Borough of Tamworth

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AUDIT AND GOVERNANCE COMMITTEE

17 September 2015

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 24th September, 2015 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

A G E N D A

NON CONFIDENTIAL

1 Apologies for Absence

2 Minutes of the Previous Meeting (Pages 1 - 2)

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 **The Audit Findings for Tamworth Borough Council** (Pages 3 - 30)

The Report of Grant Thornton (External Auditor)

5 **Management Representation Letter** (Pages 31 - 34)

The Report of Grant Thornton (External Auditor)

6 **Annual Statement of Accounts & Report 2014/15** (Pages 35 - 170)

(The Report of the Executive Director of Corporate Services)

7 **Review of the Annual Report on the Treasury Management Service and Actual Prudential Indicators 2014/15** (Pages 171 - 196)

(The Report of the Executive Director of Corporate Services)

8 **Regulation of Investigatory Powers Act 2000** (Pages 197 - 200)

(The Report of the Solicitor to the Council and Monitoring Officer)

9 **Local Government Ombudsman Annual Review Letter 2014-15** (Pages 201 - 212)

(The Report of the Solicitor to the Council and Monitoring Officer)

10 **Internal Audit Annual Report/Quarterly Report 2015/16 Quarter 1** (Pages 213 - 238)

(The Report of the Head of Internal Audit Services)

11 **Internal Audit Customer Satisfaction Survey 2015** (Pages 239 - 242)

(The Report of the Head of Internal Audit Services)

12 **Audit and Governance Committee Timetable** (Pages 243 - 246)

(Discussion Item)

People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail committees@tamworth.gov.uk preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.

To Councillors: J Chesworth, J Faulkner, J Goodall, S Goodall, K Norchi, J Oates and T Peaple

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MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON 25th JUNE 2015

PRESENT:	Councillors J Chesworth (Chair), J Faulkner, J Goodall, S Goodall, K Norchi and T Peaple
Officers	John Wheatley (Executive Director Corporate Services), Jane Hackett (Solicitor to the Council and Monitoring Officer), Stefan Garner (Director of Finance) and Kerry Beavis (Principal Auditor)
Visitors	Joan Barnett and John Gregory

15 APOLOGIES FOR ABSENCE

None

16 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 3rd June 2015 were approved and signed as a correct record.

(Moved by Councillor J Goodall and seconded by Councillor T Peaple)

17 DECLARATIONS OF INTEREST

There were no declarations of Interest.

18 AUDIT COMMITTEE GUIDE - TAMWORTH BOROUGH COUNCIL BRIEFING ON AUDIT AND GOVERNANCE COMMITTEE ROLE IN GOOD GOVERNANCE

A Guide for Audit and Governance Committee Members by Grant Thornton was presented to the Committee and a discussion followed.

19 TAMWORTH BOROUGH COUNCIL AUDIT AND GOVERNANCE COMMITTEE UPDATE 25 JUNE 2015

The Report of Grant Thornton (External Auditor) was considered.

RESOLVED:

That Member's of the Committee endorsed the Audit and Governance Committee Update for Tamworth Borough

Council to year end 31 March 2015.

20 DRAFT ANNUAL STATEMENT OF ACCOUNTS AND REPORT 2014/15

The Report of the Director of Finance setting out the Draft Statement of Accounts (the Statement) for the financial year ended 31 March 2015 was considered.

RESOLVED: That Members of the Committee received and reviewed the Draft Annual Statement of Accounts and report 2014/15. The Committee thanked Officers for their work in producing the accounts.

(Moved by Councillor J Faulkner and seconded by Councillor S Goodall)

21 REGULATION OF INVESTIGATORY POWERS ACT 2000

The Report of the Solicitor to the Council and Monitoring Officer informing Members of the surveillance carried out under the Regulation of Investigatory Powers Act 2000 was considered.

RESOLVED: That the quarterly RIPA monitoring report be endorsed.

(Moved by Councillor J Chesworth and seconded by Councillor T Peaple)

22 AUDIT AND GOVERNANCE COMMITTEE TIMETABLE

The Committee reviewed and agreed the timetable.

Chair

The Audit Findings for Tamworth Borough Council

Year ended 31 March 2015

September 2015

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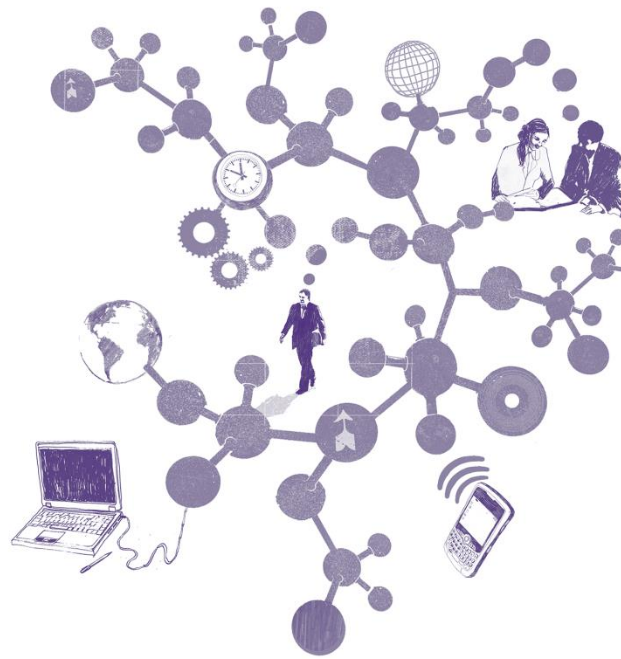

Agenda Item 4

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24 September 2015

Dear Members of the Audit Committee

Audit Findings for Tamworth Borough Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Tamworth Borough Council, the Audit and Governance Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

John Gregory

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Tamworth Borough Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 26 March 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the draft accounts were of a good quality
- the audit did not identify any material misstatements
- finance staff responded promptly to audit queries, facilitating the prompt completion of the audit

We have identified no adjustments affecting the Council's reported financial position. We did identify one disclosure error, and requested some adjustments to improve the presentation of the financial statements. Officers have also worked hard to make the accounts more readable by removing unnecessary content such as notes and accounting policies for which there are no material transactions, whilst still complying with Code requirements.

Further details are set out in section two of this report.

Value for Money conclusion
We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)
We have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your attention.

Controls

Roles and responsibilities
The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings
Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

The way forward
Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Executive Director Corporate Services.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Governance Committee on 26 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 26 March 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix A.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Tamworth Borough Council , we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Tamworth Borough Council, mean that all forms of fraud are seen as unacceptable.	We have determined that the risk of fraud arising from revenue recognition can be rebutted.
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	We have undertaken the following work in relation to this risk: • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

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Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • reviewed and tested the reconciliation between the creditors ledger and the general ledger. • gained an understanding of the accruals process and any assumptions used. • substantively tested post year end payments to ensure expenditure is recorded in the correct period.	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: • documented our understanding of the employee remuneration system and completed walkthroughs where we have identified that the controls are operating effectively. • undertaken testing of payroll expenditure from a sample of employees selected throughout the year. • reviewed and tested the reconciliation between payroll and the general ledger. • performed analytical procedures of the payroll on a month by trend analysis.	Our audit work has not identified any significant issues in relation to the risk identified.
Welfare expenditure	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: • documented our understanding of the housing benefit system and completed walkthroughs where we have identified that the controls are operating effectively. • performed detailed testing of benefits expenditure by following the HBCOUNT methodology.	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• The Council's policy is set out in its accounting policies (Note 1 in supporting notes to the financial statements) : • Accounting Policy 2 – Accruals of income and expenditure • Accounting Policy 12 – Government Grants and Contributions • Accounting Policy 24 – Accounting for Council Tax and National Non Domestic Rates	• The Council's policies are appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice • Minimal judgement is involved • Accounting policy is properly disclosed	● Green
Estimates and judgements	Key estimates and judgements include: • pension fund valuations • useful life of capital assets • impairments • Property, Plant and Equipment (PPE) valuations • Business Rates Retention	There has been appropriate disclosure of key estimates and judgements	● Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	● Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Council.
4.	**Disclosures**	• Our review found no non-trivial omissions in the financial statements
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**Confirmation requests from third parties**	• We obtained direct confirmations from third parties for the Council's material bank and short term investment balances . These confirmations did not raise any issues about the sums recognised in the Council's financial statements.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Welfare Expenditure as set out on page 10 above.

The controls were found to be operating effectively and we have no matters to report to the Audit and Governance Committee.

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misclassification	3,000	Borrowing	Re-categorisation of two loans that have a maturity of less than 12 months from long term borrowing to short term borrowing.
2	Disclosure	N/A	Various	Officers have removed a number of non-material notes to improve the readability of the accounts.

Section 3: Value for Money

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work concluded that the Council's arrangements for securing financial resilience have proved effective. There is robust challenge and support from members, and the Council prepares and keeps under review its medium term financial plan. There are good arrangements in place to monitor and manage revenue and capital budgets. This includes regular reports to management and members on financial and service performance during the year, including savings achieved and actions required to address any shortfall or additional spending.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

The Council has adequate arrangements in place to identify and deliver savings.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	The Council has: • not faced any cash flow issues in 2014/15 • falling employee costs following the officer restructure. • an underspend of £0.936m against its 2014/15 revenue budget, due largely to vacant posts and general underspends on utilities, supplies and services The Council's earmarked and General Fund reserve balances have increased slightly during the year. A comparison of levels of usable reserves to other similar local authorities shows that the Council has above average general fund and earmarked reserves (as at 31/3/14).	**Green**
Strategic financial planning	Each year the Council updates its medium term financial plan alongside the current year budget forecasts. By presenting both a short-term and long-term financial perspective, the Council is able to demonstrate it is aware of how both documents complement each other and support its Corporate Vision and Strategic Priorities.	**Green**
Financial governance	The Council has appropriate risk management arrangements in place, with regular reporting of strategic risks to Members. Regular financial and non-financial performance information is both provided to officers and Members.	**Green**

Theme	Summary findings	RAG rating
Financial control	The Council has a track record for delivering budgeted savings and the Council's longer-term financial planning includes a policy on the level of reserves required for sound financial standing.	**Green**
Prioritising resources :	The Council has adequate arrangements in place to: • challenge delivery methods and consider alternative options • consult with key stakeholders when challenging delivery methods and alternative options • inform and make key decisions on how to make savings to services • understand the impact and outcome of decisions that it makes.	**Green**
Improving efficiency & productivity	The Council has: • adequate arrangements in place to understand its costs and inform its reviews of where cost savings in service delivery can be made • sound IT systems and data quality arrangements in place.	**Green**

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Section 4: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	65,550	65,550
Grant certification on behalf of Audit Commission	15,630	15,630
Total audit fees	**81,180**	**81,180**

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Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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Appendices

Appendix A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMWORTH BOROUGH COUNCIL

We have audited the financial statements of Tamworth Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on Housing Revenue Account Balance, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Tamworth Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director Corporate Services and auditor

As explained more fully in the Statement of the Executive Director Corporate Services Responsibilities, the Executive Director Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:
give a true and fair view of the financial position of Tamworth Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:
in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Tamworth Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Tamworth Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Gregory
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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xx September 2015

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John Wheatley
Executive Director Corporate Services

My Refer : FAWP136
Your Ref : JG

Tamworth Borough Council

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Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

24th September 2015

Dear Sirs

Tamworth Borough Council

Financial Statements for the year ended 31st March 2015

This representation letter is provided in connection with the audit of the financial statements of **Tamworth Borough Council** for the year ended 31st March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code"); which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii Except as disclosed in the financial statements:
 a there are no unrecorded liabilities, actual or contingent
 b none of the assets of the Council has been assigned, pledged or mortgaged
 c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv We have provided you with:
  a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  b additional information that you have requested from us for the purpose of your audit; and
  c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi We have communicated to you all deficiencies in internal control of which management is aware.

xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  a management;
  b employees who have significant roles in internal control; or
  c others where the fraud could have a material effect on the financial statements.

xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Audit Committee at its meeting on **24th September 2015.**

Signed on behalf of the Council

John Wheatley
Executive Director Corporate Services & Section 151 Officer

Councillor John Chesworth
Chair of the Audit & Governance Committee

24th September 2015

AUDIT & GOVERNANCE COMMITTEE

24th September 2015

REPORT OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES

ANNUAL STATEMENT OF ACCOUNTS & REPORT 2014/15

EXEMPT INFORMATION

None

PURPOSE

To approve the Statement of Accounts (the Statement) for the financial year ended 31st March 2015 following completion of the external audit.

RECOMMENDATION

That Members approve the Annual Statement of Accounts 2014/15

EXECUTIVE SUMMARY

As part of the annual audit process for 2014/15, the Council's external auditors, Grant Thornton, have prepared their Audit Findings Report (to be considered separately on this agenda) for consideration prior to issue of their opinion, conclusion & certificate.

Following identification as part of the audit, a small number of minor amendments have been discussed & agreed with the Audit Commission. These have been actioned within the Final Statement of Accounts for 2014/15 as attached at **Appendix 1**. It is important to note that these adjustments relate to minor presentational or disclosure issues and do not have any impact on the reported outturn position and net balances of the General Fund, Housing Revenue Account or Collection Fund.

Regulations require the Chair of the Cabinet 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

For 2014/15, a revenue budget underspend for the General Fund of £1.5m is reported with an increase in General Fund closing balances of £0.3m. The Housing Revenue Account reports an underspend of £1.5m with an increase in Housing Revenue Account closing balances of £0.5m.

It should be noted that the Medium Term Financial Strategy, approved in February 2015, identified estimated balances of £3.8m (at 1st April 2015) compared to the draft actual closing balances of £4.9m - additional balances of £1.1m.

For the HRA balances of £4.9m were forecast at 1st April 2015 compared to the actual balances of £6.0m - additional balances of £1.1m.

Balances above the minimum will be required to provide additional funds for uncertainties regarding future Government funding arrangements.

The outturn for the 2014/15 capital programme identifies an underspend of £6.6m against the approved budget of £12.2m (actual spend £5.6m - no change since Provisional Outturn). However, it has been requested that £3.9m of scheme spend be re-profiled into 2015/16. This will result in an overall underspend of £2.7m for the 2014/15 capital programme.

LEGAL / RISK IMPLICATIONS

Current legislation, detailed in Accounts and Audit (England) Regulations 2011, requires a Committee of the Council to approve the Statement by 30th September and for the Council to publish the Statement together with the Auditors opinion by 30th September 2015.

SUSTAINABILITY IMPLICATIONS

None

CONCLUSIONS

Following consideration of the External Auditors Audit Findings Report and the approval of the Annual Statement of Accounts, the Chair's signature formally represents the successful completion of the Council's approval process of the accounts for 2014/15.

REPORT AUTHOR

Stefan Garner, Director of Finance

LIST OF BACKGROUND PAPERS

Capital Outturn Report 2014/15 - Cabinet, 18th June 2015
Performance Healthcheck (including Provisional Outturn Report 2014/15) - Cabinet, 18th June 2015
Draft Annual Statement of Accounts & Report 2014/15 - Audit & Governance Committee, 25th June 2015

Appendix 1

Tamworth Borough Council

Statement of Accounts 2014/15

One Tamworth, Perfectly Placed

STATEMENT OF ACCOUNTS

2014/15

Contents

THE EXPLANATORY FOREWORD

The statement of accounts presents the financial position and performance of the Authority for the year ended 31st March 2015. This foreword 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 2015 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2014/15.

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 2014/15 are set out on pages 11 to 110 and consist of the following:

- **Core Financial Statements:**

  - **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 on page 11 shows a net General Fund surplus of £0.3m for the year. This was £1.5m lower than the planned transfer from balances in the original budget at the start of the year and has increased General Fund Balances of £4.6m (with the minimum approved level being £0.5m) brought forward from 2013/14, to produce a cumulative surplus of £4.9m carried forward to 2015/16 – and reflect the risks and uncertainties facing the Authority over the medium term.

  - **Comprehensive Income and Expenditure Account:** 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 surplus of £6.3m is reported for 2014/15 (£1.9m deficit 2013/14). This is mostly explained by revaluation changes (£3.7m) and reduced impairment (£2.2m) relating to Council Dwellings.

In addition, there was a revaluation of the former Golf Course (£1.7m) as the site was reclassified as Assets Held for Sale during 2014/15 and is being marketed for sale following the Council's Cabinet decision on 11th September 2014 to close the Golf Course with effect from 1st October 2014. The 2013/14 comparatives have been restated to reflect this discontinued operation.

- **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 £105.1m (£98.8m 2013/14) which are matched by the reserves held by the Authority. Key items are:

Long Term Assets

The Council holds property, plant and equipment assets of £151.7m (£148.7m 2013/14) – mainly due to Council dwellings of £133.3m (£128.6m 2013/14).

Working Capital

Net working capital has increased to £23.4m (£20.0m 2013/14).

Provisions, Reserves and Balances

The working balances as at 31st March 2015 are £30.6m (£24.8m 2013/14) and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

Working balances of £13.0m (£8.6m 2013/14) relate to capital (including the Capital Reserve of £8.9m). The £4.0m capital commitments from 2014/15 and previous years carried forward to 2015/16 will be required to be financed from these balances (£2.8m 2013/14).

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 2015 was £65.1m (£65.1m 2013/14) and was all borrowed from the PWLB.

Pensions

The pension fund deficit has increased in the year to £48.9m (£39.8m 2013/14) and is required to be shown on the Balance Sheet of the Authority. This increase is as a result of less favourable financial assumptions at 31st March 2015 than at 31st March 2014. Falling bond yields have adversely affected value of the schemes liabilities and though asset returns have been stronger than expected, the deficit has grown by 23%.

It should be noted that there has been no impact on the net cost to the taxpayer arising from this - other than as part of the planned increase in annual contributions (from 19.6% to 22.4% - including 16.5% p.a. plus an increasing lump sum element) arising from the formal valuation on 31st March 2013.

- **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 99 shows an increase in HRA balances for the year of £0.5m. This equates to an underspend of £1.5m when compared to the approved budget for the year. This has resulted in an increase in balances from £5.5m to £6.0m to be carried forward to 2015/16.

  - **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 Stoke on Trent and Staffordshire 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 £1.3m (the Authority's share is 11%), of which £0.8m will be distributed to preceptors during 2015/16;
    - NNDR – deficit of £0.4m (the Authority's share is 40% net of any applicable Levy of 50%).

The deficit relating the NNDR collection fund resulted from the inclusion of an increased provision of **£3.8m (£1.0m - 2013/14)** with **£1.5m this Authority's share (£0.4m - 2013/14)** for appeals outstanding on the 31st March 2015 of **£61.7m (£21.7m - 2013/14)**.

The increase since 2013/14 is due to a large increase in appeal submissions in the last month of the financial year resulting from a deadline for appeal applications of 31st March 2015 - as any appeals received after 31st March will not be backdated to either the 2005 or 2010 Rating List.

This will mean that the forecast surplus (£0.7m share for this Authority) for 2014/15 included within the 2015/16 budget will not be available and will therefore need to be accounted for when the 2016/17 budget is set.

These accounting statements are supported by appropriate notes to the accounts including the Statement of Accounting Policies.

FINANCIAL OUTLOOK

The Council has been proactive in the design and implementation of innovative and effective measures for driving efficiency and reducing costs within the MTFS.

The Council's Executive Management Team have recognised that Members will need to focus on strategic decisions relating to high level financial issues, given the need to identify substantial savings following the constraints in public spending (grant reductions of over 45% since 2010/11 and indications from the 2014 Autumn Statement that austerity measures will continue with indications that further grant reductions for District Councils will be as severe as they have been since 2010/11).

The Council holds sufficient funds in reserves and balances to allow it to plan its approach to budget setting, and Cabinet, on 22nd August 2013, endorsed the document 'Planning for a Sustainable Future' as the overarching strategy for meeting the challenges forecast for the Council's Medium Term Financial Strategy (MTFS) and a series of workstreams designed to deliver savings and efficiencies designed to tackle the forecast deficit long before it becomes a reality. This includes exploring new and innovative ideas and to be more commercial in our approach to business.

Potential savings arising from the Sustainability Plan workstreams have been identified during the Budget and Medium Term Planning Process and included within the latest forecasts

Cabinet at the meeting on 19th February 2015 approved a proactive approach to the other major challenge, that of ever increasing demand. By adopting the guiding principles, tools, techniques and transformational approaches, the Council can set about **Managing Demand** and thereby have greater control and the ability to align or target "supply" to managed "demand" and therefore costs within the MTFS into the future.

The primary change will see a shift away from trying to sustain a full suite of services at high standards with in excess of 45% budget reductions to understanding the needs of our customers and working with them to co-design how we meet those demands.

Council, on 24th February 2015, approved a 3 year Medium Term Financial Strategy for the General Fund with Council Tax increases lower than the Government referendum limits – in order to continue to deliver those services essential to the Local Community. Challenging savings targets have been included which need to be achieved over the next 3 years. However, in the longer term, the Council faces ongoing grant reductions and income uncertainties which mean that substantial additional savings will need to be made into the future to deliver a balanced budget in the longer term.

Capital spending for the General Fund is extremely limited by resource constraints – each project is robustly challenged through a business case, return on investment assessment.

With regard to the Housing Revenue Account, a 5 year MTFS was approved by Council, including significant investment in Regeneration Projects to meet future housing needs and sustain the HRA in the longer term. Following HRA self financing, the majority of the capital funding is made through revenue contributions.

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.

The net expenditure of the Authority was £7.6m, representing an under-spend of £1.5m. Major differences between the budget and the outturn are as follows:-

Variance between Budget & Actual Outturn	£000	£000
Increased / Non-Budgeted Income*		
Levy Return - Greater Birmingham and Solihull LEP	(81)	
Additional S31 Grants re: Business Rate Relief	(204)	
Development Control - Planning Applications Fee Income	(168)	
Corporate Finance – Planned unspent Contingencies	(93)	
Car Parks – Additional fee income	(67)	
Commercial Property Management - Rents	(64)	
Additional income from HRA Recharges	(88)	
Council Tax - Court Costs /Fees Income	(60)	
		(825)
Savings / Underspends		
Benefits (Net Underspends)	(127)	
Joint Waste Arrangements - Savings	(92)	
Corporate Finance - Pension Payment Savings	(68)	
Levy payment under the Business Rates Retention scheme (due to increased appeals provision)	(145)	
		(432)
Other Variances - Net (Underspends) / Overspends		
Chief Executive	56	
Executive Director Corporate Services	(191)	
Community Services	(147)	(282)
Total (Favourable) / Unfavourable Variance		**(1,539)**

It should be noted that the significant underspends were outside of the Authority's control and could not have been projected when the 2014/15 budgets were set in February 2014. The outturn figures include significant windfall items highlighted in the table above (*).

A summary of the General Fund expenditure by service, compared to budget (including decisions made by Members during the financial year) is shown below:

	Actual [a] £	Budget [b] £	Variance [c] £
Chief Executive			
Chief Executive	169,499	156,670	12,829
Director of Transformation & Corporate Performance	95,787	95,830	(43)
Head of Customer Services	536,576	478,280	58,296
Head of Organisational Development	218,465	226,430	(7,965)
Corporate Communications & PR Manager	185,670	194,170	(8,500)
Payroll Manager	50,934	48,980	1,954
Sub Total	**1,256,931**	**1,200,360**	**56,571**
Executive Director Corporate Services			
Executive Director Corporate Services	101,555	93,960	7,595
Head of Benefits	26,982	140,960	(113,978)
Director of Finance	(168,696)	556,970	(725,666)
Head of Revenues	44,746	116,200	(71,454)
Director of Technology & Corporate Programmes	727,344	716,660	10,684
Solicitor & Monitoring Officer	496,686	554,580	(57,894)
Head of Internal Audit Services	90,492	105,310	(14,818)
Sub Total	**1,319,109**	**2,284,640**	**(965,531)**
Community Services			
Director of Assets & Environment	1,910,202	2,267,040	(356,838)
Director of Housing & Health	1,003,988	1,033,190	(29,202)
Director of Communities, Planning & Partnerships	2,107,189	2,347,060	(239,871)
Sub Total	**5,021,379**	**5,647,290**	**(625,911)**
Total Cost of Services	**7,597,419**	**9,132,290**	**(1,534,871)**
Transfer to/ (from) Balances	343,062	(1,195,653)	1,538,715
Total to be met by Government Grants & Taxpayers	**7,940,481**	**7,936,637**	**3,844**

The Government Grants and Taxpayers variance is due to the surplus brought forward from 2013/14 within the approved Non Domestic Rates (NNDR1) return.

In the above table, columns [a] and [b] show actual and budgeted net expenditure and income before management, support service costs and capital charges have been apportioned to front line services. This allows a comparison of the services performance against budget (variance shown in column [c] – (underspend) / overspend) for directly controllable costs.

Council Housing

A summary of the Housing Revenue Account for 2014/15, compared with the approved budget (including decisions made by Members during the financial year) is shown below:-

Council Housing Summary

Housing Revenue Account	Actual £000	Approved Budget £000	Variance £000
(Surplus) or Deficit for the Year Added to HRA	**(476)**	**984**	**(1,460)**

Major differences between the budget and the outturn were as follows:

Variance between Budget & Actual Outturn	£000	£000
Increased / Non-Budgeted Income		
Return to Balances of Unspent Reserves	(76)	
Additional Council House Rent Income	(65)	(141)
Savings / (Underspends)		
Contribution to Housing Repairs Account	(667)	
Specific Contingency Budget Savings	(100)	
Provisions for Bad Debts	(298)	(1,065)
Other Variances - Net (Underspends) / Overspends		(254)
Total (Favourable) / Unfavourable Variance		**(1,460)**

Capital Expenditure

During 2014/15 the Authority spent £5.7m on capital expenditure. A breakdown by category and sources of finance is shown as Note 31 to the Core Financial Statements on page 79.

The majority of expenditure related to improvement, enhancement or ongoing construction works. Fixed asset acquisitions in the year include 2 dwellings as part of the Housing Regeneration Project, the purchase of IT Equipment (software and hardware) and enhancements to the CCTV System.

A total of £4.0m spending originally planned for 2014/15, or earlier, has been deferred to 2015/16. Included within this deferred expenditure:

Deferred Capital Expenditure	£000	£000
Housing Capital Programme		
Enhancement works on HRA dwellings	1,488	
Regeneration of Housing Estates	477	
Acquisition of Homes	336	2,301
General Fund Services		
Mercian Trail	350	
Disabled Facilities Grants	171	
Coalfields Funding	122	
Gateways Project	277	
Return on Investments	160	
Private Sector Improvement Grants	130	
Various works to public open spaces	177	
Other Capital Schemes	264	1,651
Total		**3,952**

During the year, the Council disposed of land and property to the value of £1.6m, of which £1.5m related to the disposal of 36 Council Dwellings through Right to Buy sales.

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

Telephone : 01827 709252.
Email: john-wheatley@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 in the local press and 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 Corporate Services;

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

- Approve the Statement of Accounts.

The Executive Director Corporate Services' Responsibilities

The Executive Director Corporate Services 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 Corporate Services 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 Corporate Services has also:

- kept proper accounting records which were up to date;

- 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 2015.

J Wheatley FCCA
Executive Director Corporate Services Dated: 24th September 2015

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 Corporate Services.

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 2013/14 and 2014/15 are shown on pages 12 to 13.

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Movement in Reserves Statement 2013/14

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve (HRA Note 3)	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2013	**4,619**	**6,353**	**5,267**	**3,749**	**1,695**	**1,112**	**48**	**22,843**	**77,878**	**100,721**
Movement in Reserves during 2013/14										
(Surplus) or Deficit on the Provision of Services	(3,051)	-	1,094	-	-	-	-	**(1,957)**	-	**(1,957)**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	**-**	64	**64**
Total Comprehensive Income & Expenditure	**(3,051)**	**-**	**1,094**	**-**	**-**	**-**	**-**	**(1,957)**	**64**	**(1,893)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	2,636	-	599	-	1,247	(1,112)	-	**3,370**	(3,370)	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**(415)**	**-**	**1,693**	**-**	**1,247**	**(1,112)**	**-**	**1,413**	**(3,306)**	**(1,893)**
Transfers to /(from) Earmarked Reserves (Note 7)	366	(366)	(1,479)	1,479	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2013/14	**(49)**	**(366)**	**214**	**1,479**	**1,247**	**(1,112)**	**-**	**1,413**	**(3,306)**	**(1,893)**
Balance as at 31st March 2014	**4,570**	**5,987**	**5,481**	**5,228**	**2,942**	**-**	**48**	**24,256**	**74,572**	**98,828**

Movement in Reserves Statement 2014/15

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve (HRA Note 3)	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2014	**4,570**	**5,987**	**5,481**	**5,228**	**2,942**	**-**	**48**	**24,256**	**74,572**	**98,828**
Movement in Reserves during 2014/15										
(Surplus) or Deficit on the Provision of Services	(1,123)	-	6,941	-	-	-	-	**5,818**	-	**5,818**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	**-**	501	**501**
Total Comprehensive Income & Expenditure	**(1,123)**	**-**	**6,941**	**-**	**-**	**-**	**-**	**5,818**	**501**	**6,319**
Adjustments between accounting basis & funding basis under regulations (Note 6)	1,397	-	(3,670)	-	956	134	-	**(1,183)**	1,183	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**274**	**-**	**3,271**	**-**	**956**	**134**	**-**	**4,635**	**1,684**	**6,319**
Transfers to /(from) Earmarked Reserves (Note 7)	68	(68)	(2,795)	2,795	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2014/15	**342**	**(68)**	**476**	**2,795**	**956**	**134**	**-**	**4,635**	**1,684**	**6,319**
Balance as at 31st March 2015	**4,912**	**5,919**	**5,957**	**8,023**	**3,898**	**134**	**48**	**28,891**	**76,256**	**105,147**

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 128.

2013/14 Restated					2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	**Comprehensive Income & Expenditure Statement**	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,381	(711)	670	Central Services to the Public		1,474	(763)	711
4,272	(1,089)	3,183	Cultural & Related Services		4,661	(1,271)	3,390
4,768	(861)	3,907	Environmental & Regulatory Services		4,990	(976)	4,014
2,261	(361)	1,900	Planning & Development Services		1,958	(549)	1,409
1,493	(1,379)	114	Highways & Transport Services		828	(1,378)	(550)
16,626	(20,569)	(3,943)	Local Authority Housing (HRA)		10,780	(20,796)	(10,016)
-	-	-	Adult Social Care		27	(40)	(13)
24,188	(22,472)	1,716	Other Housing Services		24,622	(22,995)	1,627
1,953	(94)	1,859	Corporate & Democratic Core		1,915	(109)	1,806
4	-	4	Non Distributed Costs		-	(1,652)	(1,652)
56,946	**(47,536)**	**9,410**	**Cost of Services**	23	**51,255**	**(50,529)**	**726**
		(79)	Other Operating Expenditure				121
		1,997	Financing & Investment Income & Expenditure	8			1,875
		185	(Surplus) or Deficit of Discontinued Operations	24			117
		(9,556)	Taxation & Non Specific Grant Income	9			(8,657)
		1,957	**(Surplus) or Deficit on Provision of Services**	23			**(5,818)**
		(3,536)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	19a			(8,546)
		3,472	Re-measurement of the Net Defined Benefit Liability	19c			8,045
		(64)	**Other Comprehensive Income & Expenditure**				**(501)**
		1,893	**Total Comprehensive Income & Expenditure**				**(6,319)**

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 2014 £000	Balance Sheet	Notes	31st March 2015 £000
148,673	Property, Plant & Equipment	10	151,709
2,754	Heritage Assets	11	2,808
18,964	Investment Property	12	19,418
220	Intangible Assets		196
-	Assets Held for Sale	16	8,713
114	Long Term Investments	13	1
12,938	Long Term Debtors	13	12,902
183,663	**Long Term Assets**		**195,747**
8,726	Short Term Investments	13	18,826
26	Inventories		25
2,325	Short Term Debtors	14	2,121
20,084	Cash & Cash Equivalents	15	14,110
31,161	**Current Assets**		**35,082**
-	Cash & Cash Equivalents	15	(460)
(366)	Short Term Borrowing	13	(3,366)
(10,233)	Short Term Creditors	17	(9,164)
(547)	Provisions	18	(1,679)
(11,146)	**Current Liabilities**		**(14,669)**
(65,060)	Long Term Borrowing	13	(62,060)
(39,769)	Other Long Term Liabilities	19c	(48,911)
(4)	Capital Grants Receipts in Advance	29	(6)
(17)	Revenue Grants Receipts in Advance		(36)
(104,850)	**Long Term Liabilities**		**(111,013)**
98,828	**Net Assets**		**105,147**
24,256	Usable Reserves		28,891
74,572	Unusable Reserves	19	76,256
98,828	**Total Reserves**		**105,147**

The audited accounts were approved on 24th September 2015 by Audit and Governance Committee.

J Wheatley FCCA
Executive Director Corporate Services Dated: 24th September 2015

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 Corporate Services.

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.

2013/14 £000	**Cashflow Statement**	**Notes**	**2014/15 £000**
1,957	Net (Surplus) or Deficit on the Provision of Services		(5,818)
(15,293)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements		(2,245)
2,568	Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing & Financing Activities		1,875
(10,768)	Net cash flows from Operating Activities	20	(6,188)
7,670	Investing Activities	21	14,229
(2,700)	Financing Activities	22	(1,607)
(5,798)	Net (increase) or decrease in Cash & Cash Equivalents		6,434
14,286	Cash & Cash Equivalents at the beginning of the reporting period		20,084
20,084	**Cash & Cash Equivalents at 31st March 2015**	15	**13,650**

Notes to the Core Financial Statements - Summary

NOTES TO THE ACCOUNTS

1. Accounting Policies

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year end of 31st March 2015. The Accounts and Audit Regulations (England) 2011 require the Authority to prepare an Annual Statement of Accounts prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP), 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.

2. 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 the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;

b) Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;

c) Supplies are recorded as expenditure when they are consumed – where considered material, where there is a gap between the date supplies are received and their consumption, they are carried as Inventories on the Balance Sheet;

d) 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;

e) 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;

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

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

3. ACQUISITIONS AND DISCONTINUED OPERATIONS

Acquired operations

The Authority has not acquired any operations during 2014/15.

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 other discontinued operations in 2014/15.

4. CASH AND CASH EQUIVALENTS

Cash is represented by Cash in Hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 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.

5. EXCEPTIONAL ITEMS

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

6. 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.

7. 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 by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

8. EMPLOYEE BENEFITS

a) Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. Healthshield 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.

b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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.

c) Post Employment Benefits - The Local Government Pension Scheme

The pension costs included in these accounts have been determined in accordance with government regulations and IAS 19. 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. Note 35 to the Core Financial Statements on page 83 refers.

The Local Government Pension Scheme (LGPS) is 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 3.2%.

    This is based on an approach whereby a Corporate Bond yield curve is constructed using the UBS corporate bond curve for durations up to 8 years and from 12 years onwards use of a gilts curve plus a long term average credit spread of 1.0% p.a. (and interpolation between the two approaches for durations between 8 and 12 years).

    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:

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

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

- **Interest Cost:** The expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **Expected Return on Assets:** The annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **Gains or Losses on Settlements and Curtailments:** The result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- **Re-measurement of the Net Defined Benefit Liability / (Asset):** 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 – debited to the Pensions Reserve; and

- **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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund 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.

d) 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.

9. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period (30th June) and the date when the Statement of Accounts is authorised for issue (30th September). 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;

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 a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

10. FINANCIAL INSTRUMENTS

a) 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. Financial liabilities within the accounts consist of long term debt (PWLB) and bank overdraft carried at amortised cost. Other financial liabilities quoted are contractual creditors (less than 1 year) carried at contract amount. 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/ settlement.

However, where any repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid (up to a maximum of 10 years for the Housing Revenue Account).

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund or Housing Revenue Account is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b) Financial Assets

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market, these are included within the accounts at contractual amounts;

- Available for Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables 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 loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The accounting requirements for impairing investments (such as investments placed with Icelandic Banks) have been made in line with CIPFA guidance with the loss included in the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement in line with advice and information from the administrators.

11. FOREIGN CURRENCY TRANSLATION

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31st March 2015. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Within the accounts, this relates only to deposits from Glitnir Bank held in escrow in Iceland on our behalf.

12. 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:

a) the Authority will comply with the conditions attached to the payments, and

b) 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

13. 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 2014/15 financial statements (including the 2013/14 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.

14. 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.

15. INVESTMENT PROPERTY

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

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. 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.

16. JOINTLY CONTROLLED OPERATIONS AND ASSETS

A joint arrangement is an arrangement of which two or more parties have joint control where the parties are bound by an arrangement and the arrangement gives two or more of those parties joint control of the arrangement.

A joint arrangement is either:

- A joint venture; or
- A joint operation.

Joint operations are activities undertaken by the Authority 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. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of Property, Plant and Equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity.

The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Joint operations relate to the Joint Waste Management arrangement with Lichfield District Council – detailed at Note 30f) on page 77.

17. LEASES (IAS 17)

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) The 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).

b) The 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.

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.

18. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation;

- Non Distributed Costs – impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

19. PROPERTY, PLANT AND EQUIPMENT

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

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;
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. There were no assets under construction during 2014/15.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the 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 – historical cost;
ii. Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
iii. all other assets – fair 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 fair value because of the specialised nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value. Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. 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 fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years – including a desktop review of all Council Dwellings where they have not been subject to a formal revaluation in the year. 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); and then
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 following a full revaluation exercise (on a 5 yearly basis).

The Council has an ongoing programme of regeneration including disposal and redevelopment of garage sites and the redevelopment of housing at Tinkers Green and Kerria Centre. 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. Similarly, the value of the dwellings in the housing redevelopment areas that are no longer available to let have 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); and then
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 Land and 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 20 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** owned by the Authority is charged to revenue in the year of acquisition and is not capitalised in the accounts.

xi. **De minimus items** of expenditure on computer equipment and software is 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.

Depreciation, in the form of the capital element of finance leases is charged to the Comprehensive Income and Expenditure Statement in cases where the asset was acquired by way of a finance lease.

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

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

The site of the former Golf Course was reclassified as Assets Held for Sale during 2014/15.

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 <u>and</u>

- have a materially different useful life (at least 20% different) <u>and/or</u>

- 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 finance team and/or 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.

20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) 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 in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

b) 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 Contingent Liabilities for 2014/15 are outlined at Note 36 on page 89.

21. RESERVES

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

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund or Housing Revenue Account in the Movement in Reserves Statement 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. Details can be found in Note 7 to the Core Financial Statements on page 46.

22. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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.

23. VAT

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

24. ACCOUNTING FOR COUNCIL TAX AND NATIONAL NON DOMESTIC RATES

The Authority, as a billing authority, acts as the agent of its major preceptors (Staffordshire County Council, Office of the Police and Crime Commissioner (OPCC) Staffordshire and the Stoke on Trent and Staffordshire Fire and Rescue Authority).

The collection of National Non Domestic Rates (NNDR) is carried out by authorities as an agent activity on behalf of its major preceptors (the Department for Communities and Local Government (DCLG), Staffordshire County Council and Stoke on Trent and Staffordshire Fire and Rescue Authority) and should be accounted for accordingly. It means that the Authority does not recognise NNDR debtors in its' Balance Sheet but instead recognises a creditor or debtor for the net balance due to or from the preceptors.

Under the accounting requirements, for both the billing authority and major preceptors, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The majority of transactions the Authority undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Authority acting as a Principal.

However there are some situations whereby the Authority is acting as an Agent, where the Authority is acting as an intermediary for all or part of a transaction or service. The two main instances where this occurs are in relation to Council Tax and Business Rates.

The implications for this is that any Balance Sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance Sheet for a particular debt are the Authority's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from / to these parties.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 has introduced several changes in accounting policies which will be required from 1st April 2015. If these had been adopted for the financial year they would not have a significant impact on the Statement of Accounts as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions).The adoption of this standard will require Surplus Assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Properties or Non Current Assets Held for Sale) to be revalued to market value rather than value in existing use as at present. Operational Property, Plant and Equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to, historically, the low value of Surplus Assets held by the Council.

- IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

- Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts. The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision;

- The level and timing of recovery of Icelandic Deposits – as detailed in Note 37e) on page 97.

- Under the new 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 appeals against the rateable value of their properties on the Rating List. The Authority has included a provision of **£1.5m (£0.4m - 2013/14)** (the overall provision in the Business Rates Collection Fund is **£3.8m (£1.0m - 2013/14)** and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2015 of **£61.7m (£21.7m - 2013/14)** – as detailed in Note CF 6 on page 110.

  The increased since 2013/14 is due to a large increase in appeal submissions in the last month of the financial year resulting from a deadline for appeal applications of 31st March 2015 - as any appeals received after 31st March will not be backdated to either the 2005 or 2010 Rating List.

  It has been recognised nationally that a proportion of these appeals will be of an opportunistic / speculative nature which has been recognised in the provision estimate – which will be subject to the outcome of the review process carried out by the Valuation Office.

  However, local businesses can still appeal against the Rateable Value on the 2010 Rating List until 31st March 2017 – although they will now not be backdated to 2010. Therefore there are a number of future financial years where the cost of successful appeals could impact on the Authority's Financial Statements. 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 no provision in the accounts.

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 2015 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 increased from £39.8m to £48.9m (following an increase from £34.4m to £39.8m in 2013/14) – see Note 35 on page 83.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred 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.	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.£30k for every year that useful lives had to be reduced.
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 new arrangements for the Business Rates came into effect on 1st April 2013. 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 appeals against the rateable value of their properties on the rating List.	The Authority has included a provision of **£1.5m** (the overall provision in the Business Rates Collection Fund is **£3.8m** and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2015 of **£61.7m**. However, local businesses can still appeal against the Rateable Value on the 2010 Rating List until 31st March 2017 – although they will now not be backdated to 2010. Therefore there are a number of future financial years where the cost of successful appeals could impact on the Authority's Financial Statements. 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 no provision in the accounts.

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

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director Corporate Services on 25th June 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Adjustments between Accounting Basis & 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 & 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**
2014/15						
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
Charges for depreciation & impairment of Non Current Assets;	(418)	(7,607)	-	-	-	8,025
Revaluation losses on Property, Plant & Equipment	778	6,449	-	-	-	(7,227)
Movements in the market value of Investment Properties;	454	-	-	-	-	(454)
Amortisation of Intangible Assets;	(86)	-	-	-	-	86
Capital Grants & Contributions Applied;	314	-	-	-	-	(314)
Revenue Expenditure Funded from Capital Under Statute (REFCUS);	(274)	-	-	-	-	274
Amounts on Non Current Assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income & Expenditure Statement.	-	(1,270)	-	-	-	1,270
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment - Minimum Revenue Provision;	71	-	-	-	-	(71)
Capital expenditure charged against the General Fund & HRA balances.	202	619	-	-	-	(821)

Adjustments between Accounting Basis & 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
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 & Expenditure Statement;	77	1,491	(1,568)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure;	-	-	193	-	-	(193)
Contribution from the Capital Receipts Reserve towards administrative costs of Non Current Asset disposals.	-	(47)	47	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool;	(372)	-	372	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(7)	-	-	-	-	7
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA;	-	4,466	-	(4,466)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	4,332	-	(4,332)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 35);	(2,837)	(776)	-	-	-	3,613
Employer's pensions contribution & direct payments to pensioners payable in the year.	1,306	348	-	-	-	(1,654)
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax & Non Domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax & Non Domestic rating income calculated for the year in accordance with statutory requirements.	(616)	-	-	-	-	616
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	11	(3)	-	-	-	(8)
Total Adjustments 2014/15	**(1,397)**	**3,670**	**(956)**	**(134)**	**-**	**(1,183)**

Adjustments between Accounting Basis & Funding Basis under Regulations	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000
2013/14						
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
Charges for depreciation & impairment of Non Current Assets;	(1,161)	(9,749)	-	-	-	10,910
Revaluation losses on Property, Plant & Equipment	(1,223)	2,778	-	-	-	(1,555)
Movements in the market value of Investment Properties;	322	-	-	-	-	(322)
Amortisation of Intangible Assets;	(63)	-	-	-	-	63
Capital Grants & Contributions Applied;	392	-	-	-	-	(392)
Revenue Expenditure Funded from Capital Under Statute (REFCUS);	(374)	-	-	-	-	374
Amounts on Non Current Assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income & Expenditure Statement.	(175)	(1,536)	-	-	-	1,711
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment - Minimum Revenue Provision;	79	-	-	-	-	(79)
Statutory provision for the financing of capital investment - Voluntary Revenue Provision;	135	-	-	-	-	(135)
Capital expenditure charged against the General Fund & HRA balances.	493	1,959	-	-	-	(2,452)
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 & Expenditure Statement;	239	1,944	(2,183)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure;	-	-	543	-	-	(543)
Contribution from the Capital Receipts Reserve towards administrative costs of Non Current Asset disposals;	-	(55)	55	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool;	(339)	-	339	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(6)	-	(1)	-	-	7
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA;	-	4,471	-	(4,471)	-	-

Adjustments between Accounting Basis & Funding Basis under Regulations

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	5,583	-	(5,583)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 35);	(2,679)	(717)	-	-	-	3,396
Employer's pensions contribution & direct payments to pensioners payable in the year.	1,201	313	-	-	-	(1,514)
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements.	555	-	-	-	-	(555)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(32)	(7)	-	-	-	39
Total Adjustments 2013/14	**(2,636)**	**(599)**	**(1,247)**	**1,112**	**-**	**3,370**

7. Transfers to/from Earmarked Reserves

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 2014/15.

Transfers to / (from) Earmarked Reserves	Balance at 1st April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31st March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31st March 2015 £000
General Fund:							
Future Capital Expenditure	**1,152**	(692)	401	**861**	(164)	595	**1,292**
Temporary Reserves	**931**	(265)	249	**915**	(201)	123	**837**
Retained Funds	**2,107**	(555)	617	**2,169**	(534)	735	**2,370**
Repairs & Renewals	**259**	(259)	-	**-**	-	-	**-**
Commuted Sums	**1,514**	(32)	118	**1,600**	(1,183)	641	**1,058**
Other Reserves	**390**	(546)	598	**442**	(530)	450	**362**
Total	**6,353**	**(2,349)**	**1,983**	**5,987**	**(2,612)**	**2,544**	**5,919**
HRA:							
Future Capital Expenditure	**3,231**	(1,959)	3,461	**4,733**	(619)	3,540	**7,654**
Temporary Reserves	**167**	(70)	72	**169**	(178)	-	**(9)**
Retained Funds	**351**	(78)	53	**326**	(34)	86	**378**
Total	**3,749**	**(2,107)**	**3,586**	**5,228**	**(831)**	**3,626**	**8,023**

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.

Repairs and Renewal Account: This was set up under the provisions of the Local Government (Miscellaneous Provisions) Act 1976 and was used to support the revenue budget in 2013/14.

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.

8. Financing & Investment Income & Expenditure

2013/14 £000	Financing & Investment Income & Expenditure	2014/15 £000
3,004	Interest payable & similar charges	3,042
1,555	Pensions interest cost & expected return on pensions assets	1,696
(326)	Interest receivable & similar income	(297)
(844)	Finance Lease Income	(843)
(1,359)	(Income) & expenditure in relation to Investment Properties & changes in their fair value	(1,607)
(33)	Investment impairment	(116)
1,997	**Total**	**1,875**

9. Taxation & Non Specific Grant Income

2013/14 £000	Taxation & Non-specific Grant Incomes	2014/15 £000
(3,153)	Council Tax income	(3,253)
(12,693)	Non Domestic Rates	(12,086)
10,156	Non Domestic Rates - Tariff	10,354
356	Non Domestic Rates - Levy to GBSLEP	-
(3,830)	Non ringfenced government grants	(3,358)
(392)	Capital grants & contributions	(314)
(9,556)	**Total**	**(8,657)**

A detailed breakdown of the grants, contributions and donations credited to the Comprehensive Income and Expenditure Statement in 2014/15 is shown in Note 29.

10. Property, Plant & Equipment

Movement in 2014/15	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Total Property, Plant & Equipment £000
Cost or Valuation						
At 1st April 2014	**128,887**	**18,083**	**3,443**	**378**	**811**	**151,602**
Additions;	4,972	99	97	-	103	**5,271**
Accumulated Depreciation & Impairment written off to Gross Carrying Amount;	(6,965)	(174)	-	-	-	**(7,139)**
Revaluation increases / (decreases) recognised in the Revaluation Reserve;	2,029	6,520	-	-	-	**8,549**
Revaluation increases / (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	6,449	1,093	-	-	(315)	**7,227**
Derecognition – Disposals;	(1,515)	(110)	-	-	-	**(1,625)**
Assets reclassified (to) / from Assets Held for Sale	-	(8,713)	-	-	-	**(8,713)**
Other movements in cost or valuation.	-	(334)	-	-	334	**-**
At 31st March 2015	**133,857**	**16,464**	**3,540**	**378**	**933**	**155,172**
Accumulated Depreciation & Impairment						
At 1st April 2014	**(293)**	**(132)**	**(2,326)**	**(176)**	**(2)**	**(2,929)**
Depreciation Charge;	(2,167)	(304)	(159)	(13)	-	**(2,643)**
Accumulated Depreciation & Impairment written off to Gross Carrying Amount;	6,965	174	-	-	-	**7,139**
Impairment losses / (reversals) recognised in the Revaluation Reserve;	(3)	-	-	-	-	**(3)**
Impairment losses / (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(5,382)	-	-	-	-	**(5,382)**
Derecognition – disposals.	301	54	-	-	-	**355**
At 31st March 2015	**(579)**	**(208)**	**(2,485)**	**(189)**	**(2)**	**(3,463)**
Net Book Value						
at 31st March 2014	128,594	17,951	1,117	202	809	148,673
at 31st March 2015	**133,278**	**16,256**	**1,055**	**189**	**931**	**151,709**
Nature of Holdings at year end						
Owned	133,278	16,256	1,055	189	931	**151,709**

Comparative Movement in 2013/14	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Total Property, Plant & Equipment £000
Cost or Valuation						
At 1st April 2013	**125,747**	**21,166**	**3,273**	**378**	**803**	**151,367**
Additions;	7,602	482	170	-	8	**8,262**
Accumulated Depreciation & Impairment written off to Gross Carrying Amount;	(9,385)	(1,116)	-	-	-	**(10,501)**
Revaluation increases / (decreases) recognised in the Revaluation Reserve;	3,460	119	-	-	-	**3,579**
Revaluation increases / (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	2,778	(1,908)	-	-	-	**870**
Derecognition – Disposals;	(1,367)	(389)	-	-	-	**(1,756)**
Assets reclassified (to) / from Investment Property.	52	(271)	-	-	-	**(219)**
At 31st March 2014	**128,887**	**18,083**	**3,443**	**378**	**811**	**151,602**
Accumulated Depreciation & Impairment						
At 1st April 2013	**-**	**(851)**	**(2,193)**	**(164)**	**(2)**	**(3,210)**
Depreciation & Impairment Charge;	(2,103)	(393)	(133)	(12)	-	**(2,641)**
Accumulated Depreciation & Impairment written off to Gross Carrying Amount;	9,385	1,116	-	-	-	**10,501**
Impairment losses / (reversals) recognised in the Revaluation Reserve;	(1)	(41)	-	-	-	**(42)**
Impairment losses / (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(7,583)	(12)	-	-	-	**(7,595)**
Derecognition – disposals;	9	37	-	-	-	**46**
Assets reclassified (to) / from Investment Property.	-	12	-	-	-	**12**
At 31st March 2014	**(293)**	**(132)**	**(2,326)**	**(176)**	**(2)**	**(2,929)**
Net Book Value						
at 31st March 2013	125,747	20,315	1,080	214	801	**148,157**
at 31st March 2014	**128,594**	**17,951**	**1,117**	**202**	**809**	**148,673**
Nature of Holdings at year end						
Owned	128,594	17,951	1,117	202	809	**148,673**

a) Capital Commitments

At 31st March 2015, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £4.1m. Similar commitments at 31st March 2014 were £5.5m. The major commitments are:

2013/14 £000	Capital Contract	2014/15 £000
55.3	Private Sector Housing – Disabled Facilities Grants	171.1
48.7	IT Projects	13.0
3,846.5	Housing Repairs & Investment	3,185.7
1,249.0	Gas Installations	655.0
89.9	Tamworth Castle Heritage Lottery Fund	-
32.5	Assembly Rooms Development	-
7.4	HR/Payroll System	5.7
191.3	Regeneration Projects	90.6
21.2	New Cemetery Land	-
-	Broadmeadow Nature Reserve	22.1
5,541.8	**Total**	**4,143.2**

b) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The effective date of revaluation is 31st March 2015. The valuations are carried out by Authority's Property Surveyor, Mr P Evans MRICS, IRRV with the valuation of Council Dwellings being undertaken by Specialist Valuation Services an external valuer. 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 fair value.

The significant assumptions applied in estimating the fair values are:

- Fair Value is: 'The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arms length transaction';
- Fair Value represents the price that would be reasonably agreed between two specific parties for the exchange of an asset;
- Although the parties may be unconnected and negotiating at arms length, the asset is not necessarily exposed in the wider market and the price agreed may be one that reflects the specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large;

- In accounting standards, fair value is normally equated to market value;

- Fair value is a broader concept than market value. Although in many causes the price that is fair between two parties will equate to that obtainable in the general market, there will be cases where the assessment for fair value will involve taking into account matters that have to be disregarded in the assessment of market value.

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 & Buildings** £000	**Vehicles, Plant, Furniture & Equipment** £000	**Infrastructure Assets** £000	**Community Assets** £000	**Total Property, Plant & Equipment** £000
Valued at Historical Cost	-	-	1,055	189	931	2,175
Valued at Current Cost in:						
2014/15	132,564	6,538	-	-	-	139,102
2013/14	714	9,718	-	-	-	10,432
Total	**133,278**	**16,256**	**1,055**	**189**	**931**	**151,709**

11. Heritage Assets

Movement in 2014/15	**Art Collection** £000	**Civic Regalia** £000	**Museum Exhibits** £000	**Statues** £000	**Castle** £000	**Total Heritage Assets** £000
Cost or Valuation						
At 1st April 2014	**97**	**174**	**624**	**233**	**1,626**	**2,754**
Additions	-	-	-	-	54	**54**
At 31st March 2015	**97**	**174**	**624**	**233**	**1,680**	**2,808**

Movement in 2013/14	Art Collection £000	Civic Regalia £000	Museum Exhibits £000	Statues £000	Castle £000	Total Heritage Assets £000
Cost or Valuation						
At 1st April 2013	**97**	**174**	**622**	**233**	**1,456**	**2,582**
Additions	-	-	-	-	172	**172**
Other movements in cost or valuation	-	-	2	-	(2)	**-**
At 31st March 2014	**97**	**174**	**624**	**233**	**1,626**	**2,754**

Heritage Assets Five Year Summary of Transactions	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Cost of Acquisitions of Heritage Assets					
Castle Museum	4	64	836	172	54
Total Cost of Purchases	4	64	836	172	54

12. Investment Properties

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:

2013/14 £000	Investment Properties	2014/15 £000
(1,434)	Rental income from Investment Property	(1,504)
397	Direct operating expenses arising from Investment Property	351
(1,037)	**Net (Gain) / Loss**	**(1,153)**

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:

2013/14 £000	Fair Value of Investment Properties	2014/15 £000
18,435	**Balance at 1st April 2014**	**18,964**
	Transfers:	
207	To / from Property, Plant & Equipment	-
	Valuations:	
322	Changes in market valuation	454
18,964	**Balance at 31st March 2015**	**19,418**

13. Financial Instruments

a) Categories of Financial Instruments

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

Financial Instruments	Long Term		Current	
	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000
Investments				
Loans & receivables (Principal amount)	59	-	8,674	18,757
Plus Accounting adjustments	-	-	52	69
Available for Sale financial assets	55	1	-	-
Total Investments	**114**	**1**	**8,726**	**18,826**
Debtors				
Loans & receivables	-	-	20,055	14,090
Plus Accounting adjustments	-	-	25	16
Financial assets carried at contract amounts	12,938	12,902	1,274	1,611
Total Debtors	**12,938**	**12,902**	**21,354**	**15,717**
Borrowings				
Financial liabilities at amortised cost	65,060	62,060	-	3,000-
Plus Accounting adjustments	-	-	366	366
Total Borrowings	**65,060**	**62,060**	**366**	**3,366**
Creditors				
Financial liabilities at amortised cost	-	-	-	460
Financial liabilities carried at contract amount	-	-	5,718	4,409
Total Creditors	**-**	**-**	**5,718**	**4,869**

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	2013/14					2014/15				
	Financial liabilities measured at amortised cost	Financial Assets: Loans & receivables	Financial Assets: Available for sale	Assets & Liabilities at Fair Value through Profit & Loss	Total	Financial liabilities measured at amortised cost	Financial Assets: Loans & receivables	Financial Assets: Available for sale	Assets & Liabilities at Fair Value through Profit & Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	(3,004)	-	-	-	**(3,004)**	(3,042)	-	-	-	**(3,042)**
Impairment losses	-	33	-	-	**33**	-	116	-	-	**116**
Total expense in (Surplus) or Deficit on the Provision of Services	**(3,004)**	**33**	**-**	**-**	**(2,971)**	**(3,042)**	**116**	**-**	**-**	**(2,926)**
Interest income	-	306	1	844	**1,151**	-	289	1	843	**1,133**
Interest income accrued on impaired financial assets	-	19	-	-	**19**	-	7	-	-	**7**
Total income in (Surplus) or Deficit on the Provision of Services	**-**	**325**	**1**	**844**	**1,170**	**-**	**296**	**1**	**843**	**1,140**
Gains on revaluation	-	-	2	-	**2**	-	-	2	-	**2**
Surplus / (deficit) arising on revaluation of financial assets in Other Comprehensive Income & Expenditure	**-**	**-**	**2**	**-**	**2**	**-**	**-**	**2**	**-**	**2**
Net Gain / (Loss) for the Year	**(3,004)**	**358**	**3**	**844**	**(1,799)**	**(3,042)**	**412**	**3**	**843**	**(1,784)**

c) Fair Values of Assets and Liabilities

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

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- 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 principal outstanding 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 2014		31st March 2015	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
PWLB Debt	65,426	75,567	65,426	96,528
Creditors	5,718	5,718	4,409	4,409
Total Financial Liabilities	**71,144**	**81,285**	**69,835**	**100,937**

The fair value is greater than the carrying amount because the Authority'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 2015) arising from a commitment to pay interest to lenders above current market rates.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and include accrued interest.

Loans and Receivables	31st March 2014		31st March 2015	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Money Market Loans <1 year	8,726	8,737	18,826	18,840
Money Market Loans >1 year	59	59	-	-
Debtors	1,274	1,274	1,611	1,611
Long Term Debtors	12,938	12,938	12,902	12,902
Total Financial Liabilities	**22,997**	**23,008**	**33,340**	**33,354**

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 2014/15, a notional future gain (based on economic conditions at 31st March 2015) attributable to the commitment to receive interest above current market rates.

The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

The differences are attributable to fixed interest instruments payable being held by the Authority whose interest rate is higher than the prevailing rate estimated to be available at 31st March 2015. This increases the fair value of financial liabilities and the value of loans and receivables.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

14. Debtors

2013/14 £000	Debtors	2014/15 £000
933	Central Government bodies	317
303	Other Local Authorities	563
86	Council Taxpayers	89
1,655	Housing Rents	1,730
2,027	Other entities & individuals	2,265
32	Business Rates	104
(229)	Payment in advance	(260)
(2,482)	Provision for bad debts	(2,687)
2,325	**Total**	**2,121**

15. Cash & Cash Equivalents

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

2013/14 £000	Cash & Cash Equivalents	2014/15 £000
4	Cash held by the Authority	4
172	Bank current accounts	(460)
19,908	Short term deposits with Banks & Building Societies	14,106
20,084	**Total Cash & Cash Equivalents**	**13,650**

16. Assets Held for Sale

Assets Held for Sale	2014/15 Current £000	2014/15 Non-Current £000	2014/15 Total £000
Balance at 1st April 2014	-	-	-
Assets declassified as Held for Sale: Property, Plant & Equipment	-	8,713	8,713
Balance at 31st March 2015	**-**	**8,713**	**8,713**

17. Creditors

2013/14 £000	Creditors	2014/15 £000
1,761	Central Government bodies	828
1,741	Other Local Authorities	1,361
71	Council Taxpayers	84
394	Housing Rents	418
1,642	Precepting Authorities (Business Rates)	2,404
800	Precepting Authorities (Council Tax)	1,106
3,583	Other entities & individuals	2,630
241	Business Rates	333
10,233	**Total**	**9,164**

18. Provisions

Provisions	Costs Associated with VR £000	Municipal Mutual Insurance £000	Land Charges Legal Liability £000	Non-Domestic Rates Appeals £000	Total £000
2013/14					
Balance at 1st April 2013	**5**	**33**	**110**	**-**	**148**
Additional provisions made in year	-	-	11	393	404
Amount used in year	(5)	-	-	-	(5)
Balance at 31st March 2014	**-**	**33**	**121**	**393**	**547**
2014/15					
Additional provisions made in year	-	-	-	1,132	1,132
Balance at 31st March 2015	**-**	**33**	**121**	**1,525**	**1,679**

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 – excluding the first £50k of claims paid). The provision of £33k is to cover the potential additional levy of up to 28%.

b) Land Charges Ongoing Legal Action

A group of Property Search Companies are seeking to claim refunds of fees paid to the Authority to access land charges data. The Authority has been informed that the value of those claims at present is £95k including interest and costs. A provision of £121k has been established at this stage.

c) Business Rates Appeals

Under the new 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 appeals against the rateable value of their properties on the Rating List. The Authority has included a provision of **£1.5m (£0.4m - 2013/14)** (the overall provision in the Business Rates Collection Fund is **£3.8m (£1.0m - 2013/14)** and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2015 of **£61.7m (£21.7m - 2013/14)** – as detailed in Note CF 6 on page 110.

The increased since 2013/14 is due to a large increase in appeal submissions in the last month of the financial year resulting from a deadline for appeal applications of 31st March 2015 - as any appeals received after 31st March will not be backdated to either the 2005 or 2010 Rating List.

It has been recognised nationally that a proportion of these appeals will be of an opportunistic / speculative nature which has been recognised in the provision estimate – which will be subject to the outcome of the review process carried out by the Valuation Office.

A Contingent Liability has also been included at Note 36 as local businesses can still appeal against the Rateable Value on the 2010 Rating List until 31st March 2017. Therefore there are a number of future financial years where the cost of successful appeals could impact on the Authority's Financial Statements.

19. Unusable Reserves

31st March 2014 £000	Unusable Reserves	31st March 2015 £000
12,791	Revaluation Reserve	21,605
88,467	Capital Adjustment Account	91,956
(39,769)	Pensions Reserve	(49,773)
12,765	Deferred Capital Receipts Reserve	12,758
605	Collection Fund Adjustment Account	(11)
(287)	Accumulated Absences Account	(279)
74,572	**Total Unusable Reserves**	**76,256**

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.

2013/14 £000		Revaluation Reserve	2014/15 £000	
9,017		**Balance at 1st April 2014**		**12,791**
	4,393	Upward revaluation of assets	8,732	
	(857)	Downward revaluation of assets & impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	(186)	
3,536		Surplus or deficit on the revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		8,546
	238	Difference between fair value depreciation & historical cost depreciation	268	
238		Amount written off to the Capital Adjustment Account		268
12,791		**Balance at 31st March 2015**		**21,605**

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

2013/14 £000		Capital Adjustment Account	2014/15 £000	
90,702		**Balance at 1st April 2014**		**88,467**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
	(10,910)	Charges for depreciation & impairment of Non Current Assets;	(8,025)	
	1,555	Revaluation losses on Property, Plant & Equipment;	7,227	
	(63)	Amortisation of Intangible Assets;	(86)	
	(374)	Revenue Expenditure Funded from Capital Under Statute;	(274)	
	(1,711)	Amounts of Non Current Assets written off on disposal or sale as part of the gains / loss on disposal to the Comprehensive Income & Expenditure Statement.	(1,270)	
(11,503)				(2,428)
(238)		Adjusting amounts written out of the Revaluation Reserve		(268)
(11,741)		Net written out amount of the cost of Non Current Assets consumed in the year		**(2,696)**
		Capital financing applied in the year:		
	543	Use of Capital Receipts Reserve to finance new capital expenditure;	193	
	5,583	Use of Major Repairs Reserve to finance new capital expenditure;	4,332	
	392	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing;	314	
	79	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances - Minimum Revenue Provision;	71	
	135	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances - Voluntary Revenue Provision;	-	
	2,452	Capital expenditure charged against the General Fund & HRA Balances.	821	
9,184				**5,731**
322		Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement.		**454**
88,467		**Balance at 31st March 2015**		**91,956**

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.

2013/14 £000	Pensions Reserve	2014/15 £000
(34,415)	**Balance at 1st April 2014**	**(39,769)**
(3,472)	Re-measurement of the Net Defined Benefit Liability / (Asset)	(8,045)
(3,396)	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(3,613)
1,514	Employer's contributions & direct payments to pensioners payable in the year	1,654
(39,769)	**Balance at 31st March 2015**	**(49,773)**

The accounts include £862k relating to the advance payment of the pension lump sum for 2015/16 and 2016/17 – following the triennial review in March 2013. This has been accounted for, following technical advice, by reducing the charge to the Comprehensive Income and Expenditure Account through an increase in the Pensions Reserve.

d) 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.

2013/14 £000	Deferred Capital Receipts Reserve	2014/15 £000
12,772	**Balance at 1st April 2014**	**12,765**
(7)	Transfer to Capital Receipts Reserve upon receipt of cash	(7)
12,765	**Balance at 31st March 2015**	**12,758**

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 2015. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2013/14 £000		Accumulated Absences Account	2014/15 £000	
(248)		**Balance at 1st April 2014**		**(287)**
	248	Settlement or cancellation of accrual made at the end of the preceding year	287	
	(287)	Amounts accrued at the end of the current year	(279)	
(39)		Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		8
(287)		**Balance at 31st March 2015**		**(279)**

20. Cash Flow Statement – Operating Activities

The cash flows for the operating activities include the following items:

2013/14 £000	Cash Flow Statement - Operating Activities	2014/15 £000
	The cash flows for operating activities include the following items	
(1,185)	Interest received	(1,124)
2,991	Interest paid	3,042
1,806		1,918
(1,957)	Net Surplus or (Deficit) on the Provision of Services	**5,818**
	Adjusted for non cash movements	
10,910	Depreciation	8,025
(1,555)	Impairment and Downward Valuations	(7,227)
63	Amortisation	86
2,029	Increase / Decrease in Creditors	(2,140)
171	Increase / Decrease in Debtors	455
5	Increase / Decrease in Inventories	1
1,882	Movement in Pension Liability	1,097
1,711	Carrying amount of Non Current Assets and Non Current Assets Held for Sale, sold or de-recognised	1,270
77	Other non cash items charged to the Net (Surplus) or Deficit on the Provision of Services	678
15,293		**2,245**
	Adjusted for items that are Investing or Financing Activities	
(2,176)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,561)
(392)	Any other items for which the cash effects are Investing or Financing Activities cash flows	(314)
(2,568)		**(1,875)**
10,768	**Net Cash Flows from Operating Activities**	**6,188**

21. Cash Flow Statement – Investing Activities

2013/14 £000	Cash Flow Statement - Investing Activities	2014/15 £000
8,370	Purchase of Property, Plant and Equipment; Investment Property and Intangible Assets	6,142
55	Purchase of Short Term and Long Term Investments	(54)
(2,184)	Proceeds from the sale of Property, Plant and Equipment; Investment Property and Intangible Assets	(1,568)
1,623	Proceeds from Short Term and Long Term Investments	10,025
(194)	Other receipts from Investing Activities	(316)
7,670	**Net Cash Flows from Investing Activities**	**14,229**

22. Cash Flow Statement – Financing Activities

2013/14 £000	Cash Flow Statement - Financing Activities	2014/15 £000
(2,700)	Billing Authorities - Council Tax and NNDR adjustments	(1,587)
-	Other payments for Financing Activities	(20)
(2,700)	**Net Cash Flows from Financing Activities**	**(1,607)**

23. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year under IAS19.
- the costs and income relating to Investment Properties are shown within the portfolio whereas they are charges/ credited to Financing and Investment Income on the face of the Comprehensive Income and Expenditure Statement.
- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).

The income and expenditure of the Authority's Directorates recorded in the budget reports for the year is as follows:

Directorate Income & Expenditure	Chief Executive	Executive Director Corporate Resources	Director of Finance	Director Technology & Corporate Programmes	Solicitor to the Council	Director Assets & Environmental Services	Director Housing & Health	Director Communities, Planning & Partnerships	Director Transformation & Corporate Performance	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
2014/15										
Fees, charges & other service income;	-	(833)	(3,512)	(8)	(123)	(4,551)	(20,823)	(2,301)	(128)	**(32,279)**
Interest & investment income;	-	-	(1,053)	-	-	-	(87)	-	-	**(1,140)**
Government Grants.	-	(22,241)	(998)	-	(61)	(16)	-	(108)	(2)	**(23,426)**
Total Income	**-**	**(23,074)**	**(5,563)**	**(8)**	**(184)**	**(4,567)**	**(20,910)**	**(2,409)**	**(130)**	**(56,845)**
Employee Expenses;	180	874	1,209	519	270	3,091	2,807	1,902	977	**11,829**
Other service expenses;	12	22,452	3,524	603	498	4,581	12,211	2,611	525	**47,017**
Support service recharges;	(192)	208	504	(1,258)	151	(437)	1,452	644	(1,072)	**-**
Depreciation, amortisation & impairment.	-	-	-	159	-	313	2,225	29	1	**2,727**
Total Operating Expenses	**-**	**23,534**	**5,237**	**23**	**919**	**7,548**	**18,695**	**5,186**	**431**	**61,573**
Net Expenditure	**-**	**460**	**(326)**	**15**	**735**	**2,981**	**(2,215)**	**2,777**	**301**	**4,728**

Restated Directorate Income & Expenditure	Chief Executive	Executive Director Corporate Resources	Director of Finance	Director Technology & Corporate Programmes	Solicitor to the Council	Director Assets & Environmental Services	Director Housing & Health	Director Communities, Planning & Partnerships	Director Transformation & Corporate Performance	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2013/14 Comparative Figures										
Fees, charges & other service income;	-	(548)	(4,142)	(49)	(149)	(5,102)	(21,731)	(1,300)	(89)	**(33,110)**
Interest & investment income;	-	-	(1,061)	-	-	-	(97)	(15)	-	**(1,173)**
Government Grants.	-	(22,020)	(448)	(7)	(9)	(2)	(45)	(37)	-	**(22,568)**
Total Income	**-**	**(22,568)**	**(5,651)**	**(56)**	**(158)**	**(5,104)**	**(21,873)**	**(1,352)**	**(89)**	**(56,851)**
Employee Expenses;	182	906	982	530	230	3,060	2,712	1,850	980	**11,432**
Other service Expenses;	11	22,048	3,484	608	453	5,108	12,334	1,838	432	**46,316**
Support service recharges;	(193)	272	543	(1,167)	196	(553)	1,244	730	(1,084)	**(12)**
Depreciation, amortisation & impairment.	-	-	-	109	-	392	2,166	23	1	**2,691**
Total Operating Expenses	**-**	**23,226**	**5,009**	**80**	**879**	**8,007**	**18,456**	**4,441**	**329**	**60,427**
Net Expenditure	**-**	**658**	**(642)**	**24**	**721**	**2,903**	**(3,417)**	**3,089**	**240**	**3,576**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Restated 2013/14 £000	**Reconciliation to Cost of Services in Comprehensive Income & Expenditure Statement**	**2014/15 £000**
3,576	Net expenditure in the Directorate Analysis	4,728
7,334	Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	(1,327)
(1,500)	Amounts included in the analysis not included in the Comprehensive Income & Expenditure Statement	(2,675)
9,410	**Cost of Services in Comprehensive Income & Expenditure Statement**	**726**

Reconciliation to the (Surplus) or Deficit on the Provision of Services	Directorate Analysis	Amounts not Reported to Management for Decision Making	Amounts not included in the Comprehensive Income & Expenditure Statement	Cost of Services	Corporate Amounts	Total
2014/15	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income;	(32,279)	-	7,043	**(25,236)**	(4,605)	**(29,841)**
Interest & investment income	(1,140)		1,140	**-**	(1,140)	**(1,140)**
Income from Council Tax;	-		-	**-**	(3,253)	**(3,253)**
Government grants & contributions.	(23,426)		1,018	**(22,408)**	(5,404)	**(27,812)**
Total Income	**(56,845)**	**-**	**9,201**	**(47,644)**	**(14,402)**	**(62,046)**
Employee expenses;	11,829	-	(133)	**11,696**	133	**11,829**
Other service expenses;	47,017	-	(11,562)	**35,455**	6,290	**41,745**
Support service recharges;	-	-	(175)	**(175)**	175	**-**
Depreciation, amortisation & impairment;	2,727	(1,843)	(6)	**878**	(564)	**314**
REFCUS;	-	274	-	**274**	-	**274**
Retirement Benefits;	-	242	-	**242**	1,703	**1,945**
Payments to Housing Capital Receipts Pool;	-		-	**-**	372	**372**
Gain or Loss on Disposal of Fixed Assets.	-		-	**-**	(251)	**(251)**
Total Expenditure	**61,573**	**(1,327)**	**(11,876)**	**48,370**	**7,858**	**56,228**
(Surplus) or Deficit on the Provision of Services	**4,728**	**(1,327)**	**(2,675)**	**726**	**(6,544)**	**(5,818)**

Restated Reconciliation to the (Surplus) or Deficit on the Provision of Services	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in the Comprehensive Income & Expenditure Statement	Cost of Services	Corporate Amounts	Total
2013/14 Comparative Figures	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income;	(33,110)	-	8,561	**(24,549)**	(4,606)	**(29,155)**
Interest & investment income	(1,173)	-	1,169	**(4)**	(1,169)	**(1,173)**
Income from Council Tax;	-	-	-	**-**	(3,153)	**(3,153)**
Government grants & contributions.	(22,568)	-	404	**(22,164)**	(6,403)	**(28,567)**
Total Income	**(56,851)**	**-**	**10,134**	**(46,717)**	**(15,331)**	**(62,048)**
Employee expenses;	11,432	-	(40)	**11,392**	189	**11,581**
Other service expenses;	46,316	-	(11,465)	**34,851**	6,323	**41,174**
Support service recharges;	(12)	-	(129)	**(141)**	141	**-**
Depreciation, amortisation & impairment;	2,691	6,642	-	**9,333**	(260)	**9,073**
REFCUS;	-	374	-	**374**	-	**374**
Retirement Benefits;	-	318	-	**318**	1,564	**1,882**
Payments to Housing Capital Receipts Pool;	-	-	-	**-**	339	**339**
Gain or Loss on Disposal of Fixed Assets.	-	-	-	**-**	(418)	**(418)**
Total Expenditure	**60,427**	**7,334**	**(11,634)**	**56,127**	**7,878**	**64,005**
(Surplus) or Deficit on the Provision of Services	**3,576**	**7,334**	**(1,500)**	**9,410**	**(7,453)**	**1,957**

24. Acquired & Discontinued Operations

The Council's Cabinet on 11th September 2014 approved the closure of Tamworth Golf Course with effect from 1st October 2014. This followed the earlier decision on 23rd January 2014, as a result of an options appraisal, to cease to operate the Golf Course in March 2015 (subject to customer demand in 2014) and to progress a disposal of the site. Running costs (net of income received from membership fees, etc.) were £185k in 2013/14 and £117k for the half year to 30th September 2014. As at 31st March 2015, the Golf Course site is held as an Asset Held for Sale, with further details included within Note 16.

There were no other acquired and discontinued operations in 2014/15.

25. Trading Operations

The Authority has a number of trading operations required to operate in a commercial environment as follows:

2013/14 Expenditure £000	2013/14 Income £000	2013/14 (Surplus)/ Deficit £000	Trading Operations	2014/15 Expenditure £000	2014/15 Income £000	2014/15 (Surplus)/ Deficit £000
4	(10)	**(6)**	Markets	4	(10)	**(6)**
32	(670)	**(638)**	Industrial Estates	135	(705)	**(570)**
31	(751)	**(720)**	Other Land and Property	(238)	(799)	**(1,037)**
67	**(1,431)**	**(1,364)**	**Total**	**(99)**	**(1,514)**	**(1,613)**

Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement.

26. Members' Allowances

The Authority paid the following amounts to members of the Authority during the year.

2013/14 £000	Members Allowances	2014/15 £000
140	Basic Allowance	153
83	Special Responsibility	86
3	Other Allowances/Expenses	4
3	Travel/Mileage	2
229	**Total**	**245**

27. Officers' Remuneration

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

Officers Remuneration		Salary, Fees & Allowances	Expenses Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive*	**2014/15**	**110,664**	**1,455**	**17,339**	**129,458**
	2013/14	*106,615*	*1,455*	*20,597*	*128,667*
Executive Director Corporate Services*	**2014/15**	**89,133**	**1,338**	**14,690**	**105,161**
	2013/14	*85,762*	*1,338*	*16,793*	*103,893*
Director Transformation & Corporate Performance	**2014/15**	**72,521**	**1,338**	**11,962**	**85,821**
	2013/14	*72,138*	*1,338*	*14,139*	*87,615*
Director Assets & Environment	**2014/15**	**76,133**	**1,338**	**12,560**	**90,031**
	2013/14	*75,762*	*1,338*	*14,845*	*91,945*
Director Housing & Health	**2014/15**	**72,496**	**1,338**	**11,962**	**85,796**
	2013/14	*72,135*	*1,338*	*14,139*	*87,612*
Director Finance	**2014/15**	**72,513**	**1,338**	**11,962**	**85,813**
	2013/14	*72,166*	*1,338*	*14,139*	*87,643*
Director Communities, Planning & Partnerships	**2014/15**	**72,512**	**1,338**	**11,962**	**85,812**
	2013/14	*72,171*	*1,338*	*14,139*	*87,648*
Solicitor to the Council	**2014/15**	**64,437**	**1,338**	**10,628**	**76,403**
	2013/14	*62,284*	*1,338*	*12,196*	*75,818*
Director Technology & Corporate Programmes	**2014/15**	**66,797**	**1,062**	**11,022**	**78,881**
	2013/14	*64,045*	*1,062*	*12,562*	*77,669*
Head of Landlord Services	**2014/15**	**57,178**	**1,151**	**9,434**	**67,763**
	2013/14	*56,766*	*1,338*	*11,126*	*69,230*

* Includes Local Returning Officer and Deputy Returning Officer Fees under Legislation.

With regard to the reduction in pension contribution levels - following the triennial review carried out by the Actuary employed by the Pension Fund in March 2013 - indicative *ongoing* annual increases in Employer's contributions of c.2% p.a. for the 3 years commencing 1st April 2014 have been indicated. This now includes an ongoing lump sum (with an annual increase) relating to past liabilities and a set rate for future employer contributions of 16.5% p.a. This has reduced from an inclusive rate of 19.6% in 2013/14.

The Authority's employees receiving more than £50k remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2013/14 Total Number of Employees	Remuneration Band	2014/15 Number of Employees Left During Year	2014/15 Number Employed at 31st March 2015	2014/15 Total Number of Employees
1	£55,000 - £59,999	-	1	1
2	£60,000 - £64,999	-	1	1
-	£65,000 - £69,999	-	1	1
4	£70,000 - £74,999	-	4	4
1	£75,000 - £79,999	-	1	1
1	£85,000 - £89,999	-	1	1
1	£105,000 - £109,999	-	-	-
-	£110,000 - £114,999	-	1	1

The number of exit packages with total cost per band and total cost of redundancies are set out below:

Exit Package Cost Band	Number of Departures Agreed		Total Cost of Exit Packages	
	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	2	9	10,288	54,254
£20,001 - £40,000	-	1	-	27,000
Total	**2**	**10**	**10,288**	**81,254**

28. External Audit Costs

The agreed audit fees paid for 2014/15 were £78k (£116k 2013/14) net of a £6.7k rebate from the Audit Commission.

2013/14 £000	External Audit Costs	2014/15 £000
58	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the year;	59
16	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the previous year;	-
20	Accounting adjustment: reversal of prepayment;	-
20	Fees payable to Grant Thornton for the certification of grants & returns for the year;	17
2	Fees payable in respect of other services provided by Audit Commission during the year - National Fraud Initiative.	2
116	**Total**	**78**

29. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14 £000	Grant Income	2014/15 £000
	Credited to Taxation & Non Specific Grant Income	
3,070	Revenue Support Grant	2,340
12,693	NNDR	12,086
(10,156)	Non Domestic Rates - Tariff	(10,354)
(356)	Non Domestic Rates - Levy to GBSLEP	-
406	New Homes Bonus	535
54	Local Council Tax Support Scheme	-
9	Community Right to Challenge	9
8	Community Right to Bid	8
16	Capitalisation Provision redistribution	-
217	S31 Grant - Small Business Rate Relief	348
17	Local Authority Data Sharing Programme	10
3	Transparency Code set up	6
30	Welfare Benefit Changes	102
392	Capital Grants & Contributions	314
6,403	**Total**	**5,404**

The Authority credited the following grants, contributions and donations to Cost of Services within the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14 £000	Credited to Services Government Grant	2014/15 £000
474	DWP Admin Grant	424
92	NNDR Cost of Collection	92
21,392	Benefits	21,592
106	Discretionary Housing Payment	113
2	Nature Reserve	4
27	Safer Stronger Communities/Domestic Abuse	86
7	Tamworth Inspire	-
9	Electoral Process	61
45	Supporting People	-
-	P R & Consultation	2
-	Business Development Programme	7
-	Food Safety	2
-	War Memorial	10
10	IEWM Developing Multi-Agency Locality Commissioning	-
-	Arts Council - I Am Tamworth	15
22,164	**Total**	**22,408**

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 2014 £000	Capital Grants Receipts in Advance	31st March 2015 £000
1	DCMS Free Swimming Grant	1
3	Lottery BMX Track	3
-	Elections	2
4	**Total**	**6**

30. 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 23 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2015 are shown in Note 29.

b) Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' Allowances paid in 2014/15 is shown in Note 26. During the financial year ended 31st March 2015, 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' Interest, open to public inspection at the Town Hall during office hours.

c) Officers

During the financial year ended 31st March 2015, 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 27.

d) Staffordshire County Council, OPCC and Fire Authority Precepts.

Staffordshire County Council and OPCC Staffordshire, and Stoke on Trent and Staffordshire Fire and Rescue Authority, issue precepts on the Authority, as follows:

31st March 2014 £000	Precepts	31st March 2015 £000
20,749	Staffordshire County Council	20,945
3,588	Office of the Police & Crime Commissioner	3,621
1,366	Stoke on Trent & Staffordshire Fire & Rescue Authority	1,379
25,703	**Total**	**25,945**

e) 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 Unit under arrangements with Lichfield District Council.

31st March 2014 £000	Recycling Credit Scheme	31st March 2015 £000
(761)	Recycling Credits	(965)
(761)	**Total**	**(965)**

f) Jointly Controlled Operation – Joint Waste Management Services

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 employment of staff.

The partner Authority's share the assets and liabilities of the Joint Committee in agreed proportions, based on the number of properties in each area.

The parties have an agreement in place for funding this operation with contributions to the agreed budget of **57.5%** from the Lichfield District Council and **42.5%** from Tamworth Borough Council. 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 2015 is as follows:-

2013/14 £000	Joint Waste Arrangement Income / Expenditure	2014/15 £000
	Funding Provided to the Operation	
(1,400)	Contribution from Tamworth Borough Council (42.5%)	(1,407)
(1,892)	Contribution from Lichfield District Council (57.5%)	(1,904)
(3,292)	**Total Funding Provided to the Operation**	**(3,311)**
	Expenditure	
2,318	Employee Costs	2,367
22	Premises Related Expenses	21
1,296	Transport Costs	1,284
573	Supplies & Services	902
253	Central Support Costs	258
4,462	**Total Expenditure**	**4,832**
	Income	
(1,217)	Recycling Credits	(1,446)
(87)	Other Income	(130)
(1,304)	**Total Income Received**	**(1,576)**
3,158	**Total Net Expenditure**	**3,256**
(134)	**Net (Surplus)/Deficit arising on the budget during the year**	**(55)**
(57)	**Tamworth Borough Council's share of 42.5% net (surplus)/deficit**	**(23)**

Lichfield District Council are the lead Authority for this arrangement, with the Authority reimbursing Lichfield for services on the basis of a proportion of actual spend. For 2014/15, the cost of the joint arrangement to the Authority was £1.4m.

31. Capital Expenditure & Financing

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.

2013/14 £000	Capital Expenditure & Financing	2014/15 £000
69,579	**Opening Capital Financing Requirement**	69,353
	Capital Investment	
8,262	Property, Plant & Equipment	5,271
172	Heritage Assets	54
159	Intangible Assets	62
374	Revenue Expenditure Funded from Capital under Statute	274
	Sources of Finance	
(543)	Capital receipts	(193)
(200)	Government grants & other contributions	(94)
(8,032)	Sums set aside from revenue - Direct Revenue Contributions	(5,154)
(79)	Sums set aside from revenue - Minimum Revenue Provision	(71)
(135)	Sums set aside from revenue - Voluntary Revenue Provision	-
(12)	Impairment of HRA Non Dwellings	-
(192)	Grants - Revenue Expenditure Funded from Capital Under Statute	(220)
69,353	**Closing Capital Financing Requirement**	**69,282**
	Explanation of movements in year:	
	Increase in underlying need to borrow:	
(79)	Sums set aside from revenue - Minimum Revenue Provision	(71)
(135)	Sums set aside from revenue - Voluntary Revenue Provision	-
(12)	Impairment of HRA Non Dwellings	-
(226)	**Increase / (Decrease) in Capital Financing Requirement**	**(71)**

32. Leases

a) Authority as Lessee

Operating Leases

The Authority currently uses vehicles, plant and equipment financed under terms of an operating lease. The amount paid under these arrangements in 2014/15 was £307k (£318k - 2013/14). These leases have options for annual extensions beyond the original lease term, a number of these options are currently being taken up.

The Authority was committed at 31st March 2015 to making payments of £245k under operating leases, comprising the following elements:

31st March 2014 £000	Operating Leases	31st March 2015 £000
288	Not later than one year	204
-	Later than one year not later than five years	41
288	**Total Operating Leases**	**245**

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

2013/14 £000	Minimum Lease Payments	2014/15 £000
288	Minimum lease payments	307
288	**Total Minimum Lease Payments**	**307**

It should be noted that in addition new leasing arrangements are being prepared in relation to grounds maintenance equipment – it is estimated that the cost will be £37k for 2015/16 with a total commitment of £149k.

b) Authority as Lessor

i) Finance Leases

The Authority has leased out property at the Ankerside Shopping Centre including car park, on a finance lease with a remaining term of 74 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 2014 £000	Assets held for leases (Lessor)	31st March 2015 £000
	Finance lease debtor (NPV of minimum lease payments)	
12,636	Non current	12,629
50,329	Unearned finance income	49,485
12	Unguaranteed residual value of property	12
62,977	**Gross Investment in the Lease**	**62,126**

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

Minimum Lease Payments 31st March 2014 £000	Gross Investment in the Lease 31st March 2014 £000	Minimum Lease Payments	Minimum Lease Payments 31st March 2015 £000	Gross Investment in the Lease 31st March 2015 £000
851	851	Not later than one year	851	851
3,404	3,404	Later than one year not later than five years	3,404	3,404
58,711	58,722	Later than five years	57,860	57,871
62,966	**62,977**	**Total**	**62,115**	**62,126**

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

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

- for the provision of community services, such as community centres;

- 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 2014 £000	Future Minimum Lease Payments	31st March 2015 £000
909	Not later than one year	939
3,551	Later than one year not later than five years	3,597
49,408	Later than five years	48,976
53,868	**Total**	**53,512**

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 £469k in 2014/15 (£516k - 2013/14). There were 22 void units at the 31st March 2015 (17 voids at the 31st March 2014).

33. Impairment Losses

Charges for impairment of £5.4m have been made during 2014/15. This included an amount of £4.8m where the expenditure on Council Dwellings has not produced a similar increase in the value and £565k for HRA dwellings no longer available to let as part of the Regeneration Project. This amount was charged direct to the Comprehensive Income and Expenditure Statement for the Housing Revenue Account.

The HRA Capital Expenditure of £5.0m mainly related to improvements to bathrooms, kitchens, central heating, electrical upgrades and disabled adaptations however, £155k related to the acquisition of 2 dwellings as part of the Regeneration Project. The impairment has been recognised as the advice of the Authority's internal valuer is that such improvements have not increased the overall value of the asset.

34. Termination Benefits

The Authority terminated the contracts of 10 employees in 2014/15, incurring liabilities of £81k (£10k - 2013/14) – see Note 27 Officers' Remuneration for detail of the number of exit packages with total cost per band and total cost of redundancies.

35. Defined Benefit Pension Schemes

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:

Defined Benefit Pension Schemes

Local Government Pension Scheme 2013/14 £000	Discretionary Benefit Arrangements 2013/14 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2014/15 £000	Discretionary Benefit Arrangements 2014/15 £000
		Comprehensive Income & Expenditure Statement:		
		Service Cost Comprising:		
1,841	72	Current service costs	1,897	72
-	-	Past service costs	20	-
		Financing & Investment Income & Expenditure		
4,206	-	Interest costs	4,252	-
(2,651)	-	Expected return on scheme assets	(2,556)	-
3,396	**72**	**Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services**	**3,613**	**72**
		Re-measurement of the Net Defined Benefit Liability Comprising:		
1,603	126	Return on plan assets (excluding amounts included in net interest expense)	(6,429)	71
2,268	-	Actuarial gains & losses on changes in demographic assumptions	-	-
2,202	-	Actuarial gains & losses on changes in financial assumptions	15,396	-
(2,727)	-	Other	(993)	-
6,742	**198**	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**11,587**	**143**

Local Government Pension Scheme 2013/14 £000	Discretionary Benefit Arrangements 2013/14 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2014/15 £000	Discretionary Benefit Arrangements 2014/15 £000
		Movement in Reserves Statement:		
(6,742)	(198)	Reversal of net charges made to the (Surplus) or deficit on the Provision of Services for Post Employment Benefits in Accordance with the Code	(11,587)	(143)
		Actual amount charged against the General Fund Balance for pensions in the year:		
1,514	-	Employers' contributions payable to the scheme	1,654	-
-	72	Retirement benefits payable to pensioners	-	72
(5,228)	**(126)**	**Total Movement in Reserves Statement**	**(9,933)**	**(71)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2015 is a loss of £39.7m (£31.6m - 2013/14).

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 2013/14 £000	Pensions Assets & Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme 2014/15 £000
99,219	Present Value of the Defined Benefit Obligation	117,335
(59,450)	Fair Value of Plan Assets	(68,424)
39,769	**Net Liability Arising From Defined Benefit Obligation**	**48,911**

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

Local Government Pension Scheme 2013/14 £000	Reconciliation of Fair Value of Scheme Assets	Local Government Pension Scheme 2014/15 £000
59,377	**Balance at 1st April 2014**	**59,450**
2,651	Interest Income on Plan Assets	2,556
(1,729)	Return on Assets excluding amounts included in net interest	6,358
1,514	Employer contributions	2,516
494	Contributions by scheme participants	539
(2,857)	Benefits paid	(2,995)
72	Contributions in respect of unfunded benefits	72
(72)	Unfunded benefits paid	(72)
59,450	**Balance at 31st March 2015**	**68,424**

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

Local Government Pension Scheme 2013/14 £000	Discretionary Benefit Arrangements 2013/14 £000	Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)	Local Government Pension Scheme 2014/15 £000	Discretionary Benefit Arrangements 2014/15 £000
92,622	**1,170**	**Balance at 1st April 2014**	**97,995**	**1,224**
1,913	-	Current service costs	1,969	-
4,206	-	Interest Cost on Defined Benefit Obligation	4,252	-
494	-	Plan Participants Contributions	539	-
		Re-measurements (gains)/losses		
2,268	-	Changes in Demographic Assumptions	-	-
2,076	126	Changes in Financial Assumptions	15,325	71
(2,727)	-	Other Experience	(993)	-
(2,857)	(72)	Benefits paid	(2,995)	(72)
-	-	Past service costs	20	-
97,995	**1,224**	**Balance at 31st March 2015**	**116,112**	**1,223**

f) Local Government Pension Scheme Assets Comprised:

The asset values shown below are at bid value as required under IAS19.

As at 31st March 2014					As at 31st March 2015			
Quoted Prices in Active Markets	**Quoted Prices Not in Active Markets**	**Total**	**Percentage of Total Assets**	**Fair Value of Employers Assets**	**Quoted Prices in Active Markets**	**Quoted Prices Not in Active Markets**	**Total**	**Percentage of Total Assets**
£000	**£000**	**£000**	**%**		**£000**	**£000**	**£000**	**%**
				Equity Securities				
4,515.7	-	4,515.7	8	Consumer	5,867.8	-	5,867.8	9
4,222.2	-	4,222.2	7	Manufacturing	-	-	-	-
2,487.9	-	2,487.9	4	Energy & Utilities	1,778.9	-	1,778.9	3
4,461.1	-	4,461.1	8	Financial Institutions	4,367.0	-	4,367.0	6
3,111.5	-	3,111.5	5	Health Care	2,871.7	-	2,871.7	4
2,717.3	-	2,717.3	5	Information Technology	2,654.2	-	2,654.2	4
1,252.6	-	1,252.6	2	Other	5,260.1	-	5,260.1	8
				Debt Securities				
4,449.0	-	4,449.0	7	Corporate Bonds (Investment Grade)	5,194.0	-	5,194.0	8
				Private Equities				
-	1,862.3	1,862.3	3	All	-	2,173.8	2,173.8	3
				Real Estate				
-	4,367.7	4,367.7	7	UK Property	-	5,569.0	5,569.0	8
				Investment Funds & Unit Trusts				
17,591.4	-	17,591.4	30	Equities	22,675.2	-	22,675.2	33
2,889.3	-	2,889.3	5	Bonds	3,657.9	-	3,657.9	5
-	1,126.2	1,126.2	2	Hedge Funds	-	1,635.6	1,635.6	2
-	1,872.4	1,872.4	3	Other	-	2,015.2	2,015.2	3
				Cash & Cash Equivalents				
2,523.4	-	2,523.4	4	All	2,703.6	-	2,703.6	4
50,221.4	**9,228.6**	**59,450.0**	**100**	**Total Assets**	**57,030.4**	**11,393.6**	**68,424.0**	**100**

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 2013.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme 2013/14	Discretionary Benefit Arrangements 2013/14	Assumptions	Local Government Pension Scheme 2014/15	Discretionary Benefit Arrangements 2014/15
		Long term expected rate of return on assets in the scheme:		
4.5%	-	Equity Investments	4.30%	-
4.5%	-	Bonds	4.30%	-
4.5%	-	Other	4.30%	-
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
22.1	22.1	Men	22.1	22.1
24.3	24.3	Women	24.3	24.3
		Longevity at 65 for future pensioners:		
24.3	24.3	Men	24.3	24.3
26.6	26.6	Women	26.6	26.6
2.8%	2.8%	CPI Rate	2.80%	2.80%
4.6%	4.6%	Rate of increase in salaries	4.30%	4.30%
2.8%	2.8%	Rate of increase in pensions	2.40%	2.40%
4.3%	4.3%	Rate for discounting scheme liabilities	3.20%	3.20%

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			Impact on the Defined Benefit Obligation in the Scheme	
Approx. % Increase to Liability 2013/14 %	**Approx. Monetary Value 2013/14 £000**	**Change in Assumptions at 31st March 2015**	**Approx. % Increase to Liability 2014/15 %**	**Approx. Monetary Value 2014/15 £000**
10%	9,621	0.5% Decrease in Real Discount Rate	10.00%	12,230
3%	2,977	1 Year in Member Life Expectancy	3.00%	3,520
3%	2,654	0.5% Increase in the Salary Increase Rate	3.00%	3,551
7%	6,853	0.5% Increase in the Pension Increase Rate	7.00%	8,431

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2016 is £1.8m (£1.6m - 2014/15).

36. Contingent Liabilities

The Authority has included a provision – detailed in Note 18 – relating to Business Rate appeals outstanding on the 31st March 2015.

Local businesses can still appeal against the Rateable Value on the 2010 Rating List until 31st March 2017 – although they will now not be backdated to 2010. Therefore there are a number of future financial years where the cost of successful appeals could impact on the Authority's Financial Statements.

It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal and the Authority has therefore made no provision in the accounts. However, the level of historic appeals together with the average level of success and savings in Rateable Value is shown for both the 2005 and 2010 lists below:

Indicator	2005 List	2010 List	Total
A Total of original Rateable Values resolved	£115.89m	£83.18m	£199.07m
B Total original Rateable Value of successful appeals	£51.84m	£23.87m	£75.71m
Average success rate (% of RV) **(B/A)**	44.73%	28.70%	38.03%
C Total revised Rateable Value of successful appeals	£47.55m	£21.83m	£69.38m
D Total reduction in Rateable Value (C-B)	**£4.29m**	**£2.04m**	**£6.33m**
Average % reduction in Rateable Value **(D/B)**	8.28%	8.55%	8.36%
E Years since the List was compiled	10	5	-
F Average annual reduction in Rateable Value **(D/E)**	£0.43m	£0.41m	-
G Standard Business Rate Multiplier in 2015/16	49.3p	49.3p	49.3p
H Average annual cost of reduction based on 2015/16 Multiplier (FxG)	**£0.212m**	**£0.202m**	**£0.414m**
District Council Share at 40% (Hx0.4)	**£0.085m**	**£0.081m**	**£0.166m**
I Appeals outstanding 31/03/15	£0.09m	£61.60m	£61.69m
J Provision included	-	£3.81m	£3.81m
Provision as a % of Appeals outstanding **(J/I)**	-	6.19%	6.18%

37. Nature & Extent of Risks Arising from Financial Instruments

Key Risks

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

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

a) Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Authority's website the key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

This Authority uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element.

However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The full Investment Strategy for 2014/15 was approved by Full Council on 25th February 2014 and is available on the Authority's website.

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 Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £18.8m 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 2015 that this was likely to crystallise.

The following analysis summarises the Authority's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

Credit Risk	**Amount at 31st March 2015 £000 A**	**Historical Experience of Default % B**	**Historical Experience Adjusted for Market Conditions at 31st March 2015 % C**	**Estimated Maximum Exposure to Default and Uncollectability at 31st March 2015 £000 (A x C)**	**Estimated Maximum Exposure at 31st March 2014 £000**
A rated counterparties	18,000	0.81%	0.81%	146	69
Caa rated counterparties	103	45.20%	45.20%	47	-
Escrow	654	-	-	-	-
Trade Debtors	2,216	70.19%	70.19%	1,555	1,411
Total	**20,973**	-	-	**1,748**	**1,480**

Whilst the current credit crisis in international markets has raised the overall possibility of default the Authority maintains strict credit criteria for investment counterparties.

The Authority does not generally allow credit for customers, such that £2.2m is past its due date for payment. The past due amount as at 31st March 2015 but not impaired amount can be analysed by age as follows:

Arrears	31st March 2015 £000	31st March 2014 £000
Less than six months	644	322
Six months to one year	204	196
More than one year	271	343
More than two years	1,097	1,004
Total	**2,216**	**1,865**

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 2015 was £37.1k (£37.1k - 2013/14).

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 liabilities is as follows:

Financial Liabilities	31st March 2015		31st March 2014	
	Average Rate %	Amount £000	Average Rate %	Amount £000
PWLB	4.47%	65,426	4.47%	65,426
Total	**4.47%**	**65,426**	**4.47%**	**65,426**
less than one year (Interest Due)	-	366	-	366
less than one year	7.29%	3,000	-	-
Maturing in 1 - 2 years	11.75%	2,000	7.29%	3,000
Maturing in 2 - 5 years	-	-	11.75%	2,000
Maturing in over 15 years	4.09%	60,060	4.09%	60,060
Total	**4.47%**	**65,426**	**4.47%**	**65,426**

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 assets is as follows:

Financial Assets	31st March 2015		31st March 2014	
	Average Rate %	Amount £000	Average Rate %	Amount £000
Less than one year	0.66%	18,826	0.79%	8,726
Maturing in 1 - 2 years	-	1	-	59
Total	**-**	**18,827**	**-**	**8,785**

* Excluding balances held with Icelandic Banking institutions.

All trade and other payables are due to be paid in less than one year – debtors of £2.1m are not included in the table above.

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 2015, 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 Authority, excluding the pension fund, does not generally invest in instruments with this type of risk.

iii) Foreign Exchange Risk

The Authority has foreign exchange exposure resulting from an element of the settlement received from the Icelandic bank Glitnir. This is being held in Icelandic Krona in an ESCROW account due to the current imposition of currency controls in Iceland.

e) Impairment of Financial Assets – Deposits with Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander (KSF) went into administration.

The Authority had £7.5m deposited across 3 of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested £	Interest Rate %	Carrying Amount £	Impairment 2014/15 £	Principal Default %
Glitnir	10/10/2007	09/10/2008	1,000,000	6.28	-	-	-
Glitnir	31/08/2007	28/08/2009	1,000,000	6.55	-	-	-
Glitnir	14/12/2007	12/12/2008	1,000,000	6.16	-	-	-
KSF	31/08/2008	09/08/2010	1,000,000	6.69	34,907	(2,158)	14.25
KSF	31/10/2007	29/10/2008	1,000,000	6.16	34,381	(5,379)	14.25
KSF	14/01/2008	14/10/2010	1,000,000	5.90	33,908	(5,306)	14.25
					-	-	
Heritable	12/09/2008	13/10/2008	500,000	5.38	-	-	5.98
Heritable	15/09/2008	22/10/2008	1,000,000	5.45	-	-	5.98
Total			**7,500,000**	-	**103,196**	**(12,843)**	-

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. The Icelandic Supreme Court decision to grant UK local authorities priority status, enabled the winding up board to make a distribution to creditors in a basket of currencies in March 2012.

An element of the distribution was in Icelandic Krona which was placed in an ESCROW account in Iceland and is currently earning interest of 3.7%. This element of the distribution has been retained in Iceland due to currency controls currently operating there and as a result is subject to exchange rate risk, over which the Authority has no control.

The Authority has recognised a loss of 6.7% of the amount held in escrow due to currency fluctuations (0.5% gain - 2013/14).

Kaupthing Singer and Friedlander Ltd (KSF)

The current position on actual payments received and estimated future payouts is as shown in the table The Authority has decided to recognise an impairment based on it recovering 85.75p in the £.

Date	Repayment
Received to 2013/14	81.50%
December 2014	1.00%
March 2016	3.25%

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 7th October 2008.

Heritable Bank

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7th October 2008. When making payment of the last distribution in August 2013, the Administrators stated that they do not anticipate making any further payments. They have retained a reserve of £39.3 million to provide for legal costs in relation to the Landsbanki claim and for administrators' costs and expenses, until the matters are concluded.
The Authority has used this final figure to calculate the impairment based on recovering 94.02p in the £.

Date	Repayment
Received to date	94.02%

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 6th October 2008..

Accounting for Impairment

The total impairment gain (principal plus interest) recognised in the Comprehensive Income and Expenditure Statement in 2014/15 of £13k has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

Note to the Accounts - Impairment of Investments

Investments included in Current Assets figure in the Balance Sheet include the following investments that have been impaired because of the financial difficulties experienced by Icelandic Banks.

Bank	Amount Invested £	Interest* £	Impairment £	Repaid £	Held in Escrow Account £	Carrying Value £
Glitnir	**3,000,000**	**639,439**	**(431,075)**	**(2,554,431)**	**653,933**	**-**
KSF	1,000,000	184,152	(263,155)	(886,090)	-	34,907
KSF	1,000,000	155,662	(248,521)	(872,760)	-	34,381
KSF	1,000,000	147,987	(253,339)	(860,740)	-	33,908
	3,000,000	**487,801**	**(765,015)**	**(2,619,590)**	**-**	**103,196**
Heritable	500,000	55,030	(83,336)	(471,694)	-	-
Heritable	1,000,000	110,946	(167,559)	(943,387)	-	-
	1,500,000	**165,976**	**(250,895)**	**(1,415,081)**	**-**	**-**
Total	**7,500,000**	**1,293,216**	**(1,446,985)**	**(6,589,102)**	**653,933**	**103,196**

The carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments (including interest accruals) have been estimated as follows, based on the statements made by the administrator:

Expected Date	KSF £
31st March 2016	103,196
Total	**103,196**

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

Bank	**Credited 2010/11 £**	**Repayments 2010/11 £**	**Credited 2011/12 £**	**Repayments 2011/12 £**	**Credited 2012/13 £**	**Repayments 2012/13 £**
Glitnir	48,234	-	51,379	3,140,912	24,886	-
KSF	49,261	317,526	43,385	317,526	21,318	412,783
Heritable	33,360	268,130	19,109	268,130	11,417	140,858
Total	**130,855**	**585,656**	**113,873**	**3,726,568**	**57,621**	**553,641**

Bank	**Credited 2013/14 £**	**Repayments 2013/14 £**	**Credited 2014/15 £**	**Repayments 2014/15 £**
Glitnir	27,178	-	24,960	-
KSF	12,925	174,639	6,240	31,753
Heritable	5,617	251,913	-	-
Total	**45,720**	**426,552**	**31,200**	**31,753**

Approval of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on 24th September 2015

Signed on behalf of Tamworth Borough Council

Councillor J Chesworth, Chair of the Audit and Governance Committee

Dated 24th September 2015

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 Corporate Services.

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.

2013/14 £000		HRA Comprehensive Income & Expenditure Statement	2014/15 £000	2014/15 £000
		Expenditure:		
	3,608	Repairs & Maintenance	3,474	
	5,859	Supervision & Management	5,925	
	34	Rents, rates, taxes & other charges	41	
	6,971	Depreciation & impairment of Non Current Assets	1,158	
	9	Debt management costs	10	
	145	Movement in the allowance for bad debts	172	
16,626		**Total Expenditure**		**10,780**
		Income:		
	(18,133)	Dwelling rents	(18,304)	
	(353)	Non-dwelling rents	(361)	
	(413)	Charges for services & facilities	(387)	
	(1,670)	Contributions towards expenditure	(1,744)	
(20,569)		**Total Income**		**(20,796)**
(3,943)		**Net Expenditure of HRA Services as included in the Comprehensive Income & Expenditure Statement**		**(10,016)**
5		HRA Services' share of Corporate & Democratic Core		5
(3,938)		**Net Expenditure / (Income) for HRA Services**		**(10,011)**
		HRA Share of the Operating Income & Expenditure Included in the Comprehensive Income & Expenditure Statement:		
(354)		(Gain) or loss on sale of HRA Non Current Assets		(173)
2,974		Interest payable & similar charges		2,973
(97)		Interest & investment income		(87)
321		Pensions interest cost & expected return on pensions assets		357
(1,094)		**(Surplus)/ Deficit for the Year on HRA Services**		**(6,941)**

Statement of Movement on the HRA Balance

2013/14 £000		Statement of Movement on the HRA Balance	2014/15 £000	£000
5,267		**Balance on the HRA at the end of the previous year**		**5,481**
	1,094	(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	6,941	
	599	Adjustments between accounting basis & funding basis under statute	(3,670)	
	1,693	**Net (increase) or decrease before transfers to or from reserves**	**3,271**	
	(1,479)	Transfers to / (from) Reserves	(2,795)	
214		(Increase) or decrease on the HRA		476
5,481		**Balance on the HRA at 31st March 2015**		**5,957**

Analysis of Adjustments

2013/14 £000	Analysis of Adjustments	2014/15 £000
7	Difference between any other item of income & expenditure determined in accordance with the code & determined in accordance with HRA requirements	3
(353)	Gain or loss on sale of HRA Non Current Assets	(174)
404	HRA share of contributions to or from the Pensions Reserve	428
(1,959)	Capital expenditure funded by the HRA	(619)
(4,471)	Transfer to/ from the Major Repairs Reserve	(4,466)
6,971	Transfer to/ from the Capital Adjustment Account	1,158
599	**Total Adjustments Between Accounting Basis & Funding Basis Under Statute**	**(3,670)**

NOTES TO THE HRA

HRA1. Number & Type of Dwelling

The Authority is responsible for managing a housing stock, made up as follows:

	Houses & Bungalows	High & Medium Rise Flats	Low Rise Flats	Total
Housing stock as at 1st April 2014	2,825	761	884	**4,470**
Demolitions	(14)	-	-	**(14)**
Sales	(26)	(6)	(4)	**(36)**
Purchases	-	2	-	**2**
Housing stock as at 31st March 2015	**2,785**	**757**	**880**	**4,422**

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. There are no non operational assets held by the Housing Revenue Account.

HRA2. Vacant possession value of dwellings

The Vacant Possession Valuation as at 31st March 2015 is £393.7m (31st March 2014 Vacant Possession Value was £379.2m).

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 enjoying 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 Social Housing Value (EUSHV) which for 2014/15, a nationally set adjustment factor for the West Midlands of 34% of vacant possession value has been used (34% - 2013/14).

Existing Use Social Housing Value of Dwellings

Existing Use Social Housing Value of Dwellings	Council Dwellings £000	Other Land & Buildings £000	Total £000
Cost or Valuation			
As at 1st April 2014	**128,887**	**2,311**	**131,198**
Additions;	4,972	-	**4,972**
Accumulated Depreciation & Impairment written off to Gross Carrying Amount;	(6,965)	-	**(6,965)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve;	2,029	-	**2,029**
Revaluation increases/ (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	6,449	-	**6,449**
Derecognition – Disposals.	(1,515)	(110)	**(1,625)**
As at 31st March 2015	**133,857**	**2,201**	**136,058**
Accumulated Depreciation & Impairment			
As at 1st April 2014	**(293)**	**(120)**	**(413)**
Depreciation Charge;	(2,167)	(58)	**(2,225)**
Accumulated Depreciation & Impairment written off to Gross Carrying Amount;	6,965	-	**6,965**
Impairment losses/ (reversals) recognised in the Revaluation Reserve;	(3)	-	**(3)**
Impairment losses/ (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(5,382)	-	**(5,382)**
Derecognition – disposals.	301	53	**354**
As at 31st March 2015	**(579)**	**(125)**	**(704)**
Net Book Value			
As at 1st April 2014	128,594	2,191	130,785
As at 31st March 2015	**133,278**	**2,076**	**135,354**
Nature of holdings at year end Owned	**133,278**	**2,076**	**135,354**

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.

2013/14 £000	Major Repairs Reserve	2014/15 £000
1,112	**Balance at 1st April 2014**	**-**
4,471	Contributions to the Major Repairs Reserve	4,466
(5,583)	Capital Spending on Dwellings	(4,332)
-	**Balance at 31st March 2015**	**134**

HRA4. Capital Expenditure Summary

The following table details how £5.0m capital expenditure was financed during the year.

2013/14 £000	Capital Expenditure	2014/15 £000
	Capital Expenditure Type:	
7,602	Dwellings	4,972
7,602	**Total Capital Expenditure**	**4,972**
	Funded by:	
60	Usable capital receipts	21
1,959	Revenue contributions	619
5,583	Major Repairs Reserve	4,332
7,602	**Total Funding**	**4,972**

HRA5. Capital Receipts

During the year capital receipts totalling £1.4m were received in respect of dwellings sold, of which £372k was repaid to CLG under the pooling regime. The un-pooled element of capital receipts are retained for financing housing capital investment and regeneration works

2013/14 £000	**Capital Receipts**	**2014/15 £000**
1,944	Sale of dwellings under Right to Buy	1,491
(339)	Amounts pooled to Central Government	(372)
1,605	**Net Capital Receipts**	**1,119**

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 £2.2m.

The charge for depreciation of £58k on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

Charges for impairment of £5.4m have been made during 2014/15. This included an amount of £4.8m where the expenditure on capital assets has not produced a similar increase in the value of the asset and £569k in respect of dwellings, part of the Regeneration Scheme at Tinkers Green, no longer available for letting.

HRA7. HRA Pensions Reserve

2013/14 £000	Pensions	2014/15 £000
304	Difference between current service cost of pensions & past service cost in accordance with IAS 19 & actual employers' contributions	335
869	Interest on share of pensions liability	895
(548)	Expected return on share of assets	(538)
625	**Total**	**692**

HRA8. Rent Arrears

2013/14 £000	Rent Arrears	2014/15 £000
1,306	Gross arrears	1,349
7.2%	Gross arrears as percentage of gross rent income	7.4%

Of the rent arrears, 35.6% (33.5% - 2013/14) refer to former tenants.

2013/14 £000	Provision for Bad Debts	2014/15 £000
	Rent Arrears	
920	**Balance at 1st April 2014**	**1,025**
154	Contribution from / (to) HRA in year	180
(49)	Written off in year	(110)
1,025	**As at 31st March 2015**	**1,095**
	Sundry Debtors	
57	**Balance at 1st April 2014**	**46**
(9)	Contribution from / (to) HRA in year	(9)
(2)	Written off in year	(1)
46	**Balance at 31st March 2015**	**36**
1,071	**Total Provision for Bad Debts**	**1,131**

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 Stoke on Trent and Staffordshire 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 Stoke on Trent and Staffordshire Fire and Rescue Authority and this Authority's General Fund.

2013/14 Council Tax £000	2013/14 NNDR £000	2013/14 Total £000	Collection Fund Income & Expenditure Statement	2014/15 Council Tax £000	2014/15 NNDR £000	2014/15 Total £000
			INCOME			
(29,670)	-	(29,670)	Income from Council Tax	(30,104)	-	(30,104)
			Transfers from General Fund			
55	-	55	- Council Tax benefits	34	-	34
-	(32,941)	(32,941)	Income collectable from business ratepayers	-	(34,151)	(34,151)
(29,615)	**(32,941)**	**(62,556)**	**Total Income**	**(30,070)**	**(34,151)**	**(64,221)**
			EXPENDITURE			
			Precepts			
3,080	-	3,080	- Tamworth Borough Council	3,171	-	3,171
3,588	-	3,588	- OPCC Staffordshire	3,621	-	3,621
1,366	-	1,366	- Stoke on Trent & Staffordshire Fire & Rescue Authority	1,379	-	1,379
20,749	-	20,749	- Staffordshire County Council	20,945	-	20,945
			Business rate			
-	12,200	12,200	-Tamworth Borough Council	-	12,727	12,727
-	15,250	15,250	-Payment to Government	-	15,909	15,909
-	305	305	-Payment to Fire & Rescue Authority	-	318	318
-	2,745	2,745	-Payment to Staffs County	-	2,864	2,864
-	92	92	Costs of collection	-	92	92
			Bad & Doubtful Debts	-		
165	133	298	-Provisions	198	241	439
-	982	982	-Provision for appeals	-	3,603	3,603
			Distribution of previous year's surpluses			
11	-	11	- Tamworth Borough Council	54	4	58
13	-	13	- OPCC Staffordshire	62	-	62
5	-	5	- Stoke on Trent & Staffordshire Fire & Rescue Authority	24	-	24
72	-	72	- Staffordshire County Council	360	1	361
-	-	-	- Central Government	-	4	4
29,049	**31,707**	**60,756**	**Total Expenditure**	**29,814**	**35,763**	**65,577**

2013/14 Council Tax £000	2013/14 NNDR £000	2013/14 Total £000	Collection Fund Income & Expenditure Statement	2014/15 Council Tax £000	2014/15 NNDR £000	2014/15 Total £000
(566)	(1,234)	(1,800)	**(Surplus)/ Deficit for the year**	(256)	1,612	1,356
(469)	-	(469)	Fund Balance Brought Forward	(1,035)	(1,234)	(2,269)
(1,035)	**(1,234)**	**(2,269)**	**Fund Balance at 31st March 2015**	**(1,291)**	**378**	**(913)**
			Analysis of Fund Balance (Surplus)/ Deficit			
(112)	(494)	(606)	- Tamworth Borough Council	(141)	151	10
(129)	-	(129)	- OPCC Staffordshire	(159)	-	(159)
(49)	(12)	(61)	- Stoke on Trent & Staffordshire Fire & Rescue Authority	(61)	4	(57)
(745)	(111)	(856)	- Staffordshire County Council	(930)	34	(896)
-	(617)	(617)	- Government	-	189	189
(1,035)	**(1,234)**	**(2,269)**	**Total**	**(1,291)**	**378**	**(913)**

NOTES TO THE COLLECTION FUND

CF 1. NNDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2015 was £79,106,291 (£79,074,501 at 31st March 2014).

The NNDR multiplier for 2014/15 was 48.2p in the pound (47.1p - 2013/14). The qualifying small business multiplier for 2014/15 was 47.1p in the pound (46.2p - 2013/14).

CF 2. Council Tax Base Calculation

The Council base was as follows:

Number of Chargeable Properties 2013/14	Adjusted Property Base (Band D Equivalent) 2013/14	Calculation of Ctax Base	Number of Chargeable Properties 2014/15	Adjusted Property Base (Band D Equivalent) 2014/15
		Valuation Band (Multiplier)		
20	11	**A - Disabled Relief Reduction (5/9)**	**22**	12
8,010	5,340	**A - (6/9)**	**8,128**	5,419
10,479	8,150	**B - (7/9)**	**10,578**	8,227
4,922	4,375	**C - (8/9)**	**4,982**	4,428
3,290	3,290	**D - (9/9)**	**3,343**	3,343
1,593	1,947	**E - (11/9)**	**1,585**	1,937
381	550	**F - (13/9)**	**376**	543
59	98	**G - (15/9)**	**60**	100
3	6	**H - (18/9)**	**3**	6
	(3,252)	**LCTS ADJUSTMENT**		(3,189)
	117	**Technical changes adjustment**		-
28,757	**20,632**	**Totals**	**29,077**	**20,826**
	97.90%	**Assumed Collection Rate**		**97.90%**
	20,199	**Total Taxbase**		**20,389**

CF 3. Name of each Authority which made precept or demand on the fund

Council Tax

Precept 2013/14 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2013/14 £	Total Movement on the Collection Fund 2013/14 £	Precepts Analysis	Precept 2014/15 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2014/15 £	Total Movement on the Collection Fund 2014/15 £
3,080,349	111,769	3,192,118	Tamworth Borough Council	**3,170,490**	**140,786**	**3,311,276**
3,587,544	128,863	3,716,407	OPCC Staffordshire	**3,621,290**	**159,484**	**3,780,774**
1,366,260	49,075	1,415,335	Stoke on Trent & Staffordshire Fire & Rescue Authority	**1,379,112**	**61,229**	**1,440,341**
20,749,467	745,310	21,494,777	Staffordshire County Council	**20,944,645**	**929,882**	**21,874,527**
28,783,620	**1,035,017**	**29,818,637**	**Total**	**29,115,537**	**1,291,381**	**30,406,918**

NNDR

Business Rates 2013/14 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2013/14 £	Total Movement on the Collection Fund 2013/14 £	Precepts Analysis	Business Rates 2014/15 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2014/15 £	Total Movement on the Collection Fund 2014/15 £
12,199,806	493,412	12,693,218	Tamworth Borough Council	12,727,008	(151,376)	12,575,632
304,995	12,335	317,330	Stoke on Trent & Staffordshire Fire & Rescue Authority	318,175	(3,784)	314,391
2,744,956	111,018	2,855,974	Staffordshire County Council	2,863,577	(34,060)	2,829,517
15,249,758	616,765	15,866,523	Central Government	15,908,761	(189,223)	15,719,538
30,499,515	**1,233,530**	**31,733,045**	**Total**	**31,817,521**	**(378,443)**	**31,439,078**

CF 4. NNDR credits

National Non Domestic Rates (NNDR) - Credits Transferred to the General Fund

NNDR credit accounts – credit balances that remained in the Collection Fund but 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.

In 2014/15 the retained fund levels have been reviewed and it was considered prudent to retain a proportion as a resource when/if a creditor was identified or made a claim for repayment. In recent years only small amounts have been refunded, therefore it has been decided to reduce the balance of £62.7k to £40k. The remaining funds of £22.7k have been returned to General Fund revenue balances.

CF 5. Bad and Doubtful Debts

The following provisions and write offs were made in the year:

2013/14 £000	Provision for Bad Debts	2014/15 £000
	Council Tax	
824	**Balance at 1st April 2014**	**951**
166	Increase /(decrease) in provision	198
(39)	Written off in year	(34)
951	**As at 31st March 2015**	**1,115**
	Business Rates	
789	**Balance at 1st April 2014**	**756**
133	Increase /(decrease) in provision	241
(166)	Written off in year	(180)
756	**As at 31st March 2015**	**817**

CF 6. Appeals – Business Rates

The following provisions and settlements were made in the year:

2013/14 £000	Provision for Appeals	2014/15 £000
	Business Rates	
-	**Balance at 1st April 2014**	**982**
982	Increase /(decrease) in provision	3,603
-	Resolved in year	(771)
982	**As at 31st March 2015**	**3,814**

Annual Governance Statement 2014/15

Scope of Responsibility

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

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

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Authority's code is on our website at http://www.tamworth.gov.uk/council_and_democracy/governance.aspx. . This statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it is accountable to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The Governance Framework has been in place at the Authority for the year ended 31st March 2015 and up to the date of approval of the statement of accounts.

The Governance Framework

Our vision "One Tamworth, Perfectly Placed" was endorsed in 2011/12 as a single vision by this Authority along with our partners – County Council, Police, Health Service, Fire and Rescue Services, Voluntary Sector and others. The intended outcomes (corporate priorities) and actions to fulfil these are identified in the Corporate Plan. The Corporate Priorities are "To Aspire and Prosper" and "To be Healthier and Safer". These priorities are supported by the Corporate Governance Principles of being "Approachable, Accountable and Visible" - value for money and accountability will underpin the delivery of all corporate priorities. By working with others, we will deliver services that are well-governed, ethical, effective, efficient and economically viable. To align with the corporate priorities, the Authority has "Statements of Intent" for **People, Place and Organisation**.

Some of the key elements of the systems, processes and controls that comprise the Authority's governance arrangements are set out below in line with our statements of intent. Further details of the systems, processes and controls in place can be found in the Code of Corporate Governance therefore are not replicated in this statement.

The Code of Corporate Governance is a public statement which sets out the framework through which the Council meets its commitment to good corporate governance and is based on the following principles:

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of Members and Officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

These principles have supporting principles identified in the Code. The Code also identifies what assurance we want and what assurance we get to ensure that these principles are in place. Links to the various supporting assurance documents are included in the Code.

People

Every year, the Authority undertakes consultation with local people on a wide range of issues. Further details can be found in the Code of Corporate Governance. In August 2013, Cabinet endorsed "Planning for a Sustainable Future" as the overarching strategy for meeting the challenges forecast for the Council's Medium Term Financial Strategy and a series of workstreams designed to deliver savings and efficiencies to mitigate grant and income reductions in the coming years. This includes exploring new and innovative ideas and being more commercial in our approach to business. The Council has adopted a Demand Management operating model which was developed and informed by both the current and forecast fiscal positions, the economic backdrop and potential changes to local and Central Government relationships arising from the national Growth and Prosperity agenda; devolution/decentralisation; local developments around integrated and locality commissioning and the needs and aspirations of local people, in particular, those most vulnerable.

The Authority's website is used to ensure that survey and consultation results and feedback is made available to stakeholders. Communication and feedback is also completed through several publications which are made available on the website including the Annual Review and Corporate Plan.

During 2014/15 the Tamworth Listens initiative was a question time event held at the Assembly Rooms on the evening of 3rd November 2014. This gave residents of Tamworth the opportunity to ask a panel of public sector representatives questions about Tamworth. The event was split into 3 themes; Healthier Communities, Safer Communities and Regeneration and Growth. The event was well attended.

The Authority has adopted a Statement of Community Involvement which sets out the Vision and Strategy for community involvement in planning. It is the Council's code of practice on how people can be expected to be involved in the planning process. It covers the production of different types of planning policy documents, and the different stages for each one.

There is a "Tell Us Scheme" in place which captures comments, compliments and complaints.

The Authority has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across its services. We are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and/ or provided by the Council. We do this by:

- Having a Child and Adult Protection Policy and procedures in place;
- Having child and adult protection processes which give clear, step-by-step guidance if abuse is identified;
- Safeguarding training programme in place for staff and members;
- Carrying out the appropriate level of DBS checks on staff and volunteers;
- Working closely with Staffordshire Safeguarding Children's Board and Staffordshire and Stoke-on-Trent Adult Safeguarding Partnership.

The Council has continued to develop its partnerships and joint working with health partners and has been a key player in the development of the countywide Health and Wellbeing Board. Tony Goodwin, our Chief Executive, represents all Staffordshire Chief Executives on the Board. The Health and Wellbeing Board has produced a countywide strategy for improving health across the county and the Council is developing its approaches to deliver the aims of the strategy in Tamworth.

The Council has led on developing and implementing Locality Based Commissioning and established a fully functioning Locality Based Commissioning Board, with a dedicated governance and performance management structure.

Place

The Tamworth Strategic Partnership (TSP) is an umbrella partnership that brings together key local agencies from the public, private, voluntary and community sectors with the vision and priorities aligned to the Authority's. The TSP has in place a strategic plan, terms of reference, workstreams with lead officers and champions. Partnership Governance guidance has been developed for use in all partnerships.

Organisation

The Authority ensures accountability and openness through the publishing of the Corporate Plan and the Annual Review which detail proposed plans for the coming year and achievement of objectives for the previous year. The Annual Review also details the summary accounts for the financial year. The Statement of Accounts is made available to the public on the website both at draft and final stage. The Authority has a balanced three year medium term financial strategy. The delivery of a balanced Medium Term Financial Strategy (three years for the General Fund and five years for the Housing Revenue Account (HRA)) is a major achievement for the Council in light of the adverse economic conditions and increased financial demands from Central Government for service improvements in areas such as local democracy and transparency – as well as substantial reductions in Government grant support in the future.

We have a Performance Management Framework in place which brings together all of our performance information and ensures that our performance against our intended outcomes as identified in the Corporate Plan, making the best use of resources available whilst obtaining value for money, is measured, monitored and reported on a quarterly basis. Details of performance against target are made available on the Authority's website.

The Constitution and Scheme of Delegation is reviewed and approved annually at Full Council. They detail roles and responsibilities of members and the Statutory Officers and the protocol on Member/Officer relations. All new members are given induction training which covers conduct and standards of behaviour. Members and Officers are required to declare gifts and hospitality and to register their interests. A Code of Conduct for officers has been included in the revised Constitution. There is an E-Induction programme in place which includes a section on conduct. All new staff and members are required to complete an induction programme. Ongoing development of Members and Officers is identified through the Performance Development Review (PDR) process which is completed annually.

All members and officers are responsible for ensuring that risks are identified and appropriately managed. The authority has in place a Risk Management Strategy, which was reviewed and adopted by the Audit and Governance Committee in June 2014.

Corporate risks have been identified and are reviewed and updated on a quarterly basis. The corporate risks are owned and managed by Corporate Management Team and reported to the Audit and Governance Committee as part of the assurance process.

The Authority has in place a Counter Fraud and Corruption Policy Statement, Strategy and Guidance Notes and a Whistleblowing Policy which are available on the website. These are reviewed and revised on a regular basis.

The Authority has been undertaking a change management programme over the last three years. The corporate approach to project management has been strengthened by the strategic overview provided by a Corporate Change Board – set up in 2012/13. Given the nature and overarching significance of the "Planning for a Sustainable Future" strategic route map the Corporate Change Board provide the project management and governance arrangements to ensure the effective and timely delivery of the wide ranging actions and associated outcomes and that all necessary authorities and approvals are in place. Several members of staff have been trained in PRINCE2.

The Authority has seen an incremental shift away from the "command and control" top down management style and culture to one of a fully empowered organisation with clear lines of responsibility and accountability leading to a more outcome focused, customer driven and efficient way of working.

The Authority continues to work with others by using alternative delivery models for service provision. A Memorandum of Understanding has been adopted with Lichfield District Council to replace an existing formal arrangement for options of pursuing shared service arrangements with each other.

In accordance with Section 38 of the Localism Act 2011, the Authority has updated and published a Pay Policy Statement setting out the Authority's approach to pay for all its officers.

The Authority's financial management arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The Executive Director Corporate Services (the Chief Financial Officer) reports directly to the Chief Executive and is a member of the Corporate Management Team (CMT). The Chief Finance Officer is professionally qualified and his main responsibilities include those set out in the CIPFA Statement on the role of the Chief Finance Officer in Local Government and also as detailed in the Constitution.

The Authority's Assurance Arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*. The Head of Internal Audit Services fulfils this role and is professionally qualified and reports directly to the Executive Director Corporate Services who is a member of the Corporate Management Team.

The Solicitor to the Council fulfils the role of the Monitoring Officer, the functions of which are detailed in the Constitution and include the responsibility for ensuring that the Authority follows agreed procedures and that all applicable statutes, regulations and other relevant statements of good practice are complied with, for example, changes that have been required regarding the Localism Act 2011 and the Local Authority (Executive Arrangements) (Access to Information) Regulations 2013.

The Chief Executive fulfils the role of the Head of Paid Service, the functions of which are detailed in the Constitution.

The Audit and Governance Committee has been in place since 2006 and its role and function are laid down in the Constitution. The core functions are as identified in *CIPFA's Audit Committees: Practical Guidance for Local Authorities*. Each year, the Committee completes a self assessment against CIFPA guidance to ensure compliance. The Chair reports to the Full Council on an annual basis on the actions taken by the Committee during the year.

An Independent Remuneration Panel was established to review Member Allowances.

The Leader of the Council reported to Full Council in compliance with the Local Authorities Executive Arrangements) (Meetings and Access to Information) Regulations 2012, that no urgent executive decisions had been made for the period to 30 April 2015.

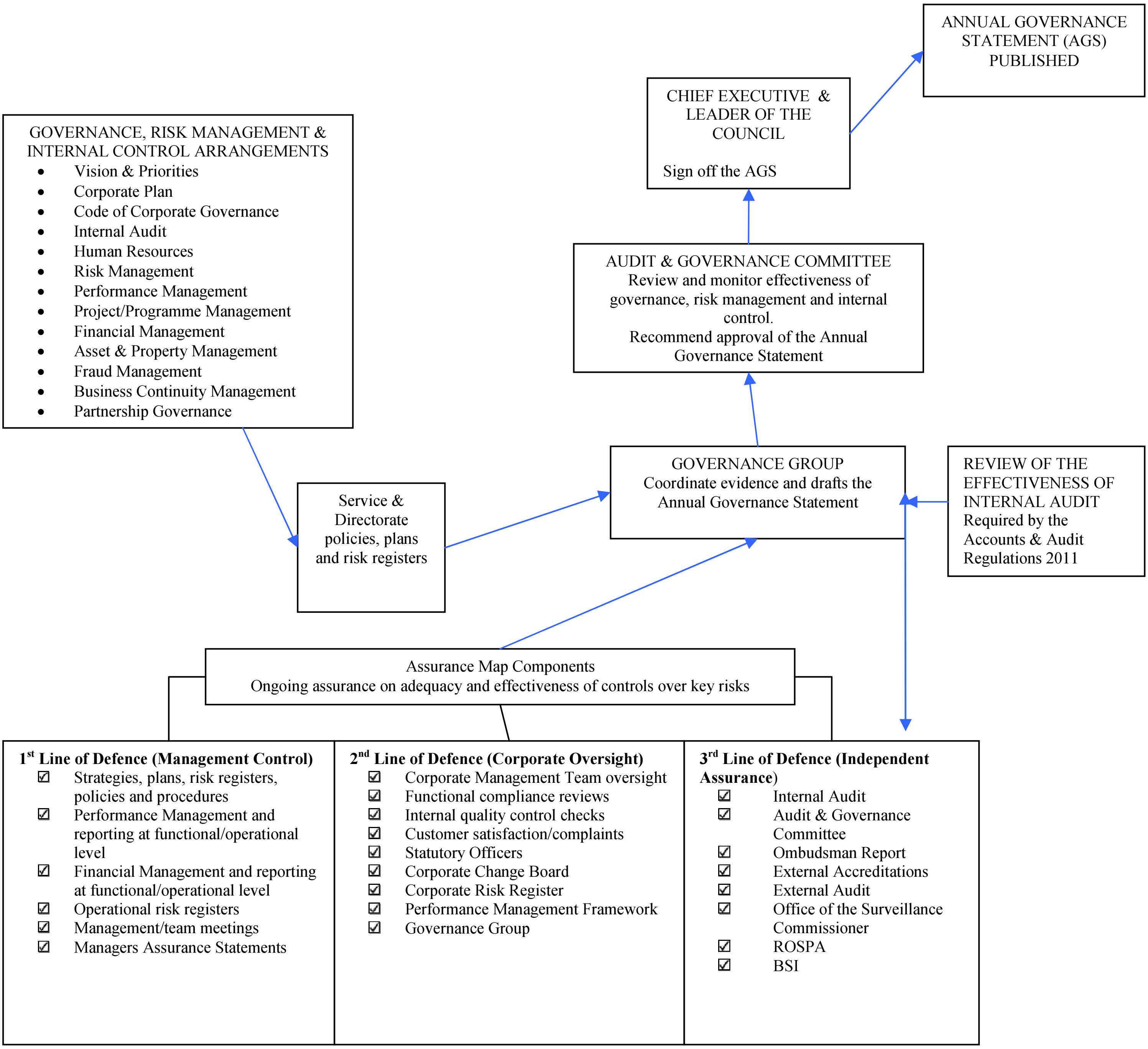
In compliance with the Localism Act 2011, two Independent persons have been appointed to join the Audit and Governance Committee when required to deal with Members Code of Conduct issues.

Procedures have been adopted for making complaints against a Councillor for an alleged breach of the Code of Conduct.

In compliance with the Openness of Local Government Bodies Regulations 2014, the Authority revised the Constitution to meet the requirements of the legislation to allow reporting at meetings and taking into account Freedom of Information Legislation changes.

The Assurance Framework

The diagram below shows how the Assurance Framework is made up.



Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the External Auditor's and other review agencies and inspectorates as detailed below:

- During 2014/15, the Governance Group has reviewed and updated against the principles of the CIPFA/IFAC International Framework: Good Governance in the Public Sector;

- Both the CIPFA Statement on the Role of the Chief Finance Officer and the CIPFA Statement on the Role of the Head of Internal Audit were reviewed and updated and reported to the Audit and Governance Committee;

- The Head of Internal Audit Services reports to the Audit and Governance Committee on a quarterly basis and provides an opinion on the overall effectiveness of the system of internal control based upon the work completed. For the 2014/15 financial year and 2015/16 to date, the Head of Internal Audit Services' overall opinion of the control environment at this time is that "reasonable assurance" can be given;

- From the 1st April 2013, Internal Audit are required to comply with the Public Sector Internal Audit Standards. As part of the requirement of compliance, Internal Audit are required to complete an annual self assessment against the Standards and produced a Quality Assurance and 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 and Governance Committee;

- Our External Auditors report to each Audit and Governance Committee. In their Annual Audit Letter, they gave an unqualified opinion on the Statement of Account, an unqualified conclusion in respect of the Authority securing economy, efficiency and effectiveness, and an unqualified opinion on the production of the Whole of Government Accounts;

- The Ombudsman report (July 2014) on the enquiries and complaints they received in 2013/14. In total, they received 26 enquiries/complaints of which 5 required detailed investigation with 3 being upheld;

- Managers Assurance Statements have been completed and have not identified any significant control issues;

- The Corporate Risk Register is owned and reviewed on a quarterly basis by the Corporate Management Team and reported in the Quarterly Healthcheck;

- The Performance Management Framework ensures that the financial healthcheck is reported to Cabinet on a quarterly basis and made readily available on the Authority's website;

- The Authority retained The Code of Connection Certificate after completing an annual assessment against the Code which included assessments against governance, service management and information assurance conditions. Compliance with the Code of Connection ensures access to the Public Services Network;

- In July 2014, the Office of the Surveillance Commissioner completed an assessment of the Authority's RIPA policy and procedures, the results of which were reported to Council;

- Internal Audit completes an annual assessment of the risk of fraud. An assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption has been completed. Having considered all of the principles, we are satisfied 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.

Declaration

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The significant governance issues already addressed and those to be specifically addressed with new actions planned are outlined in the attached **Annex 1**. Other minor issues highlighted through the assurance gathering process have been noted with planned actions to address these issues. Monitoring of the completion of these issues will be completed through reporting to the Audit and 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 will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operations as part of our next review.

Signed

D Cook	A E Goodwin
Leader	Chief Executive

Date 10th September 2015

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 Corporate Services.

Significant Governance Issues 2014/15

The significant governance issues identified in relation to the Authority achieving its vision in 2014/15 are:

No	Issue	Action	Update
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.	Review on a regular basis the plans in place to deliver the MTFS to ensure that plans remain realistic and achievable including development of the Sustainability Strategy to address future financial constraints.	Quarterly updates are provided to Cabinet as part of the Performance Management Framework and include the delivery of planned savings, additional NDDR income and government grants.
2	**Town Centre Redevelopment** The Authority is progressing plans for the redevelopment of the Town Centre.	Maintain and review plans on a regular basis to ensure that they can be delivered in accordance with the MTFS.	Significant grant funding has been obtained which will enable the Enterprise Quarter project to commence in early 2016. This is the first major regeneration project in the town.

3	**Housing Regeneration** An in-depth study of council housing in Tamworth has identified that some housing in Tinkers Green in Wilnecote and the Kerria Centre in Amington was unpopular with residents, outdated and unsuitable for current housing needs.	The regeneration of Tinkers Green and Kerria areas are progressing well with Development Consultants appointed and currently developing master planning proposals. These will be submitted for approval by the Council's Planning Committee later this year. It is anticipated that the project will move to detailed design stages during 2015 and a developer procured during this period.	Outline planning permission for both sites has been granted. Moving to the next stage will involve the procurement of a developer. Decant of existing residents is progressing well. Letting of the demolition contracts will commence shortly.
4	**Golf Course Redevelopment** Following Cabinet approval a project has been established to investigate and implement the redevelopment of the site for housing including the provision of significant open space. A project team has been established and external support procured to instigate the site constraints and prepare for an outline planning application prior to a sale of the site. Note some land will be withheld by the Council for public open space.	Work continues to deliver the high level project plan as approved by Cabinet.	Outline planning consent was achieved in August 2015 and currently we are in the final stages of sale negotiation for the site with the exchange of contracts anticipated during this financial year.
5	**Cyber Security Policy** A Cyber Security Policy should be adopted.	Work is progressing on the development and future adoption of a Cyber Security Policy.	A review of the current IT Policies has been completed, and the issue of Cyber Security is covered sufficiently within other documents.

GLOSSARY

Accrual
A sum included in the final accounts to cover income or expenditure attributable to the previous financial year for goods or work done, but for which payment has not been received / made by the end of that financial year.

Agency Services
The provision of services by one body (the agent) on behalf of, and generally reimbursed by, the responsible body.

Available for Sale Financial Instruments Reserve

This contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

Balances
The total sum available to the Authority, including the accumulated surplus of income over expenditure. Balances form part of the Authority's reserves.

Balance Sheet
This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority.

Business Rates Retention Scheme
This was introduced with effect from 1 April 2013, and requires the Authority 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 Authority can now retain a share of the Business Rates it collects, and pays out a share to Government, Staffs County Council and the Stoke on Trent and Staffordshire Fire and Rescue Authority.

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 Authority in providing its services beyond the year of the account e.g. land and buildings.

Capital Financing Requirement
This represents the Authority's underlying need to borrow for capital purposes.

Capital Grants Unapplied
Capital grants received with no conditions attached are transferred to the capital grants unapplied account until they are used to finance capital expenditure.

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

Capital receipts available to finance capital expenditure in future years are normally held in the usable capital receipts reserve.

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 Authority 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 paid.

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.

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 accounting cost in the year of providing services 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 Authority a possible asset which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Authority'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 Authority a possible obligation, subject to uncertain future events not wholly within the Authority's control. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Creditors
Amounts owed by the Authority for work done, goods received or services rendered which have not been paid for by the end of the financial year.

Debtors
Amounts due to the Authority 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 Authority's financial performance, disclosed separately within the CIES or in a note to the accounts.

Financial Instruments Adjustment Account
An account which allows the adjustments relating to the accounting for Financial Instruments to be managed in line with statute. It records the timing differences between the rate at which gains and losses are recognised under the Code of Practice and the rate at which debits and credits are required to be posted to the General Fund.

Fixed Assets
Tangible assets that yield benefits to the Authority for a period of more than one year

Housing Revenue Account
The Housing Revenue Account reflects the statutory requirement to maintain a separate account for Council Housing.

IFRS
International Financial Reporting Standards (IFRS) are to be 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-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (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 Authority's services.

Joint Assets
These are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers.

Joint Operations
These are activities undertaken by the Authority 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.

Liquid Resources
Current asset investments that are readily disposable by the Authority without disrupting its business and are either:-

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

Major Repairs Allowance
The Major Repairs Allowance represents the estimated long-term average amount of capital spending required to maintain the Authority's 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 Authority, 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 Authority 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.

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.

Precept
This is a demand for payment made by Staffordshire County Council, OPCC Staffordshire and the Stoke-on-Trent and Staffordshire Fire and Rescue Authority as a means of obtaining income. The payment is met from the Authority's collection fund and is based on the Council Tax base.

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
A related party is a body or individual that has control or joint control, or significant influence over the Authority, or is a member of the key management personnel of the Authority.

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 Authority's plant, property and equipment, and Intangible Assets, made after 1st April 2007.

Revenue Expenditure
The day-to-day expenditure incurred by the Authority 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 Authority for non-housing services.

Housing Revenue Account
This reserve holds funds that are available to meet future running costs relating to the Authority's housing stock.

Capital Receipts Reserve
This reserve holds all of the Authority'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 Authority'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 7.

Appendix to the Comprehensive Income and Expenditure Statement

Central Services to the Public

- Local Tax Collection
- Elections
- Emergency Planning and Civil Contingencies
- Local Land Charges

Cultural and Related Services

- Culture and Heritage
- Recreation and Sport
- Open Spaces
- Tourism
- Service Management and Support Services

Environmental and Regulatory Services

- Cemetery, Cremation and Mortuary Services
- Community Safety/ Crime Reduction
- Environmental Health
- Licensing
- Flood Defence and Land Drainage
- Agricultural and Fisheries Services
- Consumer Protection
- Street Cleansing
- Waste Collection
- Waste Disposal
- Service Management and Support Services

Planning and Development Services

- Building Control
- Development Control
- Planning Policy
- Environmental Initiatives
- Economic Development
- Community Development
- Service Management and Support Services

Highways, Roads and Transport Services

- Transport, Planning, Policy and Strategy
- Highways/Roads (Structural)
- Highways/Roads (Routine)
- Street Lighting
- Traffic Management
- Parking Services
- Public Transport
- Service Management and Support Services

Local Authority Housing (HRA)

- Costs associated with management of Council Dwellings
- Welfare Services for tenants

Other Housing Services

- Housing Strategy
- Housing Advice
- Housing Advances
- Licensing of Private Sector Landlords
- Private Sector Housing Renewal
- Homelessness
- Housing Benefit Payments and Administration
- Other Council Property
- Service Management and Support Services

Corporate and Democratic Core Costs

- Democratic Representation and Management
- Corporate Management

Non Distributed Costs

- Pension Costs Relating to Added Years and Early Retirement
- Revaluation of Surplus Assets

Discontinued Operations

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMWORTH BOROUGH COUNCIL

We have audited the financial statements of Tamworth Borough Council for the year ended 31st March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on Housing Revenue Account Balance, the Collection Fund and the related notes .The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Members of Tamworth Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director Corporate Services and auditor

As explained more fully in the Statement of the Executive Director Corporate Services Responsibilities, the Executive Director Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Tamworth Borough Council as at 31st March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Tamworth Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Tamworth Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Gregory

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

Colmore Plaza, 20 Colmore Circus, Birmingham, West Midlands, B4 6AT

24th September 2015

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

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AUDIT & GOVERNANCE COMMITTEE

24th September 2015

Report of the Executive Director Corporate Services

REVIEW OF THE ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2014/15

Purpose

To review the Annual Report on the Treasury Management Service and Actual Prudential Indicators 2014/15 approved by Council on 15th September 2015.

Executive Summary

At its meeting on 23rd February 2010, the Council approved 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.

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 Annual Report on the Treasury Management Service and Actual Prudential Indicators 2014/15 is attached at **Annex 1.**

Recommendations

That Members consider the Annual Report on the Treasury Management Service and Actual Prudential Indicators 2014/15, as detailed at Annex 1 and highlight any changes for recommendation to Cabinet.

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 Phil Thomas, Financial Accountant or Stefan Garner, Director of Finance, extension 239 or 242.

Background Papers:-	Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2014/15 Including Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2014/15 - Council 25th February 2014
	Annual Report on the Treasury Management Service and Actual Prudential Indicators 2014/15 - Council 15th September 2015

COUNCIL

TUESDAY, 15 SEPTEMBER 2015

REPORT OF THE CABINET

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2014/15

PURPOSE

The Annual Treasury report is a requirement of the Council's reporting procedures. It covers the Treasury activity for 2014/15, and the actual Prudential Indicators for 2014/15.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes in accordance with Regulations issued under the Local Government Act 2003. It also provides an opportunity to review the approved Treasury Management Strategy for the current year and enables Members to consider and approve any issues identified, that require amendment.

RECOMMENDATIONS

That Council ;

1. **Approve the actual 2014/15 Prudential Indicators within the report and shown at APPENDIX 1;**
2. **Accept the Treasury Management Stewardship Report for 2014/15.**
3. **Approve an increase in the current counterparty limits as identified at item 12 within this report.**

EXECUTIVE SUMMARY

This report covers Treasury operations for the year ended 31st March 2015 and summarises:

- the Council's Treasury position as at 31st March 2015;
- Performance Measurement.

The key points raised for 2014/15 are;

The Council's Capital Expenditure and Financing 2014/15

The Council's Overall Borrowing Need

Treasury Position as at 31st March 2015

The Strategy for 2014/15

The Economy and Interest Rates
Borrowing Rates in 2014/15
Borrowing Outturn for 2014/15
Investment Rates in 2014/15
Investment Outturn for 2014/15
Performance Measurement
Icelandic Bank Defaults.

The Treasury Function has achieved the following favourable results:

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

- There are no issues to report regarding non-compliance with the approved prudential indicators;
- Excluding the Icelandic investments (currently identified 'at risk') the Council maintained an average investment balance externally invested of £33.2m and achieved an average return of 0.56% (budgeted at £25.70m and an average return of 0.75%).

  These results compare favourably with the Council's own Benchmarks of the average 7 day and the 3 month LIBID rates for 2014/15 of 0.35% and 0.43% respectively, and is not significantly different from the CIPFA Treasury Benchmarking Club (22 LA members) average rate of 0.78%. This is not considered to be a poor result in light of the current financial climate, our lower levels of deposits/funds and shorter investment timelines due to Banking sector uncertainty, when compared to other Councils;
- The closing weighted average internal rate on borrowing has remained at 4.47%;
- The Treasury Management Function has achieved an outturn investment income of £202k compared to a budget of £189k. The additional revenue attained was as a result of higher levels of funds being available for investment, due to underspends/slippage on the revenue and capital programmes but tempered by the continuing subdued market interest rates.

During 2014/15 the Council complied with its legislative and regulatory requirements.

The Executive Director Corporate Services confirms that no borrowing was undertaken within the year and the Authorised Limit was not breached.

At 31st March 2015, the Council's external debt was £65.060m (£65.060m at 31st March 2014) and its external investments totalled £32.353m (£28.557m at 31st March 2014) – including interest credited. This excludes £1.323m Icelandic Banking sector deposits (plus accrued interest at claim date) that was 'At Risk' at the year end (£1.355m at the 31st March 2014).

RESOURCE IMPLICATIONS

There are no financial implications or staffing implications arising from the report.

LEGAL/RISK IMPLICATIONS BACKGROUND

The Council is aware of the risks of passive management of the Treasury Portfolio and with the support of Capita Asset Services, the Council's current Treasury advisers, has proactively managed its debt and investments over this very difficult year.

SUSTAINABILITY IMPLICATIONS

None

REPORT AUTHOR

If Members would like further information or clarification prior to the meeting please contact Phil Thomas Ext 709239 or email phil-thomas@tamworth.gov.uk

LIST OF BACKGROUND PAPERS

- Local Government Act 2003;
- Statutory Instruments: 2003 No 3146 & 2007 No 573;
- CIPFA Code of Practice on Treasury Management in Public Services;
- Treasury Management Strategy & Prudential Indicators (Council 25th February 2014);
- Treasury Management Mid-Year Review 2014/15 (Council 16th December 2014);
- Treasury Outturn Report 2013/14 (Council 16th September 2014);
- CIPFA Treasury Benchmarking Club Report 2014.
- Treasury Management Strategy 2015/16 (Council 24th February 2015)

APPENDICES

Appendix 1 – Prudential and Treasury Indicators

Appendix 2 – Investment Performance Graph (CIPFA)

Appendix 3 – Borrowing and Investment Rates

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2014/15 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 25th February 2014)
- a mid-year (minimum) treasury update report (Council 16th December 2014)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, Cabinet has received quarterly Treasury management updates as part of the Financial Healthcheck Reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give scrutiny to all of the above Treasury Management Reports by the Audit and Governance Committee. Member training on Treasury Management issues was undertaken during the year on 4th February 2015 in order to support members' scrutiny role.

During 2014/15, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential & Treasury Indicators	2013/14 Actual £m	2014/15 Estimate £m	2014/15 Actual £m
Capital Expenditure			
Non HRA	1.339	2.982	**0.581**
HRA	7.602	6.003	**4.972**
Total	8.941	8.985	**5.553**
Capital Financing Requirement			
Non HRA	1.311	1.162	**1.241**
HRA	68.042	68.034	**68.042**
Total	69.353	69.196	**69.283**
Gross Borrowing			
External Debt	65.060	65.060	**65.060**
Investments			
Longer than 1 year	-	-	**-**
Less than 1 year	28.557	20.140	**32.353**
Total	28.557	20.140	**32.353**
Net Borrowing	36.503	44.920	**32.707**

Other prudential and treasury indicators are to be found in the main body of this report. The Executive Director Corporate Services confirms that no borrowing was undertaken in year and the statutory borrowing limit (the authorised limit) was not breached.

The financial year 2014/15 continued the challenging investment environment of previous years, namely low investment returns.

Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

1. The Council's Capital Expenditure and Financing 2014/15

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£m General Fund	2013/14 Actual £m	2014/15 Estimate £m	2014/15 Actual £m
Capital expenditure	1.339	2.982	**0.581**
Financed in year	1.339	2.982	**0.581**
Unfinanced capital expenditure	-	-	**-**
£m HRA	2013/14 Actual £m	2014/15 Estimate £m	2014/15 Actual £m
Capital expenditure	7.602	6.003	**4.972**
Financed in year	7.602	6.003	**4.972**
Unfinanced capital expenditure	-	-	**-**

2. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2014/15 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2014/15 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2014/15 on 25th February 2014.

The Council's CFR for General Fund and the HRA for the year are shown below, and represent a key prudential indicator.

CFR (£m): General Fund	31st March 2014 Actual £m	31st March 2015 Budget £m	31st March 2015 Actual £m
Opening balance	1.525	1.227	**1.312**
Add unfinanced capital expenditure (as above)	-	-	**-**
Less MRP/VRP	(0.213)*	(0.065)	**(0.070)**
Less PFI & finance lease repayments	-	-	**-**
Closing balance	1.312	1.162	**1.242**

- As a result of notifications that there would probably be no further distributions from the Administrators of the Icelandic Bank Heritable, the Council made an additional Voluntary Revenue Provision (VRP) in year of £135k to reduce the original Capitalisation of our potential loss.

CFR (£m): HRA	31st March 2014 Actual £m	31st March 2015 Budget £m	31st March 2015 Actual £m
Opening balance	68.054	68.044	**68.042**
Add unfinanced capital expenditure (as above)	-	-	**-**
Less VRP	(0.012)	(0.010)	**-**
Less PFI & finance lease repayments	-	-	**-**
Closing balance	68.042	68.034	**68.042**

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2014/15) plus the estimates of any additional capital financing requirement for the current (2015/16) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2014/15. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31st March 2014 Actual £m	31st March 2015 Budget £m	31st March 2015 Actual £m
Gross borrowing position	65.060	65.060	**65.060**
CFR	69.353	69.196	**69.283**

The Authorised Limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2014/15 the Council has maintained gross borrowing within its authorised limit.

The Operational Boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual Financing Costs as a Proportion of 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.

General Fund	2014/15 £m
Authorised limit	12.705
Maximum gross borrowing position	1.231
Operational boundary	1.367
Average gross borrowing position	-
Financing costs as a proportion of net revenue stream %	(1.19)%

HRA	2014/15 £m
Authorised limit	79.407
Maximum gross borrowing position	68.380
Operational boundary	70.901
Average gross borrowing position	65.060
Financing costs as a proportion of net revenue stream %	22.55%

3. Treasury Position as at 31 March 2015

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2014/15 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

General Fund	31st March 2014 Principal £m	Rate/ Return %	Average Life yrs	31st March 2015 Principal £m	Rate/ Return %	Average Life yrs
Fixed rate funding:						
-PWLB	-	-	-	-	-	-
-Market	-	-	-	-	-	-
Variable rate funding:						
-PWLB	-	-	-	-	-	-
-Market	-	-	-	-	-	-
Total debt	***-***	***-***	***-***	***-***	***-***	***-***
CFR	***1.31***			***1.24***		
Over / (under) borrowing	***(1.31)***			***(1.24)***		
Investments:						
- in house	16.50	0.71		18.69	0.56	
Total investments	***16.50***	***0.71***		***18.69***	***0.56***	

HRA	31st March 2014 Principal £m	Rate/ Return %	Average Life yrs	31st March 2015 Principal £m	Rate/ Return %	Average Life yrs
Fixed rate funding:						
-PWLB	65.06	4.47	35.43	65.06	4.47	34.43
-Market	-	-	-	-	-	-
Variable rate funding:						
-PWLB	-	-	-	-	-	-
-Market	-	-	-	-	-	-
Total debt	***65.06***	***4.47***	***35.43***	***65.06***	***4.47***	***34.43***
CFR	***68.04***			***68.04***		
Over / (under) borrowing	***(2.98)***			***(2.98)***		
Investments:						
- in house	12.05	0.71		13.66	0.56	
Total investments	***12.05***	***0.71***		***13.66***	***0.56***	

Maturity Structures

Debt - The maturity structure of the debt portfolio was as follows:

	31st March 2014 Actual £m	2014/15 original limits %	31st March 2015 Actual £m
Under 12 months	0	20	**3.00**
12 months and within 24 months	3.00	20	**2.00**
24 months and within 5 years	2.00	25	**0**
5 years and within 10 years	0	75	**0**
10 years and within 20 years	1.00	100	**3.00**
20 years and within 30 years	4.00		**2.00**
30 years and within 40 years	10.00		**15.00**
40 years and within 50 years	45.06		**40.06**

Investments - All investments held by the Council were invested for under one year.

The exposure to fixed and variable rates was as follows:

	31st March 2014 Actual	2014/15 Original Limits	31st March 2015 Actual
Fixed rate - principal	36.503	49.712	**32.707**
Variable rate - interest	-	6.506	**-**

4. The Strategy for 2014/15

The expectation for interest rates within the strategy for 2014/15 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

The actual movement in gilt yields meant that PWLB rates saw little overall change during the first four months of the year but there was then a downward trend for the rest of the year with a partial reversal during February.

5. The Economy and Interest Rates

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.

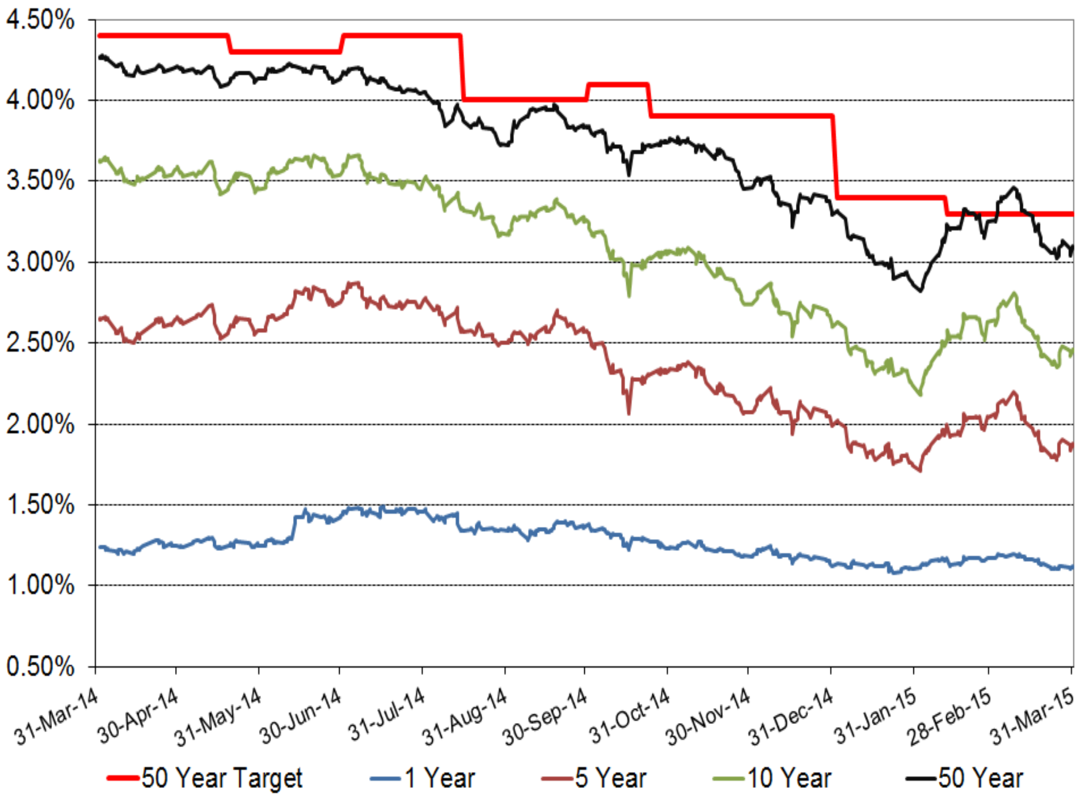
The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the euro were to severely impact other major countries in the EZ and cause major damage to their banks.

6. Borrowing Rates in 2014/15

PWLB certainty maturity borrowing rates - the graphs and table for PWLB rates below and in appendix 3, show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



7. Borrowing Outturn for 2014/15

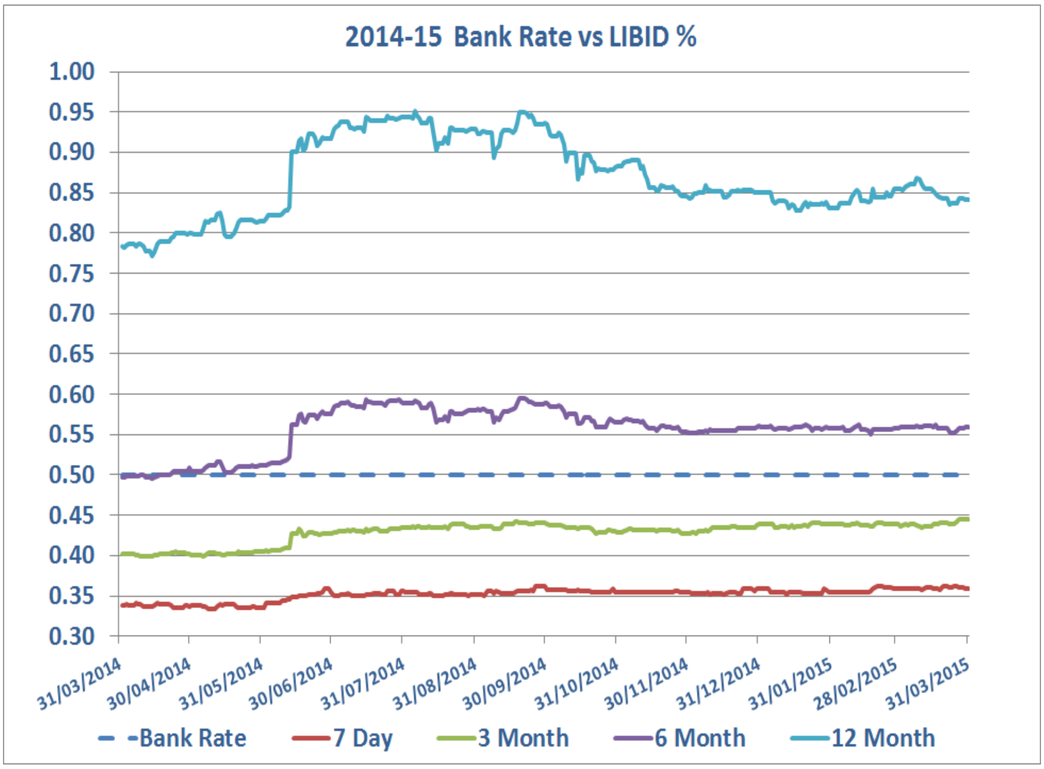
Treasury Borrowing

Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

Rescheduling
No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

8. Investment Rates in 2014/15

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.



9. Investment Outturn for 2014/15

Investment Policy – the Council's investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 25th February 2014. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties. However, on one occasion during the year, the approved maximum limit held in the Council's bank account (£2m) was exceeded by £592k, due to processing problems with an investment, this issue was corrected the following day.

Resources – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources General Fund (£m)	31st March 2014	31st March 2015
Balances	4.570	**4.912**
Earmarked Reserves	5.987	**5.967**
Provisions	0.547	**1.679**
Usable Capital Receipts	0.826	**0.812**
Total	11.930	**13.370**

Balance Sheet Resources HRA (£m)	31st March 2014	31st March 2015
Balances	5.481	**5.957**
Earmarked Reserves	5.276	**8.157**
Provisions	-	**-**
Usable Capital Receipts	2.116	**3.086**
Total	12.873	**17.200**

Total Authority Resources	24.803	**30.570**

10. Performance Measurement

One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide *(as incorporated in the table in section 3).* The Council's performance indicators were set out in the Annual Treasury Management Strategy.

This service had set the following local performance indicators:

- *To Maximise investment returns by ensuring that the average balance held in the Council's current accounts (non-interest earning) is maintained below £5,000*;

  The actual average balance held in the current accounts for 2014/15 was £12,970 cr (in hand) (£14,954 cr in hand in 2013/14);

  The net loss of interest for 2014/15 (loss of investment interest on un-invested balances less any overdraft interest incurred) was £29 (£18 for 2013/14) or approximately 8p per day;

- *Average external interest receivable in excess of 3 month LIBID rate;*

  Whilst the assumed benchmark for local authorities is the 7 day LIBID rate, a higher target is set for internal performance.

  The actual return of 0.56% compared to the average 3 month LIBID of 0.43% (0.13% above target).

CIPFA Benchmarking Club

The Council is a member of the CIPFA Treasury Management Benchmarking Club which is a means to assess our performance for the year against other members (22 participating Authorities). Our average return for the year (as mentioned above) was 0.56% compared to the group average of 0.66% (information from CIPFA Benchmarking Report 2014/15) Combined In-House Investments excluding the impaired investments in Icelandic banks.

This can be analysed further into the following categories:

	Average Balance Invested £ m		**Average Rates Received %**	
Category	Tamworth Borough Council	CIPFA Benchmarking Club	Tamworth Borough Council	CIPFA Benchmarking Club
Fixed investments up to 30 days Managed in-house	0.1	1.9	0.41	0.38
Fixed investments 31 to 90 days Managed in-house	1.0	4.7	0.43	0.46
Fixed investments 91 to 365 days Managed in-house	15.6	54.6	0.69	0.72
Fixed investments between 1 year and 5 year Managed in-house	0.5	24.7	1.00	1.59
Fixed investments over 5 years	-	5.9	-	5.19
Notice Accounts	4.7	30.2	0.45	0.52
DMADF	-	8.7	-	0.25
CD's Gilts and Bonds	2.0	23.3	0.60	1.12
Callable and Structured Deposits	-	40.0	-	2.19
Money Market Funds Constant NAV	9.3	23.4	0.39	0.43
Money Market Funds Variable NAV	-	10.2	-	0.55
Externally Managed Funds	-	1.6	-	0.71
All Investments Managed in-house	**33.2**	**141.9**	**0.56**	**0.78**

Graphs showing a summary of the Authority's investment performance over the year can be found at **APPENDIX 2**.

11. Icelandic Bank Defaults

The U.K. Government, Local Government Association, administrators and other agencies have continued to work throughout 2014/15 in recovering assets and co-ordinating repayments to all UK councils with Icelandic investments.

In the case of Heritable Bank plc, a significant repayment was made in August 2013, bringing the total repayments to approximately 94%. A recent update provided by the Administrators has indicated that following the resolution of an outstanding dispute, a further distribution is anticipated in August 2015, which could take the projected recovery to between 98% and 100%.

In the case of Kaupthing, Singer and Friedlander Ltd, the administrators made a further small dividend payment during the financial year, bringing the current recovery level up to 82.5%. Further payments and updates are anticipated during 2015/16.

Investments outstanding with the Iceland domiciled bank Glitnir Bank hf have been subject to decisions of the Icelandic Courts. Following the successful outcome of legal test cases in the Icelandic Supreme Court, the Administrators have committed to a full repayment and the Authority received a significant sum in late March 2012. However, due to Icelandic currency restrictions, elements of our deposits which are held in Icelandic Krone have been held back pending changes to Icelandic law. This sum has been placed in an interest bearing account and negotiations are still continuing for their early release.

Members will be periodically updated on the latest developments of these efforts.

The Authority currently has the following investments 'at risk' in Icelandic banks;

Bank	Original Deposit	Accrued Interest	Total Claim	Exchange Rate Adjustments	Repayments Received @ 31/03/2015	Balance Outstanding	Anticipated Recovery
	£'m	£'m	£'m	£'m	£'m	£'m	%
Glitnir	3.000	0.232	3.232	0.024	2.554	0.654	100.00
Kaupthing Singer & Freelander	3.000	0.175	3.175	-	2.620	0.555	85.75
Heritable	1.500	0.005	1.505	-	1.415	0.090	98.00 -100.00
Totals	**7.500**	**0.412**	**7.912**	**0.024**	**6.589**	**1.299**	-

12. Increase in Counterparty Investment Limits

Arising from the planned sale of the former Golf Course land, it is anticipated that the Council will receive a significant capital receipt, potentially phased over the next few years.

At the end of June 2015, the Council's investment portfolio stood at £37.5m with investment levels with the majority of our approved counterparties being at, or close to the maximum approved under our current Treasury Strategy Statement.

It is considered prudent to review our lending limits for Specified Investments* at this early stage and increase them now, to provide flexibility for easier investment of these additional funds as and when they are received.

Our Treasury Management consultants Capita Asset Services, recommends that no more than 20% of the Council's investment portfolio should be placed with an individual counterparty, in order to spread risk. The current limits of up to £5m with individual institutions, equates to a portfolio level of approximately £25m. As mentioned above, our current portfolio has averaged around £37m over the past 3 months and would result in a limit of just over £7m, which is above the proposal mentioned below.

Members are asked to approve an increase in our lending limits as follows;

Specified Investments*	Criteria	Current Limit	Proposed Limit
UK Government/ Debt Management Agency Deposit Facility	Defined by Regulation UK Treasury (AA+)	£5m	£6m
Term deposits – Local Authorities	Defined by Regulation (Sec 23 of the 2003 act)	£5m	£6m
Treasury Bills	Defined by Regulation UK Treasury (AA+)	£5m	£6m
Term Deposits, Callable Deposits, including Certificates of Deposits – Banks and Building Societies	In accordance with Sector's Creditworthiness Service up to 'Orange' or 'Blue'	£5m individual institutions £8m Group limit	£6m individual institutions £9m Group limit
Pooled investment vehicles (OEIC's, MMF's etc)	AAA (Moody's MR1, Fitch MMF and S&P M).	£5m	£6m
Banks and Building Societies – Forward deals up to 1 year from arrangement to maturity	In accordance with Sector's Creditworthiness Service up to 'Orange 'or 'Blue'	£5m	£6m

**These investments are sterling denominated investments of not more than one-year maturity, meeting the minimum 'high' quality criteria where applicable. They are of relatively high security, high liquidity and are low risk assets where the possibility of loss of principal or investment income is small, they could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes.*

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Appendix 1: Prudential and Treasury Indicators

1. PRUDENTIAL INDICATORS	**2013/14**	**2014/15**	**2014/15**
Extract from budget and rent setting report	**actual**	**original**	**actual**
Capital Expenditure	**£m**	**£m**	**£m**
Non - HRA	1.339	2.982	0.581
HRA	7.602	6.003	4.972
TOTAL	8.941	8.985	5.553
Ratio of financing costs to net revenue stream	**%**	**%**	**%**
Non - HRA	1.22	(1.33)	(1.19)
HRA	15.39	34.97	22.55
Gross borrowing requirement General Fund	**£m**	**£m**	**£m**
brought forward 1 April	-	-	-
carried forward 31 March	-	-	-
in year borrowing requirement	-	-	-
Gross borrowing requirement HRA	**£m**	**£m**	**£m**
brought forward 1 April	65.060	65.060	65.060
carried forward 31 March	65.060	65.060	65.060
in year borrowing requirement	-	-	-
	£m	**£m**	**£m**
Gross debt	65.060	65.060	65.060
Capital Financing Requirement	**£m**	**£m**	**£m**
Non – HRA	1.311	1.162	1.241
HRA	68.042	68.034	68.042
TOTAL	69.353	69.196	69.283
Annual change in Capital Financing Requirement	**£m**	**£m**	**£m**
Non – HRA	(0.214)	(0.065)	(0.070)
HRA	(0.012)	(0.010)	-
TOTAL	(0.226)	(0.075)	(0.070)
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**
Increase in council tax (band D) per annum	(0.05)	0.16	0.16
Increase in average housing rent per week	(0.01)	(0.04)	(0.04)

2. TREASURY MANAGEMENT INDICATORS	2013/14	2014/15	2014/15
	actual	original	actual
	£m	£m	£m
Authorised Limit for external debt - General Fund			
borrowing	9.705	9.705	9.705
other long term liabilities	3.000	3.000	3.000
TOTAL	12.705	12.705	12.705
Authorised Limit for external debt - HRA			
borrowing	79.407	79.407	79.407
other long term liabilities	--	-	--
TOTAL	0.000	79.407	0.000
Operational Boundary for external debt - General Fund	**£m**	**£m**	**£m**
borrowing	1.367	1.367	1.367
other long term liabilities	-	-	-
TOTAL	1.367	1.367	1.367
Operational Boundary for external debt - HRA	**£m**	**£m**	**£m**
borrowing	70.901	70.901	70.901
other long term liabilities	-	-	-
TOTAL	70.901	70.901	70.901
Actual external debt	**£m**	**£m**	**£m**
	65.060	65.060	65.060
Maximum HRA debt limit	**£m**	**£m**	**£m**
	79.407	79.407	79.407
Interest Rate Exposure (Upper Limit)*	**£m**	**£m**	**£m**
Limits on Fixed Interest Rates based on net debt	49.409	49.712	49.712
Limits on Variable Interest Rates based on net debt	6.506	6.506	6.506
Limits on Fixed Interest Rates:			
Debt only	65.060	65.060	65.060
Investments only	26.085	25.580	25.580
Limits on Variable Interest Rates:			
Debt only	6.506	6.506	6.506
Investments only	10.434	10.232	10.232
Upper limit for total principal sums invested for over 364 days	2.500	2.500	2.500
(per maturity date)			

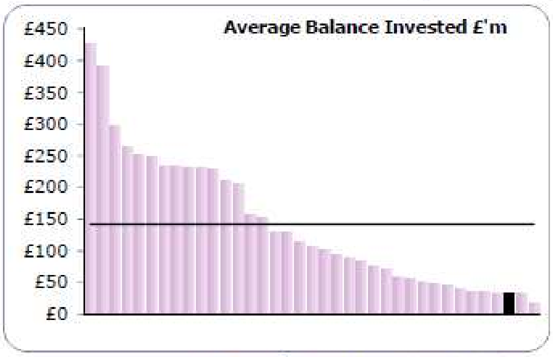
* Original limits set in the Treasury Management Strategy Statements. There has been no requiremnet for revision.

Maturity structure of fixed rate borrowing during 2013/14	upper limit	lower limit
under 12 months	0.00%	20.00%
12 months and within 24 months	0.00%	20.00%
24 months and within 5 years	0.00%	25.00%
5 years and within 10 years	0.00%	75.00%
10 years and over	0.00%	100.00%

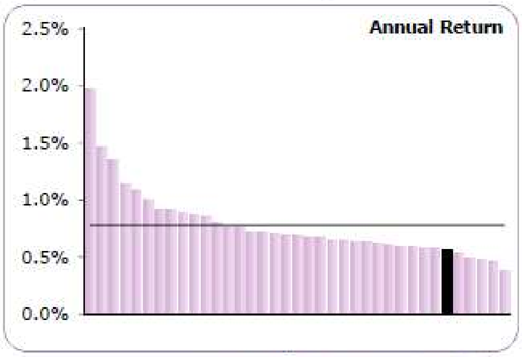
APPENDIX 2

Cipfa Treasury Management Club Final Report 2014/15

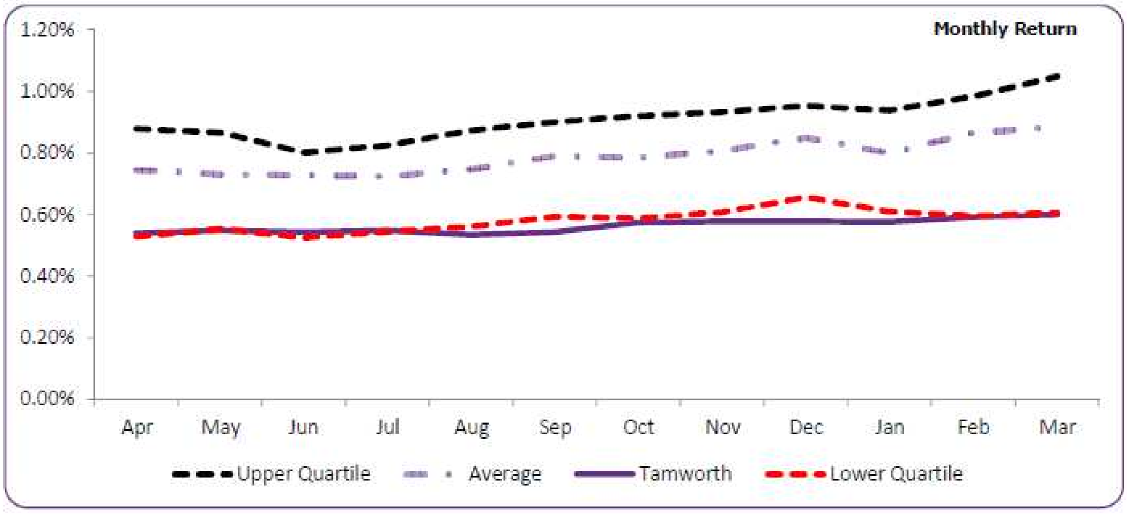
COMBINED INVESTMENTS (excluding impaired investments)



Tamworth 33.2 *Avg 141.9*



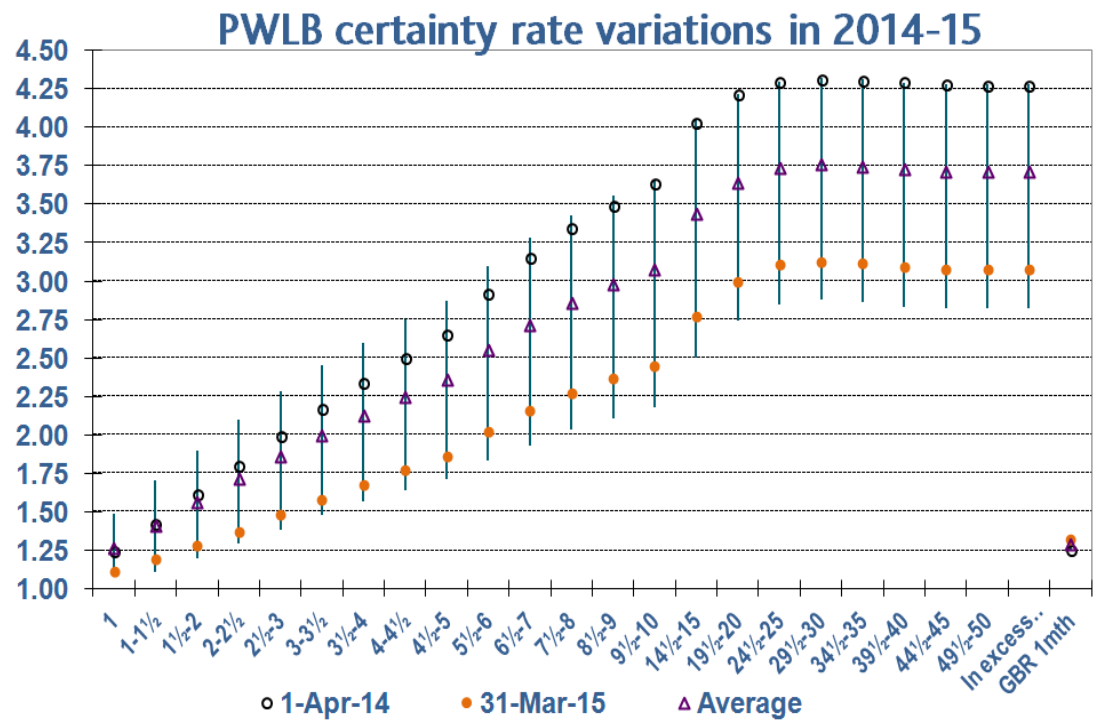
Tamworth 0.56% *Avg 0.78%*



Monthly Return (April 14 - March 15)	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	Year
Av Bal £'m	31.64	31.39	31.88	32.70	33.37	34.08	34.17	33.45	34.36	34.78	33.50	33.09	33.20
Earned £'k	14.0	14.6	14.2	15.2	15.1	15.2	16.6	15.9	16.8	17.0	15.2	16.8	186.8
Upper Quartile	0.88%	0.87%	0.80%	0.82%	0.87%	0.90%	0.92%	0.93%	0.95%	0.94%	0.99%	1.05%	0.88%
Average	*0.74%*	*0.73%*	*0.73%*	*0.73%*	*0.75%*	*0.79%*	*0.79%*	*0.81%*	*0.85%*	*0.80%*	*0.87%*	*0.88%*	*0.78%*
% Return	0.54%	0.55%	0.54%	0.55%	0.53%	0.54%	0.57%	0.58%	0.58%	0.57%	0.59%	0.60%	0.56%
Lower Quartile	0.53%	0.55%	0.53%	0.55%	0.56%	0.59%	0.59%	0.61%	0.66%	0.61%	0.60%	0.61%	0.59%
% Diff from Av	-0.20%	-0.18%	-0.19%	-0.18%	-0.21%	-0.25%	-0.21%	-0.23%	-0.27%	-0.22%	-0.28%	-0.29%	

Borrowing and Investment Rates

Money market investment rates 2014/15					
	7 day	1 month	3 month	6 month	1 year
1/4/14	0.338	0.362	0.402	0.497	0.783
31/3/15	0.358	0.378	0.445	0.559	0.841
High %	0.362	0.384	0.445	0.596	0.951
Low %	0.334	0.360	0.400	0.496	0.772
Average %	0.352	0.374	0.429	0.556	0.868
Spread %	0.028	0.024	0.045	0.100	0.180
High date	26/3/15	26/9/14	27/3/15	19/9/14	5/8/14
Low date	8/5/14	4/4/14	9/4/14	14/4/14	14/4/14



	1	1-1.5	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
1/4/14	1.240%	1.420%	1.990%	2.340%	2.650%	3.630%	4.290%	4.270%	1.250%
31/3/15	1.110%	1.190%	1.480%	1.680%	1.860%	2.450%	3.110%	3.080%	1.320%
High	1.490%	1.700%	2.280%	2.600%	2.870%	3.660%	4.300%	4.280%	1.340%
Low	1.080%	1.110%	1.380%	1.570%	1.710%	2.180%	2.850%	2.820%	1.250%
Average	1.266%	1.417%	1.863%	2.130%	2.362%	3.083%	3.737%	3.719%	1.290%
Spread	0.410%	0.590%	0.900%	1.030%	1.160%	1.480%	1.450%	1.460%	0.090%
High date	16/07/2014	03/07/2014	03/07/2014	03/07/2014	03/07/2014	20/06/2014	03/04/2014	02/04/2014	17/09/2014
Low date	23/01/2015	06/01/2015	07/01/2015	07/01/2015	02/02/2015	02/02/2015	02/02/2015	02/02/2015	01/04/2014

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AUDIT & GOVERNANCE COMMITTEE

24 SEPTEMBER 2015

REPORT OF THE SOLICITOR TO THE COUNCIL AND MONITORING OFFICER

REGULATION OF INVESTIGATORY POWERS ACT 2000

Purpose

The Council's Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) specifies that quarterly reports will be taken to Audit & Governance Committee to demonstrate to elected members that the Council is complying with its own Code of Practice when using RIPA.

On 13 December 2012, the Council re-adopted the RIPA policy and agreed that quarterly reports on the use of RIPA powers be submitted to Audit & Governance Committee.

Recommendation

That Audit and Governance Committee endorse the quarterly RIPA monitoring report.

Executive Summary

The Office of the Surveillance Commissioner (OSC) conducted an inspection into the RIPA policy, procedures, documentation and training on 6 October 2014 utilised at the Council. The outcome of the inspection was reported to Council on 16 December 2014. The recommendations arising from the inspection have been implemented and reported back to the OSC. The policy has been updated in line with the recommendations of the Commissioner and has been published. Training took place on 14 January 2015 for officers who previously had no RIPA training and for members with refresher training being delivered for those officers previously trained. The feed back form the training has been positive ad going forward training for RIPA will be added to the Corporate Training Programme. In May 2015 the RIPA policy was published on Netconsent for all staff with a questionnaire following, this raises awareness of the policy and procedures. The results and feedback from the questionnaire will be used to formulate future training events.

Options Considered

Obligations arsing under RIPA for the authority are statutory therefore there the only option is compliance.

Resource Implications

Support for the RIPA obligations and functions are met from existing budget and existing staff resources.

Legal/Statutory and Risk Implications

The recording of applications, authorisations, renewals and cancellations of investigations using covert surveillance techniques or involving the acquisition of communications data is covered by the Regulation of Investigatory Powers Act 2000.
The Regulation of Investigatory Powers Act was introduced to regulate existing surveillance and investigation in order to meet the requirements of Article 8 of the Human Rights Act. Article 8 states: Everyone had the right for his private and family life. His home and his correspondence, There shall be no interference by a public authority with the exercise of this right except such as in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the Country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.
RIPA investigations can only be authorised by a local authority where it is investigating criminal offences which (1) attract a maximum custodial sentence of six months or more or (2) relate to the sale of alcohol or tobacco products to children.
There are no risk management or Health and Safety implications.

Sustainability Implications

The legislation requires the Authority to record and monitor all RIPA applications, keep the records up to date and report quarterly to a relevant Committee.

Background Information

The RIPA Code of Practice produced by the Home Office in April 2010 introduced the requirement to produce quarterly reports to elected members to demonstrate that the Council is using its RIPA powers appropriately and complying with its own Code of Practice when carrying out covert surveillance. This requirement relates to the use of directed surveillance and covert human intelligence sources (CHIS).

The table below shows the Council's use of directed surveillance in the current financial year to provide an indication of the level of use of covert surveillance at the Council. There have been no applications under RIPA in the period from the date of the last meeting on 25 June 2015 and from 1 July 2015 to the date of this report. At the meeting on 24 September the Solicitor to the Council will update the Committee on application status.

The table outlines the number of times RIPA has been used for directed surveillance, the month of use, the service authorising the surveillance and a general description of the reasons for the surveillance. Where and investigation is ongoing at the end of a quarterly period it will not be reported until the authorisation has been cancelled. At the end of the current quarterly period there are no outstanding authorisations.

There have been no authorisations for the use of CHIS.

Steps are being undertaken to compile a list of all equipment in use by the Council that could be used in surveillance. The list will ensure that equipment is stored and used properly this avoiding any breaches of the Code of Practice or legislation

Financial year 2015/16

Month	**Service**	**Reason**
No applications		

Background papers

None

"If Members would like further information or clarification prior to the meeting please contact Jane M Hackett Solicitor to the Council and Monitoring Officer on Ext.258"

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AUDIT & GOVERNANCE COMMITTEE

24 SEPTEMBER 2015

REPORT OF THE SOLICITOR TO THE COUNCIL AND MONITORING OFFICER

LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW 2014/15

Purpose

To advise the Committee of the views of the Local Government Ombudsman in relation to complaints against the Borough Council and provide an opportunity for members of the Committee to raise any issues they consider appropriate and consider the effectiveness of investigations relating to Tamworth Borough Council.

Recommendation

That the Committee endorse the Annual Review Letter as attached at Appendix 1.

Executive Summary

In the year 2014/15 the Ombudsman received 11 enquiries and complaints about our authority, and made 8 decisions. This is a substantial drop from the figures in 2013/14 which, as had been suspected, were unusually inflated due to the changes that took place in the Ombudsman's office for recording contact made with them. In 2013/14 the Ombudsman recorded 26 enquiries and complaints and made 28 decisions. This current year's figure is more akin to that of previous years. In 2013 there were 11 complaints.

Of the 11 enquiries and complaints 6 also appear in the decisions report. Of the other 2 cases in the decisions report, one does not relate to Tamworth Borough Council, as it is not a provider of Education & Children Services, and the other I have been advised by the Ombudsman Office related to a telephone call from a resident on a matter that had not been looked at by the Council. In that case the complainant was asked to refer the complaint to the Council in the first instance. This is recorded by the Ombudsman as a Decision "referred back for local resolution". No file exists within TBC relating to this matter, as the complainant has not contacted the authority. Thus the figures for TBC for the year 2014/2015 are 10 complaints and 7 decisions.

Three of the seven decisions were “referred back for local resolution”, this means that the complaint has been resolved by the Council; two decisions were “closed after initial enquiries” this occurs when the Ombudsman decides it cannot or should not investigate a complaint e.g. it is outside the Ombudsman’s jurisdiction and the final two decisions were “not upheld” in these instances the Ombudsman has investigated a complaint and decided that the Council has not acted with fault. A note on interpretation of local authority statistics is attached at Appendix 2.

In June 2015 the Local Government Office issued a press release suggesting that the complaints system in local government is under pressure. This was attributed to many Council’s, apparently, having to deal with increasing numbers of complaints coupled with the Ombudsman’s own data. I have not experienced a rise in complaints and enquiries to the Ombudsman from TBC. The year 2013/2014 was a “spike” and not indicative of a rising trend in Tamworth of complaints to the Ombudsman.

The Ombudsman no longer monitors the average time to respond however we continue to work to the 28 day target.

Background Information

The Committee’s Terms of Reference include an overview of the regulatory framework within which the authority works and includes a role of monitoring the effectiveness of Local Government Ombudsmen (LGO) investigations. As the operation of the LGO forms part of this regulatory framework the Committee is provided with the LGO annual review for consideration.

The LGO distribute annual review letters to all councils regarding their performance in dealing with complaints made about them to the Ombudsman. The aim is to provide councils with information to help them improve complaint handling, and improve services more generally, for the benefit of the public. The letters also include a summary of statistics relating to the complaints received by the LGO and dealt with against each council.

The LGO has the power to investigate:
complaints by members of the public who consider that they have been caused injustice by maladministration or service failure in connection with action taken by the Council and certain other bodies in the exercise of its administrative functions. Complaints by members of the public who consider they have sustained injustice during the course of privately arranged or funded adult social care, and complaints from pupils (or their parents) of injustice in consequence of an act/omission of a head teacher or governing body of a maintained school.

On the whole most complaints about the Borough Council matters relate to housing and planning issues.

Whilst the Ombudsman can investigate complaints about how the Council has done something, it cannot question what a Council has done simply because someone does not agree with it.

A complainant must give the Council an opportunity to deal with a Complaint against it first. It is best to use the Council's own complaints procedure, in the first instance, although in practice that is not always the route taken by a complainant. If a complainant is not satisfied with the action the Council takes he or she can send a written complaint to the Local Government Ombudsman, or ask a Councillor to do so on their behalf.

The objective of the Ombudsmen is to secure, where appropriate, satisfactory redress for complainants and better administration for the authorities. Since 1989, the Ombudsmen have had power to issue advice on good administrative practice in local government based on experience derived from their investigations.

The LGO provide each local authority with an annual review of the authority's performance in dealing with complaints against it which were referred to the relevant Ombudsman, so that the authority can learn from its own performance compared to other authorities.

Implications of this report

There are no direct financial/staffing implications or direct implications in relation to community/performance planning, sustainable development, community safety, equal opportunities or human rights arising from this report.

Report Author
Jane M Hackett - Solicitor to the Council and Monitoring Officer
jane-hackett@tamworth.gov.uk Tel; 01827 709258

List of Background papers
Local Government Act 1974 as amended

Appendices
Appendix I - Local Government Ombudsman Annual Review Letter 2015
Appendix 2 – Note on Interpretation of local authority statistics

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APPENDIX 1.

Local Government
OMBUDSMAN

18 June 2015

By email

Mr Tony Goodwin
Chief Executive
Tamworth Borough Council

Dear Mr Goodwin

Annual Review Letter 2015

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2015. This year's statistics can be found in the table attached.

The data we have provided shows the complaints and enquiries we have recorded, along with the decisions we have made. We know that these numbers will not necessarily match the complaints data that your authority holds. For example, our numbers include people who we signpost back to the council but who may never contact you. I hope that this information, set alongside the data sets you hold about local complaints, will help you to assess your authority's performance.

We recognise that the total number of complaints will not, by itself, give a clear picture of how well those complaints are being responded to. Over the coming year we will be gathering more comprehensive information about the way complaints are being remedied so that in the future our annual letter focuses less on the total numbers and more on the outcomes of those complaints.

Supporting local scrutiny

One of the purposes of the annual letter to councils is to help ensure that learning from complaints informs scrutiny at the local level. Supporting local scrutiny is one of our key business plan objectives for this year and we will continue to work with elected members in all councils to help them understand how they can contribute to the complaints process.

We have recently worked in partnership with the Local Government Association to produce a workbook for councillors which explains how they can support local people with their complaints and identifies opportunities for using complaints data as part of their scrutiny tool kit. This can be found here and I would be grateful if you could encourage your elected members to make use of this helpful resource.

Last year we established a new Councillors Forum. This group, which meets three times a year, brings together councillors from across the political spectrum and from all types of local authorities. The aims of the Forum are to help us to better understand the needs of councillors when scrutinising local services and for members to act as champions for learning from complaints in their scrutiny roles. I value this direct engagement with elected members and believe it will further ensure LGO investigations have wider public value.

Encouraging effective local complaints handling

In November 2014, in partnership with the Parliamentary and Health Service Ombudsman and Healthwatch England, we published *'My Expectations'* a service standards framework document describing what good outcomes for people look like if complaints are handled well. Following extensive research with users of services, front line complaints handlers and other stakeholders, we have been able to articulate more clearly what people need and want when they raise a complaint.

This framework has been adopted by the Care Quality Commission and will be used as part of their inspection regime for both health and social care. Whilst they were written with those two sectors in mind, the principles of *'My Expectations'* are of relevance to all aspects of local authority complaints. We have shared them with link officers at a series of seminars earlier this year and would encourage chief executives and councillors to review their authority's approach to complaints against this user-led vision. A copy of the report can be found here.

Future developments at LGO

My recent annual letters have highlighted the significant levels of change we have experienced at LGO over the last few years. Following the recent general election I expect further change.

Most significantly, the government published a review of public sector ombudsmen in March of this year. A copy of that report can be found here. That review, along with a related consultation document, has proposed that a single ombudsman scheme should be created for all public services in England mirroring the position in the other nations of the United Kingdom. We are supportive of this proposal on the basis that it would provide the public with clearer routes to redress in an increasingly complex public service landscape. We will advise that such a scheme should recognise the unique roles and accountabilities of local authorities and should maintain the expertise and understanding of local government that exists at LGO. We will continue to work with government as they bring forward further proposals and would encourage local government to take a keen and active interest in this important area of reform in support of strong local accountability.

The Government has also recently consulted on a proposal to extend the jurisdiction of the LGO to some town and parish councils. We currently await the outcome of the consultation but we are pleased that the Government has recognised that there are some aspects of local service delivery that do not currently offer the public access to an independent ombudsman. We hope that these proposals will be the start of a wider debate about how we can all work together to ensure clear access to redress in an increasingly varied and complex system of local service delivery.

Yours sincerely

Jane Martin

Dr Jane Martin
Local Government Ombudsman
Chair, Commission for Local Administration in England

Local authority report – Tamworth Borough Council

For the period ending – 31/03/2015

For further information on interpretation of statistics click on this link to go to http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/

Complaints and enquiries received

Local Authority	Adult Care Services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection	Highways and transport	Housing	Planning and development	Total
Tamworth BC	0	0	2	1	3	0	3	2	11

Decisions made

	Detailed investigations carried out						
Local Authority	Upheld	Not Upheld	Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
Tamworth BC	0	2	0	2	0	4	8

Tamworth BC
Complaints received in period (Apr 2014 - Mar 2015)

	Ref	Authority	Category	Received Date
1	14002935	Tamworth BC	Housing	21/May/2014
2	13000644	Tamworth BC	Housing	25/Jul/2014
3	14007462	Tamworth BC	Environmental Services & Public Protection & Regulation	04/Aug/2014
4	14008337	Tamworth BC	Education & Childrens Services	22/Aug/2014
5	14014656	Tamworth BC	Planning & Development	04/Dec/2014
6	14014941	Tamworth BC	Environmental Services & Public Protection & Regulation	18/Dec/2014
7	14015373	Tamworth BC	Planning & Development	18/Dec/2014
8	14003383	Tamworth BC	Housing	07/Jan/2015
9	14010485	Tamworth BC	Corporate & Other Services	23/Jan/2015
10	14018065	Tamworth BC	Corporate & Other Services	12/Feb/2015
11	14017042	Tamworth BC	Environmental Services & Public Protection & Regulation	17/Feb/2015

Tamworth BC

Decisions made in period (Apr 2014 - Mar 2015)

	Ref	Authority	Category	Decision date	Decision
1	14002935	Tamworth BC	Housing	10/Jun/2014	Referred back for local resolution
2	14007462	Tamworth BC	Environmental Services & Public Protection & Regulation	04/Aug/2014	Referred back for local resolution
3	14008337	Tamworth BC	Education & Childrens Services	22/Aug/2014	Referred back for local resolution
4	14014656	Tamworth BC	Planning & Development	02/Jan/2015	Closed after initial enquiries
5	14010485	Tamworth BC	Corporate & Other Services	12/Feb/2015	Closed after initial enquiries
6	14018065	Tamworth BC	Corporate & Other Services	16/Feb/2015	Referred back for local resolution
7	13000644	Tamworth BC	Housing	25/Feb/2015	Not Upheld
8	14014941	Tamworth BC	Environmental Services & Public Protection & Regulation	19/Mar/2015	Not Upheld

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APPENDIX 2.

Local Government
OMBUDSMAN

You are here: Home : : Publications : : Annual report : : Note on interpretation of local authority statistics

Note on interpretation of local authority statistics

Complaints and enquiries received 2013/14 & 2014/15

The information below covers the statistics included in the annual reviews to councils for 2013/14 and 2014/15. If you want information about interpreting the statistics for previous years - please click on the download in the box on the right hand side.

LGO has published statistics for each of the authorities within its jurisdiction for many years. In April 2014, we changed how we classified the results of complaints. We now describe our decisions in terms of upholding and not upholding complaints, which brings us closer in practice with how other Ombudsman schemes and many local authorities describe their decisions.

It must be remembered the bare numbers of complaints against an authority do not prove that it is a 'bad' or 'good' council. The larger the population an authority serves, the more likely we will receive complaints about it. A significant uplift in complaint numbers again does not necessarily show that a council has become worse at what it does. We may have received several complaints about the same issue from different residents, for example a controversial planning decision or application. An authority may have a 50% uplift in complaints against it, but when we received two complaints against it last year, and four this year, this cannot lead to the conclusion the service the council provides has significantly worsened.

How complaints and enquiries were dealt with is explained below:

- **Upheld**: These are complaints where we have decided that an authority has been at fault in how it acted and that this fault may or may not have caused an injustice to the complainant, or where an authority has accepted that it needs to remedy the complaint before we make a finding on fault. If we have decided there was fault and it caused an injustice to the complainant, usually we will have recommended the authority take some action to address it.
- **Not upheld**: Where we have investigated a complaint and decided that a council has not acted with fault, we classify these complaints as not upheld.
- **Advice given**: These are cases where we give advice about why LGO would not look at a complaint because the body complained about was not within the LGO's scope or we had previously looked at the same complaint from the complainant, or another complaints handling organisation or advice agency was best placed to help them.
- **Closed after initial enquiries**: These complaints are where we have made an early decision that we could not or should not investigate the complaint, usually because the complaint is outside LGO's jurisdiction and we either cannot lawfully investigate it or we decide that it would not be appropriate in the circumstances of the case to do so. Our early assessment of a complaint may also show there was little injustice to a complainant that would need an LGO investigation of the matter, or that an investigation could not achieve anything, either because the evidence we see shows at an early stage there was no fault, or the outcome a complainant wants is not one we could achieve, for example overturning a court order.

- **Incomplete/invalid**: These are complaints where the complainant has not provided us with enough information to be able to decide what should happen with their complaint, or where the complainant tells us at a very early stage that they no longer wish to pursue their complaint.
- **Referred back for local resolution**: We work on the principle that it is always best for complaints to be resolved by the service provider wherever possible. Furthermore, the Local Government Act 1974 requires LGO to give authorities an opportunity to try and resolve a complaint before we will get involved. Usually we tell complainants how to complain to an authority and ask them to contact it directly. In many instances, authorities are successful in resolving the complaint and the complainant does not recontact us.

Date Updated: 18/06/15

AUDIT & GOVERNANCE COMMITTEE

24th September 2015

Report of the Head of Internal Audit Services

INTERNAL AUDIT ANNUAL REPORT/QUARTERLY REPORT 2015/16 QUARTER 1

EXEMPT INFORMATION

None

PURPOSE

To report on the outcome of Internal Audit's review of the internal control, risk management and governance framework in the 1st Quarter of 2015/16 – to provide members with assurance of the ongoing effective operation of an internal audit function and enable any particularly significant issues to be brought to the Committee's attention.

RECOMMENDATION

That the Committee considers the attached quarterly report and raises any issue it deems appropriate.

EXECUTIVE SUMMARY

The Accounts and Audit Regulations 2011 (as amended) require each local authority to publish an Annual Governance Statement (AGS) with its Annual Statement of Accounts. The AGS is required to reflect the various arrangements within the Authority for providing assurance on the internal control, risk management and governance framework within the organisation, and their outcomes.

One of the sources of assurance featured in the AGS is the professional opinion of the Head of Internal Audit Services on the outcome of service reviews. Professional good practice recommends that this opinion be given periodically throughout the year to inform the Annual Governance Statement. This opinion is given on a quarterly basis to the Audit & Governance Committee.

The Head of Internal Audit Services' quarterly opinion statement for Apr – Jun 2015 (Qtr 1) is set out in the attached document, and the opinion is summarised below.

Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, my overall opinion of the control environment for this quarter is that "reasonable assurance" can be given.

Where significant deficiencies in internal control have been formally identified by management, Internal Audit or by external audit or other agencies, management have given assurances that these have been or will be resolved in an appropriate manner. Such cases will continue to be monitored. Internal Audit's opinion is one of the sources of assurance for the Annual Governance Statement which is statutorily required to be presented with the annual Statement of Accounts.

Specific Issues

No specific issues have been highlighted through the work undertaken by Internal Audit during 2015/16.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS

Failure to report would lead to non-compliance with the requirements of the Annual Governance Statement and the Public Sector Internal Audit Standards.

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers, Head of Internal Audit Services

LIST OF BACKGROUND PAPERS

None

APPENDICES

Appendix 1 Internal Audit Performance Report 2015/16 Quarter 1
Appendix 2 Percentage of Management Actions Agreed 2015/16 Quarter 1
Appendix 3 Implementation of Reviews Completed Quarter 1 2015/16
Appendix 4 Progress of Agreed Management Actions Quarter 1

INTERNAL AUDIT ANNUAL REPORT/QUARTERLY REPORT – Q1 - 2015/16

1. INTRODUCTION

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. (Public Sector Internal Audit Standards)

Internal Audit's role is to provide independent assurance to the Council that systems are in place and are operating effectively.

Every local authority is statutorily required to provide for an adequate and effective internal audit function. The Internal Audit service provides this function at this Authority.

This brief report aims to ensure that Committee members are kept aware of the arrangements operated by the Internal Audit service to monitor the control environment within the services and functions of the authority, and the outcome of that monitoring. This is to contribute to corporate governance and assurance arrangements and ensure compliance with statutory and professional duties, as Internal Audit is required to provide periodic reports to "those charged with governance".

2. PERFORMANCE AND PROGRESSION AGAINST AUDIT PLAN

The Internal Audit service aims as one of its main Performance Indicators (PI's) to complete work on at least 90% of applicable planned audits by the end of the financial year, producing draft reports on these where possible/necessary. **Appendix 1** shows the progress at the end of quarter 1 of the work completed against the plan and highlights the work completed in the first quarter. During the first quarter, internal audit have commenced 19 areas of work from the 2015/16 audit plan which equates to 33% of the total annual plan.

The service also reports quarterly on the percentage of draft reports issued within 15 working days of the completion of fieldwork. All (100%) of the draft reports issued in this quarter of the year were issued within this deadline.

3. AUDIT REVIEWS COMPLETED QUARTER 1 2015/16

Appendix 2 details the number of recommendations made. A total of 66 recommendations were made in the first quarter with 63 (95%) of the recommendations being accepted by management.

The service revisits areas it has audited around 6 months after agreeing a final report on the audit, to test and report to management on the extent to which agreed actions have been taken. Fifteen Implementation reviews were completed during the 1st quarter of 2015/16. **Appendix 3** details the implementation reviews completed showing the revised assurance levels. The implementation reviews completed identified that 71% (123/173) of the agreed management actions implemented or partially implemented – **Appendix 4**. Internal Audit is fairly satisfied with the progress made by management to reduce the level of risk and its commitment to progress the outstanding issues. As there are still a number of high priority actions still requiring to be completed, additional implementation reviews will be carried out to ensure the implementation of the actions is completed.

4. INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY

Attribute Standards 1110 to 1130 in the Public Sector Internal Audit Standards require that Internal Audit have organisational and individual independence and specifically states that the head of Internal Audit Services must confirm this to the Audit & Governance Committee at least annually. As performance is reported quarterly, this confirmation will be provided quarterly.

The Head of Internal Audit Services confirms that Internal Audit is operating independently of management and is objective in the performance of internal audit work.

5 OVERALL CURRENT INTERNAL AUDIT OPINION

Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, my overall opinion of the control environment at this time is that "limited assurance" can be given. Where significant deficiencies in internal control have been formally identified by management, Internal Audit or by external audit or other agencies, management have given assurances that these have been or will be resolved in an appropriate manner. Such cases will continue to be monitored. Internal Audit's opinion is one of the sources of assurance for the Annual Governance Statement which is statutorily required to be presented with the annual Statement of Accounts.

Specific issues:

There were no specific issues highlighted through the work of Internal Audit in the first quarter of the 2015/16 financial year

Angela Struthers,
Head of Internal Audit Services

Appendix 1

Internal Audit Performance Report 2015/16 Quarter 1

2015/16 Audit Plan Status

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Audit Completed Quarter 1

Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Audit Assurance Level
1516.HH.02.1 Housing Repairs QTR 1		Main financial system – interim	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	
1516.TCP.02 Organisational Development		Risk based review	It is with some concern that Audit have to report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	
1516.COR.03 Transparency Code		Compliance	It is with some concern that Audit have to	

Audit Completed Quarter 1				
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Audit Assurance Level
			report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	
1516.SCC.01 Pension Contributions		Compliance		
1516.FIN.02.1 Treasury Management Qtr4 2014/15		Main financial system – interim	Audit are pleased to be able to report substantial assurance can be given that the system, process or activity should achieve its objectives safely and effectively and that controls are in place and operating satisfactorily.	
1516.HH.02 Housing Anti-Social Behaviour		Risk based review	It is with some concern that Audit have to	

Audit Completed Quarter 1				
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Audit Assurance Level
			report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	
1516.AE.01.1 Property Contracts QTR 1		Main financial system – interim	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	

Audit Completed Quarter 1				
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Audit Assurance Level
1415.TECH.03 Remote Access		Information Technology	It is with some concern that Audit have to report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	
1415.AE.05 Licences		Risk based review	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in	

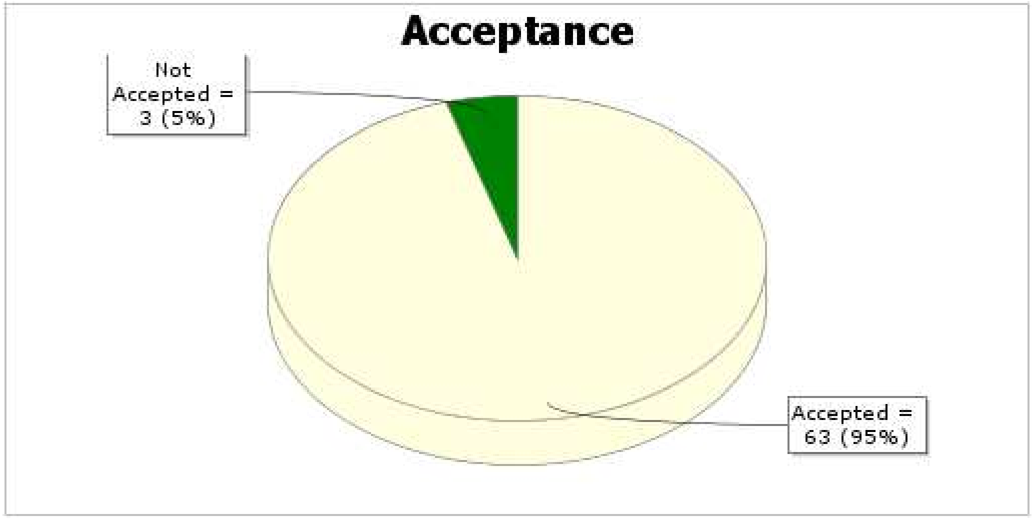
Audit Completed Quarter 1					
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion		Audit Assurance Level
			place and operating effectively.		
1415.FIN.01 Main Accounting & Budgetary Control		Main financial system – full	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	It is understood that since the issue of the draft report the recommendation has been implemented which would reflect a change in the assurance level to substantial.	

Audit Completed Quarter 1

Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Audit Assurance Level
1415.FIN.12 Capital Strategy & Programme Management		Main financial system – full	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	
1415.AE.02.RBA Disabled Facilities Grants		Risk based review	Audit are pleased to be able to report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	

Audit Completed Quarter 1				
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Audit Assurance Level
1415.HH.02 Housing Enforcement		Risk based review	It is with some concern that Audit have to report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	
1415.TECH.07 Internet Controls		Information Technology	It is with some concern that Audit have to report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	

Percentage of Management Actions Agreed Quarter 1



Implementation Reviews Completed Quarter 1 2015/16

Implementation Reviews Completed Quarter 1					
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1415.TechCP13FIR Mobile telephony Further Implementation Review		Additional Implementation Review	The initial audit opinion was that no assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are not in place or are failing.	The revised audit opinion is that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	
1516.CPP.01 Section 106 Agreements Implementation Review		Implementation Review	The initial audit opinion was that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	The revised audit opinion is that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	

Implementation Reviews Completed Quarter 1					
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1415.AE.03FIR Commercial & Industrial Property Further Implementation Review		Additional Implementation Review	The initial audit opinion was that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	The revised audit opinion was that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	
1516.TECH.16IR Orchard Application		Implementation Review	The initial audit opinion was that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	The revised audit opinion was that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	

Implementation Reviews Completed Quarter 1					
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1516.TECH.13IR GIS/Gazetteer		Implementation Review	The initial audit opinion was the limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	The revised audit opinion is that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	
1516.FIN.13FIR Procurement Further Implementation Review		Additional Implementation Review	The initial audit opinion was that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	Due to the priority of the outstanding recommendations the revised audit opinion is that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	

Implementation Reviews Completed Quarter 1					
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1516.CPP.07IR Commissioning Implementation Review		Implementation Review	The initial audit opinion was that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	The revised audit opinion is that substantial assurance can be given that the system, process or activity should achieve its objectives safely and effectively and that controls are in place and operating satisfactorily.	
1516.TCP.13IR Time Recording & Absence Implementation Review		Implementation Review	The initial audit opinion was that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	The revised audit opinion is that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	

Implementation Reviews Completed Quarter 1					
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1516.CPP.06FIR Castle Grounds/ Open Spaces Further Implementation		Additional Implementation Review	The initial audit opinion was that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	The revised audit opinion was that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	
1516.COR.01IR Performance Management Implementation Review		Implementation Review	The initial audit opinion was that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	The revised audit opinion is that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	

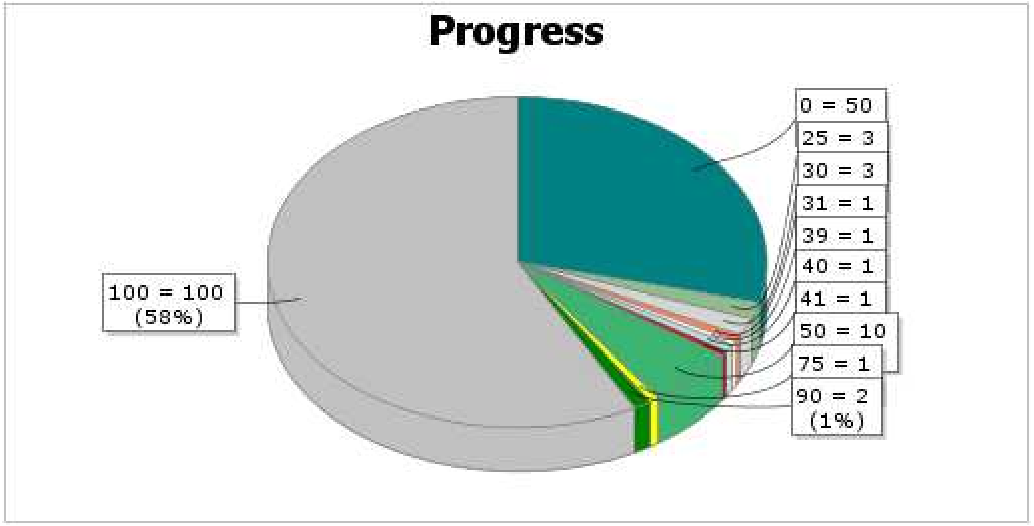
Implementation Reviews Completed Quarter 1					
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1516.TECH.17IR BACs		Implementation Review	The initial audit opinion was that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	The revised audit opinion is that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	
1516.TECH.14FIR Interfaces Further Implementation Review		Additional Implementation Review	The initial audit opinion was that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	

Implementation Reviews Completed Quarter 1					
Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1516.COR.02IR Project Management Implementation Review		Implementation Review	The initial audit opinion was that no assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are not in place or are failing.	The revised audit opinion is that no assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are not in place or are failing.	
1516.STTC.04IR Right to Buy Implementation Review		Implementation Review	The initial audit opinion was that limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.	The revised audit opinion is that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	

Implementation Reviews Completed Quarter 1

Audit File	Audit File Progress Icon	Audit Assurance Type	Audit File Overall Opinion	Revised Audit Opinion	Audit Assurance Level
1516.HH.04IR Estate Caretakers Implementation Review		Implementation Review	The initial audit opinion was that reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively however there are some control weaknesses but most key controls are in place and operating effectively.	The revised audit opinion is that substantial assurance can be given that the system, process or activity should achieve its objectives safely and effectively and that controls are in place and operating satisfactorily.	

Progress of Agreed Management Actions Quarter 1



Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Reasons Not Implemented Description
1213 MobTel 1.1 Mobile phone policy and procedures	✔	High Priority	0%	Staffing Resources - Temporary
1213 MobTel 1.2 Mobile phone procedures	✔	High Priority	0%	Staffing Resources - Temporary
1213 MobTel 1.3 Mobile phone usage	✔	High Priority	0%	Staffing Resources - Temporary

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Reasons Not Implemented Description
1213 MobTel 3.5 Reconciliation of mobile telephones		High Priority	0%	Staffing Resources – Temporary
1213 TimRec 1.08 1.08 Breaks		High Priority	0%	
1314 bacs2.2 Management/audit log		High Priority	0%	Other Higher Priorities
1314 bacs4.2 Management review		High Priority	0%	Financial
1314 Com&Ind06.1 a) Monitoring		High Priority	0%	Staffing Resources – Permanent
1314 Com&Ind06.1 b) Monitoring		High Priority	0%	Staffing Resources – Permanent
1314 Orch 1.1 Passwords		High Priority	0%	Reliance on 3rd Party – Internal
1314 orch 1.2 Generic user accounts		High Priority	0%	Other Higher Priorities
1314 Orch 1.3 System Administrator User Access		High Priority	0%	Other Higher Priorities
1314 Proc 2.1 Tendering and Contracts		High Priority	0%	Other Higher Priorities
1314 Proc 2.3 Quick Quotes		High Priority	0%	Other Higher Priorities
1314 S106 1.1 Procedures		High Priority	0%	Staffing Resources – Temporary
1314 S106 2.1 Financial		High Priority	0%	Staffing Resources – Temporary
1314 S106 3.1 Database		High Priority	0%	Staffing Resources – Temporary
1314.GISGAZ06.1 Restart/recovery procedures		High Priority	0%	Other Higher Priorities
1415 PM 1.01 Project Management Policy & Procedures		High Priority	0%	Staffing Resources – Temporary

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Reasons Not Implemented Description
1415 PM 1.02 Training		High Priority	0%	Staffing Resources – Temporary
1415 PMF 06.07 System Development		High Priority	0%	Reliance on 3rd Party – External
1415 RTB 01 Policy		High Priority	0%	
1415 RTB 08 Contract for valuation		High Priority	0%	Other Higher Priorities
1213 MobTel 3.3 Payment for personal usage of mobile telephones		Medium Priority	0%	Staffing Resources – Temporary
1314 bacs6.1 User documentation		Medium Priority	0%	Financial
1314 bacs7.1 Business continuity arrangements		Medium Priority	0%	Other Higher Priorities
1314 Com&Ind01.1 Procedures		Medium Priority	0%	Staffing Resources – Permanent
1314 Com&Ind07.1 Asset Management Property Records		Medium Priority	0%	Staffing Resources – Permanent
1314 Com&Ind07.2 Asset Management Property Records		Medium Priority	0%	Staffing Resources – Permanent
1314 Com&Ind07.2 Asset Management Property Records		Medium Priority	0%	Staffing Resources – Permanent
1314 Com&Ind09.1 Rent Reviews		Medium Priority	0%	Staffing Resources – Permanent
1314 Com&Ind09.2 Rent Reviews		Medium Priority	0%	Staffing Resources – Permanent
1314 Com&Ind11.1 Lease Renewals		Medium Priority	0%	Staffing Resources – Permanent

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Reasons Not Implemented Description
1314 Com&Ind11.2 Lease Renewal		Medium Priority	0%	Staffing Resources - Permanent
1314 Com&Ind15.5 Temporary Licences		Medium Priority	0%	Staffing Resources - Permanent
1314 Orch 1.4 Review of Users		Medium Priority	0%	Other Higher Priorities
1314 S106 1.2 Monitoring		Medium Priority	0%	Staffing Resources - Temporary
1314.GISGAZ02.1 Documented access levels		Medium Priority	0%	Other Higher Priorities
1314.GISGAZ04.1 Business Continuity		Medium Priority	0%	Reliance on 3rd Party - External
1314.GISGAZ04.3 Data uploads		Medium Priority	0%	Reliance on 3rd Party - Internal
1314.GISGAZ09.1 Business continuity		Medium Priority	0%	Reliance on 3rd Party - External
1415 PMF 01.01 Performance Management Framework		Medium Priority	0%	Reliance on 3rd Party - Internal
1415 PMF 02.02 Performance Management Cycle		Medium Priority	0%	Reliance on 3rd Party - Internal
1415 PMF 05.03 Promotion of Covalent		Medium Priority	0%	Other Higher Priorities
1415 PMF 05.04 Consultation		Medium Priority	0%	Other Higher Priorities
1415 PMF 06.08 Deputy System Administrator		Medium Priority	0%	Reliance on 3rd Party - Internal
1415 PMF 06.12 Continuity Arrangement with LDC		Medium Priority	0%	Reliance on 3rd Party - External

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Reasons Not Implemented Description
1415 TimRec 1.11 3.1 Flexi-Time Balances		Medium Priority	0%	Other Higher Priorities
1415 TimRec 2.1 Leave		Medium Priority	0%	Other Higher Priorities
1415 TimRec 2.2 Attendance Policy		Medium Priority	0%	Other Higher Priorities

AUDIT & GOVERNANCE COMMITTEE

24th September 2015

Report of the Head of Internal Audit Services

INTERNAL AUDIT CUSTOMER SATISFACTION SURVEY 2015

EXEMPT INFORMATION

None

PURPOSE

To report on the outcome of Internal Audit's customer satisfaction survey.

RECOMMENDATION

That the Committee considers this report and raises any issue it deems appropriate.

EXECUTIVE SUMMARY

Public Sector Internal Audit Standard (PSIAS) 1300 requires the development and maintenance of a Quality Assurance and Improvement Programme (QAIP). The Institute of Internal Auditors (IIA) guidance for the development of a QAIP states that as part of the Quality Assurance process, on-going monitoring should be completed on an audit by audit basis (achieved by reviewing work completed by the auditor) supported by other additional mechanisms including acquiring feedback from audit clients and other stakeholders. To fulfil this requirement, we have sent out a short questionnaire to members of the Corporate Management Team. We wanted to keep the questionnaire short to gather the information that was important to us to know and to ensure that management time was not taken up to complete them.

The questionnaire asked four questions relating to the delivery of the internal audit service and the reason why we asked these questions: The results of the survey were as follows:

Question	What we wanted to know	Average Score (max 5)
The audit planning process took into account the main risks in your service area.	That we had identified the risks associated with the activity.	4.5
You had an opportunity to comment on audit reports prior to their finalisation.	That managements views had been taken into account in the report process.	4.75
The audits completed added value to your Directorates operations by assisting in improving your business process and internal controls.	That the recommendations made improved business processes and internal controls.	3.75
Where internal audit has completed other areas of work (consultancy, fraud investigation, improving business process etc) the work was completed timely and added value.	That the other areas of work we completed added value	4.125

The scoring for each question was a maximum of five. As can be seen, all scores were well above the average, which shows that the service being provided is of a high standard. The lowest average overall score for “audit completed added value by improving business processes and internal controls” was 3.75. Although this was still above average, but in order to maintain our high standards and continuous service improvement, we have updated our preliminary audit assessment to include a discussion point as to how the audit could add value to the auditee. In addition, a short questionnaire will be issued at the end of each audit, the results of which will be reported back to this Committee in the Internal Audit Quarterly Update Report.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS

Failure to report would lead to non-compliance with the requirements of the Annual Governance Statement and the Public Sector Internal Audit Standards.

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers, Head of Internal Audit Services ex 234

LIST OF BACKGROUND PAPERS

None

APPENDICES

None

Planned Reports to Audit & Governance Committee (Draft)

	Report	Committee Date	Report of	Comments
1	Internal Audit annual & quarterly update	**June**	Head of Internal Audit	
2	Risk Management quarterly update	**June**	Head of Internal Audit	
3	Review of the effectiveness of Internal Control Environment	**June**	Head of Internal Audit	To include the review of the effectiveness of internal audit, compliance with PSIAS, roles of the CFO and HIAS
4	Counter Fraud update	**June**	Head of Internal Audit	
5	Role of the Audit Committee	**June**	Grant Thornton	Presentation/training
1	Draft Annual Statement of Accounts	**June**	Executive Director Corporate Services	
2	Annual Governance Statement & Code of Corporate Governance	**June**	Head of Internal Audit	
3	Review of the Constitution & Scheme of Delegation for Officers	**June**	Solicitor to the Council and Monitoring Officer	
4	Audit & Governance Committee Update	**June**	Grant Thornton	
5	Fee Letter	**June**	Grant Thornton	
6	RIPA Quarterly Report	**June**	Solicitor to the Council and Monitoring Officer	

	Report	Committee Date	Report of	Comments
1	Annual Statement of Accounts	**September**	Executive Director Corporate Services	
2	Audit Findings Report	**September**	Grant Thornton	
3	Internal Audit quarterly update	**September**	Head of Internal Audit	
4	Risk Management quarterly update	**September**	Head of Internal Audit	
6	Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2013/14	**September**	Executive Director Corporate Services	
7	RIPA Quarterly Report	**September**	Solicitor to the Council and Monitoring Officer	
8	Local Government Ombudsman's Annual Review and Report 2013/14	**September**	Solicitor to the Council and Monitoring Officer	
1	Annual Audit Letter 2013/14	**October**	Grant Thornton	
2	Internal Audit quarterly update	**October**	Head of Internal Audit	
3	Risk Management quarterly update	**October**	Head of Internal Audit	
4	Annual Governance Statement update	**October**	Head of Internal Audit	

	Report	Committee Date	Report of	Comments
5	Members/Standards	**October**	Solicitor to the Council & Monitoring Officer	
6	Anti Money Laundering Policy	**October**	Solicitor to the Council & Monitoring Officer	
1	Audit Report on Certification Work 2013/14	**January**	Grant Thornton	
2	Audit Progress Report	**January**	Grant Thornton	
3	Internal Audit quarterly update	**January**	Head of Internal Audit	
4	Risk Management quarterly update	**January**	Head of Internal Audit	
5	Counter Fraud update	**January**	Head of Internal Audit	To include review of Counter Fraud Policy and Whistleblowing Policy
6	Review of Financial Guidance	**January**	Head of Internal Audit	
7	RIPA Quarterly Report	**January**	Solicitor to the Council and Monitoring Officer	
8	Treasury Management mid year monitoring report	**January**	Executive Director Corporate Services	
1	Final Accounts 2014/15 – Action Plan	**March**	Director of Finance	
2	Draft Audit Plan	**March**	Grant Thornton	
3	Draft Certification Work Plan	**March**	Grant Thornton	

	Report	Committee Date	Report of	Comments
4	Audit Committee Update	**March**	Grant Thornton	
5	Auditing Standards	**March**	Grant Thornton	
6	Internal Audit Charter and Audit Plan	**March**	Head of Internal Audit	
7	Audit & Governance Committee Self Assessment	**March**	Head of Internal Audit	
8	RIPA Quarterly Report	**March**	Solicitor to the Council and Monitoring Officer	
9	Treasury Management Strategy and Prudential Indicators	**March**	Executive Director Corporate Services	

Portfolio Holder CS - Portfolio Holder for Corporate Services & Assets