Borough of Tamworth

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AUDIT AND GOVERNANCE COMMITTEE

16 April 2024

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Town Hall, Market Street, Tamworth on Wednesday, 24th April, 2024 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

S. C. U

CHIEF EXECUTIVE

A G E N D A

NON CONFIDENTIAL

1 Apologies for Absence

2 Minutes of the Previous Meeting (Pages 5 - 8)

3 Declarations of Interest

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

4 REVIEW OF THE TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STATEMENT 2024/25 and the TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW REPORT 2023/24 (Pages 9 - 92)

(Report of the Executive Director Finance)

5 2022/23 Re-stated Statement of Accounts (Pages 93 - 264)

(Report of the Executive Director Finance)

6 Auditor's Annual Report

(Report of Grant Thornton) (To Follow)

7 Audit Interim Progress Report

(Report of External Auditors,Azets) (To Follow)

8 Annual Review of Financial Guidance (Pages 265 - 362)

(Report of the Assistant Director, Finance)

9 Public Sector Internal Audit Standards/Quality Assurance & Improvement Programme (Pages 363 - 386)

(Report of the Audit Manager)

10 Annual Report of the Chair of Audit & Governance Committee (Pages 387 - 394)

(Report of the Audit Manager)

11 Audit and Governance Committee Timetable

(Discussion Item)

Access arrangements

If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail democratic-services@tamworth.gov.uk. We can then endeavour to ensure that any particular requirements you may have are catered for.

Filming of Meetings

The public part of this meeting may be filmed and broadcast. Please refer to the Council's Protocol on Filming, Videoing, Photography and Audio Recording at Council meetings which can be found here for further information.

If a member of the public is particularly concerned about being filmed, please contact a member of Democratic Services before selecting a seat

FAQs

For further information about the Council's Committee arrangements please see the FAQ page here

To Councillors: D Maycock, B Clarke, S Daniels, S Doyle, B Price, R Pritchard and P Thurgood

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MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON 20th MARCH 2024

PRESENT: Councillor D Maycock (Chair), Councillors B Clarke, S Daniels, S Doyle, B Price (Vice-Chair), R Pritchard and P Thurgood

Officers: Andrew Wood (Audit Manager), Tracey Pointon (Legal Admin & Democratic Services Manager) and Laura Sandland (Democratic and Executive Support Officer)

Visitors: Bethany Hincks, Azets, External Auditors

58 APOLOGIES FOR ABSENCE

There were no apologies for absence

59 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 8th February 2024 were approved and signed as a correct record.

(Moved by Councillor B Clarke and seconded by Councillor P Thurgood)

60 DECLARATIONS OF INTEREST

There were no declarations of Interest.

61 UPDATE FROM EXTERNAL AUDITORS

The external auditor from Azets gave a verbal update on interim work carried out. A formal update paper will be presented at the next Audit & Governance committee

There has been two weeks of interim work on site and the Auditor thanked Jo Goodfellow and team for the help with the planned work that was achieved.

Updates

- Started process of Housing Benefit work
- Introductions made with the Council's Valuers
- Work started with regards to Value for Money (VFM)

62 INTERNAL AUDIT PLAN AND CHARTER 2024/25

Report of the Audit Manager for the Audit & Governance Committee to comment on and endorse the 2024/25 proposed internal audit plan (Appendix 1), audit charter (Appendix 2) and note the updated Global Internal Audit Standards (Appendix 3 & Appendix 4).

Resolved that the Committee

1. endorsed the 2024/25 proposed draft internal audit plan (Appendix 1) and audit charter (Appendix 2)
2. Noted the updated Global Internal Audit Standards for implementation by January 2025 (Appendix 3) and the effects on Public Sector organisations (Appendix 4)

(Moved by Councillor B Clarke and seconded by Councillor P Thurgood)

63 FINAL ACCOUNTS 2023/24 – ACCOUNTING POLICIES AND ACTION PLAN

Report of the Assistant Director Finance provided an outline of the corporate requirements that will need to be achieved in order to produce the Council's Annual Statement of Accounts for 2023/24 (including deadlines but not including detailed responsibilities) and to obtain corporate commitment to the action plan.

Resolved that the committee approved:

1. the proposed Accounting Policies for 2023/24, attached as Appendix A
2. should any changes to the accounting policies be required as a result of the recently announced CIPFA/LASAAC consultation, authority was delegated to the Executive Director Finance in consultation with the Chair of Audit & Governance Committee to amend these as required;
3. the target of 31st May 2024 for closure of the final accounts and production of the statement for 2023/24
4. staffing resources be committed to the provision of appropriate information and support in order to meet the published

timescales and the Committee receive progress updates (if required);

5. CMT receive a fortnightly update until completion of the audit

6. the Statement be presented to the Audit & Governance Committee before the end of September 2024.

(Moved by Councillor S Doyle and seconded by Councillor B Clarke)

64 AUDIT AND GOVERNANCE COMMITTEE TIMETABLE

The Committee reviewed the timetable and there were no changes

Chair

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AUDIT & GOVERNANCE COMMITTEE

24th April 2024

Report of the Executive Director Finance

REVIEW OF THE TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STATEMENT 2024/25 and the TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW REPORT 2023/24

Purpose

To review the Treasury Management Strategy Statement, Minimum Revenue Provision Statement and Annual Investment Statement 2024/25 and the Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2023/24 approved by Council on 27th February 2024 and 12th December 2023 respectively.

Recommendation

That Members consider the Treasury Management Reports, as detailed within the reports attached at Appendix A and Appendix B and highlight any changes for recommendation to Cabinet.

Executive Summary

At its meeting in February each year, the Council approve the Treasury Management Strategy and Prudential Indicators including, as required by the Code, that the Audit & Governance Committee be given the opportunity to scrutinise the strategy and policies, as well as receiving regular monitoring reports. In order to undertake this role effectively the Committee receive regular treasury management reports and all Members receive training on treasury management at least annually or more often when required.

With regard to the appointment of a Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies, the code suggests:

- This involves reviewing the Treasury Management policy and procedures and making recommendations to the responsible body;
- Public Service Organisations have a responsibility to ensure that those charged with governance have access to the skills and knowledge they require to carry out this role effectively;
- Those charged with Governance also have a personal responsibility to ensure they have the appropriate skills and training in their role;
- The procedures for monitoring Treasury Management activities through audit, scrutiny and inspection should be sound and rigorously applied, with an openness of access to information and well-defined arrangements for the review and implementation of recommendations for change; and
- This includes the provision of monitoring information and regular review by Councillors in both executive and Scrutiny functions.

In compliance with the above, a copy of the Treasury Management Strategy and Prudential Indicators for 2024/25 is attached at **Appendix A**, together with a copy of the Mid-year Report on the Treasury Management Service 2023/24 at **Appendix B.**

Equalities implications

There are no equalities implications arising from the report.

Legal implications

Approval of Prudential Indicators and an Annual Investment Strategy is a legal requirement of the Local Government Act 2003. Members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

Resource and Value for Money implications

All financial resource implications are detailed in the body of this report which links to the Council's Medium Term Financial Strategy.

Risk implications

Risk is inherent in Treasury Management and as such a risk based approach has been adopted throughout the report with regard to Treasury Management processes.

Report Author:
Please contact Becky Smeathers, Executive Director Finance, extension 242 or Jo Goodfellow, Assistant Director Finance, extension 241.

Background Papers:-	Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2024/25 (Including Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2024/25, and Corporate Capital Strategy, Council 27th February 2024)
	Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2023/24, Council 12th December 2023

APPENDIX A

TREASURY MANAGEMENT STRATEGY STATEMENT, TREASURY MANAGEMENT POLICY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2024/25

Purpose

To comply with the requirement of the Council's Treasury Management Policy in reporting to Council the proposed strategy for the forthcoming year and the Local Government Act 2003 with the reporting of the Prudential Indicators.

Executive Summary

The Local Government Act 2003 requires the Council to produce prudential indicators in line with the Prudential Code.

This report outlines the Council's prudential indicators for 2024/25 – 2026/27 and sets out the expected Treasury operations for this period. This report and associated tables fulfil the statutory requirement of the Local Government Act 2003 by:

- Reporting the prudential indicators as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities;
- Setting the Council's Minimum Revenue Provision (MRP) Policy, which defines how the Council will pay for capital assets through revenue contributions each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007);
- Setting the Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management;
- Adopting the Council's Treasury Management Policy Statement as recommended within the CIPFA Code of Practice 2021;
- Setting the Investment Strategy (in accordance with the Ministry of Housing, Communities and Local Government (MHCLG) investment guidance); and
- Affirming the effective management and responsibility for the control of risk and clearly identifying our appetite for risk. The Council's risk appetite is low in order to give priority to **S**ecurity, **L**iquidity then **Y**ield (or return on investments).

Under the requirements of the CIPFA Code of Practice and associated Guidance Notes 2021, the following four clauses have been adopted:

1. This Council will create and maintain, as the cornerstones for effective treasury and investment management:

a. A treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities

b. Suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

c. Investment management practices (IMPs) for investments that are not for treasury management purposes.

2. This Council will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs and IMPs.

3. This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Executive Director Finance, who will act in accordance with the organisation's policy statement, TMPs and IMPs, and, as a CIPFA member, CIPFA's Standard of Professional Practice on treasury management.

4. This organisation nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Equalities Implications

There are no equalities implications arising from the report.

Legal Implications

Approval of Prudential Indicators and an Annual Investment Strategy is a legal requirement of the Local Government Act 2003. Members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

Resource and Value for Money Implications

All financial resource implications are detailed in the body of this report which links to the Council's Medium Term Financial Strategy and Capital Strategy.

Risk Implications

Risk is inherent in Treasury Management and as such a risk based approach has been adopted throughout the report with regard to Treasury Management processes.

A Glossary of terms utilised within the report can be found at **ANNEX 9**.

Report Author Please contact Omotayo Lawal, Head of Finance, ext 246 or Rebecca Smeathers, Executive Director Finance, ext 242.

Background Papers:-	***Budget & Medium Term Financial Strategy 2024/25***
	Mid-year Treasury Report 2023/24 Council, 12/12/23
	Annual Treasury Report 2022/23 Council 19/09/23
	Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Statement 2023/24 Council 28/02/23
	Treasury Management Training slides 6th February 2024
	CIPFA Code of Practice on Treasury Management in Public Services 2017
	CIPFA Code of Practice on Treasury Management in Public Services 2021
	CIPFA Prudential Code for Capital Finance in Local Authorities 2021
	DCLG Guidance on Local Government Investments March 2010
	Local Government Act 2003
	Treasury Management Practices 2024/25 (Operational Detail)

1. INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.2 Updated Treasury Management and Prudential Codes

CIPFA released new editions of the Treasury Management Code and Prudential Code on 20th December 2021, with reporting requirements effective from 2023/24 financial year. The main objective of the 2021 Codes was to respond to the major expansion of local authority investment activity over the past few years into the purchase of non-financial investments, particularly property. The Codes require an authority to ensure that: -

- it defines its risk appetite and its governance processes for managing risk.
- it sets out, at a high level, its investment policy in relation to environmental, social and governance aspects.
- it adopts a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.

- it does not borrow to finance capital expenditure to invest primarily for commercial return.
- increases in the CFR and borrowing are undertaken solely for purposes directly and primarily related to the functions of the authority. Where any financial returns are related to the financial viability of the project in question, they should be incidental to its primary purpose.
- an annual review is conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt.
- its capital plans and investment plans are affordable and proportionate.
- all borrowing/other long-term liabilities are within prudent and sustainable levels.
- risks associated with commercial investments are proportionate to overall financial capacity to sustain losses.
- treasury management decisions are in accordance with good professional practice.
- reporting to members is done quarterly, including updates of prudential indicators.
- it should assess the risks and rewards of significant investments over the **LONG TERM,** as opposed to the usual three to five years that most local authority financial planning has been conducted over, to ensure the long-term financial sustainability of the authority.
- it has access to the appropriate level of **expertise** to be able to operate safely in all areas of investment and capital expenditure, and to involve members adequately in making properly informed decisions on such investments.

The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes: -

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

1.3 Reporting Requirements

1.3.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;

- an overview of how the associated risk is managed;

- the implications for future financial sustainability.

The aim of the capital strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

The capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

1.3.2 Treasury Management Reporting

The Council is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and Treasury Indicators and Treasury Strategy (this report) –

The first, and most important, report is forward looking and covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an Annual Investment Strategy (the parameters on how investments are to be managed).

A Mid Year Treasury Management Report

This is primarily a progress report and will update Members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An Annual Treasury Report

This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Corporate Scrutiny Committee as part of their review of the Quarterly Performance Healthcheck.

1.4 Treasury Management Strategy for 2024/25

The strategy for 2024/25 covers two main areas:

Capital Issues

- the capital expenditure plans and the associated Prudential Indicators;
- the Minimum Revenue Provision (MRP) policy.

Treasury Management Issues

- the current treasury position;
- treasury indicators which will limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIFPA Prudential Code, and the CIPFA Treasury Management Code.

1.5 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny.

Furthermore, the Code states it is expected that all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and Council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.
As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and Council members.
- Require treasury management officers and Council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and Council members, encouraging them to highlight training needs on an ongoing basis.

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a self-assessment by members responsible for the scrutiny of treasury management, with a template available to be used to inform Member training requirements.

Training on Treasury Management issues was most recently delivered for Members in February 2023, with training on the Corporate Capital Strategy in February 2020, and will be provided as and when required. Further training is planned in February 2024. The training needs of Treasury Management officers are regularly reviewed. A formal record of the training received by officers central to the Treasury function will be maintained by the AD Finance. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the AD Finance.

1.6 Treasury Management Consultants

The Council uses Link Group, Link Treasury Services Ltd as its external treasury management advisors.

The Council recognises that responsibility for Treasury Management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.

It also recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2. THE CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2026/27

The Council's Capital Expenditure plans are the key driver of Treasury Management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

2.1 Capital Expenditure

This prudential Indicator is a summary of the Council's Capital Expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecast.

Capital Expenditure £m	2022/23 Actual	2023/24 Predicted Outturn*	2023/24 Budget	2023/24 Re-profiling	2024/25 Estimate**	2025/26 Estimate	2026/27 Estimate
Non-HRA	4.822	14.101	27.366	13.053	1.858	1.317	1.146
HRA	13.876	12.566	16.244	3.557	11.043	9.306	9.229
Commercial Activities/Non-Financial Investments * **	0.067	0.652	6.152	5.500	-	-	-
Total	**18.765**	**27.319**	**49.762**	**22.110**	**12.901**	**10.622**	**10.375**

** Actual Projected at Period 9* *** excludes projected slippage from 2023/24*

**** commercial activities/non-financial investments relates to Gungate development*

The projected slippage into 2024/25 of £22.11m relates mainly to Future High Street Funds (FHSF) schemes, and Gungate development.

Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Financing (GF/HRA)	2022/23 Actual	2023/24 Predicted Outturn*	2023/24 Budget	2023/24 Re-profiling	2024/25 Estimate**	2025/26 Estimate	2026/27 Estimate
Capital Receipts	2.528	3.227	9.027	9.739	1.432	1.450	1.446
Capital Grants	4.973	11.938	21.831	5.892	0.547	0.547	0.547
Capital Reserves	6.534	6.872	9.907	2.845	4.812	4.000	3.494

Revenue Reserves	4.591	3.905	4.887	0.922	4.361	3.806	3.616
Revenue Contributions	-	-	-	-	-	-	-
Net financing need for the year	0.140	1.376	4.110	2.712	1.749	0.820	1.273
Total	**18.765**	**27.319**	**49.762**	**22.110**	**12.901**	**10.622**	**10.375**

** Actual Projected at Period 9* *** excludes projected slippage from 2023/24*

The net financing need for commercial activities/non-financial investments included in the above table against expenditure is shown below:

Commercial Activities/Non-Financial Investments	2022/23 Actual	2023/24 Predicted Outturn*	2023/24 Budget	2023/24 Re-profiling	2024/25 Estimate**	2025/26 Estimate	2026/27 Estimate
Capital Expenditure	0.067	0.652	6.152	5.500	-	-	-
Financing Costs	(0.067)	(0.652)	(6.152)	(5.500)	-	-	-
Net financing need for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Percentage of total net financing need %	**-**	**-**	**-**	**-**	**-**	**-**	**-**

2.2 The Council’s Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council’s Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council’s indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset’s life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council’s borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2022/23 Actual	2023/24 Revised Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Financing Requirement					
CFR – non housing	3.785	4.395	7.029	6.682	6.442
CFR - housing	69.982	70.541	72.160	72.860	73.880
CFR - commercial activities/non-financial investments	-	-	-	-	-
Total CFR	**73.767**	**74.936**	**79.190**	**79.542**	**80.322**
Movement in CFR	**(0.064)**	**1.169**	**4.254**	**0.353**	**0.780**
Movement in CFR represented by	**-**	**-**	**-**	**-**	**-**
Net financing need for the year (above)	**0.140**	**1.376**	**4.461**	**0.820**	**1.273**
Less MRP/VRP and other financing movements	**(0.204)**	**(0.207)**	**(0.207)**	**(0.467)**	**(0.493)**
Movement in CFR	**(0.064)**	**1.169**	**4.254**	**0.353**	**0.780**

* CFR 2021/22 £73.506m

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the Council's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Council's remaining activity.

2.3 Liability Benchmark

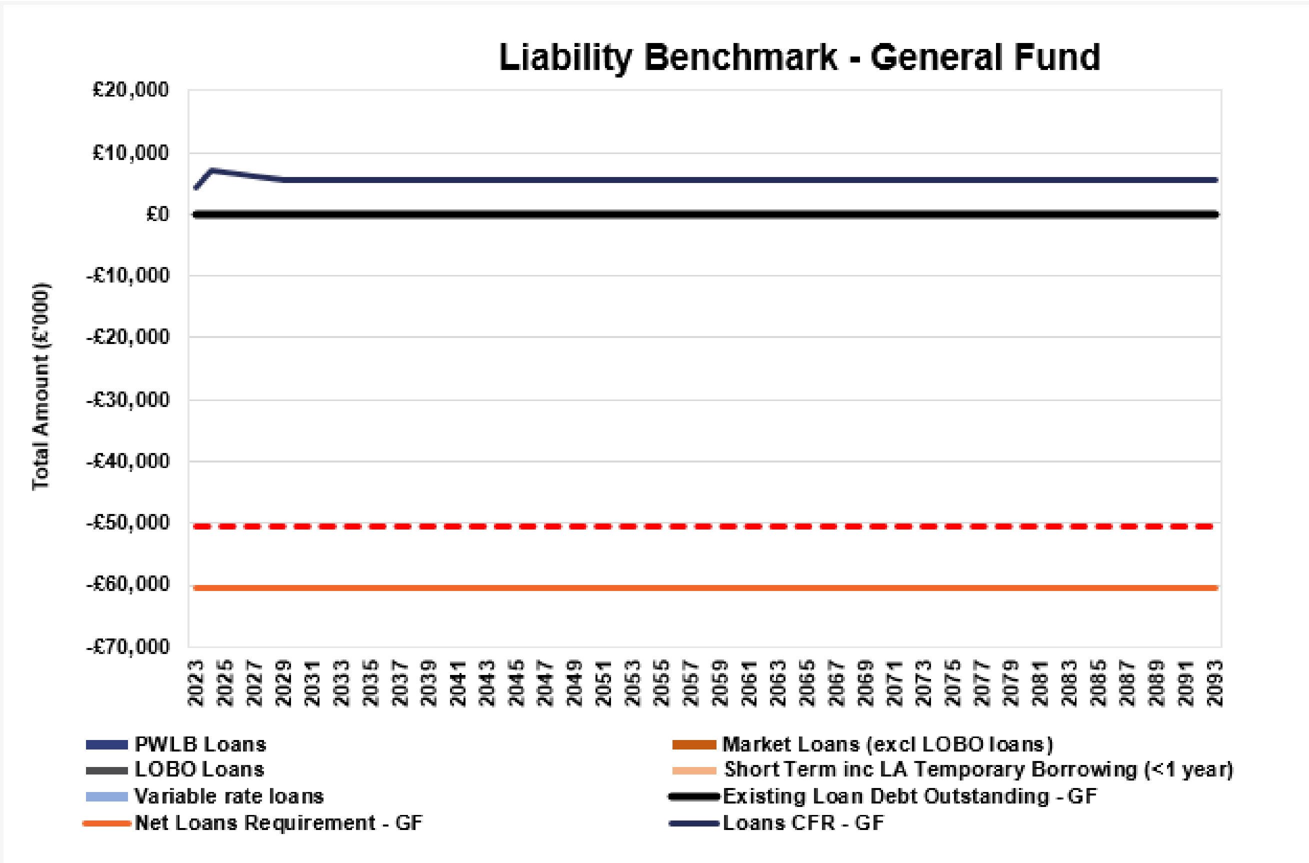
The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. The liability benchmark analysis should be seen as a tool which will assist the Council with its future borrowing requirements and it highlights the Council's optimum position for external borrowing.

There are four components to the LB: -

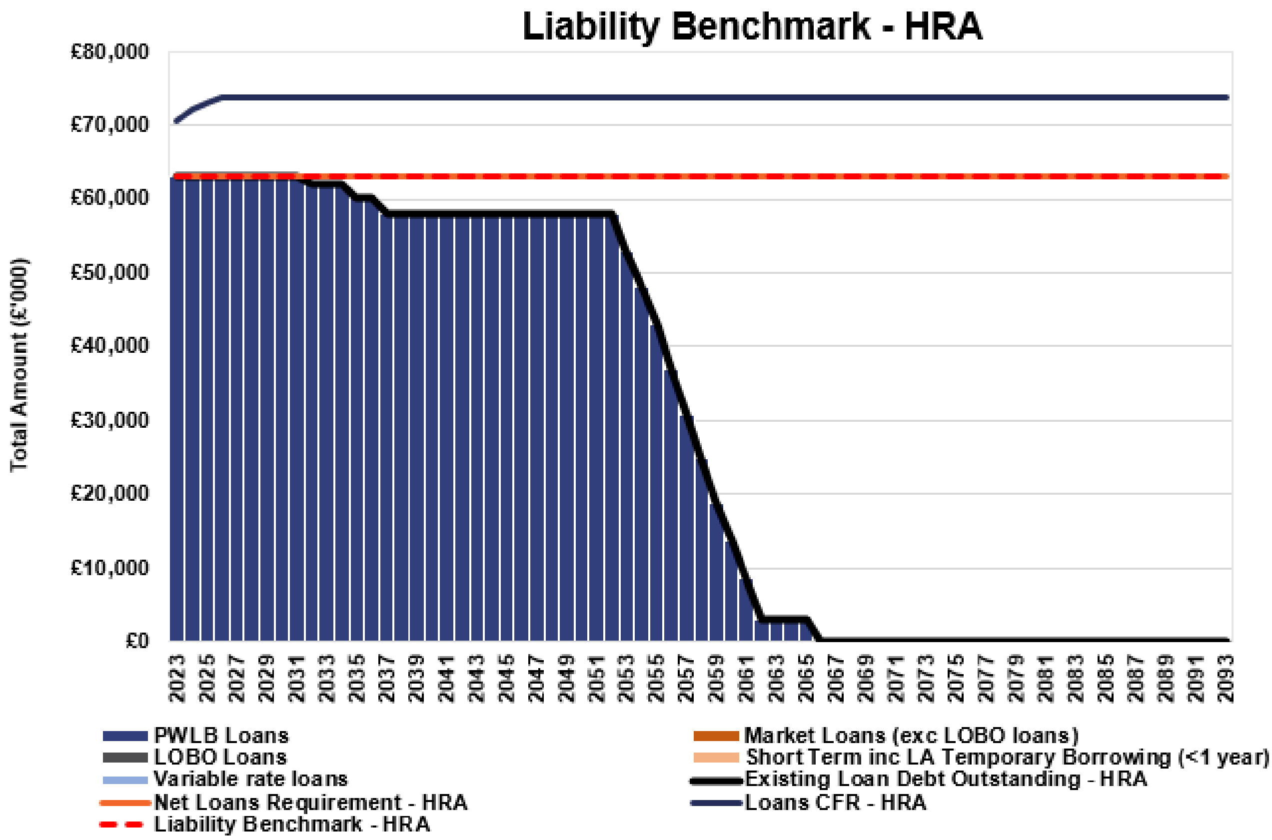
1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans Capital Financing Requirement definition in the Prudential Code, reflecting the Council's borrowing need and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this is a forecast of the level of gross loan debt the Council will require in line with its budget plans. It is based on the net

loans requirement, plus a liquidity allowance for treasury management investments, which is an estimate of the level of short-term investments needed to provide an adequate level of liquidity for daily cash flow management. We have estimated our liquidity allowance at £10m.

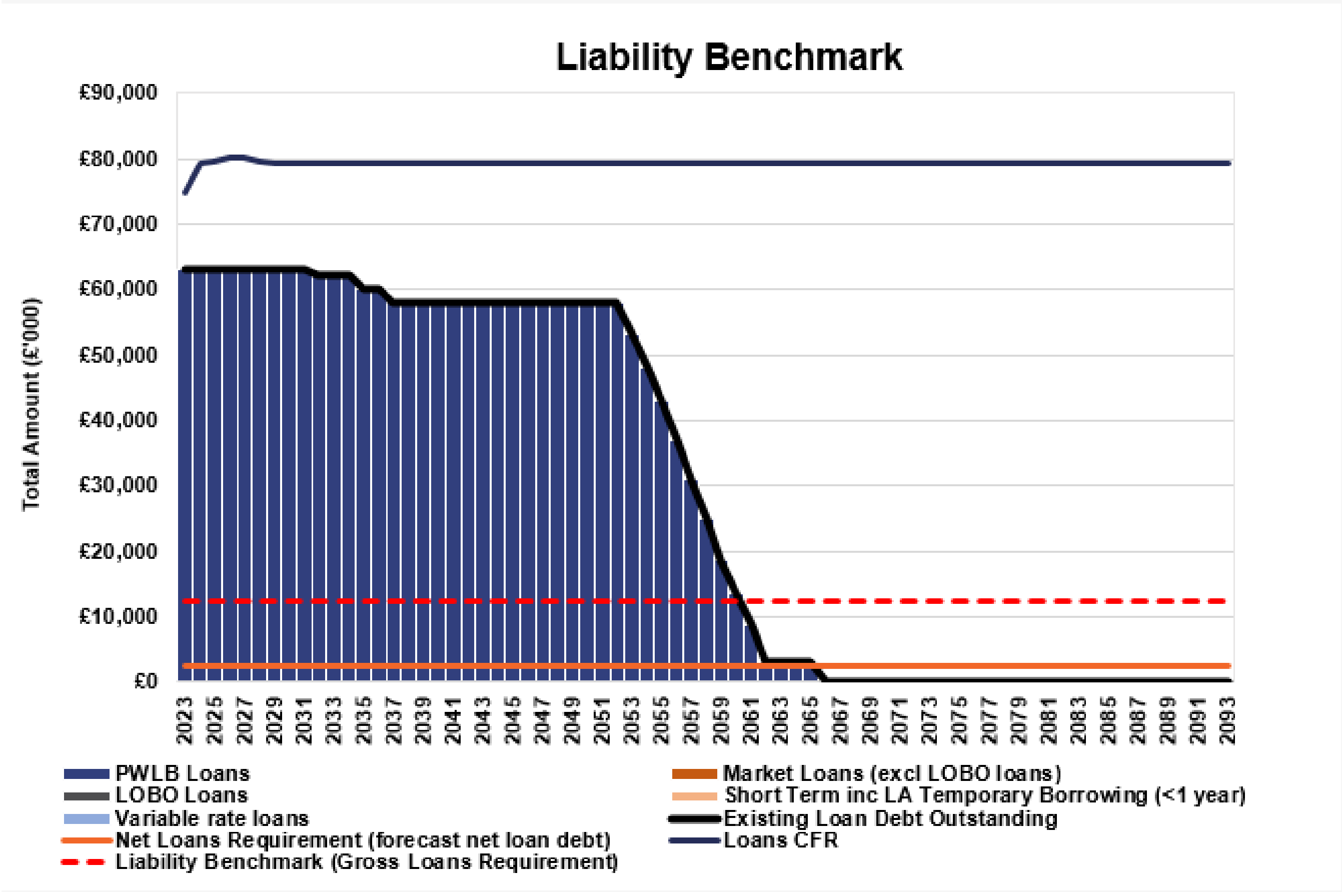
The following graphs detail the liability benchmark for each of the General Fund and HRA, and then the combined position.



The net loans requirement and liability benchmark for the General Fund is negative as this is reflective of the balance of GF treasury investments held.



The liability benchmark for the HRA is set at the same level as the net loans requirement (£63m reflecting PWLB loans outstanding) as there is no need to maintain additional borrowing to meet liquidity needs as this falls to the General Fund.



The combined liability benchmark chart above shows the existing loan debt outstanding, the capital financing requirement, net loans requirement and liability benchmark indicator.

The difference between the loans capital financing requirement and existing debt indicates internal borrowing. Prior to any new borrowing, the Council will have regard to underlying assumptions of liability benchmark analysis as part of prudent treasury management.

2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Fund Balances/Reserves	38.536	35.507	24.564	22.042	18.684
Capital Receipts	15.286	13.269	3.391	3.151	2.915
Provisions*	1.827	1.827	1.827	1.827	1.827
Other	-	-	-	-	-
Total Core Funds	**55.649**	**50.603**	**29.781**	**27.020**	**23.426**
Working Capital**	26.419	11.700	2.641	(1.61)	2.939
(Under)/Over Borrowing	(10.707)	(11.876)	(16.129)	(16.482)	(17.262)

Expected Investments	**71.361**	**50.428**	**16.293**	**8.932**	**9.103**

* Includes full provision for NNDR appeals

** Working capital balances shown are estimated year end; these may be higher mid year.

2.5 Minimum Revenue Provision (MRP) Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full council approval (or closest equivalent level) in advance of each financial year.

For Capital Expenditure incurred before 1 April 2008 which forms part of Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former DLUHC regulations (option 1)

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be*:*

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

This option provides for a reduction in the borrowing need over approximately the asset's life.

Capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25, or in the year after the asset becomes operational.

The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

MRP in respect of assets acquired under Finance Leases or PFI will be charged at an amount equal to the principal element of the annual repayment.

MRP Overpayments – Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The Council has made no VRP overpayments.

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The Treasury Management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The overall Treasury Management portfolio as at 31st March 2023 and for the position as at 31st December 2023 are shown below for both borrowing and investments.

	TREASURY PORTFOLIO			
	ACTUAL AT 31/3/23		CURRENT AT 31/12/23	
	£m	%	£m	%
Treasury Investments				
Banks	30.000	41.99	19.000	24.67
Building Societies	-	-	-	-
Local Authorities	29.000	40.59	30.000	38.96
DMADF (H M Treasury)	-	-	-	-
Money Market Funds	1.610	2.25	17.793	23.11
Certificates of Deposit	-	-	-	-
Total Managed in-House	**60.610**	**84.83**	**66.793**	**86.73**
Bond Funds	-	-	-	-
Property Funds	10.842	15.17	10.216	13.27
Total Managed Externally	**10.842**	**15.17**	**10.216**	**13.27**
Total Treasury Investments	**71.452**	**100**	**77.009**	**100**
Treasury External Borrowing				
Local Authorities	-	-	-	-
PWLB	63.060	100	63.060	100
Total External Borrowing	**63.060**	100	**63.060**	100
Net Treasury Investments/(Borrowing)	**8.392**		**13.949**	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Treasury Portfolio	2022/23 Actual £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's

External Debt					
Debt at 1st April	63.060	63.060	63.060	63.060	63.060
Expected change in Debt	-	-	-	-	-
Actual gross debt at 31st March	**63.060**	**63.060**	**63.060**	**63.060**	**63.060**
The Capital Financing Requirement	**73.767**	**74.936**	**79.190**	**79.542**	**80.322**
Under / (over) borrowing	**10.707**	**11.876**	**16.129**	**16.482**	**17.262**

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Executive Director Finance (the Section 151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2. Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary - This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

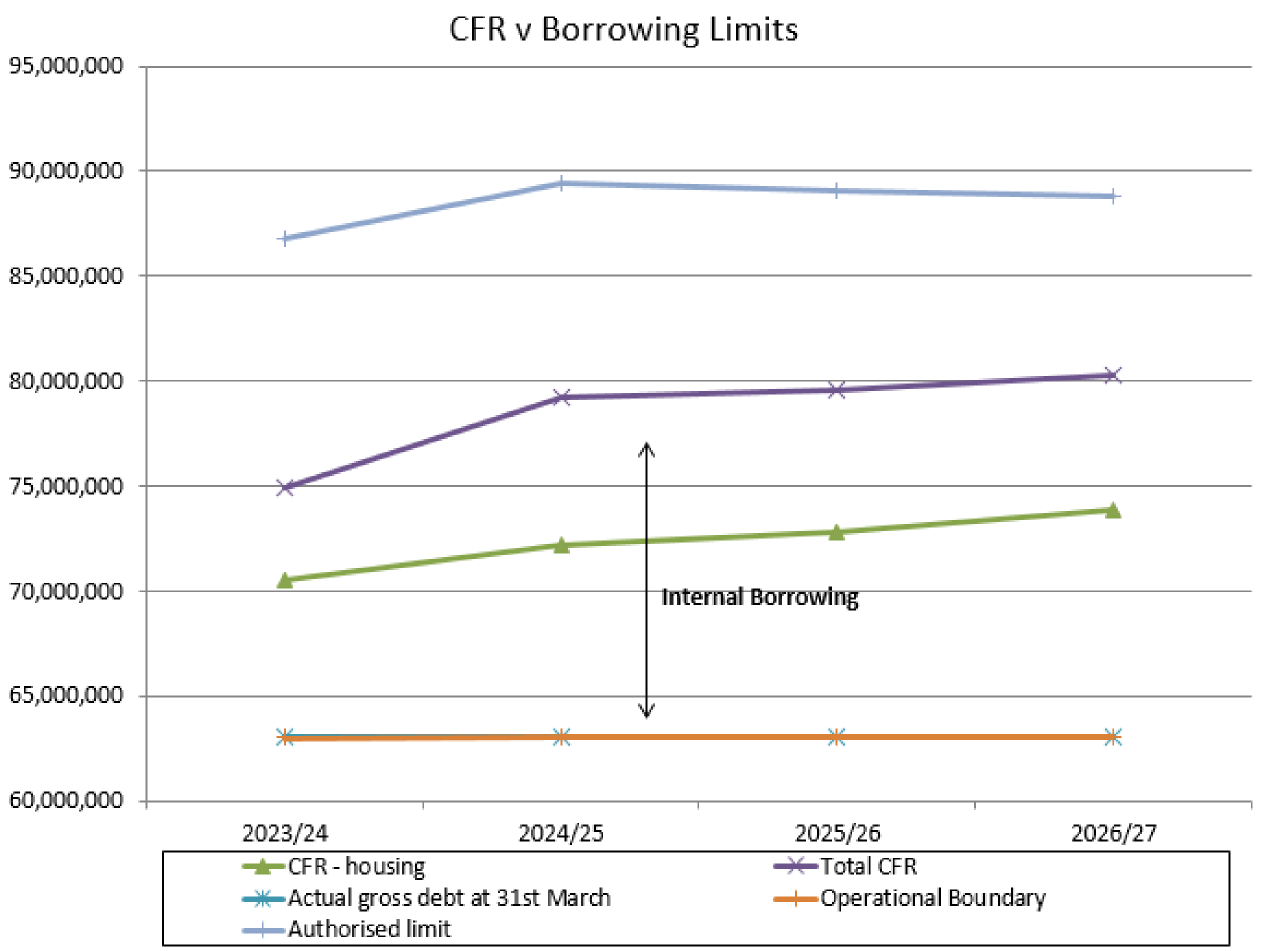
Operational Boundary	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Borrowing	63.060	63.060	63.060	63.060
Other long term liabilities	-	-	-	-
Commercial Activities/non-financial Investments				
Total	**63.060**	**63.060**	**63.060**	**63.060**

The Authorised Limit for external debt – This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following Authorised Limit:

Authorised limit	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Borrowing	86.802	89.436	89.089	88.849
Total	**86.802**	**89.436**	**89.089**	**88.849**



3.3. Prospects for Interest Rates

The Council has appointed Link Group as its Treasury Advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 8th January 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Additional notes by Link on this forecast table: -

- Our central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).
- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

PWLB RATES

The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is c70 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is even.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **Geopolitical risks,** for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the tightening in Bank Rate to 5.25%, the **Bank of England allows inflationary pressures to remain elevated** for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

LINK GROUP FORECASTS

We expect the MPC will keep Bank Rate at 5.25% until the second half of 2024, to combat on-going inflationary and wage pressures, even if they have dampened somewhat of late. We do not think that the MPC will increase Bank Rate above 5.25%.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation continues to fall through 2024.

Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 08.01.24 p.m.	Target borrowing rate now (end of Q4 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	4.53%	3.70%	3.80%
10 years	4.67%	3.90%	3.80%
25 years	5.19%	4.20%	4.20%
50 years	4.97%	4.00%	4.00%

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate remains at 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below: -

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.55%	4.70%
2025/26	3.10%	3.20%
2026/27	3.00%	3.00%
2027/28	3.25%	3.25%
2028/29	3.25%	3.25%
Years 6 to 10	3.25%	3.25%
Years 10+	3.25%	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Executive Director Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates*, then borrowing will be postponed.
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to Council at the next available opportunity.

3.5 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6. Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate. If rescheduling was to be done, it will be reported to the Council at the earliest meeting following its action.

3.7 New Financial Institutions as a Source of Borrowing and Types of Borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years)
- Municipal Bonds Agency
- UK Infrastructure Bank

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved Sources of Long and Short term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
UK Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●

UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

The Department of Levelling Up, Housing and Communities (DLUHC – this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

The Council's investment policy has regard to the following:-

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second, and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Council's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:-

1) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

2) **Other Information**: Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.

3) **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4) This Council has defined the list of **types of investment instruments** that the Treasury Management team are authorised to use. There are two lists in Annex 4 under the categories of 'specified' and 'non-specified' investments.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year, or have less than a year left to run to maturity, if they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.

    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5) **Non-specified investments limit.** The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management of 35% (see paragraph 4.3)

6) **Lending limits** (amounts and maturity) for each counterparty will be set though applying the matrix table in paragraph 4.2

7) **Transaction limits** are set for each type of investment in 4.2

8) This Council will set a limit for the amount of its investments which are invested for **longer than 365 days** (see paragraph 4.4)

9) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 4.3)

10) This Council has engaged **external consultants** (see paragraph 1.5) to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.

11) All investments will be denominated in **sterling**.

12) As a result of the change in accounting standards for 2023/24 under IFRS 9, this Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. More recently, a further extension to the override to 31.3.24 has been agreed by Government.

13) This Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year. The above criteria are unchanged from last year.

4.2 Creditworthiness Policy

This Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- 'watches' and 'outlooks' from credit rating agencies;
- CDS spreads that may give early warning of changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned watches and outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands*:*

- Yellow 5 years *

- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25

- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council uses will be a short term rating (Fitch or equivalents) of F1 and a Long Term rating of A -. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored on a daily basis/as and when notified. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service:

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately;

- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, as well as information on any external support for banks, to help support its decision making process.

Counterparty	Colour (and long term rating where applicable)	Money and/or % Limit	Time Limit
Banks/Building Societies *	Yellow	£10m	5yrs

Banks/Building Societies	**Purple**	**£10m**	**2 yrs**
Banks/Building Societies	**Orange**	**£10m**	**1 yr**
Banks – part nationalised	**Blue**	**£10m**	**1 yr**
Banks/Building Societies	**Red**	**£10m**	**6 mths**
Banks/Building Societies	**Green**	**£10m**	**100 days**
Banks/Building Societies	**No colour**	**Not to be used**	
Council's banker (where "No Colour")	**No colour**	**£2m**	**1 day**
DMADF	**UK sovereign rating**	**£10m**	**6 months**
Local authorities	**n/a**	**£10m**	**5yrs**
	Fund Rating **	**Money and/or % Limit**	**Time Limit**
Money Market Funds CNAV	**AAA**	**£10m**	**Liquid**
Money Market Funds LVNAV	**AAA**	**£10m**	**Liquid**
Money Market Funds VNAV	**AAA**	**£10m**	**Liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark pink / AAA**	**£10m**	**Liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light pink / AAA**	**£10m**	**Liquid**

** The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt – see Annex 4.*

*** 'Fund' ratings are different to individual counterparty ratings, coming under either specific 'MMF' or 'Bond Fund' rating criteria.*

Creditworthiness

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Council will not set a minimum rating for the UK.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

4.3 Other Limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 35% of the total treasury management investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of 'AA-' from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Other limits.** In addition:-

- no more than 25% will be placed with any non-UK country at any time;
- a limit of £14m per group will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

4.4 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flows, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

Investment Returns Expectations

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to have peaked at 5.25%.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.55%
2025/26	3.10%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

Investment Treasury Indicator and Limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Upper limit for principal sums invested for longer than 365 days			
	2024/25 £m	**2025/26 £m**	**2026/27 £m**
Principal sums invested > 365 days	5.702	3.126	3.186
Current investments as at 31.12.23 in excess of 1 year maturing in each year	-	-	-

4.5 Investment Performance/Risk Benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 3 month SONIA.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5. ANNEXES

1. Prudential and Treasury Indicators
2. Interest Rate Forecasts
3. Economic Background
4. TMP 1 Credit & Counterparty Risk Management
5. Approved Countries for investments
6. Treasury Management Scheme of Delegation
7. The Treasury Management Role of the Section 151 Officer
8. Treasury Management Practices
9. Treasury Management Glossary of Terms
10. Prudential Indicators – Definitions/Interpretation

ANNEX 1

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2024/25 – 2026/27

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

1 Capital expenditure

A breakdown of capital expenditure by Directorate is detailed within the Performance Healthcheck reported quarterly to Cabinet.

2 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

a) Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream (net cost of services).

Ratio of financing costs to net revenue stream.	2022/23 Actual %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %
Non-HRA	(26.85)%	(24.66)%	(24.23)%	(4.74)%	(2.90)%
HRA	30.16%	25.96%	27.20%	26.66%	25.91%
Commercial Activities/non-Financial Investments	(9.78)%	(5.97)%	(5.16)%	(3.63)%	(3.29)%

The estimates of financing costs include current commitments and the proposals in this budget report.

Commercial Activities/non-Financial Investments includes investments in property funds.

b) Housing Revenue Account Debt Ratios

HRA Debt to Revenues Ratio	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
HRA Debt £m	69.982	70.541	72.160	72.860	73.880
HRA Revenues £m	20.019	21.404	23.586	23.708	24.340
Ratio of Debt to Revenues %	350	330	306	307	304

HRA Debt per Dwelling	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
HRA Debt £m	69.982	70.541	72.160	72.860	73.880
Number of HRA Dwellings	4,080	4,062	4,042	4,022	4,002
Debt per Dwelling £'000	17.152	17.366	17.853	18.115	18.461

4 Maturity Structure of Borrowing

These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of Fixed Interest Rate borrowing 2024/25		
Timeline	**Lower**	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	25%
5 years to 10 years	0%	75%
10 years and above	0%	100%

Maturity structure of Variable Interest Rate borrowing 2024/25		
Timeline	**Lower**	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	25%
5 years to 10 years	0%	75%
10 years and above	0%	100%

5. Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4

ANNEX 2 INTEREST RATE FORECASTS 2023-2026

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

PWLB forecasts are based on PWLB certainty rates.

ANNEX 3 ECONOMIC BACKGROUND

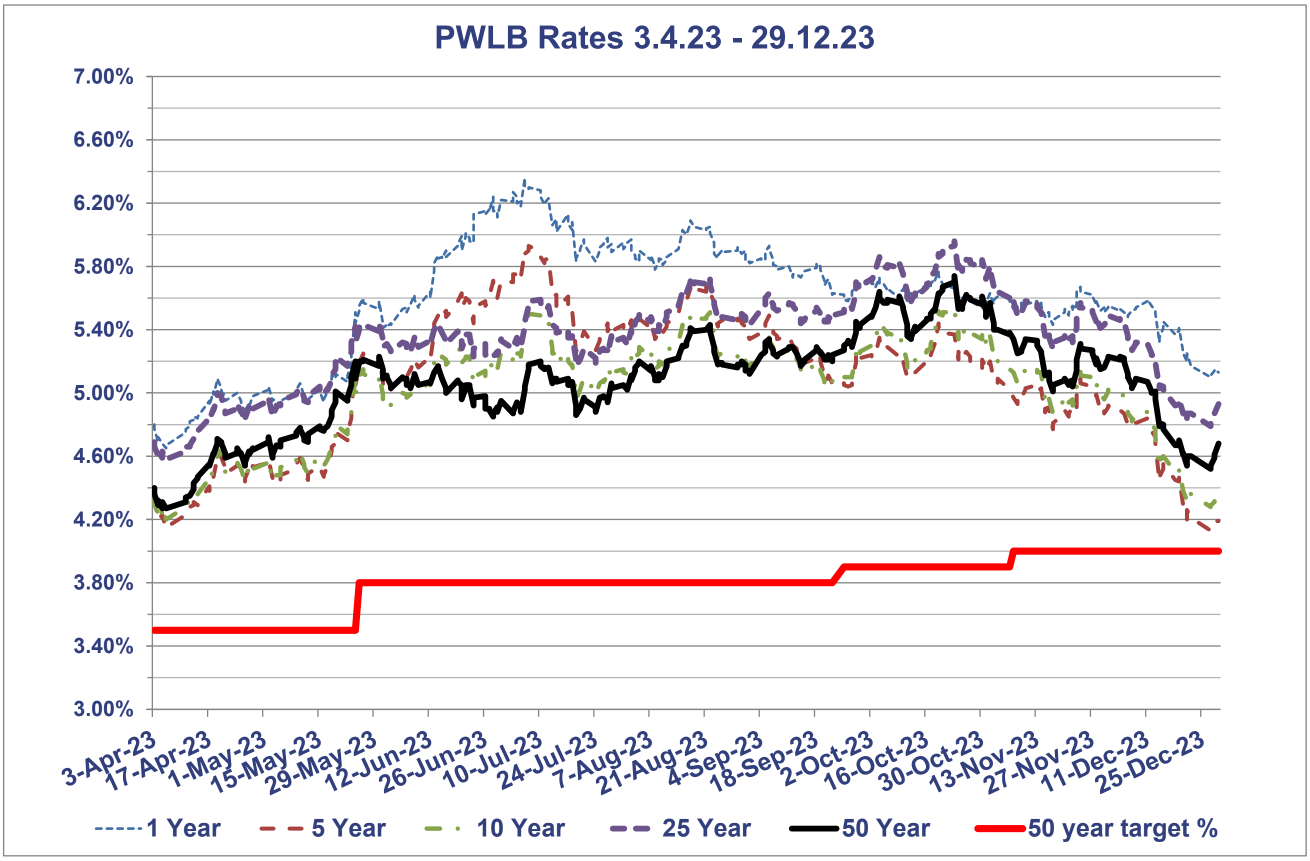
- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

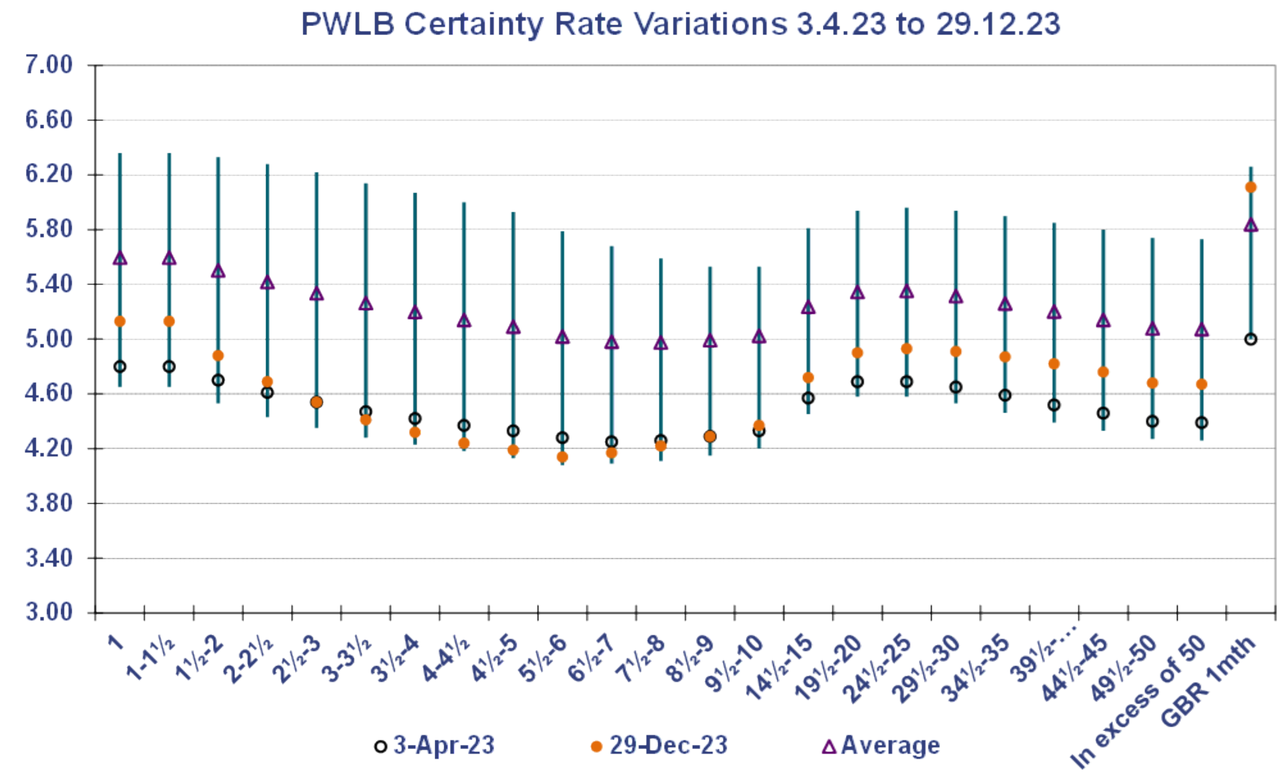
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.
- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.

- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.

- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

ANNEX 4 TREASURY MANAGEMENT PRACTICE (TMP1) CREDIT AND COUNTERPARTY RISK MANAGEMENT

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year,** meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 35% will be held in aggregate in non-specified investments.

A variety of investment instruments will be used, subject to the credit quality of the institution, and, depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Counterparty	Minimum credit criteria / colour band	£ limit per institution	Max. maturity period
DMADF – UK Government	Yellow	£10m	6 months (max is set by the DMO*)
UK Gilts	Yellow	£10m	5 years
UK Treasury bills	Yellow	£10m	364 days (max is set by the DMO*)
Bonds issued by multilateral development banks	Yellow	£10m	5 years
Money Market Funds CNAV	AAA	£10m	Liquid
Money Market Funds LVNAV	AAA	£10m	Liquid
Money Market Funds VNAV	AAA	£10m	Liquid
Local authorities	Yellow	£10m	5 years

Counterparty	Minimum credit criteria / colour band	£ limit per institution	Max. maturity period
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£10m	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light pink / AAA	£10m	Liquid
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£10m	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£10m	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	£10m	
Non-Specified Investments			
Property Funds - the use of these instruments can be deemed as capital expenditure and as such will be an application (spending) of capital resources		£10m	Limit will be set based on level of reserves and balances going forward and appropriate due diligence will be undertaken before investment of this type
Wider Investment Funds - the use of these instruments can be deemed as capital expenditure and as such will be an application (spending) of capital resources		£10m	Limit will be set based on level of reserves and balances going forward and appropriate due diligence will be undertaken before investment of this type

* DMO – is the Debt Management Office of HM Treasury

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

ANNEX 5 APPROVED COUNTRIES FOR INVESTMENT

This list is based on those countries which have sovereign ratings of AA- or higher (showing the lowest rating from Fitch, Moody's and S&P) and also (except - at the time of writing – for Hong Kong and Luxembourg) have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France
- Qatar
- UK

(Per Link 17/11/23)

* At its meeting of the 15th September 2009, full Council approved a recommendation that;

‘***authorises the use of institutions currently supported by the UK Government should its Sovereign rating be downgraded below the current requirement for a ‘AAA’ rating by all three rating agencies’***

this approval continues to form part of the strategy in 2024/25.

ANNEX 6 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- receiving and reviewing reports on Treasury Management policies, practices and activities.
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, Treasury Management Policy statement and Treasury Management practices.
- budget consideration and approval.
- approval of the division of responsibilities.
- receiving and reviewing regular monitoring reports and acting on recommendations.

(ii) Cabinet

- receiving and reviewing Treasury Management policy statement and Treasury Management practices and making recommendations to the full Council.
- receiving and reviewing regular monitoring reports and making recommendations to the full Council.
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit and Governance Committee

- reviewing the Treasury Management policy and procedures and making recommendations to the Cabinet.
- receiving and reviewing regular monitoring and making recommendations to the Cabinet.

ANNEX 7 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) Officer is responsible for

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is sustainable, affordable and prudent in the long-term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following -

    - Risk management (TMP1), including investment and risk management criteria for any material non-treasury investment portfolios;

    - Performance measurement and management (TMP2), including methodology and criteria for assessing the performance and success of non-treasury investments;

- Decision making, governance and organisation (TMP5), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6), including where and how often monitoring reports are taken;

- Training and qualifications (TMP10), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

ANNEX 8 TREASURY MANAGEMENT PRACTICES

The Treasury Management Practices document (TMPs) forms detailed operational procedures and processes for the Treasury Management function. This document can be found on the Council's Internet by following the following link;

http://www.tamworth.gov.uk/treasury-practices

and clicking on the TMPs folder.

The items below are summaries of the individual TMPs which the Council has to produce and adopt under the Treasury Code of Practice.

TMP1 : RISK MANAGEMENT

General Statement

The Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of Treasury Management risk; will report at least annually on the adequacy/suitability of the arrangements and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives. The reports will be in accordance with the procedures contained in TMP6.

1.1 Credit and Counterparty Risk Management

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

This organisation regards a key objective of its Treasury Management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and detailed in the TMP Operational document.

It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

The Council's prime consideration when assessing the suitability of counterparties and investments is Security, Liquidity and then Yield. Environmental, social and governance (ESG) factors will then be considered. The Council does not invest in bond or equity markets, therefore there is currently a lack of data available on which to base ESG considerations relevant to the Council's investments. The main ratings agencies are increasingly including ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. Therefore the incorporation of ESG risks is already being considered, to an extent, by the use of mainstream rating agencies. Our treasury advisors Link also continue to look at ways in which ESG factors can be incorporated into their creditworthiness assessment service, and they have advised clients that they will review the options and will update clients as progress is made. As the Council develops its environmental and climate change policies, including the net zero strategy, ESG investment policies and procedures will then be developed to align with these.

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.

This organisation will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities or to ensure an adequate level of short-term investments to provide liquidity for the organisation.

1.3 Interest Rate Risk Management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

1.4 Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

1.5 Inflation Rate Risk Management

Inflation risk, also called purchasing power risk, is the chance that cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

1.6 Refinancing Risk Management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

1.7 Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation with which it is dealing in its Treasury Management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

The Council will ensure that all of its Treasury Management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This organisation recognises that future legislative or regulatory changes may impact on its Treasury Management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

1.8 Fraud, Error and Corruption, and Contingency Management

The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its Treasury Management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This organisation will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its Treasury Management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore:-

a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.

b) Fully document all its Treasury Management activities so that there can be no possible confusion as to what proper procedures are.

c) Ensure that staff will not be allowed to take up Treasury Management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

Records will be maintained of all Treasury Management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.9 Price Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated Treasury Management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Council will seek to ensure that its stated Treasury Management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 : PERFORMANCE MEASUREMENT

The Council is committed to the pursuit of best value in its Treasury Management activities, and to the use of performance methodology in support of that aim, within the framework set out in the Treasury Management Policy Statement.

The Treasury Management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal, grant or subsidy incentives, and the scope for other potential improvements. The performance of the Treasury Management function will be measured using the criteria set out in the detailed TMP Operational document.

TMP3 : DECISION-MAKING AND ANALYSIS

The Council will maintain full records of its Treasury Management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are set out in the detailed TMP Operational document.

TMP4 : APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Council will undertake its Treasury Management activities by employing only those instruments, methods and techniques set out in the detailed TMP Operational document and within the limits and parameters defined in TMP1.

TMP5 : ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Council considers it essential, for the purposes of the effective control and monitoring of its Treasury Management activities, for the reduction of risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of Treasury Management responsibilities.

The principle on which this will be based is the clear distinction between those charged with setting Treasury Management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of Treasury Management decisions and the audit and review of the Treasury Management function.

If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6 and the implications properly considered and evaluated.

The Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in Treasury Management, and the arrangements for absence cover. S/he will also ensure that at all times those engaged in Treasury Management will follow the policies and procedures set out. The present arrangements are set out in the detailed TMP Operational document.

The Section 151 Officer will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are set out in the detailed TMP Operational document.

The delegations to the Section 151 Officer in respect of Treasury Management are set out in the detailed TMP Operational document. S/he will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

TMP6 : REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will ensure that regular reports are prepared and considered on the implementation of its Treasury Management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its Treasury Management activities; and on the performance of the Treasury Management function.

As a minimum Cabinet and Council will receive:

- An annual report on the planned strategy to be pursued in the coming year and the reporting of Prudential Indicators.

- A mid-year review

- An annual report on the performance of the Treasury Management function including the performance against the Prudential Indicators, the effects of the decisions taken and the transactions executed in the past year and on any circumstances of non-compliance with the Council's Treasury Management policy statement and TMPs.

Cabinet will receive regular monitoring reports on Treasury Management activities and risks.

The Audit and Governance Committee will have responsibility for the scrutiny of Treasury Management policies and practices.

The Treasury Management indicators will be considered together with the Treasury Management indicators in the Prudential Code as part of the budget approval process.

The present arrangements and the form of these reports are set out in the detailed TMP Operational document.

TMP7 : BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Section 151 Officer will prepare and Council will approve and, if necessary from time to time, will amend, an annual budget for Treasury Management, which will bring together all of the costs involved in running the Treasury Management function together with associated income. The matters to be included will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1, TMP2 and TMP4.

The Section 151 Officer will exercise effective controls over this budget and report upon and recommend any changes required in accordance with TMP6.

The Council will account for its Treasury Management activities, for decisions made and transactions executed in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP8 : CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Section 151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis and the Section 151 Officer will ensure that these are adequate for the purpose of monitoring compliance with TMP1. The present arrangements for preparing cash flow projections, and their form, are set out in the detailed TMP Operational document.

TMP9 : MONEY LAUNDERING

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. The Council will, therefore, maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that all staff involved are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are set out in the detailed TMP Operational document.

TMP10 : TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the Treasury Management function are fully equipped to undertake the duties and responsibilities allocated to them. It will seek to appoint individuals, who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 Officer will recommend and implement the necessary arrangements.

The Section 151 Officer will ensure that Council members tasked with Treasury Management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP11 : USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for the Treasury Management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of Treasury Management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. Terms of appointment will be properly agreed, documented and subject to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

The monitoring of such arrangements rests with the Section 151 Officer, and details of the current arrangements are set out in the detailed TMP Operational document.

TMP12 : CORPORATE GOVERNANCE

The Council is committed to the pursuit of proper corporate governance throughout its services, and to establishing the principles and practices by which this can be achieved. Accordingly the Treasury Management function and its activities will be undertaken with openness, transparency, honesty, integrity and accountability.

The Council has adopted and implemented the key recommendations of the Code. This, together with the other arrangements are set out in the detailed TMP Operational document and are considered vital to the achievement of proper governance in Treasury Management, and the Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

TMP 13: MANAGEMENT PRACTICES FOR NON-TREASURY INVESTMENTS

This Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all of its investments are covered in the capital strategy and/or investment strategy, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The Council maintains a schedule setting out a summary of existing material investments and the Council's risk exposure.

The following TMPs will apply with regard to non-treasury management investments:-

TMP1 - Risk management - including investment and risk management criteria for material non-treasury investment portfolios

TMP2 - Performance measurement and management - including methodology and criteria for assessing the performance and success of non-treasury investments

TMP5 - Decision making and analysis - including a statement of the governance requirements for decision-making in relation to non-treasury investments, and arrangements to ensure that appropriate professional due diligence is carried out to support decision making

TMP6 - Reporting and management information - including where and how often monitoring reports are taken

TMP10 - Training and qualifications - including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

ANNEX 9 Treasury Management Glossary of Terms

Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets.
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Capital Financing Requirement	The Council's underlying need for borrowing for a capital purpose.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
Credit Default Swap (CDS)	A specific kind of counterparty agreement which allows the transfer of third party credit risk from one party to the other. One party in the swap is a lender and faces credit risk from a third party, and the counterparty in the credit default swap agrees to insure this risk in exchange for regular periodic payments (essentially an insurance premium). If the third party defaults, the party providing insurance will have to purchase from the insured party the defaulted asset. In turn, the insurer pays the insured the remaining interest on the debt, as well as the principal.
Credit Rating	This is a scoring system that lenders issue organisations with, to determine how credit worthy they are.
Gilts	These are issued by the UK Government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest for the period.
iTraxx	This is an index published by Markit who are a leading company in CDS pricing and valuation. The index is

	based on an equal weighting of the CDS spread of 25 European financial companies. Clients can use the iTraxx to see where an institution's CDS spread is relative to that of the market and judge its creditworthiness in that manner, as well as looking at the credit ratings.
Liquidity	An asset is perfectly liquid if one can trade immediately, at a price not worse than the uninformed expected value, the quantity one desires.
Long term	A period of one year or more.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Minimum Revenue Provision	Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision.
Monetary Policy Committee (MPC)	Interest rates are set by the Bank's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be met. Their primary target (as set by the Government) is to keep inflation at or around 2%.
Security	An investment instrument, issued by a corporation, government, or other organization which offers evidence of debt or equity.
Short Term	A period of 364 days or less
Supranational Bonds	A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds.

	Examples of supranational institutions include the European Investment Bank and the World Bank. Similar to government bonds, the bonds issued by these institutions are considered very safe and have a high credit rating.
Treasury Management	The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
Working Capital	Cash and other liquid assets needed to finance the everyday running of a business such as the payment of salaries and purchases.
Yield	The annual rate of return on an investment, expressed as a percentage.

ANNEX 10 PRUDENTIAL INDICATORS – DEFINITIONS / INTERPRETATION

CIPFA's Prudential Code for Capital Finance requires local authorities to prepare Prudential Indicators of their intended capital spending plans for the forthcoming and future years. The indicators are intended to help the decision making process within an authority and must be approved by the full Council before the beginning of the financial year. The indicators are neither comparative statistics nor performance indicators. Different Councils will have different figures reflecting their history and local circumstances.

1. **Estimate of total capital expenditure to be incurred –** This summarises the Council's current plans for the total capital expenditure over the next 3 years. Details of individual schemes are contained within the capital estimate pages.

2. **Estimates of Capital Financing Summary** – This details the capital financing sources for the next 3 years.

3. **Estimated Ratio of financing costs to net revenue stream** - This indicator has been calculated as debt interest, borrowing refinancing costs, minimum revenue provision, depreciation for HRA, net of investment income and divided by the General Fund (GF) budget requirement for the GF element of costs and the total of HRA income for the HRA costs**.** For GF Account, the indicator has been calculated gross of government support in the form of RSG for the proportion of capital expenditure funded from supported level of borrowing.

4. **Capital Financing Requirement** – This represents the Council's underlying need to borrow to finance historic capital expenditure and is derived by aggregating specified items from the Council's balance sheet. The actual **net borrowing** is lower than this because of the current strategy to use internal borrowing rather than replace maturing debt.

5. **Actual External Debt** –This is a key indicator and Section 3 of the Local Government Act 2003 requires the Council to ensure that gross external debt does not, except in the short term, exceed the total of the Capital Financing Requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years.

6. **Authorised Borrowing Limit for external debt** - This indicator represents the maximum amount the Council may borrow at any point in time in the year and has to be set at a level the Council considers is **prudent**. It allows for uncertain cash flow movements and borrowing in advance for future requirements.

The recommended authorised limits for external debt are gross of investments and are consistent with the Council's current commitments, existing plans and the current treasury management policy and strategy. The authorised limit determined for 2024-25 is the statutory limit determined under section 3(1) of the Local Government Act 2003.

7. **Operational Boundary for external debt** - The proposed operational boundary for external debt is calculated on the same estimates as the authorised limit but reflects estimates of the

most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. Within the operational boundary, figures for borrowing and other long term liabilities are separately identified.

8. **Treasury Management** – these indicators form part of the treasury management strategy and policy statement approved by the Council each year before the beginning of the financial year. The main indicators are:

(a) The adoption of **CIPFA Code of Practice for Treasury Management**, which the Council adopted before the current Prudential System was introduced.

(b) **Interest Rate Exposure** - The approved Treasury Policy Statement and Strategy contains upper and lower limits for fixed and variable interest rate exposure for net outstanding principal sums.

(c) **Maturity Structure of Borrowing** – The approved treasury management strategy also sets out the maturity structure of the Council's borrowing to ensure the Council is not exposed to risks of having to refinance large level of debt at a time in future when interest rates may be volatile or uncertain.

(d) **Investments longer than 365 days** – The approved treasury management strategy includes a limit of £20m for investments maturing beyond 365 days.

APPENDIX B

CABINET

THURSDAY 30th NOVEMBER 2023

COUNCIL

TUESDAY 12th DECEMBER 2023

REPORT OF THE PORTFOLIO HOLDER FOR FINANCE, RISK AND CUSTOMER SERVICES

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW REPORT 2023/24

EXEMPT INFORMATION

None

PURPOSE

To present to Members the Mid-year Review of the Treasury Management Strategy Statement and Annual Investment Strategy.

RECOMMENDATIONS

That Council be requested to approve the Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2023/24.

EXECUTIVE SUMMARY

This mid-year report has been prepared in compliance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (revised 2021), and covers the following:-

- An economic update for the half of the 2023/24 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's Capital expenditure as set out in the Capital Strategy, and Prudential Indicators;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24;
- A review of any debt rescheduling undertaken during 2023/24;
- A review of compliance with Treasury and Prudential Limits for 2023/24.

The main issues for Members to note are:

1. The Council has complied with the professional codes, statutes and guidance.

2. There are no issues to report regarding non-compliance with the approved prudential indicators.
3. The investment portfolio yield, excluding property fund returns, for the first six months of the year is 5.28% (1.85% for the same period in 2022/23) compared to the average 3 Month SONIA benchmark rate of 5.03% for the period (previously benchmarked against 3 Month LIBID which was 1.71% for the same period in 2022/23).

The aim of this report is to inform Members of the treasury and investment management issues to enable all Members to have ownership and understanding when making decisions on Treasury Management matters. In order to facilitate this, training on Treasury Management issues was most recently delivered for Members in February 2023 and further training is planned during 2023/24.

RESOURCE IMPLICATIONS

All financial resource implications are detailed in the body of this report which links to the Council's Medium Term Financial Strategy.

LEGAL/RISK IMPLICATIONS BACKGROUND

Risk is inherent in Treasury Management and as such a risk based approach has been adopted throughout the report with regard to Treasury Management processes.

EQUALITIES IMPLICATIONS

None

SUSTAINABILITY IMPLICATIONS

None

REPORT AUTHOR

Please contact Jo Goodfellow, Assistant Director Finance, extension 241 or Omotayo Lawal, Head of Finance, extension 246.

LIST OF BACKGROUND PAPERS

Background Papers -	*Local Government Act 2003*
	CIPFA Code of Practice on Treasury Management in Public Services 2017
	Annual Report on the Treasury Management Service and Actual Prudential Indicators 2022/23 – Council 19th September 2023

	Treasury Management Strategy & Prudential Indicators Report 2023/24 - Council 28th February 2023
	Budget & Medium Term Financial Strategy 2023/24 - Council 28th February 2023
	Quarter 2 2023/24 Performance Report Including Financial Healthcheck

APPENDICES

Appendix 1 – Investments Held at 30th September 2023

Appendix 2 - the CFR, Liability Benchmark and Borrowing

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW

The CIPFA Code of Practice on Treasury Management (revised 2021) suggests that Members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This is the second monitoring report for 2023/24 presented to Members this year and therefore ensures the Council is embracing best practice. Cabinet also receives regular monitoring reports as part of the quarterly healthcheck on Treasury Management activities and risks.

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the Treasury Management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, Treasury Management is defined as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions.

- Delegation by the Council of the role of scrutiny of Treasury Management strategy and policies to a specific named body. For this Council the delegated body is the Audit and Governance Committee.

1. Economics and Interest Rates

1.1 Economics update

The second quarter of 2023/24 saw:

- Interest rates rise by a further 1%, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
- A 0.5% m/m decline in real GDP in July, mainly due to high levels of industrial action.
- CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
- Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).

- The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.
- The 0.4% month on month rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.
- But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3month year on year average (3myy) rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.
- In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 0.25% hike.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.

- The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).
- The pound weakened from its cycle high of $1.30 in the middle of July to $1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.
- The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

1.2 Interest Rate Forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 0.2%) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 25th September sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

2. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement (TMSS) for 2023/24 was approved by Council on 28th February 2023.

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

3. The Council’s Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council’s capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

3.1 Prudential Indicator for Capital Expenditure

This table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure	2023/24 Original Programme	Budget B’fwd from 2022/23	Virements in Year	Total 2023/24 Budget	Actual Spend @ Period 6	Predicted Outturn	2023/24 Revised Estimate*
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
General Fund	5.820	21.274	6.424	33.518	4.353	32.034	33.430
HRA	8.364	7.880	-	16.244	7.326	14.127	16.017
Total	**14.184**	**29.154**	**6.424**	**49.762**	**11.679**	**46.161**	**49.448**

* Includes potential expenditure slippage into 2024/25 of £3.287m

The virements of £6.424m represent additional funding applied to the Gungate capital scheme (Council 18th July) and the acquisition of the commercial lease at Bolebridge St (Council 26th June).

3.2 Changes to the Financing of the Capital Programme

The following table draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. Any borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2023/24 Original Capital Programme £m	2023/24 Predicted Outturn £m	2023/24 Revised Budget * £m
Unsupported	1.762	2.325	4.110
Supported	12.422	43.836	45.652
Total spend	**14.184**	**46.161**	**49.762**
Financed by:			
Grants - Disabled Facilities	0.547	1.162	1.162
Coalfields Grant	0.030	0.038	0.038
Section 106's	-	0.830	0.830
GF Receipts	2.020	10.529	10.529
GF Reserve	0.230	0.421	0.701
Sale of Council House Receipts	0.308	0.651	0.676
HRA Receipts	0.350	0.350	0.350
Future High Street Fund	0.900	15.706	15.706
Other Grants/Contributions	0.024	0.924	0.924
MRR	2.979	4.092	4.057
HRA 1-4-1 Replacements Receipts	0.100	0.921	1.471
HRA Reserve	3.815	6.281	6.857
HRA Regeneration Fund	0.200	1.195	1.429
HRA Affordable Housing Reserve	0.920	0.735	0.920
Total Financing	**12.422**	**43.836**	**45.652**
Borrowing need	**1.762**	**2.325**	**4.110**

* includes schemes re-profiled from 2022/23 of £29.154m

3.3 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The following table shows the Capital Financing Requirement (CFR), which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement.

Prudential Indicator – the Operational Boundary for External Debt

	2022/23 Outturn £m	2023/24 Original Capital Programme £m	2023/24 Projected Outturn £m	2023/24 Revised Budget £m
CFR – Non Housing	3.785	6.608	5.354	6.529
CFR – Housing	69.981	71.582	70.534	71.140
Total CFR	73.766	78.190	75.888	77.669
Net movement in CFR	**0.325**	**4.299**	**2.122**	**3.903**
Operational Boundary				
Expected Borrowing	63.060	63.060	63.060	63.060
Other long term liabilities	-	-		-
Total Debt 31st March	**63.060**	**63.060**	**63.060**	**63.060**

3.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2022/23 Outturn £m	2023/24 Original Estimate £m	2023/24 Projected Outturn £m	2023/24 Budget £m
Gross borrowing	63.060	63.060	63.060	63.060
Less investments	71.332	15.194	50.571	50.428
Net borrowing	-8.272	47.866	12.489	12.633
CFR (year end position)	73.766	78.190	75.888	77.669

A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit for External	**2023/24**	**Current**	**2023/24**

Debt	Original Indicator	Position	Revised Indicator
Borrowing	89.015	89.015	89.015
Total	89.015	89.015	89.015

4. Borrowing

The Council's estimated revised capital financing requirement (CFR) for 2023/24 is £75.888m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 3.4 shows the Council has borrowings of £63.060m and plans to utilise £12.828m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

It is not anticipated that any additional borrowing will be undertaken during 2023/24.

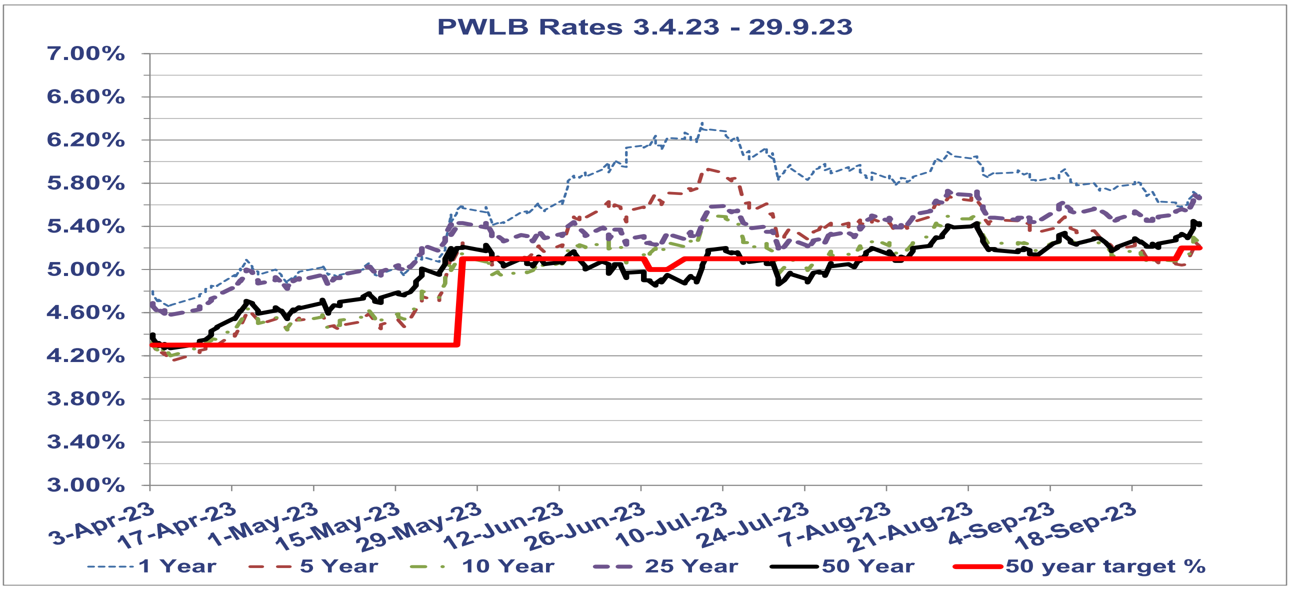
PWLB maturity certainty rates (gilts plus 0.8%) year to date to 29th September 2023

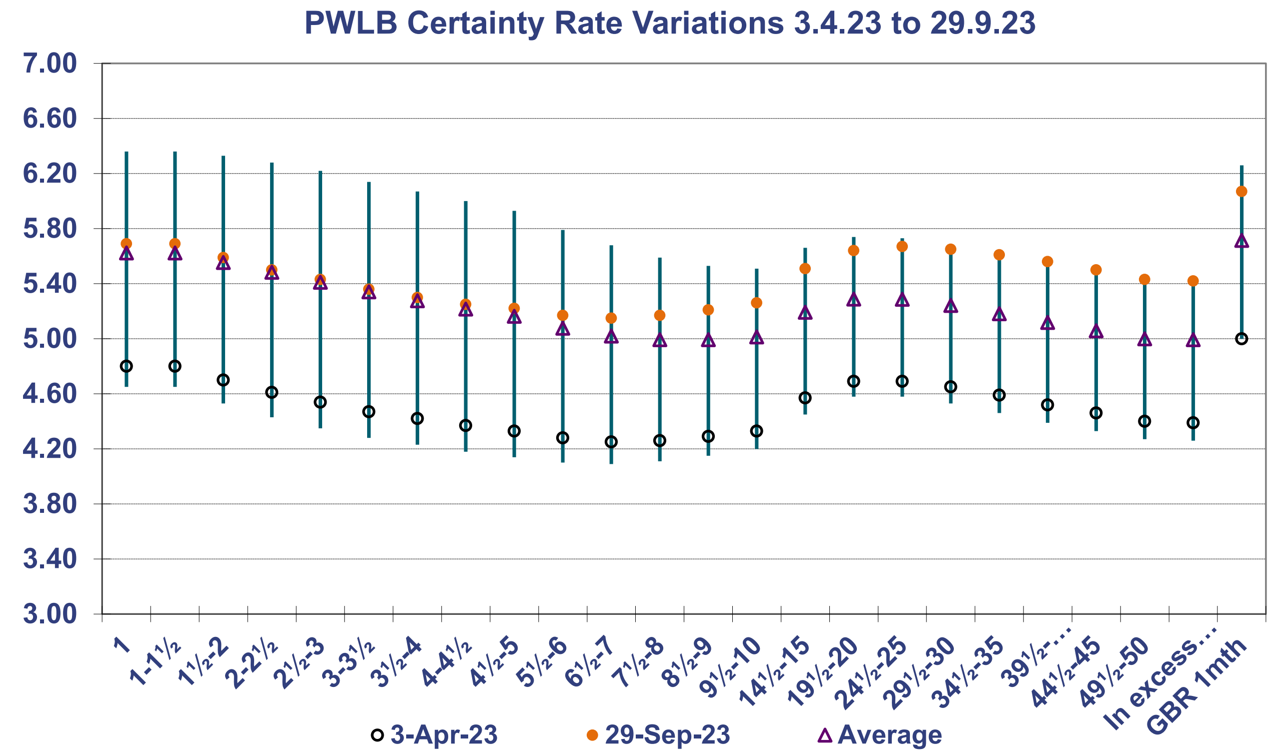
Gilt yields and PWLB certainty rates were on a generally rising trend throughout the first half of 2023/24. At the beginning of April, the 5-year rate was the cheapest part of the curve and touched 4.14% whilst the 25-year rate was relatively expensive at 4.58%.

July saw short-dated rates peak at their most expensive. The 1-year rate spiked to 6.36% and the 5-year rate to 5.93%. Although, in due course, short-dated rate expectations fell, the medium dates shifted higher through August and the 10-year rate pushed higher to 5.51% and the 25-year rate to 5.73%. The 50-year rate was 4.27% on 5th April but rose to 5.45% on 28th September.

Rates are forecast to fall back over the next two to three years as inflation dampens. The CPI measure of inflation is expected to fall below 2% in the second half of 2024, and 50-year rates are forecast to stand at 3.90% by the end of September 2025. However, there is considerable gilt issuance to be digested by the market over the next couple of years, as a minimum, so there is a high degree of uncertainty as to whether rates will fall that far.

PWLB RATES 01.04.23 - 29.09.23





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

- The current PWLB rates are set as margins over gilt yields as follows: -.
    - **PWLB Standard Rate** is gilt plus 1%
    - **PWLB Certainty Rate (GF)** is gilt plus 0.8%
    - **PWLB Local Infrastructure Rate** is gilt plus 0.6%
    - **PWLB Certainty Rate (HRA)** is gilt plus 0.4%

- The **UK Infrastructure Bank** will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 0.4%.

5. Debt Rescheduling

Debt rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt rescheduling has been undertaken to date in the current financial year.

6. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Executive Director Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

7. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 28th February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit quality financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

Creditworthiness.
Following the Government's fiscal event on 23rd September 2022, both S&P and Fitch placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and a challenging economic outlook. Nothing further has evolved in the first half of 2023/24.

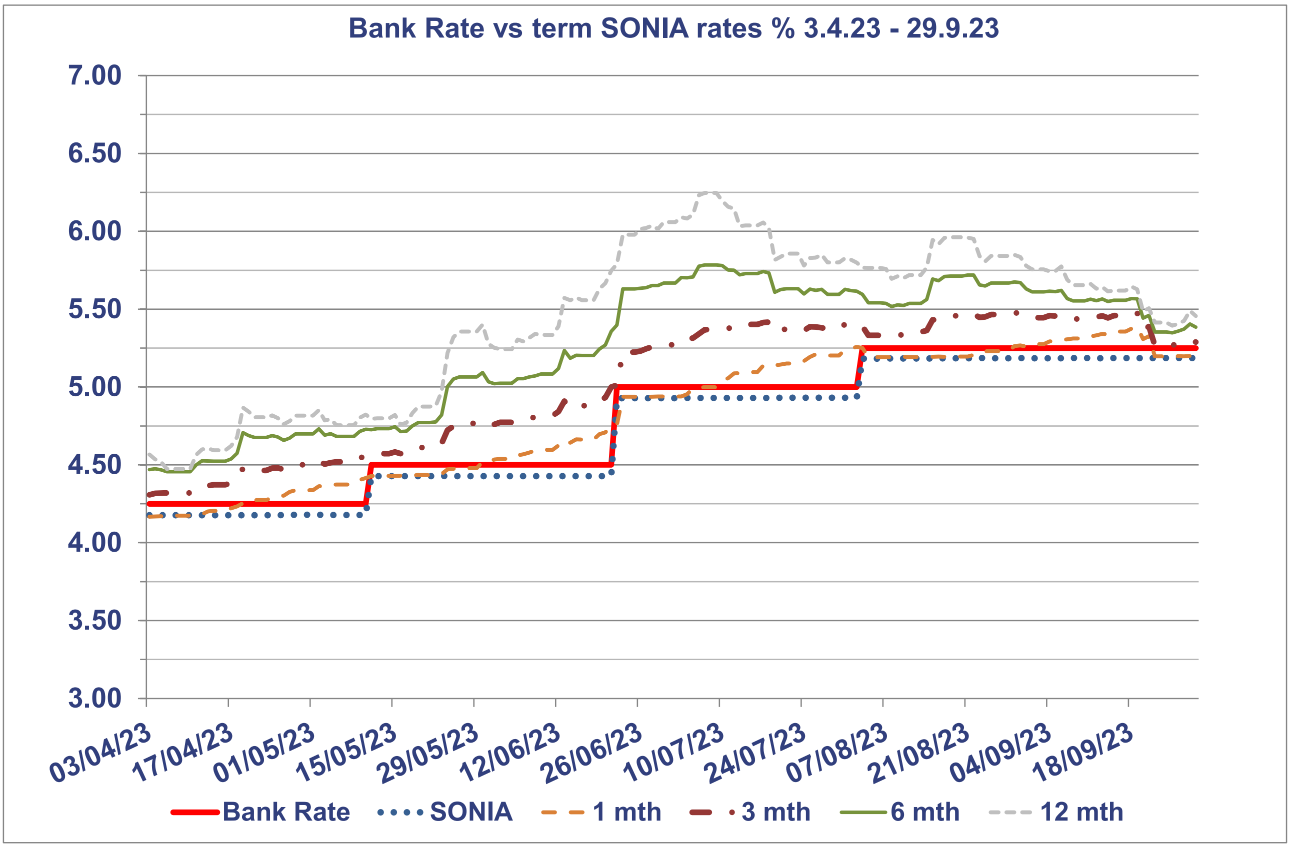
Investment Counterparty criteria
The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS prices
It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

Investment balances
The Council held £68.642m of investments as at 30th September 2023, excluding investments in property funds (£60.610m at 31st March 2023) and the investment portfolio yield for the first six months of the year is 5.28% against a benchmark of the average 3 months SONIA of 5.03%. A full list of investments held as at 30th September 2023 is detailed in **APPENDIX 1.**

The Executive Director Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2023/24.

Investment performance year to date as of 29th September 2023



	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	5.25	5.19	5.39	5.48	5.78	6.25
High Date	03/08/2023	29/09/2023	19/09/2023	30/08/2023	07/07/2023	07/07/2023
Low	4.25	4.18	4.17	4.31	4.46	4.47
Low Date	03/04/2023	04/04/2023	03/04/2023	03/04/2023	06/04/2023	06/04/2023
Average	4.81	4.74	4.83	5.03	5.26	5.45
Spread	1.00	1.01	1.22	1.17	1.33	1.77

The table above covers the first half of 2023/24.

The Council's budgeted investment return for 2023/24 is £1.3m, and we are currently forecasting an additional £1.7m in investment income as at September Period 6, due to increased balances available for investment due to capital slippage, plus increasing interest rates.

Investment Counterparty Criteria

The current investment counterparty criteria selection approved in the TMSS and as approved by Council on 28th February 2023 meets the requirements of the Treasury Management function.

8.Changes in risk appetite

The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports. There are no such changes to report to Members at this stage.

9. Property Funds

To date, the Council has invested £1.85m with Schroders UK Real Estate Fund, £6.057m with Threadneedle Property Unit Trust, and £4.057m with Hermes Federated Property Unit Trust, total investment £11.962m. Although the capital values of the funds did initially fall, mainly since 31st March 2020, they then recovered and as at 31st March 2022 there was an overall gain of £1.32m. However, since then capital values have fallen again, and as at 30th September the valuation stands at £10.62m, with an overall loss of £1.35m. It should be noted that investments in property are subject to fluctuations in value over the economic cycle and should yield capital growth in the longer term as the economy grows.

Fund Valuations	Investment	Valuation 31/03/2019	Valuation 31/03/2020	Valuation 31/03/2021	Valuation 31/03/2022	Valuation 31/03/2023	Valuation 30/09/2023
Schroders UK Real Estate Fund	1,848,933	1,897,716	1,884,412	1,848,933	2,139,618	1,727,176	1,638,076
Valuation Increase / (reduction)		48,783	(13,305)	(35,479)	290,685	(412,442)	(32,656)
Threadneedle Property Unit Trust	2,000,249	1,921,884	1,836,032	1,794,439	2,097,097	1,732,373	1,727,499
Valuation Increase / (reduction)		(78,365)	(85,852)	(41,594)	302,658	(364,724)	(7,604)
Threadneedle Property Unit Trust	4,056,536	-	-	-	4,407,163	3,640,676	3,630,433
Valuation Increase / (reduction)					350,627	(766,487)	(15,980)
Hermes Federated Property Unit Trust	4,056,500	-	-	-	4,450,808	3,741,712	3,620,146
Valuation Increase / (reduction)					394,308	(709,096)	(119,174)
Total	11,962,218	3,819,601	3,720,444	3,643,372	13,094,687	10,841,937	10,616,154
Valuation Increase / (reduction)		(29,581)	(99,156)	(77,072)	1,338,279	(2,252,750)	(175,414)

The following table details the dividend returns achieved from the property fund investments, which support the revenue budget. The Council received £458k in dividends from its property fund investments in 2022/23 (£269k in 2021/22), and has received £214k for the current financial year as at 30th September 2023 (Q2 returns not yet received in respect of Hermes).

Fund Valuations	Investment	Dividend Returns 31/03/2019	Dividend Returns 31/03/2020	Dividend Returns 31/03/2021	Dividend Returns 31/03/2022	Dividend Returns 31/03/2023	Dividend Returns 30/09/2023
Schroders UK Real Estate Fund	1,848,933	48,118	56,638	52,898	61,655	71,962	33,974
Threadneedle Property Unit Trust	2,000,249	60,056	90,274	75,452	79,231	83,373	46,086
Threadneedle Property Unit Trust	4,056,536	-	-	-	70,417	175,213	96,851
Hermes Federated Property Unit Trust	4,056,500	-	-	-	57,352	127,182	36,671

Total		**108,174**	**146,911**	**128,350**	**268,655**	**457,730**	**213,582**
Annual Revenue % Return		2.8%	3.8%	3.3%	2.2%	4.2%	4.7%

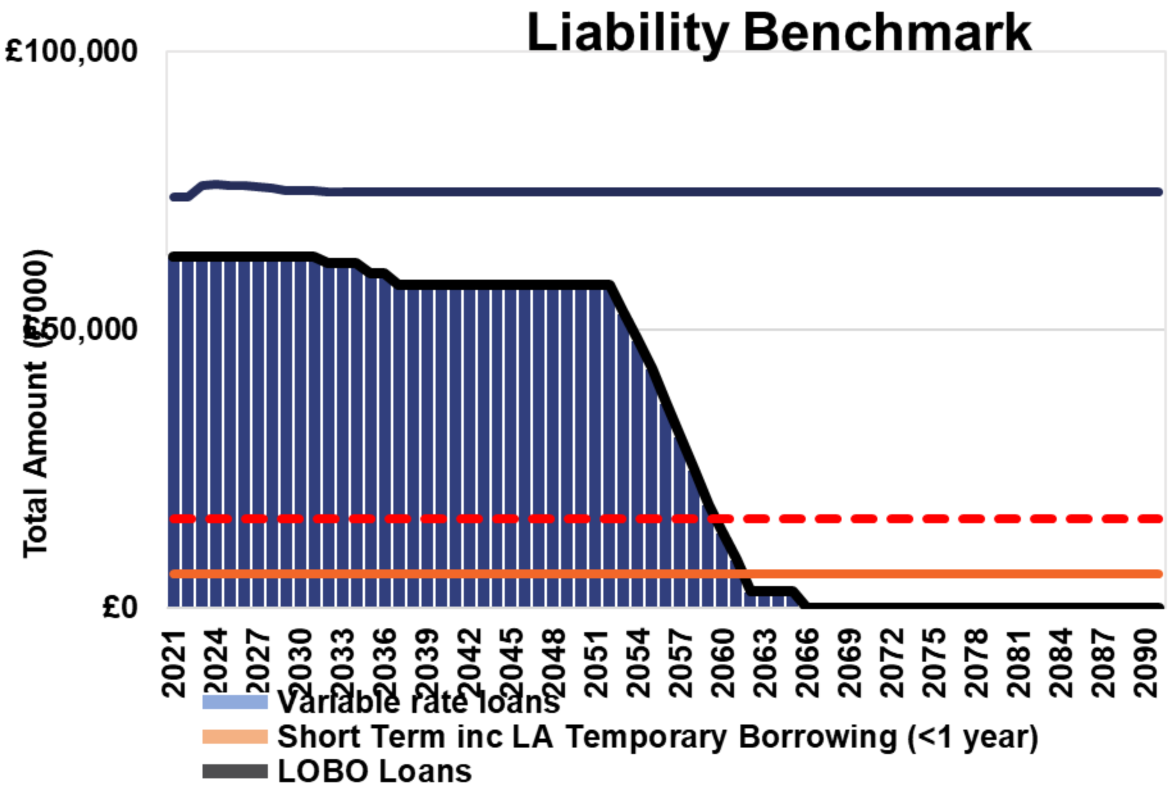
APPENDIX 1

Investments held as at 30th September 2023:

Borrower	*Deposit £*	*Rate %*	*From*	*To*	*Notice*
Lloyds Bank	5,000,000	5.00%	11-May-23	10-Nov-23	-
Standard Chartered	5,000,000	4.83%	11-May-23	10-Nov-23	-
Standard Chartered	5,000,000	5.19%	24-May-23	24-Nov-23	-
Birmingham City Council	5,000,000	4.00%	27-Jan-23	29-Jan-24	-
Cornwall County Council	5,000,000	5.40%	14-Jul-23	15-Jan-24	-
NatWest Bank	5,000,000	6.15%	10-Jul-23	08-Jul-24	-
Lloyds Bank	4,000,000	5.99%	14-Jul-23	12-Jan-24	-
NatWest Bank	5,000,000	5.85%	08-Aug-23	08-Aug-24	-
Southampton City Council	5,000,000	5.85%	18-Sep-23	18-Jun-24	-
Santander	5,000,000	4.67%	-	-	180 day
MMF – Aberdeen	8,615,000	5.25%*	-	-	On call
MMF – PSDF	1,298,000	5.20%*	-	-	On call
MMF – Federated	9,729,000	5.35%*	-	-	On call
Total	**68,642,000**	**5.28%**	-	-	-
Schroders UK Real Estate Fund	1,848,933	3.66%	-	-	-
Threadneedle Property Unit Trust	6,056,785	4.82%	-	-	-
Hermes Federated Property Unit Trust	4,056,500	3.63%	-	-	-
Total	**80,604,218**	**5.13%**	-	-	-

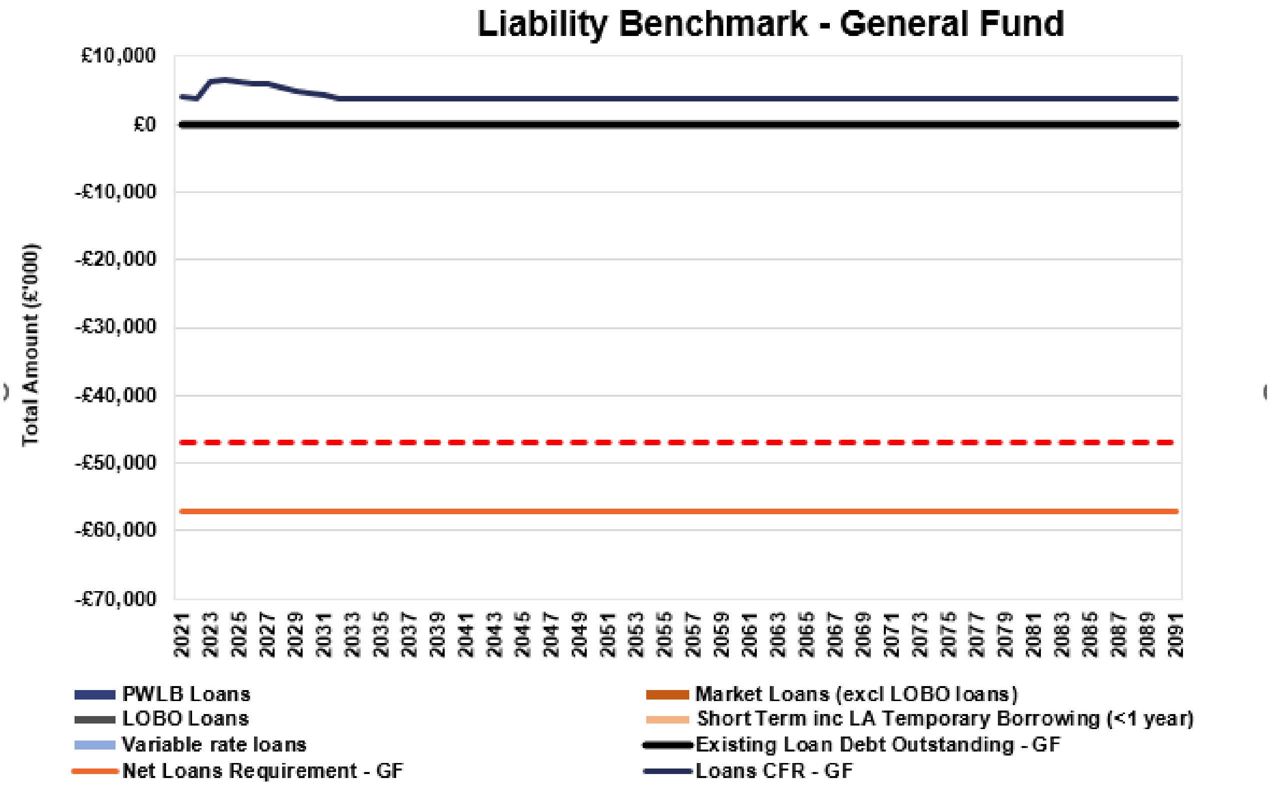
** Interest rate fluctuates daily dependant on the funds investment portfolio, rate quoted is approximate 7 day average.*

Fund	**Initial Investment**	**Fund Value 30/09/2023**	**2023/24 Return to Date**		
Schroders UK Real Estate Fund	£1,848,933.03	£1,638,075.65	£33,974.37	3.66%	Returns Received Monthly. Received up to Sep-23.
Threadneedle Property Unit Trust	£6,056,785.32	£5,357,932.17	£142,936.94	4.82%	Returns Received Quarterly. Received up to Sep-23
Hermes Federated Property Unit Trust	£4,056,499.57	£3,620,145.98	£36,670.53	3.63%	Returns Received Quarterly. Received up to Jun-23
Total	**£11,962,217.92**	**£10,616,153.80**	**£143,364.79**	**4.23%**	

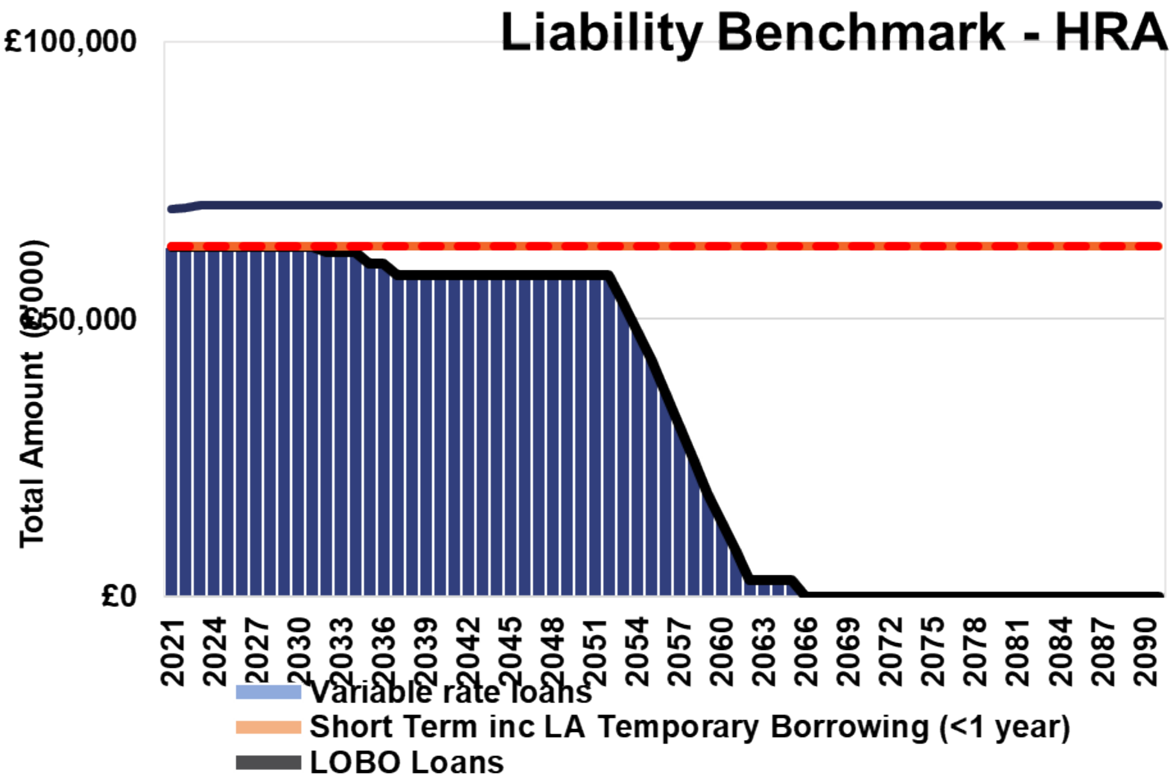


The combined liability benchmark chart above shows the existing loan debt outstanding, the capital financing requirement, net loans requirement and liability benchmark indicator.

The difference between the loans capital financing requirement and existing debt indicates internal borrowing. Prior to any new borrowing, the Council will have regard to underlying assumptions of liability benchmark analysis as part of prudent treasury management.



The net loans requirement and liability benchmark for the General Fund is negative as this is reflective of the balance of GF treasury investments held.



The liability benchmark for the HRA is set at the same level as the net loans requirement (£63m reflecting PWLB loans outstanding) as there is no need to maintain additional borrowing to meet liquidity needs as this falls to the General Fund.

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AUDIT & GOVERNANCE COMMITTEE

24th APRIL 2024

REPORT OF THE EXECUTIVE DIRECTOR FINANCE

RE-STATED ANNUAL STATEMENT OF ACCOUNTS 2022/23

EXEMPT INFORMATION

None

PURPOSE

To approve the re-stated Statement of Accounts (the Statement) for the financial year ended 31st March 2023 following completion of the external audit, and updates required to take account of IFRIC 14 - IAS 19 The Limit on a Defined Benefit Asset.

RECOMMENDATION

That Members approve the Annual Statement of Accounts 2022/23

EXECUTIVE SUMMARY

At its meeting of 27th September 2023, the Audit & Governance Committee approved the Statement of Accounts, and the external auditors Grant Thornton's Audit Findings Report. At that time the audit had not yet concluded as there were some outstanding issues to be finalised, including receipt of the pensions audit letter from Ernst & Young, prior to issue of Grant Thornton's opinion, audit conclusion and certificate. It was therefore agreed at the meeting to delegate authority to the Chair to approve any changes and re-sign the accounts, if necessary, once this work was completed.

However, while we awaited receipt of the pensions assurances, CIPFA issued a bulletin in November 2023 in response to the number of Councils who were for the first time reporting a net pensions asset rather than a liability as in previous years, as was the case for Tamworth. The bulletin provided further guidance as to the required treatment and the application of IFRIC 14 - IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The original actuary's valuation of the Council's pension fund as previously reported in the Statement of Accounts was a £1.09m net asset position. However, IFRIC 14 requires that consideration is given as to whether there is an asset ceiling that would limit the Council's ability to recognise the asset. The IAS 19 asset ceiling is a specified estimate of the present value of the economic benefit which the employer organisation can realise, either through refunds or by gaining economic benefit through reductions in future contributions. A net asset ceiling calculation was requested from our actuary Hymans Robertson, which indicated that the impact of the net asset ceiling would result in a reduction of £7.9m, therefore reducing the net asset to a net liability of £6.8m.

Under the provisions of IAS 19, we are required to measure the net defined benefit asset at the lower of the surplus in the defined benefit plan, or the asset ceiling, and therefore, following discussions with Grant Thornton, it was agreed we would amend the Statement of Accounts to reflect the net asset ceiling calculation.

This has resulted in changes to the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet, Movement in Reserves, and Pensions notes. The amendments are highlighted yellow in the attached updated Statement at **Appendix 1**, and can be found at pages 2 – 6, 26, 28, 31, 40, 82, 85, 106, and 109 – 112.

It should be noted that there has been no impact as a result of these amendments to the surplus or deficit on the provision of services, and the overall financial position of the Council remains unchanged, with no change to the previously reported outturn position and net balances of the General Fund, Housing Revenue Account or Collection Fund. However, as there are a number of significant amendments to the Statement, it is being reported to this Committee for approval, as it was agreed at the meeting of 27th September that members would be advised of any significant changes.

Regulations require the Chair of the Audit & Governance Committee meeting to sign and date the Statement of Accounts with the intention that the Chair's signature formally represents the completion of the Council's approval process of the accounts.

RESOURCE IMPLICATIONS

None as a direct result of this report.

LEGAL / RISK IMPLICATIONS

Legislation detailed in Accounts and Audit (England) Regulations 2015, requires the draft statement of accounts to be prepared by 31st May and for a Committee of the Council to approve the audited Statement and for the Council to publish the Statement together with the Auditors' opinion by 31st July.

However, because of the impact of ongoing issues being experienced with regard to accounts and audit completion, the requirement was amended again for 2022/23, with the deadline for publishing audited statements being pushed back to 30th September 2023.

It has previously been reported to Members that, due to the significant and unprecedented backlog of outstanding audit opinions, DLUHC have recently consulted on amending the Accounts and Audit Regulations to enable audit opinions up to and including 2022/23 to be cleared by September 2024, and proposing a recovery period with amended timelines for publishing audited accounts from 2023/24 to 2027/28. The consultation closed 7th March 2024, however, to date no response or findings have been published by DLUHC.

REPORT AUTHOR

Jo Goodfellow, Assistant Director Finance

LIST OF BACKGROUND PAPERS

Annual Statement of Accounts and Report 2022/23, Audit & Governance Committee 27th September 2023.

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Tamworth Borough Council

Statement of Accounts 2022/23

Tamworth – celebrating our heritage, creating a better future

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STATEMENT OF ACCOUNTS

2022/23

Contents

THE NARRATIVE REPORT

The aim of this Narrative Report is to provide a context to the accounts by presenting a clear and simple summary of the Authority's financial position and performance for the year and its prospects for future years.

The statement of accounts presents the financial position and performance of the Authority for the year ended 31st March 2023. This narrative report describes the nature and purpose of each of the statements which follow and highlights the most significant matters which are contained within the accounts and the major influences affecting the Authority's income, expenditure and cash flows.

THE FINANCIAL STATEMENTS

The Annual Statement of Accounts for the year ended 31st March 2023 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2022/23.

The Code is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board.

The Authority's accounts for 2022/23 are set out on pages 24 to 138 and consist of the following:

Core Financial Statements:

- **Comprehensive Income and Expenditure Account (CIES):** 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 regulations; this may be different from the accounting cost. The net effect to the Council taxpayer is shown in the Movement in Reserves Statement.

  A surplus of £20.4m is reported for 2022/23 (£74.1m surplus 20221/22). This is mainly explained by a re-measurement of the Net Defined Benefit Liability relating to the pension fund which resulted in a surplus of £29.1m (a surplus of £21.7m was reported in 2021/22) resulting mainly from financial assumption changes.

  It also included a £6.8m gain on Revaluation of Property, Plant and Equipment Assets, as well as a deficit on the provision of services of £15.5m.

- **Movement in Reserves Statement:** shows the movement in the year on the different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Movement in Reserves Statement shows a net General Fund surplus of £0.5m for the year. This equates to a favourable variance of £0.7m (the planned transfer from balances at the start of the year in the original budget was £0.2m) and has resulted in General Fund Balances of £9.6m (£9.2m – 2021/22). Earmarked General Fund Reserves have increased by £0.1m to £15.6m resulting in total General Fund Reserves of £25.2m (£24.7m – 2021/22) and reflect the risks and uncertainties facing the Authority over the medium term.

- **Balance Sheet:** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are £292m (£271.6m 2021/22) which are matched by the reserves held by the Authority.

Key items are:

Long Term Assets

The Authority holds property, plant and equipment assets of £273.9m (£272.2m 2021/22) – mainly due to Council dwellings of £243.0m (£241.9m 2021/22).

Working Capital

Net working capital has increased to £49.8m (£48.3m 2021/22) mainly due to a reduction of £7.4m in the level of creditors offset by a reduction of £6.4m in the level of short term investments and cash equivalents as at 31/3/23.

Provisions, Usable Reserves and Balances

The working balances as at 31st March 2023 are £55.6m (£59.1m 2021/22) and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

31st March 2022 £000	Provisions, Usable Reserves and Balances	31st March 2023 £000
1,916	Provisions	1,827
27,494	Earmarked Reserves	26,160
14,872	Revenue Balances	12,377
14,804	Unused Capital Receipts & Grants	15,285
59,086	Total Working Balances	55,649

Working balances of £26.6m (£27.0m 2021/22) relate to capital (including the Capital Reserve of £10.2m). Deferred capital expenditure of £29.2m from 2022/23 and previous years carried forward to 2023/24 will be financed in part from these balances (£30.5m 2021/22).

Borrowing Facilities

The Authority borrows funds where necessary to meet both long term capital expenditure commitments and short-term cash flow demands. Funds are borrowed from the Government (Public Works Loan Board - PWLB) and from the commercial money market (banks, building societies and other lenders). The Authority's debt at 31st March 2023 was £63.1m (£63.1m 2022/23) and was all borrowed from the PWLB.

Pensions

Following the application of IFRIC 14 - *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the pension fund has a deficit in the year of £6.8m (£32.4m deficit in 2021/22) and is required to be shown on the Balance Sheet of the Authority.

The change in financial assumptions adopted together with other experience for period ending 31st March 2023 can be approximately broken down as follows:

Change in Financial Assumptions and Other Experience	31st March 2023 £'000
Pension increase Rate	4,610
Salary increase Rate	280
Discount rate	46,152
Changes in demographic assumptions	2,216
Other experience (obligations)	(6,640)
Other experience (Assets)	(4,174)
Return on assets	(5,410)
Changes in the effect of the asset ceiling	(7,932)
Total gain	29,102

- Pension Increase Rate – Market derived CPI inflation has fallen over the period, which has led to a 0.20% reduction in this assumption. This has served to reduce the Employer's obligations and led to a gain of around £4.6m on the balance sheet.

- The change in the CPI inflation assumption is a result of underlying changes in market implied RPI (after allowance for the inflation risk premium adjustment), coupled with any changes in the RPI-CPI gap from the previous year and the adjustment to CPI to reflect the high inflationary environment in year 1.

  - Salary Increase Rate – the salary increase assumption has fallen over the period by 0.1%. This has served to reduce the Employer's obligations and led to a gain of around £0.3m on the balance sheet.

  - Discount rate – The corporate bond yield (upon which the discount rate is derived) has risen over the period, which has led to a 2.05% increase in this assumption. This has served to reduce the Employer's obligations and led to a gain of around £46.1m on the balance sheet.

  - Changes in demographic assumptions (c.£2.2m gain on the balance sheet). The assumptions have changed from the previous accounting period to reflect the latest available longevity information and the results of the 2022 funding valuation exercise. This update has served to reduce the Employer's obligations.

- Other experience (c.£6.6m loss on the balance sheet). There are 3 possible elements that lead to the 'Other experience' item on the obligations side.

  a) Actual pension increase order – The actual PI order for April 2023 was 10.1%, which is significantly higher than the pension increase rate assumption built into the obligations at the start of the accounting period. This increases pensions in payment, deferred pensions and CARE pots and leads to a loss of around £8.4m. After allowing for the above Pensions Increase Order impact, the remainder of the 'Other experience' item is in relation to funding valuation remeasurement experience and any unfunded obligations experience (only in cases where the Employer has historically granted such unfunded benefits):
  b) 31 March 2022 funding valuation - In the period following a funding valuation, employers may experience a 'step-change' in their accounts as the difference between the projected membership experience and actual membership experience emerges. For employers/pools (particularly those with significant membership changes), a valuation remeasurement experience item of c10% of the expected closing obligations (positive or negative) would not be that unusual.
  c) Unfunded pensioners – Where the Council has experienced more (or less) unfunded pensioner deaths over the period, this will give rise to a typically small experience gain (or loss) on the balance sheet.

- Other experience (Assets) (c.£4.2m loss on the balance sheet) - in the first accounting report following a funding valuation, a step-change also occurs on the asset side caused by actual experience. This item can be large as three years of actual experience flows through the accounts.

- Return on assets excluding amounts included in net interest (c.£5.2m loss on the balance sheet). Any excess return (over and above the expected accounting return, i.e. the discount rate at the start of the accounting period) is recognised in the OCI. The total investment return achieved by the Fund over the accounting period was -1.7%, compared to an expected accounting return of 2.7%.

  Changes in the effect of the net asset ceiling. The original actuary's valuation of the Council's pension fund as previously reported was a £1.09m net asset position. However, subsequent CIPFA guidance released in November 2023 with reference to IFRIC 14 requires that consideration is given as to whether there is an asset ceiling that would limit the Council's ability to recognise the asset. The IAS 19 asset ceiling is a specified estimate of the present value of the economic benefit which the employer organisation can realise, either through refunds or by gaining economic benefit through reductions in future contributions. Such an economic benefit may be available even if it is not realisable immediately at the end of the reporting period. However, it should be noted that local authority LGPS plans do not have all the features on which IAS 19 and IFRIC 14 provide guidance. In particular:

- No element of surplus fund assets belongs to pension fund members.
- Local authority employers cannot normally obtain refunds of surplus during the normal life of the plan.
- Local authority employers are not normally in a position to wind up a plan and thereby obtain refunds. In the event of the discontinuation of a local authority the pension fund assets and liabilities would be transferred to a successor authority.

It should be noted that there has been no impact on the net cost to the taxpayer arising from this - contribution levels remain unchanged (an ongoing annual contribution plus a fixed lump sum element) arising from the formal valuation on 31st March 2022 (following the triennial review).

- **Cash Flow Statement:** shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- **Supplementary Statements:**

  - **Housing Revenue Account:** reflects the statutory requirement to maintain a separate account for Council Housing.

    The overall revenue financial position relating to Council Housing as given on page 126 shows a reduction in HRA balances for the year of £2.9m (£0.1m increase in 2021/22).

    This equates to an overspend of £1.0m when compared to the approved budget for the year. This has resulted in a decrease in balances from £5.7m to £2.8m to be carried forward to 2023/24. Earmarked HRA Reserves have increased by £1.0m (£0.3m increase – 2021/22) to £8.5m resulting in total HRA Reserves of £11.3m (£15.3m – 2021/22).

  - **The Collection Fund:** shows the Council Tax income collected on behalf of Staffordshire County Council, the Office of the Police and Crime Commissioner (OPCC), the Staffordshire Commissioner Fire and Rescue Authority and this Authority's General Fund.

    The fund also includes Non Domestic Rates income under the Business Rates Retention Scheme. The Collection Fund, subject to collection of outstanding arrears, achieved the following:

- Council Tax – surplus of £1.2m (£1.5m – 2021/22, the Authority's share is 10%), of which £0.6m (£0.75m – 2021/22) will be distributed to preceptors during 2023/24;
- NDR – deficit of £2.1m (£4.6m deficit in 2021/22) of which the Authority's share is 40%, mainly as a result of the significant level of additional business rates relief for retail, hospitality and leisure businesses due to the COVID-19 pandemic.

The deficit relating to the NDR collection fund includes a reduced provision of £4.5m, (£4.8m – 2021/22) with £1.8m being the Authority's share (£1.9m – 2021/22), for appeals outstanding on the 31st March 2023 of £37.5m (£35.2m – 2021/22).

This will mean that the deficit will be £0.8m (share for this Authority) for 2023/24 comparable to a deficit of £0.3m included within the 2023/24 budget. It should be noted that this will be funded in 2023/24 through additional section 31 Government grants received during 2022/23 (and transferred to reserve).

These accounting statements are supported by appropriate notes to the accounts and the General Accounting Policies. For 2022/23, the notes to support the primary statements include the relevant accounting policies as well as further detail regarding individual transactions.

CHANGES TO THE ACCOUNTS 2022/23

An updated Code of Practice, applicable for 2022/23 was issued by CIPFA in August 2022.

Changes reflected in the 2022/23 updated Code do, on the whole, have to be incorporated into the Authority's accounts but do not necessarily impact on the Authority's accounting policies. This is because the changes are principally around additional or changed disclosure notes, points of clarification and additional guidance etc.

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2022.

This is with the exception of IFRS 16 Leases. While the CIPFA/LASAAC Code Board is strongly of the view that IFRS 16 is the best form of reporting local authority leases, it has made a decision to defer mandatory implementation of IFRS 16 as a pragmatic response to severe delays in the publication of audited local authority financial statements in England. The decision should not be viewed as a commentary on the usefulness of the information derived from the implementation of the standard. While mandatory implementation has been deferred until 2024/25, adoption in earlier accounting periods (ie 2022/23 or 2023/24) is permitted on a voluntary basis. This Authority has decided not to adopt IFRS 16 Leases before 2024/25.

The key accounting changes applicable to the Authority in the 2022/23 edition of the Code include:

a) Amendments to Section 1.3 (Applicability of the Code) to clarify and expand the applicability of the Code to Welsh authorities and bodies including corporate joint committees.

b) Revision of Section 4.2 (Leases) to allow authorities to voluntarily adopt the provisions of IFRS 16 in advance of mandatory implementation, in line with requirements set out in Appendix F of the Code.

c) Revision of Section 4.3 (Service Concession Arrangements: Local Authority as Grantor) to specify that if IFRS 16 is adopted in advance of mandatory implementation, then the service concession arrangement liability is measured in accordance with the measurement requirements of IFRS 16, as set out in Appendix F of the Code.

d) Amendments to Section 8.2 (Provisions, Contingent Liabilities and Contingent Assets) to clarify the treatment of social benefits under IAS 37/IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets.

e) Confirmation in Appendix C of the Code (Changes in Accounting Policies: Disclosures in the 2021/22 and 2022/23 Financial Statements) of the transitional reporting requirements of the new standards introduced in the 2022/23 Code, while also having regard to requirements in relation to voluntary adoption of IFRS 16.

f) Confirmation in Appendix D (New or Amended Standards Introduced to the 2022/23 Code) of the new standards introduced to the 2022/23 Code.

Under the oversight of the Financial Reporting Advisory Board, the CIPFA/LASAAC Code Board is in a position to issue mid-year updates to the Code. This will only be done in exceptional circumstances.

In England and Wales, the Code constitutes a ‘proper accounting practice’ under the terms of Section 21(2) of the Local Government Act 2003. In Scotland, the Code constitutes proper accounting practice under Section 12 of the Local Government in Scotland Act 2003. In Northern Ireland, the status and authority of the Code derives from Regulation 2 of the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 and through the relevant accounts direction issued by the Department for Communities (Northern Ireland).

FINANCIAL OUTLOOK

The Medium Term Financial Planning process is being challenged by the ongoing uncertain economic conditions. The forecast is based on a 5 year period, but does contain a number of uncertainties.

On 12th December 2022, the Secretary of State for Levelling Up, Housing and Communities published a written ministerial statement which was accompanied by a policy statement on the 2023/24 local government finance settlement and assumptions about the 2024/25 local government finance settlement.

This statement came ahead of the 2023/24 provisional local government finance settlement announcement, which was published in December 2022, detailing local authority-level figures for 2023/24.

This settlement represents a ‘holding position’ until the next Parliament, aiming at stability. The ruling out of a business rates reset, or a fair funding review, means that the funding distribution will stay fairly stable (with the exception of Extended Provider Responsibility funding). But this means that the big questions about the future of the funding system remain unaddressed one way or another.

While this means the Council will be able to retain its business rate growth for 2023/24 and 2024/25, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2025/26.

There is a high risk that these reforms will have a significant effect on the Council’s funding level from 2025/26.

Members will face difficult decisions around prioritising services, when faced with significant reductions in funding.

There are also further uncertainties arising from current cost pressure and inflationary increases which have compounded the likely price increases for supplies that are required for building or construction/maintenance works.

In addition, and following the recent mini budget on 23rd September, there are cost pressures expected due to the financial markets’ response to the contents of that budget. There is an increased likelihood of a rise in interest rates, and it can be expected that this will have a negative effect on the price of goods and services but a positive effect from the return from the Council’s Treasury investments.

Financial resilience is and has been the key requirement for local authorities at any time, but in the current crisis it has assumed unprecedented importance. Cabinet on 22nd October 2020 approved the Recovery and Reset programme which aims to consider how we can tackle the financial challenges facing the council as a result of the coronavirus pandemic.

This included reviewing services, reducing waste demand on services (basically this is any action or step in a process that does not add value to the customer), exploring opportunities for income generation and identifying any further savings.

The Recovery & Reset Programme package of savings originally reported in July 2022 estimated savings to be in the region of c£3.5m over 5 years; £2.8m of which was unbudgeted capital costs for continuing to occupy Marmion House.

As part of the update report to Cabinet on 6th April 2023, including those already built into the medium-term financial plan, the revised programme potentially delivers efficiencies of c£5.1m over the next 5-year medium term. This includes the c£3.5m already identified; plus, an additional £1.6m already delivered through the service re-design project within the programme.

In light of the base budget and MTFS forecast considered by Cabinet on 1st December 2022, following the Leaders Budget Workshop on 30th November 2022, Managers were asked to identify further areas for potential savings – which have now been included in the policy changes, amounting to c.£1.8m over 5 years.

The overriding goal is to make sure our organisation remains fit for the future, while protecting services to the most vulnerable in our community.

The Council remains committed to promoting and stimulating economic growth and regeneration; meeting our housing needs; creating a vibrant town centre economy and protecting those most vulnerable in our communities. The Council is responding to these challenges by considering the opportunities to grow our income. We are ambitious with our commercial view and will continue to work hard to identify income streams that enable us to continue to meet the needs of our residents.

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation.

This approach will change the organisation and how it works; will require Members to put evidence and insight at the heart of our decision making to ensure that we are transparent about the rationale for our decisions and plans; will involve managed risks and will sustain essential services critical in supporting the most vulnerable in our communities at a time when demand is increasing and resources reducing.

There have been increasing demands for councils to assess their going concern status in recent years. This assessment has become more relevant with doubts being expressed about whether some local authorities will be able to deliver their full range of service commitments given the financial pressures they face and with some councils issuing warnings about their future financial viability. These concerns have gained greater weight following the recovery following the COVID-19 outbreak, the inflationary cost pressures and the significant impact that it has had on council finances.

It is important to be clear that the Code of Practice under which local authorities operate confirms that councils have no ability to cease being a going concern.

It would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis. However, as part of putting these accounts together, alongside its overall response to the recovery following COVID-19, the Council's financial monitoring and planning has continued focus on providing assurance that its financial position remains secure. This includes looking at the recovery related expenditure pressures, the direct impact on council income, assessment of any bad debt provisions and impairments required against existing debts and continued analysis of the Council's cashflow requirements.

In the immediate future, the level of the Council's reserve balances is a good indicator of its financial health and ability to withstand any short-term shocks. In addition, the statutory environment in which local authorities operate means that, were an authority to encounter financial difficulties, the prospect would be that central government would implement alternative arrangements for the continuation of services or provide assistance to allow the recovery of any deficit over more than one year. In the light of this and in the opinion of the Executive Director Finance, the Council remains in a sound financial position considering the statutory position held by local authorities and the relative strength of its sources of revenue. In the longer-term, the extent of recovery towards a more familiar operational environment and the continued work to redefine a new local government funding mechanism provide significant uncertainty for the whole sector.

FINANCIAL PERFORMANCE

General Fund

The main components of the General Fund approved budget and how these compare with actual income and expenditure are set out below.

General Fund	Actual £000	Approved Budget £000	Variance £000
(Surplus) or Deficit for the Year	**5,863**	**6,580**	**(717)**

The net expenditure of the Authority was £5.9m, representing an underspend of £0.7m. Major differences between the budget and the outturn are as follows:-

Variance between Budget & Actual Outturn	**£000**	**£000**
Increased / Non-Budgeted Income*		
Additional car park income	(119)	
Additional S31 grant income associated with administering LA grant schemes (net of transfer to reserve for future year costs)	(135)	
Higher business rates pooling returned levy due to increased business rate income	(1,155)	
Higher levels of investment income due to the rise in interest rates during the year, including item 8 recharge and property fund dividends	(1,577)	
		(2,986)
Shortfalls in Income		
Summer Fest - lower income levels than forecast	500	
Bad debt provision for unpaid rent invoices	705	
		1,205
Non-Budgeted Expenditure / Overspends		
Joint waste service – additional costs due to current economic conditions	183	
Higher levels of interest payable to the HRA and reserves	513	
Increased provision for property fund valuation reduction	520	1,216
Savings / Underspends		
Unspent contingency	(132)	
		(132)
Other Variances - Net (Underspends) / Overspends		(20)
Total (Favourable) / Unfavourable Variance		**(717)**

Council Housing

A summary of the Housing Revenue Account for 2022/23, compared with the approved budget (including decisions made by Members during the financial year) is shown below:-

Housing Revenue Account	**Actual** **£000**	**Approved Budget** **£000**	**Variance** **£000**
(Surplus) or Deficit for the Year	**2,954**	**1,951**	**1,003**

The net deficit was £2.9m, representing an overspend of £1.0m. Major differences between the budget and the outturn are as follows:-

Variance between Budget & Actual Outturn	**£000**	**£000**
Increased / Non-Budgeted Income		
Increased investment income on balances (item 8)	(358)	**(358)**
Non-Budgeted Expenditure / Overspends		
Higher provision for depreciation due to increased asset valuation	1,102	
Housing Repairs - additional costs associated with response to COVID-19 including payments made under the Government guidance note PPN02/20	130	
Increased Contribution to Capital due to reinvestment of affordable rents in line with agreed policy	395	
Increased interest on debt due to rising interest rates	133	1,760
Savings / Underspends		
Housing Repairs - reduced planned maintenance	(219)	
Contingency Budget not required	(130)	(349)
Other Variances - Net (Underspends) / Overspends		(50)
Total (Favourable) / Unfavourable Variance		**1,003**

Capital Expenditure

During 2022/23 the Authority spent £18.8m on capital expenditure (£17.8m in 2021/22). A breakdown by category and sources of finance is shown as Note 34 to the Core Financial Statements on page 101.

The majority of expenditure is related to improvement, enhancement or ongoing construction works:

Capital Expenditure	£m	£m
Housing Capital Programme		
Enhancements to Council Dwellings	7.8	
Improvements to the High Rise Flats	2.3	
Regeneration & Acquisition of Council Dwellings	3.8	13.9
General Fund Services		
Future High Street Fund Town Centre Regeneration	4.1	
Refurbishment Castle Grounds Tennis Courts	0.2	
Disabled Facilities Grants	0.2	
Other Capital Schemes	0.4	4.9
Total		**18.8**

A total of £29.2m spending originally planned for 2022/23, or earlier, has been deferred to 2023/24 (£30.5m in the previous year). Included within this deferred expenditure:

Deferred Capital Expenditure	£000	£000
Housing Capital Programme		
Enhancements to Council Dwellings	3.3	
Improvements to the High Rise Flats	0.7	
Regeneration & Acquisition of Council Dwellings	3.7	
Other	0.1	7.9
General Fund Services		
Future High Street Fund Town Centre Regeneration	17.1	
Gungate Development	0.7	
Repairs to Castle	0.4	
Amington Community Woodland	0.8	
Disabled Facilities Grant	1.3	
Other Capital Schemes	1.0	21.3
Total		**29.2**

- During the year, the Authority disposed of land and property with capital receipts totalling £2.5m, primarily relating to the disposal of 31 Council Dwellings through Right to Buy sales.

NON-FINANCIAL PERFORMANCE

In February 2022 Council approved a new Vision, Strategic priorities and the Council's Corporate Plan for the period 2022 to 2025 following a detailed review and refresh to respond to the demands from local people .

This was brought together by councillors, during a number of councillor-led workshops and seminars, into a new refocused vision to reflect new priorities following more collaborative budget setting workshops which were held to ensure all councillors were able to have involvement in what is important to them and their residents.

Our vision is '**Tamworth – celebrating our heritage, creating a better future'**

In order to achieve that vision, we have developed this new Corporate Plan which will be delivered with a workforce and organisation that has adapted to an unprecedented national challenge, working hand in hand with our partners and communities.

This new vision, together with our new Corporate Plan, details five areas of focus for the borough; including the key outcomes we are seeking to achieve and how we will work to achieve them. Each priority has a number of supporting areas of focus and progress will be achieved through the delivery of corporate and transformational projects; each having clearly defined objectives and outcomes.

TAMWORTH BOROUGH COUNCIL: VISION
'***Tamworth - celebrating our heritage, creating a better future***'

OUR PRIORITIES	AREAS OF FOCUS
1. The Environment	• Enforcement and education with regard to litter and fly-tipping • Development of infrastructure for acting on climate change • Support more people to recycle and to reduce waste • Working with partners to protect, maintain and improve the green space offer
2. The Economy	• Development of business initiatives to promote start up and growth • Support business growth to generate employment opportunities by working with businesses • Provision of good quality and affordable housing

OUR PRIORITIES	AREAS OF FOCUS
	• Improve tourism in terms of good access information for visitors to help local businesses and Tamworth as a destination as a whole, maximise and improve the quality of the visitor experience
3. Infrastructure	• Review Local Plan to improve the transport links within Tamworth • Improve existing walkways and cycling routes • Ensure more people can access council services digitally / digital enhancement with partners and within Council housing stock
4. Living in Tamworth	• Ensure adequate supply of affordable housing through the Local Plan review • Investment in Neighbourhood and Place environment • Through our Economic Development team, we will support job creation and business retention and expansion through interventions and advice, and seek to protect the local economy where we can influence this. • Improve and promote Tamworth's historic and cultural assets and events • Community safety focus on neighbourhoods and place • Working with partners to ensure the fear of crime within Tamworth is reduced
5. Town Centre	• Continue to develop street market and extend supporting events around the market to add vibrancy within the town centre • Create a branding scheme for "created in Tamworth" • Provide the infrastructure to improve evening and night time economy • Embrace Tamworth's history and culture so as to build a sense of local pride and to support our children education and understanding of the significant part Tamworth played in British history • Continue to promote all outdoor events • Development of a new Tamworth Enterprise Centre as part of the structural transformation of the town centre • Make the town centre more accessible • Improve leisure and food offer • Improve night time transport

Further details on the Authority's Key Performance Indicators for 2022/23 (and previous years) together with our vision and priorities for Tamworth, our values along with our performance are set out in **our Corporate Plan** which sets out our plans and priorities for the coming year, and is available from the Authority's website:

http://www.tamworth.gov.uk/performance

HIGH LEVEL CORPORATE PLAN PROJECTS/PROGRAMMES

An update on the 2022 to 2025 Corporate Plan actions is shown below.

Project	Project Status	Due Date	Project Comments
Place Investment Strategy	✔	31-Mar-2024	
FHSF	✔	31-Mar-2024	
Net Zero	✔	31-Mar-2024	
Self-Assessment Compliance Framework (housing)	●	31-Mar-2023	
Garage Site Development Caledonian regeneration	⚠	30-Aug-2024	*Initial procurement exercise received no interest from the market. Tenders invited through a framework arrangement. Initial costs higher than anticipated and some cost clarifications required. Anticipate being in a position to make a decision on the project in November. The lack of interest during the initial phase has resulted in the project timetable being pushed back*
Asset management Strategy	⚠	31-Mar-2024	*Draft reviewed, minor additions/amendments needed. Process of Asset Management Plans has commenced*
ICT Strategy Implementation Plan	✔	31-Mar-2025	
OD Strategy	✔	31-Mar-2024	
Local Government Boundary Review	✔	31-Mar-2024	
Development of Tourism Strategy	✔	31-Mar-2025	
Town Centre Masterplan	✔	30-Sep-2023	
Town Hall	✔	31-Mar-2024	
Gungate	✔	31-Mar-2025	
Reset and Recovery management of overall programme	●	31-Mar-2023	

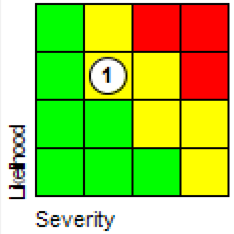
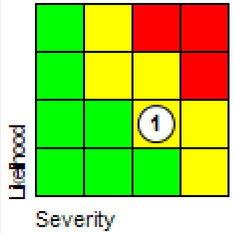
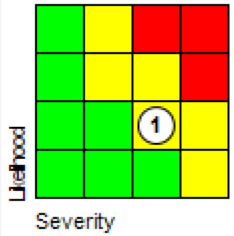
Key to Symbols

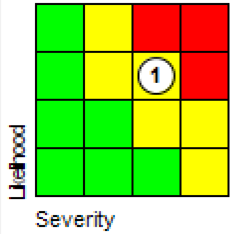
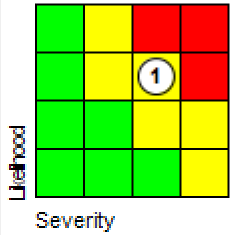
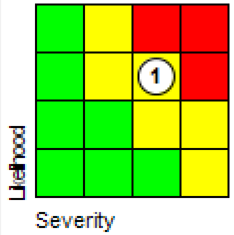
RAG Status	Overall Project Status
	Action / Key Workstream / Project on track and in control
	Action / Key Workstream / Project not on track but is in control
	Action / Key Workstream / Project Completed
	Action / Key Workstream / Project not on track and not in control

CORPORATE RISK REGISTER

The Authority's Corporate risks for 2022/23 are outlined below.

Corporate Risk Register 2022/23

Corporate Risk Heading	Status	Status	Current Risk Matrix	Executive Leadership Team
Finance/Financial stability		Warning		Stefan Garner
Modernisation and commercial agenda		Warning		Anica Goodwin
Governance		Warning		Anica Goodwin

Corporate Risk Heading	Status	Status	Current Risk Matrix	Executive Leadership Team
Community Focus		Warning		Rob Barnes
Economic Growth and Sustainability		Warning		Stefan Garner
Organisational Resilience		Warning		Rob Barnes

Risk Status	
	High Risk
	Medium Risk
	Low Risk

Further information about the Statement of Accounts is available from the Interim Executive Director Finance, Tamworth Borough Council, Marmion House, Lichfield Street, Tamworth, Staffs. B79 7BZ.

Telephone : 01827 709242.
Email: Rebecca-smeathers@tamworth.gov.uk

This is part of the Authority's policy of providing full information about the Authority's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Authority’s website at www.tamworth.gov.uk

The information in this document may be made available in other selected languages. Copies may be made available on tape, in Braille or large print.

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director Finance;

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- Approve the Statement of Accounts.

The Executive Director Finances' Responsibilities

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

In preparing this Statement of Accounts, the Executive Director Finance has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Local Authority Code.

The Executive Director Finance has also:

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts gives a true and fair view of the financial position of Tamworth Borough Council and its expenditure and income for the year ended 31st March 2023.

Rebecca Smeathers CPFA
Executive Director Finance Dated: 24th April 2024

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Interim Executive Director Finance.

Comprehensive Income and Expenditure Statement (CIES)

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 regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

A breakdown of the individual services contained within the CIES headings are detailed within the Appendix to the CIES on page 163.

A detailed breakdown of the movement on the HRA is shown within the HRA Statements on page 125.

2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000	Comprehensive Income & Expenditure Statement	Notes	2022/23 Gross Expenditure £000	2022/23 Gross Income £000	2022/23 Net Expenditure £000
2,446	(835)	1,611	Chief Executive		2,768	(682)	2,086
2,615	(2,276)	339	Assistant Director Growth and Regeneration		8,166	(2,272)	5,894
743	(276)	467	Executive Director Organisation (GF)		816	(259)	557
3,143	(1,225)	1,918	Assistant Director People (GF)		3,685	(1,363)	2,322
4,994	(3,359)	1,635	Assistant Director Operations and Leisure (GF)		6,992	(3,564)	3,428
144	(50)	94	Executive Director Finance		144	(50)	94
14,881	(13,163)	1,718	Assistant Director Finance		14,494	(13,529)	965
(252)	(352)	(604)	Assistant Director Assets (GF)		2,126	(430)	1,696
1,411	(714)	697	Assistant Director Neighbourhoods (GF)		1,487	(596)	891
2,021	(404)	1,617	Assistant Director Partnerships		1,330	(434)	896
148	(74)	74	Executive Director Communities (HRA)		157	(100)	57
7,214	(19,473)	(12,259)	HRA Summary		15,418	(20,027)	(4,609)
242	-	242	Assistant Director People (HRA)		280	-	280
211	-	211	Assistant Director Operations and Leisure (HRA)		295	-	295
1,156	(613)	543	Assistant Director Assets (HRA)		1,408	(446)	962
4,768	(1,107)	3,661	Assistant Director Neighbourhoods (HRA)		5,312	(1,184)	4,128
4,233	(69)	4,164	Housing Repairs		5,352	(75)	5,277
1,339	(2,304)	(965)	Exceptional Item : Response to COVID		-	-	-
51,457	**(46,294)**	**5,163**	**Cost of Services**	7	**70,230**	**(45,011)**	**25,219**

2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000	Comprehensive Income & Expenditure Statement	Notes	2022/23 Gross Expenditure £000	2022/23 Gross Income £000	2022/23 Net Expenditure £000
		(8)	Other Operating Expenditure	11			(47)
		(2,196)	Financing and Investment Income and Expenditure (FIIE)	12			5,474
		(13,022)	Taxation and Non Specific Grant Income	13			(15,121)
		(10,063)	**(Surplus) or Deficit on Provision of Services**	7			**15,525**
		(42,338)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	23a			(6,827)
		(21,667)	Re-measurement of the Net Defined Benefit Liability	23c			(29,102)
		(64,005)	**Other Comprehensive Income and Expenditure**				**(35,929)**
		(74,068)	**Total Comprehensive Income and Expenditure**				**(20,404)**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘Usable Reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The Net (Increase) / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

The reserve movements for 2021/22 and 2022/23 are shown on the following pages.

Movement in Reserves Statement 2022/23

	General Fund Balance £000	Earmarked Reserves £000	Total General Fund Balances £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Total HRA Balances £000	Capital Receipts Reserve £000	Major Repairs Reserve Note HRA 3 £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 1st April 2022	**9,155**	**15,505**	**24,660**	**5,717**	**9,542**	**15,259**	**14,384**	**2,447**	**420**	**57,170**	**214,436**	**271,606**
Movement in Reserves during 2022/23												
Surplus or (Deficit) on the Provision of Services	(7,596)	-	**(7,596)**	(7,929)	-	**(7,929)**	-	-	-	**(15,525)**	-	**(15,525)**
Other Comprehensive Income and Expenditure	-	-	**-**	-	-	**-**	-	-	-	**-**	35,929	**35,929**
Total Comprehensive Income and Expenditure	**(7,596)**	**-**	**(7,596)**	**(7,929)**	**-**	**(7,929)**	**-**	**-**	**-**	**(15,525)**	**35,929**	**20,404**
Adjustments between Accounting Basis and Funding Basis Under Regulations (Note 9)	8,111	-	**8,111**	3,971	-	**3,971**	(72)	(388)	555	**12,177**	(12,177)	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**515**	**-**	**515**	**(3,958)**	**-**	**(3,958)**	**(72)**	**(388)**	**555**	**(3,348)**	**23,752**	**20,404**
Transfers to / (from) Earmarked Reserves (Note 10)	(55)	55	**-**	1,002	(1,002)	**-**	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2022/23	**460**	**55**	**515**	**(2,956)**	**(1,002)**	**(3,958)**	**(72)**	**(388)**	**555**	**(3,348)**	**31,684**	**28,336**
Balance as at 31st March 2023	**9,615**	**15,560**	**25,175**	**2,761**	**8,540**	**11,301**	**14,312**	**2,059**	**975**	**53,822**	**238,188**	**292,010**

Movement in Reserves Statement 2021/22

	General Fund Balance	Earmarked Reserves	Total General Fund Balances	Housing Revenue Account	Earmarked HRA Reserves	Total HRA Balances	Capital Receipts Reserve	Major Repairs Reserve Note HRA 3	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2021	**8,002**	**18,108**	**26,110**	**5,611**	**9,241**	**14,852**	**19,987**	**2,010**	**295**	**63,254**	**134,284**	**197,538**
Movement in Reserves during 2021/22												
Surplus or (Deficit) on the Provision of Services	9,160	-	**9,160**	903	-	**903**	-	-	-	**10,063**	-	**10,063**
Other Comprehensive Income and Expenditure	-	-	**-**	-	-	**-**	-	-	-	**-**	64,005	**64,005**
Total Comprehensive Income and Expenditure	**9,160**	**-**	**9,160**	**903**	**-**	**903**	**-**	**-**	**-**	**10,063**	**64,005**	**74,068**
Adjustments between Accounting Basis and Funding Basis Under Regulations (Note 9)	(10,610)	-	**(10,610)**	(496)	-	**(496)**	(5,603)	437	125	**(16,147)**	16,147	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**(1,450)**	**-**	**(1,450)**	**407**	**-**	**407**	**(5,603)**	**437**	**125**	**(6,084)**	**80,152**	**74,068**
Transfers to / (from) Earmarked Reserves (Note 10)	2,603	(2,603)	**-**	(301)	301	**-**	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2021/22	**1,153**	**(2,603)**	**(1,450)**	**106**	**301**	**407**	**(5,603)**	**437**	**125**	**(6,084)**	**80,152**	**74,068**
Balance as at 31st March 2022	**9,155**	**15,505**	**24,660**	**5,717**	**9,542**	**15,259**	**14,384**	**2,447**	**420**	**57,170**	**214,436**	**271,606**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The Net Assets of the Authority (assets less liabilities) are matched by the Reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example 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 Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation 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’.

31st March 2022 £000	Balance Sheet	Notes	31st March 2023 £000
272,244	Property, Plant & Equipment	14	273,934
3,677	Heritage Assets	15	3,677
25,502	Investment Property	16	22,410
439	Intangible Assets		325
13,095	Long Term Investments	17	10,842
12,777	Long Term Debtors	17	12,716
327,734	**Long Term Assets**		**323,904**
55,195	Short Term Investments	17	59,843
29	Inventories		25
3,459	Short Term Debtors	18	3,596
13,458	Cash & Cash Equivalents	19	2,395
72,141	**Current Assets**		**65,859**
(1,233)	Cash & Cash Equivalents	19	(876)
(309)	Short Term Borrowing	17	(310)
(21,727)	Short Term Creditors	21	(14,377)
(549)	Provisions	22	(529)
(23,818)	**Current Liabilities**		**(16,092)**
-	Long Term Creditors	17	(407)
(1,367)	Provisions	22	(1,298)
(63,060)	Long Term Borrowing	17	(63,060)
(32,366)	Other Long Term Liabilities	23c/38	(6,841)
(7,612)	Capital Grants Receipts in Advance	32	(10,009)
(46)	Revenue Grants Receipts in Advance		(46)
(104,451)	**Long Term Liabilities**		**(81,661)**
271,606	**Net Assets**		**292,010**
57,170	Usable Reserves		53,822
214,436	Unusable Reserves	23	238,188
271,606	**Total Reserves**		**292,010**

Rebecca Smeathers CPFA
Executive Director Finance   Dated: 24th April 2024

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Executive Director Finance.

Cash Flow Statement

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

2021/22 £000	Cashflow Statement	Notes	2022/23 £000
(10,063)	Net (Surplus) or Deficit on the Provision of Services		15,525
(9,970)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements		(23,172)
6,547	Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		7,269
(13,486)	Net cash flows from Operating Activities (Surplus)/Deficit	24	(378)
18,909	Investing Activities	25	9,382
(6,674)	Financing Activities	26	1,702
(1,251)	Net (increase) or decrease in Cash and Cash Equivalents		10,706
10,974	Cash and Cash Equivalents at the beginning of the reporting period		12,225
12,225	**Cash and & Cash Equivalents at 31st March 2023**	19	**1,519**

Notes to the Core Financial Statements – Summary **Page**

NOTES TO THE ACCOUNTS

1. Accounting Policies

BASIS FOR PREPARATION

The notes relating to specific financial statement lines include the corresponding accounting policy. As a result, there is not an overall principal accounting policies note. However, the general accounting policies where there are not any accompanying notes are detailed within this note.

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year end of 31st March 2023. The Accounts and Audit Regulations (England) 2015 require the Authority to prepare an Annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of accounts is principally historical cost, modified by the revaluation of certain categories of Non Current Assets and Financial Instruments.

ii. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received, other than prepayments which are accounted for on a cash basis. In particular:

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

b) 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;

c) 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;

d) Interest receivable on investments and 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;

e) 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 in financing and investment income and expenditure for the income that might not be collected.

The Authority's policy is to review all accruals over £1k together with payments and receipts over £5k made in February, March and April to ensure that they are recorded in the appropriate period. Any accruals below this amount are not considered to be material.

iii. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

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

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

iv. CHARGES TO REVENUE FOR NON CURRENT ASSETS

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

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

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or 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 Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced 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.

v. COUNCIL TAX AND NON-DOMESTIC RATES (ENGLAND)

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 themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

The Balance Sheet includes the Authority'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 Taxation and Non-Specific Grant Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vi. INTANGIBLE ASSETS

Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

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 authority 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 expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority 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 in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

vii. VAT

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

viii. FAIR VALUE MEASUREMENT

The Authority measures some of its non-financial assets such as Surplus Assets and Investment Properties and some of its financial instruments 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 authority 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 authority 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 authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Authority uses internal and external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Authority's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices 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.

ix. INTERESTS IN COMPANIES AND OTHER ENTITIES

The authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the UK (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

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

There are a number of amendments as a result of the annual IFRS improvement programme but these are not expected to have a material impact on the Council's accounts.

3. Critical Judgements in Applying Accounting Policies

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

- The Authority has a Joint Waste Management arrangement with Lichfield District Council (LDC) as the host Authority responsible for management of the arrangement including the refuse fleet. Each Council is responsible for showing its share of income and expenditure and assets and liabilities within its Financial Statements.

  In February 2016 the LDC procured a new waste fleet using a contract hire arrangement that has been evaluated under IAS 17 as a finance lease. The value of assets procured and the finance lease obligation was £2.2m.

  A further £680k of assets was added to this during 2016/17. At 31 March 2023 the Net Book Value of the assets was £nil and the value of the finance lease obligation was £342k. The assets of the operation in respect of vehicles, equipment, land and buildings have been assessed as being under the control of Lichfield District Council and are therefore shown that Authority's Balance Sheet. The Joint Waste Service shares joint income and expenditure based on the ratio of properties in each area and the current ratio is 58.09% Lichfield and 41.91% Tamworth

  The authority only includes within its accounts the payments it makes to LDC in respect of the service and its own assets which are used for the provision of the service. Payments to LDC are based on an agreed percentage of the total net cost of providing the service, based on the number of properties in each area, currently 41.91% for the Authority.

4. Assumptions Made About the Future & Other Major Sources of Estimation Uncertainty

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

The items in the Authority's Balance Sheet at 31st 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
Pensions	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 Authority with expert advice about the assumptions to be applied.	Adjustment to the level of liability on the Balance Sheet. During the year the overall liability decreased from £32.4m to £6.8m following the application of the net asset ceiling calculation (following a decrease in the deficit from £50.2m to £32.4m in 2021/22) – see Note 38 on page 107. Variations in the key assumptions will have the following impact on the net liability: A 0.1% decrease in the real discount rate will increase the net pension liability by £1.8m (2%); A 0.1% increase in the assumed level of salary increases will increase the net pension liability by £0.2m (0%); and A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £1.6m (1%).
Business Rates Retention	The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme that enabled local authorities to retain a proportion of the Business Rates generated in their area. The arrangements for the Business Rates came into effect on 1st April 2013. Billing authorities acting as agents on behalf of the major preceptors, Central Government and themselves and are required to make provisions for refunding ratepayers who have successfully	The Authority has included a provision of £1.8m (the overall provision in the Business Rates Collection Fund is £4.5m and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2023 of £37.5m. Local businesses can appeal against the Rateable Value on the 2010 Rating list under limited circumstances and can also appeal against the Rateable Value on the 2017 Rating List.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	appealed against the rateable value of their properties on the rating List. Staffordshire was successful in the application to become a 75% Business Rate Retention Pilot for 2019/20. The Staffordshire and Stoke on Trent Business Rates Pilot consisted of Staffordshire County Council (SCC); Stoke on Trent City Council (SoTCC), all 8 District /Borough Councils and the Staffordshire Commissioner for Police, Fire and Rescue and Crime (SPFCC) – for both the Police and Fire and Rescue Services (FARS). The pilot allowed 75% of Business Rates to be retained locally with 40% retained by the Districts, 34% by the County (74% for SoTCC as a Unitary Authority) and 1% for the FARS. Previously, the Council was a Member of the GBSLEP business rates pool. Half of the rates revenue was retained locally with Billing authorities acting as agents on behalf of the major preceptors (SCC 9% / SFARS 1%), Central Government (50%) and themselves (40%). The government announced that business rate pilot pools established for 2019/20 would not be allowed to continue and the pilot business rate pool ceased on 31st March 2020. The bid for a new business rate retention pool reverting back to the 50% retention scheme consisting of SoTCC, SCC, SFARS and the 8 District Councils was successful for 2020/21 and has continued into 2022/23.	The 2017 Rating List is subject to a fresh approach to appeals known as “Check, Challenge & Appeal” (CCA) which means that before an appeal is made the Rateable Value may be amended upon negotiation between the Valuation Office and the ratepayer (or their agents). This process will inevitably lead to a delay in appeals being made. It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal in the future and the Authority has therefore made provision in the accounts based on professional advice from independent valuers. The pool currently has large growth, however, there is uncertainty for the level of future income, which cannot be quantified at present, due to the planned reform of Local Government funding and the potential for a large rise in appeals arising from the closure of the 2017 list at the end of March 2023 and the new 2023 list from April 2023.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment and Investment Properties	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31st March 2023 following a review of all (100%) of its operational portfolio. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Council dwellings would increase by c.£74k for every year that useful lives had to be reduced. A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The net book value of non-current assets subject to potential revaluation is £266.0m (£243.0m Council Dwellings and £23.0m Other Land and Buildings). A 1% movement in their valuation would equate to £26.6m. With regard to investment properties, a 1% movement in their valuation would equate to £2.3m.

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

5. Material Items of Income and Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance. This note identifies material items of income and expense. For the purposes of this note the Authority considers material items to be those greater than £1m. There were no material items during 2022/23.

6. Events after the Reporting Period

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date (31st March 2023) and the date when the Statement of Accounts is authorised for issue (22nd June 2023). Two types of events can be identified:

a) 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. There have been no such events;

b) 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 such 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.

While not yet completed, extensive work has been undertaken to scope and deliver the closure of Marmion House and relocation to new town centre premises for the Council. Much of the groundwork has been laid including feasibility studies, market analysis, and comprehensive considerations of need. A staged move to the ground floor was approved by Cabinet in November 2022 and it is anticipated this will be achieved by Summer of 2023. This will mean a significant amount of surplus accommodation within the building and an alternative valuation for Marmion House, in anticipation of the move, has been commissioned. The reduced valuation would have been £0.3m compared to the £1.9m existing use valuation as at 31st March 2023 as included within these accounts.

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

The Statement of Accounts was authorised for issue by the Executive Director Finance on 22nd June 2023. 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 31st March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Expenditure and Funding Analysis and Adjustment Detail

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

Net Expenditure Chargeable to the General Fund and HRA Balances 2021/22 £000	Adjustments between the Funding and Accounting Basis 2021/22 £000	Net Expenditure in the Comprehensive Income and Expenditure Statement 2021/22 £000	Expenditure Funding Analysis	Net Expenditure Chargeable to the General Fund and HRA Balances 2022/23 £000	Adjustments between the Funding and Accounting Basis 2022/23 £000	Net Expenditure in the Comprehensive Income and Expenditure Statement 2022/23 £000
			Cost of Services			
1,581	30	1,611	Chief Executive	2,084	2	2,086
28	311	339	Assistant Director Growth and Regeneration	772	5,123	5,894
434	33	467	Executive Director Organisation (GF)	527	29	557
1,733	187	1,918	Assistant Director People (GF)	2,079	242	2,322
984	651	1,635	Assistant Director Operations and Leisure (GF)	3,118	310	3,428
95	(1)	94	Executive Director Finance	95	-	94
1,492	226	1,718	Assistant Director Finance	745	221	965
327	(931)	(604)	Assistant Director Assets (GF)	289	1,407	1,696
585	112	697	Assistant Director Neighbourhoods (GF)	782	109	891
904	713	1,617	Assistant Director Partnerships	596	300	896
76	(2)	74	Executive Director Communities (HRA)	58	(1)	57
(16,017)	3,758	(12,259)	HRA Summary	(15,589)	10,980	(4,609)
219	23	242	Assistant Director People (HRA)	250	30	280
184	27	211	Assistant Director Operations and Leisure (HRA)	265	30	295
445	98	543	Assistant Director Assets (HRA)	870	90	962
3,278	383	3,661	Assistant Director Neighbourhoods (HRA)	3,768	360	4,128
4,164	-	4,164	Housing Repairs	5,277	-	5,277
(965)	-	(965)	Exceptional Item : Response to COVID	-	-	-
(453)	**5,618**	**5,163**	**Net Cost of Services**	**5,986**	**19,232**	**25,219**

2021/22			Expenditure Funding Analysis	2022/23		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
1,496	(16,722)	(15,226)	Other Comprehensive Income and Expenditure	(2,545)	(7,149)	(9,694)
1,041	**(11,104)**	**(10,063)**	**(Surplus) / Deficit on Provision of Services**	**3,441**	**12,083**	**15,525**
(40,962)			**General Fund and HRA balances B/fwd**	(39,921)		
1,043			**(Surplus) / Deficit on Provision of Services**	3,441		
(39,919)			**Closing General Fund and HRA Balances**	(36,480)		

2021/22 Adjustments for Capital Purposes (Note a) £000	2021/22 Net Change for Pensions Adjustments (Note b) £000	2021/22 Other Differences (Note c) £000	2021/22 Total Adjustments £000	**Expenditure Funding Analysis Adjustment Detail**	2022/23 Adjustments for Capital Purposes (Note a) £000	2022/23 Net Change for Pensions Adjustments (Note b) £000	2022/23 Other Differences (Note c) £000	2022/23 Total Adjustments £000
				Cost of Services				
-	29	1	**30**	Chief Executive	-	6	(4)	**2**
8	292	11	**311**	Assistant Director Growth and Regeneration	4,852	280	(9)	**5,123**
-	32	1	**33**	Executive Director Organisation (GF)	-	32	(3)	**29**
178	22	(13)	**187**	Assistant Director People (GF)	202	38	2	**242**
224	420	7	**651**	Assistant Director Operations and Leisure (GF)	(91)	404	(3)	**310**
-	-	(1)	**(1)**	Executive Director Finance	-	-	-	**-**
-	228	(2)	**226**	Assistant Director Finance	-	227	(6)	**221**
(963)	30	2	**(931)**	Assistant Director Assets (GF)	1,388	20	(1)	**1,407**
23	92	(3)	**112**	Assistant Director Neighbourhoods (GF)	24	81	4	**109**
621	92	-	**713**	Assistant Director Partnerships	239	58	3	**300**
-	-	(2)	**(2)**	Executive Director Communities (HRA)	-	-	(1)	**(1)**
3,733	25	-	**3,758**	HRA Summary	10,949	31	-	**10,980**
-	24	(1)	**23**	Assistant Director People (HRA)	-	30	-	**30**
-	27	-	**27**	Assistant Director Operations and Leisure (HRA)	-	29	1	**30**
-	94	4	**98**	Assistant Director Assets (HRA)	-	92	(2)	**90**
11	374	(2)	**383**	Assistant Director Neighbourhoods (HRA)	10	350	-	**360**
3,835	**1,781**	**2**	**5,618**	**Net Cost of Services**	**17,573**	**1,678**	**(19)**	**19,232**
(11,173)	1,045	(6,594)	**(16,722)**	Other Comprehensive Income and Expenditure	(7,121)	925	(953)	**(7,149)**
(7,338)	**2,826**	**(6,592)**	**(11,104)**	**(Surplus) / Deficit on Provision of Services**	**10,452**	**2,603**	**(972)**	**12,083**

7a) Adjustments for Capital Purposes

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 throughout 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.

7b) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

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

- **Financing and investment income and expenditure** –- the net interest on the defined benefit liability is charged to the CIES.

7c) Other Differences

Other differences 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 differences 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 NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8. Expenditure and Income Analysed by Nature

2021/22 £000	Expenditure and Income Analysed by Nature	2022/23 £000
	Expenditure	
12,767	Employee Benefits Expenses	14,269
32,701	Other Services Expense	36,527
3,260	Depreciation, Amortisation and Impairment	25,575
2,822	Retirement Benefits	2,603
641	REFCUS	1,379
418	Payments to Housing Capital Receipts Pool	-
52,609	**Total Expenditure**	**80,353**
	Income	
(426)	Gain on Disposal of Assets	(47)
(32,540)	Fees, Charges and Other Service Income	(33,627)
(1,415)	Interest and Investment Income	(3,293)
(6,457)	Income from Council Tax, NNDR and District Rates Income*	(7,083)
(21,834)	Government Grants and Contributions	(20,778)
(62,672)	**Total Income**	**(64,828)**
(10,063)	**(Surplus) / Deficit on Provision of Services**	**15,525**

* Net of NDR Tariff payment of £10.4m (£10.4m 2021/22).

9. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000
2022/23						
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of Non-Current Assets;	(5,219)	(14,305)	-	-	-	19,524
Revaluation losses on Property, Plant and Equipment;	127	(654)	-	-	-	527
Movements in the market value of Investment Properties;	(3,092)	-	-	-	-	3,092
Movement in Fair Value of Capital Property Fund Investments	(2,254)	-	-	-	-	2,254
Amortisation of Intangible Assets;	(143)	(35)	-	-	-	178
Capital Grants and Contributions Applied;	3,813	1,000	-	-	-	(4,813)
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS);	(1,379)	-	-	-	-	1,379
Amounts on Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(92)	(2,318)	-	-	-	2,410
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment – Minimum Revenue Provision;	204	-	-	-	-	(204)
Statutory provision for the financing of capital investment – Voluntary Revenue Provision;	-	-	-	-	-	-
Capital expenditure charged against the General Fund and HRA balances.	337	6,524	-	-	-	(6,861)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	555	-	-	-	(555)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement;	37	2,459	(2,496)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure;	-	-	2,528	-	-	(2,528)

Adjustments between Accounting Basis and Funding Basis Under Regulations	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals;	-	(40)	40	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool;	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(12)	-	-	-	-	12
Adjustment primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-
Transfer of Kickstart loans from Birmingham City Council	-	-	-	-	-	-
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA;	-	4,035	-	(4,035)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	4,423	-	(4,423)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 38);	(3,904)	(1,249)	-	-	-	5,153
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,940	610	-	-	-	(2,550)
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non Domestic Rating Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rating Income calculated for the year in accordance with statutory requirements.	955		-	-	-	(955)
Adjustment primarily involving the Accumulated Absences Account:						
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.	15	2	-	-	-	(17)
Total Adjustments 2022/23	**(8,112)**	**(3,971)**	**72**	**388**	**(555)**	**12,178**

Adjustments between Accounting Basis and Funding Basis Under Regulations	Usable Reserves: General Fund Balance	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Usable Reserves: Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000
2021/22						
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of Non-Current Assets;	(376)	(9,120)	-	-	-	9,496
Revaluation losses on Property, Plant and Equipment;	1,043	2,331	-	-	-	(3,374)
Movements in the market value of Investment Properties;	1,691	-	-	-	-	(1,691)
Movement in Fair Value of Capital Property Fund Investments	1,311	-	-	-	-	(1,311)
Amortisation of Intangible Assets;	(119)	(21)	-	-	-	140
Capital Grants and Contributions Applied;	3,149	-	-	-	-	(3,149)
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS);	(641)	-	-	-	-	641
Amounts on Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(7)	(1,378)	-	-	-	1,385
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment – Minimum Revenue Provision;	158	-	-	-	-	(158)
Statutory provision for the financing of capital investment – Voluntary Revenue Provision;	-	-	-	-	-	-
Capital expenditure charged against the General Fund and HRA balances.	231	4,512	-	-	-	(4,743)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	125	-	-	-	(125)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement;	29	1,815	(1,844)	-	-	-

Use of the Capital Receipts Reserve to finance new capital expenditure;			6,996	-	-	(6,996)
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals;	-	(33)	33	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool;	(418)	-	418	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(12)	-	-	-	-	12
Adjustment primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-
Transfer of Kickstart loans from Birmingham City Council	-	-	-	-	-	-
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA;	-	3,065	-	(3,065)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	2,628	-	(2,628)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 38);	(3,998)	(1,240)	-	-	-	5,238
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,851	565	-	-	-	(2,416)
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non Domestic Rating Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rating Income calculated for the year in accordance with statutory requirements.	6,594	-	-	-	-	(6,594)
Adjustment primarily involving the Accumulated Absences Account:						
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.	(1)	-	-	-	-	1
Total Adjustments 2021/22	**10,610**	**496**	**5,603**	**(437)**	**(125)**	**(16,147)**

10. Transfers to / (from) Earmarked Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund or Housing Revenue Account balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund or Housing Revenue Account balance so that there is no net charge against Council Tax or housing rent 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 Authority – these reserves are explained in the relevant policies.

This note sets out the amounts set aside from the General Fund and HRA Balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA Expenditure in 2022/23.

Transfers to / (from) Earmarked Reserves	Balance at 1st April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31st March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31st March 2023 £000
General Fund:							
Future Capital Expenditure	**1,295**	(51)	347	**1,591**	(274)	172	**1,489**
Temporary Reserves	**1,279**	(528)	826	**1,577**	(681)	1,002	**1,898**
Retained Funds	**10,841**	(7,217)	2,793	**6,417**	(1,672)	981	**5,726**
Commuted Sums	**2,136**	(1,955)	3,379	**3,560**	(1,241)	2,312	**4,631**
Other Reserves	**2,557**	(761)	564	**2,360**	(1,040)	496	**1,816**
Total	**18,108**	**(10,512)**	**7,909**	**15,505**	**(4,908)**	**4,963**	**15,560**
HRA:							
Future Capital Expenditure	**8,312**	(4,512)	4,776	**8,576**	(6,523)	4,856	**6,909**
Temporary Reserves	**573**	(267)	316	**622**	(308)	334	**648**
Retained Funds	**294**	(31)	19	**282**	(29)	668	**921**
Other Reserves	**62**	-	-	**62**			**62**
Total	**9,241**	**(4,810)**	**5,111**	**9,542**	**(6,860)**	**5,858**	**8,540**

Future Capital Expenditure: The Authority maintains a Capital Reserve under the provisions of the Local Government (Miscellaneous Provisions) Act 1976. It is Authority policy to make advances from this fund to various services.

Temporary Reserves: These have been established by the transfer of funds from revenue in order to finance specific identified schemes or potential needs.

Retained Funds: These have been established in order to finance recurring irregular expenditure for a specific purpose.

Commuted Sums: These are monies deposited by contractors to finance future maintenance expenditure incurred as a result of the various developments.

Other Reserves: The largest of these is the Building Repairs Fund that is held for the maintenance of Municipal buildings, including commercial properties.

11. Other Operating Expenditure

2021/22 £000	Other Operating Expenditure	2022/23 £000
418	Payments to the Government Housing Capital Receipts Pool	-
(426)	(Gains) / losses on the disposal of Non Current Assets	(47)
(8)	**Total**	**(47)**

12. Financing & Investment Income & Expenditure

2021/22 £000	Financing and Investment Income and Expenditure	2022/23 £000
2,604	Interest payable and similar charges	2,958
1,031	Pension interest costs and expected return on pensions assets	909
(576)	Interest receivable and similar income	(2,454)
(839)	Finance Lease Income	(838)
(3,105)	(Income) and expenditure in relation to investment properties and changes in their fair value	2,646
(1,311)	Investment impairment	2,253
(2,196)	**Total**	**5,474**

13. Taxation & Non Specific Grant Income

2021/22 £000	Taxation and Non Specific Grant Incomes	2022/23 £000
(4,291)	Council Tax income	(4,447)
(12,572)	Non Domestic Rates	(13,042)
10,406	Non Domestic Rates - Tariff	10,406
730	Non Domestic Rates - Levy to Pool	1,264
(4,021)	Non ringfenced government grants	(3,934)
(3,274)	Capital grants and contributions	(5,368)
(13,022)	**Total**	**(15,121)**

A detailed breakdown of the grants and contributions credited to the Comprehensive Income and Expenditure Statement in 2022/23 is shown in Note 32 on page 95.

14. Property, Plant & Equipment

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

a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, subject to a de minimus level of £10k, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority 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.

b) Measurement

Assets are initially measured at cost, comprising:

i. the purchase price;
ii. 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; and
iii. the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority 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 current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). 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 Authority.

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

i. Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost;
ii. Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH); and
iii. all other assets – current value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV).

Where there is no market-based evidence of current value because of the specialised nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value. Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. In the case of the Assembly Rooms and Cemeteries valuations, there is no active market and so DRC is used.

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 – including an annual desktop review of all Council Dwellings. A review of the valuation of all significant assets is undertaken annually.

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:

i. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down firstly against that balance (up to the amount of the accumulated gains);
ii. 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 lines in the Comprehensive Income and Expenditure Statement.

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

c) 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 the Authority has incurred capital expenditure on Council dwellings this is included within the Gross Book Value (GBV) and where it is not considered to add value it is included as impairment. These impairments are subject to write out annually.

The Authority has an ongoing programme of regeneration including disposal and redevelopment of garage sites. Where the decision had been made to dispose of a garage site, the value of the buildings element has been impaired to zero leaving only a residual land value.

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

i. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down firstly against that balance (up to the amount of the accumulated gains);
ii. 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 lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines 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.

d) 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).

Deprecation is calculated on the following bases:

i. **Council Housing Stock:** on a straight line basis to an appropriate residual value over the expected useful life of the asset of 50 years.

ii. **Other Buildings:** on a straight line basis to a nil residual value over the expected useful life of the asset being a range of 5 years to 70 years.

Historical properties: on a straight line basis to a nil residual value over the expected useful life of the asset being over 100 years

iii. **Vehicles, Plant and Equipment:** on a straight line basis to a nil residual value over the expected useful life of the asset, being between 1 and 30 years.

iv. **Infrastructure:** on a straight line basis to a nil residual value over the expected useful life of the asset of 30 years.

v. **Community Assets:** on a straight line basis to a nil residual value over the expected useful life of the asset of 100 years.

vi. **Heritage Assets:** the Authority considers that the Heritage Assets held will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets.

vii. **Computer Hardware:** is depreciated over a period of 3 years on a straight line basis to a nil residual value.

viii. **Investment Properties and Surplus Assets:** no depreciation has been applied to either the land or building value of Investment Properties or Surplus Assets.

ix. **Intangible Fixed Assets:** computer software licences are amortised to revenue over a period of 3 years.

x. **Furniture and equipment** – minor purchases by the Authority are charged to revenue in the year of acquisition and are not capitalised in the accounts.

xi. **De minimus items** of expenditure on computer equipment and software are capitalised under the concept of 'Grouped Assets' where the value of such items is material. A charge is made for these assets (depreciation for equipment and amortisation for software), calculated using the straight line method over a period of three years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately – as detailed within the Component Accounting Policy for Property, Plant and Equipment.

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.

e) 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 current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previous losses recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement) (England and Wales). 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 noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

f) Component Accounting Policy for Property, Plant and Equipment

i. De Minimus Level

The de minimus threshold for the Authority is a current net book value of £250k. Individual assets with a value less than £250k will be disregarded for componentisation. This level will be reviewed annually.

ii. Policy for Componentisation

The code requires that each part of an asset should be separately identified and depreciated where the cost is significant in relation to the overall cost of the asset.

To be separately identified as a component, an element of an asset must meet the following criteria:

- have a cost of at least 20% of the cost of the overall asset and
- have a materially different useful life (at least 20% different) and/or
- have a different depreciation method that materially affects the amount charged

The componentisation policy will be applied to new capital spend and new assets with a total cost of over £250k will be considered under the componentisation policy as follows:

- when an asset is enhanced, the cost of the replacement component is compared with the cost of the total asset and the result is measured against the agreed de minimus threshold;
- When an asset is acquired: the cost of any component parts are compared with the overall cost of the new asset and the results assessed against the agreed de minimus threshold;

iii. Valuation

The 5 year valuation cycle remains and therefore componentisation needs to be considered for each asset in the portfolio.

In addition in each financial year, a list of assets that have had capital expenditure incurred will be passed to the valuers who can consider componentisation for any properties not already reviewed.

iv. Impairment

We will continue to complete a desktop Impairment review on an annual basis.

Movement in 2022/23	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1st April 2022	**241,940**	**23,543**	**5,136**	**378**	**1,159**	**3,999**	**276,155**
Additions	10,270	1,315	233	-	-	5,504	**17,322**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(13,867)	(1,016)	-	-	-	-	**(14,883)**
Revaluation increases / (decreases) recognised in the Revaluation Reserve;	6,270	556	-	-	-	-	**6,826**
Revaluation increases / (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	358	(885)	-	-	-	-	**(527)**
Derecognition - Disposals;	(1,994)	(483)	(883)	-	-	-	**(3,360)**
At 31st March 2023	**242,977**	**23,030**	**4,486**	**378**	**1,159**	**9,503**	**281,533**
Accumulated Depreciation & Impairment							
At 1st April 2022	**-**	**(32)**	**(3,595)**	**(278)**	**(5)**	**-**	**(3,910)**
Depreciation Charge;	(3,609)	(1,040)	(181)	(12)	-	-	**(4,842)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	13,867	1,016	-	-	-	-	**14,883**
Impairment losses / (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(10,270)	-	-	-	-	(4,411)	**(14,681)**
Derecognition - disposals.	12	56	883	-	-	-	**951**
At 31st March 2023	**-**	**-**	**(2,893)**	**(290)**	**(5)**	**(4,411)**	**(7,599)**
Net Book Value							
at 31st March 2022	241,940	23,511	1,541	100	1,154	3,999	272,245
at 31st March 2023	**242,977**	**23,030**	**1,593**	**88**	**1,154**	**5,092**	**273,934**
Nature of Holdings at year end							
Owned	242,977	23,030	1,593	88	1,154	5,092	**273,934**

Movement in 2021/22	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1st April 2021	**198,139**	**24,321**	**4,543**	**378**	**1,155**	**100**	**228,636**
Additions	8,414	1	593	-	7	3,899	**12,914**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(9,013)	(584)	-	-	-	-	**(9,597)**
Revaluation increases / (decreases) recognised in the Revaluation Reserve;	43,427	(1,090)	-	-	-	-	**42,337**
Revaluation increases / (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	2,337	1,037	-	-	-	-	**3,374**
Derecognition - Disposals;	(1,364)	(27)	-	-	(3)	-	**(1,394)**
Assets reclassified (to) / from Investment Properties;	-	(115)	-	-	-	-	**(115)**
At 31st March 2022	**241,940**	**23,543**	**5,136**	**378**	**1,159**	**3,999**	**276,155**
Accumulated Depreciation & Impairment							
At 1st April 2021	**-**	**(287)**	**(3,466)**	**(265)**	**(4)**	**-**	**(4,022)**
Depreciation Charge;	(2,965)	(334)	(129)	(13)	(1)	-	**(3,442)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	9,013	584	-	-	-	-	**9,597**
Impairment losses / (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(6,054)	-	-	-	-	-	**(6,054)**
Derecognition - disposals.	6	5	-	-	-	-	**11**
At 31st March 2022	**-**	**(32)**	**(3,595)**	**(278)**	**(5)**	**-**	**(3,910)**
Net Book Value							
at 31st March 2021	198,139	24,034	1,077	113	1,151	100	224,614
at 31st March 2022	**241,940**	**23,511**	**1,541**	**100**	**1,154**	**3,999**	**272,245**
Nature of Holdings at year end							
Owned	241,940	23,511	1,541	100	1,154	3,999	**272,245**
Finance Lease	-	-	-	-	-	-	**-**

a) Capital Commitments

At 31st March 2023, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/23 and future years. The major commitments for schemes valued in excess of £1m are:

2021/22 £000	Capital Contract	2022/23 £000
6,860	Housing Repairs & Investment	7,614
2,233	Improvements to High Rise Blocks	1,269
1,390	Retention of Garage Sites	814
3,200	Decarbonisation	1,117
-	Caledonian Depot New Build	1,500
3,527	Regeneration & Affordable Housing - purchase of properties at Wilnecote	1,009
-	Future High Street Funds	18,991
17,210	**Total**	**32,314**

b) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. The effective date of revaluation is 31st March 2023. The valuations have been carried out by Jones Lang Lasalle. 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. Valuations of vehicles, plant, furniture and equipment are carried at historical cost as a proxy for current value.

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years – including a desktop review of all Council Dwellings. A review of the valuation of all significant assets is undertaken annually. All assets have been revalued as at 31st March 2023.

The following statement shows the progress of the Authority's rolling programme for revaluation of Non Current Assets:

Valuations (Cost or Valuation)	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Intangible Assets £000	Total Property, Plant& Equipment £000
Valued at Historical Cost	-	-	4,487	378	1,160	9,503	596	16,124
Valued at Current Value in:								
2022/23	242,977	23,030	-	-	-	-	-	266,007
2021/22	-	-	-	-	-	-	-	-
2020/21	-	-	-	-	-	-	-	-
2019/20	-	-	-	-	-	-	-	-
2018/19	-	-	-	-	-	-	-	-
Total	**242,977**	**23,030**	**4,487**	**378**	**1,160**	**9,503**	**596**	**282,131**

15. Heritage Assets

Heritage Assets are assets that are held by the Authority because of their cultural, environmental or historical value. Tangible Heritage Assets include historical buildings, paintings, sculptures / statues, archives and other works of art.

The Authority's Museum, Art and Civic Heritage Assets are held in various sites. The Museum Collection has four main collections, General Collection, Art, Furniture and Archaeological Collection and Ephemera.

The collections are used for education, learning, research, enjoyment and are preserved for the use of future generations.

Valuation of Heritage Assets

The Code requires that Heritage Assets are measured at valuation in the 2022/23 financial statements (including the 2021/22 comparative information). The Authority will recognise in the Balance Sheet each asset shown in the table which has an identified value.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below.

The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below.

- **General Collection:** Tamworth Castle has held collections and maintained a museum since it was purchased for the Borough in 1897. The collections are crucial for maximising access to and understanding of Tamworth's heritage. These items are reported in the Balance Sheet at insurance valuation which is based on Market values. Acquisitions, although rare, are initially recognised at cost.

- **Art Collection:** The collection consists principally of views of Tamworth by local artists although some are nationally recognised. The mediums covered include oil, watercolour, lithographs, mezzotints and prints. These too are reported in the Balance Sheet at insurance valuation based on Market values.

- **Archaeological Collection and Ephemera:** The archaeological collection consists mainly of finds from various excavations local to Tamworth, usually as a result of building development around Tamworth Castle site but also in the town and further afield. These are not recognised on the Balance Sheet as cost or valuation information is not reliable for items of this type due to the diverse nature, and lack of comparable market values for the assets held.

- **Civic Collection and Statues:** The Authority's Civic Collection and Statues were valued in April 2012 by external valuers. These assets are deemed to have an indeterminate life with high residual values; hence the Authority does not consider it appropriate to charge depreciation.

- **Tamworth Castle:** The castle dates from c1070 but has been updated and modernised during the interim period. The current value is based on historic cost but there are regular works to maintain the property.

Movement in 2022/23	Art Collection £000	Civic Regalia £000	Museum Exhibits £000	Statues £000	Castle £000	Total Heritage Assets £000
Cost or Valuation						
At 1st April 2022	**97**	**174**	**624**	**254**	**2,528**	**3,677**
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31st March 2023	**97**	**174**	**624**	**254**	**2,528**	**3,677**

Movement in 2021/22	Art Collection £000	Civic Regalia £000	Museum Exhibits £000	Statues £000	Castle £000	Total Heritage Assets £000
Cost or Valuation						
At 1st April 2021	**97**	**174**	**624**	**256**	**2,424**	**3,575**
Additions	-	-	-	-	104	**104**
Disposals	-	-	-	(2)	-	**(2)**
At 31st March 2022	**97**	**174**	**624**	**254**	**2,528**	**3,677**

16. 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.

Investment Properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2021/22 **£000**	**Investment Properties**	**2022/23** **£000**
(1,774)	Rental income from Investment Property	(1,645)
360	Direct operating expenses arising from Investment Property	1,214
(1,414)	**Net (Gain) / Loss**	**(431)**

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

The following table summarises the movement in the fair value of Investment Properties over the year:

2021/22 £000	Fair Value of Investment Properties	2022/23 £000
23,691	**Balance at 1st April 2022**	**25,502**
	Additions:	
5	Subsequent expenditure	-
	Transfers:	
115	to / from Property, Plant and Equipment	-
	Valuations:	
1,691	Changes in market valuation	(3,092)
25,502	**Balance at 31st March 2023**	**22,410**

Fair Value Hierarchy - All the Authority's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 1 for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property - The fair value of investment property has been measured using an income approach, by means of discounted cashflow method, where the expected cash flows from the properties are discounted (using a market – derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

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

Highest and Best Use - In estimating the fair value of the Authority's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties - The Authority's investment property has been valued as at 31st March 2023 by Jones Lang Lasalle, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

17. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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 that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. 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 Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

a) Categories of Financial Instruments

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

Financial Assets	Non-Current		Current			
	Investments		Investments		Debtors	
	31st March 2022 £000	31st March 2023 £000	31st March 2022 £000	31st March 2023 £000	31st March 2022 £000	31st March 2023 £000
Amortised Cost						
Principal	-	-	55,000	59,000	-	-
Investment Interest Accrual	-	-	195	843	-	-
Cash & Cash Equivalents (CCE)	-	-	-	-	13,448	1,490
CCE Accrued Interest	-	-	-	-	7	23
Total Investments	**-**	**-**	**55,195**	**59,843**	**13,455**	**1,513**
Trade Debtors	12,777	12,716	-	-	5,140	5,555
Total Amortised Cost	**12,777**	**12,716**	**55,195**	**59,843**	**18,595**	**7,068**
Fair Value Through Profit and Loss (Investment in Property Funds)	**13,095**	**10,842**	**-**	**-**	**-**	**-**
Total Financial Assets	**25,872**	**23,558**	**55,195**	**59,843**	**18,595**	**7,068**

The current trade debtors outstanding includes contractual debtors but excludes non-contractual debtors for council tax, business rates and Government departments. Non-current trade debtors of £12m relate to a long term finance lease for the Ankerside Shopping Centre including car park, with a remaining term of 67 years. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the Long Term Debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding.

Financial Liabilities	Non-Current		Current	
	Borrowings		Creditors	
	31st March 2022	31st March 2023	31st March 2022	31st March 2023
	£000	£000	£000	£000
Amortised Cost				
Principal	63,060	63,060	-	-
Interest Payable Accrual	-	-	309	310
Total Borrowings	**63,060**	**63,060**	**309**	**310**
Bank Overdraft	-	-	1,233	876
Trade Creditors	-	-	4,797	7,446
Total Financial Liabilities at Amortised Cost	**63,060**	**63,060**	**6,339**	**8,632**

b) Gains and Losses

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

Financial Instruments	Surplus or Deficit on the Provision of Services	Surplus or Deficit on the Provision of Services
	2021/22 £000	**2022/23 £000**
Net gains/losses on:		
Financial Assets Measured at Fair Value Through Profit or Loss	(1,311)	2,253
Total net gains/losses	**(1,311)**	**2,253**
Interest revenue:		
Financial Assets Measured at Amortised Cost	(576)	(2,454)
Total interest revenue	**(576)**	**(2,454)**
Interest expense		
Fee expense:		
Financial Assets or Financial Liabilities that are not at Fair Value Through Profit or Loss	2,604	2,958
Total fee expense	**2,604**	**2,958**

c) Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial Assets Measured at Fair Value				
Recurring Fair Value Measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**31st March 2022** **£000**	**31st March 2023** **£000**
Fair Value Through Profit and Loss				
Other Financial Instruments Classified as Fair Value Through Profit and Loss	Level 1	Unadjusted quoted prices in active markets for identical shares (Investments in Property Funds)	13,095	10,842
Total			**13,095**	**10,842**

Investments made in property funds are as follows:-

Schroders UK Real Estate Fund - £1.9m, with a gross return/yield of 3.89% at 31st March 2023.

Threadneedle Property Unit Trust - £6.0m, with a gross return/yield of 4.14%

Hermes Federated Property Unit Trust - £4.1m, with a gross return/yield of 3.14%

Total investments - £12.0m, with an estimated return of c. 3.8% plus any capital growth. The total value of these investments at 31st March 2023 is £10.8m (£13.1m at 31st March 2022).

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

Except for the financial assets carried at fair value (described above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on 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, using the following assumptions:

- For loans from the PWLB payable, PWLB new market rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment/borrowing rates, highlighting the impact of the alternative valuation;

- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- 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. The fair values calculated are as follows:

Financial Liabilities	31st March 2022		31st March 2023	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
PWLB Debt*	63,369	84,747	63,370	57,408
Creditors	4,797	4,797	7,446	7,446
Total Financial Liabilities	**68,166**	**89,544**	**70,816**	**64,854**

* includes short term interest accrual of £310k.

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31st March 2023) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £57.4m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. If a value is calculated on this basis, the carrying amount of £63.1m would be valued at £57.4m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid/giving a discount for the reduced interest income that will be avoided. The exit price for the PWLB loans including the penalty charge would be £67.5m.

Loans and Receivables	31st March 2022		31st March 2023	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Money Market Loans <1 year	55,195	55,195	59,843	59,843
Cash & Cash Equivalents	13,455	13,455	1,513	1,513
Long Term Investments	13,095	13,095	10,842	10,842
Debtors	5,140	5,140	5,555	5,555
Long Term Debtors	12,777	12,777	12,716	12,716
Total Financial Assets	**99,662**	**99,662**	**90,469**	**90,469**

The current trade debtors outstanding includes contractual debtors but excludes non-contractual debtors for council tax, business rates and Government departments.

Where the fair value of the assets is lower than the carrying amount this is because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date and vice versa. For 2022/23, a notional future gain (based on economic conditions at 31st March 2023) was attributable to the commitment to receive interest above current market rates.

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

e) Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

Recurring Fair Value Measurements Using:	**Other Significant Observable Inputs (Level 2) 31st March 2022 £000**	**Other Significant Observable Inputs (Level 2) 31st March 2023 £000**
Financial Liabilities		
Financial Liabilities Held at Amortised Cost:		
PWLB	63,369	63,370
Total	**63,369**	**63,369**
Financial assets		
Financial Assets Held at Amortised Cost:	68,650	61,356
Total	**68,650**	**61,356**

18. Debtors

2021/22 £000	Debtors	2022/23 £000
	Trade Receivables:	
554	Other Local Authority	227
2,473	Housing Rent	2,504
2,809	Other Entities and Individuals	3,543
5,836		**6,274**
	Other Receivable Amounts:	
1,147	Government Departments	1,581
156	Business Rates	88
125	Council Tax Payers	144
1,428		**1,813**
(696)	**Invoices raised in Advance for 2022/23**	(719)
(696)		**(719)**
(3,109)	**Less Provision for Bad Debt/Expected Credit Losses**	(3,772)
(3,109)		**(3,772)**
3,459	**Total Debtors**	**3,596**

The past due amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

Debtors 2021/22 £000	Bad debt Provisions 2021/22 £000	Debtors for Local Taxation - Council Tax & Non-domestic Rates	Debtors 2022/23 £000	Bad Debt Provisions 2022/23 £000
1,891	667	Less than one year	1,826	645
784	406	One to two years	897	443
597	391	Two to three years	586	365
1,383	1,191	More than three years	1,714	1,485
4,655	**2,655**	**Total**	**5,023**	**2,938**

19. Cash & 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 highly liquid investments that mature in 3 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 Authority's cash management.

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

2021/22 £000	Cash and Cash Equivalents	2022/23 £000
3	Cash held by the Authority	6
(1,233)	Bank current accounts	(876)
13,455	Short term deposits with Banks and Building Societies	2,389
12,225	**Total Cash and Cash Equivalents**	**1,519**

20. 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 current value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

There were no assets held for sale at 31st March 2023 (there were no assets held for sale at 31st March 2022).

21. Creditors

2021/22 £000	Creditors	2022/23 £000
	Trade Payables:	
950	Other Local Authorities	909
580	Housing Rent	559
3,267	Other Entities and Individuals	5,978
4,797		**7,446**
	Other Payables:	
14,217	Government Departments	2,519
133	Council Tax Payers	149
658	Precepting Authorities (Business Rates)	2,437
1,422	Precepting Authorities (Council Tax)	1,106
500	Business Rates Payments	720
16,930		**6,931**
21,727		**14,377**

22. Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an 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 Authority settles the obligation.

a) Municipal Mutual Insurance (MMI)

This provision has been established as a result of the decision to trigger the 'Scheme of Arrangement' (SOA) with regard to Municipal Mutual Insurance (MMI), at a meeting of the Board of Directors on 13th November 2012. Under this SOA, the Authority is liable to pay a levy up to the value of claims paid since 1993 (£252k) and a provision of £33k was established to cover the potential additional levy of up to 28%. There is currently a remaining provision of £8k.

b) Business Rates Appeals

Under Business Rates Retention arrangements, Billing authorities acting as agents on behalf of the major preceptors (10%), Central Government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the Rating List. The Authority has included a provision of £1.8m (£1.9m – 2021/22)- the overall provision in the Business Rates Collection Fund is £4.5m (£4.7m – 2021/22) and the Authority's share of the Local Business Rates Retention scheme is 40% for appeals outstanding on the 31st March 2023 of £37.5m (£35.2m 2021/22).

Further details regarding the approach to determining the NDR provision can be found in Note 39 - Contingent Liabilities as local businesses could still appeal against the Rateable Value on the 2010 Rating List under limited circumstances and can also appeal against the Rateable Value on the 2017 Rating List.

Provisions	Municipal Mutual Insurance £000	Short-Term Non Domestic Rates Appeals £000	Short Term Provisions Total £000	Long Term - Non Domestic Rates Appeals £000
Balance at 1st April 2021	**8**	**722**	**730**	**1,906**
Additional provisions made in year	-	(153)	(153)	(460)
Amount used in year	-	(27)	(27)	(80)
Balance at 31st March 2022	**8**	**542**	**550**	**1,366**
Additional provisions made in year	-	120	120	357
Amount used in year	-	(141)	(141)	(425)
Balance at 31st March 2023	**8**	**521**	**529**	**1,298**

23. Unusable Reserves

31st March 2022 £000	Unusable Reserves	31st March 2023 £000
110,363	Revaluation Reserve	114,035
394	Available for Sale Financial Instruments Reserve	(314)
126,313	Capital Adjustment Account	119,643
(33,340)	Pensions Reserve	(6,841)
12,662	Deferred Capital Receipts Reserve	12,650
(293)	Accumulated Absences Account	(276)
(1,663)	Collection Fund Adjustment Account	(708)
214,436	**Total Unusable Reserves**	**238,189**

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from 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 1st 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.

2021/22 £000		Revaluation Reserve	2022/23 £000	
69,726		**Balance at 1st April 2022**		**110,363**
	42,338	Revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	6,827	
42,338		Surplus or deficit on the revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		6,827
	(1,701)	Difference between fair value depreciation and historical cost depreciation	(3,155)	
(1,701)		Amount written off to the Capital Adjustment Account		(3,155)
110,363		**Balance at 31st March 2023**		**114,035**

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 fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority 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 Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22 £000		Capital Adjustment Account	2022/23 £000	
112,618		**Balance at 1st April 2022**		**126,313**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
	(9,496)	Charges for depreciation and impairment of Non Current Assets;	(19,524)	
	3,374	Revaluation losses on Property, Plant and Equipment;	(527)	
	917	Movement in Fair Value of Capital Property Fund Investments	(1,544)	
	(140)	Amortisation of Intangible Assets;	(178)	
	(641)	Revenue Expenditure Funded from Capital Under Statute;	(1,379)	
	(1,385)	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;	(2,410)	
(7,371)				(25,562)
1,701		Adjusting amounts written out of the Revaluation Reserve		3,155
(5,670)		Net written out amount of the cost of Non Current Assets consumed in the year		**(22,407)**
		Capital financing applied in the year:		
	6,996	Use of Capital Receipts Reserve to finance new capital expenditure;	2,528	
	2,628	Use of Major Repairs Reserve to finance new capital expenditure;	4,423	
	3,149	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing;	4,813	
	158	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - Minimum Revenue Provision;	204	
	4,743	Capital expenditure charged against the General Fund and HRA Balances.	6,861	
17,674				**18,829**
1,691		Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement.		**(3,092)**
126,313		**Balance at 31st March 2023**		**119,643**

c) Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority 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 in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2021/22 £000	**Pensions Reserve**	**2022/23 £000**
(52,185)	**Balance at 1st April 2022**	**(33,340)**
21,667	Remeasurement of the Net Defined Benefit Liability / (asset)	29,102
(5,238)	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	(5,153)
2,416	Employer's contributions and direct payments to pensioners payable in the year	2,550
(33,340)	**Balance at 31st March 2023**	**(6,841)**

c) 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 Authority 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. The majority of the current balance relates to the accounting arrangements for finance leases under IFRS.

2021/22 £000	Deferred Capital Receipts Reserve	2022/23 £000
12,674	**Balance at 1st April 2022**	**12,662**
(12)	Transfer to Capital Receipts Reserve upon receipt of cash	(12)
12,662	**Balance at 31st March 2023**	**12,650**

e) 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 31st March 2023. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2021/22 £000		Accumulated Absences Account	2022/23 £000	
(292)		**Balance at 1st April 2022**		**(293)**
	292	Settlement or cancellation of accrual made at the end of the preceding year	293	
	(293)	Amounts accrued at the end of the current year	(276)	
(1)		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		17
(293)		**Balance at 31st March 2023**		**(276)**

f) Collection Fund Adjustment Account

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

2021/22 £000	Collection Fund Adjustment Account	2022/23 £000
(8,257)	**Balance at 1st April 2022**	**(1,663)**
6,594	Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	955
(1,663)	**Balance at 31st March 2023**	**(708)**

The reduction in the balance on the CFAA is due to a reduction in the deficit on the NDR Collection Fund of £2.1m (£4.6m in 2021/22) arising from the additional relief provided to local businesses as a result of the Covid-19 pandemic. The Government have provided funding for the additional reliefs through Section 31 grants to Local Authorities.

It should be noted however, that this represents the total Collection Fund impact, and the Council’s 40% share of this equates to c.£0.8m which has been reflected in the Councils accounts and transferred to reserve to fund the deficit carried forward to 2023/24 (in line with collection fund accounting practice – whereby the deficit is funded in the following financial year as part of the budget process).

24. Cash Flow Statement – Operating Activities

The cash flows for the operating activities include the following items:

2021/22 £000	Cash Flow Statement - Operating Activities	2022/23 £000
	The cash flows for operating activities include the following items	
(2,037)	Interest received	5,025
2,604	Interest paid	2,958
567		**7,983**
10,063	Net Surplus or (Deficit) on the Provision of Services	**(15,525)**
	Adjusted for non cash movements	
9,496	Depreciation and Impairment	19,524
(3,374)	Downward Valuations	527
140	Amortisation	178
2,625	Increase / Decrease in Creditors	(5,737)
(818)	Increase / Decrease in Debtors	(2,948)
9	Increase / Decrease in Inventories	4
3,835	Movement in Pension Liability	4,668
1,385	Carrying amount of Non Current Assets and Non Current Assets Held for Sale, sold or de-recognised	2,409
(3,328)	Other non cash items charged to the Net (Surplus) or Deficit on the Provision of Services	4,547
9,970		**23,172**
	Adjusted for items that are Investing or Financing Activities	
(4,736)	Proceeds from Short-Term (Not Considered to be Cash Equivalents) and Long-Term investments (Includes Investments in Associates, Joint Ventures and Subsidiaries)	(4,813)
(1,811)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,456)
(6,547)		**(7,269)**
13,486	**Net Cash Flows from Operating Activities Surplus/(Deficit)**	**378**

25. Cash Flow Statement – Investing Activities

2021/22 £000	Cash Flow Statement - Investing Activities	2022/23 £000
14,803	Purchase of Property, Plant and Equipment; Investment Property and Intangible Assets	17,386
(1,811)	Proceeds from the sale of Property, Plant and Equipment; Investment Property and Intangible Assets	(2,456)
16,535	Proceeds from Short Term and Long Term Investments	3,291
(10,618)	Other receipts from Investing Activities	(8,839)
18,909	**Net Cash Flows from Investing Activities**	**9,382**

26. Cash Flow Statement – Financing Activities

2021/22 £000	Cash Flow Statement - Financing Activities	2022/23 £000
(6,674)	Other receipts from Financing Activities	1,702
(6,674)	**Net Cash Flows from Financing Activities**	**1,702**

27. Acquisitions & Discontinued Operations

Acquired Operations

There were no acquired operations during 2022/23 (2021/22 – none).

Discontinued Operations

The results of discontinued operations are shown as a single amount on the face of the Comprehensive Income and Expenditure Statement comprising the profit or loss of discontinued operations and the gain or loss recognised either on measurement to fair value less costs to sell or on the disposal of the discontinued operation. A discontinued operation is a unit that has been disposed of, or is classified as an Asset Held for Sale.

There were no discontinued operations during 2022/23 (2021/22 – none).

28. Trading Operations

The Authority has a number of trading operations required to operate in a commercial environment as follows:

2021/22 Income £000	2021/22 Income £000	2021/22 (Surplus)/ Deficit £000	Trading Operations	2022/23 Expenditure £000	2022/23 Income £000	2022/23 (Surplus)/ Deficit £000
5	(18)	**(13)**	Markets	4	(18)	**(14)**
(2,646)	(965)	**(3,611)**	Industrial Estates	617	(910)	**(293)**
1,315	(809)	**506**	Other Land and Property	3,690	(735)	**2,955**
(1,326)	**(1,792)**	**(3,118)**	**Total**	**4,311**	**(1,663)**	**2,648**

Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement.

29. Members' Allowances

The Authority paid the following amounts to members of the Authority during the year.

2021/22 £000	Members Allowances	2022/23 £000
172	Basic Allowance	171
101	Special Responsibility	109
4	Other Allowances/Expenses	4
277	**Total**	**284**

30. Officers' Remuneration

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. staff health cover) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following 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 the holiday absence occurs.

The remuneration paid to the Authority's Senior Employees is as follows:

Officers Remuneration	Year	Salary, Fees and Allowances £	Expenses Allowances £	Sub-Total £	Pension Contribution £	Total £
Chief Executive	2022/23	**125,704**	**1,014**	**126,718**	**20,690**	**147,408**
	2021/22	125,414	1,094	126,508	20,357	146,865
Executive Director Organisation	2022/23	**100,100**	**1,015**	**101,115**	**16,466**	**117,581**
	2021/22	97,736	1,094	98,830	16,148	114,978
Executive Director Communities	2022/23	**94,781**	**1,291**	**96,072**	**15,588**	**111,660**
	2021/22	92,417	1,370	93,787	15,270	109,057
Executive Director Finance	2022/23	**94,781**	**1,015**	**95,796**	**15,588**	**111,384**
	2021/22	92,417	1,094	93,511	15,270	108,781
Assistant Director Neighbourhoods	2022/23	**82,378**	**1,015**	**83,393**	**13,542**	**96,934**
	2021/22	80,014	1,094	81,108	13,224	94,332
Assistant Director Growth and Regeneration	2022/23	**82,878**	**1,015**	**83,893**	**13,624**	**97,517**
	2021/22	78,386	1,094	79,480	13,955	93,435
Assistant Director People	2022/23	**82,378**	**1,291**	**83,669**	**13,542**	**97,211**
	2021/22	80,014	1,370	81,384	13,224	94,608
Assistant Director Partnerships	2022/23	**71,378**	**1,291**	**72,669**	**11,727**	**84,395**
	2021/22	69,014	1,370	70,384	11,409	81,793
Assistant Director Operations and Leisure	2022/23	**71,494**	**1,239**	**72,734**	**11,746**	**84,479**
	2021/22	69,130	1,370	70,500	11,428	81,928
Assistant Director Finance*	2022/23	**66,061**	**52**	**66,113**	**10,849**	**76,962**
	2021/22	70,666	1,105	71,771	11,536	83,307
Assistant Director Asset Management	2022/23	**71,378**	**1,015**	**72,393**	**11,727**	**84,119**
	2021/22	69,014	1,277	70,291	11,409	81,700

*New appointment 2022/23.

With regard to pension contribution levels - following the triennial review carried out by the Actuary employed by the Pension Fund in March 2022 - contribution levels remain unchanged for the 3 years commencing 1st April 2023. This includes an ongoing lump sum relating to past liabilities and a set rate for future employer contributions of 22.1% p.a. (This rate has changed from 16.5% previously with an corresponding fall in the lump sum contribution level).

The Authority's employees receiving more than £50k remuneration for the year (excluding employer's pension contributions) not including those reported in the Senior Employees table above were paid the following amounts:

2021/22 Total Number of Employees	Remuneration Band	2022/23 Number of Employees Left During Year	2022/23 Number Employed at 31st March 2023	2022/23 Total Number of Employees
4	£50,000 - £54,999	-	4	4
1	£55,000 - £59,999	-	1	1
-	£60,000 - £64,999	-	-	-
-	£65,000 - £69,999	-	1	1
5	Total	-	6	6

This table excludes the senior officers reported earlier.

There have been no new exit packages in 2022/23 (nil – 2021/22).

31. External Audit Costs

The agreed external audit fees paid for 2022/23 were £90k (£81k 2021/22).

2021/22 £000	External Audit Costs	2022/23 £000
62	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the year;	64
19	Fees payable to Grant Thornton for the certification of grants and returns for the year;	26
81	**Total**	**90**

The indicative fee for certification of grants and returns for 2022/23 is £26k. The agreed fee for the 2022/23 audit (payable in 2023/24) is £64k.

32. 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 Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Capital Grants Receipts in Advance). 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.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges for this Authority may be used to fund revenue expenditure. CIL income of £584k was received in 2022/23 including income for monitoring costs of £29k.

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

2021/22 £000	Grant Income	2022/23 £000
	Credited to Taxation and Non Specific Grant Income	
189	Revenue Support Grant	195
12,572	NNDR	13,039
(10,406)	Non Domestic Rates - Tariff	(10,406)
(730)	Non Domestic Rates - Levy to GBSLEP	(1,264)
679	New Homes Bonus	917
3,055	S31 Grant - Small Business Rate Relief	2,728
99	Other Grants	95
3,274	Capital Grants and Contributions	5,368
8,732	**Total**	**10,672**

The Authority credited the following grants, contributions and donations to Cost of Services within the Comprehensive Income and Expenditure Statement in 2022/23:

2021/22	Credited to Services	2022/23
£000	Government Grant	£000
284	DWP Admin Grant	280
88	NNDR Cost of Collection	88
11,268	Benefits	10,783
138	Discretionary Housing Payment	98
25	Nature Reserve	9
41	Safer Stronger Communities	71
14	Electoral Process	14
123	Homelessness Reduction Act	40
33	Domestic Abuse Services	33
8	Heritage Lottery Funding	137
73	Welfare Benefit Reform Changes	48
297	Flexible Homelessness Support	252
13	Earned Autonomy	-
2	National Community Clean Up	-
127	SCC Test & Trace	-
10	Skills officer - GBSLEP	-
107	Arts council	-
-	Fly-Tipping Intervention Grant (FTIG)	25
-	DEFRA	10
-	Shared Prosperity Fund	303
-	Warm Spaces	6
-	Homes For Ukraine	62
-	Energy Rebate Scheme	5,015
-	Tenant Satisfaction Measures New Burdens	14
12,651	**Total**	**17,288**

The Authority 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:

31st March 2022 £000	Capital Grants Receipts in Advance	31st March 2023 £000
1	DCMS Free Swimming Grant	1
3	Lottery BMX Track	3
74	HLF Mercian Trail	-
23	Other	8
4,779	Future High Streets Funds	8,313
1,513	S106 Leisure Grants	1,514
1,170	Social Housing Decarbonisation Grant	170
49	Cyber Security Grant	-
7,612	**Total**	**10,009**

33. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have control or joint control, or significant influence over the Authority, or are a member of the key management personnel of the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

a) Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8. Grant receipts outstanding at 31st March 2023 are shown in Note 32.

b) Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' Allowances paid in 2022/23 is shown in Note 29. During the financial year ended 31st March 2023, there were no material transactions between the Authority and its Members, other than the payment of Member Allowances. Details of all transactions are recorded in the Register of Members' Interests, available on the Council's website.

Members are required to disclose information regarding any material transactions between them and any other organisation in which they could exert control. During the financial year ended 31st March 2023, the only such transactions were with regard to the Leader of the Council and Solway (Tamworth) Ltd, as detailed in paragraph (d) below.

c) Officers

During the financial year ended 31st March 2023, there were no material transactions between the Authority and its Chief Officers, other than the payment of officer salaries. The total of Senior Officers' Remuneration is shown in Note 30.

Senior Officers are required to disclose information regarding any material transactions between them and any other organisation in which they could exert control. During the financial year ended 31st March 2023, the only such transactions were with regard to the Chief Executive and the Executive Director Finance and Solway (Tamworth) Ltd, detailed below (no change since 2021/22).

d) Solway (Tamworth) Ltd

In line with plans set out in the Council's Commercial Investment Strategy, the above trading company was established in 2018. The company is wholly owned by the Council, with the Leader of the Council, Chief Executive, and Executive Director Finance established as Directors of the company. It had been intended that land owned by the Council at Solway Close would be disposed of and purchased by the company for the development of private housing for rent. However, following a meeting of Corporate Scrutiny Committee in March 2022, where updated options for the site were presented, based on latest market demand, costing information, projected returns and assessment of the risks involved, and in light of the changing economic situation, the decision was made to shelve plans for developing the Solway site via the limited company, and instead to market the site for sale to a private developer.

e) Staffordshire County Council, OPCC and Fire Authority Precepts.

Staffordshire County Council and OPCC Staffordshire, and Staffordshire Commissioner Fire and Rescue Authority, issue precepts on the Authority, as follows:

31st March 2022 £000	Precepts	31st March 2023 £000
30,432	Staffordshire County Council	32,185
5,336	OPCC Staffordshire	5,709
1,762	Staffordshire Commissioner Fire and Rescue Authority	1,845
37,529	**Total**	**39,740**

During the year, there were 6 Councillors who were both a Member of the Council and Staffordshire County Council (6 – 2021/22).

f) Staffordshire County Council

Under the Recycling Credit Scheme, the Authority also receives recycling credits from Staffordshire County Council. These are then paid over to the Joint Waste Service under arrangements with Lichfield District Council.

31st March 2022 £000	Recycling Credit Scheme	31st March 2023 £000
(527)	Recycling Credits	(504)
(527)	**Total**	**(504)**

g) Joint Waste Service

The Authority's Joint Waste Service with Lichfield District Council was launched in July 2010, and a joint committee - 'Lichfield and Tamworth Waste Collection Services' - was established. The organisation provides waste and recycling services to approximately 73,000 properties across the two Authorities. Lichfield District Council is responsible for hosting the service including employment of staff.

The parties have an agreement in place for funding this operation with contributions to the agreed budget of 58.3**%** from Lichfield District Council and 41.7**%** from Tamworth Borough Council (no change since 2021/22). The same proportions are used to meet any deficit or share any surplus arising on the operation's budget at the end of each financial year.

The revenue outturn of the Joint Waste Service for the year ended 31st March 2023 is as follows:

2021/22 £000	**Joint Waste Arrangement Income / Expenditure**	**2022/23 £000**
	Funding Provided to the Operation	
(1,268)	Contribution from Tamworth Borough Council	(2,550)
(1,773)	Contribution from Lichfield District Council	(1,839)
(3,041)	**Total Funding Provided to the Operation**	**(4,389)**
	Expenditure	
3,004	Employee Costs	4,169
-	Premises Related Expenses	6
1,308	Transport Costs	1,904
1,951	Supplies and Services	1,485
-	Third Party Payments	11
607	Central Support Costs	607
6,870	**Total Expenditure**	**8,182**
	Income	
(1,480)	Recycling Credits	(1,186)
(1,609)	Green Waste Service	(1,601)
(740)	Other Income	(1,006)
(3,829)	**Total Income Received**	**(3,793)**
3,041	**Total Net Expenditure**	**4,389**
-	**Net (Surplus)/Deficit arising on the pooled budget during the year**	**-**
41.70%	**Tamworth Borough Council's share of Service**	**41.91%**
0	**Tamworth Borough Council's share of Net (Surplus)/Deficit**	**-**

Lichfield District Council are the lead Authority for this arrangement, with the Tamworth Borough Council reimbursing Lichfield for services on the basis of a proportion of actual spend. For 2022/23, the cost of the arrangement to the Authority was £1.8m.

34. Capital Expenditure & Financing

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 Authority 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 or Housing Revenue Account to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax or housing rent.

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

2021/22 £000	Capital Expenditure and Financing	2022/23 £000
73,506	**Opening Capital Financing Requirement**	73,831
	Capital Investment	
16,996	Property, Plant and Equipment	17,322
104	Heritage Assets	-
5	Investment Properties	-
252	Intangible Assets	64
641	Revenue Expenditure Funded from Capital under Statute	1,379
	Sources of Finance	
(6,996)	Capital receipts	(2,528)
(2,531)	Government grants and other contributions	(3,434)
(7,371)	Sums set aside from revenue - Direct Revenue Contributions	(11,284)
(158)	Sums set aside from revenue - Minimum Revenue Provision	(204)
(617)	Grants - Revenue Expenditure Funded from Capital Under Statute	(1,379)
73,831	**Closing Capital Financing Requirement**	**73,767**
	Explanation of movements in year:	
	Increase in underlying need to borrow:	
483	Unsupported by government financial assistance	140
(158)	Sums set aside from revenue - Minimum Revenue Provision	(204)
325	**Increase/(Decrease) in Capital Financing Requirement**	**(64)**

35. Leases

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

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

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

a) Authority as Lessee

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 Authority currently uses vehicles, plant and equipment financed under terms of an operating lease. The amount paid under these arrangements in 2022/23 was £267k (£271k – 2021/22). These leases have options for annual extensions beyond the original lease term, a number of these options are currently being taken up.

2021/22 £000	Minimum Lease Payments	2022/23 £000
271	Minimum lease payments	267
271	**Total Minimum Lease Payments**	**267**

The Authority was committed at 31st March 2023 to making payments of £1.2m under operating leases, comprising the following elements:

31st March 2022 £000	Operating Leases	31st March 2023 £000
271	Not later than one year	327
1,425	Later than one year not later than five years	897
1,696	**Total Operating Leases**	**1,224**

b) Authority as Lessor

i. Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (Long Term Debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Authority has leased out property at the Ankerside Shopping Centre including car park, on a finance lease with a remaining term of 67 years.

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

The gross investment is made up of the following amounts:

31st March 2022 £000	**Assets Held for Leases (Lessor)**	**31st March 2023 £000**
	Finance lease debtor (NPV of minimum lease payments)	
12,560	Non current	12,548
43,598	Unearned finance income	42,759
12	Unguaranteed residual value of property	12
56,170	**Gross Investment in the Lease**	**55,319**

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

Minimum Lease Payments 31st March 2022 £000	**Gross Investment in the Lease 31st March 2022 £000**	**Minimum Lease Payments**	**Minimum Lease Payments 31st March 2023 £000**	**Gross Investment in the Lease 31st March 2023 £000**
851	851	Not later than one year	851	851
3,404	3,403	Later than one year not later than five years	3,404	3,404
51,903	51,916	Later than five years	51,053	51,065
56,158	**56,170**	**Total**	**55,307**	**55,319**

The Authority does not set aside any amount for future uncollectable amounts.

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.

ii. Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (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.

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

- for the provision of community services, such as community centres; and

- for investment purposes to provide suitable affordable accommodation for local businesses.

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

31st March 2022 £000	**Future Minimum Lease Payments**	**31st March 2023 £000**
	Operating Leases	
1,125	Not later than one year	1,152
4,086	Later than one year not later than five years	4,412
47,727	Later than five years	49,224
52,938	**Total**	**54,788**

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.

The minimum lease payments do not include cancellable rents received during the period, these amounted to £595k in 2022/23 (£559k – 2021/22). There were 19 void units at the 31st of March 2023 (8 voids at the 31st March 2022).

36. Impairment Losses

Charges for impairment of £14m have been made during 2022/23 (£6m – 2021/22). This amount reflects the expenditure on capital assets which has not produced a similar increase in the value of the assets.

Total HRA Capital Expenditure was £14m (£10m – 2021/22) of which £10m (£6m – 2021/22) related to improvements to bathrooms, kitchens, central heating, electrical upgrades and disabled adaptations; with £4m (£4m – 2021/22) related to the regeneration of garage sites and new housing development schemes.The impairment has been recognised as the advice of the Authority's valuer is that such improvements have not increased the overall value of the asset.

A further impairment of £4m relating to properties acquired under the Future High Street Funds scheme has also been recognised. Expenditure on the acquisitions of the Co-Op site and Middle Entry shops have been classified as Assets Under Construction and accounted for on a historic cost basis. However, in recognition of the demolition of the Co-Op building since acquisition and to reflect the current condition of the buildings, a valuation at fair value was provided by our external valuers and a subsequent charge of £4m for impairment made.

37. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

There were no terminations of employee contracts during 2022/23 (0 in 2021/22).

38. Defined Benefit Pension Schemes

The pension costs included in these accounts have been determined in accordance with government regulations and IAS 19, as updated by the implementation of a net asset ceiling calculation in accordance with IFRIC 14 and CIPFA guidance. The standard requires the full recognition of the pensions liability (and the movement of its constituent parts) in the Comprehensive Income and Expenditure Statement. These requirements are included within the accounts in accordance with CIPFA recommended practice.

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2013:

i. The liabilities of the Staffordshire Local Government Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit 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.

ii. Liabilities are discounted to their value at current prices, using a discount rate of 4.75%.

This is based on an approach whereby a Corporate Bond yield curve is constructed based on the constituents of the iBoxx AA Corporate Bond Index.

Separate discount rates are then set (and corresponding RPI/CPI inflation assumptions) for individual employers, dependent on their own weighted average duration.

iii. The assets of Staffordshire Local Government Pension Fund attributable to the Authority 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.

iv. The change in the net pensions liability is analysed into the following components:

Service Cost Comprising:

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

- **Past Service Cost:** The increase in liabilities 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 as part of Non Distributed Costs;

- **Net Interest Cost:** net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

Expected Return on Plan Assets: excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure:

- **Actuarial Gains and Losses:** changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

- **Contributions paid to the Staffordshire Local Government 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 and the Housing Revenue Account to be charged with the amount payable by the Authority 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 transfers 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 and Housing Revenue Account 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 Authority 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.

a) Participation in Pension Schemes

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

The authority participates in two post employment schemes:

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

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

b) Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against 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 (and HRA) 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:

Comprehensive Income and Expenditure Statement

Local Government Pension Scheme 2021/22 £000	Discretionary Benefit Arrangements 2021/22 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2022/23 £000	Discretionary Benefit Arrangements 2022/23 £000
		Comprehensive Income and Expenditure Statement:		
		Service Cost Comprising:		
4,207	67	Current service costs	4,244	67
-	-	Past service costs	-	-
-	-	Settlements and curtailments	-	-
		Financing and Investment Income and Expenditure		
3,189	-	Interest costs	4,127	-
(2,158)	-	Expected return on scheme assets	(3,218)	-
5,238	**67**	**Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services**	**5,153**	**67**
		Remeasurement of the Net Defined Benefit Liability Comprising:		
(10,955)	(3)	Return on plan assets (excluding amounts included in net interest expense)	5,511	(101)
(829)	**-**	Actuarial gains and losses on changes in demographic assumptions	(2,216)	**-**
(10,186)	**-**	Actuarial gains and losses on changes in financial assumptions	(51,042)	**-**
		Impact of Net Asset Ceiling	7,932	
306	-	Other	10,814	-
(16,426)	**64**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(23,848)**	**(34)**

Movement in Reserves Statement

Local Government Pension Scheme 2021/22 £000	Discretionary Benefit Arrangements 2021/22 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2022/23 £000	Discretionary Benefit Arrangements 2022/23 £000
		Movement in Reserves Statement:		
16,426	(64)	Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services for post employment benefits in accordance with the code	23,848	34
		Actual amount charged against the General Fund Balance for pensions in the year:		
2,416	-	Employers' contributions payable to the scheme	2,550	-
-	67	Retirement benefits payable to pensioners	-	67
18,842	**3**	**Total Movement in Reserves Statement**	**26,398**	**101**

Under the Housing Repairs contract, a separate pension scheme is operated for staff transferred as part of a TUPE arrangement.

c) Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Government Pension Scheme 2021/22 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme 2022/23 £000
152,409	Present Value of the Defined Benefit Obligation	111,012
-	Impact of Net asset Ceiling	7,932
(120,043)	Fair Value of Plan Assets	(112,103)
32,366	**Net Liability Arising From Defined Benefit Obligation**	**6,841**

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

Local Government Pension Scheme 2021/22 £000	Reconciliation of Fair Value of Scheme Assets	Local Government Pension Scheme 2022/23 £000
109,007	**Balance at 1st April 2022**	**120,043**
2,158	Interest Income on Plan Assets	3,218
10,958	Return on Assets excluding amounts included in net interest	(5,410)
1,402	Employer contributions	1,576
569	Contributions by scheme participants	644
(4,051)	Benefits paid	(3,794)
	Impact of Net asset Ceiling	(7,932)
-	Other Experience	(4,174)
67	Contributions in respect of unfunded benefits	67
(67)	Unfunded benefits paid	(67)
120,043	**Balance at 31st March 2023**	**104,171**

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

Local Government Pension Scheme 2021/22 £000	Discretionary Benefit Arrangements 2021/22 £000	Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)	Local Government Pension Scheme 2022/23 £000	Discretionary Benefit Arrangements 2022/23 £000
158,150	**1,054**	**Balance at 1st April 2022**	**151,425**	**984**
4,274	-	Current service costs	4,311	-
3,189	-	Interest Cost on Defined Benefit Obligation	4,127	-
569	-	Plan Participants Contributions	644	-
(829)	-	Changes in Demographic Assumptions	(2,216)	-
(10,183)	(3)	Changes in Financial Assumptions	(50,941)	(101)
306	-	Other Experience	6,640	-
(4,051)	(67)	Benefits paid	(3,794)	(67)
151,425	**984**	**Balance at 31st March 2023**	**110,196**	**816**

f) Local Government Pension Scheme Assets Comprised:

The asset values shown below are at bid value as required under IAS19 (before application of net asset ceiling adjustment).

As at 31st March 2022					As at 31st March 2023			
Quoted Prices in Active Markets £000	Quoted Prices Not in Active Markets £000	Total £000	Percentage of Total Assets %	Fair Value of Employers Assets	Quoted Prices in Active Markets £000	Quoted Prices Not in Active Markets £000	Total £000	Percentage of Total Assets %
				Equity Securities				
4,041	-	4,041	3.4	Consumer	3,774	-	3,774	3.4
3,298	-	3,298	2.7	Manufacturing	3,080	-	3,080	2.7
906	-	906	0.8	Energy & Utilities	846	-	846	0.8
4,302	-	4,302	3.6	Financial Institutions	4,017	-	4,017	3.6
4,543	-	4,543	3.8	Health Care	4,242	-	4,242	3.8
5,224	-	5,224	4.4	Information Technology	4,879	-	4,879	4.4
-	-	-	0.0	Other	-	-	-	0.0
				Debt Securities				
7,052	-	7,052	5.9	Corporate Bonds (Investment Grade)	6,586	-	6,586	5.9
				Private Equities				
-	5,948	5,948	5.0	All	-	5,555	5,555	5.0
				Real Estate				
-	9,613	9,613	8.0	UK Property	-	8,977	8,977	8.0
				Investment Funds & Unit Trusts				
57,025	-	57,025	47.3	Equities	53,253	-	53,253	47.3
7,513	-	7,513	6.3	Bonds	7,016	-	7,016	6.3
-	44	44	0.0	Hedge Funds	-	41	41	0.0
-	320	320	0.3	Infrastructure	-	299	299	0.3
-	5,509	5,509	4.6	Other	-	5,145	5,145	4.6
				Cash & Cash Equivalents				
4,705	-	4,705	3.9	All	4,394	-	4,394	3.9
98,609	**21,434**	**120,043**	**100.0**	**Total Assets**	**92,087**	**20,016**	**112,103**	**100.0**

g) 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. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2023. The significant assumptions used by the actuary have been:

Local Government Pension Scheme 2021/22	Discretionary Benefit Arrangements 2021/22	Assumptions	Local Government Pension Scheme 2022/23	Discretionary Benefit Arrangements 2022/23
		Long-term expected rate of return on assets in the scheme:		
2.70%	-	Equity Investments	4.75%	-
		Government Bonds		
2.70%	-	Bonds	4.75%	-
2.70%	-	Property Managed Funds	4.75%	-
2.70%	-	Cash	4.75%	-
2.70%	-	Other	4.75%	-
		Mortality assumptions (in years):		
		Longevity at 65 for current pensioners:		
21.2	21.2	Men	21.1	21.1
23.8	23.8	Women	24.1	24.1
		Longevity at 65 for future pensioners:		
22.2	22.2	Men	21.9	21.9
25.5	25.5	Women	26.0	26.0
3.20%	3.20%	CPI Rate	3.00%	3.00%
3.60%	3.60%	Rate of increase in salaries	3.50%	3.50%
3.20%	3.20%	Rate of increase in pensions	3.00%	3.00%
2.70%	2.70%	Rate for discounting scheme liabilities	4.75%	4.75%
50%/75%	-	Take-up of option to convert annual pension into retirement lump sum	65.00%	-

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis 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 the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be inter related. 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 that used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme		Change in Assumptions at 31st March 2023	Impact on the Defined Benefit Obligation in the Scheme	
Approx. % Increase to Liability 2021/22 %	**Approx. Monetary Value 2021/22 £000**		**Approx. % Increase to Liability 2022/23 %**	**Approx. Monetary Value 2022/23 £000**
2.00%	2,790	0.1% Decrease in Real Discount Rate	2.00%	1,792
4.00%	6,096	1 Year in Member Life Expectancy	4.00%	4,440
-	230	0.1% Increase in the Salary Increase Rate	-	194
2.00%	2,540	0.1% Increase in the Pension Increase Rate	1.00%	1,624

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2024 is £1.57m (£1.4m – 2022/23).

39. Contingent Liabilities

A Contingent Liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent Liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow 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.

The Authority has included a provision – detailed in Note 22 – relating to Business Rate appeals outstanding as at 31st March 2023.

Local businesses can appeal against the Rateable Value on the 2010 Rating list under limited circumstances and can also appeal against the Rateable Value on the 2017 Rating List. The 2017 Rating List is subject to a fresh approach to appeals known as "Check, Challenge & Appeal" (CCA) which means that before an appeal is made the Rateable Value may be amended upon negotiation between the Valuation Office and the ratepayer (or their agents). This process will inevitably lead to a delay in appeals being made.

It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal and the Authority has therefore made provision in the accounts based on professional advice from independent valuers. The contingent liability element relates to any potential successful appeals beyond the provision made. The level of historic appeals together with the average level of success and savings in Rateable Value is shown for the 2005, 2010 and 2017 lists below:

Indicator 2022/23	2005 List	2010 List	2017 List	Total
A Total of original Rateable Values resolved	£116.06m	£239.73m	£150.90m	£506.69m
B Total original Rateable Value of successful check/ challenge/ appeal	£51.93m	£70.26m	£12.52m	£134.71m
Average success rate (% of RV) **(B/A)**	44.74%	29.31%	8.30%	26.59%
C Total revised Rateable Value of successful check/ challenge/ appeal	£47.63m	£62.15m	£11.77m	£121.55m
D Total reduction in Rateable Value (C-B)	**£4.29m**	**£8.11m**	**£0.75m**	**£13.15m**
Average % reduction in Rateable Value **(D/B)**	8.27%	11.54%	5.99%	9.76%
E Years the List has been active	5	7	6	-
F Average annual reduction in Rateable Value **(D/E)**	£0.86m	£1.16m	£0.13m	-
G Standard Business Rate Multiplier in 2023/24	51.2p	51.2p	51.2p	51.2p
H Average annual cost of reduction based on 2023/24 Multiplier (FxG)	**£0.44m**	**£0.59m**	**£0.06m**	**£1.10m**
District Council Share at 40% (Hx0.4)	**£0.18m**	**£0.24m**	**£0.03m**	**£0.44m**
I Checks/ challenges/ appeals outstanding 31/03/23	£0.00m	£0.21m	£37.32m	£37.53m
J Provision included	£0.00m	£0.13m	£4.41m	£4.54m
Provision as a % of checks/ challenges/ appeals outstanding **(J/I)**		61.90%	11.82%	12.11%

Indicator 2021/22	2005 List	2010 List	2017 List	Total
A Total of original Rateable Values resolved	£116.06m	£320.46m	£125.17m	£561.69m
B Total original Rateable Value of successful check/ challenge/ appeal	£51.93m	£90.25m	£11.36m	£153.54m
Average success rate (% of RV) **(B/A)**	44.74%	28.16%	9.08%	27.33%
C Total revised Rateable Value of successful check/ challenge/ appeal	£47.63m	£87.12m	£10.74m	£145.49m
D Total reduction in Rateable Value (C-B)	**£4.29m**	**£3.13m**	**£0.62m**	**£8.04m**
Average % reduction in Rateable Value **(D/B)**	8.27%	3.47%	5.46%	5.24%
E Years the List has been active	5	7	5	-
F Average annual reduction in Rateable Value **(D/E)**	£0.86m	£0.45m	£0.12m	-
G Standard Business Rate Multiplier in 2022/23	51.2p	51.2p	51.2p	51.2p
H Average annual cost of reduction based on 2022/23 Multiplier (FxG)	**£0.44m**	**£0.23m**	**£0.06m**	**£0.73m**
District Council Share at 40% (Hx0.4)	**£0.18m**	**£0.09m**	**£0.03m**	**£0.29m**
I Checks/ challenges/ appeals outstanding 31/03/22	£0.00m	£33.30m	£1.92m	£35.22m
J Provision included	£0.00m	£0.93m	£3.84m	£4.77m
Provision as a % of checks/ challenges/ appeals outstanding **(J/I)**		2.79%	200.00%	13.55%

40. Nature & Extent of Risks Arising from Financial Instruments

Key Risks

The Authority's activities expose it to a variety of financial risks. The key risks are:

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

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

- **Re-financing risk -** the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services and is based on the framework set out in the Local Government Act 2003 and associated regulations.

As directed by the Act, the Authority has formally adopted the CIPFA Treasury Management Code of Practice and complies with the CIPFA Prudential Code. As part of the adoption of the Treasury Management Code, the Authority approves a Treasury Management Strategy before the commencement of the year to which it relates, this strategy sets out the parameters for the management of risks associated with financial instruments.

The Treasury Management Strategy for 2022/23 (including the Annual Investment Strategy) was approved by Full Council on 17th February 2022 and is available on the Authority's website.

The strategy also includes an Annual Investment Strategy for the forthcoming year, setting out it's criteria for both investing and selecting investment counterparties in compliance with Government guidance.

Risk management is carried out by a central treasury team, under policies approved by the Authority in the annual Treasury Management Strategy. The Authority 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).

a) 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 is available on the Authority's website.

Credit Risk management Practices

The authority's credit risk management practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy 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 & Poor's Credit Ratings Services. The Annual Investment Strategy also considers 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 Authority uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

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.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £72.2m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31st March 2023 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses

Credit Risk Exposure

The Authority has assessed its short and long term 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 31st March 2023 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability.

Credit Risk	Amount at 31st March 2023 £000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31st March 2023 % C	Estimated Maximum Exposure to Default and Uncollectability at 31st March 2023 £000 (A x C)	Estimated Maximum Exposure at 31st March 2022 £000
AAA rated counterparties	1,633	0.04%	0.04%	1	5
AA rated counterparties	29,330	0.02%	0.02%	6	3
A rated counterparties	30,392	0.05%	0.05%	15	20
BBB rated counterparties	-	-	-	-	-
Caa rated counterparties	-	-	-	-	-
Escrow	-	-	-	-	-
Trade Debtors	5,555	28.42%	28.42%	1,579	1,805
Total	**66,910**	-	-	**1,601**	**1,833**

The Authority does not generally allow credit for customers, such that £1.9m is past its due date for payment. The past due amount as at 31st March 2023 but not impaired amount can be analysed by age as follows:

31st March 2022 £000	Arrears	31st March 2023 £000
234	Less than six months	874
160	Six months to one year	73
87	More than one year	32
1,185	More than two years	933
1,666	**Total**	**1,912**

The Authority initiates a legal charge on property where, for instance, works have to be carried out in default but those responsible cannot afford to pay immediately. The total collateral at 31st March 2023 was £29.3k (£41.2k – 2021/22).

b) Liquidity Risk

The Authority 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 Authority 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 Authority 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 significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial assets, excluding sums due from customers, is as follows:

31st March 2022		Financial Assets	31st March 2023	
Average Rate %	Amount £000		Average Rate %	Amount £000
0.54%	55,195	Less than one year	3.53%	59,843
-	-	Maturing in 1 - 2 years	-	-
0.54%	**55,195**	**Total**	**3.53%**	**59,843**

All trade and other payables are due to be paid in less than one year – debtors of £1.9m are not included in the table above.

c) Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing 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 placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the central treasury team 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 Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved Council in the Treasury Management Strategy):

31st March 2022 Average Rate %	31st March 2022 Amount £000	Financial Liabilities	Approved Minimum Limits	Approved Minimum Limits	31st March 2023 Average Rate %	31st March 2023 Amount £000
4.05%	63,060	PWLB			4.05%	63,060
-	-	Other Lenders			-	-
4.05%	**63,060**	**Total**			**4.05%**	**63,060**
-	309	Less than one year (Interest Due)	0%	20%	-	310
-	-	Less than one year	0%	20%	-	-
-	-	Maturing in 1 - 2 years	0%	20%	-	-
-	-	Maturing in 2 - 5 years	0%	25%	-	-
4.25%	1,000	Maturing in 5 - 10 years	0%	75%	4.25%	1,000
4.72%	4,000	Maturing in 10 - 15 years	0%	100%	4.72%	4,000
4.00%	58,060	Maturing in over 15 years	0%	100%	4.00%	58,060
4.05%	**63,369**	**Total -**			**4.05%**	**63,370**

d) Market Risk

i) Interest Rate Risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods.

For instance, a rise in variable and fixed interest rates would have the following effects:

- **Borrowings at variable rates:** The interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- **Borrowings at fixed rates:** The fair value of the borrowing will fall (no impact on revenue balances);
- **Investments at variable rates:** The interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- **Investments at fixed rates:** The fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the (Surplus) or 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, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected 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 central treasury team will 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.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. As at 31st March 2023, the Authority had no variable rate debt or investments. There would therefore be no material impact if all interest rates had been higher or lower during the year.

ii) Price Risk

The Council holds £10.8m (valued at £13.1m – 2021/22) in property funds, and their price varies. However, any movements in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £10.8m. A 5% fall in commercial property prices would result in a £0.5m charge to Other Comprehensive Income & Expenditure – this would have no impact on the (Surplus) or Deficit on the Provision of Services until the investment was sold.

Approval of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on 24th April 2024

Signed on behalf of Tamworth Borough Council

Councillor D.Maycock, Chair of the Audit and Governance Committee

Dated 24th April 2024

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Executive Director Finance.

Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Authority charges rents to cover expenditure in accordance with legislative framework; this may be different from accounting cost. The increase or decrease in the year, on the basis which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2021/22 £000		HRA Comprehensive Income and Expenditure Statement	2022/23 £000	£000
		Expenditure:		
	4,965	Repairs and Maintenance	6,220	
	6,732	Supervision and Management	7,378	
	52	Rents, rates, taxes and other charges	58	
	6,809	Depreciation and impairment of Non Current Assets	14,994	
	7	Debt management costs	8	
	156	Movement in the allowance for bad debts	176	
18,721		**Total Expenditure**		**28,834**
		Income:		
	(18,782)	Dwelling rents	(19,551)	
	(356)	Non dwelling rents	(332)	
	(1,136)	Charges for services and facilities	(995)	
	(1,837)	Contributions towards expenditure	(1,594)	
(22,111)		**Total Income**		**(22,472)**
(3,390)		**Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**6,362**
26		HRA services' share of Corporate and Democratic Core		28
(3,364)		**Net Expenditure / (Income) for HRA Services**		**6,390**
		HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:		
(405)		(Gain) or loss on sale of HRA Non Current Assets		(101)
2,678		Interest payable and similar charges		2,816
(53)		Interest and investment income		(394)
241		Pensions interest cost and expected return on pensions assets		218
-		Capital grants and contributions receivable		(1,000)
(903)		**(Surplus) or Deficit for the Year on HRA Services**		**7,929**

Statement of Movement on the HRA Balance

2021/22 £000		Statement of Movement on the HRA Balance	2022/23 £000	£000
5,611		Balance on the HRA at the end of the previous year		5,717
	903	Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	(7,929)	
	(496)	Adjustments between accounting basis and funding basis under statute	3,971	
	407	**Net Increase or (Decrease) before transfers to or from reserves**	**(3,958)**	
	(301)	Transfers (to) / from Reserves	1,002	
106		Increase or (Decrease) on the HRA		(2,956)
5,717		**Balance on the HRA at 31st March 2023**		**2,761**

Analysis of Adjustments

2021/22 £000	Analysis of Adjustments	2022/23 £000
-	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	(2)
(404)	Gain or loss on sale of HRA Non Current Assets	(101)
675	HRA share of contributions to or from the Pensions Reserve	639
21	Amortisation of intangible assets	35
(4,512)	Capital expenditure funded by the HRA	(6,524)
-	Capital Grants and Contributions Applied;	(1,000)
(3,065)	Transfer to / from the Major Repairs Reserve	(4,035)
6,789	Transfer to / from the Capital Adjustment Account	14,959
(496)	**Total Adjustments Between Accounting Basis and Funding Basis Under Statute**	**3,971**

NOTES TO THE HRA

HRA1. Number & Type of Dwelling

The Authority is responsible for managing a housing stock, made up as follows:

	Houses and Bungalows	High and Medium Rise Flats	Low Rise Flats	Total
Housing Stock as at 1st April 2022	**2,784**	**666**	**886**	**4,336**
Demolitions	-	-	-	**-**
Sales	(29)	-	(2)	**(31)**
Additions	-	-	-	**-**
Assets Under Construction	-	-	-	**-**
Reclassification of Assets	-	-	-	**-**
Housing Stock as at 31st March 2023	**2,755**	**666**	**884**	**4,305**

In order to comply with the requirements of Resource Accounting, garages are now identified within other property. Non operational assets are those held by an authority but not directly occupied or used in the delivery of its services.

HRA2. Vacant possession value of dwellings

The Vacant Possession Valuation as at 31st March 2023 is £607.4m (31st March 2022 Vacant Possession Value was £604.9m).

However, assets are valued on the Balance Sheet at their existing use reflecting the valuation of a property if it were to be disposed with sitting tenants benefiting from sub-market rents. This reflects the economic cost to the Government of providing council housing at less than open market value.

Council dwellings are held on the Balance Sheet at Existing Use Value Social Housing (EUV-SH) which for 2022/23, a nationally set adjustment factor for the West Midlands of 40% of vacant possession value has been used (40% - 2021/22).

Movement in 2022/23	EUV-SH Council Dwellings £000	Other Land and Buildings £000	Plant , Vehicles and Equipment £000	Asset Under Construction £000	Total £000
Cost or Valuation					
As at 1st April 2022	**241,940**	**3,473**	**143**	**1,560**	**247,116**
	-				
Additions;	10,270	1,076	4	2,527	**13,877**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(13,867)	(371)			**(14,238)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve;	6,270	687			**6,957**
Revaluation increases/ (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	358	(1,012)			**(654)**
Derecognition - Disposals.	(1,994)	(385)			**(2,379)**
Derecognition - Other	-	-	-	-	**-**
Assets reclassified (to)/ from Investment Property	-	-	-	-	**-**
Other movements in cost or valuation	-	-	-	-	**-**
As at 31st March 2023	**242,977**	**3,468**	**147**	**4,087**	**250,679**
Accumulated Depreciation & Impairment					
As at 1st April 2022	**-**	**-**	**(24)**	**-**	**(24)**
Depreciation Charge;	(3,609)	(419)	(41)	-	**(4,069)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	13,867	370		-	**14,237**
Impairment losses/ (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(10,270)			-	**(10,270)**
Derecognition - disposals.	12	49		-	**61**
As at 31st March 2023	**-**	**-**	**(65)**	**-**	**(65)**
Net Book Value					
As at 1st April 2022	241,940	3,473	119	1,560	**247,092**
As at 31st March 2023	**242,977**	**3,468**	**82**	**4,087**	**250,614**
Nature of holdings at year end Owned	**242,977**	**3,468**	**82**	**4,087**	**250,614**

HRA3. Movement on the Major Repairs Reserve (MRR)

The Major Repairs Reserve represents the long term average amount of capital spending required to maintain the stock in its current condition.

The Capital Expenditure shown was spent on maintaining council dwellings.

2021/22 £000	Major Repairs Reserve	2022/23 £000
2,010	**Balance at 1st April 2022**	**2,447**
3,065	Contributions to the Major Repairs Reserve	4,035
(2,628)	Capital Spending on Dwellings	(4,423)
2,447	**Balance at 31st March 2023**	**2,059**

The contribution in 2022/23 represents a depreciation charge of £4.0m (2021/22 contribution included £3.1m depreciation).

HRA4. Capital Expenditure Summary

The following table details how £13.8m Capital Expenditure was financed during the year.

2021/22 £000	Capital Expenditure	2022/23 £000
	Capital Expenditure Type:	
8,414	Dwellings	10,270
-	Land	1,076
70	Plant, Vehicles and Equipment (PVE)	4
1,508	Assets Under Construction	2,527
9,992	**Total Capital Expenditure**	**13,877**
	Funded by:	
2,852	Usable capital receipts	1,841
4,512	Revenue contributions	6,524
-	Borrowing	89
-	External grants and contributions	1,000
2,628	Major Repairs Reserve	4,423
9,992	**Total Funding**	**13,877**

HRA5. Capital Receipts

During the year capital receipts totalling £2.5m were received in respect of dwellings sold, of which £0.4m would have been repaid to DCLG under the pooling regime. However, due to a change in the retention regulations, this could be retained, and not paid over, for 2022/23. The un-pooled element of capital receipts are retained for financing housing capital investment and regeneration works.

2021/22 £000	Capital Receipts	2022/23 £000
1,815	Sale of dwellings under Right to Buy	2,459
(418)	Amounts pooled to Central Government	-
1,397	**Net Capital Receipts**	**2,459**

HRA6. Depreciation & Impairment Charges

Council Dwellings are depreciated on a straight line basis over the period of their useful economic life. The charge for the year was £3.6m.

The charge for depreciation of £0.4m on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

Charges for impairment of £10.3m have been made during 2022/23. This amount reflects the expenditure on capital assets which has not produced a similar increase in the value of the assets.

HRA7. HRA Pensions Reserve

2021/22 £000's	Pensions	2022/23 £000's
888	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	1,003
745	Interest on share of pensions liability	988
504	Expected return on share of assets	770
2,137	Total	**2,761**

HRA8. HRA Rent Arrears

2021/22 £000	Rent Arrears	2022/23 £000
1,825	Gross arrears	1,919
9.7%	Gross arrears as percentage of gross rent income	9.8%

Of the rent arrears, 57.3% (53.3% - 2021/22) refer to former tenants.

2021/22 £000	Provision for Bad Debts	2022/23 £000
	Rent Arrears	
1,442	**Balance at 1st April 2022**	**1,465**
126	Contribution from / (to) HRA in year	167
(103)	Written off in year	(78)
1,465	**As at 31st March 2023**	**1,554**
	Sundry Debtors	
36	**Balance at 1st April 2022**	**66**
30	Contribution from / (to) HRA in year	9
-	Written off in year	(3)
66	**Balance at 31st March 2023**	**72**
1,531	**Total Provision for Bad Debts**	**1,626**

Collection Fund

The Collection Fund statement shows the transactions of the Authority, as billing authority, in relation to the collection of Council Tax income on behalf of Staffordshire County Council, the OPCC, the Staffordshire Commissioner Fire and Rescue Authority and this Authority's General Fund together with non-domestic rates collected on behalf of the Government, Staffordshire County Council, the Staffordshire Commissioner Fire and Rescue Authority and this Authority's General Fund.

2021/22 Council Tax £000	2021/22 NNDR £000	2021/22 Total £000	Collection Fund Income and Expenditure Statement	2022/23 Council Tax £000	2022/23 NNDR £000	2022/23 Total £000
			INCOME			
(42,914)	-	(42,914)	Income from Council Tax	(44,692)	-	(44,692)
(161)	-	(161)	Transfers from General Fund - Council Tax benefits	(265)	-	(265)
	(30,243)	(30,243)	Income collectable from business ratepayers		(33,879)	(33,879)
(43,075)	**(30,243)**	**(73,318)**	**Total Income**	**(44,957)**	**(33,879)**	**(78,836)**
			EXPENDITURE			
			Precepts			
4,180	-	4,180	- Tamworth Borough Council	4,407		4,407
5,336	-	5,336	- OPCC Staffordshire	5,709		5,709
1,762	-	1,762	- Staffordshire Commissioner Fire and Rescue Authority	1,846		1,846
30,431	-	30,431	- Staffordshire County Council	32,185		32,185
			Business rates			
-	13,166	13,166	- Tamworth Borough Council	-	13,252	13,252

2021/22 Council Tax £000	2021/22 NNDR £000	2021/22 Total £000	Collection Fund Income and Expenditure Statement	2022/23 Council Tax £000	2022/23 NNDR £000	2022/23 Total £000
-	16,458	16,458	- Central Government	-	16,565	16,565
-	329	329	- Staffordshire Commissioner Fire and Rescue Authority	-	331	331
-	2,962	2,962	- Staffordshire County Council	-	2,982	2,982
-	88	88	**Costs of Collection**	-	88	88
			Transfer Credits to GF	-	2	2
			Bad and Doubtful Debts			
256	259	515	- Provisions	396	2	398
-	(1,534)	(1,534)	- Provision for appeals	-	1,190	1,190
			Distribution of previous year's surpluses/deficits			
60	(7,137)	(7,077)	- Tamworth Borough Council	75	(1,200)	(1,125)
75	-	75	- OPCC Staffordshire	96	-	96
26	(178)	(152)	- Staffordshire Commissioner Fire and Rescue Authority	31	(30)	1
430	(1,600)	(1,170)	- Staffordshire County Council	548	(270)	278
-	(8,928)	(8,928)	- Central Government	-	(1,500)	(1,500)
42,556	**13,885**	**56,441**	**Total Expenditure**	**45,293**	**31,412**	**76,705**
(519)	(16,358)	(16,877)	**(Surplus)/ Deficit for the year**	336	(2,467)	(2,131)
(979)	20,932	19,953	Fund Balance Brought Forward	(1,498)	4,574	3,076
(1,498)	**4,574**	**3,076**	**Fund Balance at 31st March 2023**	**(1,162)**	**2,107**	**945**

2021/22 Council Tax £000	2021/22 NNDR £000	2021/22 Total £000	Collection Fund Income and Expenditure Statement	2022/23 Council Tax £000	2022/23 NNDR £000	2022/23 Total £000
			Analysis of Fund Balance (Surplus)/ Deficit			
(148)	1,830	1,682	- Tamworth Borough Council	(114)	843	729
(194)	-	(194)	- OPCC Staffordshire	(151)	-	(151)
(62)	46	(16)	- Staffordshire Commissioner Fire and Rescue Authority	(48)	21	(27)
(1,094)	411	(683)	- Staffordshire County Council	(849)	189	(660)
-	2,287	2,287	- Central Government	-	1,054	1,054
(1,498)	**4,574**	**3,076**	**Total**	**(1,162)**	**2,107**	**945**

NOTES TO THE COLLECTION FUND

CF 1. NDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2023 was £81,997,535 (£78,603,121 at 31st March 2022).

The NDR multiplier for 2022/23 was 51.2p in the pound (51.2p – 2021/22). The qualifying small business multiplier for 2022/23 was 49.9p in the pound (49.9p – 2021/22).

CF 2. Council Tax Base Calculation

The Council base was as follows:

Number of Chargeable Properties 2021/22	Adjusted Property Base (Band D Equivalent) 2021/22	Calculation of Ctax Base	Number of Chargeable Properties 2022/23	Adjusted Property Base (Band D Equivalent) 2022/23
		Valuation Band (Multiplier)		
22	12	**A - Disabled Relief Reduction (5/9)**	**19**	11
8,178	5,452	**A - (6/9)**	**8,161**	5,441
10,884	8,465	**B - (7/9)**	**10,971**	8,533
5,460	4,853	**C - (8/9)**	**5,558**	4,940
3,584	3,584	**D - (9/9)**	**3,625**	3,625
1,945	2,377	**E - (11/9)**	**2,015**	2,463
524	757	**F - (13/9)**	**522**	754
105	175	**G - (15/9)**	**113**	188
3	6	**H - (18/9)**	**3**	6
	(2,835)	**LCTS ADJUSTMENT**		(2,500)
30,705	22,846	**Totals**	**30,987**	**23,461**
	97.90%	**Assumed Collection Rate**		**97.90%**
	22,366	**Total Taxbase**		**22,968**

CF 3. Authorities making precepts or demands on the fund

Council Tax

Precept 2021/22 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2021/22 £	Total Movement on the Collection Fund 2021/22 £	Precepts Analysis	Precept 2022/23 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2022/23 £	Total Movement on the Collection Fund 2022/23 £
4,179,982	**148,629**	**4,328,611**	Tamworth Borough Council	**4,407,330**	**114,194**	**4,521,524**
5,335,857	**194,050**	**5,529,907**	OPCC Staffordshire	**5,709,156**	**151,204**	**5,860,360**
1,761,993	**62,171**	**1,824,164**	Staffordshire Commissioner Fire and Rescue Authority	**1,845,479**	**48,139**	**1,893,618**
30,431,627	**1,093,775**	**31,525,402**	Staffordshire County Council	**32,185,058**	**848,551**	**33,033,609**
41,709,459	**1,498,625**	**43,208,084**	**Total**	**44,147,023**	**1,162,088**	**45,309,111**

NDR

Business Rates 2021/22 £	Distribution of Previous Years Estimated Deficit 2021/22 £	Total Movement on the Collection Fund 2021/22 £	Precepts Analysis	Business Rates 2022/23 £	Distribution of Previous Years Estimated Deficit 2022/23 £	Total Movement on the Collection Fund 2022/23 £
13,166,215	**1,829,738**	**14,995,953**	Tamworth Borough Council	**13,252,313**	**842,896**	**14,095,209**
329,155	**45,743**	**374,898**	Staffordshire Commissioner Fire and Rescue Authority	**331,308**	**21,072**	**352,380**
2,962,398	**411,689**	**3,374,087**	Staffordshire County Council	**2,981,770**	**189,649**	**3,171,419**
16,457,769	**2,287,171**	**18,744,940**	Central Government	**16,565,391**	**1,053,616**	**17,619,007**
32,915,537	**4,574,341**	**37,489,878**	**Total**	**33,130,782**	**2,107,233**	**35,238,015**

The reduction in the balance on the CFAA is due to a reduction in the deficit on the NDR Collection Fund of £2.1m (£4.6m in 2021/22) arising from the additional relief provided to local businesses as a result of the Covid-19 pandemic. The Government have provided funding for the additional reliefs through Section 31 grants to Local Authorities.

It should be noted however, that this represents the total Collection Fund impact, and the Councils 40% share of this equates to c.£0.8m which has been reflected in the Councils accounts and transferred to reserve to fund the deficit carried forward to 2023/24 (in line with collection fund accounting practice – whereby the deficit is funded in the following financial year as part of the budget process).

CF 4. NDR credits

NDR credit accounts relate to credit balances in the Collection Fund which could not be repaid to the businesses concerned as they cannot be traced, have not responded to efforts made to repay funds or no longer exist.

No credits have been transferred to the General Fund during 2022/23.

CF 5. Bad and Doubtful Debts

The following provisions and write offs were made in the year:

2021/22 £000	**Provision for Bad Debts**	**2022/23 £000**
	Council Tax	
1,494	**Balance at 1st April 2022**	**1,712**
255	Increase /(decrease) in provision	396
(37)	Written off in year	(23)
1,712	**As at 31st March 2023**	**2,085**
	Business Rates	
686	**Balance at 1st April 2022**	**943**
259	Increase /(decrease) in provision	2
(2)	Written off in year	(93)
943	**As at 31st March 2023**	**852**

CF 6. Appeals – Business Rates

The following provisions and settlements were made in the year:

2021/22 £000	Provision for Appeals	2022/23 £000
	Business Rates	
6,572	**Balance at 1st April 2022**	**4,772**
(1,534)	Increase /(decrease) in provision	1,190
(266)	Resolved in year	(1,416)
4,772	**As at 31st March 2023**	**4,546**

Annual Governance Statement 2022/23

What is Governance?

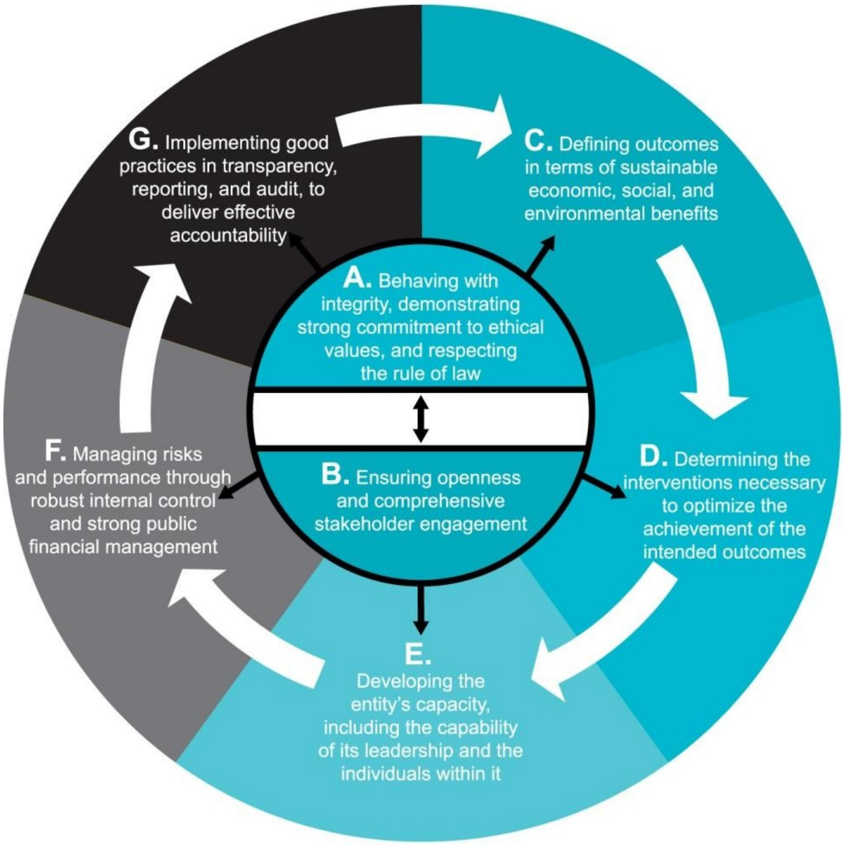
Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To deliver good governance in the Authority, both governing bodies (Members) and individuals working for the Authority must try to achieve the Authority's objectives whilst acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

The Core Principles of Good Governance

The diagram below, taken from the International Framework: Good Governance in the Public Sector, illustrates the various principles of good governance in the public sector and how they relate to each other.



Responsibility

The Authority is responsible for ensuring that its business is completed in line with the law and statutory legislation, and that public money is spent wisely and properly accounted for. We will ensure that we continually improve the way we provide our services whilst taking into account value for money.

We will ensure that we put in place proper arrangements to ensure our risks are managed, and that controls and the governance process are in place.

We have approved and adopted a Code of Corporate Governance which is consistent with principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Code demonstrates the supporting principles which underpin the core principles and identifies the assurance as outlined in the Framework. It also demonstrates what level of assurance we get and thus, identifies any areas for improvement. This forms the assurance framework for good governance and demonstrates that we know our governance arrangements are working. Links to all supporting evidence identified in the assurance framework are contained within the Code of Corporate Governance and are not repeated in this statement. The Code of Corporate Governance document is available on the Council's website.

Our Outcomes

Our desired outcomes for 2022-25 are detailed in the Corporate Plan and Council Vision. The Corporate Plan details our Vision and sets out our Thematic Priorities. Under each thematic priority, we detail our ambitions and how we are going to realise these. All outcomes we aim to achieve, along with changes we want to see and supporting information are detailed in the Corporate Plan.

For each activity or process we complete, we ensure that the appropriate governance arrangements are in place.

For 2022/23, we together with the rest of the UK, have faced an unprecedented global crisis through both recovery from the Coronavirus pandemic and other geopolitical situations. This has been and will remain, a significant factor affecting our operations in 2023/24 and beyond. This was further supported by the Council's Recovery & Reset programme designed to build resilience and maximise opportunities arising from the Pandemic which completed during 2022/23.

While the Corporate Plan remains relevant to our future outcomes, these will no doubt be affected by both the ongoing effects of Covid-19 and other geopolitical situations. As part of our AGS this year, we have included the measures we have taken to ensure our governance effectiveness has not been impacted or compromised by the pandemic, this mirrors the approach taken during 2020/21 and 2021/22..

The Corporate Plan was revised during 2021/22 and a new plan for the period from 2022 to 2025 was approved at Cabinet on 17 March 2022.

This work has all been brought together by councillors, during a number of councillor-led workshops and seminars, into a new refocused vision to reflect new priorities. Again, this year collaborative budget setting workshops were held to ensure all councillors were able to have involvement in what is important to them and their residents.

Our new vision is 'Tamworth – celebrating our heritage, creating a better future'

In order to achieve that vision, we have developed this new Corporate Plan which will be delivered with a workforce and organisation that has adapted to an unprecedented national challenge, working hand in hand with our partners and communities.

This new vision, together with our new Corporate Plan, details five areas of focus for the borough; including the key outcomes we are seeking to achieve and how we will work to achieve them.

Our primary areas of focus will be:

- The Environment
- The Economy
- Infrastructure
- Living in Tamworth
- The Town Centre

Each priority has a number of supporting areas of focus and progress will be achieved through the delivery of corporate and transformational projects; each having clearly defined objectives and outcomes.

CORPORATE PLAN SUMMARY

TAMWORTH BOROUGH COUNCIL VISION

'Tamworth – celebrating our heritage, creating a better future'

1. THE ENVIRONMENT

- Enforcement and education with regard to litter and fly-tipping
- Development of infrastructure for acting on Climate Change
- Support more people to recycle and to reduce waste
- Working with partners to protect, maintain and improve the green space offer

3. INFRASTRUCTURE

- Review Local Plan to improve the transport links within Tamworth
- Improve existing walkways and cycling routes
- Ensure more people can access council services digitally/digital enhancement with partners and within Council housing stock

2. THE ECONOMY

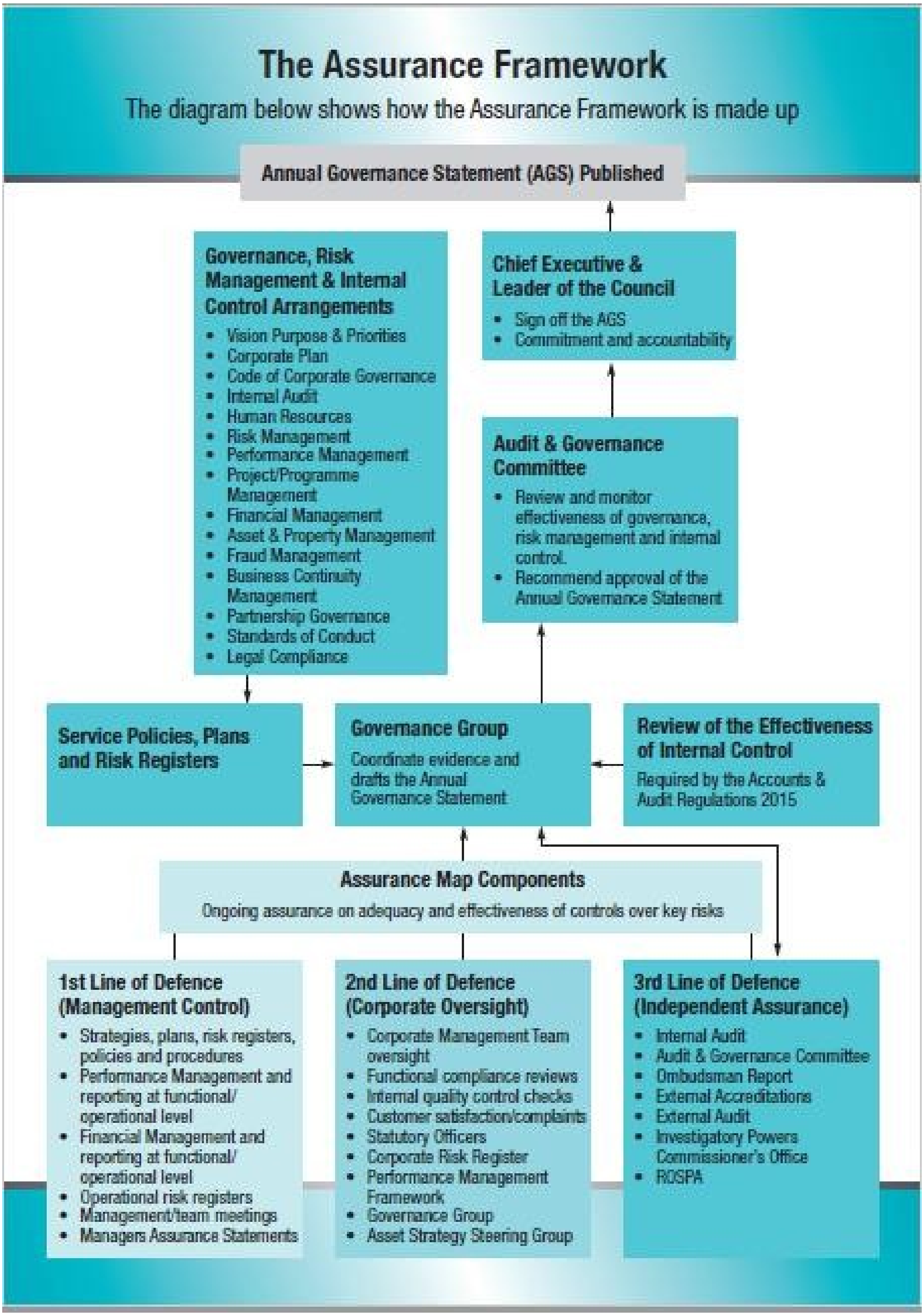
- Development of business initiatives to promote start up and growth
- Support business growth to generate employment opportunities by working with businesses
- Provision of good quality and affordable housing
- Improve tourism in terms of good access to information for visitors to help local businesses and Tamworth as a destination as a whole, maximise and improve the quality of the visitor experience

4. LIVING IN TAMWORTH

- Ensure adequate supply of affordable housing through the Local Plan review
- Investment in Neighbourhood and Place environment
- Through our Economic Development team, we will support job creation and business retention and expansion through interventions and advice, and seek to protect the local economy where we can influence this.
- Improve and promote Tamworth's historic and cultural assets and events
- Community Safety focus on neighbourhoods and place
- Working with partners to ensure the fear of crime within Tamworth is reduced

5. TOWN CENTRE

- Continue to develop street market and extend supporting events around the market to add vibrancy within the town centre
- Create a branding scheme for "Created in Tamworth"
- Provide the infrastructure to improve evening and night time economy
- Embrace Tamworth's history and culture so as to build a sense of local pride and support our children's education and understanding of the significant part Tamworth played in British history
- Continue to promote all outdoor events
- Development of a new Tamworth Enterprise Centre as part of the structural transformation of the town centre
- Make the town centre more accessible
- Provide the environment where the leisure and food offer can grow and flourish
- Working with others seek to improve the night-time transport offer to support the overall night-time economy


The Assurance Framework
The diagram below shows how the Assurance Framework is made up
Annual Governance Statement (AGS) Published
Governance, Risk Management & Internal Control Arrangements
• Vision Purpose & Priorities
• Corporate Plan
• Code of Corporate Governance
• Internal Audit
• Human Resources
• Risk Management
• Performance Management
• Project/Programme Management
• Financial Management
• Asset & Property Management
• Fraud Management
• Business Continuity Management
• Partnership Governance
• Standards of Conduct
• Legal Compliance
Chief Executive & Leader of the Council
• Sign off the AGS
• Commitment and accountability
Audit & Governance Committee
• Review and monitor effectiveness of governance, risk management and internal control.
• Recommend approval of the Annual Governance Statement
Service Policies, Plans and Risk Registers
Governance Group
Coordinate evidence and drafts the Annual Governance Statement
Review of the Effectiveness of Internal Control
Required by the Accounts & Audit Regulations 2015
Assurance Map Components
Ongoing assurance on adequacy and effectiveness of controls over key risks
1st Line of Defence (Management Control)
• Strategies, plans, risk registers, policies and procedures
• Performance Management and reporting at functional/ operational level
• Financial Management and reporting at functional/ operational level
• Operational risk registers
• Management/team meetings
• Managers Assurance Statements
2nd Line of Defence (Corporate Oversight)
• Corporate Management Team oversight
• Functional compliance reviews
• Internal quality control checks
• Customer satisfaction/complaints
• Statutory Officers
• Corporate Risk Register
• Performance Management Framework
• Governance Group
• Asset Strategy Steering Group
3rd Line of Defence (Independent Assurance)
• Internal Audit
• Audit & Governance Committee
• Ombudsman Report
• External Accreditations
• External Audit
• Investigatory Powers Commissioner's Office
• ROSPA

What have we done to monitor and evaluate the effectiveness of our governance arrangements during 2022/23 including ensuring that those arrangements have not been compromised by the impact of the pandemic.

The Authority has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the system of internal control is informed by:

- The work of Internal Audit which is detailed in the Internal Audit's Annual Report.
- Responsibility of Corporate Management Team for the development and maintenance of the internal control environment.
- Reports received from our External Auditors and any other review agencies or inspectorates.

During 2022/23, our operations were impacted by the global pandemic and its subsequent recovery. The Council continued to support vulnerable people, deliver critical front line services and continued response to the effects of the COVID19 pandemic during the year including the payment of significant levels of support to local businesses and individuals (through the council tax energy rebate scheme) and expanded businesses rates relief to retail, hospitality and leisure businesses. Importantly, the COVID-19 emergency tested the Council's ability to move at pace, prioritise its service delivery and demonstrate its core values & purpose. To ensure our governance arrangements remained effective, the following actions have contributed to the evaluation of the effectiveness of the arrangements:

- The Council has continued to respond rapidly and effectively to the pandemic related restrictions as they have been announced by Government. Most staff switched to virtual working and establishments, such as the Castle and Assembly Rooms were initially closed, however have now re-opened. Public health and safety became a priority for a number of teams working collaboratively to manage Covid outbreaks within our communities and to ensure the safe return of people to the town centre as Covid restrictions were eased. Resilience plans were activated in partnership with the Civil Contingencies Unit and businesses were supported by the authority with the distribution of c.£30m in Government grants since the start of the pandemic, through a variety of different schemes – together with expanded Business Rates Relief totalling over £25million to retail, hospitality and leisure businesses, including a further 50% relief in 2022/23. The Council's aim was to ensure public service delivery could continue safely where permitted.
- The Council's Recovery & Reset Programme was formally closed on 31 March 2023, agreed at Cabinet on 6 April 2023. The programme was subject to post implementation review by BDO (internal audit) and recognized as giving substantial assurance with significant success factors reported.
- Increased residents' resilience and access to information through empowering and working with 'anchor' and third sector organisations to support our most vulnerable
- Support our most vulnerable through preventing homelessness and helping people access suitable housing amidst major Government initiatives including the "everyone" in campaign, whilst also pausing non-essential moves
- Following meetings being held remotely the Council recommenced its meeting programme through face to face meetings which were additionally streamed
- The internal audit programme included provision of days for Covid-19 flash assurance audits to ensure that those charged with governance were able to get dynamic assurance over risks affecting the Council from the pandemic, for example in terms of productivity and governance. The ICT audit programme included remote working to gain further assurance with most staff transitioning to working from home in relation to ICT Back Ups.

In addition to the above, the Council's 'business as usual' governance arrangements have continued to operate, for example:

- The Code of Corporate Governance, set out in line with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government,* has been reviewed and updated.
- Internal audit have reported to the Audit & Governance Committee on a quarterly basis and provided an opinion on the overall effectiveness of the system of internal control based upon the work completed. The statement for the 2022/23 financial year is as follows:
  'On the basis of audit work completed, Internal Audit's opinion on the council's framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by audit work. These matters have been discussed with management, to whom recommendations have been made. All of these have been, or are in the process of being addressed'.
- Our External Auditors report to each Audit & Governance Committee. In their Audit Findings Report (2021/22), they gave an unqualified opinion on the Statement of Accountsand did not identify any significant weaknesses, with a few improvement recommendations in respect of the Authority securing economy, efficiencyand effectiveness.
- The Corporate Risk Register is owned and reviewed on a quarterly basis by the Corporate Management Team and reported in the Quarterly Health Check to Cabinet. It is also reported in the risk management update to the Audit & Governance Committee..
- Managers Assurance Statements have been completed by Executive Directors and Assistant Directors and have not identified any significant control issues.
- Financial Guidance and Financial and Contract Procedure Rules are reviewed on a regular basis, the latest review being approved by the Audit & Governance Committee in April 2023. A full review of the constitution took place and was approved by Council in December 2020, this has been updated and will be presented to Council during 2023/24.
- The Chief Finance Officer and Audit Manager are suitably experienced and qualified and comply with the CIPFA Statements on their respective roles.
- No issues were raised through the Counter Fraud and Corruption and Whistleblowing Policies.
- There were 20 data security breaches reported to the Data Protection Officer during the financial year, 3 of which were reported to the Information Commissioners Officer.
- Internal Audit are required to comply with the Public Sector Internal Audit Standards. As part of this requirement, Internal Audit are required to complete an annual self-assessment against the Standards and produce a Quality Assurance & Improvement Programme(QAIP) which identifies areas for improvement both to ensure compliance with the Standards and other quality areas. The self-assessment against the standards and the QAIP are reported to the Audit & Governance Committee. The five yearly External Quality Assessment was completed during 2022/23 and the service achieved the highest level of compliance 'generally conforms'. An action plan for actions identified during the review has been agreed and will be implemented during 2023/24.
- The Performance Management Framework ensures that the Financial Health Check is reported to Cabinet on a quarterly basis and made readily available on the Authority's website.

- The Authority is currently compliant with the PSN Code of Connection. The compliance process includes assessments against governance, service management,information assurance conditions and technical controls and assures access to the Public Services Network. Our current compliance certificate expires in May 2024, the renewal process will be started prior to that to ensure continuity of PSN services.
- An annual update report is presented to the Audit & Governance Committee on theuse of RIPA powers. During 2022/23, no RIPA authorisations were made.
- To assist in a more co-ordinated approach to managing projects, a Corporate ProjectManagement template and process is now in place.
- A self-assessment of the Audit & Governance Committee's effectiveness wascompleted in February 2023.
- The Chairs of the Audit & Governance and Scrutiny Committees submitted theirAnnual Reports to Full Council.
- The Authority complies with the Financial Management Transparency Code.
- Counter fraud work continues to be completed with the retained expertise of in-housestaff to investigate corporate fraud.
- Internal Audit completes an annual assessment of the risk of fraud which is reported tothe Audit & Governance Committee annually. The counter fraud plan and risk assessment were reported to the Committee in October 2022 and it was concluded that the Authority has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.
- In compliance with the Localism Act 2011, a report was presented to Full Council in October 2020 advising them of the number of complaints received regarding Members Conduct. A report was not submitted during 2022/23.
- The Local Government and Social Care Ombudsman annual report letter was reported to Audit & Governance Committee in October 2022.
- The review of the Constitution and Scheme of Delegation was approved by Council in December 2020. It will be due to be refreshed in the Summer 2023
- The Anti-Money Laundering Policy was reviewed and refreshed by the Audit & Governance Committee in October 2022 and a new Prevention of Tax Evasion Policy was approved by the Audit & Governance Committee in October 2020.
- A new Diversity and Equality Scheme (2020-24) was formally approved by full councilin October 2020 with supporting action plan.
- The annual Pay Policy was approved by Council in December 2022

- The authority has continued to progress implementations of the organisation’s response to the General Data Protection Regulations (GDPR). The Data Protection Officer continues to raise its awareness of GDPR across the authority. As part of wider IT Governance work, policies and procedures have been reviewed or are being developed to meet our obligations under the GDPR and to ensure a robust governance framework is in place for our ICT systems and information assets. The Information Security Policy and Data Protection Policy is being rolled out across the authority and is a mandatory requirement for new starters. The authority’s Corporate Privacy Notice along with Departmental Fair Processing Notices have been developed with reviews being undertaken when necessary. Information on our website has been reviewed and updated with guidance to support our customer’s rights of access to their data. Work is progressing with suppliers to ensure the security and compliance of personal data held within our software systems. An ongoing programme of cyber security awareness and training is undertaken across the authority with regular signposted updates on Infozone.
- As part of the remit of the Audit & Governance Committee during 2022/23 they reviewed the risks around the Future High Street Fund. The sub-committee meets quarterly and reports directly to the Audit & Governance Committee.
- Partnership working arrangements continued to strengthen and further develop with both our statutory and community and voluntary sector partners. The response to thepandemic was unprecedented and has created a good foundation for closer links andpartnership work as we move into recovery.
- The Tamworth Advice Centre commissioned through the partnership team continuesto provide valuable generalist debt and specialist advice to our most vulnerable citizens and will be re-commissioned in 2021/22. This tender was successfully procured and awarded in April 2022 to Mid Mercia CAB.
- We value our community and voluntary sector and the work they do within our community. In 2020/21, despite lockdown we awarded grants through our Community Grants and Councillor Grants Programme to aid community response to the pandemic.Full details can be found on our website: https://www.tamworth.gov.uk/sites/default/files/misc_docs/2021-22_Grants.pdf
- The Place Based Approach continues to grow and further develop; this is a collaborative partnership approach through the County Council Building Resilient Families programme that uses multi skilled teams, universal services, voluntary sectororganisations, and communities at the right time to improve outcomes for children, young people, vulnerable people and our community. As part of this Place Based Approach we have been working in partnership to identify community and voluntary sector organisations that can offer children, families and vulnerable people help and support at the earliest opportunity.

- Financial resilience is and has been the key requirement for local authorities at any time, but in the current crisis it has assumed unprecedented importance. Cabinet Recovery and Reset programme which ran from Sept 2020 to April 2023 – its aims to consider and respond to the financial challenges facing the council as a result of the coronavirus pandemic. A service review project within the programme, aimed at reducing waste demand on services (basically this is any action or step in a process that does not add value to the customer), exploring opportunities for income generation and identifying any further savings – all of which resulted in £6.9m of service efficiencies contributing to a balanced MTFS 2023

- The Authority has both a moral and legal obligation to ensure a duty of care for children and adults with care and support needs across its services. We are committed to ensuring that all children and adults with care and support needs areprotected and kept safe from harm whilst engaged in services organised and/or provided by the Council. We do this by:
    - Having a Safeguarding Children & Adults at Risk of Abuse & Neglect Policyand procedures in place https://www.tamworth.gov.uk/sites/default/files/community_docs/Safeguarding-children-and-adults-at-risk-of-abuse-and-neglect.pdf ;
    - Having Safeguarding Children & Adults Processes which give clear, step-by-step guidance if abuse is identified;
    - Safeguarding training programme in place for staff and members;
    - Carrying out of the appropriate level of Disclosure and Barring Service(DBS) checks on staff and volunteers;
    - Working closely with Staffordshire Safeguarding Children's Board & Staffordshire & Stoke-on-Trent Adult Safeguarding Partnership; and Staffordshire Police.
- The Authority recognises that it has a responsibility to take a robust approach to slavery and human trafficking. In addition to the Authority's responsibility as an employer, it also acknowledges its duty as a Borough Council to notify the Secretary ofState of suspected victims of slavery or human trafficking as introduced by section 52 of the Modern Slavery Act 2015. The Authority is committed to preventing slavery and human trafficking in its corporate activities and to ensuring that its supply chains are free from slavery and human trafficking. The Authority has included modern slavery and human trafficking information within the corporate safeguarding policy and training.
  A Modern Slavery statement is prepared each year and endorsed by Corporate Management Team and Audit and Governance Committee.
  https://www.tamworth.gov.uk/safeguarding
  The Council will continue to develop and strengthen its approach to modern slaverytrafficking in 2022/23 and updated statement prepared by September 2023.

- The Tamworth Vulnerability Partnership continues to meet each week and the Councilis also committed to the Multi Agency Risk Assessment Conference (MARAC) to ensure that partner organisations are working together to coordinate efforts to supporthigh risk victims of domestic abuse, children, young people, families and vulnerable people across Tamworth.
- Tamworth launched a Social Housing Regulatory Programme in April 2023, building on a commissioned self assessment of its regulatory compliance with the consumer standards for its stock retained services in 2021/2022. This assessment resulted in a risk based improvement plan , areas of which will be built into service plans form 2022-2025. The Programme oversight is championed by tenants and forms part of the Councils reporting on performance.

Declaration

We have been advised on the implications of the result of the review of the effectiveness of the Governance Framework by the Audit & Governance Committee and that the arrangements continue to be regarded as fit for purpose. The issues which remain outstanding from previous years' Annual Governance Statements are detailed at **Annex 1** with actions to address them. No additional governance issues were highlighted during 2022/23. Other minor issues highlighted through the assurance gathering process have been noted with planned actions to address theseissues. Monitoring of the completion of all these issues will be completed through reporting to the Audit & Governance Committee.

We propose over the coming year to take steps to address those matters raised to further enhance our governance arrangements. We are satisfied that these steps willaddress the need for improvements that were identified in our review of effectivenessand will monitor their implementation and operations as part of our next review.

Signed

P Turner A Barratt

Leader Chief Executive

Date 28th June 2023

On behalf of the Authority

This information can be produced on request in other formats and languages. Please contact Internal Audit Services on 01827 709234 or email enquiries@tamworth.gov.uk

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Executive Director Finance

Significant Governance Issues

The significant governance issues identified in relation to previous iterations of our Annual Governance Statement, which remained significant issues for us during 2022/23 and are detailed below:

No	Issue	Previous Action	Update 2022/23
1	**Medium Term Financial Strategy (MTFS)** Whilst actions have been taken to ensure that the MTFS remains balanced, this is still a significant risk to the Authority. Revenue Support grant will be removed around 2020. Opportunities and risks associated with the 100% Business Rates Retention will need to be identified. The increasing demands of our customers also need to be considered.	The Medium Term Financial Planning process is being challenged by the ongoing uncertain economic conditions. The attached forecast is based on a 5 year period, but does contain a number of uncertainties. For two years, the government has only held single-year Spending Reviews, with 2019 being a single year due to the political turbulence around Brexit, and 2020 being a single year, given the COVID-19 pandemic. However, on 7th September 2021, the Chancellor wrote to Secretaries of State to confirm the government's intention to complete a multi-year Spending Review (SR2021), setting revenue and capital budgets for 2022/23 to 2024/25.	On 12th December 2022, the Secretary of State for Levelling Up, Communities and Local Government published a written ministerial statement which was accompanied by a policy statement on the 2023/24 local government finance settlement and assumptions about the 2024/25 local government finance settlement. This statement came ahead of the 2023/24 provisional local government finance settlement announcement, which was published in December 2022, detailing local authority-level figures for 2023/24. The Government has set out some planning assumptions for the 2024/25 local government finance settlement as follows: • The Review of Relative Needs and Resources ('Fair Funding Review') and a

		As part of the recent Spending Review, no announcement was made about the government's plans for funding reform or a reset of the Business Rates Retention (BRR) system, both of which were originally expected to be implemented in 2019/20, but which have been delayed a number of times. The 2022/23 local government finance settlement has now been published, for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement. No detailed announcements were made on funding reform, though Government confirmed that it is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. While this means the Council will be able to retain its business rate growth for 2022/23, it also means that the	reset of Business Rates growth will not be implemented in the next two years. • The council tax referendum principles will continue the same as 2023/24. • Revenue support grant will continue and be uplifted in line with baseline funding levels (assumed now to be now based on September 2023 CPI), while social care grants will increase as set out in the table above. • Business rates pooling will continue. • The Government will set out the future position of New Homes Bonus ahead of the 2024/25 local government finance settlement. This settlement represents a 'holding position' until the next Parliament, aiming at stability. The ruling out of a business rates reset, or a fair funding review, means that the funding distribution will stay fairly stable (with the exception of Extended Provider Responsibility funding). But this means that the big questions about the future of the funding system remain unaddressed one way or another. While this means the Council will be able to retain its business rate growth for 2023/24 and 2024/25, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2025/26.

		uncertainty continues and potentially the Council still faces losing this growth from 2023/24 as, over the coming months, the Government have stated that they will work with the sector before consulting on funding reform.	There are also further uncertainties arising from current cost pressure and inflationary increases which have compounded the likely price increases for supplies that are required for building or construction/maintenance works. The Recovery & Reset Programme package of savings originally reported in July 2022 estimated savings to be in the region of c£3.5m over 5 years; £2.8m of which was unbudgeted capital costs for continuing to occupy Marmion House. As part of the update report to Cabinet on 10th November 2022, including those already built into the medium-term financial plan, the revised programme potentially delivers efficiencies of c£5.1m over the next 5-year medium term. This includes the c£3.5m already identified; plus, an additional £1.6m already delivered through the service re-design project within the programme. In light of the base budget and MTFS forecast considered by Cabinet on 1st December 2022, following the Leaders Budget Workshop on 30th November 2022, Managers were asked to identify further areas for potential savings – which have now been included in the policy changes, amounting to c.£1.8m over 5 years.

No	Issue	Previous Action	Update 2022/23
2	**Regeneration/Capital Projects** The Authority needs to ensure that capital projects are managed effectively to ensure that they are delivered and grant monies are spent appropriately and timely. There is a risk that developers will not develop timely in accordance with the Local Plan need.	Re-profiling of capital scheme spend from 2021/22 into 2022/23 is forecast at c. £30.4m relating mainly to new affordable Housing development, housing capital works, Disabled Facilities Grants, Acquisitions and Commercial Investments. It is anticipated that this spend will now occur during2022/23 but the situation will be closely monitored. As part of the MTFS, Council in February 2021 approved the updated Capital Strategy which sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets. Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that theCouncil makes best use of these resources – including the development of a long term strategic	Re-profiling of capital scheme spend from 2022/23 into 2023/24 is forecast at c. £29.2m relating mainly to the Future High Street Fund Regeneration schemes of c.£17m together with Disabled Facilities Grants (£1.3m). There is also lower levels of re-profiling for new affordable Housing development (£3.4m) and housing capital works (£4.4m) including a Decarbonisation scheme (£1.1m). It is anticipated that this spend will now occur during2023/24 but the situation will be closely monitored. As part of the MTFS, Council in February 2022 approved the updated Capital Strategy which sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets. Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that theCouncil makes best use of these resources – including the development of a long term strategic plan to address the identified maintenance andrepairs backlog for corporate assets.

		plan to address the identified maintenance andrepairs backlog for corporate assets. It is recognised that significant further work is required in this area in order to deliver a robust capital strategy, and the updated Asset Management Plan is nearing completion, with an upto date stock condition survey (with appropriate budget provision approved within the MTFS) planned. This should set out the detailed capital resources /expenditure required to maintain assets,together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.	It is recognised that significant further work is required in this area in order to deliver a robust capital strategy, and the updated Asset Management Plan has been completed in draft following Scrutiny Committee consideration during the year, with an upto date stock condition survey. This sets out the detailed capital resources /expenditure required to maintain assets,together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.

No	Issue	Previous Action	Update 2022/23
3	**Welfare & Benefit Reform** There is a risk of reduced income corporately due to welfare reform changes (including council tax support scheme and Universal Credit with further austerity measures from the Welfare reform Act 2015). As well as the potential for reduced income and an increase in bad debts, there are additional impacts arising from increased needs in services – eg., homelessness,requirement for additional support to vulnerable people,increased issues of ASB etc. meaning an increase in demand on 3rd sector and statutory agency services.	Income levels have been largely maintained in2021/22 (due to the mitigations put in place) despite the Covid-19 crisis. The Corporate Working Group has continued to meet to take forward an organisation wide approach including preparations for implementationof the Debt Respite Scheme (Breathing Space). Following a tender process in 2021, further work was being commissioned around corporate debt to secure a one council approach focusing on not onlythe management of multiple debt households but seeking to understand how resources are better aligned to secure VFM. Third Sector Support and Vulnerability Strategy isone of the Recovery and Reset Programme projects – recognising that one of the most positive outcomes to the Pandemic is the overwhelming ability of 'anchor organisations and communities' to mobilise and	Income levels have been largely maintained in2022/23 (due to the mitigations put in place) despite the effects of the Covid-19 crisis and recent geopolitical issues. The Corporate Working Group has continued to meet to take forward an organisation wide approach including preparations for implementationof the Debt Respite Scheme (Breathing Space). Following a tender process in 2021, further work was being commissioned around corporate debt to secure a one council approach focusing on not onlythe management of multiple debt households but seeking to understand how resources are better aligned to secure VFM. The work with the Voluntary Sector continues to thrive and baseline statistics have been produced through UK Share Prosperity Fund to understand the Council's approach and underpin projects around identified priority vulnerability areas: • Social Exclusion • Financial Exclusion • Mental Health

		support each other,this project will explore how the Council's commissioning framework can be aligned to buildon these foundations going forward and how we define and develop our vulnerability strategy, building on the baseline assessment commissioned	• Digital Exclusion • Housing and Homelessness The work also includes baseline to produce a Borough Wellbeing Strategy

GLOSSARY

Accrual
A sum included in the accounts for income or expenditure in relation to the financial year, but not received or paid as at 31st March.

Amortisation
A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

Balances
The total sum available to the Council, including the accumulated surplus of income over expenditure. Balances form part of the Council's reserves.

Balance Sheet
This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

Business Rates Retention Scheme
This was introduced with effect from 1st April 2013, and requires the Council to operate a Collection Fund to account for Business Rates in a similar way to Council Tax. Rather than collecting Business Rates on behalf of the Government, the Council can now retain a share of the Business Rates it collects, and pays out a share to Government, Staffs County Council and the Staffordshire Commissioner (Fire and Rescue).

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

Capital Expenditure
Expenditure on the acquisition and enhancement of significant fixed assets that will be of use or benefit to the Council in providing its services beyond the year of account e.g. land and buildings.

Capital Financing Requirement
This represents the Council's underlying need to borrow for capital purposes.

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.

Capital Receipts
Proceeds from the sale of assets e.g. land or buildings, which may be used to finance new capital expenditure or are payable to the Central Government Housing Capital Receipts Pool.

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.

Cash and Cash Equivalents
Cash includes bank balances and on demand deposits. Cash Equivalents are short term, highly liquid investments where the date of maturity is three months or less from the date of acquisition that are readily convertible to cash with an insignificant risk of change in value.

Cash Flow Statement
This shows the changes in cash and cash equivalents of the Council during the reporting period.

CIPFA
The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional body for accountants working in the public sector.

Code of Practice
The Code of Practice on Local Authority Accounting in the United Kingdom is produced by CIPFA and complied with by local authorities in the production of the financial statements.

Collection Fund
A fund administered by the Borough Council into which Business Rates and Council Tax monies are received and paid out to Government and precepting authorities.

Collection Fund Adjustment Account
The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Community Assets
The class of fixed assets held by the Council in perpetuity that have no determinable useful life and may have restrictions on their disposal, such as parks, historical buildings, works of art, etc.

Component Accounting
Where a Property, Plant or Equipment asset has major components, with a cost significant in relation to the overall cost of the asset; materially different useful lives; and/or different methods of depreciation, the components are separately identified and depreciated.

Comprehensive Income and Expenditure Statement
This statement shows the total income received and expenditure incurred by the Council during the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Contingency
The sum of money set aside to meet unforeseen expenditure.

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

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Council a possible obligation, subject to uncertain future events not wholly within the Council's control. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Creditors
Amounts owed by the Council for work done, goods received or services rendered which have not been paid for by the end of the financial year.

Current Service Cost
An estimate of the true economic cost of employing people in a financial year.

Debtors
Amounts due to the Council for work done or services supplied, for which income has not been received by the end of the financial year.

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.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technical or other changes.

Exceptional Items
A material item of income or expenditure, significant to an understanding of the Council's financial performance, disclosed separately within the CIES or in a note to the accounts.

Expected Credit Loss Model
The Expected Credit Loss Model was introduced under IFRS 9 Financial Instruments, and applies to financial assets, lease receivables and contract assets.

Fixed Assets
Tangible assets that yield benefits to the Council for a period of more than one year.

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 (however, the balance is not available to be applied to funding HRA services).

Housing Revenue Account Balance
The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

IFRS
International Financial Reporting Standards (IFRS) are a set of accounting standards used for the production of accounts from 2010/11 onwards. The introduction of IFRS is intended to make the

Statement of Accounts more robust and comparable with other local authorities and the wider public sector.

Intangible Assets
Non-financial assets that do not have physical substance but are controlled by the Council as a result of past events or through custody or legal rights (e.g. software licences).

Investment Property
Under IFRS, investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate - not used directly to deliver the Council's services.

Joint Operations
These are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity.

Leasing
A method of financing capital expenditure where rental charges are paid over a specified period of time. There are two main types of leasing arrangements:

(a) finance leases which transfer all the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the Balance Sheet;
(b) operating leases where the ownership of the asset remains with the lessor and annual rental is charged direct to the revenue account.

Liabilities
Amounts due to individuals or organisations which will have to be paid some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Major Repairs Reserve
The Major Repairs Reserve represents the long term average amount of capital spending required to maintain the HRA Council housing stock in its current condition.

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

Minimum Revenue Provision
The minimum amount which must be charged to a revenue account each year and set aside to repay debt, presently 4% of the General Fund Capital Financing Requirement. No MRP is required for the Housing Revenue Account.

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 reserves.

National Non Domestic Rates (NNDR)
The tax paid on non domestic properties, set annually by Government. In previous years, this tax was collected by billing authorities and paid over to the Government, with the Council receiving a share of the national pool as part of its resources used to meet total net expenditure. Under the new scheme introduced with effect from 1st April 2013, local authorities now retain a proportion of the Business Rates generated in their area.

Non Current Assets Held For Sale
Non Current Assets held for sale are those where the value of the asset will be recovered mainly by selling the asset rather than through its continuing use.

Pension Reserve
This absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

Post Balance Sheet Events
Those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept
This is a demand for payment made by Staffordshire County Council, Staffordshire Commissioner (Police and Crime) and Staffordshire Commissioner (Fire and Rescue). The payment is met from the Council's collection fund and is based on the Council Tax base.

Prior Period Adjustments
Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision
An amount set aside to meet a liability that is likely to be incurred, and a reasonable estimate can be made, charged as an expense to the appropriate service line in the CIES.

Public Works Loans Board (PWLB)
A government agency that provides longer-term loans to local authorities, at interest rates below market rate. It also acts as a lender of last resort (at a higher rate of interest).

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

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

Remuneration
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.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
This is expenditure that is defined as Capital but where there is no matching asset in the accounts - legislation allows the treatment of some expenditure as capital where it does not result in the creation of a fixed asset. An example of this is where grants are awarded to third parties for capital expenditure.

Revaluation Reserve
This reserve records the net gain from revaluations of the Council's plant, property and equipment, and Intangible Assets, made after 1st April 2007.

Revenue Expenditure
The day-to-day expenditure incurred by the Council in providing services. It is financed by government grants, non-domestic rates, Council Tax and fees and charges.

Revenue Support Grant (RSG)
A general government grant in support of local authority expenditure.

Specific Grants
Government Grants to local authorities in aid of particular projects or services.

Usable Reserves

The purpose of each usable reserve is detailed below:

General Fund Balance
These funds are available to meet the future running costs for the Council for non-housing services.

Housing Revenue Account
This reserve holds funds that are available to meet future running costs relating to the Council's housing stock.

Capital Receipts Reserve
This reserve holds all of the Council's receipts generated from the disposal of Non Current Assets and although this is in the usable reserves section, this reserve can only be used to finance new capital investment or to repay debt.

Major Repairs Reserve
This reserve is to meet the capital investment requirements of the Council's housing programme.

Capital Grants Unapplied
This reserve is used to hold capital grants without conditions or where conditions have been satisfied, but the grant has yet to be used to finance capital expenditure.

Earmarked Reserves – General Fund / Housing Revenue Account
Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. Further details of the significant reserves within this heading are shown in Note 10.

Appendix to Comprehensive Income and Expenditure Statement

Chief Executive
- Chief Executive
- Electoral Process
- Audit & Governance
- Joint Waste Arrangement

Assistant Director Growth & Regeneration
- Strategic Planning & Development
- Environmental Health
- Economic Regeneration
- Tourism
- Tamworth Castle

Executive Director Organisation
- Executive Director Organisation
- Legal Services
- Democratic Services
- Land Charges
- Mayoralty

Assistant Director People
- Human Resources
- Payroll
- Customer Services
- Communications and Public Relations
- Information Technology

Assistant Director Operations & Leisure
- Streetscene
- Arts & Events
- Community Leisure
- Environmental Management

Executive Director Finance
- Executive Director Finance

Assistant Director Finance
- Corporate Finance
- Procurement
- Corporate Risk
- Revenue Services
- Benefits

Executive Director Communities
Executive Director Communities

Assistant Director Partnerships
Partnerships
Community Safety
Safeguarding
Private Sector Housing
Strategic Housing

Assistant Director Neighbourhoods – General Fund
Civil Contingencies
Street Wardens
CCTV

Assistant Director Neighbourhoods – HRA
Landlord Services

Assistant Director Assets – General Fund
Commercial Property
Facilities Management

Assistant Director Assets - HRA
Asset Management and Investment

HRA Summary

Housing Repairs

Independent auditor's report to the members of Tamworth Borough Council

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AUDIT & GOVERNANCE COMMITTEE

24th April 2024

Report of the Assistant Director Finance

REVIEW AND UPDATE OF FINANCIAL GUIDANCE

EXEMPT INFORMATION

None

PURPOSE

For the Audit & Governance Committee to endorse the proposed amendments to Financial Guidance.

RECOMMENDATION

That the Committee endorse the proposed amendments to the Council's Financial Guidance, to take immediate effect.

EXECUTIVE SUMMARY

As part of the core functions under terms of reference, this Committee is empowered to maintain an overview of the Council's Financial Guidance. The last review of Financial Guidance was approved by this Committee in April 2023. This latest annual review includes the revised tender thresholds under the Public Contracts Regulations within the Procurement section; updates to the Income, Charging and Debts section following approval of the revised Corporate Credit Policy by Cabinet on 31st August 2023; amendments to job titles; and some minor formatting changes.

The proposed amendments to Financial Guidance with tracked changes are detailed at **Appendix 1**.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS

None

EQUALITIES IMPLICATIONS

None

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

If Members require further information, please contact Jo Goodfellow, Assistant Director Finance on ext 241.

LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix 1 – Proposed updated Financial Guidance with tracked changes.

FINANCIAL GUIDANCE

CONTENTS

Section A

Financial Regulation Policy

FINANCIAL REGULATION POLICY

Purpose

The financial regulation framework within the Council aims to:

a) Promote best value, service delivery and delivery of the Council's vision;
b) Provide sound arrangements for all the Council's financial affairs and to be able to demonstrate that proper controls are in place;
c) Safeguard Members and officers by setting out procedures which meet the Council's expected standards.

Financial regulations are not intended to inhibit creativity but to provide the parameters within which creativity may be exercised. They are intended to guide and support managers and their staff. Financial control at a corporate level is achieved primarily through transparency and accountability. Managers and especially Chief Officers (Chief Officer will be interpreted as Chief Executive, Executive Director and Assistant Directors from here on) and budget holders occupy key roles. Managers are given appropriate authority to deploy resources in pursuit of agreed objectives. Their activities are expected to adhere to specified standards and they are required to report upon and be accountable for their actions. Those engaged in support functions (for examples, Accountancy) do not themselves directly exert control. Their responsibilities are to support frontline services and to monitor activities.Where necessary they must act as whistle-blowers (See Whistleblowing Policy).

Controls

The financial regulation framework comprises this policy document, financial and contract procedure rules approved by Council and detailed guidance issued by the Council's Chief Executive, to support these documents. They contain a mixture of:

a) Responsibilities;
b) Instructions;
c) Expected standards of behaviour;
d) Discretionary powers.

Instructions and responsibilities are clearly set out. All employees and Members are required to comply where they are applicable. The expected standard of behaviour and discretionary powers are guidelines to aid employees and Members in their day to day activities. They cannot cover all potential circumstances. All employees and all Members are therefore required at all times when engaged on Council activities to act reasonably, having regard to this framework, and to act within the spirit of the framework.

A review of the policy and guidance is to be completed annually.

Section B

Financial Procedure Rules

FINANCIAL PROCEDURE RULES

1. All employees and all Members must at all times when engaged on Council activities act in the interests of the Council as a whole.

2. All employees and all Members must comply at all times with these regulations wherever they apply.

3. All employees and all Members must act reasonably and within the spirit of the financial regulation framework.

4. All relevant financial interests must be declared to the Monitoring Officer.

5. All activities must be in accordance with:

   a) Legislation;
   b) Approved service plans or corporate plans;
   c) Approved service net revenue budgets or capital programmes;
   d) Relevant Council policies and adopted codes of practice.

   Any material departures (actual or potential) must be reported formally to Members as soon as practicable.

6. Where practicable all activities should be in accordance with accepted best practice.

7. Best value and value for money must be sought in all activities, including the procurement of goods and services.

8. Budgets at an appropriate level of detail must be prepared by the start of each financial year for all activities and units of the Council.

9. Material changes to financial policy or the distribution of resources must be referred to the Executive for approval.

10. Service managers have primary responsibility for the control and management of all resources of all kinds made available to them.

11. All managers must ensure and regularly check that there is a full set of controls in every system under their management, including an adequate segregation of duties and an assessment of risk in all activities and decisions.

12. All employees must consider the need to seek appropriate views, advice and guidance before embarking on a course of action and particularly on a new course of action. This includes seeking advice from managers in other services, for example consulting the Assistant Director - People on the procurement of information technology or the Executive Director - Finance on the arrangement of leases, rentals or agreements involving the use of assets to or from the authority.

13. All managers must ensure that all assets and personnel must be adequately secured or protected and appropriate insurance arranged where necessary.

14. Adequate records must be maintained of all transactions in all systems (a complete audit trail) and unrestricted access must be allowed to all assets and records for:

    a) The Chief Executive;
    b) The Executive Director - Finance;
    c) The Audit Manager;
    d) External Auditors and other Statutory Inspectors;
    e) Officers designated by any of the above.

    Employees must supply information to those officers on request.

15. Managers must routinely monitor all activities under their control and report on any significant variations from expected standards.

16. Managers must report at regular intervals on performance on planned activities and on financial performance against approved budgets.

17. All employees and all Members must report any suspected:

    a) Failure in any system;
    b) Failure to comply with financial regulations;
    c) Suspected criminal act, including fraud or corruption.

    The report should normally be made to the line manager. Full guidance is provided in the Council's Counter Fraud & Corruption Policy Statement, Strategy &Guidance Notes.

    Any manager who suspects such an occurrence must take any immediate action necessary to rectify any failure in a control system and report the position to a relevant senior manager, who may include the Chief Executive, Executive Director–Organisation, Executive Director - Finance, Audit Manager, and the Monitoring Officer.

18. The Section 151 Officer shall, with the agreement of the Chief Executive and Monitoring Officer, issue detailed guidance on procedures to be followed in compliance with these regulations.

19. All employees must comply with any applicable instructions or responsibilities specified in the guidance. In other respects all employees must act reasonably, having regard to the guidance and within the spirit of the guidance.

CONTRACT PROCEDURE RULES

1. All employees must comply with these standing orders, the relevant regulations relating to Public Contracts and with financial regulations when procuring goods and services.

2. All Directors have primary responsibility for ensuring compliance within their service areas.

3. Best value and value for money must be sought in all procurement activities. Competition must be sought in accordance with issued guidance.

4. The financial limits as set out within financial guidance for the procurement of goods and services should be followed.

   The only exception to these requirements shall be where the Cabinet has given authority in order to achieve best value.

5. Reasonable steps must be taken to manage risk throughout the procurement process and employees must have regard to the guidance that is issued for this purpose.

6. All potential suppliers of goods and services must be treated equally and without discrimination. The Council shall act in a transparent and proportionate manner.

7. In all procurement activities, arrangements must be clear regarding:

   a) The goods or services to be supplied and the supply mechanisms;
   b) The amount to be paid and the payment mechanisms;
   c) The rights and responsibilities of all parties.

8. Employees must consider the need to seek appropriate views, advice and guidance before making a decision or embarking on a course of action related to procurement.

9. The Section 151 Officer shall, with the agreement of the Chief Executive and Monitoring Officer, issue detailed guidance on procedures to be followed in compliance with these standing orders. Such guidance shall include procedures for securing competition, for regulating the manner in which tenders are invited andfor managing risk.

10. Employees must comply with any applicable instructions or responsibilities specified in the guidance. In other respects employees must act reasonably, having regard to the guidance and within the spirit of the guidance.

Section C

Financial Guidance

1. **FINANCIAL MANAGEMENT**

1.1 **Introduction**

1.1.1 Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget.

1.2 **The Full Council**

1.2.1 Only the Council will exercise the following functions:

a) Adopting and changing the Constitution;

b) Approving or adopting the Policy Framework, the Budget and any application to the Secretary of State in respect of any Housing Land Transfer;

c) Subject to the urgency procedure contained in the Access to Information Procedure Rules in Part 4 of the Constitution, making decisions about any matter in the discharge of an executive function which is covered by the Policy Framework or the Budget where the decision maker is minded to make it in a manner which would be contrary to the Policy Framework or contrary to/or not wholly in accordance with the Budget;

d) Electing the Leader and resolving to remove the Leader;

e) Agreeing and/or amending the terms of reference for committees, deciding on their composition and making appointments to them (except where the appointment to a committee is required to give effect to the wishes of a political group) and ensuring that, with the exception of the Mayor, Members are appointed to at least two committees (one of which shall not include the Budget Review Joint Scrutiny Committee; except for executive Members who are appointed toone committee;

f) Appointing representatives to outside bodies unless the appointment is an executive function or has been delegated by the Council;

g) Adopting an allowances scheme under Article 2.25 (of the constitution);

h) Changing the name of the areas, conferring the title of Honorary Alderman, Freeman or Freedom of the Borough;

i) Approving the appointment or dismissal of the Chief Executive, Head of Paid Service, Monitoring Officer and S151 Officer;

j) Making, amending, revoking, re-enacting or adopting bylawsand promoting or opposing the making of local legislation or personal Bills;

k) Approving the Council's Code of Conduct;

l) Approving the Senior Officer Pay Scheme and Annual Pay Policy Statement;

m) All local choice functions set out in Part 3 of this Constitution which the Council decides should be undertaken by itself rather than the executive;

n) Electing the Mayor and the Deputy Mayor at the annual meeting;

o) Appointing Independent Persons; and

p) All other matters which, by law, must be reserved to Council.

CONTACT: The Monitoring Officer

1.3 **The Executive**

1.3.1 The Executive will carry out all of the local authority's functions which are not the responsibility of any other part of the local authority, whether by law or under the Constitution.

CONTACT: The Monitoring Officer

1.4 **The Audit & Governance Committee**

1.4.1 The Audit & Governance Committee will have the following roles and functions:

a) Audit Activity

- Receive, but not direct, internal audit's strategy and audit plan;
- Consider reports dealing with the management and performance of Internal Audit;
- Consider the Audit Manager's annual report and opinion, and the level of assurance Internal Audit can give over the Council's corporate governance arrangements;
- Consider periodic reports from Internal Audit on the main issues arising from their work and "high priority" recommendations not implemented within a reasonable timescale, and seek assurance that action has been taken where necessary;
- Consider the final external audit Annual Audit and Inspection letter and any other relevant reports to "those charged with

governance".

- Consider on an annual basis the Local Authority Trading Company's Code of practice and Governance Statement.

b) Regulatory Framework

- Maintain an overview of the Council's Constitution, including Contract Standing Orders, Financial Regulations and Codes of Conduct;
- Consider the internal control environment and the level of assurance that may be given as to its effectiveness, to include the review of the Annual Governance Statement and the recommendation to the Council of its adoption;
- Satisfy itself that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Monitor the effectiveness of the authority's risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management;
- Monitor the effective development and operation of the corporate governance framework in the Council and to recommend to the Cabinet or the Council, as appropriate, the actions necessary to ensure compliance with best practice;

- Monitor the effectiveness of the Council's policies and arrangements for anti-fraud and corruption, whistle-blowing, complaints handling, Social Housing Regulator, RIPA and Ombudsman investigations.

c) Accounts

- Approve the annual statement of accounts, external auditor's opinion and reports to Members and monitor management action in response to the issues raised by external audit.

d) Reports to Council

- The Chair of the Audit & Governance Committee will provide an annual report of the Committee's activities to Council.

e) Delegated Powers

- The Committee is empowered to deal with the functions detailed above.

f) Standards of Conduct

This Committee, in the form of a sub-committee, shall exercise all the functions of the Council relating to the Members' Codes of Conduct as provided by the Localism Act 2011 except for those functions which under Chapter 7 of the Localism Act 2011 may only be exercised by the full Council.

Where a complaint is made alleging a breach of the Code, the matter will be considered by a Sub-committee of the Audit & Governance Committee. The Sub-committee will consider the complaint in accordance with the procedure set down in the Council's Arrangements for Making Complaints Against a Councillor for an Alleged Breach of the Code of Conduct.

The Sub-committee shall be made of three members of the Audit & Governance Committee and shall include representation from each political group (where practicable). The Independent Person(s) appointed by full Council shall attend meetings of the Sub-committee and the Sub-committee shall have regards to the views of the Independent Person(s).

The Monitoring Officer will report to the Audit & Governance Committee regarding an investigation of a complaint if the investigation has not concluded within 6 months of the date of the complaint, and the Audit & Governance Committee may review the investigation of such a complaint, following consideration of the Monitoring Officer's report.

The Council's Arrangements for Making Complaints Against a Councillor for an Alleged Breach of the Code of Conduct is appended.

CONTACT: The Audit Manager, the Monitoring Officer

1.5 Overview & Scrutiny Committees

1.5.1 The Overview & Scrutiny Committees' general roles are to:

- Review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions including consideration at each meeting of the Forward Plan;
- Review and/or scrutinise matters identified as relevant to that committee, including items on the Forward Plan which have not yet been approved and/or implemented;
- Prepare an annual scrutiny work plan and make reports and/or recommendations bi-annually to the full Council and/or the Executive and/or any policy, joint or area committee in connection with the discharge of any functions;
- Liaise regularly with each other to ensure that there is no duplication between them in respect of scrutiny and review activity;
- Consider any matter affecting the area or its inhabitants;
- Exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the executive and/or any policy or area committees; and
- Appoint Task and Finish Groups as and when required. Normally the Chair and Vice-Chair of the Committee would Chair these groups and there would be an expectation that these groups would co-opt external expertise.

In addition to their general role, each Overview and Scrutiny Committee has a primary scope and specific functions as detailed in the Constitution.

CONTACT: Legal Admin and Democratic Services Manager

1.6 **The Statutory Officers**

1.6.1 Head of Paid Service
The Head of Paid Service will:

- Determine and publicise a description of the overall departmental structure of the Council showing the management structure and deployment of officers as set out in part 7 of the Constitution;
- Report to full Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of officers.

1.6.2 Monitoring Officer

The Monitoring Officer will:

- Maintain an up-to-date version of the Constitution and will ensure that it is widely available for consultation by Members, staff and the public;
- After consultation with the Chief Executive, Executive Director - Organisation and the Chief Finance Officer, the Monitoring Officer will report to the full Council or the executive in relation to an executive function if s/he considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered in accordance with the Local Government & Housing Act 1989;
- Contribute to the promotion and maintenance of high standards of conduct through provision of support to the relevant committee;
- Conduct investigations or take other action into matters referred by the Audit & Governance Committee in accordance with the complaints procedure;

- Advise whether decisions of the executive are in accordance with the budget and policy framework;
- Provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors.

1.6.3 Chief Finance Officer (Executive Director - Finance)

The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden.

The Chief Finance Officer will:

- After consulting with the Chief Executive and the Monitoring Officer, report to the full Council or to the Executive in relation to an Executive function – and the Council's external auditor if s/he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully;
- Have responsibility for the administration of the financial affairs of the Council;
- Contribute to the corporate management of the Council, in particular through the provision of professional financial advice;
- Provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors and will support and advise councillors and officers in their respectiveroles;

- Provide financial information to the media, members of the public and the community.

Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the full Council, executive and external auditor if the authority or one of its officers:

- Has made, or is about to make, a decision which involves incurring unlawful expenditure;
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority;
- Is about to make an unlawful entry in the authority's accounts.

Section 114 of the 1988 Act also requires:

- The Chief Finance Officer to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally;
- The authority to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary (where this document refers to legal advice this is via the legal shared services arrangement with South Staffordshire Council) – to carry out the duties under section 114.

CONTACT: Executive Director – Organisation, the Monitoring Officer, Executive Director – Finance

1.7 **Scheme of Delegation**

1.7.1 The Local Government Act 1972 as amended provides for a Scheme of Delegation where Council delegates to certain officers powers to undertake functions and duties on behalf of the authority. This delegation is completed annually.

1.7.2 Chief Officers must ensure that they comply with the approved Scheme of Delegation.

CONTACT: The Monitoring Officer

1.8 Accounting Policies

1.8.1 The Executive Director - Finance is responsible for the preparation of the authority‘s statement of accounts, including Whole of Government Accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local AuthorityAccounting in the United Kingdom (CIPFA/LASAAC)* based on International Financial Reporting Standards, for each financial year ending 31 March.

1.8.2 Key Controls
The key controls for accounting policies are:

a) Systems of internal control are in place that ensure that financial transactions are lawful;
b) Suitable accounting policies are selected and applied consistently;
c) Proper accounting records are maintained;
d) Financial statements are prepared which present fairly the financial position of the authority and its expenditure and income.

1.8.3 Responsibilities of the Executive Director - Finance

To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:

a) Separate accounts for capital and revenue transactions;
b) The basis on which debtors and creditors at year end are included in the accounts;
c) Details on substantial provisions and reserves;
d) Fixed assets;
e) Depreciation;
f) Capital charges;
g) Work in progress;
h) Stocks and stores;
i) Deferred charges;
j) Accounting for value added tax;

k) Government grants;
l) Leasing/pensions.

1.8.4 Responsibilities of Chief Officers

To adhere to the accounting policies and guidelines approved by the Executive Director - Finance.

CONTACT: Executive Director – Finance

2. GENERAL GUIDANCE

2.1 Introduction

2.1.1 This guidance aims to help employees in their day to day work. Employees are required to comply at all times with the Council'sfinancial regulations, and this guidance will help to ensure they do.

2.1.2 In this guidance there are three levels of requirements:

i) In some cases the guidance states that employees MUST comply with the requirement and therefore 100% compliance is expected;

ii) In other cases employees SHOULD comply, but there will be times when compliance would not be possible or desirable; and

iii) In the remaining cases it is stated that employees MAY wish to follow the guidance if it would be helpful, but it is purely at their discretion.

2.1.3 Employees must therefore take careful note whether the wording used in each section is MUST, SHOULD or MAY.

2.1.4 **If the guidance states a requirement MUST be complied with, employees should consult the Executive Director - Finance ifthere is particular difficulty. The Executive Director - Finance has authority to waive compliance and limits where necessary. In the absence of the Executive Director authority is passed to the Assistant Director - Finance and then the Chief Executive or Executive Director - Organisation.**

2.1.5 Employees needing help to interpret or apply the guidance should contact their Chief Officers, the Audit Manager , or Executive Director - Finance.

2.1.6 The review and updating of Financial Regulations, Standing Orders and Financial Guidance will be completed by the Assistant Director Finance.

2.1.7 Throughout the guidance, reference is made to Chief Officers. A Chief Officer includes the Chief Executive, Executive Directors and Assistant Directors.

CONTACT: Audit Manager, Executive Director – Finance

2.2 Employee Responsibilities

2.2.1 Each Chief Officer must ensure that all his/her employees and any other agents acting on behalf of the Council are aware of the sections of this guidance that relate to their areas of work.

2.2.2 Chief Officers may delegate to other employees duties shown in this guidance, but the Chief Officer retains primary responsibility. Where the guidance places a duty on an employee, it is the Chief Officer's responsibility to ensure the existence of adequate procedures, documentation and supervision.

2.3 Miscellaneous

2.3.1 Chief Officers must ensure that lists of officers authorised to certify or approve orders, payments and records are updated at least on an annual basis. They must advise the Executive Director - Finance of changes such as **authorised signatories** leaving and propose new names, specimen signatures and monetary limits (where needed);

2.3.2 Any employees required to carry out checks such as **checks of documents** or calculations must sign/initial and date the relevant document (or use an electronic signature on electronic documents). The employee who prepares the document should also sign or initial, and date it.

2.3.3 Chief Officers must ensure that all **financial records** are completed promptly and accurately. Any amendment to a financial record or a document required in a payment process, including expense claims, timesheets and official returns must be made in ink. The original entry should be struck through with a single bold line and the correct entry written alongside. It must then be initialled and dated. Correction fluidor tape must never be used.

2.3.4 Chief Officers must ensure that all financial records are kept securely, and retained for the periods specified in the appendix attached. At the end of the period the records must be securely disposed of, e.g., by shredding. Arrangements for the disposal of any obsolete or surplus records, including unused items, should be agreed with the Executive Director - Finance.

2.3.5 All bank accounts relating to the Authority's transactions will be controlled and reconciled by the Executive Director - Finance. No other bank accounts are to be used.

2.3.6 If an employee is requested to give any **indemnities, guarantees or warranties** on behalf of the Council they must consult with their Director and obtain legal advice where appropriate before taking any action.

2.3.7 Where there is a suspected fraud or other significant **criminal act**, the Chief Officer must consult the Audit Manager or Executive Director - Finance on whether/ when the Police should be informed. Employees should follow the Council's advice on fraud and corruption (Counter Fraud and Corruption Policy Statement, Strategy& Guidance Notes).

2.3.8 All employees must comply with the Information Security Policy.

2.3.9 All employees must comply with the Officer's Code of Conduct subject to any conflict with professional codes, which in such circumstances the professional obligations subsist over the Officer's Code of Conduct.

2.3.10 In order to comply with the International Financial Reporting Standards, managers are required to consult with the Executive Director - Finance prior to entering into an agreement on any rentals, leases or use of assets to or from the authority, especially where financial/operating leases are entered into as more advantageous financing could be sought.

CONTACT: Executive Director - Finance, Audit Manager

3. RISK MANAGEMENT AND CONTROL OF RESOURCES

3.1 Risk Management

3.1.1 Risk Management is the planned and systematic approach to the identification, evaluation and control of risk. The Cabinet shall approve a Risk Management Policy Statement and Strategy for the Council and shall promote a culture of risk management awareness throughout the Council.

3.1.2 Key decisions taken must include an assessment of the risk.

3.1.3 The Executive Director - Finance is the focal point for developing and implementing the Risk Management Strategy throughout the authority. Their role is to advise others. All staff have a duty to co-operate so that risk is effectively managed in their areas, ensuring that all issues that they cannot resolve directly are brought to the attention of their managers.

3.1.4 The Corporate Management Team will be the forum where risk is performance managed.

3.1.5 Chief Officers are responsible for risk management and must have regard to advice from the Executive Director - Finance and other specialist employees (e.g. crime prevention, fire prevention, health & safety, cash handling and internal controls of various types).

3.1.6 Chief Officers are responsible for ensuring that regular and appropriate reviews of risk within their departments are completed and entered onto the Corporate Risk Register, held within the Pentana software system. Additional guidance can be sought from the Executive Director - Finance on risk management issues.

3.1.7 The Audit & Governance Committee will review the management of risk within the Authority.

CONTACT: Executive Director - Finance

3.2 Insurances

3.2.1 The Executive Director - Finance is responsible for the arrangement of appropriate insurance cover through external insurance and internal funding. They shall, after such consultation as they think appropriate with other employees, settle all claims within individual policy excesses, and pass on all claims over individual policy excesses to the relevant insurer.

3.2.2 Chief Officers shall:

a) Give prompt notification to the Executive Director - Finance of all new risks, properties, vehicles, activities, functions, or any other assets which require to be insured and of any alteration affecting existing insurances (for example – safe limits being exceeded, loss of safe keys, temporary disablement of alarms).

b) Promptly notify the Executive Director - Finance in writing of any loss, liability or damage or any event likely to lead to a claim against the Council together with any information or explanation required by them or the Council's insurer's, and inform the police where necessary;

c) Ensure that all appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance;

d) Consult the Executive Director - Finance in respect of any indemnity which the Council is requested to give;

e) Ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

3.2.3 It is the responsibility of the Executive Director - Finance to:

a) Maintain a register of all insurance arranged by the Council and the property and risk covered by them;

b) At least annually, furnish Chief Officers with details of all insurances in force affecting their departments. Each Chief Officer shall review all such insurances, and any risks not insured against, or inadequately insured against, shall be notified immediately to the Executive Director - Finance;

c) Ensure the adequacy of all insurances entered into by contractors of the Council. An employee shall not authorise work to commence by a Contractor until the Executive Director - Finance has advised such an employee that the appropriate insurances have been effected to their satisfaction.

CONTACT: Operations Accountant

3.3 Internal Controls

3.3.1 The Council accepts that controls and control systems must be in place to ensure that it's financial and other activities are carried out in a secure environment, in a manner that complies with the law and that fulfils its stewardship obligations. To achieve this the following key controls and control objectives and systems shall be in place:

a) Key controls shall be reviewed on a regular basis and the Council shall make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively which will feed into the Annual Governance Statement. Chief Officers are required to produce an annual statement in respect of the level of assurance on the adequacy of internal controls within their service areas in accordance with the Accounts & Audit Regulations 2011;

b) Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;

c) Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems;

d) An effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline "Guidance for Internal Auditors", "Public Sector Internal Audit Standards" and with any other statutory obligations and regulations and professional standards.

3.3.2 Chief Officers are responsible for ensuring that they manage their processes to ensure that established controls are being adhered to and to evaluate their effectiveness, in order that they can be confident of the proper use of resources, achievement of objectives and management of risks.

3.3.3 They should also review existing controls in the light of changes affecting the authority and establishing and implementing new ones. Chief Officers are also responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

3.3.4 Chief Officers must ensure that their staff have a clear understanding of the consequences of lack of control.

CONTACT: Audit Manager

3.4 Internal Audit

3.4.1 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts & Audit Regulations (Amendment) (England) 2015, regulation 5, more specifically requires that "a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance'.

3.4.2 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3.4.3 Internal Audit is independent in its planning and operation. The Audit Manager shall have direct access to all levels of management and elected members.

3.4.4 Internal Audit will comply with the Public Sector Internal Audit Standards (PSIAS).

3.4.5 Internal Auditors have the authority to:

a) Enter at all reasonable times any Council establishment;

b) Have access to all records, documents, information and correspondence relating to any financial and other transaction as considered necessary;

c) Evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud;

d) Request explanations as considered necessary to satisfy themselves as to the correctness of any matter under examination;

e) Require any employee of the Council to produce cash, materials or any other Council property in their possession or under their control;

f) Access records belonging to third parties, such as contractors or partners, when required and appropriate;

g) Direct access the Chief Executive, Executive Director – Organisation and Members.

3.4.6 The Audit Manager will prepare the strategic and operational audit plans, which will take account of the relative risks of the audit areas and present this to the Audit & Governance Committee for approval.

3.4.7 Chief Officers have the responsibility:

a) Of reporting any circumstances which may suggest the possibility or irregularity affecting cash, stocks or other property of the Council and any fraud or corrupt activities to the Executive Director - Finance. Further guidance can be found in the Counter Fraud and

Corruption Policy Statement, Strategy & Guidance Notes;

b) For ensuring that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purpose of their work;

c) For ensuring that auditors are provided with any information and explanations that they seek in the course of their work;

d) To consider and respond promptly to recommendations in audit reports; and

e) For ensuring that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

3.4.8 The Audit Manager will develop and maintain a Quality Assurance & Improvement Programme (QAIP) that covers all aspects of the internal audit activity and is designed to evaluate conformance with the PSIAS definition of Internal Audit and Code of Ethics. The QAIP must be an internal on-going assessment report to the Audit & Governance Committee, with an external assessment to be completedin accordance with the frequency as determined by the Audit & Governance Committee (minimum at least every 5 years).

CONTACT: Audit Manager

3.5 **Treasury Management**

3.5.1 The Council will conduct its Treasury Management Activities in accordance with the provisions laid down in statute and specifically as contained within the Local Government Act 2003.

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses:

1. This organisation will create and maintain, as the cornerstones for effective treasury management:
    - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
    - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;
    - The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially

deviating from the Code's key principles.

2. This organisation (i.e. full Council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report afters its close, in the form prescribed in its TMPs.

3. This organisation delegates responsibility for the implementation and regular monitoring of its treasury management and practices to full Council and for the execution and administration of treasury management decisions to the Executive Director - Finance, who will act in accordance with the organisation's policy statement and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

4. This organisation nominates Audit & Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

3.5.2 The Executive Director - Finance may report to Council at any time, as they consider necessary, upon matters relating to treasury management activities.

3.5.3 The Executive Director - Finance shall ensure that all treasury management transactions are recorded and that there is an effective division of duties between operations.

3.5.4 All securities which are the property of or in the name of the Council or its nominees shall be held in the custody of the Legal & Democratic Services Manager, except in the case of externally managed funds which shall be held by an independent custodian approved by the Executive Director - Finance.

3.5.5 Loans must not be made to third parties and interests must not be acquired in companies, joint ventures or other enterprises without the approval of the Cabinet, following consultation with the Executive Director - Finance.

CONTACT: Assistant Director - Finance

3.6 **Prudential Code**

3.6.1 Interlinked with the CIPFA Code of Practice for Treasury Management is the Prudential Code for Capital Finance in Local Authorities which plays a key role in capital finance to support Local Authorities in taking their decisions.

3.6.2 The Council is required by regulation to have regard to the said code when carrying out its duties under part 1 of the Local Government Act 2003.

3.6.3 The Prudential Code sets out a clear governance procedure for the setting and revising of prudential indicators. This is done by the full Council.

3.6.4 The Executive Director - Finance will be responsible for ensuring that all matters required to be taken into account are reported to the full Council for consideration, and for establishing procedures to monitor performance.

3.6.5 In setting or revising their prudential indicators, the Council is required to have regard to the following matters:

- Affordability, e.g., implications for Council Tax/housing rents, including consideration of the impact for all resources (capital and ongoing revenue costs);

- Prudence and sustainability, e.g., implications for external borrowing and whole life costing;

- Value for money/potential ‘spend to save’ schemes, option appraisal;

- Stewardship of assets, e.g., asset management planning;

- Service objectives, e.g., strategic planning;

- Risk and uncertainty needs to be considered;

- Practicality, e.g., achievability of the forward plan.

3.6.6 The Executive Director - Finance is required to establish procedures to monitor both performance against all forward looking prudentialindicators and the requirement that Council has adopted the CIPFA ‘Treasury Management in the Public Services: Code of Practice and Cross-Sectional Guidance Notes’. The Executive Director - Finance also needs to establish a measurement and reporting process that highlights significant deviations from expectations.

3.6.7 When considering capital spending Chief Officers must have regard to the capital process guidance, which includes the requirement to complete a capital appraisal. This appraisal ensures that consideration is given to:

- Full capital cost, including regard to external funding considerations;

- The revenue implications associated with the project – including costs and any additional income generation;

- Any implications with regard to the prudential code/use of prudential borrowing (including payback periods etc);

- Staffing implications;
- Alternatives which could be considered e.g., leasing;
- Consultation with other officers/organisations;
- Project management and planning in order to ensure delivery in line with approved timescales;
- Evaluation of the project outcomes;
- An assessment of the risks associated with the project – a full risk assessment is required;
- The contribution the project makes towards the achievement of the Council's corporate priorities, corporate capital strategy objectives and Government priorities.

3.6.8 In order to ensure that over the medium term, net borrowing will only be for capital purposes, the Council should ensure that net external borrowing does not, except in the short-term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

3.6.9 The Council shall set and monitor against the specified prudential indicators for capital expenditure, external debt and treasury management in accordance with the due processes to be followed, the matters required to be taken into account, affordability, prudence and in accordance with the definitions specified.

CONTACT: Assistant Director - Finance

4. REVENUE BUDGETS AND EXPENDITURE

4.1 Introduction

The key controls for budgets and medium-term planning are:

a) Specific budget approval for all expenditure;
b) Budget managers/Heads of Service to be consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the executive for their budgets and the level of service to be delivered;
c) A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

4.2 Incurring Expenditure

4.2.1 Chief Officers and Heads of Service are authorised to incur expenditure:

a) In accordance with approved Council and service policies; and

b) In line with the service net revenue budget.

Chief Officers and Heads of Service are authorised to make budget changes.

4.3 Budget Monitoring and Variances

4.3.1 The service net revenue budget is the key point for budget monitoring and reporting. The detail contained within the budget book is mainly to assist budget holders manage their budgets. Strict compliance with the detailed budget is not necessarily expected. **The main requirement is that Chief Officers and Heads of Service must seek approval for any change in approved service policy, standards or delivery, or other material departure from the service plan.**

4.3.2 Chief Officers and Heads of Service must monitor their budgets regularly throughout the year. The Assistant Director of Finance and Accountants will provide suitable regular reports giving details of actual expenditure and income compared to the budget. They will notify the Chief Officer/Head of Service of any significant variance which appears to require further attention.

4.3.3 The Chief Officer or Head of Service is responsible for dealing with actual or likely variances from budget and must take appropriate action. For example, they may decide to:

a) Freeze spending on a discretionary item such as furniture and equipment to deal with a net overspend; or
b) Meet an overspend under one expenditure heading from one or

more actual or planned underspends elsewhere (see below); or

c) Meet an overspend from increased income (within limits set below); or

d) Do nothing in the case of a windfall increase in income.

In the case of b) & c) the manager should consider whether to adjust the budget through a virement (see below).

4.3.4 There is no limit for budget transfers within individual expenditure headings (cost centres) if there is no change in service policy, no detriment to service standards or delivery and no material departure from the service plan.

4.3.5 Where a significant variance is expected (even after taking appropriate action) the Chief Officer or Head of Service must report the circumstances formally to Members as soon as practicable. The report should indicate the options open to Members and their implications. For example in the case of an overspend it might suggest:

a) Reducing activity levels, with an impact on service standards, to reduce expenditure; or

b) Increasing activity on income-generating services or increasing prices to increase income; or

c) Providing additional resources from an alternative source, e.g. balances.

4.3.6 The report should take into account the likely position in future years as well as the current year.

CONTACT: Assistant Director - Finance

4.4 **Virement**

4.4.1 A virement is defined as “the planned transfer of a budget approved for one purpose for use on a different purpose to that originally intended or approved”. A virement does not create additional budget; it changes the purpose for which the budget will be used compared to that originally intended.

4.4.2 A Chief Officer or Head of Service may authorise the transfer of up to £50,000 of budget (this is a cumulative amount ie., in total for each cost centre for the year and not per transaction) to or from any individual expenditure heading (cost centre) within their service. The Executive Director can approve a virement (up to £50,000) across budgets within service activities within their Directorate and between Directorates with the approval of the Executive Director - Finance. The Chief Officer or Head of Service must notify the Executive Director - Finance in writing of all virements. **No further approval is needed if there is no change in service policy, no detriment to service standards or delivery, andno material departure from the service plan.**

4.4.3 The Executive Director - Finance also has authority to approve virements in excess of the above £50,000 limit – up to a total virement of £100,000 (this is a cumulate amount ie. in total for each cost centre for the year and not per transaction).

4.4.4 **Virements can only be applied to direct expenditure and not to support service costs, capital charges and indirect income (ie. recharges).**

4.4.5 Virements which fall outside of the above criteria will require Cabinet approval.

4.4.6 **Specific Contingency Budget**

Where a budget is identified as contingency and is intended for allocation during the year, its allocation will not be treated as a virement, provided that:

a) The amount is used in accordance with the purposes for which it has been established;
b) The Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits must be authorised by Cabinet;
c) The release of funding for specific identified contingency items is delegated to the Corporate Management Team in consultation with the Leader of the Council (Scheme of Delegation log);
d) The release of the contingency is approved by the S.151 Officer (Executive Director - Finance).

4.4.7 **Capital Contingency Budget (Block Allocation)**

a) Where amounts are required for transfer from Specific Contingency/General Contingency then Cabinet approval must be obtained, including approval of a capital appraisal form detailing the financial and organisational impact of the scheme;

b) Please note that the impact of drawing from this contingency budget has to be highlighted to Members in order for them to make an informed decision;

c) These reports will also require S.151 Officer (Executive Director - Finance) sign off (due to their impact on the 5-year budget/ balances/forecast).

CONTACT: Assistant Director - Finance

4.5 **Income Generation**

4.5.1 Income may be received above the budget level in a number of circumstances. The potential uses for the extra income (within the limits set below) depend on the situation:

a) Pure windfall income, which is received without any additional service activity or conditions is not available for use by the Chief Officer or Head of Service and they should not normally authorise any additional expenditure from that windfall. The main exception would be to meet an unavoidable overspend. In other cases the excess income would return to Council balances;

b) Where an increase in demand results in increased service workload, additional income may be used to offset the impact of the extra workload. For example the manager may appoint temporary employees or purchase additional or improved equipment to improve efficiency or working conditions;

c) Where the Chief Officer or Head of Service expects an increase in income to result from increased activity, the Chief Officer or Head of Service may approve additional expenditure where it will generate enough income to cover the costs;

d) Where 'ring fenced' grant income is received which requires specific actions/spending, the Chief Officer or Head of Service mayapprove additional expenditure, where there is no net additional cost to the Council.

4.5.2 Chief Officers/ Heads of Service have authority to approve budget adjustments for excess income up to a limit of £50,000 per occasion. The excess income and additional expenditure must be reported explicitly within the monthly budget monitoring variance analysis;

4.5.3 The Executive Director - Finance also has authority to approve budget adjustments in excess of the above £50,000 limit – up to a total budget adjustment of £100,000 per occasion;

4.5.4 Any budget adjustments above this amount will require Chief Officers and Heads of Service to ask Members for formal budget adjustment to reflect the revised position.

CONTACT: Assistant Director - Finance

5. CAPITAL BUDGETS AND PROJECTS

5.1 Definition of Capital

5.1.1 Capital projects include the purchase or construction of assets such as buildings, vehicles and computer equipment and major repairs/refurbishment, which extend the life of an asset or increase its value. In each case the Council must get the benefit from the new or refurbished asset over more than one year. The total cost of the project must also exceed £10,000. This figure includes amounts spent on design and supervision and other fees for professional services (whether provided by Council employees or external contractors). Spending of up to £10,000 on a single project should be treated simply as revenue (except where it forms part of a minor works programme which exceeds £10,000).

5.1.2 The Capital Process Guidance is included within the Corporate Capital Strategy and can be found on the intranet.

CONTACT: Assistant Director Finance

5.2 Leasing/Rental Agreements

5.2.1 The nature of financing should be considered prior to going to the market and options considered at that point.

5.2.2 Chief Officers and Heads of Service must consult the Executive Director - Finance before entering into **any** leasing or rental agreement to or from the Authority in order to comply with the International Financial Reporting Standards.

5.2.3 **All** lease/hire of equipment/rental agreements, for the use of assets that the Authority has not bought, must be signed by the Executive Director - Finance.

5.2.4 Obtaining an asset through a finance lease is regarded as capital expenditure and as such it must be included in the capital programme.

CONTACT: Assistant Director - Finance

5.3 Authority to Incur Capital Spend

5.3.1 The law requires Councils to treat capital spending differently from revenue so different authorisation procedures are used. Chief Officers and Heads of Service are authorised to spend money on a capital project only if the project is included in the capital programme, or for minor projects, they have sufficient revenue funds. In either case special rules apply.

5.3.2 The Executive Director - Finance is responsible for ensuring that a capital programme is prepared on an annual basis for consideration of the full Council's policy framework.

5.3.3 All capital projects and spending must comply with the guidance on Procurement and Contracts. Expenditure must be in line with the approved scheme (Capital Programme) as agreed by Council and will require an adequately detailed Capital Appraisal Form including any revenue implications arising from the scheme. The Appraisal Form should identify any key processes/deliverables to be incurred with appropriate financial information (i.e., sub projects within the main programme). The detail of projects above £50,000 must comply with the Procurement Strategy. In the event that as part of an approved scheme, there is a contingency amount in excess of £20,000, then prior approval must be obtained from Cabinet for the spend to go ahead. Chief Officers or Heads of Service must then notify the relevant portfolio holder of the preferred tenderer. The Procurement and Contracts Section gives further guidance.

5.3.4 If a Chief Officer or Head of Service wishes to incur minor new capital spend (i.e. between £10,000 and £50,000) from a revenue budget the Executive Director - Finance must first be informed in writing and there must be no change in service policy, or detriment to service standards or delivery. If these conditions are not met, Council must be asked to add the project to the capital programme.

5.3.5 Council have delegated authority to Cabinet to approve/add new capital schemes to the capital programme where grant funding is received and there is no net additional cost to the Council. Cabinet may also add a new capital scheme to the capital programme where they have approved the release of funds from the capital contingency budget.

5.3.6 Some Chief Officers and Heads of Service are responsible for several capital projects at the same time. Where any single scheme needs up to £50,000 above its capital allocation to complete it, the Chief Officer or Head of Service may approve a virement for the additional spend provided other schemes within his/her control will under-spend by at least that amount.

5.3.7 A Chief Officer or Head of Service may authorise the virement of up to £50,000 of budget per occasion to or from any individual scheme within their service. The Director can approve a virement (up to £100,000) across budgets within service activities within their Directorate and between Directorates **with** the approval of the Executive Director - Finance. The Chief Officer or Head of Service must notify the Executive Director - Finance in writing of all virements. **No further approval is needed if there is no change in service policy, no detriment to service standards or delivery, and no material departure from the service plan.**

5.3.8 Where 'ring fenced' grant income is received for an existing scheme which requires specific actions/ spending, the Chief Officer or Head of Service may approve additional expenditure up to £50,000 (with a further £50,000 only with the Executive Director - Finance approval), where there is no net additional cost to the Council. Spending of grants which fall outside of the above criteria will require Cabinet approval.

CONTACT: Assistant Director - Finance

5.4 **Monitoring**

5.4.1 Chief Officers and Heads of Service are responsible for delivering capital projects within agreed timescales and within budget. Chief Officers and Heads of Service must therefore continuously monitor both the progress of projects and spend against budget.

5.4.2 The Executive Director - Finance and Service Accountants will provide suitable regular reports giving details of actual expenditure and income compared to the budget. They will notify the Chief Officer and Heads of Service of any significant variance which appears to require further attention.

5.4.3 Chief Officers and Heads of Service are responsible for dealing with actual or likely variances from budget or from the project delivery plan.

5.4.4 Where a significant variance is expected (even after taking appropriate action) the Chief Officer and Heads of service must report the circumstances formally to Members as soon as practicable. The report should indicate the options open to Members and their implications. For example in the case of a projected overspend it might suggest amending the specification to come within budget.

5.4.5 Outstanding expenditure relating to the previous financial year should be notified to the Executive Director - Finance as soon as possible after 31st March in line with the timetable determined by the Executive Director - Finance.

5.4.6 It is required that a post implementation review (PIR) is completed for all capital projects where learning is identified which could assist future projects or where there is a significant financial or political impact. The Asset Strategy Group will decide, on an annual basis, the projects that require a PIR to be completed. Results of the review should be circulated to CMT and, if appropriate Cabinet and/or Scrutiny Committees. More detailed guidance on the Post Implementation Review process can be found in the Capital Process Guidance.

CONTACT: Assistant Director - Finance

5.5 **External Funding**

5.5.1 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery provide additional resources to enable the authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

5.5.2 Where external funding may be available for a project in the capital programme the Chief Officer or Head of Service is responsible for submitting any bid required. Consultation with the Executive Director - Finance is required before submission.

5.5.3 Any bid must match the capital programme approval in all material respects. If the bid differs materially from the capital programme or the project is not in the capital programme, then should the bid be successful, Council approval must be obtained to add the project to the capital programme.

5.5.4 Where a project relies on external funding, it must not commence until final written confirmation has been received that the external funding will be provided.

5.5.5 If the external funding approval differs materially from the bid, Council approval must be received before any spending on the project is committed. The Chief Officer or Head of Service should seek advice from the Executive Director - Finance as to whether any difference should be regarded as material.

5.5.6 Council has delegated authority to Cabinet to approve/ add new capital schemes onto the capital programme where grant funding is received and there is no net additional cost to the Council.

5.5.7 Claims for payment must be made as soon as practicable. The budget manager who submitted the bid is responsible for submitting the claim by the due date, unless otherwise agreed with the Executive Director - Finance.

5.5.8 The Chief Officer or Head of Service should ensure that the project progresses in accordance with the agreed project delivery plan and that all expenditure is properly incurred and recorded.

5.5.9 Copies of all documentation such as bids, approvals, claims and correspondence must be sent immediately to the Executive Director - Finance to ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts and to ensure that audit requirements are met.

5.5.10 The Chief Officer or Head of Service must ensure that the key conditions of funding and any statutory requirements are complied with and the responsibilities of the accountable body are clearly understood. Funds should only be acquired to meet the priorities approved in the policy framework by the full Council. Any match- funding requirements should be given due consideration prior to entering into long-term agreements and future revenue budgets should reflect these requirements.

5.5.11 Further details on external funding can be found in the External Funding Strategy.

CONTACT: Assistant Director - Finance

5.6 **Disposal of Capital Assets**

5.6.1 Disposals require the same level of approval as capital spend. Chief Officers and Heads of Service should therefore propose any necessary capital disposals for inclusion in the capital programme. All disposals are required to be approved by the Budget Review Group and Cabinet.

5.6.2 Chief Officers and Heads of Service must obtain the best possible price for disposals, in accordance with section 123 of the Local Government Act 1972 (where relevant), which will normally be the market value. Chief Officers and Heads of Service must consult with the relevant specialist officer before commencing a disposal, e.g. the Assistant Director Assets for land or buildings and the Assistant Director People for IT equipment. In most cases the specialist manager should assume responsibility for the disposal.

5.6.3 The disposal of low value items is dealt with in the Assets and Equipment chapter.

CONTACT: Assistant Director - Finance

6. PROCUREMENT AND CONTRACTS

6.1 Introduction

6.1.1 This section supplements the Council's contract standing orders and Procurement Guidance and Procedures on the Intranet (which provide more detailed guidance and requirements on purchasing, procurement and contracting processes).

6.1.2 Each Chief Officer/Head of Service is under a duty to "Promote greater efficiency and value for money in all activities including the procurement of goods and services" (Financial Regulation 7).

6.1.3 The essence of the system, which must be maintained by all Chief Officers/Heads of Service is to demonstrate that:

a) Best value for public money spend is achieved;
b) No favouritism is shown to any potential supplier; "brand names" or any potential discriminatory requirements/standards are not used;
c) The highest standards of integrity are consistently applied;
d) There is compliance to legal requirements;
e) Non-commercial considerations do not influence any contracting decision;
f) Corporate and departmental aims and policies are supported; and

g) The arrangements for supply and payment are clear to all parties.

6.1.4 This guidance applies to all procurement and purchasing activities undertaken for, or by, the Council including cases where the Council either acts as an agent (e.g. work for Staffordshire County Council) or employs an agent such as an external architect or clerk of works, or acts on behalf of other organisations and bodies working in partnership (for example the Local Strategic Partnership).

6.1.5 Values quoted in this guidance should be considered as the estimated spend on an item, service, or material for the period over which the known requirements exist, or the total value of a one-off supply. Consideration should be given to the "whole life cost" which includes,for example, the cost of associated consumables required, cost of disposal/ decommissioning, etc. In some cases, it is clear that a grouping together of items is both sensible and within the spirit of the regulations. For example, it is appropriate to consider the purchase of desks and chairs as office furniture rather than as individual items. The guidance applies to both revenue and capital items. For more significant items of expenditure it is reasonable to consider the sumtotal of the Council's requirements for works, services and supplies across Directorates when assessing the estimated value and whole life costs of these requirements.

6.1.6 All IT purchases (software and hardware) must be approved by the Assistant Director -People.

6.1.7 All potential contracts and partnership agreements (whether formal or informal) which utilise the handling of the Council's data/information (paper based or electronic) by a third party must ensure formal, contractual provision is made outlining the obligations placed on that third party. The Assistant Director – People must be consulted in any such case at the outset of the process.

6.1.8 All proposals, developments, capital works, contracts and changes affecting the information we use, hold and process must have the agreement of the Assistant Director - People or deputy, and, where appropriate, be monitored for compliance.

6.1.9 All suppliers, partners, third-party organisations and contractors with whom we have/will have a relationship by which they have access to or process (as defined by the Data Protection Act 2018) personal or commercially sensitive information belonging to or under the control of the Council will be required to comply with the relevant principles (e.g. Cyber Security Essentials/ISO27001) either by production ofcertification or by submission of a statement of compliance. In addition, they must acknowledge and agree their responsibilities and obligations to the Council in relation to Principle 7 of the Data Protection Act (2018) in relation to Information Security. Any request to waive these requirements requires the agreement of both the Security Management Group and Cabinet. Implementation of these arrangements isimmediate in relation to all contracts not yet let, Invitation to Tenders not yet published, agreements not yet implemented, or proposed contract extensions. At the end of the contract, all information used by the contractor but belonging to the Council will be returned to the Council. Chief Officers are responsible for ensuring that the contractor provides assurance that they do not hold any personal or commercially sensitive information – either manually or electronically, that belongs to the Council. Advice can be obtained from the Assistant Director - People.

6.1.10 Any consultants, agents, contractual partners used by the Council shall be appointed in accordance with the requirements of Contract Standing Orders and Financial Guidance. Where the Council uses consultants to act on its behalf in relation to any procurement, the Chief Officer shall ensure that the consultants also comply with these requirements. No consultant shall make any decision on whether to award a contract or to whom a contract should be awarded. The Chief Officer shall ensure that the consultant's performance is monitored.

6.1.11 Some definitions of terms used and a list of officers who can provide assistance are shown at 6.17 and 6.18.

6.1.12 Quotations/ estimates must be obtained for one-off spends of up to £5,000, these may be verbal for up to £1,999. Any spend between

£2,000 and £4,999 must have a minimum of 3 written quotations/ estimates.

All tenders or invitations to quote of £5,000 or above, for works, services, supplies, utilities and design contracts, will be tendered electronically through the e-tendering system, In-tend. Where a detailed specification is required, then the quick quote or tender process must be used. All transactions associated with such invitations to quote or tenders above £5,000 will be conducted via the e-tendering system from the initial advertisement, expressions of interest, invitation to tender/quote or negotiate submission of quotations/tenders, quotation/tender opening, contract award and subsequent contract management.

The Procurement Team must be notified in writing at least six months before the commencement of any tendering exercise with an expected value of £100,000 or over and will give direction as to the procurement route to be followed. This notification will include information for both capital and revenue expenditure proposals as is required under the capital appraisal process, so that an accurate assessment of the requirements can be made. Where the procurement is likely to exceed Public Contract Regulations (PCR) thresholds the period of notice will be at least six months in order to allow compliance with required timescales.

6.1.13 Electronic or e-auctions via the In-tend system will be made available to service areas by agreement with the Assistant Director of Finance. E-auctions can be a useful way of securing savings and efficiencies andare best applied where the product or service is capable of being specified accurately and can be provided by a range of suppliers with a common understanding of what the requirement is, for example, paper, IT hardware and consumables, and utilities. E-bidding is another variant, where “once only” bids are sought electronically.

6.1.14 The e-tendering/quotation system includes a browser based supplier portal where any supplier wishing to register an interest in doing business with the Council can do so electronically, with a password protected, secure area of the portal for them to fill out their company details (this includes information on their company, address, contact points, business types, banking, insurance, certificates, accreditation and other details). The supplier is able to update these details whenever it logs on to the e-tendering system.

6.1.15 Chief Officers should ensure that current and potential suppliers register their company details on the supplier portal which can be found at the following internet site https://in-tendhost.co.uk/tamworthbc.

6.1.16 New business opportunities are to be advertised on the website via the Procurement Team and therefore must be notified in accordance with the timescales noted above.

6.1.17 Where Tamworth BC is conducting a tendering or quotation exercise in partnership with another public or private body (for example joint procurement of services) then the e-tendering system can be used as part of the normal procurement processes followed by the Council by agreement with the Assistant Director of Finance.

6.1.18 Where the Council is funding/assisting a body such as the Local Strategic Partnership and there is an expectation on the part of the Council to ensure probity in the use of monies on projects which are publicly funded/routed via Tamworth BC then the e-tendering system can be used as part of the assistance provided by the Council by agreement with the Assistant Director of Finance.

CONTACT: Corporate Procurement Officer

6.2 **Summary of Requirements**

6.2.1 The following tables show the action needed at differing values. Further detail follows. Before initiating any tender/quote process officers should review the Contract Register to see if there are any comparable contracts or agreements in place which must be used unless there is anauditable reason not to.

6.2.2 Please see overleaf.

Value	Contact Other Officers	Process for Obtaining Prices	Contract Issues	Supply Process
£0 - £4,999	Should contact Procurement Team if similar expenditure is likely to be incurred by others to check if a corporate contract is in place or desirable	**Must** obtain at least 3 quotations or estimates – these may be verbal up to £1,999. £1,999 is cumulative within the financial year.	No requirement for formal written contract. Standard form may be considered in some cases and an annual supply arrangement may be appropriate	Must be via official order generated by General Ledger or as per contract
£5,000 - £9,999	**Must** consult the Procurement Team to seek guidance as to the appropriate procurement route to follow	Tendering **must** be considered, alternatively, written quotations must be obtained using Quick Quote (QQ) on the In-tend system using the correct current invitation to quote template. The authorisation form **must** be completed and returned to the Procurement Team	Condensed contract format to be used and standard quotation documents must be used especially where access to personal/confidential information is involved or warranties or indemnities are given/received	Must be via official order generated by General Ledger or as per contract
£10,000 - £99,000	**Must** consult the Procurement Team to seek guidance as to the appropriate procurement route to follow	Advice from Procurement and, where appropriate, Legal **must** first be obtained. Tendering **must** be considered. **Must** use the standard quotation/ tender documents. The Authorisation Form **must** be completed and returned to the Procurement Team	Depending on the complexity, risk and value, a written contract is required, subject to consultation with the Procurement Team and Legal. Above £20,000 a formal written contract which can be signed by the relevant CMT member **MUST** be used. Consult with Procurement Team as to the relevant type of contract	Must be via printed official order generated by General Ledger or as specified in the contract

Value	Contact Other Officers	Process for Obtaining Prices	Contract Issues	Supply Process
£100,000 and over	**Must** advise Procurement Team in writing as soon as the spend requirement is identified – this is at least a 6 month period. The Procurement Team must be contacted for guidance as to the appropriate procurement route to follow. The Procurement Team may direct and/or administer the whole process	Use of the Invitation to Tender Documentation **must** be used. The Authorisation Form **must** be completed and returned to the Procurement Team	**Must** be a formal written contract duly approved by the relevant Executive Director in consultation with legal and executed as a Deed under Seal	As specified in formal contract

6.2.3 Any of the guidance may be applied for purchasesat a lesser value. For example, it may be appropriate for certain low value requirements to be purchased by inviting tenders. Similar procedures to those outlined should then be followed. (The guidance does not necessarily cover such situations in full).

6.2.4 If there is an existing contract available for the required goods, services or works, it must be usedin the first instance. Some contracts let by other public authorities may also be available (see 6.3.1).

6.2.5 A list of corporate contracts can be found on Pentana. If it is intended not to use a corporate contract, the Procurement Team must be consulted at the outset.

6.2.6 A suitable contract specification must be completed in all cases. The level of detail required within the specification will be commensurate with the complexity, risk and value of the purchase.

See the following section on Alternative Purchasing Arrangements. Advice in either case is available from the Procurement Team.

6.2.7 Chief Officers **must** maintain a register to record all quotations and estimates (including verbal estimates) up to £4,999. Copies of written versions must be securely retained, and entries should be signed and dated by both the recording officer and the authorising officer. The details contained in any quotation or estimate must not bemade known to any other party. All quotations and estimates received should be retained in the register until the Accounts have been signed offfor that financial year. The Quick-Quote and Contract registers on Pentana will be used to record details of tenders/contracts awarded.

6.2.8 The most economically advantageous tender mustbe accepted. Advice on how to determine this canbe sought from the Procurement Team.

CONTACT: Corporate Procurement Officer

Further Guidance

6.2.9 Under £5,000

Different practices will apply at different levels:

- The petty cash procedure may be used for very minor items. See the section on cash advances etc;
- The three estimates for a supply up to £4,999 may come from telephone contact with companies advertising in the local paper, trade journal or yellow pages;
- Verbal quotations/estimates may only be sought for goods/services up to a cumulative value of £1,999 within the financial year.

6.2.10 £5,000 - £9,999

The Chief Officer must contact the Procurement Team if further similar expenditure is also likely to be incurred by themselves or others to check if a corporate contract is in place or is desirable. Tendering must be considered and the Procurement Team will advise on the suitability of tendering. Alternatively, written quotations must be obtained by using Quick Quote on the In-tend system and using the correct Invitation to Quote template/specification. The Authorisation Form must be completed and authorised, and received by the Procurement Team, and a tender/ QQ reference number established, before the procurement process is initiated on In-tend.

6.2.11 The standard form of contract is particularly recommended in situations where protection against a poorly performing supplier is important or where the procurement carries particular risks e.g. where the supplier would have access to confidential/personal information, or where price is not the only criteria being considered.

6.2.12 £10,000 - £99,999

The Chief Officer should appoint a Project Officer with overall responsibility for the procurement. In all cases the Procurement Team must be advised in writing and guidance sought on the appropriate procurement route to be followed. Tendering must be considered and the Procurement Team will advise where tendering is not necessary. Where agreed with the Procurement Team, written quotations may be obtained via Quick Quote on the In-tend system using the correct Invitation to Quote template. All tenders/ QQs with an estimated value exceeding £30,000 **must** also be advertised on the Crown Commercial Service's Contracts Finder e- procurement portal. The Authorisation Form must be completed and returned to the ProcurementTeam, and a tender/ QQ reference number established, before the procurement process is initiated on In-tend. A written specification must be included on the Invitation to Quote/ Tender document. *Formal Terms and Conditions of Contract* must be used.

6.2.13 £100,000 plus

The Chief Officer must appoint a Project Officer with overall responsibility for the procurement. The Procurement Team must be advised in writing in all cases, at the initiation of the project, and guidance sought on the appropriate procurement route to follow. This will enable an assessment of whether or not PCR thresholds will apply and ensure the most appropriate procurement solutions are sought. Where the PCR threshold is expected to be exceeded, the Procurement Team should be contacted in the first instance. A supplyfor an individual Service area may be below the threshold, but similar needs in another Servicearea may mean aggregation rules apply. If they do, then, due to their complexity, the Procurement Team **must** be involved in such projects. A formaltender exercise is compulsory, as is a formal written contract.

The Procurement Team must have a minimum of 2 weeks' notice to consider the draft contract before engrossment.

CONTACT: Corporate Procurement Officer

6.3 **Alternative Purchasing Arrangements**

6.3.1 Other organisations in the public sector are also under a duty to secure value for money in terms ofpurchasing. In the right circumstances and where provision has been made for the agreement to be used by other authorities, i.e. where it will provide best value and is consistent with other key requirements such as on contract terms and conditions, managers may use their purchasing arrangements.

6.3.2 These other organisations may include Crown Commercial Services, ESPO, YPO, Central Government, local authorities such as Staffordshire County Council and bodies such as the National Health Service. Chief Officers/Heads of Service may contract directly with such suppliers but **must**consult with/involve the Procurement Teambecause of potential issues such as ensuring the agreement has been conducted in full accordance with Public Contract Regulations 2015 for use by other authorities; the requirement to conduct a mini-competition under a framework agreement, delivery charges, minimum order levels and so on. Contract details will also need to be recorded on Pentana for monitoring purposes and to ensure that details can be reported as part of our obligations under the Local Government Transparency Code.

6.3.3 Goods or services may also be procured jointly with other such organisations to obtain best value but must meet the requirements of the Council's own rules on procurement.

6.3.4 Other variations of procurement may be considered but officers must approach the Procurement Team for guidance before the commencement of alternative procurement routes.

CONTACT: Corporate Procurement Officer

6.4 **Appraisal of Potential Contractors**

6.4.1 It is important that potential suppliers are able to meet the Council's needs. Suppliers should, therefore, be vetted in financial and performance terms (including health and safety) to various levels commensurate with the criticality and risk of the purchase/supply, prior to any firm commitment.**Please contact the Procurement Section for guidance.**

6.4.2 The financial appraisal checks that the supplier operates on a sound financial footing by assessment profit levels, the ability to pay bills and so on. It will also assess the supplier's capacity to deliver a contract without incurring unreasonable financial risk and recommend a maximum value contract that should be considered in order to protect the contractor from becoming too reliant onthe Council for its business. The Executive Director - Finance will undertake or arrange these appraisals on receipt of the last two years audited accounts. The appropriate Chief Officer is responsible for ensuring that all relevant documents are submitted to the Executive Director Finance in a timely manner. The Chief Officer must advise the Executive Director - Finance if the contract value exceeds £100,000 since a high level appraisal is then required.

6.4.3 In addition to the financial details submitted, the contractor is also required to submit details of Employers Liability, Public Liability Insurance and Professional Indemnity cover which must beappropriate and proportionate to the contract type, size and the nature of the contract, copies of which should be submitted along with the financial details to the Executive Director - Finance. The Chief Officer must check that the certificates are valid for the period of work. If they expire during the period the Chief Officer must check beforeexpiry that they have been renewed. Further advice and guidance can be sought from the Assistant Director - Finance.

6.4.4 In terms of performance appraisal, the Chief Officer needs to satisfy themselves that the contractor has a history of sound performance of similar supplies in the recent past. The Chief Officer should therefore request bank references, trade references and make other enquiries deemed necessary to become satisfied.

6.4.5 Some contractors are required to hold a valid tax exemption certificate. Certificates should be checked prior to the start of the contract and a copy of the certificate should be forwarded to the Executive Director - Finance. The Chief Officer must check that the certificate is valid for the period of work. If it expires during the period of work the Chief Officer must check before expiry that it has been renewed. Further guidance is available from the Executive Director - Finance.

6.4.6 In addition to the specific issues referred to within this section, the Chief Officer must ensure that appropriate steps are taken in all cases to assess the suitability of prospective suppliers. The risks involved in the procurement should advise the necessary level of assessment. For instance, even for lower value purchases Chief Officer should still consider the need to obtain assurance that a business is bona fide, or has appropriate health and safety arrangements and insurance cover.

CONTACT: Corporate Procurement Officer

6.5 Supplier Register

6.5.1 The names of contractors who have expressed an interest in doing work for the Council are retained on a supplier register within the e-tenderingsystem (In-tend). Any contractor who expresses an interest to be included is automatically added tothe Supplier Register. There is no pre-set requirement for contractors when signing up to the register. Appropriate appraisal criteria should be considered at the start of the tendering/quotation stage.

6.5.2 All Supplier Registers shall be maintained in an open, fair and transparent manner and be open to public inspection.

CONTACT: Corporate Procurement Officer

6.6 **Framework Agreements**

6.6.1 The terms of a Framework Agreement must not generally exceed four years and, while an agreement may be entered into with one provider, where an agreement is concluded with severalorganisations, there must be at least two in number.

6.6.2 Contracts based on Framework Agreements maybe awarded by either:

- Applying the terms laid down in the Framework Agreement (where such terms are sufficiently precise to cover the particular call-off) and where value for money can be clearly determined without reopening competition, or

- Where the terms laid down in the Framework Agreement are not precise enough to complete for the particular call off, by holding a mini competition in accordance with the followingprocedure:

- Inviting the organisations within the framework Agreement that are capable of executing the subject of the contract to submit written tenders;

- Fixing a time limit which is sufficiently long to allow Tenders for each specific contract to be submitted, taking into account factors such as the complexity of the subject of the contract;

- Awarding each contract to the tenderer who has submitted the best Tender on the basis of the award criteria set out in the specifications of the FrameworkAgreement.

CONTACT: Corporate Procurement Officer

6.7 **Tender Procedures**

6.7.1 For contracts over £100,000 Chief Officers must advise the Procurement

Team in writing at theoutset but at least six months before the required commencement date. An Invitation to Tender advert is placed to invite potential contractors or suppliers to register their interest in tendering for the relevant requirement.

6.7.2 The Invitation to Tender should contain details of the principal elements of the procurement requirement in order that it primarily attracts those contractors who are in a position to satisfy these requirements. It should therefore contain as a minimum:

- A sufficiently detailed requirement or specification for the type of goods, services or works required;
- A price schedule;
- Standard conditions of contract that will apply in the event of a contract being awarded;

Instructions to tenderers including the date of commencement of the contract and possible duration; technical and financial information; the closing date for tendersubmissions, and a list of the evaluation criteria and sub-criterion together with theweightings to be used.

6.7.3 The evaluation criteria together with the weightings and scoring methods to be used must be referred to in the Invitation to Tender and must not be altered after the Invitation to Tender has been issued. All criteria chosen to be used in the evaluation of tenders must be relevant to the service and/or goods required.

6.7.4 The Chief Officer must set a detailed evaluation methodology prior to inviting tenders. They shouldset out explicitly how price and quality elements will be balanced in the final decision in order to help demonstrate selection of the most economically advantageous tender. Appropriate and sufficient information must be required for inclusion in the supplier’s submission to enable all criteria to be evaluated. Advice is available from the Procurement Team.

6.7.5 Large contracts may require the tenderers to submit a schedule of rates. To compare them properly and allow the total cost to be assessed, the Chief Officer should construct a model of work likely to be required over a set period, for example,one year. This model must be set before tenders are invited, and must be issued with the Invitation to Tender.

6.7.6 Contracts awarded will be required to be publishedin accordance with the Government’s Transparency agenda.

6.7.7 The relevant Public Contracts Regulations must be adhered to when awarding a contract where the anticipated value is close to or exceeds the thresholds indicated below. NB these thresholds are inclusive of VAT.

Thresholds	Supplies & Services (£)	Concessions (£)	Works (£)
Contract Value	£214,904	£5,372,609	£5,372,609

6.7.8 These figures apply from 1 January 2024. The Procurement Team must be advised in writing at least six months in advance of the supply and guidance sought as to the appropriate values and procedures used. Further information on Public Contracts Regulations and guidance on the use of the open, restricted, competitive dialogue, competitive dialogue with negotiation, innovation partnership and negotiated without prior publication procurement routes, together with design contests and works concessions, should be obtained from the Procurement Team.

6.7.9 In appropriate cases, Chief Officers may engage with the market prior to initiating the tendering process in order to make use of innovative approaches in achieving best value in the provision of a supply or service. This could involve consulting with stakeholders including customers, potential suppliers and interested groups. The Assistant Director - Finance must be fully consulted and involved in any such proposals, which must comply with corporate guidance and Public Contracts Regulations.

6.7.10 Under the provisions of the Public Services (Social Value) Act 2012, the Authority is required to have regard to economic, social and environmental well-being in connection with public service contracts.

This requires the Authority to consider:-

a) How what is proposed to procure might improve the economic, social and environmental well-being of the relevant area;

b) How, in conducting the process of procurement, it might act with a view to securing that improvement; and

c) Whether to undertake any consultation regarding a) and b) above.

The provisions require that any actions are relevant and proportionate to the proposed procurement. Further advice and guidance should be obtained from the Corporate Procurement Team.

Development of Contract Brief

6.7.11 Where there is a variation from the agreed budget each Chief Officer must seek Cabinet endorsement prior to tendering. The report should comment upon:

a) The detailed proposals for the scheme,including objectives, targets, milestones, design details and its contribution to the corporate and service plans;
b) The financial appraisal of the revenue and capital implications, prepared in conjunction with the Executive Director - Finance, and compared to budgets;
c) Risk associated with the scheme;
d) The tender evaluation mechanism and thedecision criteria.

6.7.12 Approval at this stage will normally include authority to invite tenders and to accept the most economically advantageous tender.

6.7.13 Chief Officers should consult the Executive Director - Finance and obtain legal advice (as necessary).

Extension to Tender Period

6.7.14 The Executive Director - Finance (or their nominated deputy), may approve the extension of a tender period. The Corporate Procurement Officer is authorised to approve the extension of a tender period only if and when none of the above officers are available. The reasons for the extension of the tender period must be recorded on In-tend and all potential tenderers must be informed of the extension to the tendering period.

Amendments to Tenders (by Contractors)

6.7.15 Any amendment a contractor wishes to make to a submitted tender must be received before the closing date and time for responses. In-tend will provide this facility to suppliers.

Tender Opening – Electronic

6.7.16 All tenders for an individual contract must beopened at the same time by at least 2 officers.

6.7.17 A tender received after the specified time may be only opened and considered at the discretion of the Executive Director - Finance.

Sub-Contractors and Nominated Suppliers

6.7.18 Nominated sub-contractors and suppliers must notbe used where this would be anti-competitive, discriminatory or in breach of procurement regulations.

6.7.19 If a Chief Officer wishes to nominate a specific sub-contractor or supplier a written request must be sent to and be approved by the Assistant Director - Finance who will assess any risks involved. The request must show how this will give best value/value for money.

Amendments to Tender Documents (by the Authority)

6.7.20 Minor corrections and amendments to any part of the Invitation to Tender may be required during the tender period. Chief Officers must consult with Procurement, and where appropriate the Executive Director - Finance, and Legal, on such matters, and all tenderers must be advised of all agreed amendments in writing at the same time. Acknowledgement of receipt of the amendments will be recorded on the electronic tenderingsystem. In responding to clarifications andqueries, the response should be addressed to all tendering organisations, and issued at the same time via the In-tend portal. All correspondence will be sent electronically.

6.7.21 The Invitation to Tender amendments must not contain anything which may materially affect the tender process or unduly affect open and fair competition. No fundamental changes to the Invitation to Tender documentation should be made by the information contained within the amendment.

6.7.22 A record is retained electronically by In-tend of all correspondence with tenderers throughout the tender process.

Tender Evaluation

6.7.23 Chief Officers must ensure that at least two people carry out the evaluation of tenders. For majorcontracts involving a project team, the Manager should consider involving the whole team. All tender evaluations carried out must be evidenced with a full audit trail.

6.7.24 Tender evaluation must be completed using the spreadsheet available from the Procurement Team. The Procurement Team should be contacted to provide advice and guidance. The tender evaluation spreadsheet must be returned to the Procurement Team for review before the award of the contract, and must be retained with the procurement documents.

6.7.25 Tenders must be checked to ensure they are complete and that all price calculations arecorrect. They must be evaluated objectively in linewith the specified evaluation mode, ensuring fair and equitable treatment for each tender. Reasons for the marks given to each tenderer for each element of the evaluation must be recorded. Information provided must be helpful, constructive and, where a mark(s) is lost, must clearly detail any errors or omissions made by the tenderer leading to the decision. Where a moderation process is used, any changes to scores must be evidenced and a full audit trail retained.

6.7.26 If an arithmetical error is discovered in the financial submission, the Chief Officer should consult the Corporate Procurement Team. The contractor must be notified in order to enable themselves to:

a) Agree the amendment; or
b) Allow the original figure to stand; or
c) Withdraw the tender.

6.7.27 If a Tenderer notifies the Council of an error/amendment which materially affects the submission, the Chief Officer must consult with appropriate officers, for example, the Corporate Procurement Officer, Assistant Director - Finance and Executive Director - Finance, and should normally implement one of the following options:

a) All other Tenderers are allowed to retender (in the case of the Council's error); or
b) The Tenderer is required to stand by the original Tender; or
c) The Tenderer withdraws the Tender; or
d) (where an error is found before completion of tender evaluation) to correct an error which can be corrected simply by confirming which of two conflicting figures (eg., a multiplier or product, or carried forward or brought forward) is right.

6.7.28 During the evaluation process, clarification may be sought on any of the tenders received. The questions and answers must always be submitted via the In-tend portal and incorporated into the tender and contract documentation.

6.7.29 There must be no fundamental change to the contract specification or award criteria. Amendments to the specification or terms of the supply, which do not distort competition or are not considered material changes or fundamental to the contract can be made, and shall be put to all Tenderers prior to the submission deadline and in good time for them to make any necessary changes to their tender. Guidance is available from the Corporate Procurement Team or Executive Director - Finance

6.7.30 At the conclusion of the evaluation process, the Chief Officer should be able to, and is expected to, select the tender which is the most economically advantageous to the Council, as indicated by the evaluation model.

Post Tender Negotiation & Clarification

6.7.31 After the tenders have been returned and evaluated, further clarification from tenderers, in relation to the tender bid may be required.

Clarifying information can include the following:

- Price Specification
- Delivery date/start date
- Payment Terms
- Software Licenses

6.7.32 All tender bids are covered by the Public Contract Regulations which state all negotiations with tenderers on fundamental aspects of contracts, variations of which are likely to distort competition and in particular on price, shall be ruled out. However, discussions with tenderers may be held, only for the purpose of clarifying or supplementing the content of their tenders or the requirements of the contracting authorities, and provided this does not involve discrimination. There must be no fundamental change to the contract specification or contract award criteria.

6.7.33 Where a tender return is unclear or there are minor sections which have been omitted with no explanation included, it is recommended that the tendering organisation is contacted for clarification, this must be done via the In-tend system. In the case of numerous or sizable omissions, guidance must be sought from the Assistant Director - Finance and the Corporate Procurement Officer before clarification is requested.

6.7.34 All tendering organisations must be treated fairly and equally in all circumstances.

6.7.35 An electronic record will be kept of any query on a tender on In-tend and any information supplied by the tenderer must also be conducted via the in- tend system.

6.7.36 Where it is necessary to meet a tenderer to discuss their submission further, at least two authorised officers must be present and minutes taken. In all instances, the Procurement Team must be consulted.

6.7.37 In some cases it may be necessary to vary, by agreement, some minor details of the workrequired. Consultation with the Procurement Team and legal must be made prior to any agreement being made.

6.7.38 Advice should always be sought from the Procurement Team, Assistant Director - Financeor legal before entering into clarifications or negotiations.

6.7.39 Chief Officers must not enter into negotiations except:

a) With the preferred tenderer(s) under the evaluation mode and after all unsuccessful tenderers have been informed; or
b) When using the negotiated procedure under PCR rules, in which case those procedures must be followed.

The Chief Officer must ensure that:

c) Negotiations are carried out by at least two authorised officers, and guidance on separation of duties is followed;
d) The decisions taken at relevant meetings are documented;
e) Changes in specification and price areagreed by both parties;

And

f) All records are incorporated into contract documents.

6.7.40 Where post tender negotiation results in a fundamental or material change to thespecification (or contract terms) the contract must not be awarded but re-tendered.

Tender Acceptance

Where the tender price exceeds the estimated budget by the lower of £10,000 or 5% the Executive Director - Finance MUST be informed and has the discretion to authorise that the tender be accepted and a contract entered into.

6.7.41 A Chief Officer may accept the winning tender after evaluation if it meets all material aspects of the specification and is within the budget provision. If the amount is higher than budgetary provision, the guidance on Budgets must be followed. If only one tender is received, advice and guidance MUST be obtained from the Assistant Director - Finance of the process to be followed.

6.7.42 Where the procurement is conducted over PCR thresholds, advice **MUST** be sought from the Assistant Director - Finance or the Procurement Team prior to any notification of an award of contract being issued. All tenderers shall simultaneously be provided with a written standstillnotice of the Authority's intention to award the contract to the successful tenderer. The standstill notice must be issued electronically to tenderers (via In-tend), in the name of the Assistant Director - Finance. The tenderers must be provided with a period of 10 calendar days to review, and, if considered necessary, to challenge the decision before the contract is awarded. Day one of the period shall commence on the day following issue of the standstill notice. The tenth day must fall on a working day and the 10 day standstill period must be extended, where necessary, to ensurethat this happens. If the decision is challenged, then the contract shall not be awarded and advice must immediately be sought from the Corporate Procurement Team who may consult with legal.

6.7.43 The standstill notice must contain a precisestatement of when the 10 day standstill period will end ie., midnight at the end of (date) together with the following information:

- The criteria for the award of the contract;
- Reasons for the decision including the characteristics and relative advantages of the successful tenderer;
- In conjunction with the above, the score of the unsuccessful tenderer (including criterion and sub-criterion) and that of the successful tenderer to be awarded the contract;
- The reasons why (if any) the unsuccessful tenderer did not meet the technical specifications;
- The name of the successful tenderer to be awarded the contract.

The standstill notice **must** always be prepared in consultation with the Corporate Procurement Team.

CONTACT: Corporate Procurement Officer

6.8 Post Tender and Contracts

Preparation of Contract

6.8.1 Where a tender has been subject to above threshold PCR procedures and the standstillperiod has been completed without a challenge, then all tenderers must be informed once the contract has been awarded. More generally, having decided to accept a tender/quotation the Chief Officer must advise the tenderer of the outcome of the process and must finalise a contract. This might involve simple acceptance of a standard form of contract, minor amendment agreed via correspondence or it might require meetings with the successful tenderer. Where an industry standard form of contract and terms and conditions are available, e.g. JCT or ICE contracts, they should be used in place of the Council's standard forms (but only if already specified in the Invitation to Tender documents). All agreed amendments must be recorded in writing and formally incorporated into the contract. Advice should be sought from the Corporate Procurement Team, and where necessary, legal.

6.8.2 The Chief Officer should ensure that all approvals that remain outstanding (such as planning permission) are obtained prior to the completion ofthe contract documents.

6.8.3 In addition, every relevant contract over £100,000 must also state clearly as a minimum:

Prices and/or rates together with any adjustment mechanisms that shall apply during the term of the contract;
Invoice procedures;
Performance indicators and/or service levels required;
Conditions of contract that shall include:

- That the contractor may not assign or sub-contract without prior written consent
- Insurance requirements
- Health and safety requirements
- Ombudsman requirements
- Data protection requirements, if relevant
- Charter standards are to be met, if relevant
- Equalities & Diversity Policy requirements
- Children & Adults at Risk of Abuse and HarmPolicy requirements, if relevant
- Conflict of Interests requirements

- Freedom of Information Act requirements
- Bribery act requirements
- Right of access to relevant documentation and records of the contractor for monitoring and audit purposes if relevant.

Where agents are used to let contracts, agents must comply with the Council's contract procedures rules.

Insurance

6.8.4 Chief Officers must ensure that the contract has Employers Liability and Public Liability Insurance, **normally** to a minimum value of £10 million and £5 million respectively; and should seek the adviceof the Executive Director - Finance wherever there is doubt. Other insurances, for example, professional indemnity may be desirable.

6.8.5 The responsibility for obtaining contractor insurance details including renewals lies with the appropriate Chief Officer. The Chief Officer should ensure that all insurance details are passed to the Executive Director - Finance without delay.

Bonds and Parent Companies Guarantees

6.8.6 The officer must consult the Executive Director - Finance about whether a Parent Company Guarantee is necessary when a contractor is a subsidiary of the parent company and:

- The total value exceeds £250,000, or
- The award is based on evaluation of the parentcompany, or
- There is some concern about the stability of the contractor.

6.8.7 The Officer must consult the Executive Director - Finance about whether a bond is needed:

- Where the total value exceeds £1,000,000, or
- Where it is proposed to make stage or other payments in advance of receiving the whole of the subject matter of the contract and there is concern about the stability of the contractor.

Signing of Contracts

6.8.8 The Chief Executive should check and endorse contracts before engrossment valued at £100,000 or above for signature. Contracts below £100,000 should be signed by the relevant member of the Executive Leadership Team (ELT). If, in the latter case, a number of members of ELT are involved, then the contract should be signed by the main user.

6.8.9 The Officer signing the contract must notify all interested managers it has taken place. The Executive Director -Finance must be notified in every case.

Site Possession

6.8.10 On completion of the contract documents the Chief Officer should where relevant arrange a site possession date. Chief Officers must not allow entry onto the Council's land or commencement of work prior to the completion of a written contract. In exceptional circumstances, this may be authorised by the Chief Executive.

Document Retention (all formal contracts)

6.8.11 Chief Officers must ensure the signed copies of all formal contracts are scanned on pdf format and e- mailed to the Procurement team for their records. Original copies of formal contracts must be placed in the Council's strong room for all contracts over 12 months/over £100,000. Where a consultant has been engaged to manage the contract on the Council's behalf, it must be ensured that both the contractor and Chief Officer have necessary access to contract documents to enable their functions to be performed.

Contract Amendments

6.8.12 Contracts may need amending after signing. The circumstances will dictate the level of approval needed for the change. The relevant Chief Officer should seek appropriate advice, for example, from Legal before proceeding.

CONTACT: Corporate Procurement Officer, Operations Accountant

6.9 **Project/Contract Implementation & Payment**

6.9.1 A separate file should be maintained by the relevant Chief Officer for each project, including copies of such contracts making up the project. The file should contain the following information:-

a A record of instalments due and paid;

b The working papers substantiating payments;and

c The details of payments to consultants,internal fees and other payments.

6.9.2 Chief Officers must only authorise payments thatconform to the terms of the contract.

6.9.3 The Chief Officer must only make payments to contractors for Buildings & Engineering works on the basis of a valuation certificate detailing:

a) The total value of the contract;
b) The value of work executed to date;
c) The amount paid to date;
d) The amount now certified;
e) Any retention monies;
f) Whether the work is subject to VAT or Liquidated and Ascertained Damages(together with details of the calculation of damages).

6.9.4 Where the work is subject to VAT the Chief Officermust ensure that either a VAT invoice or receipt is obtained in order to substantiate the VAT reclaimed.

6.9.5 Where liquidated and ascertained damages are to be deducted, the Chief Officer must ensure that the contractor is notified as soon as possible and given details of the basis of calculation. Any liquidated damages applied at any stage of the contract must be deducted from any subsequent valuation certificate before any payment is made.

Contract Monitoring and Variations (including claims)

6.9.6 The Chief Officer must monitor expenditure under a contract and take action where appropriate to ensure the final contract sum or the level of expense incurred in any financial year does not exceed the approved budget/available resources.

During the life of the contract, the officer mustmonitor in respect of:

- Performance;
- Compliance with specification and contract;
- Cost;
- Any Value for Money requirements;
- User satisfaction and risk management.

Contracts of a high value or high risk should be subject to formal monthly review with the contractor.

For contracts over £100,000, contract managers must:

- Maintain a risk register on the Pentana system during the contract period;
- Undertake appropriate risk assessments andfor identified risks;
- Ensure contingency measures are in place.

6.9.7 Subject to the provisions of the contract, every extra cost or variation should be authorised in writing by the Chief Officer. Copies of the approved delegated decision that permits officers to authorise variations or extra costs should be forwarded to the Executive Director - Finance by the Chief Officer or the delegated officer.

6.9.8 If the revised project cost exceeds the budget/available resources, the guidance on capital budgets and projects must be followed.

6.9.9 Where a contract requires a contractor to meet specified outcomes or service levels (e.g. in a partnering-type arrangement) appropriate arrangements must be made by the Chief Officer to ensure that the expected outcomes/service levels are provided or that clear processes exist for reporting and approving any variations from these outcomes/service levels and their financial effect. Any proposals to provide financial incentives or profit sharing arrangements with partners must be subject to appropriate approval and budget processes. Such arrangements must provide appropriate levels of probity and transparency.

6.9.10 Where payment under a partnering arrangement is based upon an agreement of target prices between the Council and the external partner then written evidence shall be provided to demonstrate that the target price represents value for money.

6.9.11 Where a consultant is contracted to monitor a contract on the Council’s behalf, the Chief Officer must ensure that the consultant contractor complies with this financial guidance.

CONTACT: Executive Director - Finance, Audit Manager.

6.10 **Final Account**

6.10.1 Payment of the final account (where relevant) effectively closes the contract and it must be correct. The Chief Officer must ensure that adequate checks are carried out to ensure thefinal account/payment is correct and has been accurately calculated. They must also ensure there is adequate separation of duties in preparingand agreeing the final account. Management within the relevant Directorate will, on an annual basis, review the Contract Register maintained by the Executive Director - Finance and sample test a number of payments (this process should be adequately evidenced).

6.10.2 For building and engineering work the relevant project manager must prepare a detailed statement of account before a final certificate (where required) is issued showing variations against the original contract price, payments made to date and any further payments due. It should be sent to the client Chief Officer within one month of the issue of the certificate of practical completion.

6.10.3 The client Chief Officer should approve and agree the contract final account within the retention period and ensure the final payment and certificateare sent to the contractor by the due date. In caseof difficulty, advice should be sought from relevant officers, for example, the Executive Director - Finance.

6.10.4 Final account outturn should be reported in accordance with the Corporate Capital Strategy.

CONTACT: Executive Director - Finance

6.11 **Post Contract**

6.11.1 Claims from the contract in respect of matters not clearly within the terms of any existing contract should be referred to the relevant Director who should consult with legal for consideration of the authority's legal liability.

CONTACT: Executive Director - Finance, Audit Manager

6.12 **Partnerships**

6.12.1 Partnerships have a key role in delivering community strategies and in helping to promote and improve the well-being of the area. The Authority is and will be increasingly working with others – public agencies, private companies, community groups and voluntary organisations.

6.12.2 The main reasons for entering into partnerships are:

- The desire to find new ways to share risk
- The ability to access new resources
- To provide new and better ways to deliverservices
- To forge new relationships

6.12.3 A partner is either:

An organisation (either private or public)undertaking, part funding or participating as a beneficiary in a project; or

A body whose nature or status gives it a rightor obligation to support the project.

6.12.4 Partners participate by:

- Acting as a project deliverer, provider orsponsor, solely or in connection with others;

- Acting as a project funder, part funder,commissioner or joint commissioner;
- Being a beneficiary group of the activityundertaken in a project.

6.12.5 Partners have common responsibilities:

- To be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- To act in good faith at all times and in the best interest of the partnership's aims and objectives;
- To be open about any conflict of interest thatmay arise;
- To encourage joint working and promote the sharing of information, resources and skills between the public, private and community sectors;
- To hold confidentially any information received as a result of the partnership activities or dutiesthat is of a confidential or commercially sensitive nature;
- To act wherever possible as ambassadors forthe project.

6.12.6 Chief Officers should be aware of:

- Their responsibilities with regard to the Authority's financial regulations and contract standing orders;
- The requirement for them to identify and evaluate all known risks associated with the partner arrangements, and take action deemed appropriate to deal with these risks;
- Ensuring that project appraisal techniques are in place to assess the viability of the project in terms of resources, staffing and expertise;
- Their role in agreeing and accepting formally the roles and responsibilities of each of thepartners involved before the commencement of the project;
- Their need to communicate regularly throughout the project so that problems can be identified and shared to achieve their successful resolution.

6.12.7 Managers should ensure that:

- Potential partners are assessed for the financial viability in the same way as contractors;
- Internal audit roles and responsibilities aredocumented within the contract

documentation;

- Partners and contractors are made aware of the Authority's Whistleblowing and Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes;

- Arrangements for ownership after the projecthas ended are identified and documented;
- Partnership agreements and arrangements are appropriately authorised and documented and do not impact adversely upon the services provided by the Authority;

- Appropriate information is provided to the Executive Director - Finance to enable a noteto be entered into the Authority's statement of accounts concerning material matters;
- There are robust and transparent arrangements for partnership governance which comply in all material respects with the Council's own rules on such matters;

- There are sound arrangements for monitoring, reviewing and reporting upon the activities and performance of the partnership;

- They refer to the indemnity andconduct/conflict of interest issues;

- They maintain and update the partnership database for their significant partnerships.

Corporate processes for approving, reviewing and reporting upon partnership arrangements andcommitments under these must be complied with.

CONTACT: Executive Director – Communities

6.13 **Orders for Supply from External Sources**

Official orders must be issued for all work, goods or services to be supplied to the Council except:

- Where a contract specifies otherwise;
- Supplies of public utility services;
- Payments such as rent or rates;
- Petty cash purchases; or
- Other exceptions approved by the Executive Director - Financ

6.13.2 Individuals must not use official orders to obtain goods or services for their private use.

6.13.3 Official orders to suppliers for goods and services must be raised on the E-financials System and promptly issued to the supplier/contractor. This ensures that the commitment is raised on the financial system and so aids the control and monitoring of budgets.

6.13.4 Verbal orders should only be given in urgent cases, and any such order must be confirmed by an official order and endorsed "Confirmation Order". All authorised signatories together with any restricting financial limits must be notified to the Executive Director - Finance.

6.13.5 Orders must detail the work/goods/services ordered, refer to appropriate terms and conditions, be priced in accordance with estimates, quotations and so on, and contain the delivery address which must be a Council property. Expenditure must be coded to the correct detailed budget heading, even if there is no budget under that heading or it has been committed, including those required by statute or court order.

6.13.6 Before authorising an order the authorising officer must be satisfied that best value has been achieved, goods/ services are appropriate to the service and genuinely required, appropriate quotations/tenders have been received and that there is appropriate budget provision. For guidance where there is insufficient budget provision, refer to the section on Budgets.

CONTACT: Executive Director - Finance

6.14 **Receiving Goods and Services**

Deliveries

6.14.1 Any employee who accepts deliveries of goods must obtain a delivery note, which should be signed by the supplier and receiver at the time. The Chief Officer who ordered the supplies must ensure they are checked as to quantity, quality and compliance with specification at the time of delivery, or as soon as possible thereafter. Whereit is not possible to carry out this check at the time of the delivery, the employee should ensure this is made clear on the delivery note.

Goods Receipting

6.14.2 As soon after delivery as possible, the financial system must be updated to show that the goods have been received (refer to the Guidance on Separation of Duties). Receipting goods on the financial system ensures that expenditure is accrued. This enables managers to monitor and control their budgets more effectively. The employee recording goods receipt on the financial system must be satisfied that the quality, quantity and specification of the goods/services delivered is as ordered.

CONTACT: Audit Manager, Operations Accountant

6.15 Advance Payments

6.15.1 Advance payments should only be used for minor supplies such as course fees, seminars and publications. Chief Officers should consult the Executive Director - Finance for advice if in doubt. Where advance payment is made and VAT is known to be standard rated they will be processedseparately. . The Chief Officer must request an authenticated VAT receipt and send it to the Executive Director - Finance, if this is not forthcoming the relevant adjustments will be made to correct the accounting entries.

CONTACT: Executive Director – Finance

6.16 Funding to Voluntary & Community Sector Organisations

6.16.1 Funding to voluntary and community sector organisations can be paid in advance (where appropriate). Where the provision of services on behalf of Tamworth Borough Council is to be delivered in partnership between a voluntary and community sector organisation and a private sector organisation then, subject to an appropriatepartnership agreement being in place, funding canbe paid in advance. Performance management arrangements must be stipulated in each funding agreement or contract in accordance with the Tamworth Public Sector Commissioning Framework. Evidence must be obtained for expenditure incurred.

CONTACT: Executive Director - Communities

6.17 **Some Definitions**

6.17.1 The following table gives the definition of termsused in this guidance.

Word	**Definition**
Quotation	A value for the supply of a service, goods or materials which must be heldfor a period of time.
Estimate	A value for the supply of a service, goods or materials which may be varied following the supply. This isappropriate where it is not possible to give a precise quotation prior to the supply.

CONTACT: Operations Accountant

6.18 **Further Advice & Guidance**

6.18.1 The Council employs a number of officers who have responsibilities in a variety of areas connected with procurement and purchasing. The following table is a quick reference guide.

Issue	Contact	Comments
Significant departure (either actual or potential) from this guidance	Executive Director - Finance,	
Issue	**Contact**	**Comments**
Procurement and purchasing – general procedures/PCR procedures/joint procurement and partnerships	Executive Director - Finance	Chief Officers must not enter into any arrangement for procuring works, goods or services over the £100,000 tender threshold without seeking guidance from the Director of Finance at least six months in advance of the proposed supply. The Procurement Team can provide relevant advice and guidance, including standard forms and procedure details
Advice on control systems and administration	Audit Manager	
The law and legal opinion and sealing and retention of documents	Legal Admin & Democratic Services Manager	
Printing Requirements	Head of Corporate Communi-cations	Chief Officers must not commit to purchase external printing supplies without consulting with the Communications Manager
Information Technology	Assistant Director –People	Chief Officers must not commit to purchase IT supplies (hardware and software) without consulting the Assistant Director - People
Coding, budgets, insurance, VAT, general ledger issues and financial appraisals	Executive Director - Finance	

CONTACT: Executive Director - Finance

7. Payment of Accounts

7.1 Introduction

7.1.1 One of the main requirements of a sound system ofexpenditure control is that at any point in time, a budget holder knows:

a) What has been ordered, including the likely costs;
b) What has been received, and is therefore due for payment; and
c) What has been paid.

7.1.2 Small transactions can be dealt with from petty cash (see the section Cash Advances etc.), and in some situations, payments can be made via directdebit or other electronic means – the Executive Director - Finance will adviseon these processes. This section of the guidance deals with the most common form of payment, i.e. payment by BACS or cheque drawn on the Council's bank account.

7.1.3 All officers must encourage suppliers of goods and services to receive payment by BACS. BACS payments are secure and certain (to facilitate accurate cash management and reduce fraud) additionally this is the most economical means for the Authority.

7.1.4 Corporate credit cards can be used in the day to day business of the Authority and are intended to facilitate transactions only in limited circumstances. Corporate credit cards are to be used chiefly to provide an alternative means of sourcing and paying for goods/ services in connection with official business of the Authority, and may be used for purchases to obtain benefit of discount, payment via the Internet etc. The Corporate Credit Card Procedures must be followed.

7.1.5 All requests for direct debits against the Authority's bank account should bemade via the Accountancy Section.

CONTACT: Executive Director - Finance

7.2 Security & Good Practice

7.2.1 The Council's credit payment system is set up so that the 3 stages of order, goods receipt and payment to be separately processed with password input and authorisation controls in line with the appendix on Separation of Duties. Passwords are often used in place of actual initials and signatures and must not be made known to any other person (see also the Information Security Policy).

7.2.2 Each Chief Officer must inform the Executive Director - Finance, in writing, of the names of employees permitted to undertake each of the stages, to input orders, authorise orders and confirm goods receipt. The Manager mustpromptly notify the Executive Director - Finance of any changes, for example, resignations. The Executive Director - Finance should annually prompt each Chief Officer to review the named employees.

7.2.3 Chief Officers may also wish to limit the values input or authorised by some employees, and/or restrict the expenditure codes which some employees can access. This information should also be passed to the Executive Director - Finance.

7.2.4 The Executive Director - Finance must ensure that the payments system:

a Conforms with the controls contained in the appendix on Separation of Duties; and
b Checks budget availability.

CONTACT: Operations Accountant

7.3 Invoice Processing

7.3.1 Receiving Goods and Services

Deliveries

Any employee who accepts deliveries of goods must obtain a delivery note, which should be signed by the supplier and receiver at the time. The Chief Officer who ordered the supplies must ensure they are checked as to quantity, quality and compliance with specification at the time of delivery, or as soon as possible thereafter. Where it is not possible to carry out this check at the time of the delivery, the employee should ensure this is made clear on the delivery note.

Goods Receipting

As soon after delivery as possible, the financial system must be updated to show that the goods have been received (refer to the Guidance on Separation of Duties). Receipting goods on the financial system ensures that expenditure is accrued. This enables managers to monitor and control their budgets more effectively. The employee recording goods receipt on the financial system must be satisfied that the quality, quantity and specification of the goods/services delivered is as ordered.

7.3.2 Each Chief Officer must ensure that the receipt of any service, material or item of goods is promptly recorded on the payment system, and that, where applicable, stock records and inventories are updated immediately.

7.3.3 Suppliers must be advised to send invoices to accounts, preferably by e-mail to creditors@tamworth.gov.uk, If invoices are received in departments each Chief Officer must ensure that they are promptly passed to Finance Directorate for processing. Any disputed invoices should be notified to the Executive Director - Finance immediately to aid performance monitoring.

7.3.4 Before any order is goods receipted, the officer receiving the goods/services must satisfy themselves that the payment is properly due, and that the work, goods or services have been received and/or carried out in accordance with the order/contract/schedule of rates and this has been evidenced.

7.3.5 Officers must ensure that in respect of charges for gas, electricity, water etc. adequate records are maintained to ensure the charges are correct and the following checks are undertaken:

- i Any standing charges are correct;
- ii Consumption is charged on the correct tariff;
- Iii That the consumption recorded is reasonable in light of current and previous readings.

7.3.6 Officers should ensure that all credit notes are immediately claimed against invoices or a cheque reimbursement should be requested.

7.3.7 The Accountancy Section will check the payee, prices, quantities, trade discounts, other allowances, credits and tax are correct, not previously paid, properly incurred and within the budget provision. They will also check any copy/facsimile invoices to ensure that they have not been previously paid and that payments are not made against suppliers' statement of accounts.

7.3.8 The Accountancy Section will ensure that where the invoice includes VAT, it is correctly calculated. Where a VAT invoice is not supplied, the full cost of the invoice including the VAT must be charged to the budget code. The Chief Officer must ensure that an authenticated VAT receipt is subsequently obtained to support this payment and passed to the Accountancy Section immediately on receipt so that the accounting entry can be adjusted.

7.3.9 The controls over invoice processing also applies to work done on our behalfby partners.

<u>Amendments</u>

7.3.10 VAT invoices must not be amended. If an incorrect VAT invoice is received, the supplier must be asked to send:

a) A corrected invoice, or

b) A credit note.

7.3.11 Any amendment to a non-VAT invoice must be made in ink and initialled by the officer making it, stating reasons briefly where they are not self-evident.

<u>Year End</u>

7.3.12 Each Chief Officer must ensure that where goods and services (goods, materials, services and works, including electricity, gas, water etc) have been received by 31st March, that commitment orders and goods receipt notes have been processed within the financial system.

7.3.13 Each Chief Officer must, as soon as possible after 31st March and not later than 15th April in each year notify the Executive Director - Finance of all outstanding expenditure relating to the previous financial year. Outstanding expenditure consists of the value of all goods, materials, services and works (including electricity, gas, water etc) that has been received at 31st March, but has not yet been paid.

CONTACT: Operations Accountant

7.4 Electronic Payment Mechanisms

7.4.1 Payments to suppliers must be completed by BACS transfer, as it is the most cost effective, secure and certain payment method to facilitate cash management and reduce fraud. Payments will be made by cheques in exceptional circumstances.

7.4.2 Information relating to supplier's bank details should be directed to the Executive Director - Finance.

CONTACT: Operations Accountant

8. Payment of Salaries & Allowances

8.1 Salaries

8.1.1 Salaries and other reimbursements are paid by the Executive Director - Organisation on behalf of each Chief Officer. The Executive Director - Organisation is responsible for maintaining the establishment list of the Authority, and for the details of standing payments to make. All forms of payment must conform with Council policy and Chief Officers should consult with the Executive Director - Organisation if change is sought.

8.1.2 It is the responsibility of Chief Officers to ensure that adequate and effective systems and procedures are operated so that:

a) Payments are only authorised to bona fide employees;
b) Payments are only made where there is a valid entitlement;
c) Conditions and contracts of employment are correctly applied;
d) Employees names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

8.1.3 Each Chief Officer must tell the Executive Director - Organisation immediately of any changes to their employees or the basis upon which they are employed. The Chief Officer is accountable for any losses to the Council or hardships incurred by an employee resulting from a failure to notify changes promptly.

Examples are:

I Appointments, resignations, dismissals, suspensions, secondments and transfers;
ii Sickness and other absences apart from approved leave with pay;
iii Changes in pay etc. other than normal increments and general pay awards;
iv Any changes that may affect pensions of employees/former employees.

8.1.4 Chief Officers must ensure that all forms used to generate payments are either as supplied by the Executive Director - Organisation or are reviewed and sent annually for approval to the Executive Director - Organisation. They must ensure that completed forms are checked, calculations confirmed, and payments properly authorised. Otherwise payment will not be made. Claims for payroll payments more than three pay periods old, will not be considered unless approval is madeby the Executive Director - Organisation or the Executive Director - Finance. Claims that do not meet pay deadlines (as advised by the Executive Director - Organisation may not be paid until the following pay period.

8.1.5 In exceptional circumstances, for example, if likely to suffer severe hardship, an employee may request their Chief Officer for an advance of salary. The Chief Officer may wish to seek advice from the Executive Director - Organisation or Executive Director - Finance.If the request is supported, the Chief Officer should ask the Executive Director - Organisation to make the arrangements. The Executive Director - Organisation should ensure that any advance is recovered from the next payment due.

8.1.6 A Chief Officer may certify payment of overtime to officers on spinal column point 23 and above only where prior written approval is obtained from the Head of Paid Service (Executive Director Organisation). This would normally be in exceptional circumstances only for work of a specific nature such as in covering for a long-term vacancy, one-off pieces of work, etc.

8.1.7 Chief Officers may request additional payments such as honoraria for additional responsibility incurred by employees. Any such payments will be paid in accordance with the relevant HR procedures.

8.1.8 All payroll transactions should be processed through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. All such matters should be referred to the Executive Director - Organisation for guidance.

8.1.9 The Executive Director - Organisation must be notified of details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

CONTACT: Head of Human Resources and Organisational Development

8.2 **Intermediaries Legislation (IR35)**

8.2.1 Changes to the way the current intermediaries' legislation (IR35) applied to off-payroll working in the public sector came in to effect from April 2017. Where the rules apply, people who work in the publicsector through an intermediary will pay employment taxes in a similarway to employees.

8.2.2 Chief Officers are required to complete the following duties:

Determine whether off-payroll working rules should apply and when there are contractual changes, if the rules continue to apply.

Where using an agency or other third party to provide labour, notifying them whether off-payroll working rules should apply to the contract they have with the worker

Where it does not reply to the written request from an agency or third party as the whether the off-payroll rules apply within 31 days, becoming responsible for accounting for PAYE as if it were a fee- payer

8.2.3 If you are requesting a supplier to carry out services or labour on your behalf, you will need to carry out a check as to whether the supplier should be paid as if they were an employee under the IR35 legislation. Detailed guidance on IR35 is available here and must be followed.

CONTACT: Assistant Director - People

8.3 Allowances and Expense Claims

8.3.1 Employees must submit expense claims in the pay period after which they were incurred in order to assist budget monitoring. Because of the difficulty in verifying old claims, claims more than three pay periods old, will not be considered unless approval is made by the Executive Director - Organisation or the Executive Director - Finance.Claims that do not meet pay deadlines (as advised by the Executive Director - Organisation) may not be paid until the following pay period. All car allowance claims must be supported with a VAT invoice for the fuel used.

8.3.2 Managers must only authorise claims they can certify as being correct – i.e. journeys were authorised, expenses necessarily incurred, and claims are properly payable by the Council. The accuracy of any mileage claims and any calculations must be checked. Therefore, it is essential that all car allowance claims forms must show details of the trip undertaken, including postcodes (where appropriate and feasible to do so), the duties carried out, both the opening and closing odometer readings and the deduction of any "ordinary commuting miles" (if applicable). Managers must also ensure that officers claiming both casual and essential allowances have appropriate and up to date documents to include a valid driving licence, certificate of motor insurance that covers business use, valid MOT and vehicle registration document.

8.3.3 Chief Officers should ensure that the most appropriate means of travel in terms of cost and benefit is used. For example, long journeys may be better undertaken by train, for example, to reduce the length of the working day or allow the employee to work during the journey (see guidance on Subsistence Policy).

8.3.4 Where subsistence and other associated travel expenses are claimed, they must be supported by VAT receipts. The Council will not reimburse any expenditure relating to alcohol. Guidance on subsistence rates that can be claimed can be found in the Subsistence Policy which is appended to this guidance. The maximum limits will be updated on an annual basis in line with the

RPI.

8.3.5 Claims relating to Post Entry Training must be sent to the Executive Director - Organisation to authorise the claim. The Chief Officer must ensure the scheme is authorised and an agreement has been signed by the employee. Where the scheme provides for the repayment of expenses, the Executive Director - Organisation must arrange recovery of any sums due before the employee leaves. The Organisational Development Unit will supply guidance on amounts that can be claimed on an annual basis.

8.3.6 Personal expenses incurred in entertaining guests will not be reimbursed without the prior approval of the Executive Director - Finance.

CONTACT: Payroll Manager

8.4 **Members Allowances**

8.4.1 The Legal Admin and Democratic Services Manager must check and certify claims submitted by Members. They must give the Executive Director - Organisation details of regular payments, such as responsibility allowances, and must immediately notify any changes. Expenses claims must be submitted monthly to aid budget monitoring. Expenses claim forms must be completed in full, e.g. detailing journeys made, opening and closing odometer readings andany other expenses claimed. Claims can only be made for approved duties as defined in the Constitution. All car allowance claims must be supported with a VAT invoice for the fuel used. Claims in excess of three months will not be considered unless approved by the Executive Director - Finance or the Chief Executive.

8.4.2 Members wishing to attend a conference etc must advise the Executive Director – Organisation after consultation with the Cabinet, if necessary, who may approve the payment of the cost of attendance at Conferences and training events and the payment of travelling, subsistence and attendance allowance(s) in the rates prescribed by the Secretary of State.

8.4.3 Wherever possible the Chief Officer should arrange overnight conference accommodation on behalf of Members and ensure invoices are sent direct to the Council.

CONTACT: Legal Admin and Democratic Services Manager

9. **Cash Advances, Cash Floats and Petty Cash**

9.1 **Purpose**

9.1.1 Small amounts of cash currently need to be held in service units to:

a) Provide a cash float in tills;
b) Pay minor expenses.

9.2 **Processes**

9.2.1 A Chief Officer needing a cash advance must send a written request to the Executive Director - Finance. The manager receiving the cash advance must sign for the receipt of all cash advances. A copy of the receipt must be forwarded to the Finance section for accounting purposes. They are responsible for the security of the cash and may be held responsible for making good any shortages.

9.2.2 Only minor items of expenditure may be paid out of petty cash. Petty cash must not be used to carry out recurring purchases of a similar nature. Chief Officers must not authorise any individual payment over £100 without the agreement of the Executive Director - Finance or the Assistant Director - Finance. Where reimbursement of expenditure exceeds £100, this should be processed through the payroll system. Claims for expenses should be completed using the expenses claim form. VAT receipts for all expenses must be attached. Expenses will be reimbursed through the Payroll system with salary payments.

9.2.3 Payments out of petty cash must be supported by a receipt or other voucher. Wherever possible a VAT receipt should be obtained. Income received must not be paid into a petty cash account.

9.2.4 The Chief Officer must keep full records of all transactions. Records must be kept fully up-to-date, showing the current balance in the account. The expenditure details and receipts/vouchers must be sent tothe Executive Director - Finance with the claim for reimbursement.

9.2.5 The Chief Officer must ensure that the balance is checked at least monthly by an officer without other responsibilities for petty cash. All checks made should be evidenced. Any discrepancies must be investigated and reported as necessary.

9.2.6 At 31st March each year the officer carrying out the check must send written confirmation to the Executive Director - Finance of the balance held and an explanation of any discrepancy.

9.2.7 No float should be used to cash personal cheques or make personal loans. The only payments into the account are for the reimbursement of the float and any change relating to purchase where an advance has been made.

9.2.8 Any transfers of floats between officers should be evidenced by signature of both parties involved and a copy retained by the transferor. A copy should be sent to the Executive Director - Finance to ensure thatrecords remain up to date.

CONTACT: Executive Director - Finance

10. Income, Charging and Debts

10.1 Fees & Charges

10.1.1 Directors **must** consider charging policies and current levels of charge each year as part of the service and financial planning process. The presumption is that the value of fees and charges will be maintained in real terms over time and reviewed annually, as a minimum, with necessary adjustments.

The setting and reviewing of fees, charges and other income sources must be carried out annually in line with the requirements of the Fees and Charges Policy and must be authorised in accordance with the detail set out in the Constitution and the Scheme of Delegation.

10.1.2 Proposals for new fees and charges must be considered within the financial planning process, or, where necessary, as an in-year change authorised in accordance with the detail set out in the Constitution and the Scheme of Delegation.

Proposals for new fees and charges **must** be analysed using the guidance set out in the Fees and Charges Policy. This guidance is to be used as the authorisation process for the setting of fees and charges and **must** be authorised by an authorised officer in accordance with the Constitution and Scheme of Delegation.

10.1.3 Chief Officers must ensure that all relevant charges are clearly displayed at service payment points. Employees must charge all people using the service the approved amounts.

10.1.4 All VAT due should be correctly identified and accounted for.

CONTACT: Executive Director - Finance

10.2 Receiving Payment

10.2.1 The Council accepts payment by cheque, debit card, credit card and cash (cash is only accepted at certain locations). Officers handling payments must follow the procedures below and any local procedures, including those needed for computerised systems. They must complete all records fully and accurately at the time. Chief Officers must ensure adequate local procedures are in place at all stages, having sought necessary advice from the Executive Director - Finance.

10.2.2 Ideally, subject to adequate controls, income should be received in advance or at the time of service provision.

10.2.3 Where possible, a forged note detector should be used.

10.2.4 Cash drawers should be closed in between transactions.

10.2.5 Supervisory keys for cash registers should be held by supervising officers and not by cashiers.

10.2.6 All voids, refunds and exceptions should be reviewed by the supervising officer and this review should be evidenced.

All Methods

10.2.7 The officer must immediately issue an official receipt or ticket. Change may only be given for payment of cash.

10.2.8 All official receipts should be properly controlled and accounted for.

10.2.9 All official receipts should be in a format approved by the Executive Director - Finance.

10.2.10 Transfers of cash between staff must be evidenced by signature of both staff involved and a copy retained by the transferor.

Cheque Payment Against an Invoice/Account

10.2.11 The officer must ensure the cheque is:

a) Made payable to “Tamworth Borough Council” (and should be crossed account payee only);
b) Dated correctly;
c) The correct amount;
d) Signed;

And the officer must:

e) Record on the back of the cheque the receipt number (and location if necessary) and payment/invoice reference.

Cheque – Other Payment

10.2.12 As well as the above requirements the officer must ensure:

a) The cheque is signed at the counter;
b) The cheque card is presented with
   - The same signature
   - The same code number as the cheque
   - A valid expiry date
   - A limit sufficient to cover the cheque

And the officer must:

c) Record the card number on the back of the cheque.

Debit and Credit Cards

10.2.13 For payments in person the officer must ensure:

a) The card has not expired;
b) The receipt signature matches the card signature;
c) The card is not on a current stop listing (or if so, follow the instructions with the listing);
d) The receipt number is recorded against the transaction;
e) The credit card surcharge is recovered in line with approved policy.

10.2.14 For telephone payments the officer must ensure:

a) That payments are processed at the time of call;
b) All relevant security checks are completed.

CONTACT: Operations Accountant

10.3 **Postal Payments**

10.3.1 All post is to be opened centrally in the designated post room. Exceptions to this include private and confidential post and where it is deemed that post should not be opened.

10.3.2 Post must only be opened when two officers are present.

10.3.3 All income received through the post should be recorded immediately on to the cash receipting system.

CONTACT: Assistant Director - People

10.4 **Cashing-Up Procedures**

10.4.1 At each payment point, the Chief Officer must ensure there are adequate daily cashing-up procedures. The two stages should be carried out by two different employees. The cashier should total the contents of the till and, by deducting the cash float, find out the day's takings. A second officer should confirm the actual cash takings with the total takings recorded on the receipts given out. Signatures ofboth officers involved should be recorded on the paying in slip. The local supervisor must immediately investigate any material discrepancies and advise the Chief Officer, the Executive Director - Finance and the Audit Manager. All discrepancies must be recorded in a cashier's over/unders book, signed daily by the supervisor.

CONTACT: Audit Manager

10.5 **Depositing Money**

10.5.1 All money received must be banked direct. Employees must follow guidance from the Executive Director - Finance on cash collection, control, deposit and records.

10.5.2 Chief Officers/employees must ensure that all money received is deposited in full, without anything being deducted. For example cash from a till must never be used to meet petty cash expenses or to top- up petty cash.

10.5.3 If there is a need to depart from this rule, the Chief Officer must be giventhe written authorisation of the Executive Director - Finance.

10.5.4 Takings should be banked daily. Where this is not practicable Chief Officers may agree an alternative arrangement with the Executive Director - Finance, provided:

a) Takings are banked at least weekly; and
b) Maximum cash holdings specified by the Executive Director - Finance (for insurance purposes) are not exceeded.

10.5.5 The cashier must prepare a daily cash summary/ return and attach relevant till readings or equivalent. The return must detail the amount of cash and the amount in cheques. A supervising officer must verify this return.

10.5.6 Chief Officers must in any event ensure maximum cash holdings are not exceeded.

10.5.7 The cashier must certify the paying in slip, which should be checked and evidenced by a supervising officer.

10.5.8 Where banking bags are used, seals and the authority’s details should be recorded in accordance with the collection company’s procedures.

CONTACT: Operations Accountant

10.6 **Money Laundering**

10.6.1 Money laundering is the term used for a number of offences involving the proceeds of crime and terrorist funds. The following acts constitute the act of money laundering:

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, or from Scotland, or from Northern Ireland;

- Becoming concerned in an arrangement in which someone knowingly suspects or facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;

- Acquiring, using or possessing criminal property.

10.6.2 Although the term "money laundering" is generally used when describing the activities of organised crime – for which the legislation and regulations were first and foremost introduced – to most people who are likely to come across it or be affected by it, it involves a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

10.6.3 A likely indicator that money laundering may be taking place is the deposit of large amounts of cash. **To help prevent money laundering, the Council has set a cash payment of £1,000. No cash payments above £1,000 are to be accepted by any Council service**. Any large cash payments that raise concern below thisamount should be brought to the attention of the Audit Manager, however, attempts to pay above this amount must be approved by the Audit Manager or the Executive Director - Finance.

10.6.4 The Council will do all it can to prevent, wherever possible, the organisation and its staff from being exposed to money laundering to identify potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases. However, it is every member of staff's responsibility to be vigilant.

10.6.5 The Monitoring Officer is the nominated officer to act as the Council's Money Laundering Reporting Officer.

10.6.6 If a case of money laundering is suspected, the Monitoring Officer and Audit Manager should be consulted immediately.

CONTACT: Monitoring Officer, Audit Manager

10.7 Invoices, Debtors and Other Sums Due

10.7.1 It is the responsibility of each Service Unit to ensure that income for services etc. is received prior to the service being completed. Where payment in advance is not possible, all necessary information in order to raise an account should be obtained from the customer prior to the provision of the service, except where statute dictates otherwise.

10.7.2 All Service Units must maintain a record of why the account has been raised. All accounts must be accurately created either prior to the service being delivered or, in the case of post-service charging, within 5 working days of the delivery of the service. Where possible, debtor accounts should not be raised for less than £100 in accordance with the Corporate Credit Policy.

10.7.3 It is essential that all accounts issued are timely; therefore, accounts raised after the service has been completed should be raised within five working days.

10.7.4 Timescales for the recovery process are detailed in the Corporate Credit Policy.

10.7.5 At the start of each financial year, Chief Officers must promptly supply information to the Executive Director - Finance on amounts due where a debtors account has not yet been raised for the previous financial year within the required deadlines.

Credit Policy

10.7.6 Cabinet approved an updated Corporate Credit Policy on 31st August 2023. Chief Officers must ensure appropriate local guidance is in place and employees must follow the Policy and the local guidance.

CONTACT: Head of Revenues and Benefits

10.8 **Debt Write-Off**

10.8.1 Debts can only be written-off in line with the appropriate policy – e.g., the Corporate Credit Policy.

10.8.2 Except where an approved policy dictates otherwise, the following authorisations are needed to write-off debt:

Authority	Limit
Executive Director/Assistant Director (or authorised delegated officer)	Up to £5,000
Executive Director – Finance	£5,001 - £10,000
Cabinet	Over £10,000

Note that these limits apply to each transaction.

All write-offs should be completed with adherence to the Accounts & Audit Regulations 2011.

An annual report of write-offs between £5,001 and £10,000 should be submitted to Council for information.

CONTACT: Head of Revenues and Benefits

11 Assets and Equipment

An up to date asset register is a pre requisite for proper fixed asset accounting and sound asset management. Assets need to be valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: (CIPFA/LASAAC based on International Financial Reporting Standards).* Any assets purchased with a value of over £10,000 should be notified in writing to the Executive Director - Finance so that they can be added to the asset register.

CONTACT: Assistant Director – Finance

11.1 Responsibilities

11.1.1 Each Chief Officer is responsible for the records, use and storage of all assets and equipment within their control and/or used in their service delivery. Each Chief Officer must ensure that a physical check of all significant assets and equipment is undertaken on at least an annual basis to confirm their location and condition and to ensure that inventory records are accurate. This check should be evidenced.

11.1.2 Each Chief Officer must ensure that inventory records are maintained for all assets and equipment in any format specified by the Executive Director - Finance, to ensure the details shown below are included in each case and that all appropriate items are clearly and securely marked.

Inventory details:

- Description
- Purchase date
- Purchase price
- Serial number (if applicable)
- Asset number (if applicable)
- Condition
- Date of disposal

11.1.3 Chief Officers should ensure that contingency plans for the security of assets and continuity of service in the event of a disaster or system failure are in place.

11.1.4 In order to comply with the International Financial Reporting Standards, managers are required to consult with the Executive Director - Finance prior to entering into an agreement on **any rentals, leases or use of assets to or from the authority**, especially where financial/operating leases are entered into as more advantageous financing could be sought.

CONTACT: Assistant Director - Finance

11.2 **Scope**

11.2.1 All furniture, fittings, equipment and plant and machinery with an original and individual value of £50 or more should be included, with the sole exception of Information Technology (IT) hardware and software, which must be recorded by the Assistant Director People. Chief Officers should consider whether it is appropriate to include other items of a portable and desirable nature which may have a lowervalue.

11.2.2 Any change in the use or location of any IT hardware and software must be completed by the Technology & Corporate Programmes Service who will update their records accordingly.

11.3 **Use**

11.3.1 Items are only to be used on Council business and in line with accepted procedures and manufacturer's instructions and must not be removed without the specific approval of the Chief Officers.

11.4 **Disposal**

11.4.1 The disposal of all surplus items must be in line with the following guidelines which should be applied by:

a) The Assistant Director - People for all IT equipment;

b) The Chief Officer for all other items;

c) The Executive Director - Finance for all other items with a value in excess of £1,000.

11.4.2 Each Chief Officer must record the disposal details on the inventory records and must maintain adequate records such as receipts and formal bids. Disposals should be notified to the Executive Director - Finance to ensure that appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds if appropriate.

Disposal Guidelines

11.4.3 A disposal policy is in place for the disposal of land and property (Asset Disposal Policy). The Asset Disposal Policy must be followed in these instances.

The disposal of any other surplus assets or equipment should be arranged in the manner most useful to the Council, taking into account the value, condition and usefulness of the item. Further guidance is appended.

11.4.4 All IT equipment must be passed to the Technology & Corporate Programmes Service for disposal to ensure that all information retained on disk drive is deleted in accordance with the Data Protection Act 2018.

11.4.5 Particular care must be taken to ensure the Council is not exposed to risk, for example by passing on unsafe items to another body. Any internal sale must be scrupulously fair and open. The guide to the disposal of assets (excluding land and buildings) is appended to this guidance. Advice is available from the Audit Manager or the Executive Director - Communities.

CONTACT: Executive Director - Finance, Audit Manager, Executive Director - Communities

12. Stocks & Stores

12.1 Responsibilities

12.1.1 The aim of controls over stocks and stores is to ensure:

a) Necessary materials are available when they are needed;
b) Purchase costs are minimised;
c) Stock holding costs are minimised;
d) Waste and other loss is minimised;

To achieve this Chief Officers must ensure:

a) The correct quantities are purchased at the correct times (to gain discounts and avoid delivery and administration costs);
b) Excessive levels are not held (taking account of shelf life, storage costs and service needs);
c) Stocks are held and handled securely;
d) Adequate records are maintained including:
    i) purchases and additions
    ii) issues
    iii) write-offs.

12.1.2 The Executive Director - Finance can advise on these matters, particularly on the financial records.

12.1.3 Chief Officers must also ensure that movements of stores are properly authorised and documented and that the records note the employee(s) involved in the process. The Audit Manager can advise on these aspects.

CONTACT: Audit Manager

12.2 Stocktaking

12.2.1 **All** stock must be checked at least once a year at the end of the financial year in order to compare actual levels to recorded levels and Chief Officers should consider more frequent checks of valuable, desirable and portable items. Large stores, such as those held at the depots, could achieve this by an agreed process of rolling stocktakes. The Audit Manager will advise if necessary.

12.2.2 Stocktakes must be monitored and checked by employees who are independent of the storekeeping roles. This checking role must include the comparison of actual stocks to the recorded levels.

12.2.3 All discrepancies should be investigated by the line manager. Any material discrepancies (over £100 or desirable commodities) should be reported to the Executive Director Finance who will advise on the appropriate procedures to follow, and who may inform the Audit Manager.

CONTACT: Audit Manager

12.3 **Obsolete and Unserviceable stock**

12.3.1 The disposal of stocks and stores should be in line with the guidance contained in the section on Assets and Equipment.

12.3.2 Obsolete/damaged stock should be written off prior to year-end and should not be included in year-end stock balances.

12.4 **Intellectual Property**

12.4.1 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.

12.4.2 Certain activities undertaken within the Authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

12.4.3 Chief Officers must ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

CONTACT: Audit Manager, Assistant Director - People

13. **Security**

13.1 All staff must wear their ID pass at all times within Council establishments. Identification should be requested for all visitors to Council establishments. Where applicable, visitors must sign the visitors book both on entry and exit of the building. If appropriate, the visitor must be provided with an identification badge which must be returned on departure. The person issuing the badge should ensure that the badge is returned.

13.2 All temporary identification badges should be retained securely.

13.3 All building alarms should be linked to the Police Station or directly to the alarm company. Managers should ensure that these links are maintained.

13.4 The knowledge of alarm codes should be restricted to relevant staff. Each member of staff must have their own ID for the alarm. If a member of staff leaves the Authority, their ID should be deleted from the system.

13.5 Alarm usage reports should be generated on a regular basis. These reports should be reviewed by management who must evidence this review.

13.6 All cash handling areas should be secured. All access to cash areas should be locked and access restricted to authorised staff.

13.7 Safes should be located out of sight of the public and should be locked at all times. Access to safes must be restricted to authorised personnel. Each member of staff needing access to the safe must be issued with a key. The issue of safe keys should be documented detailing the date issued and the holder. The holder must sign for the receipt of the key. Safe keys **must not** be retained on the premises overnight. Retention of safe keys on unoccupied premises renders the insurance invalid.

13.8 Any transfer of keys between staff should be recorded. On termination or transfer of employment, all keys issued to that member of staff should be handed back to the line manager. The key register should be updated to reflect the hand over.

13.9 Managers are responsible for ensuring that the cash limit for the safe is not exceeded.

13.10 Where a cash collection company is used, managers are responsible for ensuring that the names and signatures of the cash collection staff are up to date.

13.11 Further guidance on physical and environmental security is contained within the Information Security Policy.

CONTACT: Executive Director – Communities

14. Data Quality

14.1 All employees have a responsibility for ensuring the information we process is accurate and up to date. The Data Quality Policy addresses this.

14.2 The consequence of poor quality of data impacts not only the way the Council works, but also anyone who conducts their business with us.

14.3 Data Quality Standards possess six essential characteristics, these are:

- **Completeness** – Data quality systems should have in place monitoring to ensure that no data is missing, incomplete or invalid records included.
- **Accurate** – Data should be accurate for the purpose it is intended, and to be captured as close to the source as possible.
- **Validity** – Data should be compliant with requirements and within the parameters laid down in any criteria.
- **Reliability** – Data should be consistent across all collection points and over time. Appropriate controls should be in place to check outputs/inputs, sampling and is compliant with the criteria set out.
- **Timeliness** – Data should be captured as soon as possible, and available to recipients within the agreed timeframe.
- **Relevance** – Data captured should be relevant to the purpose for which it is used. Reviews need to take place to ensure the quality reflects any changing needs.

CONTACT: Assistant Director - People

15 **Equality Impact Assessment**

Is this a new or existing policy?	Existing
1. Briefly describe the aims, objectives and purpose of the policy?	To promote best value, service delivery and delivery of the Council's vision; To provide sound arrangements for all the Council's financial affairs and to be able to demonstrate that proper controls are in place; To safeguard Members and officers by setting out procedures which meet the Council's expected standards.
2. Are there any associated policy/ procedure/ practice which should be considered whilst carrying out this equality impact assessment?	Supplementary guidance as referred to in the document
3. Who is intended to benefit from this policy and in what way?	TBC Employees Council – improved efficiency, increased resilience Council customers – VFM
4. What are the desired outcomes from this policy?	Transparency, consistency of application
5. What factors/ forces could contribute/ detract from the outcomes?	Different management interpretations of the guidance ICT not available
6. Who are the main stakeholders in relation to the policy?	All employees and Chief Officers of TBC, members, contractors, partners and residents

	of the borough		
7. Which individuals/ groups have been/ will be consulted with on this policy?	Chief Officers, members		
8. Are there concerns that the policy could have a differential impact on racial groups?		**N**	
9. Are there concerns that the policy/ procedure/ practice could have a differential impact due to gender?		**N**	
10. Are there concerns that the policy could have a differential impact due to them being transgender or transsexual?		**N**	
11. Are there concerns that the policy could have a differential impact due to disability?		**N**	
12. Are there concerns that the policy could have a differential impact due to sexual orientation?		**N**	
13. Are there concerns that the policy could have a differential impact due to age?		**N**	
14. Are there concerns that the policy could have a differential impact due to religious belief?		**N**	
15. Are there concerns that the policy could have a differential		**N**	

impact on Gypsies/ Travellers?			
16. Are there concerns that the policy could have a differential impact due to dependant/caring responsibilities?		N	
17. Are there concerns that the policy could have a differential impact due to them having an offending past?		N	
18. Are there concerns that the policy could have an impact on children or vulnerable adults?		N	
19. Does any of the differential impact identified cut across the equality strands (e.g. elder BME groups)?		N	
20. Could the differential impact identified in 8 – 19 amount to there being the potential for adverse impact in this policy/ procedure/ practice?		N	
21. Can this adverse impact be justified: • on the grounds of promoting equality of opportunity for one group?			N/A

• For any other reason?			
22. As a result of carrying out the equality impact assessment is there a requirement for further consultation?		**N**	
23 As a result of this EIA should this policy be recommended for implementation in its current state?	**Y**		

Wednesday, 24 April 2024

Report of the Audit Manager

Public Sector Internal Audit Standards/Quality Assurance & Improvement Programme

Exempt Information

None.

Purpose

To report to the Audit & Governance Committee on Internal Audit's compliance with the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP).

Recommendations

It is recommended that that committee endorses:

1. Internal Audit's assessment of compliance with the PSIAS (**Appendix 1**);
2. The QAIP (**Appendix 2**); and
3. The External Quality Assessment Action Plan (**Appendix 3**).

Executive Summary

The PSIAS has been in place since April 2013. Internal Audit's compliance with the PSIAS is required under the Accounts & Audit Regulations 2015. The PSIAS require that Internal Audit comply with professional best practice and assess themselves against the requirements on an annual basis and that an External Quality Assessment (EQA) should be completed at least every 5 years.

An EQA was last completed in January 2023 and reported to this committee on 22nd March 2023 and was linked into the QAIP for 2023/24. An overview of compliance is attached at **Appendix 1** which shows that Internal Audit operations have been self-assessed as conforming to the standards.

Part of the requirement of the PSIAS is for the 'Chief Audit Executive' to develop a QAIP. Under the QAIP, quality should be assessed at both individual audit engagement level as well as a broader operational level. A well developed QAIP is to ensure quality is built in to, rather than on to, the way Internal Audit operates. Attached at **Appendix 2** is the Quality Assurance & Improvement Programme (QAIP).

At the conclusion of the EQA, an Action Plan was developed and the actions were scheduled for completion by 31st March 2024. **Appendix 3** shows the actions developed following the EQA and confirmation that all recommendations have been actions and completed.

Options Considered

None.

Resource Implications

None.

Legal/Risk Implications Background

Non-compliance with the PSIAS means that an effective system of Internal Audit is not in place and therefore we are not fully complying with the Accounts and Audit (England) Regulations 2015.

Equalities Implications

None.

Environment and Sustainability Implications (including climate change)

None.

Background Information

None.

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List of Background Papers

Appendices

Appendix 1 – Public Sector Internal Audit Standards Compliance Overview
Appendix 2 – Quality Assurance & Improvement Programme
Appendix 3 – External Quality Assessment Action Plan 2023/24

Public Sector Internal Audit Standards Compliance Overview

Tamworth Borough Council

Mission Statement, Definition of Internal Auditing and Code of Ethics	
Mission Statement & Definition of Internal Auditing	✓
Integrity	✓
Objectivity	✓
Confidentiality	✓
Competency	✓
Performance Standards	
1000 – 1322 Attribute Standards	
1000 – 1110 Purpose, Authority and responsibility	
Purpose, Authority, and Responsibility	✓
Recognising Mandatory Guidance in the Internal Audit Charter	✓

1110 – 1130 Independence and Objectivity

Organisational Independence	✓
Independence and Objectivity	✓
Direct Interaction with the Board	✓
Chief Audit Executive Roles Beyond Internal Auditing	✓
Individual Objectivity	✓
Impairment to Independence or Objectivity	✓

1210 – 1230 Proficiency and Due Professional Care

Proficiency	✓
Due Professional Care	✓
Continuing Professional Development	✓

1300 – 1322 Quality Assurance and Improvement Programme (QAIP)

Quality Assurance and Improvement Programme (QAIP)	✓
Requirements of the Quality Assurance and Improvement Programme	✓
Internal Assessments	✓

External Assessments	✓
Reporting on the Quality Assurance and Improvement Programme	✓
Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	✓
Disclosure of Non-conformance	✓

2000 – 2600 Performance Standards

2000 – 2060 Managing the Internal Audit Activity

Managing the Internal Audit Activity	✓
Planning	✓
Communication and Approval	✓
Resource Management	✓
Policies and Procedures	✓
Coordination	✓
Reporting to Senior Management and the Board	✓

2070 External Service Provider and Organisational Responsibility for Internal Audit

External Service Provider and Organisational Responsibility for Internal Audit	✓

2100 – 2130 Nature of Work

Nature of Work	✓
Governance	✓
Risk Management	✓
Control	✓

2200 – 2240 Engagement Planning

Engagement Planning	✓
Planning Considerations	✓
Engagement Objectives	✓
Engagement Scope	✓
Engagement Resource Allocation	✓
Engagement Work Programme	✓

2300 – 2340 Performing the Engagement

Performing the Engagement	✓
Identifying Information	✓

Analysis and Evaluation	✓
Documenting Information	✓
Engagement Supervision	✓
2400 – 2440 Communicating Results	
Communicating the Results	✓
Criteria for Communicating	✓
Qualities of Communications	✓
Errors and Omissions	✓
Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"	✓
Engagement Disclosure of Non-conformance	✓
Disseminating Results	✓
2450 Overall Opinions	
Overall Opinions	✓
2500 Monitoring Progress	

Monitoring Progress	✓

2600 Communicating the Acceptance of Risks

Communicating the Acceptance of Risks	✓

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Appendix 2

Internal Audit
Quality Assurance & Improvement Programme

1 Introduction

Internal Audit's Quality Assurance Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders (the Board, Senior Management, the External Auditor and Operational Managers etc) that Internal Audit:

- conforms with the Definition of Internal Auditing, the Code of Ethics and the Standards;
- has an adequate Internal Audit Activity's Charter, Goals, Objectives, Policies and Procedures;
- contributes to the organisations governance, risk management and control processes;
- has complete coverage of the audit universe;
- complies with applicable laws, regulations and other standards that the internal audit activity may be subject to;
- has identified the risks affecting the operation of the internal audit activity itself;
- has an effective continuous improvement activity in place and adopts best practice; and
- adds value to improve the organisations operations and contributes the attainment of the organisations objectives.

The Chief Audit Executive (CAE), who at the Council is the Audit Manager, is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consultancy and those engagements delivered by a third party. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

The QAIP is reviewed on an annual basis.

2 Internal Assessments

Internal Assessments are made up of both ongoing reviews and periodic reviews.

<u>Ongoing reviews</u>

Ongoing reviews provide assurance that the processes in place are working effectively to ensure that quality is delivered on an audit by audit basis. This includes continuous monitoring of:

- Engagement planning and supervision (preapproval of the audit scope, innovative best practices, budgeted hours, and assigned staff).
- Standard working practices (including working paper procedures, sign off, report review, checklists to ensure that the audit process has been followed).
- Feedback from other clients and stakeholders.
- Analysing performance metrics to measure audit plan completion and stakeholder value.

<u>Periodic reviews</u>

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, the quality of the audit work and supervision, policies and procedures supporting the internal audit activity, the added value to the organisation and the achievement of performance standards.

Periodic assessments will be conducted through:

- Working paper reviews for conformance to the definition of Internal Auditing, the Code of Ethics, the Standards, and internal audit policies and procedures
- Self-assessment of the internal audit activity with objectives established as part of the QAIP components – Governance, Professional Practice and Communication
- Review of internal audit performance measure and benchmarking of best practices. Periodic activity and performance reporting to the board and other stakeholders as deemed necessary.
- Annual self-review of conformance to the PSIAS.
- Annual review of performance in the form of KPI's, resources, skills and training requirements.

The periodic self assessment should identify the quality of ongoing performance and opportunities for improvement and to check and validate the objectives and criteria used in the QAIP. The self assessment will be completed on an annual basis and the results reported to the Board and Senior Management.

3 External Assessment

The External Assessment will consist of a broad scope of coverage that includes the following .

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and internal audit's Charter, plans, policies, procedures, practices, and any applicable legislative and regulatory requirements.
- Expectations of Internal Audit as expressed by the Board and Senior Management.
- Integration of the Internal Audit activity into the governance process.
- The mix of staff knowledge, experiences, and disciplines, including use of tools and techniques, and process improvements.
- A determination whether Internal Audit adds value and improves the Council's operations.

An external assessment will be conducted every five years by a qualified, independent assessor from outside the Council. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation. The format of the external assessment will be agreed with the Board.

4 Assessment scale

The scale to assess the level of conformance of the Internal Audit activity with the standards is as follows:

Generally Conforms/Partially Conforms/Does Not Conform
(IIA Quality Assessment Manual Scale)

5 Reporting on the Quality Programme

Internal Assessments – reported to the Board and Senior Management on an annual basis. The internal assessment report will be accompanied by a written action plan in response to significant findings and recommendation contained in the report.

External Assessments – reported to the Board and Senior Management. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.

Follow up – The CAE will implement appropriate follow up actions to ensure that recommendations made in the reports and action plans developed are implemented in a reasonable timeframe.

Quality Assurance & Improvement Programme			
Ongoing Monitoring of Performance			
Activity	**Frequency**	**Responsibility**	**Reporting**
Review of the audit universe to ensure complete	Annual	Audit Manager	N/A
Identification of risks affecting the operation of the Internal Audit Service	Quarterly	Audit Manager	N/A
Review of audit engagements	Each engagement	Audit Manager / Where audit engagements are delivered by a third party, their Quality Review processes will be used, with all final reports requiring CAE sign off.	N/A
Progress against the audit plan	Quarterly	Audit Manager	Quarterly report to Audit & Governance Committee
Progress against Key Performance Indicators	Quarterly	Audit Manager	Quarterly report to Audit & Governance Committee
Discuss performance of internal audit activity	Monthly	Audit Manager and Chief Executive	Annual report to Audit & Governance Committee
Customer survey/questionnaire	For each engagement	Audit Manager	Annual report to Audit & Governance Committee
Review of Internal Audit Charter, goals, policies & procedures	Annual	Audit Manager	Annual report to Audit & Governance Committee
Personal Development Review	Annual	Appropriate line manager	Documentation to HR
Continuous improvement activity and adoption of best practice	Continuous	Audit Manager	Annual report to the Audit & Governance Committee

Identification of added value to the authority's operations	Continuous	Audit Manager	Annual report to the Audit & Governance Committee
Periodic Self Assessments			
Self assessment against the Public Sector Internal Audit Standards (PSIAS)	Annual	Audit Manager	Annual report to the Audit & Governance Committee
Compliance with applicable laws, regulations and other standards that the Internal Audit activity may be subject to	Continuous review	Audit Manager	Report to Audit & Governance Committee when applicable
Benchmarking review of Internal Audit Services	When practical	Audit Manager	Report to Audit & Governance Committee
Reviews of KPI's skills and training requirements	Annual	Audit Manager	Report as part of QAIP annually to Audit & Governance Committee.
External Assessments			
Assessment against the PSIAS	Every 5 years	Audit Manager and external reviewer	Report to the Audit & Governance Committee
PSIAS EQA Action Plan	Quarterly	Audit Manager	Report to the Audit & Governance Committee

Appendix 3

External Quality Assessment Action Plan

	Priority	Issue Identified	Recommended Action	Management response	Officer responsible/ timescale	Status
1.	Review	**Internal Audit Charter (IAC)** The IAC is comprehensive regarding engagement reports however does not contain details of the requirement for the Chief Audit Executive (CAE) to deliver an Annual Report including an opinion in relation to risk management, governance and control.	Include an appropriate statement in the Internal Charter with regard to the provision of an Annual Report and align this with regard to the benefit of aligning the internal audit planning process with a continuous assessment of the risk environment faced by each client, in order to support the provision of the annual opinion regarding risk management, governance and control. . **PSIAS 1000**	Agreed. To be implemented via a review of Internal Audit Charters for 2023/24. This will improve wider outcomes in the Council so that the audit plan is more focussed on ensuring strategic/operational risks are mitigated to provide assurance.	Audit Manager May 2023	Completed as part of the Internal Audit Charter update for 2023/24
2.	Review	**Performance appraisal** The self-assessment identified that the CAE's appraisal which is undertaken by the Chief Executive at Tamworth Borough Council (TBC) has not taken place. A new appraisal process is to be introduced at Lichfield District Council (LDC). .	Ensure that a robust performance appraisal process is in place within the Internal Audit Team With regard to the Audit Manager consider Inviting observations from both Chairs of Audit Committee in advance of the performance appraisal, as this would provide valuable client feedback and reflect best practice. **PSIAS 1110**	Agreed. Ongoing review of Audit Manager performance maintained by Chief Executive at Tamworth BC and both Section 151 Officers.	Audit Manager March 2024	Complete

3.	Consider	**Declarations of interest** Each Council has adopted different practices regarding the protocol for declarations or conflicts of interest. Due to the independent nature of internal audit work it would be beneficial for internal audit staff and any contractors to confirm the position on an annual basis.	The CAE should obtain confirmation regarding potential conflicts of interest on 1 April each year and on appointment of any further staff or contractors undertaking internal audit engagements at the Councils. **PSIAS 1100**	Agreed Previous declarations of interest have been recorded but only updated if changes have occurred. However to comply with best practice will implemented annual reviews.	Audit Manager April 2023	Completed Confirmation received from external contractors of compliance with standards. Staff members completed declarations of interest for 2023/24.
4.	Review	**Audit Universe** The current internal audit planning model reflects use of a "standard audit universe' to which a cyclical approach to reviewing areas of activity is applied in consultation with management. This is provided for in circumstances where the client risk management system cannot be relied upon. Internal Audits of risk management have provided positive opinions in relation to their application and as a result it would be beneficia therefore to increasing align the focus of strategic and engagement planning with each clients risk environment as this would enhance internal audits' ability to demonstrate a	The development of a comprehensive internal audit plan that reflects the significant risks that are recorded within each Councils risk management system represents an essential feature of both strategic and operational internal audit planning as it acts as a basis for both ensuring attention on significant risks on a priority basis as well as providing an indication of the resources required to provide continuous independent assurance. Internal Audit works with each client manager at the time of an engagement to identify significant risks; it would be opportune to increasingly recognise and promote the value of 'Control Risk' at an operational level and transparently integrate this within the planning	Agreed Review of current audit universes at both Tamworth and Lichfield. Change of current working practices to develop the auditing of control risks and linking into strategic and operational risk registers are both authorities. To be supported by the current reviews of Strategic Risk Registers which looks at mitigating controls. Additionally, this will improve wider	Audit Manager March 2024	Completed Ongoing progress started with 2023/24 Audit Plan and will be developed moving forward during the financial year to be fully implemented and included in plan for 2024/25

		commitment to helping each Council achieve its objectives. It may be beneficial to consider the content of each clients risk management process as the Audit Universe in future.	process, identifying sources of assurance as a matter of routine. It would be beneficial therefore to increasingly align development of the internal audit planning system with each Councils risk management processes in order to ensure that resources are consistently focused on areas where assurance is required regarding the operation of policies, procedures and controls that mitigate the significant risks to which the Council is exposed at an inherent level. It may be that such an approach would also help embed effective risk management within each clients governance processes. **PSIAS 2000/2010**	outcomes in the Council so that the audit plan is more focussed on ensuring strategic/operational risks are mitigated to provide assurance.		
5.	Consider	**Purpose of the system subject to review** Audit Planning Memorandum currently contains a statement which reflects the 'Management Objective' of the area subject to review. Whilst the terminology is correct statements tend to focus on a generic statement regarding the internal control environment rather than focusing on what management are aiming to achieve, in accordance with Public Sector	The inclusion of a Management Objective is regarded as good practice however it may be beneficial to increasingly capture the specific aims of management in each review to which can be aligned the significant risks being faced within the area under review . This will assist with the discussions with client managers and specifically the identification of the significant risks which may impact upon achievement of the established objectives and upon which the assurance opinion should be based.	Agreed Audit Planning and pre-meetings will incorporate aims of management in the Audit Brief.	Audit Manager April 2023	Complete - Audit Planning and pre-meetings to include aims of the service in the planning document.

		Internal Audit Standards (PSIAS) requirements, which recognise the value of focusing on operational management objectives.	The significant risks may be all or some of those identified with the risk management process as well as others recognised at the time of audit. **PSIAS 2201**			
6.	Consider	**Recognition of identified key controls** The current risk management methodologies require identification of the primary controls which exist as well as the further mitigating controls which are to be developed. These are likely to represent the key controls upon which the audit should be based, as they represent 'Control Risk' and the implications should a failure of controls occur.	It would be beneficial to increasingly focus on what is regarded as a 'significant risk' within each Councils risk management processes and the associated primary controls as this would increase efficiency through allocating appropriate resources to those areas of most concern. There is limited feedback from the client survey which indicates that the Shared Service might provide increased focus on significant risk and introducing advice best practice within the audit approach and these may be areas where increased understanding of risk throughout the process may produce results which are regarded as adding value by clients. **PSIAS 2010**	Agreed. To be developed over 2023/24 towards full implementation. This will improve wider outcomes in the Council so that the audit plan is more focussed on ensuring strategic/operational risks are mitigated to provide assurance.	Audit Manager March 2024	Complete Ongoing work in this area to link into the strategic and operational risks of the council started with SRR and Risk linkages in 2023/24 Audit Plans for both authorities.
7.	Review	**Consideration of Fraud** The Team maintain a Fraud Risk Register demonstrating compliance with the standards regarding the recognition of potential fraud, however this is	Ensure that the areas reviewed within an engagement include those where potentially significant fraud risks exist. **PSIAS 2030**	Agreed. As part of annual review of Fraud Risks and reported to respective	Audit Manager October 2023	Complete Ongoing, included following review of fraud

		not directly considered when scoping engagements.		Committees at Tamworth and Lichfield.		risks as part of the council reporting arrangements.
8.	Review	**Quality Improvement Assurance Policy** The service has introduced a Quality Improvement Assurance Policy (QIAP) in accordance with the requirements of the standards. The policy focuses on consistent internal review of engagements, an annual assessment against the standards and the External Quality Assessment (EQA) review on a five year cycle. The Head of Internal Audit's Annual report confirms that aspects of the policy have been completed in a diagrammatic presentation. Industry best practice now reflects an extension of the quality review process to include consideration of wider performance in the form of KPI's, resources, skills and training requirements.	It would be beneficial to update the policy in line with best practice and as required confirm annually that all measures have operated during the year as well as summarise any outcomes influencing future development of the service within the Head of Internal audit's Annual Report. **PSIAS 1300**	Agreed. QIAP to be reviewed at both Councils and implemented. Changes to be incorporated into the QAIP for 2023/2024.	Audit Manager July 2023	Complete QAIP updated in accordance with standards and presented as part of updated QAIP for 2023/24.
9.	Review	**Governance** The standards require the CAE to provide an annual opinion regarding the effectiveness of governance arrangements.	In Local Government, each Council establishes a Code of Governance in accordance with CIPFA SOLACE – it would be beneficial to map internal audit activity to the content of the	Agreed. To be implemented as part of AGS for 2022/2023 and	Audit Manager March 2024	Completed, linked to Annual Governance Statement.

		Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expenses.	Code in order to provide assurance at a level which contributes directly to the Annual Governance Statement through the Head of Internal Audit Annual Report. **PSIAS 2110**	ongoing development. To be linked with Monitoring Officer at LDC and internally within TBC.		
10.	Review	**Risk Management** Internal Audit last reviewed risk management as an assignment in TBC (March 2021) and LDC (March 2022) providing a 'Reasonable' assurance opinion.	The standards require an annual opinion to be made in the Head of Internal Audit's Annual Report regarding the adequacy and effectiveness of each Councils risk management processes. It would therefore be beneficial to support the opinion with evidence of how this has been reached through a combination of the assurances gained at both a strategic level and at an operational level within engagements. It would be beneficial to document in this approach how any potential conflict of interest with regard to the Audit Manager and Principal Auditor's roles relating to risk management is managed. **PSIAS 2120**	Agreed To be implemented as part of Annual Internal Audit Reports submitted to each Council Audit Committees.	Audit Manager April 2023	Completed.
11.	Consider	**Head of Internal Audit Annual Opinion** The current statement is largely based upon the work completed in the current financial year.	In practice, the opinion is actually based upon the continuous thread or trend of assurance work completed in recent years as a result of the focus of internal audit plans, the wider knowledge of significant risks and the various sources of assurance that	Agreed. Updating of audit opinion for new financial year 2023/24	Audit Manager. April 2023	Complete to be included in Annual Report to be presented to A&G Committee in June 2023.

		Best practice reflects using a wider basis for the opinion reflecting the full knowledge of the CAE including significant risks which each client is facing and information from other assurance sources.	exist, including the risk management processes. Future opinions should state the full basis upon which the opinion has been reached. **PSIAS 2450**			
12.	Consider	**Internal Audit Risk Based Strategy** The teams approach to assessment of the perceived risk at inherent and residual levels within an engagement is reflected in the grading of recommendations and opinions which are then used in reporting. Audit Engagement Plans and Reports contain an explanation of how the Internal Audit Team relate the level of risk evaluation to the conduct of the audit. It would be beneficial to ensure that the wording used is consistent with risk management terminology used by each client. PSIAS guidance emphasises that the focus of internal audit should be on 'significant' risk.	Consider reviewing the wording of definitions that support the grading of recommendations and opinions to better reflect risk appetite of each client. Particular attention should be given to the use of wording such as Fundamental and Significant. Within engagement reports this would then link to alignment of assurance opinions where fundamental or a series of significant recommendations automatically generated a 'Limited Assurance' opinion. Consider whether maintained a fourth level of assurance (being no assurance) is necessary. **PSIAS 2420**	Agreed. In conjunction with further reviews of wording and audit opinion, to be carried out in conjunction with these reviews.	Audit Manager December 2023	Completed

Suggested Enhancements for consideration

	Issue Identified	Recommended Action	Management response	Officer responsible/ timescale	Status
1.	**Job descriptions** Current job descriptions are in a consistent form abut are not routinely reviewed as part of the PDR process..	Best practice reflects regular update of job descriptions, it may be beneficial to review all job descriptions at the same time to ensure that any inter-dependencies are fully reflected, particularly as the two currently vacant posts are advertised **PSIAS 1210**	Agreed Review of job Descriptions to be undertaken.	Audit Manager. April 2023	Complete
2.	**Client surveys** Progress has been made in obtaining feedback from auditees following each audit through discussions with client managers and within the annual planning process. Current completion reflects 66% TBC and 82% LDC. This provides informal confirmation from clients regarding the Teams ability to deliver upon its responsibilities and particularly add value.	Internal Audit may find it useful to utilise Survey Monkey or similar technology for collecting feedback and capture similar feedback in relation to each contractors performance, as this can prove to be an efficient means of gathering an early response. Feedback should be included as part of the QAIP process. **PSIAS 2000**	Agreed. Will review the possibility and functionality of Survey Monkey and determine a way forward.	Audit Manager April 2023	Ongoing review to ascertain best systems going forward. Completed and determined that current paper based questionnaire was retained.
3.	**Contract support**	In order to evidence that the Shared Service is compliant in overall terms it would be helpful if	Agreed	Audit Manager	Complete

	A contract is in place with each contractor which states that delivery of services should comply with the PSIAS.	each contractor were requested to provide evidence that their work had been independently assessed in accordance with the PSIAS. **PSIAS 1312**			
4.	**Key Performance Indicators** Completion of the Internal Audit Plan is regarded as the current focus of performance monitoring, although other indicators based on recommendations and opinions made in the year are recorded in the Head of Internal Audit's Annual Report. Good practice elsewhere utilises a range of quantitative and qualitative measures to demonstrate performance against the Internal Audit Charter.	Consideration could be given to devising a more comprehensive list of indicators and a summary of client feedback received. This may include: • Reports issued to agreed timescales • Recommendations accepted/not accepted by risk rating • Recommendations acted upon in a timely manner • Client satisfaction • Staffing levels and qualifications • Planned training completed **PSIAS 1310**	Agreed Will review current KPI's and in conjunction with client managers determine a suite of KPI's for Internal Audit.	Audit Manager March 2024	Completed, no changes for 2024/25, awaiting development of new standards for 2025/26.
5.	**Training** The Internal Audit Team has developed a comprehensive training and skills matrix which includes reference to mandatory requirements although this has not been maintained. As the internal audit planning process devises a forward looking three year plan it would be beneficial to consider the future training needs of internal	Consider the benefits of using the priorities included in internal audit plans to identify potential courses or seminars which may provide increased understanding of the risk environment that will be reviewed. Ensure that training records are maintained and used to inform the QAIP. **PSIAS 1210**	Agreed Review training and implement as determined by the knowledge and experience of auditors.	Audit Manager March 2024	Ongoing CPD requirements and training opportunities in place. Maintenance of training records to be updated. Training records now

	audit staff and include these in future resource planning.				documented and retained. Complete.
6.	**Internal Audit Manual** The Team has compiled an Internal Audit Manual which was last reviewed in December 2022.	Following completion of the EQA, consider revising the Manual to fully reflect current practice rather than generic example as this will assist when training new staff. It may be useful to include the Internal Audit Protocol document within the Manual as this represents an excellent way of explaining the internal audit process to all stakeholder **PSIAS 2030**	Agreed. Implement changes as suggested.	Audit Manager March 2023	Complete Ongoing review of manual to bring into line with best practice.

Wednesday, 24 April 2024

Report of the Audit Manager

Annual Report of the Chair of Audit & Governance Committee

Exempt Information

None.

Purpose

This report presents the proposed Annual Report of the Audit & Governance Committee for 2023/24 for Council.

Recommendations

It is recommended that the proposed Annual Report of the Audit & Governance Committee 2023/24 be endorsed.

Executive Summary

Audit Committees are an important source of assurance about an organisations' arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.

CIPFA recommend that Audit Committee's produce an annual report to promote the role and purpose of the Committee, account for the Committee's performance, evaluate whether the Committee is continuing to meet its terms of reference and document how the Committee adds value. The Audit & Governance Committee's annual report fulfilling these requirements is set out at **Appendix 1**.

Options Considered

None.

Resource Implications

None.

Legal/Risk Implications Background

The Council is not obliged by law to appoint an Audit & Governance Committee, however, this has been done in line with good governance practice and CIPFA guidance.

Equalities Implications

None.

Environment and Sustainability Implications (including climate change)

None.

Background Information

None.

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List of Background Papers

Audit Committees in Local Authorities and Police (2022), CIPFA
Audit Committee agendas, minutes and reports for the Committee year 2023/24.

Appendices

Appendix 1 – Annual Report of the Audit & Governance Committee 2023/24.

Appendix 1

Annual Report of the Audit & Governance Committee 2023/24

1. Introduction from the Chair of the Audit & Governance Committee

I am pleased to present the Annual Report of the Audit Committee for the 2023/24 Committee year.

2023/2024 has continued to be a challenging year for all due to cost of living issues affecting our residents and the changes encountered as we progress into new more agile ways of working. The Committee plays an even more vital role in being able to gain assurance that the Council's governance, risk and internal control environment remain fit for purpose and concurrent with the challenges faced.

From the challenges faced by the Committee we have been able to gain assurance in respect of 'business as usual' and also the wider risks facing the Council. In addition, we have obtained regular reports from management to ensure that the Council's overall governance framework remained robust and fit for purpose.

As a committee we continue to review the risks both faced generally by the council but also around the Future High Street Fund and other major projects, this work will continue during 2024/25.

Cyber Security risks continue to be high on the agenda during the year with notable 'cyber attacks' being reported at other Councils, this oversight will continue into 2024/25.

The Committee regularly reviews the corporate risks facing the council and we gained assurance that any new or emerging threats or opportunities will be identified to ensure that Council meets it objectives.

As reported last year I would welcome all to attend a meeting of the Committee and see our work in operation for yourselves!

Finally, I would like to take this opportunity to thank all those members and officers who have contributed to the work of the Audit & Governance Committee over the last 12 months.

Councillor D Maycock,
Chair of the Audit & Governance Committee 2023/24
20th March 2024

2. Terms of Reference

The terms of reference, which the Committee operated to during 2023/24, is detailed at Part 2, Article 9 of the constitution which can be found at the following link: [CONSTITUTION CLICK HERE]

3. Member and Officer Attendance

The Audit & Governance Committee met 8 times during 2023/24.

Membership of the Audit & Governance Committee during 2023/24 and their attendance is detailed at below:

Audit & Governance Committee Member	Date of Committee							
	27/6/23	23/8/23	27/9/23	25/10/23	15/11/23	8/2/24	20/3/24	24/4/24
Councillor D Maycock		☑	☑		☑	☑	☑	TBC
Councillor B Price	☑	☑		☑	☑	☑	☑	TBC
Councillor B Clarke	☑	☑	☑	☑	☑	☑	☑	TBC
Councillor S Daniels	☑	☑	☑	☑	☑		☑	TBC
Councillor S Doyle	☑	☑	☑	☑	☑	☑	☑	TBC
Councillor R Pritchard	☑		☑	☑	☑	☑	☑	TBC
Councillor P Thurgood		☑	☑		☑	☑	☑	TBC

A number of Audit Committee Members also sat on various other Committees. There were no reports received during the year that necessitated members absenting themselves.

In reviewing the effectiveness of the Audit & Governance Committee, Members considered whether effectiveness could be further strengthened by appointing Independent Members to the Audit & Governance Committee. The Committee Terms of Reference currently enables up to 2 independents to be appointed. The Committee re-assessed the pros and cons of this during the year. Further work will be completed during 2024/25 to assess this further.

Senior officers from the Council also attend the Audit Committee as appropriate, including the Chief Executive, Executive Director Finance (Chief Finance Officer), Assistant Directors, Monitoring Officer and the Audit Manager. The External Auditor also attends.

4. Training & Effectiveness

Audit & Governance Committee receive appropriate and proportionate training. A general training session for all Councillors was held in September 2023 on the role of the Committee; the internal control environment, governance, risk management and counter fraud. A ‘skills audit’ will be completed in June 2024 to assess training requirements for 2024/25.

5. Sources of Assurance during 2022/23

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2023/24 is detailed at **Appendix A** per the following themes:

- Internal Audit
- External Audit / Inspection
- Financial Management
- Risk Management
- Corporate Governance.

The Committee gained assurance in 2023/24 from these themes as follows:

Internal Audit

In respect of the 2023/24 financial year, a positive Internal Audit Opinion was given from the Audit Manager as follows:

‘On the basis of audit work completed, the Audit Manager’s opinion on the council’s framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by audit work. These matters have been discussed with management, to whom recommendations have been made. All of these have been, or are in the process of being addressed’.

‘Specific issues: No specific issues have been highlighted through the work undertaken by Internal Audit during the year’.

Audit Committee received internal audit’s performance reporting during the year indicating that the service was performing reasonably against its performance measures.

The Council can be assured that no issues have been identified in the 2022/23 work completed which impacts materially on the overall system of internal control.

External Audit / Inspection

The main responsibility of the External Auditor is to report on the council's accounts and whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton reported on the 2022/23 accounts. In Grant Thornton’s Annual Audit Report, they concluded that:

‘In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the requirements of the Local Audit and Accountability Act 2014’.

The Council’s External Auditors for 2023/24 will be Azets.

Financial Management

The Committee scrutinised the 2022/23 statement of accounts and also received reports on accounting policies. The Committee also had oversight of a review of the Council's financial guidance, undertook a review of the financial resilience index and received assurance on the treasury management strategy / statement. The Committee received regular Internal Audit progress reports, including a number giving assurance on financial management and controls during the period.

Risk Management

The Committee received quarterly updates on the Council's risk management arrangements via review of the corporate risk register. This included oversight and constructive challenge on risks such as financial sustainability; modernisation and commercialisation; governance; community focus; economic growth and sustainability; information safeguarding and risks arising from the UK's exit from the European Union. Additional quarterly assurance was gained in relation to the risks to the Future High Street Fund project.

Corporate Governance

The annual governance statement (AGS) and review of effectiveness for the 2022/23 financial year, concluded that the effectiveness of the system of internal control was fit for purpose overall.

The Committee also:

- undertook a review of its own effectiveness in line with CIPFA good practice;
- received updates on the Council's use of the Regulation of Investigatory Powers Act 2000;
- received assurance via the Local Government and Social Care Ombudsman Annual Review; and
- received assurance on the Council's Modern Slavery and Human Trafficking Statement.

Regular updates on the adequacy of the council's counter fraud arrangements were also received and all policies were updated in line with required timescales.

6. Conclusion

The Committee has been able to confirm that there were no areas of significant duplication or omission in the systems of governance in the authority that had come to the Committee's attention during 2023/24 that were not being adequately resolved.

Through members receiving this report, the role and purpose of the Committee has been promoted and it has demonstrated that the Committee has continued to perform, meet its terms of reference and added value. This work will continue in 2024/25 with the Committee's refreshed work programme.

Appendix A

Summary of Audit & Governance Committee Work Plan by Assurance Theme 2023/24

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
27/6/23	Risk Management Update				☑	
	Internal Audit Annual Report and Update	☑				
	Annual Governance Statement and Code of Corporate Governance					☑
	Auditors Annual Report		☑			
	Audit Plan		☑			
	Future High Street Fund			☑	☑	
23/8/23	External Audit Update		☑			
	Internal Audit Quarterly Report	☑				
	Independent Member Update					☑
27/9/23	Audit Findings Letter and Management Report Letter		☑			
	Annual Statement of Accounts and Report 22/23			☑		
	Risk Management Update				☑	
	RIPA 2000					☑
	Modern Slavery Statement 22/23					☑
	Local Government & Social Care Ombudsman Report 22/23					☑
25/10/23	External Audit Update		☑			☑
	Internal Audit Quarterly Report	☑				
	Review of Annual Report on Treasury Management and Actual Prudential Indicators 22/23			☑		
	Future High Street Fund			☑	☑	
15/11/23	Introduction of Azets as Council's External Auditors 23/24 and Audit Plan		☑			
	Counter Fraud Update	☑				
	Risk Management Update				☑	
	Revised Councillor Code of Conduct					☑
	Constitution & Scheme of Delegation					☑
8/2/24	Risk Management Quarterly Update				☑	
	FHSF Quarterly Update			☑	☑	
	Internal Audit Quarterly Progress Report	☑				
	Audit Committee Effectiveness					☑

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
	Constitution & Scheme of Delegation					☑
	Internal Audit Plan Charter and Protocol 24/25	☑				
	Final Accounts 23/24 Accounting Policies and Action Plan			☑		
24/4/24 to be confirmed	PSIAS Quality Assurance and Improvement Programme	☑				
	Annual Report of Chair of A&G Committee 23/24					☑
	Review of Financial Guidance			☑		
	Review of Treasury Management Statement			☑		
	Re-stated Statement of Accounts 22/23			☑		