>6,187</b>
Net Book Value at 31 March 2016	<b>27,908</b>	<b>3,603</b>	<b>4,145</b>	<b>35,656</b>
Other Assets (all valued and depreciated, where necessary)				
Infrastructure Assets				<b>2,030</b>
Community Assets				<b>541</b>
Assets Under Construction				<b>752</b>
Net Book Value of Assets at 31 March 2016				<b>38,979</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.

## 12. 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>2015/16</b>	<b>2014/15</b>
	£'000	£'000
Rental income from investment property	(804)	(806)
Direct operating expenses arising from investment property	144	296
Loss on Disposal	0	0
Revaluation Changes	(643)	(110)
<b>Net (Gain) / Loss</b>	<b>(1,303)</b>	<b>(620)</b>

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

	<b>2015/16</b>	<b>2014/15</b>
	£'000	£'000
Balance at start of year	8,873	8,763
Additions	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	643	110
<b>Balance at Year end</b>	<b>9,516</b>	<b>8,873</b>

### **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:

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 2016</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	292	292
Commercial units	0	77	6,347	6,424
Other	0	2,682	118	2,800
<b>Total</b>	<b>0</b>	<b>2,759</b>	<b>6,757</b>	<b>9,516</b>

Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Other significant unobservable inputs	Fair Value 31st March 2015
	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Residential	0	0	0	0
Office Units	0	0	268	268
Commercial units	0	242	6,377	6,619
Other	0	1,614	372	1,986
<b>Total</b>	<b>0</b>	<b>1,856</b>	<b>7,017</b>	<b>8,873</b>

### Transfers between levels of the fair value hierarchy

Transfers took place between levels 2 and 3 during the year following the inclusion of two investment properties within a local development scheme that once completed will enable residential properties to be built.

### 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>2015/16</b> £'000
Balance at start of year	7,017
Transfer into Level 3	0
Transfers out of Level 3	(397)
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value.	137
Additions	0
Disposals	0
<b>Balance at Year end</b>	<b><u>6,757</u></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**

	As at 31st March 2016 £'000	Valuation Technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Office Units	292	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	6,347	Income			
Other	114	Income			
Other	4	Market	No active market	n/a	n/a
<b>Total</b>	<b><u>6,757</u></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.

### 13. 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 £12k 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.

	2015/16	2014/15
	£'000	£'000
<b>Balance at start of year</b>		
Gross Carrying amount	888	888
Accumulated amortisation	(841)	(829)
<b>Net Carrying Amount at start of year</b>	<b>47</b>	<b>59</b>
Additions	16	-
Disposals	(508)	-
Amortisation for Period	(12)	(12)
Amortisation on disposals	508	-
<b>Net Carrying Amount at end of year</b>	<b>51</b>	<b>47</b>

### 14. 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
Gross Cost/Valuation	65	271	60	119	515
Depreciation b/f	(5)	(36)	(5)	(15)	(61)
Depreciation in Year	(3)	(10)			(13)
Cumulative Depreciation	(8)	(46)	(5)	(15)	(74)
<b>Net Book Value 31/3/15</b>	60	235	55	104	454
<b>Net Book Value 31/3/16</b>	57	225	55	104	441

### **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 at 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 2015/16 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.

## **15. LONG-TERM INVESTMENTS**

	<b>2015/16</b>	<b>2014/15</b>
	£	£
Branston Golf Club	0	28,617
Burton Albion Football Club (400 Shares)	496	496
Icelandic Investments*	17,318	45,695
Instaffs (UK) Ltd	1	1
Outwoods Parish Council	2,144	2,144
Uttoxeter Racecourse (19 Shares)	19	19
Uttoxeter Estates Limited (19 Shares)	19	19
War Stock	0	3,390
	<b>19,997</b>	<b>80,381</b>

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

The Shareholding in Branston Golf Club was sold during the course of 2015/16.

## 16. LONG-TERM DEBTORS

These are mortgage advances made to previous Council tenants and private individuals under the Housing Act 1958. The loan made to Branston Golf Club for capital purposes has been repaid in full. In addition, following the winding up of the Kickstart programme, loans to households totalling £162k were transferred to the Council and £28k repayments have been received to date. Transactions for the year are as follows:

	Balance at 1 April £'000	Transfer to Short Term £'000	Repaid for year £'000	Balance at 31 March £'000
Housing Advances	<b>20</b>			<b>20</b>
Loan - Branston Golf Club	<b>44</b>		(44)	<b>0</b>
Kick Start Loan Portfolio	<b>134</b>			<b>134</b>
Plant, Property and Equipment - Finance Leases	<b>694</b>			<b>694</b>
	<b>892</b>	0	(44)	<b>848</b>

## 17. 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 2016 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000
Financial liabilities at amortised cost	<b>10,894</b>	11,334	<b>632</b>	264
Financial liabilities at fair value through profit and loss	<b>0</b>	0	<b>0</b>	0
<b>Total Borrowings</b>	<b>10,894</b>	11,334	<b>632</b>	264
Loans and receivables	<b>17</b>	46	<b>17,314</b>	12,565
Available-for-sale financial assets	<b>0</b>	0	<b>0</b>	0
Unquoted Equity Investment at Cost	<b>0</b>	34	<b>0</b>	0
<b>Total Investments</b>	<b>17</b>	80	<b>17,314</b>	12,565
Financial assets carried at contract amounts (note 1)	<b>847</b>	892	<b>3,312</b>	3,832
<b>Total Debtors</b>	<b>847</b>	892	<b>3,312</b>	3,832
Financial liabilities carried at contract amounts (note 1)	<b>0</b>	0	<b>5,142</b>	4,086
<b>Total Creditors</b>	<b>0</b>	0	<b>5,142</b>	4,086
Finance Lease Liabilities	<b>2,431</b>	524	<b>0</b>	0
<b>Total other Long Term Liabilities</b>	<b>2,431</b>	524	<b>0</b>	0

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

An analysis of financial liabilities is shown in note 26 – Borrowing. Details of loans and receivables are given in note 15 – 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:

	Financial Liabilities		Financial Assets		Total
	31st March 2016 £'000	31st March 2015 £'000	31st March 2016 £'000	31st March 2015 £'000	31st March 2016 £'000
Interest expense	595	602	0	0	595
<b>Total expense in surplus or deficit in the provision of services</b>	<b>595</b>	<b>602</b>	<b>0</b>	<b>0</b>	<b>595</b>
Interest income	0	0	174	119	174
Impairment changes	0	0	13	1	13
Gains on de-recognition	0	0	0	0	0
<b>Total income in surplus or deficit in the provision of services</b>	<b>0</b>	<b>0</b>	<b>187</b>	<b>120</b>	<b>187</b>
<b>Net loss/(gain) for the year</b>	<b>595</b>	<b>602</b>	<b>187</b>	<b>120</b>	<b>782</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.

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 Capita from the market on 31 March 2016, 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:

	<b>31 March 2016</b>		<b>31 March 2015</b>	
	<b>Carrying Amount</b> £'000	<b>Fair Value</b> £'000	<b>Carrying Amount</b> £'000	<b>Fair Value</b> £'000
Financial liabilities	<b>11,526</b>	<b>14,659</b>	11,598	14,721
The fair value is higher than the carrying amount as premia would be payable if loans were prematurely repaid.				
Loans and receivables	<b>17,331</b>	<b>17,376</b>	12,611	12,647
The fair value utilises a Net Present Value approach, and a prevailing rate of a similar instrument with a published market rate, as the discount factor				

The loans and receivables figure assumes fair value of the Icelandic Investments is the same as the carrying amount. Further information in relation to the Council's Icelandic Investments is shown at Note 41.

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**

	<b>31st March 2016</b> <b>Other significant observable inputs (Level 2)</b> <b>£'000</b>	<b>31st March 2015</b> <b>Other significant observable inputs (Level 2)</b> <b>£'000</b>
<u>Financial Liabilities held at amortised cost</u>		
Loans and borrowings	<b>14,659</b>	14,721
	<b>14,659</b>	14,721
<u>Financial Assets held at amortised cost</u>		
Other loans and receivables	<b>17,376</b>	12,647
	<b>17,376</b>	12,647

## **18. 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 23rd February 2015 approved and accepted the Treasury Management Strategy Statement and Annual Investment Strategy 2015/2016 covering the above and which includes Prudential Indicators for 2015/2016 to 2017/2018. Actual performance for 2015/2016 is reported in the Annual Treasury Management Report submitted to Council in June 2016.

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 2015/2016.

The Council uses the creditworthiness service provided by Capita. This service uses a sophisticated modelling approach with credit ratings from all three agencies – Fitch, Moodys and Standard Poors, 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 'AAA' 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 2016.

Balance Sheet 31st March 2015 £	Institution / Account	Principal £	Accrued Interest £	Balance Sheet 31st March 2016 £
1,514,211	Lloyds	2,500,000	17,507	2,517,507
2,016,238	Bank Of Scotland	2,000,000	16,531	2,016,531
1,513,668	Barclays	1,500,000	3,744	1,503,744
119	Natwest Notice Account	-	0	0
0	Lloyds Notice Account	1,000,000	0	1,000,000
0	Santander Notice Account	3,500,000	0	3,500,000
28,938	Icelandic Investments (Short Term Element)	22,848	0	22,848
<b>5,073,174</b>	<b>Total</b>	<b>10,522,848</b>	<b>37,782</b>	<b>10,560,630</b>

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

Balance Sheet 31st March 2015 £	Institution / Account	Principal £	Accrued Interest £	Balance Sheet 31st March 2016 £
2,124	Bank Of Scotland	-	-	0
0	Barclays	1,880,789	371	1,881,160
14,537	Natwest	-	-	0
402,491	Royal Bank of Scotland	627,592	12	627,604
2,275,000	Federated Money Market Fund	700,000	-	700,000
2,430,000	Insight Money Market Fund	4,000,000	-	4,000,000
2,350,000	Standard Life Money Market Fund	-	-	0
<b>7,474,152</b>	<b>Total</b>	<b>7,208,381</b>	<b>383</b>	<b>7,208,764</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 2016 that this was likely to crystallise.

	Amounts at 31 March 2016 £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	1,925	1.8%	3.0%	58
<b>Total</b>	<b>1,925</b>			<b>58</b>

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



Period	£000
Less than 90 days	828
90 days to 150 days	78
150 days to 365 days	357
Greater than 365 days	662

### 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 26.

### 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 2015, 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.

## 19. STOCKS / INVENTORIES

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

	31 March 2015	Expenses	Drawn Down	31 March 2016
	£'000	£'000	£'000	£'000
Fuel	25	279	(295)	9
Other Stock Items	120	475	(510)	85
	<b>145</b>	<b>754</b>	<b>(805)</b>	<b>94</b>

## 20. CONSTRUCTION CONTRACTS

At 31<sup>st</sup> March 2016 the council had £0.4m of construction contracts in progress. There were no construction contracts in progress as at 31<sup>st</sup> March 2015 (the comparative period).

## 21. DEBTORS

		31 March 2016	31 March 2015
	Note	£'000	£'000
<b>Amounts falling due in one year -</b>			
HMRC		<b>140</b>	149
Other Government Departments	a	<b>154</b>	68
Local Authorities	b	<b>515</b>	255
Collection Fund	c	<b>1,416</b>	1,344
Sundry Debtors		<b>4,075</b>	4,471
		<b>6,300</b>	6,287
Provision for bad debts	d	<b>(2,025)</b>	(1,489)
		<b>4,275</b>	4,798

### Notes

- a) The increase in the Government debtors figure is due to increased section 31 Business Rates grant income owed.
- b) The main reason for the increase in Local Authorities debtors is due to increased Environmental Services income from Staffs County Council and Business Rates levy redistributed from the GBSLEP pool.
- c) Collection Fund debtors include the authority's share of Council Tax and Business Rates Arrears.
- d) The provision for bad debts includes £1.572m (£1.111m in 2014/15) relating to general customer accounts and housing benefit overpayments, £0.186m (£0.183m in 2014/15) relating to the authority's share of outstanding Council Tax and £0.267m (£0.195m in 2014/15) relating to the authority's share of outstanding Business Rates.

## 22. CASH AND CASH EQUIVALENTS

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

	31 March 2016	31 March 2015
	£'000	£'000
Bank current accounts	<b>(456)</b>	18
Investment deposit accounts	<b>7,209</b>	7,474
Short term deposits of less than one month	<b>0</b>	0
	<b>6,753</b>	7,492

### 23. ASSETS HELD FOR SALE (CURRENT)

	2015/16	2014/15
	£'000	£'000
<b>Balance at start of year</b>	-	-
Plant, Property and Equipment newly classified as held for sale	-	800
Carry Amount of Assets Sold (Note 1)	-	(800)
<b>Net Carrying Amount at end of year</b>	<b>-</b>	<b>-</b>

Note 1 – The authority sold the Town Hall Annexe in 2014/15. The assets' carry amount was £0.8m and the sale value £1m. After disposal costs of £0.1m there was a net gain on disposal of £0.1m, which is included within the other operating expenditure line of the Comprehensive Income and Expenditure Statement.

### 24. CREDITORS

	Note	31 March 2016	31 March 2015
		£'000	£'000
HMRC		<b>832</b>	865
Other Government Departments	a	<b>2,421</b>	865
Amount due to Precepting Authorities		<b>1,243</b>	1,322
Other Local Authority Creditors	b	<b>1,772</b>	390
Collection Fund	c	<b>532</b>	793
Sundry Creditors		<b>2,272</b>	2,601
		<b>9,072</b>	6,836

#### Notes

- a) 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.
- b) The increase in amounts due to other Local Authorities is mainly due to capital works on the Dove Way development payable to Staffordshire County Council and the 2015/16 Business Rates levy to the GBSLEP pool.
- c) The authority's share of Business Rates prepayments have reduced on the collection fund account.

## 25. PROVISIONS

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

	Note	31st March 2015 £'000	Provisions Made £'000	Provision Reversed £'000	Amounts used £'000	31st March 2016 £'000
Land Charges	a	182	41		(130)	<b>93</b>
Municipal Mutal Insurance	b	37		(14)	(4)	<b>19</b>
Central Precinct	c	14		(14)		<b>0</b>
West Midlands Pensions	d	34			(3)	<b>31</b>
Business Rates	e	2,357	195		(374)	<b>2,178</b>
		<b>2,624</b>	<b>236</b>	<b>(28)</b>	<b>(511)</b>	<b>2,321</b>

a) Land Charges

A group of property search companies sought to claim refunds of fees paid to the council to access land charges data. These claims were settled during 2015/16. However, there remains a claim for costs and the £93k represents our estimate of the potential cost.

b) Municipal Mutual Insurance

The scheme of arrangement was enacted in 2012/13. This resulted in a levy payment of £25k during 2013/14. The £19k provision represents an estimate of the Council's share of known claims under the scheme.

c) Central Precinct

The Council had a liability to pay an annual amount to the owners of the Central Precinct for a period of 15 years ending in 2003/2004. However no demand has been received.

d) W M Pensions Liability

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

e) 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 (£1.940m), together with a provision (£0.238m) against claims by NHS Trusts against for mandatory relief.

## 26. BORROWING

	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>
	£'000	£'000
<b>Long Term</b>		
<b>Analysis of Loans by Type</b>		
Public Works Loan Board	<b>6,395</b>	6,459
Money Market - LOBOs	<b>4,500</b>	4,500
Other Loans	<b>0</b>	375
Total Long Term Borrowing	<b>10,895</b>	11,334
<b>Analysis of Loans by Maturity</b>		
Maturing in 1-2 Years	<b>59</b>	440
Maturing in 2-5 Years	<b>173</b>	179
Maturing in 5-10 Years	<b>6,866</b>	287
Maturing in 10-15 Years	<b>3,766</b>	6,771
Maturing in more than 15 Years	<b>31</b>	3,657
	<b>10,895</b>	11,334
<b>Short Term</b>		
Public Works Loan Board	<b>170</b>	177
Other Loans	<b>462</b>	87
Total Short Term Borrowing	<b>632</b>	264

## 27. 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 7 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.

## 28. UNUSABLE RESERVES

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

	Note	31 March 2016 £'000	31 March 2015 £'000
Revaluation Reserve	a	<b>6,605</b>	5,602
Capital Adjustment Account	b	<b>22,422</b>	21,006
Financial Instruments Adjustment Account	c	<b>(309)</b>	(340)
Pensions Reserve	d	<b>(46,814)</b>	(57,292)
Deferred Capital Receipts Reserve	e	<b>154</b>	217
Collection Fund Adjustment Account	f	<b>(293)</b>	(2,154)
Accumulated Absences Account	g	<b>(197)</b>	(201)
Available for Sale Reserve	h	<b>0</b>	0
		<b>(18,432)</b>	(33,162)

### (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.

	2015/16 £'000	2014/15 £'000
<b>Balance Brought Forward</b>	<b>5,602</b>	4,958
Revaluation of Fixed Assets	<b>1,096</b>	738
Transfer of disposed Asset Balance to Capital Adjustment Account	-	-
Depreciation of Revaluation Gains	<b>(93)</b>	(94)
<b>Balance as at 31st March</b>	<b>6,605</b>	5,602

### (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>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	£'000
<b>Balance Brought Forward</b>	<b>21,006</b>	20,901
<u>Capital Financing</u>		
Usable Capital Receipts	<b>309</b>	3,709
Revenue	<b>215</b>	525
Grants and Contributions	<b>2,288</b>	801
Debt repayment from capital receipts	<b>1,540</b>	0
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Depreciation and Impairment of Fixed Assets	<b>(1,496)</b>	(1,353)
Revaluation Losses on Plant, Property and Equipment	<b>(2,499)</b>	(2,932)
Amortisation of Intangible Assets	<b>(12)</b>	(12)
Revenue Expenditure Financed from Capital Under Statute	<b>(572)</b>	(755)
Financial Instrument Disposals	<b>(230)</b>	0
Fixed Asset Disposals	<b>0</b>	(1,064)
Minimum Revenue Provision	<b>904</b>	767
Movements in market value of investment properties	<b>643</b>	110
Gain or loss on Disposal of Financial Instrument	<b>201</b>	0
Gain or loss on Disposal of Fixed Assets	<b>32</b>	215
<u>Other Movements</u>		
Revaluation Reserve - transfer of disposal balance		0
Revaluation Reserve - Depreciation	<b>93</b>	94
<b>Balance as at 31st March</b>	<b>22,422</b>	21,006

### 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>15</b>		<b>2016</b>
	£'000	£'000	£'000
Deferred Premia	(340)	31	<b>(309)</b>
<b>Total</b>	<b>(340)</b>	<b>31</b>	<b>(309)</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 2016</b>	<b>31 March 2015</b>
	£'000	£'000
<b>Balance at 1 April</b>	<b>(57,292)</b>	(46,655)
Actuarial gains and (losses) on pensions assets and liabilities	<b>12,455</b>	(8,811)
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>(3,952)</b>	(3,685)
Employers pension contributions and direct payments to pensioners payable in year	<b>1,975</b>	1,859
<b>Balance at 31st March</b>	<b><u>(46,814)</u></b>	<u>(57,292)</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 a loan made to Branston Golf Club (repaid in 2015/16), which are shown as long-term debtors on the asset side of the Balance Sheet.

	<b>31 March 2016</b>	<b>31 March 2015</b>
	£'000	£'000
<b>Balance at 1 April</b>	<b>217</b>	254
Transfer to the Capital Receipts Reserve upon receipt of cash	<b>(63)</b>	(37)
<b>Balance at 31st March</b>	<b><u>154</u></b>	<u>217</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 2016</b>	<b>31 March 2015</b>
	£'000	£'000
<b>Balance at 1 April</b>	<b>(2,154)</b>	<b>(2,678)</b>
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>34</b>	104
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>1,827</b>	420
<b>Balance at 31st March</b>	<b><u>(293)</u></b>	<b><u>(2,154)</u></b>

#### 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, eg. 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 2016</b>	<b>31 March 2015</b>
	£'000	£'000
<b>Balance at 1 April</b>	<b>(201)</b>	<b>(205)</b>
Cancellation of accrual made at end of preceding year	<b>201</b>	205
Amounts accrued at the end of the current year	<b><u>(197)</u></b>	<b><u>(201)</u></b>
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>4</b>	<b>4</b>
<b>Balance at 31st March</b>	<b><u>(197)</u></b>	<b><u>(201)</u></b>

## h) Available for Sale Financial Instruments Reserve

The reserve contains the gains made by the authority arising from increases in the value of its investments that have quoted prices or otherwise do not have fixed or determinable payments. The transactions in 2015/16 relate to shares sold in relation to Branston Golf Club.

	31 March 2016	31 March 2015
	£'000	£'000
<b>Balance at 1 April</b>	<b>0</b>	0
Revaluation of Financial instrument	<b>201</b>	0
Disposal of Revalued Financial instrument	<b>(201)</b>	0
<b>Balance at 31st March</b>	<u><b>0</b></u>	<u>0</u>

## 29. 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 2016	31 March 2015
	£'000	£'000
Depreciation	<b>(1,496)</b>	(1,352)
Impairment and downward revaluations	<b>(2,499)</b>	(2,932)
Amortisation	<b>(12)</b>	(12)
Increase/ (decrease) in debtors	<b>306</b>	436
(Increase)/decrease in creditors	<b>(141)</b>	(508)
increase/(decrease) in stock	<b>(51)</b>	27
pension liability	<b>(1,977)</b>	(1,826)
Carrying amount of non-current assets sold	<b>0</b>	(850)
Increase/decrease in other provisions	<b>303</b>	(843)
Increase/decrease in value of investment properties	<b>643</b>	110
Icelandic Interest/impairment	<b>12</b>	5
<b>Adjustment for non-cash movements</b>	<u><b>(4,912)</b></u>	<u><b>(7,745)</b></u>
Capital grants credited to income and expenditure account	<b>2,288</b>	914
Net adjustment from sale of long and short term investments	<b>28</b>	0
Proceeds from sale of Property, plant and equipment	<b>0</b>	1,065
<b>Adjustment for investing and financing activities</b>	<u><b>2,316</b></u>	<u><b>1,979</b></u>

The Cash flows for operating activities include the following items:

	<b>31 March 2016</b>	<b>31 March 2015</b>
	£'000	£'000
Interest received	<b>(160)</b>	(108)
Interest paid	<b>594</b>	601
<b>Total</b>	<b>434</b>	493

### 30. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	<b>31 March 2016</b>	<b>31 March 2015</b>
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	<b>2,266</b>	5,060
Purchase of short term and long term investments	<b>31,518</b>	8,513
Proceeds from sale of short term and long term investments	<b>(26,290)</b>	(6,539)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>0</b>	(1,065)
Other capital receipts	<b>(863)</b>	(37)
Other grants and contributions received (with conditions outstanding)	<b>(2,038)</b>	(1,751)
<b>Total</b>	<b>4,593</b>	4,181

### 31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	<b>31 March 2016</b>	<b>31 March 2015</b>
	£'000	£'000
Cash receipts of short and long term borrowing	<b>0</b>	(375)
Cash payments for the reduction of outstanding liabilities relating to finance leases	<b>395</b>	294
Repayments of short and long term borrowing	<b>71</b>	81
Net (inflow)/outflow from NNDR collected and payable to the authorities	<b>(1,941)</b>	(2,096)
Net (inflow)/outflow from Council Tax collected and payable to the preceptors	<b>402</b>	(598)
<b>Total</b>	<b>(1,073)</b>	<b>(2,694)</b>

### 32. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the authority based on budget reports analysed across service divisions aligned to the management structure. These reports are on a different accounting basis from the accounting policies used in the financial statements. In particular:

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

Reconciliation of Income and Expenditure reported to under Management Structure Arrangements to Cost of Services in the Comprehensive Income and Expenditure Statement

	<b>31 March 2016</b>	<b>31 March 2015</b>
	£'000	£'000
<b>Net Expenditure in the Management Structure Analysis</b>	<b>11,599</b>	12,356
Amounts in the Comprehensive Income and Expenditure Statement not reported in the Management Analysis (i.e. Recharges, Depreciation, amortisation etc)	7,133	6,679
Amounts included in the analysis but not in the Comprehensive Income and Expenditure Statement (i.e. Central Support Services, Trading Accounts & Investment Properties)	(3,653)	(3,411)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>15,079</b>	15,624

#### Reconciliation to Subjective Analysis

This reconciliation shows how figures in the management structure analysis of income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

The income and expenditure of authority principal recorded in the budget reports for the year is as follows:

## MANAGEMENT REPORTING – SEGMENTAL/ SERVICE ANALYSIS

2015/16	Employee expenses £'000	Other service expenses £'000	Total Expenditure £'000	Fees, charges and other income £'000	Government grants £'000	Total Income £'000	Net Expenditure £'000
Arts, Brewhouse and Functions	405	412	817	(390)	-	(390)	427
Community and Open Spaces	528	2,042	2,570	(598)	(8)	(606)	1,964
Corporate Management Team	577	26	603	(96)	-	(96)	507
Corporate and Commercial	511	517	1,028	(117)	(32)	(149)	879
Enforcement Services	576	774	1,350	(2,062)	(11)	(2,073)	(723)
Enterprise	132	184	316	(183)	-	(183)	133
Environment	2,240	3,445	5,685	(2,502)	-	(2,502)	3,183
Environment Health	512	37	549	(71)	-	(71)	478
Financial Services	292	1,402	1,694	(395)	-	(395)	1,299
Housing	218	1,629	1,847	(125)	(1,930)	(2,055)	(208)
HR and Payments (1)	1,151	276	1,427	(15)	0	(15)	1,412
IT and Printing	246	507	753	(11)	-	(11)	742
Land Charges	70	335	405	(331)	(112)	(443)	(38)
Legal Services	216	279	495	(897)	-	(897)	(402)
Leisure - Indoor Facilities	1,753	1,180	2,933	(1,828)	-	(1,828)	1,105
Leisure - Outdoor Facilities	243	124	367	(221)	-	(221)	146
Markets	123	143	266	(210)	-	(210)	56
Planning	733	443	1,176	(1,426)	(85)	(1,511)	(335)
Revenues, Benefits and Customer Contacts	1,205	29,122	30,327	(1,874)	(28,462)	(30,336)	(9)
Contingency Items	-	359	359	0	(70)	(70)	289
Contributions to/from (-) Earmarked Reserves	-	694	694	-	-	0	694
	<b>11,731</b>	<b>43,930</b>	<b>55,661</b>	<b>(13,352)</b>	<b>(30,710)</b>	<b>(44,062)</b>	<b>11,599</b>

The Service Expenditure Analysis above reflects the management outturn presented to Cabinet in June 2016. The comparative information in relation to 2014/15 has been re-presented to reflect the same structure.

(1) HR and Payments employee costs include corporate pension costs.

<b>2014/15</b>	<b>Employee expenses</b>	<b>Other service expenses</b>	<b>Total Expenditure</b>	<b>Fees, charges and other income</b>	<b>Government grants</b>	<b>Total Income</b>	<b>Net Expenditure</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Arts, Brewhouse and Functions	374	450	824	(462)		(462)	<b>362</b>
Community and Open Spaces	616	2,582	3,198	(940)		(940)	<b>2,258</b>
Corporate Management Team	682	31	713	(117)		(117)	<b>596</b>
Corporate and Commercial	516	502	1,018	(28)	(78)	(106)	<b>912</b>
Enforcement Services	612	758	1,370	(1,993)		(1,993)	<b>(623)</b>
Enterprise	133	142	275	(104)		(104)	<b>171</b>
Environment	2,399	3,128	5,527	(2,414)		(2,414)	<b>3,113</b>
Environment Health	507	80	587	(42)		(42)	<b>545</b>
Financial Services	253	1,381	1,634	(417)		(417)	<b>1,217</b>
Housing	216	1,300	1,516	(80)	(1,618)	(1,698)	<b>(182)</b>
HR and Payments (1)	1,070	280	1,350	(34)		(34)	<b>1,316</b>
IT and Printing	273	490	763	(30)		(30)	<b>733</b>
Land Charges	68	30	98	(150)		(150)	<b>(52)</b>
Legal Services	247	361	608	(935)	(7)	(942)	<b>(334)</b>
Leisure - Indoor Facilities	1,585	1,001	2,586	(1,463)		(1,463)	<b>1,123</b>
Leisure - Outdoor Facilities	273	126	399	(227)		(227)	<b>172</b>
Markets	80	313	393	(129)		(129)	<b>264</b>
Planning	781	931	1,712	(1,511)	(85)	(1,596)	<b>116</b>
Revenues, Benefits and Customer Contacts	1,248	28,726	29,974	(1,184)	(28,637)	(29,821)	<b>153</b>
Contingency Items	-	452	452	-	(69)	(69)	<b>383</b>
Contributions to/from (-) Earmarked Reserves	-	113	113	-	-	0	<b>113</b>
						0	<b>-</b>
	<b>11,933</b>	<b>43,177</b>	<b>55,110</b>	<b>(12,260)</b>	<b>(30,494)</b>	<b>(42,754)</b>	<b>12,356</b>

(1) HR and Payments employee costs include corporate pension costs.

<b>2015/16</b>	<b>Management Analysis</b>	<b>Amounts not in Analysis</b>	<b>Amounts not reported to Management</b>	<b>Amounts not included in the I &amp; E</b>	<b>Net Cost of Services (in the I &amp; E)</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges and other service income	(13,178)	(718)	55	2,802	(11,039)	(1,179)	<b>(12,218)</b>
Interest and Investment Income	(174)			174	0	(2,399)	<b>(2,399)</b>
Income from council tax					0	(7,438)	<b>(7,438)</b>
Income from business rates					0	(21,682)	<b>(21,682)</b>
Government grants and contributions	(30,710)		(529)	2,006	(29,233)	(6,992)	<b>(36,225)</b>
Gain on disposal of fixed assets						(32)	<b>(32)</b>
Gain on disposal of financial instruments						(201)	<b>(201)</b>
<b>Total Income</b>	<b>(44,062)</b>	<b>(718)</b>	<b>(474)</b>	<b>4,982</b>	<b>(40,272)</b>	<b>(39,923)</b>	<b>(80,195)</b>
Employee expenses	11,731	331	(54)	(2,592)	9,416	2,786	<b>12,202</b>
Other service expenses	43,240	387	(448)	(5,353)	37,826	1,497	<b>39,323</b>
Central Support Recharges			3,738		3,738	(3,738)	<b>0</b>
Depreciation, amortisation, impairment and revaluations			4,371		4,371	(422)	<b>3,949</b>
Interest Payments	595			(595)	0	4,743	<b>4,743</b>
Precepts and Levies	95			(95)	0	1,114	<b>1,114</b>
Business Rates Tariff					0	18,679	<b>18,679</b>
<b>Total Expenditure</b>	<b>55,661</b>	<b>718</b>	<b>7,607</b>	<b>(8,635)</b>	<b>55,351</b>	<b>24,659</b>	<b>80,010</b>
<b>Surplus or deficit on the provision of services</b>	<b>11,599</b>	<b>0</b>	<b>7,133</b>	<b>(3,653)</b>	<b>15,079</b>	<b>(15,264)</b>	<b>(185)</b>

<b>2014/15</b>	<b>Management Analysis</b>	<b>Amounts not in Analysis</b>	<b>Amounts not reported to Management</b>	<b>Amounts not included in the I &amp; E</b>	<b>Net Cost of Services (in the I &amp; E)</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges and other service income	(12,146)	(732)	(800)	3,469	(10,209)	(1,426)	<b>(11,635)</b>
Interest and Investment Income	(115)		(4)	119	0	(2,770)	<b>(2,770)</b>
Income from council tax					0	(7,278)	<b>(7,278)</b>
Income from business rates					0	(20,688)	<b>(20,688)</b>
Government grants and contributions	(30,494)		(712)	1,687	(29,519)	(5,695)	<b>(35,214)</b>
Gain on disposal of fixed assets					0	(90)	<b>(90)</b>
<b>Total Income</b>	<b>(42,755)</b>	<b>(732)</b>	<b>(1,516)</b>	<b>5,275</b>	<b>(39,728)</b>	<b>(37,947)</b>	<b>(77,675)</b>
Employee expenses	11,933	341	(179)	(2,966)	9,129	2,966	<b>12,095</b>
Other service expenses	42,464	391	(324)	(4,878)	37,653	1,891	<b>39,544</b>
Central Support Recharges			3,703		3,703	(3,703)	<b>0</b>
Depreciation, amortisation, impairment and revaluations			4,995	(128)	4,867	76	<b>4,943</b>
Interest Payments	602			(602)	0	5,354	<b>5,354</b>
Precepts and Levies	112			(112)	0	1,078	<b>1,078</b>
Business Rates Tariff					0	18,329	<b>18,329</b>
<b>Total Expenditure</b>	<b>55,111</b>	<b>732</b>	<b>8,195</b>	<b>(8,686)</b>	<b>55,352</b>	<b>25,991</b>	<b>81,343</b>
<b>Surplus or deficit on the provision of services</b>	<b>12,356</b>	<b>0</b>	<b>6,679</b>	<b>(3,411)</b>	<b>15,624</b>	<b>(11,956)</b>	<b>3,668</b>

### 33. TRADING ACTIVITIES

The Council operated retail markets in Burton upon Trent during 2015/16, generating rental income from the letting of stalls. Their financial results are set out below:

<b>2014/15</b>				<b>2015/16</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>
533	(110)	423	Market Undertakings	409	(185)	224
<b>533</b>	<b>(110)</b>	<b>423</b>		<b>409</b>	<b>(185)</b>	<b>224</b>



### 34. MEMBERS ALLOWANCES

The Council is required to disclose the total of members allowances paid each year. In 2015/2016 a total of £259,763 was paid in allowances. In addition other expenses reimbursed by the Council including travel and subsistence and telephone/broadband charges totalled £5,445. Comparative figures for 2014/2015 were £258,795 and £4,348 respectively.

### 35. OFFICERS' REMUNERATION

The number of employees whose remuneration in the year ended 31 March 2016 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, three Heads of Service and the ICT Manager. The number of employees within the bandings below includes payments due to compensation for loss of office and one-off payments to the Planning Manager.

As part of the Council's ongoing efficiency drive, one senior manager post (The Head of Legal & Democratic Services), was removed from the establishment list in 2015/16 following restructuring. This post is highlighted in a separate column below.

Remuneration Band	2015/16	2015/16	2014/15	2014/15
	Total Number of Employees	Of which, Employees leaving during 2015/16	Total Number of Employees	Of which, Employees leaving during 2014/15
£50,000 - £54,999	1		1	1 *
£55,000 - £59,999				
£60,000 - £64,999	1		1	
£65,000 - £69,999				
£70,000 - £74,999	1			
£75,000 - £79,999				
£80,000 - £84,999			3	
£85,000 - £89,999	3	1 *		
£90,000 - £114,999				
£115,000 - £119,999				
£120,000 - £124,999	1		1	
£125,000 - £179,999				
£180,000 - £184,999			1	1 *
	<b>7</b>	<b>1</b>	<b>7</b>	<b>2</b>

\*Posts deleted 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 2014/15. 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 – 2015/16

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.

<b>Post holder information</b>	<b>Salary (including fees &amp; allowances) 2015/16</b>	<b>Compensation for Loss of Office</b>	<b>Benefits in Kind (see note above)</b>	<b>Total Remuneration excluding pension contributions 2015/16</b>	<b>Pension contributions</b>	<b>Total Remuneration including pension contributions 2015/16</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Current Senior Management Roles</u></b>						
Chief Executive	120,000		4,141	124,141	18,240	142,381
Head of Service - Sal Khan	81,988		4,706	86,694	12,462	99,156
Head of Service - Paul Costiff	81,988		3,684	85,672	12,462	98,134
Head of Legal & Democratic Services*	12,197	75,743	1,084	89,024	1,359	90,383
Head of Service - Mark Rizk	71,400		663	72,063	10,853	82,916

### Detailed Comparative Information of Senior Officers Remuneration – 2014/15

<b>Post holder information</b>	<b>Salary (including fees &amp; allowances) 2014/15</b>	<b>Compensation for Loss of Office</b>	<b>Benefits in Kind (see note above)</b>	<b>Total Remuneration excluding pension contributions 2014/15</b>	<b>Pension contributions</b>	<b>Total Remuneration including pension contributions 2014/15</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Current Senior Management Roles</u></b>						
Chief Executive	120,000		4,276	124,276	18,240	142,516
Head of Regulatory Services*	80,868	98,096	4,378	183,342	11,839	195,181
Head of Built Environment	77,500		3,593	81,093	11,780	92,873
Head of Legal & Democratic Services	77,500		3,720	81,220	11,780	93,000
Head of Service Commissioning	77,500		4,740	82,240	11,780	94,020

\*Posts deleted as part of ongoing efficiency drive.

### 36. EXTERNAL AUDIT SERVICES

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

	<b>2015/16</b>	<b>2014/15</b>
	£'000	£'000
Code of Practice Audit	<b>49</b>	65
Certification of Grant Claims and Returns 2015/16	<b>16</b>	18
Fees for Other Services	<b>16</b>	0
	<b><u>81</u></b>	<u>83</u>

### 37. GRANT INCOME

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

	<b>2015/16</b>	<b>2014/15</b>
	£'000	£'000
<b>Credited to Taxation and non Specific Grant Income</b>		
Revenue Support Grant	<b>(2,306)</b>	(3,255)
Business Rates - Reliefs - Compensation	<b>(284)</b>	(141)
New Homes Bonus	<b>(1,927)</b>	(1,618)
Council Tax Freeze Grant	<b>(70)</b>	(69)
Capital Grants and Contributions	<b>(1,839)</b>	(89)
Small Business Rate Relief	<b>(557)</b>	(523)
<b>Credited to Services</b>		
NNDR Collection Grant	<b>(179)</b>	(180)
Housing Benefits Administration Grants	<b>(589)</b>	(638)
Housing and Council Tax Benefits Subsidy	<b>(27,638)</b>	(27,694)
New Burdens Grant	<b>(265)</b>	(234)
Independent Electoral Registration Grant	<b>(23)</b>	(61)
Capital Grants Conditions Met	<b>(19)</b>	0
Disabled Facilities Grant	<b>(460)</b>	(309)
Burton Hockey Club	<b>(69)</b>	0
Regional Housing Grant	<b>0</b>	(403)
	<b><u>(36,225)</u></b>	<u>(35,214)</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 16</b>	<b>31st March 15</b>
	<b>£'000</b>	<b>£'000</b>
Growth Point	<b>1,430</b>	1,552
Regional Housing Grant	<b>207</b>	207
Section 106 - Developers Deposits	<b>1,137</b>	1,466
Shobnall Changing Rooms	<b>0</b>	360
Local Growth Fund	<b>468</b>	0
Others	<b>33</b>	56
	<b><u>3,275</u></b>	<u>3,641</u>

### **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 – 21 and 24 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 2015/2016 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:

Branston Golf and Country Club  
 Burton Town Centre Management  
 East Staffordshire Citizens Advice Bureau  
 ESREC

Burton Amateur Boxing Club  
 Burton and District Arts Council  
 East Staffordshire Sports Council  
 SARAC Burton & District

Financial support for the above bodies totalled £0.098m for 2015/2016 compared to £0.101m for 2014/2015. This figure includes bodies that have received grant aid during 2015/16. Receipts totalled £0.094m compared to £0.127m in 2014/2015.

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

Burton Caribbean Association  
 Uttoxeter Heath Community centre  
 YMCA

Harvey Girls  
 Staffordshire Wildlife Trust  
 Trent and Dove Housing

Payments made to the above bodies in 2015/16 totalled £12.093m, with receipts being £0.041m. The payments total includes £12.043m paid to Trent and Dove Housing Ltd for housing benefits. This compares to payments of £12.289m and receipts of £0.055m for 2014/2015, which included £12.231m paid to Trent and Dove Housing Ltd for housing benefits.

### 39. CAPITAL EXPENDITURE AND FINANCING

The table below demonstrates that there has been an increase in the capital financing requirement of £0.08m. The capital financing requirement represents the Council's underlying need to borrow in order to finance capital expenditure that has already been incurred.

	<b>2015/16</b>	2014/15
	<b>£'000</b>	£'000
<b>Opening Capital Financing Requirement</b>	<b>20,744</b>	20,988
<u>Capital Investment:</u>		
Property, Plant and Equipment	<b>5,109</b>	4,862
Intangible Assets	<b>16</b>	0
Revenue Expenditure Financed from Capital Under Statute	<b>572</b>	755
<u>Sources of Finance:</u>		
Capital Receipts	<b>(309)</b>	(3,709)
Capital Grants	<b>(2,288)</b>	(801)
Revenue/Reserves	<b>(215)</b>	(525)
Minimum Revenue Provision	<b>(904)</b>	(766)
Debt Repayment from Capital Receipt	<b>(1,540)</b>	
Other Changes in Deferred Liabilities	<b>(269)</b>	(20)
Increase/(Reduction) in Long-term Debtors	<b>(95)</b>	(40)
<b>Closing Capital Financing Requirement</b>	<b>20,821</b>	20,744
<b>EXPLANATION OF MOVEMENTS IN YEAR</b>		
In year Debt Repayment	<b>(2,808)</b>	(826)
Increase/(Decrease) in underlying need to borrow	<b>2,885</b>	582
	<b>77</b>	(244)

#### 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>2015/16</b>	2014/15
	<b>£'000</b>	£'000
Property, Plant and equipment	<b>2,383</b>	394
	<u><b>2,383</b></u>	<u>394</u>

Depreciation in relation to these finance leases which is included within the Comprehensive Income and Expenditure Account amounts to £351,712 (£252,446 in 2014/15)

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>2015/16</b>	2014/15
	<b>£'000</b>	£'000
Finance lease liabilities (net present value of minimum lease payments)	<b>2,431</b>	524
Finance costs	<b>146</b>	50
Minimum Lease Payments	<u><b>2,577</b></u>	<u>574</u>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Not more than one year	<b>597</b>	329	<b>543</b>	294
later than one year and not later than five years	<b>1,980</b>	245	<b>1,888</b>	230
Later than five years	-	-	-	-
	<u><b>2,577</b></u>	<u>574</u>	<u><b>2,431</b></u>	<u>524</u>

Contingent rents incurred during the period amount to £41,136 (£41,136 – 2014/15)

##### 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>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	£'000
Not more than one year	<b>342</b>	261
later than one year and not later than five years	<b>1,114</b>	855
Later than five years	<b>1,160</b>	1,362
	<b>2,616</b>	2,478

The expenditure is charged directly to the appropriate line within the Comprehensive Income and Expenditure Statement. In 2015/16 this amounted to £284,547.

### **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>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	£'000
Finance lease debtor (net present value of minimum lease payments)	<b>693</b>	693
Unearned finance income	<b>7,917</b>	7,978
<b>Gross investment in the lease</b>	<b>8,610</b>	8,671

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	
	2015/16	2014/15	2015/16	2014/15
	£'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	8,305	8,366	7,612	7,673
	<b>8,610</b>	8,671	<b>7,917</b>	7,978

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:

	2015/16	2014/15
	£'000	£'000
Not more than one year	190	262
later than one year and not later than five years	452	514
Later than five years	5,391	5,498
	<b>6,033</b>	6,274

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 £483,916 in 2015/16 (£474,204 in 2014/15) and this has been included within the Comprehensive Income and Expenditure Account.

## 41. IMPAIRMENT LOSSES

### Impairment of Plant, Property and Equipment

There have not been any impairment losses relating Property, Plant and Equipment during 2015/16 or 2014/15.

### 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 2016 : Kaupthing Singer and Friedlander Ltd

The Council has received £1.7m of repayments between 2009/10 & 2015/16, 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 2014/15 accounts as been adjusted upwards to **£0.010m**, as shown within the table below:-

Bank	Original Deposit £'000	2014/15		Repayments £'000	2015/16	
		Carry Amount £'000	Impairment £'000		Carry Amount £'000	Impairment £'000
KSF	2,000	75	268	1,682	40	278
	<b>2,000</b>	<b>75</b>	<b>268</b>	<b>1,682</b>	<b>40</b>	<b>278</b>

The impairment loss shown within the accounts of £0.278m 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 as more information becomes available.

At the time the 2014/15 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 84p to 86.5p in the pound.

The following repayment schedule has been assumed to calculate the recoverable amount (present value of £0.040m), as set out in the table above. This is based on expected total repayments of 86.5% of the claim.

December 2016            1.25%                    December 2017            1%

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

The authority terminated the contracts of a number of employees in 2015/16 incurring liabilities of £228k (£288k in 2014/15). 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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£	£
£0 - £20k	15	10	0	0	15	10	114,640	<b>123,413</b>
£20 - £40k	1	1	0	0	1	1	33,462	<b>28,573</b>
£40 - £60k	1	0	0	0	1	0	41,655	<b>0</b>
£60 - £80k	0	1	0	0	0	1	0	<b>75,743</b>
£80 - £100k	1	0	0	0	1	0	98,096	<b>0</b>
£100 - £150k	0	0	0	0	0	0	0	<b>0</b>
<b>Total</b>	<b>18</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>12</b>	<b>287,852</b>	<b>227,729</b>

### 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>2015/16</b>	<b>2014/15</b>
	£'000	£'000
<b>Cost of Services</b>		
Current Service Cost	<b>2,116</b>	1,683
Past Service Costs	<b>1</b>	1
Effect of Settlements	<b>0</b>	0
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	<b>1,835</b>	2,001
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,952</b>	3,685
<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>1,508</b>	(6,597)
Actuarial gains and losses arising on changes in demographic assumptions	<b>0</b>	0
Actuarial gains and losses arising on changes in financial assumptions	<b>(11,683)</b>	16,665
Other	<b>(2,280)</b>	(1,257)
	<b>(12,455)</b>	<b>8,811</b>
<b>Total Post Employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(8,503)</b>	<b>12,496</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>(3,952)</b>	(3,685)
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	<b>1,975</b>	1,859
	<b>(1,977)</b>	(1,826)

### **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>2015/16 £'000</b>	<b>2014/15 £'000</b>
Present value of the defined benefit obligation	<b>116,352</b>	127,503
Fair Value of Plan Assets	<b>(69,538)</b>	(70,211)
Sub total	<b>46,814</b>	57,292
Other Movements in the liability	<b>0</b>	0
<b>Net liability arising from benefit obligation</b>	<b>46,814</b>	57,292

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

	<b>Local Government Pension Scheme</b>	
	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Opening fair value of scheme assets	<b>70,211</b>	62,406
Interest Income	<b>2,225</b>	2,651
Remeasurement gain/(loss): The return on plan assets, excluding the the amount included in the net interest	<b>(1,508)</b>	6,597
Contributions from employer	<b>1,975</b>	1,859
Contributions from employees	<b>471</b>	483
Benefits Paid	<b>(3,836)</b>	(3,785)
<b>Closing fair value of scheme assets</b>	<b>69,538</b>	<b>70,211</b>

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

	<b>Local Government Pension Scheme</b>	
	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
Opening balance at 1 April	<b>127,503</b>	109,061
Current Service Cost	<b>2,116</b>	1,683
Interest Cost	<b>4,060</b>	4,652
Contributions from scheme participants	<b>471</b>	483
Remeasurement (gains) and losses:		
Actuarial gains/ losses arising from changes in demographic assumptions	<b>0</b>	0
Actuarial gains/ losses arising from changes in financial assumptions	<b>(11,683)</b>	16,665
Other	<b>(2,280)</b>	(1,257)
Past Service Cost	<b>1</b>	1
Benefits Paid	<b>(3,836)</b>	(3,785)
<b>Closing balance at 31 March</b>	<b>116,352</b>	127,503

## Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets	
	2015/16 £'000	2014/15 £'000
Cash & Cash Equivalents	3,798	2,774
Equity Securities:		
Consumer	4,955	6,021
Manufacturing	4,054	0
Energy & Utilities	1,586	1,825
Financial Institutions	4,484	4,481
Health & Care	3,736	2,947
Information Technology	4,235	2,724
Other	82	5,398
Sub total equity	<b>23,132</b>	23,396
Bonds:		
Corporate Bonds	3,499	5,330
Government	0	0
Sub total bonds	<b>3,499</b>	5,330
Property:		
UK Property	6,173	5,714
Overseas Property	0	0
Sub total property	<b>6,173</b>	5,714
Private Equity:		
All	2,176	2,231
Sub total equity	<b>2,176</b>	2,231
Other investment funds and unit trusts:		
Equities	23,635	23,267
Bonds	3,551	3,753
Hedge Funds	1,628	1,678
Other	1,946	2,068
Sub total investment funds	<b>30,760</b>	30,766
<b>Total Assets</b>	<b>69,538</b>	70,211

## 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 2016.

The significant assumptions used by the actuary have been:

	<b>2015/16</b>	<b>2014/15</b>
	%	%
Long Term expected rate of return on assets:		
Equities	<b>3.5</b>	3.2
Bonds	<b>3.5</b>	3.2
Property	<b>3.5</b>	3.2
Cash	<b>3.5</b>	3.2
Mortality assumptions		
Longevity at 65 for current pensioners		
Male	<b>22.1</b>	22.1
Female	<b>24.3</b>	24.3
Longevity at 65 for future pensioners		
Male	<b>24.3</b>	24.3
Female	<b>26.6</b>	26.6
Rate of inflation	<b>2.2</b>	2.4
Rate of increase in salaries	<b>4.2</b>	4.3
Rate increase in pensions	<b>2.2</b>	2.4
Rate for discounting scheme liabilities	<b>3.5</b>	3.2

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		12,302
1 year increase in member life expectancy	3,491	
0.5% increase in the Salary Increase Rate	3,154	
0.5% increase in the Pension Increase Rate	8,995	

## **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 2013.

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 to pay £1.834m in expected contributions to the scheme in 2016/17.

## **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.

### **Land Charges**

The Council has made a provision against the costs associated with claims by a group of Property Search Companies who received refunds of fees paid to the Council to access land charges data. However, it is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. Any such claims are unlikely to be significant.

### **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. It is not possible to quantify appeals that have not yet been lodged with the valuation office so there is a risk to the Council that national and local appeals may have a future impact on the accounts. This is however restricted to 1<sup>st</sup> April 2015.

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 are appealed through the courts. The estimated backdated cost of this to the authority is £1.1m, of which £0.2m has been provided for.



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

##### **The UK voted on 23 June 2016 to leave the European Union – Non adjusting event**

In the immediate aftermath of the referendum we expect high-levels 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.

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

The unaudited accounts were issued on 3rd June 2016 and the audited accounts were authorised for issue on 26<sup>th</sup> July 2016. Events occurring after this date have not been recognised in the financial statements.

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





# **Collection Fund 2015 – 2016**

**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 March 2016**

<b>2014/15</b>	<b>2014/15</b>	<b>2014/15</b>		<b>2015/16</b>	<b>2015/16</b>	<b>2015/16</b>
<b>Council</b>	<b>Business</b>	<b>Total</b>		<b>Council</b>	<b>Business</b>	<b>Total</b>
<b>Tax</b>	<b>Rates</b>			<b>Tax</b>	<b>Rates</b>	
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>INCOME</b>						
(51,647)	-	(51,647)	Council Tax Payers	(53,345)	-	(53,345)
-	(54,615)	(54,615)	Income from Business Ratepayers	-	(55,733)	(55,733)
-	-	-	Transfer of Business Rates Deficit	-	-	-
-	(1,081)	(1,081)	- Government	-	(1,595)	(1,595)
-	(194)	(194)	- Staffordshire County Council	-	(287)	(287)
-	(22)	(22)	- Staffordshire Fire Authority	-	(32)	(32)
-	(865)	(865)	- East Staffordshire Borough Council	-	(1,276)	(1,276)
<b>(51,647)</b>	<b>(56,777)</b>	<b>(108,424)</b>		<b>(53,345)</b>	<b>(58,923)</b>	<b>(112,268)</b>
<b>EXPENDITURE</b>						
Precepts						
34,552	-	34,552	- Staffordshire County Council	36,064	-	36,064
5,974	-	5,974	- Staffordshire PCC	6,116	-	6,116
2,275	-	2,275	- Staffordshire Fire Authority	2,375	-	2,375
7,089	-	7,089	- East Staffordshire BC	7,226	-	7,226
Business Rates						
-	26,668	26,668	- Payment to Government	-	27,118	27,118
-	4,800	4,800	- Staffordshire County Council	-	4,881	4,881
-	533	533	- Staffordshire Fire Authority	-	542	542
-	21,335	21,335	- East Staffordshire BC	-	21,694	21,694
-	180	180	- Cost of Collection	-	179	179
-	-	-	- Interest on Refunds	-	4	4
-	-	-	- Other Provisions	-	597	597
Bad and Doubtful Debts						
330	6	336	- Provisions	(36)	209	173
83	509	592	- Write Offs	53	674	727
-	2,199	2,199	Change in Provision for Appeals	-	(1,041)	(1,041)
Transfer of Collection Fund Surplus						
408	-	408	- Staffordshire County Council	869	-	869
70	-	70	- Staffordshire PCC	150	-	150
27	-	27	- Staffordshire Fire Authority	57	-	57
85	-	85	- East Staffordshire BC	178	-	178
<b>50,893</b>	<b>56,230</b>	<b>107,123</b>		<b>53,052</b>	<b>54,857</b>	<b>107,909</b>
<b>(754)</b>	<b>(547)</b>	<b>(1,301)</b>	<b>Deficit/(Surplus) for the Year</b>	<b>(293)</b>	<b>(4,066)</b>	<b>(4,359)</b>
Collection Fund Balance						
(1,845)	5,351	3,506	Balance brought forward at 1 April	(2,599)	4,804	2,205
(754)	(547)	(1,301)	Deficit/(Surplus) for Year (as above)	(293)	(4,066)	(4,359)
<b>(2,599)</b>	<b>4,804</b>	<b>2,205</b>	<b>Balance c/f at 31 March</b>	<b>(2,892)</b>	<b>738</b>	<b>(2,154)</b>
Allocated to						
(369)	1,922	1,553	- East Staffordshire Borough Council	(403)	295	(108)
(1,800)	432	(1,368)	- Staffordshire County Council	(2,014)	67	(1,947)
(311)	-	(311)	- Staffordshire PCC	(342)	-	(342)
(119)	48	(71)	- Staffordshire Fire Authority	(133)	7	(126)
-	2,402	2,402	- Government	-	369	369
<b>(2,599)</b>	<b>4,804</b>	<b>2,205</b>		<b>(2,892)</b>	<b>738</b>	<b>(2,154)</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 2015/16 was 34,436 (33,635 in 2014/15). The tax base for 2015/16 was approved at the Cabinet meeting on 19 January 2015 and was calculated as follows:

Valuation Band		No. of Dwellings after Discounts and Exemptions	Ratio to Band D	Band D Equivalent Dwellings
A	Up to £40,000	11,865	6/9	7,910
B	£40,001 to £52,000	8,610	7/9	6,697
C	£52,001 to £68,000	7,047	8/9	6,264
D	£68,001 to £88,000	5,193	9/9	5,193
E	£88,001 to £120,000	3,716	11/9	4,542
F	£120,001 to £160,000	1,974	13/9	2,851
G	£160,001 to £320,000	1,033	15/9	1,722
H	Over £320,000	70	18/9	140
		39,508		35,319
Less adjustment for collection rates and property changes				(883)
<b>Council Tax Base for 2015/16</b>				<b>34,436</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 2016 has been calculated at £4.891m (£5.891m at 31<sup>st</sup> March 2015).

The business rates shares payable to preceptors for 2015/16 were estimated before the start of the financial year and these sums have been paid in 2015/16 and charged to the Collection Fund in year.

The total non-domestic rateable value at 31 March 2016 was £133.066m, compared to £133.724m at 31 March 2015. The national non-domestic rate multiplier for the year was 49.3p for properties with a rateable value in excess of £18k and 48.0p for properties with a rateable value lower than £18k, compared to 48.2p and 47.1p 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>2015/16</b> £000	2014/15 £000
Balance at 1 April	<b>1,371</b>	1,041
Net Increase/(Decrease) in Provision	<b>(36)</b>	330
<b>Balance at 31 March</b>	<b>1,335</b>	1,371

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

	<b>2015/16</b> £000	2014/15 £000
Balance at 1 April	<b>195</b>	150
Net Increase/(Decrease) in Provision	<b>(9)</b>	45
<b>Balance at 31 March</b>	<b>186</b>	195

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

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

	<b>2015/16</b> £000	2014/15 £000
Balance at 1 April	<b>460</b>	454
Net Increase/(Decrease) in Provision	<b>209</b>	6
<b>Balance at 31 March</b>	<b>669</b>	460

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

	<b>2015/16</b> £000	2014/15 £000
Balance at 1 April	<b>184</b>	182
Net Increase/(Decrease) in Provision	<b>83</b>	2
<b>Balance at 31 March</b>	<b>267</b>	184

##### NNDR – Provision for Appeals

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the valuation Office Agency (VOA) not settled as a 31<sup>st</sup> March 2016.

	<b>2015/16</b>	2014/15
	<b>£000</b>	£000
Balance at 1 April	<b>5,891</b>	3,692
Net Increase/(Decrease) in Provision	<b>(1,041)</b>	2,199
<b>Balance at 31 March</b>	<b>4,850</b>	5,891

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

	<b>2015/16</b>	2014/15
	<b>£000</b>	£000
Balance at 1 April	<b>2,357</b>	1,477
Net Increase/(Decrease) in Provision	<b>(417)</b>	880
<b>Balance at 31 March</b>	<b>1,940</b>	2,357

In addition to which, the authority has received a number of applications from NHS Trusts for backdated mandatory relief. Whilst the authority believes that these applications are not valid, the accounts include a provision of £0.597m against the possibility this is appealed in the courts, with East Staffordshire Borough Council's element being £0.239m.





# **Independent Auditor's Report**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST STAFFORDSHIRE BOROUGH COUNCIL**

We have audited the financial statements of East Staffordshire Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Collection Fund] and the related notes. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

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

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

## **Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

### **Respective responsibilities of the Authority and auditor**

The Authority is responsible for putting in place proper arrangements to secure 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.

We are required under Section 20(1)(c) of the Act 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.

### **Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether 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 these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

**Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

*Mark Stocks*

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

Grant Thornton UK LLP  
The Colmore Building  
20 Colmore Circus  
BIRMINGHAM  
B4 6AT

8 August 2016



# **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.

## GLOSSARY OF TERMS

### **Net Realisable Value**

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

### **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

## 2015/2016

### 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, facilitating the effective exercise of its functions, and 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 Democratic Services 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 2016 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 with key stakeholders externally, and through internal communications. Service Plans are communicated through the 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 forward details of 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 authority to report to all the local authority's 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, which is responsible for providing independent assurance on the adequacy and effectiveness of the authority's control environment. The committee acts in accordance with the guidance and requirements outlined in the CIPFA guidance on Audit Committees: Audit Committee – Practical Guidance for Local Authorities;
- The Council has two independent members residing on the Audit Committee.
- The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit and Inspection Letter;
- There is a robust risk management approach which is considered and overseen by the Audit 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, with the management and development of this being led by the Chief Accountant. This approach 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;
- Formal adoption and use of the PRINCE2 methodology to ensure the effective and ultimately successful management of projects. This, combined with the regular meeting of the Business Assurance Group (BAG), enabled the Council to proactively monitor and appraise appropriate projects;
- A comprehensive performance management and benchmarking framework including regular reporting to senior officers and members;
- An effective approach to engaging with local people and other stakeholders through partnership arrangements, electronic channels such as the website and social media, the Customer Service Centres, and the Neighbourhood Forums.
- 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. Partnerships are reviewed using the Partnership Toolkit, whereby risks, effectiveness and performance are reported to Members;
- 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.
- 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 executive 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 2015/16 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 developing a revised Procurement Strategy for approval in April 2016.
- 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;
- Formal reporting mechanisms to members to review and monitor the work of the Internal Audit Service through reports to the Audit 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 Audit 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 Audit Committee has regular scheduled training as to the roles and responsibilities of an effective Audit Committee;
- In addition to this all Members were invited to four Financial Management training and briefing sessions covering:
  - Treasury Management
  - Business Rates and the Business Rates Retention Scheme
  - Council Tax setting
  - Budget Setting /MTFS / Budget Monitoring
- The Council's Scrutiny Committees reviewed performance during the year and also reviewed decisions made by Cabinet, and carried out a number of specific reviews which included:
  - WASP and Neighbourhood Development Fund
  - Burton Market Hall
  - CCTV coverage
  - Membership and benefits of the Greater Birmingham and Solihull LEP
- 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 Corporate Plan and Financial Performance. During the year the Audit Committee also started to receive quarterly financial 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 is an external review of the Council’s internal control environment by the external auditor, including a thorough review of Internal Audit’s work and external review by other review agencies;
- 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;
- There are regular meetings between the Council’s three statutory officers to discuss risk and governance.

**5. SIGNIFICANT GOVERNANCE ISSUES**

During the 2015/16 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