

# Statement of Accounts

2022 / 2023

SUBJECT TO AUDIT



# Stafford Borough Council – Statement of Accounts

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## Narrative Report

The Statement of Accounts for the year ended 31 March 2023 has been prepared in accordance with the requirements of the Accounts and Audit Regulations 2015. The format reflects the requirements of the Code of Practice in Local Authority Accounting in the United Kingdom which is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts therefore aims to provide information for the 2022/23 financial year so that members of the public (including electors and residents of Stafford Borough), Council Members, partners, stakeholders and other interested parties are able to:

- See the performance of the Council including progress against its strategic objectives;
- Understand the overarching financial position of the Council;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Have sight of the progress made in monitoring the key risks faced by the Council.

This **Narrative Report** is structured as follows:

- Overview of the Borough
- Finance and resource allocation
- Performance
- Future Outlook

### 1.1 Overview of the Borough

Stafford Borough is one of eight District and Borough Councils that make up the County of Staffordshire in the West Midlands. The Borough is a County town and the largest district geographically stretching across 59,187 hectares equating to approximately 230 miles. Predominately rural, its economic scale score of 84.71 ranks it as medium size by British standards.

Stafford Borough is resident to 138,670 people. There are two main town centres, Stafford and Stone, located within the Borough that act as the hubs delivering services to large rural hinterlands, and are important economic centres in their own right. Although relatively affluent, the Borough does experience pockets of deprivation where there are large stocks of social housing, high numbers of people who are out of work and claiming benefits. Although some areas of Stafford Borough demonstrate positive results in terms of key quality of life indicators, there are a number of areas where families and communities face multiple issues such as unemployment or low incomes, low qualifications, poor housing or ill-health (physical and/or mental).

### 1.2 Political Composition and Leadership

Stafford Borough Council was formed on 1 April 1974, under the Local Government Act 1972, as a merger of the Municipal Borough of Stafford, Stone Urban District, Stafford Rural District and Stone Rural District and comprises of 23 ward areas. The Council is composed of 40 councillors who are elected every four years. The councillors are democratically accountable to residents of their wards.

All councillors meet together as the Council. Meetings of the Council are normally open to the public. Here Councillors decide the Council's overall policies and set the budget each year. The Council appoints the Leader of the Council who appoints the Cabinet. The Council appoints Scrutiny Committees which together with the Council hold the Leader and Cabinet to account.

The Cabinet is responsible for most day-to-day decisions and when major decisions are to be discussed or made; these are published in the forward plan. Decisions are made by the Cabinet in line with the Council's overall policies and budget. If the Cabinet wishes to make a decision which is outside the budget or policy framework, then this is referred to the Council as a whole to decide.

There are three scrutiny committees in place that support the work of the Cabinet and the Council as a whole. The scrutiny committees have been aligned to the Council's Corporate Business Plan and focus on Economic Growth and Development; Community Wellbeing and Financial Sustainability.

The strategic policies and priorities of the Council are directed by the Cabinet and implemented by the Leadership Team that comprises of a Chief Executive who is supported by eight senior officers, five of which are a shared service with Cannock Chase District Council. The purpose of leadership team is to drive the delivery of excellent community services to achieve Local and National priorities.

The Council employs approximately 202 staff who collectively have a diverse range of skills and specialisms.

### **1.3 Purpose**

The Council provides both statutory and non-statutory services to a population in excess of 138,670 people. These services range from:

- Growing a healthy economy: Supporting the development of key infrastructure and projects and encouraging good design of settlements and individual buildings
- Providing an attractive and clean borough: Keeping our environments clean and protected through waste collection, recycling and keeping streets free of litter, including removal of abandoned vehicles and fly tipped waste and carrying out conservation and wildlife management at protected sites
- As responsible authority for crime and disorder: Working in partnership to keep the Borough safe, free from crime and anti-social behaviour, inspecting food and drink premises to make sure they are safe and hygienic and monitoring CCTV
- Supporting and promoting community wellbeing to all our residents: Working in partnership to promote healthy lifestyles through leisure provision and by providing and maintaining our green open spaces
- Growing our visitor economy by supporting arts and culture, events and festivals, and tourism
- Providing support to our most vulnerable residents who are experiencing issues of social deprivation such as homelessness, mental health and rural isolation
- Collecting council tax and business rates and helping people access financial support through housing benefit and council tax discounts
- Supporting residents to improve the homes and areas they live in by dealing efficiently with planning applications and providing building control
- Compiling and maintaining the electoral register and administering elections

These services are supported by a number of internal services such as communications; corporate business; customer services; human resources; Information technology, finance and legal services. The Council operates within a 'two-tier' local government structure so services such as education, social care, children's services, highways, libraries and trading standards are delivered by Staffordshire County Council. There are also 32 Parish Councils across the district which also deliver services to the community.

### **1.4 Corporate Business Plan**

The Corporate Business Plan for 2021-24 sets out how we will continue to deliver and sustain economic growth, respect our environment, support our communities and ensure that the borough is a great place in which to live, work and visit.

#### **Our Vision**

#### **A prosperous and attractive borough with resilient communities**

#### **Corporate Business Objectives:**

- To deliver innovative, sustainable economic and housing growth to provide income and jobs.

- To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing resilient communities that promote health and wellbeing.
- To tackle Climate Change by implementing our Climate Change and Green Recovery objectives
- To be a well-run, financially sustainable and ambitious organisation, responsive to the needs of our customers and communities and focussed on delivering our objectives.

There are four delivery plans in place that detail how the council will achieve outcomes against each of the business objectives. Performance against each of the delivery plans is monitored by the respective scrutiny committees.

There are a number of existing partnerships in place that support the delivery of priorities for the Council such as the Local Enterprise Partnership, Chamber of Commerce, Staffordshire Police, Integrated Care Partnership and Public Health. The Council will continue to capitalise on these and forge new partnerships over the next four years.

The funding to local authorities through the Revenue Support Grant and other budgets has been substantially reduced in recent years. At present, the Council is largely dependent on the monies it raises from council tax, its share of business rates and income generated from a limited number of services. The Council will work to protect front-line services by reducing the cost of the services provided by cutting waste and looking for different ways to provide them.

Examples of these already implemented include the provision of Leisure and Culture Services in partnership with a not for profit trust, the sharing of the Civic Centre with other organisations to reduce our costs, improve partnership working and make access to services easier for local people. We have been sharing back office services with Cannock Chase Council since 2011 and in December 2022, we agreed to extend this to the sharing of the majority of the services provided by the Councils.

We will continue to explore other avenues for income generation such as commercial opportunities and maximising our assets including the Civic Centre, in order to reduce the dependency on New Homes Bonus and to offset the likely impact of the reset of business rates growth achieved to date. In addition, we need to be as efficient and effective as possible and this will mean that as an authority we will need to look at our own ways of working.

The Council identified a number of key strategic risks for the authority that could impact on the achievement of its corporate priorities, these included:

- The funding available to the Council from central Government resulting from changes to Business Rates, New Homes Bonus etc. will not be known until the autumn at the earliest. This together with increases in inflation and interest rates makes accurate budget planning difficult, resulting in a risk of over commitment of financial resources or inappropriate use of reserves.
- Economy of the Borough impacted limiting the ability to deliver the Economic Growth Strategy for the Borough
- Council's key contractors remain sustainable and continue to provide value for money
- Reduced Organisational resilience may lead to reduced resources to support Council's service delivery and transformation in the aftermath of the pandemic

In particular the key financial risk relates to the proposed change in local government funding from 2024/25. The Council have set a balanced budget for 2023/24, based upon the current funding regime. However the introduction of Fair Funding, that reflects a change in the methodology for determining the Council's relative needs and relative resources, and the introduction of 75% Business Rates Retention combined with a Reset of Business Rates Baselines, creates a great degree of uncertainty for the Council's funding in 2024/25 and beyond.

Nevertheless the resource opportunities provided by economic and housing growth – a key objective of the Council's Corporate Plan – remains a key part of the Council's Medium Term Budget Strategy.

## 2. Financial Strategy and resource allocation

### 2.1 Overview of Portfolio Spending

The following pages provide a brief overview of the financial position of the Council for 2022/23, in terms of the Council's management accounting framework, rather than the statutory IFRS framework.

### 2.2 Revenue spending

The General Fund records all the day-to-day spending on Council services. The net cost of services contained within the General Fund are met from Council Tax and Central Government funds, including income derived from Business Rates payers

<b>Stafford Preliminary Outturn 2022/2023</b>				
		<b>Revised Budget</b>	<b>Actual</b>	<b>Variance to Revised</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Portfolios</b>				
1	Community	895	942	(47)
2	Environment	4,027	3,833	194
3	Leisure	2,116	2,013	103
4	Planning & Regen	797	748	49
5	Resources	7,362	7,354	8
6	Total Portfolios	15,197	14,890	307
7	Investment Income	(689)	(1,043)	354
8	Technical Items	1,531	1,531	-
9	Net Expenditure	16,039	15,378	661
10	Use of Government Grants	(2,044)	(2,165)	121
11	<b>Net Revenue Budget</b>	<b>13,995</b>	<b>13,213</b>	<b>782</b>
<b>Financed by:</b>				
Business Rates				
12	Core funding	(2,824)	(2,824)	0
13	Growth	(1,790)	(1,705)	(84)
14	S&SOT Redistribution	(931)	(950)	19
15	Collection fund surplus	-	(53)	53
16	Lower tier Grant	(455)	(398)	
17	Council Tax	(8,020)	(8,020)	-
18	Total Financing	<b>(14,020)</b>	<b>(13,951)</b>	<b>69</b>
19	<b>Trf to/(from) working balances</b>	<b>25</b>	<b>738</b>	<b>713</b>
20	<b>Net Revenue Budget</b>	<b>(13,995)</b>	<b>(13,213)</b>	<b>782</b>

The table above shows that net expenditure including Investment Income, Technical financing adjustments and use of government grants was £13.213 million, £782,000 (5.6%) less than the budget.

The actual expenditure on portfolio budgets was £0.307 million (2%) lower than anticipated with Investment Income being £0.354 million higher than expected due to the increased interest rates. There was also £0.121 million of additional government grants, the majority of which is a one off receipt.

## **2.4 Collection Fund**

The overall amount of Council Tax required by the precepting authorities to be collected through the Council's Collection Fund was £93.195 million, with the Borough Council's element being £8.020 million and £1.276 million required by Parish Councils in the Borough.

The net position on the Collection Fund for the year was a surplus of £7.351 million. The overall position after taking account the balance brought forward in relation to previous years' surpluses, leaves a net deficit on the fund of £0.374 million at 31 March 2023.

The detailed Collection Fund accounts show the overall position for the year in relation not only to Council Tax but also to the collection of National Non Domestic Rates.

## **2.5 Working balances**

The final outturn shows a contribution to working balances to the General Fund of £0.738 million with a resultant £2.569 million balance as at the 31 March 2023. As the Council policy is to retain a working balance of £1.0 million the £1.569 million transfer will be used to support service delivery and council priorities. Work is being undertaken with members as part of budget setting to identify specific programmes that they would like to see some of these monies allocated to.

## **2.6 Pensions**

Councils are required to account for pension costs to show any deficit, or surplus, on the Pension Fund in the balance sheet. The fund is administered by Staffordshire County Council and the actuarial valuation at 31 March 2023 showed the Council's share of the fund to be a deficit of £1.396 million (a decrease of £33.952 million). The fund deficit has no impact on the level of Council Tax. The remaining deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

Although the Council has outsourced its Leisure services it remains liable for the pension deficit in respect of the transferred employees as it is operating on a pass through pension agreement. As such the pension figures include the Freedom leisure contributions. In accordance with the pass through arrangement the contributions from Freedom are more than expected to cover the liability arising.

## **2.7 Capital Expenditure**

The Council approves the Capital Programme for the financial year as part of the budget process. The capital programme, the amount that can be spent, is effectively constrained by the amount of capital resources available to the Council however subject to a valid business case the Council can increase such resources by prudential borrowing.

Many of the schemes within the Capital Programme take some time to develop and implement, the detailed programme can experience many changes. Considerable variation can therefore arise over the 18 month period from the time the Capital Programme for the financial year is initially considered, right through to the end of March of the relevant year.

The Council spent £2.369 million on capital projects in 2022/23 which was £2.667 million less than the budget of £5.036 million. The main reason for the difference in 2022/23 is scheme slippage where the scheme will proceed later than planned and the expenditure will occur in a future year. This mainly related to Future High street spend £1.748 million and Stone Leisure Phase 2 £0.430 million.



<b>Capital Outturn Position</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance from Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Community	1180	1467	(287)
Environment	260	186	74
Leisure	680	104	576
Planning and Regeneration	2763	532	2,231
Resources	153	80	73
<b>Total</b>	<b>5,036</b>	<b>2,369</b>	<b>2,667</b>

The major items of capital spend in the year were:

- **£1,367,430** on the provision of grants for disabled adaptations in homes;
- **£486,380** on Future High Streets
- **£109,060** on Riverway site depot
- **£104,340** on Stone Leisure Phase 2
- **£100,420** on UK Shared Prosperity Fund

The capital programme of £2.369 million was financed as below:

	<b>£'000</b>
Capital receipts	89
Capital grants and contributions	2,107
Direct revenue contributions	173
<b>Total</b>	<b>2,369</b>

## **2.8 Treasury Management**

During most of 2022/23 investment decisions were driven by cash flow considerations and funds placed in Money Market Funds for easy access. However opportunities were also taken to place funds in higher interest bearing investments when cash flow requirements would allow.

## **3. The Council's Performance 2022-2023**

Performance for 2022-23 has been measured against the council's business objectives in the following areas:

- To deliver innovative, sustainable economic and housing growth to provide income and jobs.
- To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing resilient communities that promote health and wellbeing.
- To tackle Climate Change by implementing our Climate Change and Green Recovery objectives
- To be a well-run, financially sustainable and ambitious organisation, responsive to the needs of our customers and communities and focussed on delivering our objectives.

## How well did we do?

### Priority 1 - To deliver sustainable economic and housing growth to provide income and jobs

Action	Progress made
Monitor Economic Growth	<ul style="list-style-type: none"> <li>Implementation plan now reviewed and being monitored by the partnership board</li> </ul>
Deliver key projects and infrastructure proposals that will promote economic growth and investment for the Borough	<ul style="list-style-type: none"> <li>Performance on the delivery of affordable homes exceeded the annual target</li> <li>Planning applications received during 2021 were 20% higher</li> </ul>
Work in partnership to generate economic and sustainable growth	<ul style="list-style-type: none"> <li>Work in underway on legal and commercial support with regards to Stafford Station Gateway</li> <li>The Strategic Regeneration framework is near completion and will be subject to public consultation</li> <li>Work commenced in relation to the development of Meecebrook Garden Community</li> <li>Procurement works commenced for Westbridge Par</li> </ul>
Develop a new Local Plan	<ul style="list-style-type: none"> <li>The Whole Plan Viability and Sustainability Appraisal is progressing and the site assessment evidence base has been completed.</li> </ul>

### Priority 2 - To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing strong communities that promotes health and wellbeing

Action	Progress made
Investigate enviro-crime complaints within 72hrs of receipt	<ul style="list-style-type: none"> <li>Investigated 94% of envirocrime complaints within 72 hrs of receipt.</li> </ul>
Encourage households to increase recycling and minimise residual waste	<ul style="list-style-type: none"> <li>Collected an average of 113kgs of residual household waste and sent 51.5% of household waste for recycling, reuse and composting per quarter.</li> <li>A chargeable garden waste scheme was introduced</li> </ul>
Support the use of town centres in the borough	<ul style="list-style-type: none"> <li>The Stafford half marathon took place with approximately 3000 people registered to take part</li> </ul>
Provide a comprehensive housing service	<ul style="list-style-type: none"> <li>Demand on the service has been high and the strong focus on partnership working with housing providers remains high.</li> <li>Work has continued to deliver good housing standards in the private sector</li> <li>All of the pitches on glover street gypsy and traveller accommodation have been occupied</li> <li>The number of grant approvals on disabled facilities grants has been higher than the previous year.</li> </ul>
Work in partnership to reduce crime and antisocial behaviour	<ul style="list-style-type: none"> <li>Utilised £72,060 Locality Deal Fund to organisations supporting priorities of mental health, drugs and alcohol; anti-social behaviour, domestic abuse and hate crime; reported incidents of crime and antisocial behaviour reduced</li> </ul>

### Priority 3 - Climate Change and Green Recovery

Action	Progress made
Reduce emissions from our own activities	<ul style="list-style-type: none"> <li>• Work has continued on the replacement of LED light fittings at the Waterfront Car Park.</li> <li>• The council has switched to a 100% renewable energy tariff.</li> <li>• Initial reports have been received from the Midlands Net Zero Energy Hub which identify where renewable energy technologies can be installed across the council estate.</li> </ul>
Work in partnership	<ul style="list-style-type: none"> <li>• The SBC Climate Change Community Panel have been developing multiple projects which will contribute to sustainability in the Borough. These projects include a marginal space management project which will see marginal green spaces be managed for wildlife, a sustainable fashion project, and a waste reduction and reuse project. One of the community panel projects involves partnership working with the Wildlife Trust.</li> <li>• The council have continued to work with an increasing number of community groups.</li> <li>• The council continue to work with the other Staffordshire district and borough councils and the county council. The council sits on the West Midlands Climate Adaptation Working Group.</li> <li>• The council has recently began working with the Chamber of Commerce and the Staffordshire Business Environment Network to develop a business resilience project</li> </ul>
Mitigate and adapt to climate change	Work is underway to increase the roll out of Electric Vehicle Charge Points both across council owned car parks, and across the wider Borough area. A Local Area Energy Plan has been produced which identifies areas for the roll out of renewable energy across the Borough.
Protect and enhance our environment	Progress is being made towards a County Local Nature Recovery Strategy for Environment Act 2021, leading to Biodiversity Net Gain requirements. Initial meetings to establish partnership working in progress linked to the New Local Plan, currently awaiting Government guidance. Air quality monitoring for nitrogen levels continuing

### Priority 4 - To be a well-run, financially sustainable and ambitious organisation, responsive to the needs of our customers and communities and focussed on delivering our objectives

Action	Progress made
Use our resources in the most effective and efficient way to maximise income and reduce costs	<ul style="list-style-type: none"> <li>• Consistently delivered a balanced budget</li> </ul>
Continue to work towards organisational transformational recovery and reform	<ul style="list-style-type: none"> <li>• The procurement of a new customer portal has been completed and work has commenced on training and developing the system.</li> </ul>
Facilitate more joined up ways of working	<ul style="list-style-type: none"> <li>• Following agreement of the business case to extend the sharing of services with Cannock Chase Council, work has commenced in putting in place the necessary arrangements. The overarching legal agreement has been approved by Council and the new senior management structure will be in place wef 1 April 2023.</li> </ul>

## **4 Future Outlook and issues facing the Council**

### **4.1 Planned future developments**

The Council is at the heart of future development with its area either as a direct provider or acting as a facilitator with its private and public sector partners. The borough has seen unprecedented growth and recent figures show around £2 billion has been invested in, or planned for, the area. More than three thousand jobs have been created and hundreds of new homes have been built each year.

### **4.2 Future investments**

This level of growth is set to continue with work already underway for the district identified by lead partner:

Council

- £14.3m of Future High Streets Fund investment supported by further investment from the Borough and County Councils creating a total pot of over £21 million.

### **4.3 Financially sustainable**

The Council approved its three year budget to 2025/26 however like all other authorities a great deal of uncertainty exists. The Council continues to progress the areas within its direct control with a balanced budget set for 2023/24. Reserves do exist to mitigate some of the estimated impacts but these can only be used on a one off basis. The existing settlement only relates to 2023/24 and details of the regime for 2024/25 are still awaited. The risks in relation to such funding are detailed below.

- Central government funding – The government has made considerable cuts in public spending. Austerity measures will inevitably lead to the Council being under continuing pressure to deliver efficiencies going forward.
- Business Rates Retention Scheme – Income being shared between central government, the Council, Staffordshire County Council, Staffordshire Commissioner Fire and Rescue Service and the Stoke on Trent and Staffordshire Business Rates Pool. The Business rates regime carries the following financial risks for the Council:
  - Failure to collect business rates income in accordance with the “Start-Up” funding assessment;
  - Failure to collect business rates billed;
  - Reduced business rates collectable as a result of appeals.
  - Delays in new developments

Nevertheless the Council has seen its income from business rates, reflecting the new developments, within its area, increase year on year.

This in itself creates a material future risk to the council. Although the Tax base for the Council will continue to grow the introduction of a revised regime is now planned for 2025/26.

The biggest risk however is in relation to the planned Reset of growth achieved to date. Three potential options exist in relation to the basis of the reset, notably No Reset (All growth retained); Full Reset (No growth retained) or Partial Reset (Proportion of growth retained) with the growth not retained being redistributed across the local government sector.

As part of its financial planning the Council also identifies its key financial risks in relation to its own income and expenditure to ensure they are taken into account when considering the budget. Some of the key issues facing the Council in the future are:

- Income levels – a number of main income streams are subject to demand, in particular parking, bereavement services and planning. The Council has limited means to address issues of demand however income is an area that receives particular budget monitoring attention with new or diverse forms of income being explored
- Interest rates – the volatility in interest rates has impacted on investment returns. Any overall decrease in rates will reduce income. An increase or decrease in interest rates of 0.25% changes investment income by about £120,000.
- Pension's costs – the Council continues to face the pressure of the rising costs of pension's provision.

#### **4.4 Auditors Annual Report on the Council**

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), the external auditors Grant Thornton (GT) are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020-21 was the first year that findings were reported in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. Therefore the auditors decided to report a combined commentary on the Council's arrangements for 2021-22 and 2022-23 given the similarity in issues between years and also the timing when the work was undertaken.

The audit findings were that the Council have faced significant resource challenges since the pandemic which has meant that choices had to be made on how resources that were available were used. In 2020-21 the Council initiated the implementation of a new financial ledger system which placed significant pressure on the capacity of the finance team. The Council bought in no specialist resource or additional support to scope or implement the new system or to programme manage its implementation. This lack of capacity resulted in a single statutory recommendation being made, which is below, and several key recommendations (full details are in the auditors annual report):

The statutory recommendation made was that the Council needs to improve its financial planning and financial monitoring arrangements by:

- ensuring it has adequate capacity in its finance team and ensure that budget holders receive formal financial monitoring reports during the year.
- putting in place a MTFs built on robust modelling and assumptions and an updated Capital Strategy that complies with the revised Prudential Code.
- producing draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively

Plans have been put in place to address this which are detailed in the council's response to the annual audit report.

## 5 Explanation of Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:

### 5.1 Statements to the Accounts

Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the Council and the Chief Finance Officer (Head of Finance)

Auditors report gives the auditor's opinion of the financial statements and of the council's arrangements for securing economy, efficiency and effectiveness in the use of resources,

### 5.2 Core Financial Statements

**Comprehensive Income and Expenditure Statement** – This shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount funded from Council Tax and other government grants. The amount funded from Council Tax and grants differ from this by a series of adjustments made in accordance with regulations. These adjustments are made in the Movement in Reserves Statement.

**Movement in Reserves Statement** - This statement provides a summary of the changes that have taken place in the Council's reserves over the financial year by analysing the increase or decrease. Reserves are divided into 'Usable' that can be invested in capital projects or service improvements, and 'Unusable' which must be set aside for specific purposes and cannot be used to fund expenditure.

**Balance Sheet** – shows the value of the Council's assets and liabilities at the Balance Sheet date. These are matched by reserves which are split into two categories, Usable and Unusable reserves. Unusable reserves are not available to support services and are in the main used to hold unrealised gains and losses, where the actual gain or loss will only become available once another event has occurred. For example, the Revaluation Reserve for Non-Current assets will only become available if the asset is sold and the full value of the asset realised.

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

### 5.3 Supplementary Statements

**Collection Fund** - is an agents' 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 (Non-Domestic Rates (NDR)) and its distribution to precepting bodies.

### 5.4 Notes to the Accounts

**Expenditure & Funding Analysis** - This is an additional note which was required with effect from the 2016/17 accounts and shows the expenditure and income which is reported to management as part of the final accounts outturn and scrutiny reports. It then seeks to demonstrate the adjustments which are made to comply with International Financial Standards to arrive at the figures reported within the Comprehensive Income and Expenditure Statement (these are analysed in more detail in note 7 to the accounts).

**Glossary** - This provides an explanation of the technical terms contained within the statement of accounts.

## **5.5 Main Changes to the Core Statements and Significant Transactions in 2022/23**

There were no major changes to the statements for 2022/23.

### **Comprehensive Income and Expenditure Account (page 17)**

- The net cost of services shows an increase of £5.798 million. This principally relates to changes in capital transactions, increased staffing costs and social housing decarbonisation spend further details are included within note 5 to the accounts.
- The remeasurement of the pension asset saw an increase of £14.682 million. Note 28.

### **Balance Sheet (page 20)**

- Property, plant and equipment have increased by £1.379 million, reflecting asset valuations and depreciation and additions.
- Short term investments have decreased by £25.008 million reflecting year end holdings.
- Cash and cash equivalents have increased by £34.605 million which reflects the year end holdings of money market and call account funds.
- Usable reserves have increased overall by £6.715 million primarily due to increases in Capital grants held (Note 27).
- Unusable reserves have changed significantly by £40.121 million this is primarily due to the change in the pension reserve (£35.715 million) and Collection fund adjustment account.

### **Cash Flow Statement (page 21)**

- There is an overall increase of £34.605 million in cash and cash equivalents at the end of the reporting period, primarily due to movement in short term investments and cash and cash equivalents.

**CERTIFICATION OF ACCOUNTS  
STATEMENT OF RESPONSIBILITIES FOR THE  
STATEMENT OF ACCOUNTS**

**The Council's Responsibilities**

The Council 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 Council, that officer is the Deputy Chief Executive - Resources with S151 responsibilities;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

**The Deputy Chief Executive - Resources with S151 Responsibilities**

The Deputy Chief Executive - Resources (S151) is responsible for the preparation of the Council'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 of Practice").

In preparing this Statement of Accounts, the Deputy Chief Executive - Resources (S151) 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 Deputy Chief Executive - Resources (S151) has also:

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

**Certification by Deputy Chief Executive - Resources (S151)**

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2023.

C Forrester

Date 09/10/2024

C Forrester CPFA - Deputy Chief Executive - Resources (S151)

\* original signed certificate held in Finance



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## COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

2021/22			2022/23		
Gross Expend £000	Gross Income £000	Net Expend £000	Gross Expend £000	Gross Income £000	Net Expend £000
5,632	(4,952)	680	4,041	(1,055)	2,986
9,946	(6,030)	3,916	10,327	(5,528)	4,799
3,431	(432)	2,999	3,182	(210)	2,972
3,877	(3,555)	322	4,807	(3,840)	967
27,319	(20,872)	6,447	27,560	(20,363)	7,197
50,205	(35,841)	14,364	49,917	(30,996)	18,921
74	(1,698)	(1,624)	87	(470)	(383)
50,279	(37,539)	12,740	50,004	(31,466)	18,538
		981			1,347
		2,405			1,210
		(24,504)			(27,688)
		<b>(8,378)</b>			<b>(6,593)</b>
		(4,047)			(3,279)
		(22,282)			(36,964)
		<b>(26,329)</b>			<b>(40,243)</b>
		<b>(34,707)</b>			<b>(46,836)</b>

## MOVEMENT IN RESERVES STATEMENT

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

The balance at 31 March for Usable Reserves represents the amount available for use in the delivery of services.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 31 March 2022</b>	(1,831)	(34,375)	(1,507)	(7,709)	(45,422)	(11,597)	(57,019)
<b>Movement in reserves during 2022/23</b>							
(Surplus)/deficit on the provision of services	(6,593)				(6,593)		(6,593)
Other Comprehensive Income and Expenditure					-	(40,243)	(40,243)
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,593)</b>	-	-	-	<b>(6,593)</b>	<b>(40,243)</b>	<b>(46,836)</b>
Adjustments between accounting basis & funding basis under regulations (Note 11)	7,964		64	(8,150)	(122)	122	-
<b>Net (Increase)/Decrease before Transfer to Earmarked Reserves</b>	<b>1,371</b>	-	<b>64</b>	<b>(8,150)</b>	<b>(6,715)</b>	<b>(40,121)</b>	<b>(46,836)</b>
Transfers to/from Earmarked Reserves (Note 12)	(2,109)	2,109			-		-
<b>(Increase)/Decrease in 2022/23</b>	<b>(738)</b>	<b>2,109</b>	<b>64</b>	<b>(8,150)</b>	<b>(6,715)</b>	<b>(40,121)</b>	<b>(46,836)</b>
<b>Balance at 31 March 2023</b>	<b>(2,569)</b>	<b>(32,266)</b>	<b>(1,443)</b>	<b>(15,859)</b>	<b>(52,137)</b>	<b>(51,718)</b>	<b>(103,855)</b>

The Total General Fund balance at 31 March 2023 is £34.835 million, comprising working balance of £2.569 million and earmarked reserves of £32.266 million.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 31 March 2021</b>	(1,395)	(33,985)	(1,399)	(3,191)	(39,970)	17,658	(22,312)
<b>Movement in reserves during 2021/22</b>							
(Surplus)/deficit on the provision of services	(8,378)				(8,378)		(8,378)
Other Comprehensive Income and Expenditure					-	(26,329)	(26,329)
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,378)</b>	-	-	-	<b>(8,378)</b>	<b>(26,329)</b>	<b>(34,707)</b>
Adjustments between accounting basis & funding basis under regulations (Note 11)	7,552		(108)	(4,518)	<b>2,926</b>	(2,926)	-
<b>Net (Increase)/Decrease before Transfer to Earmarked Reserves</b>	<b>(826)</b>	-	<b>(108)</b>	<b>(4,518)</b>	<b>(5,452)</b>	<b>(29,255)</b>	<b>(34,707)</b>
Transfers to/from Earmarked Reserves (Note 12)	390	(390)			-		-
<b>(Increase)/Decrease in 2021/22</b>	<b>(436)</b>	<b>(390)</b>	<b>(108)</b>	<b>(4,518)</b>	<b>(5,452)</b>	<b>(29,255)</b>	<b>(34,707)</b>
<b>Balance at 31 March 2022</b>	<b>(1,831)</b>	<b>(34,375)</b>	<b>(1,507)</b>	<b>(7,709)</b>	<b>(45,422)</b>	<b>(11,597)</b>	<b>(57,019)</b>

The Total General Fund balance at 31 March 2022 is £36.206 million, comprising working balance of £1.831 million and earmarked reserves of £34.375 million.

## BALANCE SHEET

The Balance Sheet shows the value as at 31 March 2022 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

The first category of reserves are Usable Reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<b>31 March 2022 £000</b>	<b>Notes</b>	<b>31 March 2023 £000</b>
52,831 Property, Plant & Equipment	16	54,210
686 Heritage Assets	17	686
2,634 Investment Properties	18	2,527
181 Intangible Assets	19	161
102 Long Term Debtors	20	102
<b>56,434 Long Term Assets</b>		<b>57,686</b>
33,038 Short Term Investments	20	8,030
33 Inventories	21	31
4,887 Short Term Debtors	22	4,544
33,669 Cash and Cash Equivalents	23	68,274
<b>71,627 Current Assets</b>		<b>80,879</b>
(25,447) Short Term Creditors	25	(22,268)
(2,003) Grants Receipts in Advance-Revenue	37	(2,495)
<b>(27,450) Current Liabilities</b>		<b>(24,763)</b>
(14) Long Term Creditors	20	(10)
(3,435) Provisions	26	(3,374)
Other Long Term Liabilities		
(35,348) Pensions	43	(1,396)
(1,581) Finance Leases	40	(1,478)
(3,214) Grants Receipts in Advance-Capital	37	(3,689)
<b>(43,592) Long Term Liabilities</b>		<b>(9,947)</b>
<b>57,019 Net Assets</b>		<b>103,855</b>
(45,422) Usable Reserves	27	(52,137)
(11,597) Unusable Reserves	28	(51,718)
<b>(57,019) Total Reserves</b>		<b>(103,855)</b>

## CASH FLOW STATEMENT

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

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
<b>(8,378) Net (surplus) or deficit on the provision of services</b>	<b>(6,593)</b>
<b>(11,312)</b> Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 29)	<b>2,320</b>
<b>5,756</b> Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 29)	<b>10,283</b>
<b>(13,934) Net cash flows from Operating Activities</b>	<b>6,010</b>
<b>13,640</b> Investing Activities (Note 30)	<b>(35,331)</b>
<b>(5,291)</b> Financing Activities (Note 31)	<b>(5,284)</b>
<b>(5,585) Net (increase) / decrease in cash and cash equivalents</b>	<b>(34,605)</b>
<b>28,084</b> Cash and cash equivalents at the beginning of the reporting period	<b>33,669</b>
<b><u>33,669</u></b> Cash and cash equivalents at the end of the reporting period (Note 23)	<b><u>68,274</u></b>

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

#### (i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which is required to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

In compiling the disclosure notes, the Council has given due regard to materiality and therefore detailed disclosures are not given for items below £50,000 unless there is a statutory override. The general principle used for rounding is to the nearest £000's.

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

The accounts have been prepared on a going concern basis.

#### (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. The Council operates a de minimus for accruals of £2,000. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments or payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### (iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months 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 Council's cash management.

#### (iv) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

#### **(v) Charges to Revenue for Non-Current Assets**

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **(vi) Employee Benefits**

##### **Benefits Payable During Employment**

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

##### **Termination Benefits**

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

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

##### **Post Employment Benefits**

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



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

- The liabilities of the Staffordshire County Council (SCC) pension fund attributable to the Council are included on the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using an appropriate discount rate determined by the actuary.
- The assets of the SCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value
- The change in the net pensions liability is analysed into the following components:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement within the Resources line as part of Non-distributed costs.
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and expenditure.
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - contributions paid to the SCC pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

## **Discretionary Benefits**

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

### **(vii) Events After the Balance Sheet Date**

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

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

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

### **(viii) Financial Instruments**

#### **Financial Liabilities**

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

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

#### **Financial Assets**

Financial assets are classified based on the business model for holding the assets and based on the make up of the cashflows. There are three main classes of financial asset measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those who contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

#### **Financial Assets measured at amortised cost**

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

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

## **Expected Credit Loss Model**

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

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

## **(ix) Government Grants and Contributions**

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

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

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

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

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

## **(x) Heritage Assets**

### **Tangible and Intangible Heritage Assets**

The Council's heritage assets comprise the Civic Regalia, art collection held at the Civic Centre and collections held across the heritage sites. The collections are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However some of the measurement rules are relaxed in relation to heritage assets as detailed below.

### **Civic Regalia**

These items are reported in the Balance Sheet at insurance valuation. These insurance valuations are reviewed every five years.

### **Art Collection at Civic Offices**

These items are reported in the Balance Sheet based on the latest valuation available which for this item is an insurance valuation.

### **Heritage Sites Collections**

These items are reported in the Balance Sheet based on the latest valuation available which for this item is a formal valuation.

### **Heritage Assets - General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (see note xvii in this summary of significant accounting policies). The Council may occasionally dispose of heritage assets if unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see note xvii in this summary of significant accounting policies).

### **(xi) Intangible Assets**

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research and development expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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

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

### **(xii) Interests in Companies and Other Entities**

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

### **(xiii) Inventories and Long Term Contracts**

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **(xiv) Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods 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 arms-length. They are not depreciated but are revalued annually at fair value. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed

out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **(xv) Leases**

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

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

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

### **The Council as Lessee**

#### **Finance Leases**

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. 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 are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

#### **Operating Leases**

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

### **The Council as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against council tax, as the cost of Property, Plant 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**

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

### **(xvi) Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance. This means that the majority of the recharges are excluded as the budgets are produced and reported on within service segments at a controllable level, with only a small number of recharges included within the reported performance.

### **(xvii) Property, Plant and Equipment**

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

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The de minimus value for items to be treated as capital expenditure is £20,000.

#### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets - depreciated historical cost (DHC)
- assets under construction - cost
- surplus assets - the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

### **Impairment**

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

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

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

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

## **Depreciation**

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

Depreciation is calculated on the following bases:-

- dwellings and other buildings - straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment - straight-line allocation on historic cost over 7 to 15 years or over the period of the lease
- infrastructure - straight-line allocation on historic cost over 25 years

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. The Council has established a de minimus threshold in relation to componentisation of £1 million or 10% of the total asset value.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

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

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



## **(xviii) Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### **Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

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

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

## **(xix) Reserves**

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

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

## **(xx) Revenue Expenditure Funded from Capital under Statute**

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

**(xxi) VAT**

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

**(xxii) Tax Income (Council Tax, Non-Domestic Rates (NDR) and Rates)**

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

**Accounting for Council Tax and NDR**

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

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

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

**(xxiii) Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and its financial instruments for certificates of deposit 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 asset or liability, or
- (b) in the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability using the 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 Council takes into account a market participant's 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 Council 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 Council'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 Council can access at the measurement date
- Level 2 - inputs other than quoted prices included 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 Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2023/24 Code. The Code also requires that changes in accounting policy are applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

New standards introduced in the Code that apply from 1 April 2023 are:

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 financial year)
- Where an Authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 Statement of Account
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The Council has not decided to implement IFRS 16 early so there is no impact in relation to the first two items. As the Council does not have any group accounts there will be no impact in relation to the Deferred Tax change and it is not considered that the other items will have a material impact

## 3. Critical Judgements in Applying Accounting Policies

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

- **Future levels of government funding**  
There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined, through its Medium Term Financial Planning, that the impact of this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### 4. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

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

The items in the Council's Balance Sheet as at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would decrease by £301,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. The actuary has provided sensitivity information about the effects of changes in assumptions. The financial impact of these changes are detailed in note 43 to the accounts.
Sundry debt arrears	At 31 March 2023 the Council's balance of sundry debts was £2.340m. A review of significant balances suggested that an impairment of doubtful debts of 80.75% was appropriate (£1.889m). However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £23,397 to set aside as an allowance.
Council tax arrears	At 31 March 2023 the Council's share of the council tax debtors included in the Council's accounts was £937,435. A review of significant balances suggested that an impairment of doubtful debts of 59.52% (£557,980) was appropriate. However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £9,374 to set aside as an allowance.
Business rates arrears	At 31 March 2023 the Council's share of the business rates debtors included in the Council's accounts was £1,608,585. A review of significant balances suggested that an impairment of doubtful debts of 59.06% (£950,024) was appropriate. However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £16,086 to set aside as an allowance.
Business rates appeals	At 31 March 2023 the Council's share of the business rates appeals included in the Council's accounts was £3,374,000.	If there was an increase of 1% in the appeals percentages (based on each individual category of property) this would require an additional £44,000 to be set aside.

## 5. Material Items of Income and Expense

The Code requires that where items are not disclosed on the face of the Comprehensive Income and Expenditure Account, that the nature and amount of material items should be disclosed in a note to the accounts. The material items of income and expenses for 2022/23 are as follows:

There has been an increase in the net cost of services of £5.798m. This is primarily due to the following;

	£000	£000
<b>General Fund:</b>		
Revenue Expenditure Funded by Capital Under Statute (REFCUS)	766	
Depreciation of Assets	(97)	
Impairment of Assets	394	
Current Service Cost	(577)	
Past Pension deficit	196	
Additional Utility costs	245	
Staffing variations	519	
Asset maintenance costs	136	
Contract payments	416	
Garden Community grant	330	
Covid outbreak grant funding	389	
Bed and breakfast cost	75	
Housing benefits	141	
Social housing decarbonisation grant and spend	1,453	
Commuted sum receipts	1,228	
CRM system costs	115	
Parking income	(280)	
Welcome back funding reduced grant	111	
Homelessness grants	75	
Electric vehicle charging grant spend	94	
Other	69	
		<b><u>5,798</u></b>

## 6. Expenditure and Funding Analysis

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

2021/22					2022/23					
Net Expend Chargeable to the General Fund	Ear-marked Reserves	Adjust's between the Funding and Accounting Basis	Internal Recharge	Net Expend in the CIES		Net Expend Chargeable to the General Fund	Ear-marked Reserves	Adjust's between the Funding and Accounting Basis	Internal Recharge	Net Expend in the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
749	(984)	926	(11)	680	Community	942	554	1,500	(10)	2,986
3,262	(300)	732	222	3,916	Environment	3,833	76	666	224	4,799
1,967	(136)	1,485	(317)	2,999	Leisure	2,013	41	1,227	(309)	2,972
856	(150)	(179)	(205)	322	Planning & Regeneration	748	434	22	(237)	967
7,652	(1,239)	(277)	311	6,447	Resources	7,354	(234)	(255)	332	7,197
14,486	(2,809)	2,687	-	14,364		14,890	871	3,160	-	18,921
	(1,627)	3		(1,624)	Hosted		(385)	2		(383)
14,486	(4,436)	2,690	-	12,740	<b>Net Cost of Services</b>	14,890	486	3,162	-	18,538
(14,922)	4,046	(10,242)		(21,118)	Other Income and Expenditure	(15,628)	1,623	(11,126)		(25,131)
<b>(436)</b>	<b>(390)</b>	<b>(7,552)</b>	<b>-</b>	<b>(8,378)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(738)</b>	<b>2,109</b>	<b>(7,964)</b>	<b>-</b>	<b>(6,593)</b>
(1,395)	(33,985)				Opening General Fund Balance	(1,831)	(34,375)			
(436)	(390)				Less/Plus Surplus or Deficit on General Fund Balance in year	(738)	2,109			
<b>(1,831)</b>	<b>(34,375)</b>				<b>Closing General Fund Balance at 31 March 2023</b>	<b>(2,569)</b>	<b>(32,266)</b>			

## 7. Expenditure and Funding Analysis

### Adjustments between Funding and Accounting Basis 2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Total Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
Community	1,476	23	1	1,500	-	1,500
Environment	558	125	(3)	680	(14)	666
Leisure	1,109	113	5	1,227	-	1,227
Planning	548	75	1	624	(602)	22
Resources	353	(70)	(27)	256	(511)	(255)
	<u>4,044</u>	<u>266</u>	<u>(23)</u>	<u>4,287</u>	<u>(1,127)</u>	<u>3,160</u>
Hosted		1	1	2		2
<b>Net Cost of Services</b>	<b>4,044</b>	<b>267</b>	<b>(22)</b>	<b>4,289</b>	<b>(1,127)</b>	<b>3,162</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(10,403)</b>	<b>981</b>	<b>(2,831)</b>	<b>(12,253)</b>	<b>1,127</b>	<b>(11,126)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(6,359)</b>	<b>1,248</b>	<b>(2,853)</b>	<b>(7,964)</b>	<b>-</b>	<b>(7,964)</b>

### Adjustments between Funding and Accounting Basis 2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Total Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
Community	878	49	(1)	926	-	926
Environment	523	254	(22)	755	(23)	732
Leisure	1,236	254	(5)	1,485	-	1,485
Planning	279	158	(15)	422	(601)	(179)
Resources	4	126	(3)	127	(404)	(277)
	<u>2,920</u>	<u>841</u>	<u>(46)</u>	<u>3,715</u>	<u>(1,028)</u>	<u>2,687</u>
Hosted		3		3		3
<b>Net Cost of Services</b>	<b>2,920</b>	<b>844</b>	<b>(46)</b>	<b>3,718</b>	<b>(1,028)</b>	<b>2,690</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(6,040)</b>	<b>1,105</b>	<b>(6,335)</b>	<b>(11,270)</b>	<b>1,028</b>	<b>(10,242)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(3,120)</b>	<b>1,949</b>	<b>(6,381)</b>	<b>(7,552)</b>	<b>-</b>	<b>(7,552)</b>

## **Adjustments for Capital Purposes**

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

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

## **Net Change for the Pensions Adjustments**

For the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and Income:

- Services - This represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

## **Other Statutory Adjustments**

Difference between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- Financing and investment income and expenditure - the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- Taxation and non-specific grant income and expenditure - represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## **Other Non-statutory Adjustments**

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- Financing and investment income and expenditure - the other non-statutory adjustments column recognises adjustments to Portfolios e.g. for interest income and expenditure.
- Taxation and non-specific grant income and expenditure - the other non-statutory adjustments column recognises adjustments to Portfolios e.g. for unringfenced government grants.
- The Council's reportable segments are based on the portfolio's of the Council as structured by members and service departments.



## 8. Segmental Income

Income received from external customers (excluding grants) on a segmental basis is analysed below:

<b>2021/22</b> <b>Income</b> <b>from</b> <b>Services</b> <b>£000</b>		<b>2022/23</b> <b>Income</b> <b>from</b> <b>Services</b> <b>£000</b>
528	Community	644
5,873	Environment	5,494
153	Leisure	210
3,194	Planning & Regeneration	3,766
2,798	Resources	2,753
<u>12,546</u>	Sub Total	<u>12,867</u>
1,698	Hosted	469
<u><b>14,244</b></u>	<b>Total income analysed on a segmental basis</b>	<u><b>13,336</b></u>

## 9. Expenditure and Income Analysed by Nature

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

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
	<b>Expenditure</b>	
11,697	Employee benefits expenses	11,889
36,118	Other services expenses	34,655
3,181	Depreciation, amortisation, impairment	4,357
1,958	Interest payments	2,045
1,274	Precepts and levies	1,333
(293)	Gain on the disposal of assets	13
<u><b>53,935</b></u>	<b>Total Expenditure</b>	<u><b>54,292</b></u>
	<b>Income</b>	
14,244	Fees, charges and other service income	13,336
88	Interest and investment income	1,583
15,226	Income from council tax and non-domestic rates	15,043
32,755	Government grants and contributions	30,923
<u><b>62,313</b></u>	<b>Total Income</b>	<u><b>60,885</b></u>
<u><b>(8,378)</b></u>	<b>Surplus or Deficit on the Provision of Services</b>	<u><b>(6,593)</b></u>

## 10. Revenue from Contracts with Service Recipients

The Council exposure to this area is only in relation to a limited number of areas. These are:

- a) Planning fees
- b) Land charges fees

These amounts occur due to timings from receipt of monies to processing of application. There are no contract assets or liabilities held for either 2021/22 or 2022/23.

Amounts included in the Comprehensive income and Expenditure Statement for contracts with service recipients:

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
217	Revenue from contracts with service recipients	141
<u><b>217</b></u>	<b>Total Included in Comprehensive Income and Expenditure Statement</b>	<u><b>141</b></u>

Amounts included in the Balance Sheet for contracts with service recipients:

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
217	Receivables, which are included within debtors (note 22)	141
<b>217</b>	<b>Total Included in Net Assets</b>	<b>141</b>

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the year is:

<b>31 March</b>		<b>31 March</b>
<b>2022</b>		<b>2023</b>
<b>£000</b>		<b>£000</b>
217	Not later than one year	141
-	- Later than one year	
<b>217</b>	<b>Amounts of transaction price, partially or fully unsatisfied</b>	<b>141</b>

## 11. Adjustments Between Accounting Basis And Funding Basis Under Regulations

This note details the adjustments that are made to the Comprehensive Income and Expenditure recognised by the Council in 2022/23 in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

**Usable Reserves**

**2022/23**

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
o Pension costs (transferred to (or from) the Pensions Reserve)	(1,249)			1,249
o Council Tax and NDR (transfer to or from Collection Fund)	2,831			(2,831)
o Holiday pay (transferred to the Accumulated Absences Reserve)	22			(22)
o Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account.	5,862		(8,111)	2,249
o Gain / loss non current deferred receipts				-
<b>Total Adjustments to the Revenue Resources</b>	<b>7,466</b>	<b>-</b>	<b>(8,111)</b>	<b>645</b>
<b>Adjustments between Revenue and Capital Resources</b>				
o Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	25	(25)		-
o Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-			-
o Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	300			(300)
o Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	173			(173)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>498</b>	<b>(25)</b>	<b>-</b>	<b>(473)</b>
<b>Adjustments to Capital Resources</b>				
o Use of Capital Receipts Reserve to finance capital expenditure		89		(89)
o Application of capital grants to finance capital expenditure			(39)	39
o Cash payments in relation to deferred capital receipts				-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>89</b>	<b>(39)</b>	<b>(50)</b>
<b>Total Adjustments</b>	<b>7,964</b>	<b>64</b>	<b>(8,150)</b>	<b>122</b>

**Usable Reserves**

**2021/22**

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
o Pension costs (transferred to (or from) the Pensions Reserve)	(1,949)			1,949
o Financial Instruments (transferred to the Financial Instruments Adjustments Account)	-			-
o Council Tax and NDR (transfer to or from Collection Fund)	6,335			(6,335)
o Holiday pay (transferred to the Accumulated Absences Reserve)	46			(46)
o Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account.	2,280		(4,519)	2,239
o Gain / loss non current deferred receipts				-
<b>Total Adjustments to the Revenue Resources</b>	<b>6,712</b>	<b>-</b>	<b>(4,519)</b>	<b>(2,193)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
o Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	293	(293)		-
o Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-		-
o Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	357			(357)
o Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	190			(190)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>840</b>	<b>(293)</b>	<b>-</b>	<b>(547)</b>
<b>Adjustments to Capital Resources</b>				
o Use of Capital Receipts Reserve to finance capital expenditure		185		(185)
o Application of capital grants to finance capital expenditure			1	(1)
o Cash payments in relation to deferred capital receipts				-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>185</b>	<b>1</b>	<b>(186)</b>
<b>Total Adjustments</b>	<b>7,552</b>	<b>(108)</b>	<b>(4,518)</b>	<b>(2,926)</b>

## 12 Transfers to/from Earmarked Reserves

This note details the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers in 2022/23 £000	Balance at 31 March 2023 £000
<b>General Fund:</b>							
<b>Revenue</b>							
General	(10,727)	473	(2,646)	(12,900)	935	(1,632)	(13,597)
Section 106	(1,162)	124	(1,698)	(2,736)	139	(470)	(3,067)
Grants	(2,340)	392	(1,706)	(3,654)	1,545	(571)	(2,680)
Insurance Reserve	(564)	12	(43)	(595)	18	(43)	(620)
Business Rates Reserve	(9,746)	9,746	(3,643)	(3,643)	3,643	(851)	(851)
New homes bonus	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>(24,539)</b>	<b>10,747</b>	<b>(9,736)</b>	<b>(23,528)</b>	<b>6,280</b>	<b>(3,567)</b>	<b>(20,815)</b>
<b>Capital</b>							
VAT shelter	(177)	-	-	(177)	-	-	(177)
RCCO	(950)	123	(90)	(917)	49	(90)	(958)
Capital reserves	(8,320)	211	(1,644)	(9,753)	182	(745)	(10,316)
<b>Subtotal</b>	<b>(9,447)</b>	<b>334</b>	<b>(1,734)</b>	<b>(10,847)</b>	<b>231</b>	<b>(835)</b>	<b>(11,451)</b>
<b>TOTAL</b>	<b>(33,986)</b>	<b>11,081</b>	<b>(11,470)</b>	<b>(34,375)</b>	<b>6,511</b>	<b>(4,402)</b>	<b>(32,266)</b>

The earmarked reserves balance from 2021/22 to 2022/23 has decreased by £2.109 million.

General reserves relate to monies earmarked for future budget support, provision for future maintenance and unavoidable delays in projects which will be delivered during the 2023/24 financial year.

In accordance with best practice, the grants reserve relates to external funding received for which no condition exists for repayment but has not yet been spent.

The Council's self insurance reserve meets insurance liabilities in respect of its obligations as an employer, liability to the public and for Council property. The level of the fund is reviewed once every 3 years by external advisors.

The Business Rates Reserve balance is not available for general use. This represents the Council's share of any surplus on the Collection Fund. This reserve has been set aside to absorb the timing difference in accounting for collection fund balances.

The VAT shelter reserve relates to income received as part of the housing stock transfer agreement. The receipts currently are earmarked to support capital spend, these receipts have now ceased.

### 13. Other Operating Expenditure

2021/22		2022/23
£000		£000
1,274	Parish council precepts	1,334
-	(Gains)/Losses on the disposal of non-current assets	38
(293)	Other income-fixed assets	(25)
<u>981</u>	<b>TOTAL</b>	<u>1,347</u>

### 14. Financing and Investment Income and Expenditure

2021/22		2022/23
£000		£000
853	Interest payable and similar charges	1,064
(2,213)	Net interest on the net defined benefit liability / (asset)	(3,276)
3,318	Remeasurements of the net defined benefit liability/(asset)	4,257
1	Income and Expenditure in relation to investment properties and changes in their fair value	107
(88)	Interest receivable and similar income	(1,583)
601	(Gain) / loss on trading accounts	602
(67)	Expected credit loss allowance	39
<u>2,405</u>	<b>TOTAL</b>	<u>1,210</u>

### 15. Taxation and Non Specific Grant Incomes

2021/22		2022/23
£000		£000
(9,199)	Council tax income	(9,387)
(6,027)	Non domestic rates	(5,656)
(3,816)	Non-ringfenced government grants	(2,387)
(5,462)	Capital grants and contributions	(10,258)
<u>(24,504)</u>	<b>TOTAL</b>	<u>(27,688)</u>

## 16. Property, Plant and Equipment

<b>Movements in 2022/23 Cost or Valuation</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Leased Plant &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
◦ At 1 April 2022	49,265	4,544	1,963	834	793	509	146	58,054
◦ Additions	109	157			7		529	802
◦ Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,550					(22)		1,528
◦ Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(148)					6		(142)
◦ Derecognition - disposals	(18)					(4)		(22)
◦ Derecognition - other				(34)				(34)
◦ Assets reclassified (to)/from Held For Sale								-
◦ Other movements in cost or valuation								-
<b>at 31 March 2023</b>	<b>50,758</b>	<b>4,701</b>	<b>1,963</b>	<b>800</b>	<b>800</b>	<b>489</b>	<b>675</b>	<b>60,186</b>
<b>Accumulated Depreciation and Impairment</b>								
◦ At 1 April 2022	(611)	(2,829)	(1,446)	(337)	-	-	-	(5,223)
◦ Depreciation charge	(2,036)	(263)	(191)	(33)				(2,523)
◦ Depreciation written out to the Revaluation Reserve	1,750							1,750
◦ Depreciation written out to the surplus/Deficit on the Provision of Services	2							2
◦ Derecognition - disposals								-
◦ Derecognition - other				18				18
◦ Other movements in depreciation and impairment								-
<b>at 31 March 2023</b>	<b>(895)</b>	<b>(3,092)</b>	<b>(1,637)</b>	<b>(352)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,976)</b>
<b>Net Book Value</b>								
<b>at 31 March 2023</b>	<b>49,863</b>	<b>1,609</b>	<b>326</b>	<b>448</b>	<b>800</b>	<b>489</b>	<b>675</b>	<b>54,210</b>
<b>at 31 March 2022</b>	<b>48,654</b>	<b>1,715</b>	<b>517</b>	<b>497</b>	<b>793</b>	<b>509</b>	<b>146</b>	<b>52,831</b>

<b>Movements in 2021/22 Cost or Valuation</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Leased Plant &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
o At 1 April 2021	46,077	4,406	1,963	834	821	509	664	55,274
o Additions	234	138					144	516
o Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,198							2,198
o Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	279				(38)			241
o Derecognition - disposals								-
o Derecognition - other								-
o Assets reclassified (to)/from Held For Sale								-
o Other movements in cost or valuation	477	-	-	-	10	-	(662)	(175)
<b>at 31 March 2022</b>	<b>49,265</b>	<b>4,544</b>	<b>1,963</b>	<b>834</b>	<b>793</b>	<b>509</b>	<b>146</b>	<b>58,054</b>
<b>Accumulated Depreciation and Impairment</b>								
o At 1 April 2021	(448)	(2,443)	(1,194)	(304)	-	-	-	(4,389)
o Depreciation charge	(1,948)	(386)	(252)	(33)				(2,619)
o Depreciation written out to the Revaluation Reserve	1,773							1,773
o Depreciation written out to the surplus/Deficit on the Provision of Services	12							12
o Derecognition - disposals								-
o Derecognition - other								-
o Other movements in depreciation and impairment								-
<b>at 31 March 2022</b>	<b>(611)</b>	<b>(2,829)</b>	<b>(1,446)</b>	<b>(337)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,223)</b>
<b>Net Book Value</b>								
<b>at 31 March 2022</b>	<b>48,654</b>	<b>1,715</b>	<b>517</b>	<b>497</b>	<b>793</b>	<b>509</b>	<b>146</b>	<b>52,831</b>
<b>at 31 March 2021</b>	<b>45,629</b>	<b>1,963</b>	<b>769</b>	<b>530</b>	<b>821</b>	<b>509</b>	<b>664</b>	<b>50,885</b>

## Depreciation

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

- Other Land and Buildings - 1 - 74 years
- Vehicles, Plant, Furniture & Equipment - straight line on historic cost over 7 - 15 years or period of the lease
- Infrastructure - straight line on historic cost over 25 years

## Capital Commitments

At 31 March 2023, the Council entered into contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years budgeted to cost £2,177,000. Of this £837,000 relates to Future High Street Fund improvements with £1,340,000 relating to Stone Leisure Destination Park. Similar commitments at 31 March 2022 were £2,634,000, including £2,462,000 relating to disability adaptations, £2,000 relating to Victoria Park improvements and £170,000 relating to Future High Street Fund improvements.



## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Land and Buildings are subject to detailed valuations every 5 years. The valuations are carried out by the external valuer, Lambert Smith Hampton (Director TD Sandford BSc MRICS).

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- In respect of the Civic Centre the valuation is based on the assumption that the freehold title is vested with the Council, in spite of the fact they occupy the premises on a leasehold basis and pay a full market rent for the property.
- The apportionment between land and buildings has been undertaken in accordance with RICS Valuation Standards by deducting the value of the land for existing use from the valuation with the residual sum being the depreciable amount attributable to the building.
- In the appraisal of useful life regard is given to the Council's continuing use of the asset being equal to the physical and economic life of the building assuming a programme of reasonable maintenance.
- The Depreciated Replacement Cost (DRC) method has been applied to a significant number of the properties valued as these assets are rarely, if ever, sold and therefore can be classified as specialised properties where there is limited, if any, evidence of market transactions.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Leased Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Carried at historical cost	-	1,609	326	448	800	-	675	3,858
valued at fair value as at:								
31 March 2019	3,364	-	-	-	-	-	-	3,364
31 March 2020	1,160	-	-	-	-	-	-	1,160
31 March 2021	1,284							1,284
31 March 2022	1,929							1,929
31 March 2022	42,126					489		42,615
<b>Total Cost or Valuation</b>	<b>49,863</b>	<b>1,609</b>	<b>326</b>	<b>448</b>	<b>800</b>	<b>489</b>	<b>675</b>	<b>54,210</b>

## 17. Heritage Assets

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

Cost or Valuation	Civic Regalia £000	Art collection at Civic Offices £000	Collections at Heritage Sites £000	Total Assets £000
1 April 2022	343	70	273	686
<b>31 March 2023</b>	<b>343</b>	<b>70</b>	<b>273</b>	<b>686</b>

<b>Cost or Valuation</b>	<b>Civic Regalia £000</b>	<b>Art collection at Civic Offices £000</b>	<b>Collections at Heritage Sites £000</b>	<b>Total Assets £000</b>
1 April 2021	343	70	273	686
<b>31 March 2022</b>	<b>343</b>	<b>70</b>	<b>273</b>	<b>686</b>

## 18. Investment Properties

The Council holds four assets as investment properties let on long leases and therefore there are restrictions on disposal.

The first relates to land at Chell Road, Stafford. The asset is held solely for capital appreciation and there are no rentals or operating expenses receivable in relation to this asset. The asset value as at 31 March 2023 is £1.6 million. There has been a decrease in value since 31 March 2022 of £60,000. The land is leased to J Sainsburys plc on a long lease (125 years).

The second relates to shops at 47/49 Greengate Street, Stafford. The Council's interest has been valued at £0.002m as at 31 March 2023, a decrease of £2,500 in value since 31 March 2022.

The third relates to land at Broad Street, Stafford which is leased to J Sainsbury Limited for a period of 99 years. The asset value as at 31 March 2023 is £0.345 million, reflecting a decrease of £15,000 in value since 31 March 2022.

The fourth relates to land at Stafford Street, Stone which is leased to LMV Overseas Investments Limited for a period of 250 years. The Council's interest has been valued at £0.580 million which is a decrease of £29,000 from 31 March 2022.

### Fair Value Measurement of Investment Property

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

The fair value of the properties is based on Level 2 inputs in the fair value hierarchy. These have been based on the market approach using current market conditions and recent sales prices (where available to the market) and other relevant information for similar assets in the local authority area.

There have been no transfers between the levels of the fair value hierarchy and valuation techniques from those used in 2022/23.

The fair value of the Council's investment properties is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 19. Intangible Assets

The Council 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. The intangible assets currently relate only to purchased licences as the council does not currently have any internally generated intangible assets.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis.

Due to the low value of the Council's intangible asset amortisation a detailed disclosure of where the charge is made in the Comprehensive Income and Expenditure account is not required.

The movement on purchased Intangible Asset balances during the year is as follows:

<b>2021/22</b>	<b>2022/23</b>
<b>Total £000</b>	<b>Total £000</b>
<b>Balance at start of year:</b>	
60 Gross carrying amounts	235
(42) Accumulated amortisation	(54)
<u>18</u> <b>Net carrying amount at start of year</b>	<u>181</u>
<b>Additions:</b>	
175 Purchases	-
(12) Amortisation for the period	(20)
<u>181</u> <b>Net carrying amount at end of year</b>	<u>161</u>
<b>Comprising:</b>	
235 Gross carrying amounts	235
(54) Accumulated amortisation	(74)
<u>181</u>	<u>161</u>

The table below shows the amortisation profile of the intangible assets, where the carrying value of individual assets are above £100,000 they are detailed separately.

<b>Carrying Amount 31 March 2022</b>	<b>Carrying Amount 31 March 2023</b>
<b>£000 Remaining Amortisation Period</b>	<b>£000</b>
1 Year	
2 Years	4
3 Years	
6 4 Years	
5 Years	
9 Years	157
175 10 Years	
<u>181</u>	<u>161</u>

The Council purchased the Civica finance system which went live in 2021/22. This asset has a carrying value of £158,000. This has a remaining life of 9 years at 31 March 2023.

The Council revalues intangible assets where there is an active market, however it is currently considered that there is no active market for the software held and they have consequently not been revalued.

## 20. Financial Instruments

### Categories of Financial Instruments

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

	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	Non-current				Current				Total	Total
Financial Assets	Investments		Debtors		Investments		Debtors			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost:										
Short Term Investments	-	-	-	-	33,038	8,030	-	-	33,038	8,030
Cash & Cash Equivalents	-	-	-	-	33,669	68,274	-	-	33,669	68,274
Long Term Debtors	-	-	102	102	-	-	-	-	102	102
Trade Debtors	-	-	-	-	-	-	2,555	910	2,555	910
Available for Sale	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	-	-	102	102	66,707	76,304	2,555	910	69,364	77,316
Non-financial assets	-	-	-	-	-	-	2,332	3,634	2,332	3,634
<b>Total</b>	-	-	102	102	66,707	76,304	4,887	4,544	71,696	80,950

	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	Non-current				Current				Total	Total
Financial Liabilities	Borrowings		Creditors		Borrowings		Creditors			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost										
Trade Creditors	-	-	-	-	-	-	3,442	5,617	3,442	5,617
Finance Lease	-	-	1,581	1,478	-	-	208	103	1,789	1,581
Long Term Creditors	-	-	14	10	-	-	-	-	14	10
<b>Total financial liabilities</b>	-	-	1,595	1,488	-	-	3,650	5,720	5,245	7,208
Non-financial liabilities	-	-	-	-	-	-	21,797	16,548	21,797	16,548
<b>Total</b>	-	-	1,595	1,488	-	-	25,447	22,268	27,042	23,756

## Reclassifications

There were no reclassifications during 2022/23

## Financial Instruments 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:

### Income, Expense, Gains and Losses

	2021/22		2022/23	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Interest Revenue:				
Financial assets measured at amortised cost	(88)	-	(1,583)	-
<b>Total interest revenue</b>	<b>(88)</b>	<b>-</b>	<b>(1,583)</b>	<b>-</b>
<b>(Surplus) / deficit arising on revaluation of financial assets in Other comprehensive Income</b>				
<b>Net (gain)/loss for the year</b>	<b>(88)</b>	<b>-</b>	<b>(1,583)</b>	<b>-</b>

There has been no change in the valuation technique used during the year for the financial instruments

### The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

All of the Council's financial assets and liabilities have been classified as and are held in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

### Mark to Model Valuation for Financial Instruments

All the financial assets are classed at amortised cost and held with Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, the Council has used a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future at today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The Council's accounting policy is to use new borrowing rates to discount the future cash flows.

The fair values calculated are as follows:

31 March 2022			31 March 2023	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000	Financial Liabilities	£000	£000
3,442	3,442	Trade Creditors	5,617	5,617
208	208	Short Term Creditor - Finance Lease	103	103
14	14	Long Term Creditors	10	10
1,581	1,581	Other Long Term Liabilities - Finance Leases	1,478	1,478
<b>5,245</b>	<b>5,245</b>	<b>Total Financial Liabilities</b>	<b>7,208</b>	<b>7,208</b>

There is no difference in the fair value of liabilities as the instruments held at 31 March 2023 are valued at cost as this is a fair approximation of their value.

31 March 2022			31 March 2023	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000	Financial Assets	£000	£000
33,038	33,038	Fixed Term Deposits	8,030	8,030
33,669	33,669	Cash & Cash Equivalents	68,274	68,274
102	102	Long Term Debtors	102	102
2,555	2,555	Trade Debtors	910	910
<b>69,364</b>	<b>69,364</b>	<b>Total Financial Assets</b>	<b>77,316</b>	<b>77,316</b>

There is no difference in the fair value of financial assets as the instruments are held at amortised cost as this is a fair approximation of their value.

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

## 21. Inventories

The Council only carries stock as consumable stores and the balance carried is not material, therefore detailed disclosure notes of movements are not shown. At 31 March 2023 the balance of stocks held was £31,000, a reduction of £2,000 from the previous financial year.

## 22. Debtors

### Short Term Debtors

31 March 2022		31 March 2023	
£000		£000	
666	Central Government	961	
2,555	Trade Debtors	910	
281	Pre Payments	405	
289	Local taxation - Council Tax	557	
594	Local taxation - NNDR	1,111	
502	Other Receivables	600	
<b>4,887</b>		<b>4,544</b>	

The balances detailed above are net of impairment allowances. The amount of impairment allowance per category is set out below:

31 March 2022		31 March 2023	
£000		£000	
(56)	Trade receivables	(115)	
(496)	Local taxation - Council Tax	(558)	
(983)	Local taxation - NNDR	(950)	
(2,394)	Other receivable amounts	(2,374)	
<b>(3,929)</b>		<b>(3,997)</b>	

The balances below set out the debtors for Local Taxation gross of any impairment allowance.

**Debtors for Local Taxation - Council Tax**

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
31	Less than three months	313
187	Three to six months	91
177	Six months to one year	42
390	More than one year	492
<u>785</u>		<u>938</u>

**Debtors for Local Taxation - NNDR**

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
114	Less than three months	644
685	Three to six months	206
249	Six months to one year	253
415	More than one year	506
<u>1,463</u>		<u>1,609</u>

**23. Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
	<b>Current Assets</b>	
6	Cash held by the Council	10
31,006	Cash & Cash Equivalents held by the Council	66,230
2,657	Bank current accounts	2,034
<u>33,669</u>	<b>Total Cash and Cash Equivalents</b>	<u>68,274</u>

**24. Assets Held For Sale**

There were no assets held for sale as at 31 March 2023 (or 31 March 2022).

**25. Short Term Creditors**

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
19,979	Central Government	13,576
294	Local taxation - Council Tax	190
291	Local taxation - NNDR	1,594
3,442	Trade Payables	5,617
1,441	Other Payables	1,291
<u>25,447</u>		<u>22,268</u>

## 26. Provisions

### Current Liabilities

The Council had no provisions which met the definition of current liabilities during the year.

### Long Term Liabilities

	<b>Business Rates Appeals £000</b>
<b>Balance at 1 April 2022</b>	3,435
Additional provisions made	466
Amounts used	(527)
<b>Balance at 31 March 2023</b>	<u><u>3,374</u></u>

The balance at 31 March 2023 reflects the Council's use of the provision for business rates appeals. The business rates provision was an estimate as detailed in note 4 to the accounts. It was included within long term liabilities as there was uncertainty on timing and amount.

## 27. Usable Reserves

<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>
(1,831) General Fund Balance	(2,569)
(34,375) Earmarked General Fund Reserves	(32,266)
(1,507) Capital Receipts Reserve	(1,443)
(7,709) Capital Grants Unapplied	(15,859)
<u><u>(45,422)</u></u> <b>Total Usable Reserves</b>	<u><u>(52,137)</u></u>

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 11 and 12.

## 28. Unusable Reserves

<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>
(22,380) Revaluation Reserve	(24,309)
(29,870) Capital Adjustment Account	(29,493)
37,111 Pensions Reserve	1,396
(102) Deferred Capital Receipts Reserve	(102)
3,507 Collection Fund Adjustment Account	675
137 Accumulated Absences Account	115
<u><u>(11,597)</u></u> <b>Total Unusable Reserves</b>	<u><u>(51,718)</u></u>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from the increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.



The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
	<b>(19,579) Balance at 1 April</b>	<b>(22,380)</b>
(4,088)	Upward revaluation of assets	(4,115)
41	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	836
	<b>(4,047) (Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(3,279)</b>
1,236	Difference between fair value depreciation and historical cost depreciation	1,328
10	Accumulated gains on assets sold or scrapped	22
	<b>1,246 Amount written off to the Capital Adjustment Account</b>	<b>1,350</b>
	<b><u>(22,380) Balance at 31 March</u></b>	<b><u>(24,309)</u></b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 11 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22 £000		2022/23 £000
<b>(30,130)</b>	<b>Balance at 1 April</b>	<b>(29,870)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,921	Charges for depreciation and impairment of non-current assets	2,523
(555)	Revaluation losses on Property, Plant and Equipment	140
12	Amortisation of intangible assets	20
802	Revenue Expenditure Funded from Capital Under Statute	1,567
-	Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	38
1	Fair Value of Investment Property	107
<hr/>		<hr/>
3,181		4,395
(1,246)	Adjusting amounts written out of the Revaluation Reserve	(1,350)
<hr/>		<hr/>
(28,195)	Net written out amount of the cost of non-current assets consumed in the year	(26,825)
	Capital financing applied in the year:	
(185)	Use of the Capital Receipts Reserve to finance new capital expenditure	(89)
(942)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,146)
(1)	Application of grants to capital financing from the Capital Grants Unapplied Account	40
(357)	Statutory provision for the financing of capital investment charged against the General Fund	(300)
(190)	Capital expenditure charged against the General Fund	(173)
<hr/>		<hr/>
(1,675)		(2,668)
<hr/> <b>(29,870)</b>	<b>Balance at 31 March</b>	<hr/> <b>(29,493)</b>

### Pensions Reserve

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

<b>2021/22</b> <b>£000</b>	<b>2022/23</b> <b>£000</b>
<b>57,445 Balance at 1 April</b>	<b>37,111</b>
(22,282) Remeasurements of the net defined benefit liability/(asset)	
5,078 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	(36,964)
	4,589
(3,130) Employers pensions contributions and direct payments to pensioners payable in the year	(3,340)
<b><u>37,111</u> Balance at 31 March</b>	<b><u>1,396</u></b>

#### Deferred Capital Receipts Reserve

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

<b>2021/22</b> <b>£000</b>	<b>2022/23</b> <b>£000</b>
<b>(102) Balance at 1 April</b>	<b>(102)</b>
- Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
- Transfer to the Capital Receipts Reserve upon receipt of cash	-
<b><u>(102) Balance at 31 March</u></b>	<b><u>(102)</u></b>

#### Collection Fund Adjustment Account

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

<b>2021/22</b> <b>£000</b>	<b>2022/23</b> <b>£000</b>
<b>9,842 Balance at 1 April</b>	<b>3,507</b>
(233) Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(40)
(6,102) Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(2,792)
<b><u>3,507</u> Balance at 31 March</b>	<b><u>675</u></b>

#### Accumulated Absences Account

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

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
	<b>183 Balance at 1 April</b>	<b>137</b>
(183)	Settlement or cancellation of accrual made at the end of the preceding year	(137)
137	Amounts accrued at the end of the current year	115
	(46) 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	(22)
	<b><u>137</u> Balance at 31 March</b>	<b><u>115</u></b>

## 29. Cash flow Statement - Operating Activities

The cash flows for operating activities include the following items:

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
(56)	Interest received	(1,827)
260	Interest paid	579

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
(2,619)	Depreciation	(2,523)
253	Impairments and downward valuations	(140)
(12)	Amortisation	(20)
(73)	(Increase)/decrease in impairment for bad debts	(68)
(5,285)	(Increase)/ decrease in Creditors	9,182
429	Increase/(decrease) in Debtors	(1,035)
12	Increase/(decrease) in Stock	(2)
(3,516)	Movement in pension liability	(3,012)
	- Carrying amount of non-current assets sold or derecognised	(16)
(501)	Other non-cash items charged to the net surplus or deficit on the provision of services	(46)
	<b><u>(11,312)</u></b>	<b><u>2,320</u></b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
293	Proceeds from the sales of Plant, Property and Equipment, investment property and intangible assets	25
5,463	Any other item for which the cash effects are investing or financing cash flows	10,258
	<b><u>5,756</u></b>	<b><u>10,283</u></b>

### 30. Cash flow Statement - Investing Activities

The cash flows for investing activities include the following items:

2021/22 £000		2022/23 £000
570	Purchase of property, plant and equipment, investment property and intangible assets	129
69,000	Purchase of short-term and long-term investments	60,500
	Other payments for investing activities	
(331)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(25)
(50,000)	Proceeds from short-term and long-term investments	(85,500)
(5,599)	Capital grants & receipts	(10,435)
<b>13,640</b>	<b>Net cash flows from investing activities</b>	<b>(35,331)</b>

### 31. Cash flow Statement - Financing Activities

The cash flows for financing activities include the following items:

2021/22 £000		2022/23 £000
263	Cash payments for the reduction of the outstanding liabilities relating to finance leases	212
(5,554)	Billing Authorities - Council Tax & NNDR adjustments	(5,496)
<b>(5,291)</b>	<b>Net cash flows from financing activities</b>	<b>(5,284)</b>

#### Reconciliation of Liabilities Arising from Financing Activities

	1 April 2022 £000	Financing cash flows £000	Non-cash changes		31 March 2023 £000
			Acquisition £000	Other non cash changes £000	
Lease liabilities	1,803	(212)	-	-	1,591
<b>Total liabilities from financing activities</b>	<b>1,803</b>	<b>(212)</b>	<b>-</b>	<b>-</b>	<b>1,591</b>

	1 April 2021 £000	Financing cash flows £000	Non-cash changes		31 March 2022 £000
			Acquisition £000	Other non cash changes £000	
Lease liabilities	2,066	(263)	-	-	1,803
<b>Total liabilities from financing activities</b>	<b>2,066</b>	<b>(263)</b>	<b>-</b>	<b>-</b>	<b>1,803</b>

### 32. Acquired and Discontinued Operations

There are no significant operations which were acquired or discontinued during the year.

### 33. Agency Services

The Council undertook distribution of Ukraine payments on behalf of Staffordshire County Council.

### 34. Members Allowances

Members allowances paid during 2022/23 totalled £292,516.20 (2021/22 totalled £276,400.88). Further details are available on the Council's website.

### 35. Officers Remuneration

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

#### Senior Officers emoluments 2022/23 - salary is between £50,000 and £150,000 per year

Post Title		Salary, Fees and Allowances £	Benefits in Kind £	Pension Contribution £	Total £
Chief Executive	(i)	145,518	-	24,447	169,965
Head of Development		52,104		9,344	61,448
Interim Head of Development	(ii)	71,542	-	11,302	82,844
Head of Operations		56,340	965	8,238	65,543
Head of Human Resources and Property Services	(iii)	64,181	1,448	10,753	76,382
Head of Law and Administration	(iv)	88,173		14,813	102,986
Head of Technology	(v)	30,049	3,861	5,048	38,958
		<b>507,907</b>	<b>6,274</b>	<b>83,945</b>	<b>598,126</b>

Further notes with regard to the above statement include:

- (i) The Chief Executive is responsible for the provision of service to another Local Authority.
- (ii) The Interim Head of Development is providing cover.
- (iii) The Head of Human Resources and Property Services is responsible for the provision of services to other Local Authorities.
- (iv) The Head of Law and Administration is responsible for the provision of services and acting as Solicitor and Monitoring Officer for Cannock Chase Council.
- (v) The Head of Technology is responsible for the provision of services to another Local Authority. This post covers a part year to the 21/11/2022.

The Council operates a number of shared services with Cannock Chase District Council which operate on the basis of a lead authority. The posts set out below are responsible for the provision of services to the recipient authority:-

Post	Lead Authority	Recipient Authority
Chief Executive	Stafford Borough Council	Cannock Chase District Council
Head of Human Resources	Stafford Borough Council	Cannock Chase District Council
Head of Law & Administration	Stafford Borough Council	Cannock Chase District Council
Head of Technology	Stafford Borough Council	Cannock Chase District Council

In addition the Council also receives services from Cannock Chase District Council for provision of services to the recipient authority:-

Post	Lead Authority	Recipient Authority
Head of Finance	Cannock Chase District Council	Stafford Borough Council
Head of Governance & Corporate Services	Cannock Chase District Council	Stafford Borough Council

**Senior Officers emoluments 2021/22 - salary is between £50,000 and £150,000 per year**

<b>Post Title</b>		<b>Salary, Fees and Allowances £</b>	<b>Benefits in Kind £</b>	<b>Pension Contribution £</b>	<b>Total £</b>
Chief Executive	(i)	140,618	-	23,624	164,242
Head of Development		74,876	-	12,579	87,455
Head of Operations		69,981	5,792	11,750	87,523
Head of Human Resources and Property Services	(ii)	85,127	5,792	13,253	104,172
Head of Law and Administration	(iii)	76,543	-	12,859	89,402
Head of Technology	(iv)	64,041	5,792	10,759	80,592
		<b>511,186</b>	<b>17,376</b>	<b>84,824</b>	<b>613,386</b>

The number of other employees within the Council receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are:

<b>2021/22 Number of employees</b>	<b>Hosted Service Remuneration band</b>	<b>2022/23 Number of employees</b>
6	£50,000 - £54,999	4
1	£55,000 - £59,999	1

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:

<b>Exit package cost band (including special payments) Council</b>	<b>Number of compulsory redundancies</b>		<b>Number of other departures agreed</b>		<b>Total number of exit packages by cost band</b>		<b>Total cost of exit packages in each band</b>	
	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
£0 - £20,000	-	-	-	-	-	-	-	-
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**36. External Audit Costs**

The auditors for 2022/23 financial year were appointed by the PSAA (Public Sector Audit Appointments). The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors:

<b>2021/22 £</b>		<b>2022/23 £</b>
64,685	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor	76,788 (i)
17,500	Fees payable to the Grant Thornton for the certification of grant claims and returns for the year	17,500 (ii)
(7,930)	Rebate from the Public Sector Audit Appointments during the year	-
<b>74,255</b>	<b>Total</b>	<b>94,288</b>

(i) This includes a scale fee for 22/23 of £47,687, and a variations fee for 22/23 of £29,101.

(ii) This relates to grant fees in respect of the 21/22 certification of grant fees.

### 37. Grant Income & Precepts on the Collection Fund

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

2021/22 £000		2022/23 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
7,925	Collection Fund Income (council tax- council)	8,054
1,274	Collection Fund Income (council tax - parishes)	1,333
6,006	NNDR	5,656
2,380	New Homes Bonus Grant	1,702
154	Sales Fees and Charges Support Grant	-
-	- Services Grant	195
608	Covid 19 LA Support Grant	-
408	Lower Tier Grant	398
3,200	Future High Street Fund	8,100
131	Business Rates New Burdens Grant	-
1,522	Disabled Facilities Grant	1,522
-	- UK Shared Prosperity Fund	364
651	Section 106 capital grants	188
89	Contributions	-
21	Local Tax Income Compensation NNDR	-
135	Other grants	176
<b>24,504</b>	<b>Total</b>	<b>27,688</b>
	<b>Credited to Services</b>	
17,331	Housing Benefit Subsidy	16,668
239	Housing Benefit Administration Grant	235
171	Cost of Collection Allowance	170
113	DCLG Local Council Tax Scheme Grant	111
133	Discretionary Housing Payments	93
380	Preventing Homelessness Grant	412
	UK Shared Prosperity Fund	223
111	Welcome back Fund	-
737	Social Housing Decarbonisation	-
279	Leisure National Recovery Fund	-
72	ORCS Residential EV Charging	-
-	- Council Tax rebate new burdens	188
330	DCLG Garden Communities Programme	-
157	Contain Outbreak management fund	-
3,187	ARG	-
237	Other grants	178
<b>23,477</b>	<b>Total</b>	<b>18,278</b>

Other grants shown in the tables above includes all grants received less than £50,000.

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:



(i) **Current Liabilities**

31 March 2022		31 March 2023	
£000	Revenue Grants Receipts in Advance	£000	
2,003	Other	2,495	
<u>2,003</u>	<b>Total</b>	<u>2,495</u>	

(ii) **Long Term Liabilities**

31 March 2022		31 March 2023	
£000	Capital Grants Receipts in Advance	£000	
3,214	Section 106 Developers capital contributions	3,689	
<u>3,214</u>	<b>Total</b>	<u>3,689</u>	

The Council does not hold a donated assets account.

### 38. **Related Parties**

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

#### **Central Government**

Central government has significant influence over the general operations of the Council as it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 37 Grant Income and Precepts on the Collection Fund.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2022/23 is shown in Note 34. Details of Members' interest are recorded in the Register of Members' Interest maintained by the Council. During 2022/23 there were no significant works and services commissioned from companies in which members had an interest.

#### **Officers**

During 2022/23 there were no significant works or services commissioned from companies in which senior officers had an interest.

#### **Other Public Bodies (subject to common control by central government)**

There are no transactions with other public bodies in 2022/23 that are required to be disclosed.

#### **Entities Controlled or Significantly Influenced by the Council**

As part of the shared services with Cannock Chase District Council, Stafford Borough Council paid £2.697 million for Cannock Chase District Council hosted services and received £1.372 million for services hosted at Stafford.

### 39. **Capital Expenditure and Capital Financing**

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

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
<b>4,434 Opening Capital Financing Requirement</b>	<b>4,077</b>
<b>Capital Investment</b>	
516 Property, Plant and Equipment	802
802 Revenue Expenditure Funded from Capital under Statute	1,567
<b>Sources of finance</b>	
(185) Capital receipts	(89)
(943) Government grants and other contributions	(2,107)
Sums set aside from revenue:	
(190) Direct revenue contributions	(173)
(357) Minimum Revenue Provision (MRP)	(300)
<b>4,077 Closing Capital Financing Requirement</b>	<b>3,777</b>
<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
<b>Explanation of movements in year</b>	
(357) Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(300)
- Assets acquired under finance leases	
<b>(357) Increase/(decrease) in Capital Financing Requirement</b>	<b>(300)</b>

#### 40. Leases

##### Council as Lessee

##### Finance Leases

The Council has acquired its administrative building under a finance lease. It has also acquired a number of assets under finance assets for vehicles.

The administrative building assets is carried as Property, Plant and Equipment in the Balance Sheet, and the vehicles as Leased Plant and Equipment at the following net amounts:

<b>31 March</b>	<b>31 March</b>
<b>2022</b>	<b>2023</b>
<b>£000</b>	<b>£000</b>
2,321 Other Land and Buildings	2,057
517 Leased Plant & Equipment	326
<b>2,838</b>	<b>2,383</b>

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

<b>31 March</b>	<b>31 March</b>
<b>2022</b>	<b>2023</b>
<b>£000</b>	<b>£000</b>
Finance lease liabilities (net present value of minimum lease payments):	
208 current	103
1,581 non-current	1,478
4,268 Finance costs payable in future years	4,152
<b>6,057 Minimum lease payments</b>	<b>5,733</b>

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

<b>31 March 2022</b>			<b>31 March 2023</b>		
<b>Minimum Lease Payments</b>	<b>Finance Lease Liabilities</b>		<b>Minimum Lease Payments</b>	<b>Finance Lease Liabilities</b>	
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	
324	208	Not later than one year	212	103	
736	312	Later than one year and not later than five years	628	212	
4,997	1,269	Later than five years	4,893	1,266	
<b>6,057</b>	<b>1,789</b>		<b>5,733</b>	<b>1,581</b>	

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022/23 £368,919 contingent rents were payable by the Council (2021/22 £368,919).

The Council has sub-let some of the office accommodation held under this finance lease. At 31 March 2023 the minimum payments expected to be received under non-cancellable sub-leases were £1,085,600. (£1,453,766 at 31 March 2022).

### Operating Leases

The Council does not have any assets held under operating leases.

### Council as Lessor:

#### Finance Leases

The Council has a number of assets that are leased to third parties on long leases, The Council does not receive any rentals and the land values are carried as Investment Assets in the Balance Sheet.(see note 18).

#### Operating Leases

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

- for economic development purposes to provide suitable affordable accommodation for local businesses and the voluntary sector

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

<b>31 March 2022</b>		<b>31 March 2023</b>	
<b>£000</b>		<b>£000</b>	
111	Not later than one year	109	
373	Later than one year and not later than five years	371	
106	Later than five years	33	
<b>590</b>		<b>513</b>	

The 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. There were no contingent rents receivable for either 2022/23 or 2021/22.

## 41. Impairment Losses

During 2022/23 the Council has recognised no impairment losses other than movements in valuation as part of the planned valuation programme and capital expenditure incurred.

## 42. Termination Benefits

The Council did not terminate the contracts of any Council employees in 2022/23 so did not incur any liabilities (nil in 2021/22). The number of exit packages and total cost per band are set out in Note 35.

## 43. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

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

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

During 2017/18 the Council outsourced its Leisure service to a new provider, Freedom Leisure. As part of this the pension contributions were based on a pass through arrangement through Stafford Borough Council, As the pension contributions are fixed the ultimate liability remains with the Council and therefore the figures set out below include the transferred employees.

### Transactions Relating to Post-employment Benefits

The Council recognises 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 the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2021/22 £000		2022/23 £000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Service Cost</b>	
3,973	Current service cost	3,608
-	Past service cost (including curtailments)	-
3,973	<b>Total Service Cost</b>	<b>3,608</b>
	<b>Financing and Investment Income and Expenditure</b>	
(2,213)	Interest income on scheme assets	(3,276)
3,318	Interest cost on defined benefit obligation	4,257
1,105	<b>Total Net Interest</b>	<b>981</b>
<b>5,078</b>	<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>4,589</b>
	<b>Remeasurements of the Net Defined Liability Comprising:</b>	
(11,238)	Return on plan assets excluding amounts included in net interest	5,509
(899)	Actuarial (gains) / losses arising from changes in demographic assumptions	(2,903)
(10,372)	Actuarial (gains) / losses arising on changes in financial assumptions	(50,982)
227	Other	11,412
<b>(22,282)</b>	<b>Total remeasurements recognised in other comprehensive income</b>	<b>(36,964)</b>
<b>(17,204)</b>	<b>Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(32,375)</b>
	<b>Movement in Reserves Statement</b>	
(5,078)	Reversal of net charges made to the (surplus) or deficit on the provision of Services	(4,589)
3,129	<b>Employers Contributions Payable to the Scheme</b>	<b>3,340</b>

Freedom Leisure contributions to the scheme during the year were approximately £207,000

## 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>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(122,742)	Fair value of employer assets	(115,304)
154,729	Present value of funded liabilities	113,971
3,361	Present value of unfunded liabilities	2,729
<b>35,348</b>	<b>Net Liability arising from the Defined Benefit Obligation</b>	<b>1,396</b>

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

<b>2021/22 £000</b>		<b>2022/23 £000</b>
<b>112,131</b>	<b>Opening fair value of scheme assets</b>	<b>122,742</b>
2,213	Interest income	3,276
	<b>Remeasurement gain/(loss)</b>	
11,238	Return on plan assets excluding the amounts included in net interest	(5,509)
-	- Other	(2,567)
1,562	Contributions from employer	1,577
498	Contributions from employees into the scheme	511
(4,900)	Benefits paid	(4,726)
<b>122,742</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>115,304</b>

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

<b>2021/22 £000</b>		<b>2022/23 £000</b>
<b>166,245</b>	<b>Opening fair value of scheme liabilities</b>	<b>158,090</b>
3,973	Current service cost	3,608
3,318	Interest cost	4,257
498	Contributions from scheme participants	511
	<b>Remeasurement (gains)/losses:</b>	
(899)	Actuarial (gains)/losses arising from changes in demographic assumptions	(2,903)
(10,372)	Actuarial (gains)/losses arising from changes in financial assumptions	(50,982)
227	Other	8,845
-	- Past service cost	
(4,900)	Benefits paid	(4,726)
<b>158,090</b>	<b>Closing Fair Value of Scheme Liabilities</b>	<b>116,700</b>

Local Government Pension Scheme Assets comprised:

	Period Ended 31 March 2022				Period Ended 31 March 2023			
	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage Total of Asset £000	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage Total of Asset £000
<b>Equity Securities</b>								
Consumer	4,132		4,132	3%	3,882		3,882	3%
Manufacturing	3,372		3,372	3%	3,168		3,168	3%
Energy and utilities	926		926	1%	870		870	1%
Financial Institutions	4,399		4,399	4%	4,132		4,132	4%
Health and Care	4,645		4,645	4%	4,363		4,363	4%
Information Technology	5,342		5,342	4%	5,018		5,018	4%
Other	-		-	0%	-		-	0%
<b>Debt Securities</b>								
Investment grade	7,210		7,210	6%	6,774		6,774	6%
<b>Private Equity</b>								
All		6,082	6,082	5%		5,713	5,713	5%
<b>Real Estate</b>								
UK Property		9,829	9,829	8%		9,234	9,234	8%
<b>Investment Funds and Unit Trusts</b>								
Equities	58,307		58,307	47%	54,774		54,774	47%
Bonds	7,682		7,682	6%	7,216		7,216	6%
Hedge Funds		45	45	0%		42	42	0%
Infrastructure		327	327	0%		307	307	0%
Other		5,633	5,633	5%		5,292	5,292	5%
<b>Cash and Cash Equivalents</b>								
All	4,811	-	4,811	4%	4,519		4,519	4%
<b>Total Assets</b>	<b>100,826</b>	<b>21,916</b>	<b>122,742</b>	<b>100</b>	<b>94,716</b>	<b>20,588</b>	<b>115,304</b>	<b>100</b>

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council operated Fund are based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

2021/22	2022/23
<b>Mortality assumptions</b>	
Longevity at 65 for current pensioners:	
21.2 Men	21.4
23.8 Women	24.1
Longevity at 65 for future pensioners:	
22.2 Men	21.7
25.5 Women	25.9
<b>Rate of Inflation</b>	
3.60% <b>Rate of increase in salaries</b>	3.50%
3.20% <b>Rate of increase in pensions</b>	3.00%
2.70% <b>Rate for discounting scheme liabilities</b>	4.75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all 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 methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2021/22.

<b>Change in Assumption at 31 March 2023</b>	<b>Approximate % Increase to Employee Liability</b>	<b>Approximate Monetary Value £000</b>
0.1% decrease in real discount rate	2%	1,785
1 year increase in member life expectancy	4%	4,668
0.1% increase in the salary increase rate	0%	198
0.1% increase in the pension increase rate	1%	1,613

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

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding strategy to recoup the past deficit over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed in March 2023.

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

The Council anticipates to pay £3,065,000 expected contributions to the scheme in 2023/24. This includes contributions made by Freedom Leisure outlined above.

The weighted average duration of the defined benefit obligation for the funding scheme members for 2022/23 is 16 years. (2021/22 19 years).

#### **44. Contingent Liabilities**

##### **Municipal Mutual Insurance**

Under the Municipal Mutual Insurance Limited Scheme of Arrangement, the Council has a potential claw-back should there be a deficit in the winding up of the company. An initial payment was made in 2013/14 for £65,000 based on a 15% levy notice, in 2015/16 a further creditor provision of £45,947 has been made to increase to a 25% levy. As there is no certainty on the remaining liability this has been left as a contingent liability. It is the view of the Board at 31 March 2023 that a solvent run off of the Company's business cannot be guaranteed.

#### **45. Contingent Assets**

There are no contingent assets at 31 March 2023.

## 46. Nature and Extent of Risks Arising from Financial Instruments

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

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

### Overall 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.

Risk management is carried out by a central treasury section, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.)

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The Annual Investment Strategy for 2022/23 was approved by Full Council on 1 February 2022 and is available on the Council's website.

### Credit Risk Management Practices

The Council's credit risk management practices are set out in the Annual Investment Strategy. The key elements are:

- It requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standards & Poors Credit Rating Services.
- sets out maximum amounts and time limits with a financial institution located in each category.

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

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three ratings agencies - Fitch, Moodys and Standard and 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;
- sovereign ratings to select counterparties from only the most creditworthy countries
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings

Customers for goods and services are assessed taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

Due to the nature of the financial assets held by the Council it is considered that the credit risk is low. Set out below is the key overview of financial assets held, an assessment of their credit risk and methodology for calculation of credit loss:



### Long Term Debtors

These relate to loans which are a charge on property therefore no credit losses are calculated or defaults and write offs have taken place.

### Investments

This category includes Money Market Funds, Fixed Term deposits and Cash held at bank. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. To date there has been no default or write off in relation to this category of financial asset.

### Short Term Debtors

The short term debtors are split into two elements being non financial assets and financial assets. The non financial assets relate to transactions with the Government, Local authorities and statutory debt. For transactions with government and local authorities no loss allowance is calculated on these elements. For statutory debt loss allowance is calculated based on historic experience which has remained unchanged.

The financial assets primarily relate to sundry debtors and capital payments due. The criteria in relation to these assets are set out below:

- The Council's definition of default is that the counterparty has failed to make the payment and all enforcement action has been unsuccessful
- Debts are written off by the Council where the debt is greater than 6 years old, or where all enforcement has been unsuccessful. Debts below £2,500 are authorised by the Head of Finance and above that value by Council.
- In determining the expected credit losses this is based on experience of default and uncollectability over the last five years based on a lifetime expected credit loss model. There has been no material impact of adopting a forward looking model or changes in the estimation technique.

### Amounts Arising from Expected Credit Losses

The Council has assessed its investments and concluded that the expected credit loss is not material therefore no allowances have been made.

A summary of the credit quality of the Council's investments at 31 March 2023 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability.

	Lowest Long Term Rating	Principal Balance at 31 March 2023 £000	Historical Experience of Default £000	Estimated maximum exposure to default and uncollectability at 31 March 2023 £000
<b>Deposits with Banks and Financial Institutions</b>				
Aberdeen Standard MMF *	AAA	9,000		
Federated Investors (UK) MMF *	AAA	9,000		
Deutsche MMF*	AAA	9,000		
Invesco MMF*	AAA	2,000		
Morgan Stanley MMF*	AAA	9,000		
Handelsbanken Plc Call Ac	AA-	6,000	0.000%	0.004
Landesbank Hessen-Thuringen Girozentrale (Helaba A+	A+	3,500	0.000%	0.013
National Bank of Kuwait (International) PLC	A	6,000	0.003%	0.178
National Westminster Bank Plc (RFB)	A	4,000	0.000%	0.020
Landesbank Hessen-Thuringen Girozentrale (Helaba A+	A+	2,500	0.003%	0.074
Al Rayan Bank PLC	A+	6,000	0.006%	0.386
National Westminster Bank Plc (RFB)	A	2,000	0.013%	0.267
Santander UK Plc 180 Notice Ac	A	6,000	0.022%	1.336
<b>Total</b>		<b>74,000</b>		<b>2.278</b>

\* Money Market Fund

The historic rates of default are from the following agencies as set out below: -

<b>Agency</b>	<b>Years</b>
Fitch	1990 - 2020
Moody's	1983 - 2020
Standard and Poors	1981 - 2020

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

In relation to Expected Credit Losses for debtors, the Council does not generally allow extended credit for customers, but some of the current balance is past its due date for payment.

Trade debtors are based on lifetime expected credit losses. The trade debtors expected credit losses have been calculated based on debt type and recovery stage of debt. The expected credit loss is approximately £116,000. (2021/22 £56,000)

### **Collateral and Other Credit Enhancements**

During the period the Council held no collateral as security.

### **Liquidity Risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums owing £74.0m are due to be paid in less than one year.

### **Refinancing and Maturity Risk**

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing the financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury section address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- 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 of financial liabilities is as follows:

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
210	Less than one year	105
105	Between one and two years	79
214	Between two and five years	140
1,274	More than five years	1,271
<b><u>1,803</u></b>		<b><u>1,595</u></b>

All trade and other payables are due to be paid in less than one year.

## Market Risk

### Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates - the fair value of the borrowings will fall (no impact on revenue balances)
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus and Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its planned treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The finance department monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	
Increase in interest receivable on variable rate investments	788
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b><u>788</u></b>

The fair values for fixed assets have been calculated at carrying value as the instruments are held for less than 1 year and the difference in rates is not material.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Price Risk

The Council has not invested in any equity shares and therefore has no exposure to price risk.

### Foreign Exchange Risk

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

## 47. Heritage Assets Five Year Summary of Transactions

There have been no acquisitions or disposals of the Council's heritage assets in the five year period ended 31 March 2023.

## 48. Heritage Assets: Further Information on the Collections Held

### Civic Regalia

The Council's Civic Regalia includes items such as civic chains and items in connection with civic duties. There is also a collection of silverware and other items given to the Council on various occasions. Items are held and governed under Council regulations and procedures governing all Council assets.

### Art Collection at Civic Offices

The Collection contains paintings and Coats of Arms and China held at the Civic Offices. It also includes 5,000 photographic slides, posters and 18th and 19th Century Wallpaper. In addition the Council owns a painting by Matthew Craddock which was donated by Sir Hugh Fraser of Bradshaw.

### First Edition of the Compleat Angler by Izaak Walton at Mayors Chambers

Izaak Walton's book, The Compleat Angler, was first published on 9 May 1653 and is arguably the most important book in Old English style, having gone through over 600 editions since the author's death. Besides angling advice, the book expounds a philosophy for life which has value and relevance today.

### Art Collection at Heritage Sites

- **Statue of Izaak Walton**

The statue of Izaak Walton was presented to the people of Stafford by the Staffordshire Newspaper to commemorate the Second Millennium. The statue depicts Izaak Walton in an angling repose on the banks of the River Sow.

- **Collection at the Ancient High House Museum**

The Ancient High House Museum opened in 1987 following extensive restoration work. The museum currently houses the museum of the Staffordshire Yeomanry and exhibitions are staged throughout the year reflecting Stafford's history.

The Collection covers items reflecting the social context of the building including furniture, decorative art, tools and utensils from the late Tudor period up until the Edwardian/Georgian age. The Collection also included an intricately carved 16th Century coat of arms which was presented to the Corporation of Stafford by Mayor William Feake in 1677, and a picture of Thomas Sidney, one of only three Staffordians to become Mayor of London.

- **Collection at Izaak Walton Cottage**

The Izaak Walton Cottage Museum opened in its current form in 1990 and houses exhibits dedicated to social history interpreting the life and times of Izaak Walton on the ground floor and angling artefacts and Izaak's written works on the first floor. There are approximately 350 objects and 200 photographs in the Collection.

#### 49. Trust Funds

The Council acts as custodian trustee for two charities. As a custodian trustee, the Council holds the property but takes no decisions on its use. The funds do not represent the assets of the Council and therefore they have not been included in the Balance Sheet.

	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
<b>2022/23</b>				
Sidney's	0.211		6.187	-
Izaak Walton			0.102	-
<b>Total</b>	<b>0.211</b>	<b>-</b>	<b>6.289</b>	<b>-</b>

	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
<b>2021/22</b>				
Sidney's	0.277		5.976	-
Izaak Walton			0.102	-
<b>Total</b>	<b>0.277</b>	<b>-</b>	<b>6.078</b>	<b>-</b>

#### 50. Events After The Balance Sheet Date

The Statement of Accounts was authorised for issue by Deputy Chief Executive (Resources) on 9 October 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. This 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.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non Domestic Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund (surpluses) / deficits for Council Tax declared by the billing authority on 15 January each year, are apportioned to the relevant precepting authorities in the subsequent financial year. The major precepting authorities are Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Staffordshire Commissioner Fire & Rescue Service, (formerly Stoke-on-Trent and Staffordshire Fire and Rescue Authority).

In 2013/2014 the local government finance regime was revised with the introduction of the Business Rates Retention (50%) Scheme. Business Rates now forms part of the funding of local authorities whereby the income is shared between the Government/County Council/Fire Authority and the District Council. Stafford Borough are set a predetermined overall level of Business Rates income and retain 40% of that figure; any growth above that level is then subject to a 50% levy that is paid to the Staffordshire and Stoke-on-Trent Business Rates Pool.

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 is incorporated into the Council's Consolidated Balance Sheet.

<b>2021/22</b>	<b>Business Rates</b>	<b>2022/23 Council Tax</b>	<b>Total</b>
<b>Total £000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income</b>			
91,186 Council Tax Receivable		95,065	95,065
42,139 Business Rates Receivable	42,641		42,641
<b>133,325 Total Income</b>	<b>42,641</b>	<b>95,065</b>	<b>137,706</b>
<b>Expenditure</b>			
<b>Precepts and Demands</b>			
69,604 Staffordshire County Council	3,879	67,950	71,829
26,909 Stafford Borough Council	17,241	8,020	25,261
1,219 Parishes		1,276	1,276
4,259 Staffordshire Commissioner Fire & Rescue Service	431	3,896	4,327
11,450 Office of the Police and Crime Commissioner Staffordshire		12,053	12,053
23,899 Payments to Central Government	21,552		21,552
<b>137,340</b>	<b>43,103</b>	<b>93,195</b>	<b>136,298</b>
<b>Charges to Collection Fund</b>			
87 Write offs of uncollectable amounts	764	216	980
257 Increase in bad debts provision	(82)	758	676
663 Increase in provision for appeals	(153)		(153)
(39) Transitional Protection Payments to Pool	806		806
171 Costs of Collection	170		170
(119) S13A(1)(c) Discretionary Reliefs Funded by General Fund			-
(22,608) Distribution of estimated Collection Fund Surplus (NNDR1)	(8,947)	525	(8,422)
<b>115,752 Total Expenditure</b>	<b>35,661</b>	<b>94,694</b>	<b>130,355</b>
<b>(17,573) (Surplus)/Deficit for Year</b>	<b>(6,980)</b>	<b>(371)</b>	<b>(7,351)</b>
<b>Movement of Collection Fund Balances</b>			
25,298 Balance brought Forward	9,108	(1,383)	7,725
(17,573) Add (Surplus)/Deficit for the Year	(6,980)	(371)	(7,351)
<b>7,725 Balance Carried Forward</b>	<b>2,128</b>	<b>(1,754)</b>	<b>374</b>

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### 1. Council Tax Base and Council Tax Levels

Council Tax income is derived from charges made to taxpayers according to the value of residential properties. Charges are levied in accordance with the valuation band assigned to a property.

The calculation of the Council Tax chargeable in any year is obtained by dividing the total of the precepts and the demands made on the fund by the Council's Tax Base, which represents the total equivalent number of Band D properties as adjusted for discounts and an estimated collection rate of 97.4%. The following shows how the tax base for the year was calculated and the amount of tax chargeable for the year.

#### Council Tax Base 2022/23

Band	Number of Properties (adj for discounts)	Ratio	Band D Equivalent
A Disabled	32.76	5/9	18.20
A	10,256.10	6/9	6,837.40
B	12,282.30	7/9	9,552.90
C	12,659.06	8/9	11,252.50
D	8,984.66	1	8,984.60
E	6,402.52	11/9	7,825.30
F	3,479.40	13/9	5,025.80
G	1,554.18	15/9	2,590.30
H	79.25	2	158.50
	55,730.23		52,245.50
	Other Adjustments and Discounts		(3,755.11)
			48,490.39

The actual Council Tax base for 2022/23 was 49,463.76, an increase of 973.36 (0.02%)

### 2. Council Tax Chargeable for a Band D Property

2021/22		2022/23	
Council	Tax	Precept	Council
£	£	£000	£
1,360.62	Staffordshire County Council	67,950	1,401.30
162.30	Stafford Borough Council	8,020	165.38
25.41	Parish Council (Average)	1,276	26.31
238.57	Office of the Police and Crime Commissioner - Staffordshire	12,053	248.57
78.78	Staffordshire Commissioner Fire & Rescue Service	3,896	80.35
<b>1,865.68</b>	<b>Total</b>	<b>93,195</b>	<b>1,921.91</b>

Individual amounts chargeable are derived from the above according to property banding and individual Parish Demands.

### 3. Non-Domestic Rates (NDR)

The Council is responsible for the collection of Non-Domestic Rates from businesses in its area.

The rates payable, subject to reliefs and reductions, are calculated on the basis of Rateable Value of individual properties (provided by the Valuation Office Agency) multiplied by a specified rate as determined by Central Government. The specified rate for 2022/23 was 51.2p (2021/22 51.2p).

The total non-domestic rateable value at 31 March 2023 was £122.060 million (£122.969 million at 31 March 2022).

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 VOA and hence business rates outstanding as at 31 March 2023. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares.

#### 4. The Fund Balance

The movement in the Council Tax Collection Fund balance is summarised as follows:

<b>Fund Balance at 31 March 2022</b>		<b>Surplus in year (Net Position)</b>	<b>Fund Balance at 31 March 2023</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
(137)	Stafford Borough Council	(39)	(176)
(1,008)	Staffordshire County Council	(268)	(1,276)
(179)	Office of the Police and Crime Commissioner - Staffordshire	(48)	(227)
(59)	Staffordshire Commissioner Fire & Rescue Service	(16)	(75)
<b>(1,383)</b>		<b>(371)</b>	<b>(1,754)</b>

The movement in the Business Rates Collection Fund Balance is summarised as follows:

<b>Fund Balance at 31 March 2021</b>		<b>Surplus in year (Net Position)</b>	<b>Fund Balance at 31 March 2022</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
3,643	Stafford Borough Council	(2,792)	851
820	Staffordshire County Council	(628)	192
4,554	Central Government	(3,490)	1,064
91	Staffordshire Commissioner Fire & Rescue Service	(70)	21
<b>9,108</b>		<b>(6,980)</b>	<b>2,128</b>

The deficit for the year includes a distribution of the estimated deficit of £8.947 million as at the 15 January 2022 position.

#### 5. Precepts and Demands on the Collection Fund

The following authorities have made a Precept / Demand on the Collection Fund:

<b>2021/22</b>		<b>2022/23</b>		
<b>Precept/ Demand plus Share of Surplus</b>	<b>Council Tax</b>	<b>Precept/ Demand for Year</b>	<b>Plus Share of Surplus</b>	<b>Total Paid in Year</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
7,746	Stafford Borough Council	8,020	(52)	7,968
1,219	Parishes	1,276		1,276
64,997	Staffordshire County Council	67,950	(383)	67,567
11,397	Office of the Police and Crime Commissioner - Staffordshire	12,053	(68)	11,985
3,763	Staffordshire Commissioner Fire & Rescue Service	3,896	(22)	3,874
<b>89,122</b>		<b>93,195</b>	<b>(525)</b>	<b>92,670</b>



The following authorities have made a demand on the Collection Fund for Business Rates (the Demand is determined in accordance with regulations) and reflects the estimate outturn reported to Government and other precepting bodies in the NNDR1 return and the designated percentage share:

<b>2021/22</b>			<b>2022/23</b>	
<b>Precept/ Demand</b>	<b>for</b>		<b>Precept/ Demand</b>	<b>for</b>
<b>Year</b>	<b>Business Rates</b>		<b>Year</b>	
<b>£000</b>			<b>£000</b>	
19,120	Stafford Borough Council (40%)		17,241	
4,302	Staffordshire County Council (9%)		3,879	
23,899	Central Government (50%)		21,552	
478	Staffordshire Commissioner Fire & Rescue Service (1%)		431	
<b><u>47,799</u></b>			<b><u>43,103</u></b>	

The precept/demand for the year includes the recovery of the deficit recorded in NNDR1 of £8.947 million in accordance with statutory requirements.

The amount in relation to Stafford Borough Council forms part of the General Fund accounts and is subject to the Tariffs and Levy arrangements of the Business Rates funding regime.

## **6. Provision for Appeals**

As at 31 March 2023 the estimated value of appeals provision against Rateable Value amounts to £8.434 million. The provision is split into two periods covering 1 April 2010 to 31 March 2017 £0.028 million for the 2010 List and a period covering 1 April 2017 to 31 March 2023 £8.406 million for the 2017 List.

## **GLOSSARY OF FINANCIAL TERMS**

For the purpose of the Statement of Accounts and the interpretation of CIPFA's Code of Practice, where appropriate, the following definitions have been adopted.

### **Accounting Concepts**

The fundamental accounting principles that are applied to ensure that the Statement of Accounts 'present fairly' 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 Council 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**

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

### **Agent**

This is where the Council when providing a service is acting as an intermediary which is not part of the councils core business.

### **Balance Sheet**

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

### **Business Rates**

The level of business rates income eligible for pooling under the business rates retention funding regime.

### **Capital Adjustment Account**

This reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

### **Capital Charges**

Charges to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.

### **Capital Expenditure**

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

### **Capital Receipts Reserve**

Income received from the sale of capital assets a specified proportion of which may be used to finance new capital expenditure. The balance is set aside in the form of a provision to meet credit liabilities.

### **Carrying Amount**

This is the amount at which an asset is recognised on the balance sheet after deducting any accumulated depreciation and impairment.

## **Cash Equivalents**

Short term highly liquid investments that are convertible into cash within 24 hours and are subject to insignificant risk of changes in value.

## **CIPFA**

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

## **Code of Practice**

This is the Statement of Recommended Practice which was the framework for published accounts to 31 March 2021.

## **Collection Fund**

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

## **Collection Fund Adjustment Account**

This account represents the Council's share of deficit on the Collection Fund and absorbs timing differences in distribution of surplus / deficits between statutory requirements and full accruals accounting.

## **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.

## **Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would have been incurred by a series of independent, single purpose, nominated bodies managing the same services.

## **Current Service Cost**

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

## **Curtailment**

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

## **Creditors**

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

## **Debtors**

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

### **Deferred Credits**

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

### **Defined Benefit Pension Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

### **Depreciable Replacement Cost (DRC)**

This is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence.

### **Depreciation**

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

### **Discontinued Operations**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- the activities related to the operation have ceased permanently;
- the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of local services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes. Operations not satisfying these conditions are classified as continuing.
- activities are discontinued where they cease completely and are not simply transferred to another part of the public sector.

### **Emoluments**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

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

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

### **Fair Value**

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **Fees and Charges**

Income arising from the provision of services.

## **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of property, plant or equipment to the lessee from the lessor. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

## **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term includes trade receivables and payables, borrowings, financial guarantees, bank deposits, investments, swaps, forwards and options, debt instruments with embedded swaps or embedded options.

## **Financial Reporting Standards (FRSs)**

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

## **Financial Year**

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

## **GAAP**

GAAP (Generally Accepted Accounting Principles), is the standard framework of guidelines for financial accounting. It includes standards, conventions and rules accountants follow in recording and summarising transactions, and in the preparation of financial statements.

## **Government Grants**

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

## **Heritage Assets**

These are assets held by the Council principally for their contribution to knowledge and culture, it does not relate to assets used in the delivery of services.

## **Impairment**

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

## **Income and Expenditure Account**

The Income and Expenditure account combines the income and expenditure relating to all the Council's functions including the General Fund and the Collection Fund. It is structured on the basis of the private sector and thereby excludes calculations done due to statutory and non statutory practices e.g. gains and losses on the sale of fixed assets and statutory provision for the repayment of debt.

## **Infrastructure Assets**

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

## **Intangible Assets**

Intangible assets are those assets whereby access to the future economic benefits that it represents is controlled by the reporting entity, either through custody or legal protection. Examples include development expenditure and goodwill.

### **Interest Cost**

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

### **Investments**

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

### **Leasing**

Method of financing the provision of various capital assets, usually in the form of an operating lease, which do not provide for the title to the asset to pass to the Council.

### **Liquid Resources**

Current investments that are readily disposable by the Council without disrupting its business and are readily convertible to cash.

### **Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to the Council's revenue accounts each year and set aside as a provision to meet the Council's credit liabilities.

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

Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally and amounts collected by local authorities are subject to arrangements as determined under the business rates retention scheme.

### **Net Book Value**

Amount at which property, plant & equipment are included in the balance sheet, i.e. their historical cost or current value 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 Debt**

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

### **Net Realisable Value**

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

### **Non Distributed Costs**

These are overheads that are not apportioned to services to accord with CIPFA's Best Value Accounting Code of Practice.

### **Non-Operational Assets**

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Operating Leases**

A lease other than a finance lease.

**Operational Assets**

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

**Past Service Cost**

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

**Post Balance Sheet Events**

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

**Precept**

Demands made upon the collection fund by other authorities (Staffordshire County, Police and Fire Authorities) for the services that they provide.

**Principal**

This is when the Council is providing a service as part of its own core business.

**Prior Year Adjustments**

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

**Property, plant & equipment**

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

**Provisions**

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

**Prudence**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of 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.

**Reserves**

Sums set aside to meet future expenditure for specific purposes.

### **Revaluation Reserve**

This is used to record the net gain from revaluations made after 1 April 2007.

### **Revenue Expenditure**

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

### **Revenue Expenditure Funded from Capital Under Statute (Formerly Deferred Charges)**

Expenditure that is not capital in accordance with generally accepted accounting principles but which statute allows to be funded from capital resources.

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

Grant paid to local authorities by Central Government to help finance its general expenditure. It is determined under the SSA system.

### **Scheme Liabilities**

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

### **SeRCOP**

SeRCOP (Service Reporting Code of Practice) provides guidance on local authority financial reporting to stakeholders below the Statement of Accounts level. It aims to ensure consistency in reporting across local authorities.

### **Settlement**

An irrevocable action that relieves the employer (or the defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

### **Stocks**

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

### **Termination Benefits**

These are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.

### **Useful Life**

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