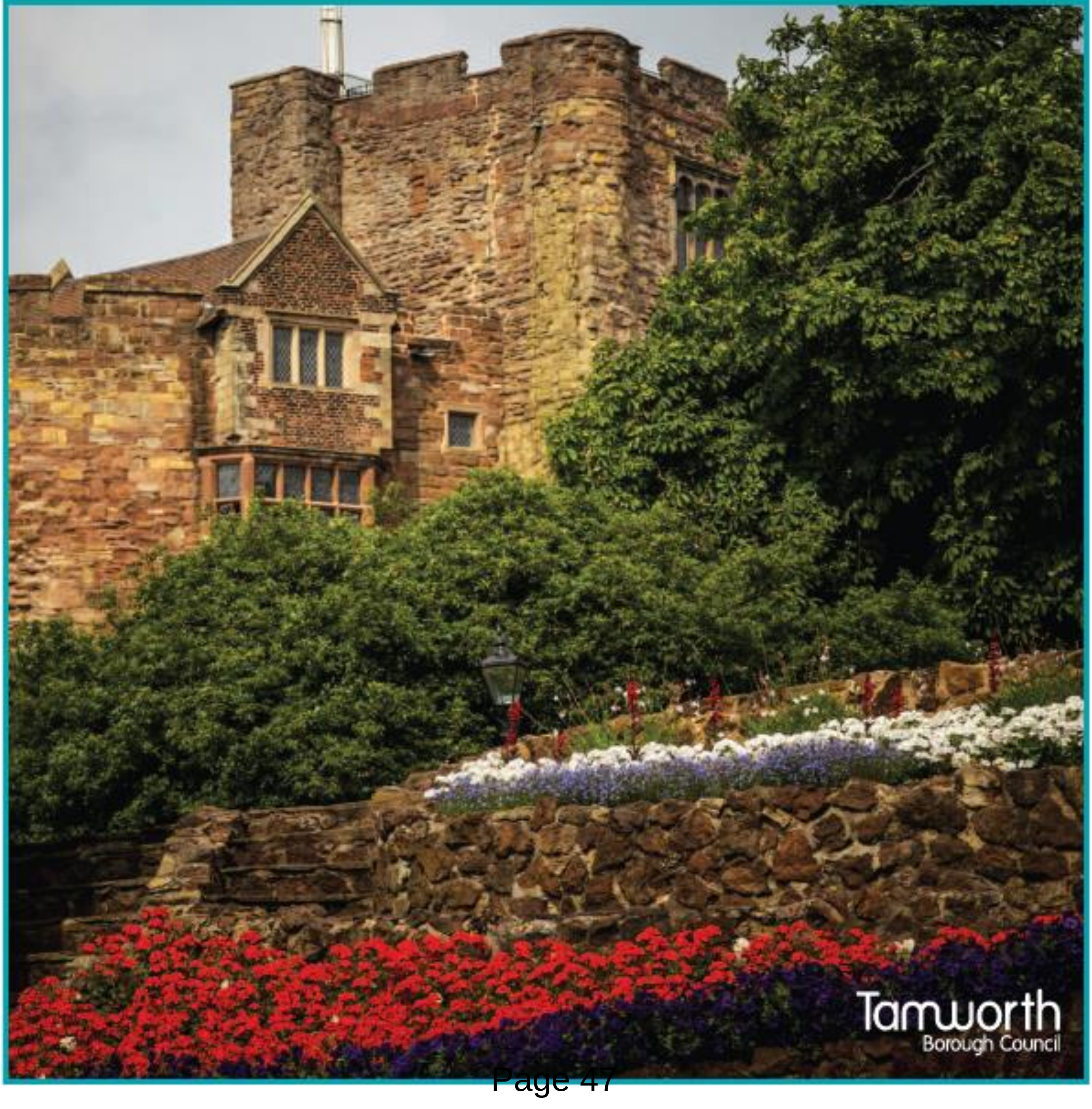
Tamworth Borough Council

Statement of Accounts 2015/16

One Tamworth, Perfectly Placed



STATEMENT OF ACCOUNTS

2015/16

Contents

THE NARRATIVE REPORT

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

The statement of accounts presents the financial position and performance of the Authority for the year ended 31st March 2016. This narrative report describes the nature and purpose of each of the statements which follow and highlights the most significant matters which are contained within the accounts and the major influences affecting the Authority's income, expenditure and cash flows.

THE FINANCIAL STATEMENTS

The Annual Statement of Accounts for the year ended 31st March 2016 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2015/16.

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 2015/16 are set out on pages 20 to 125 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 shows a net General Fund surplus of £1.8m for the year. This was £1.9m lower than the planned transfer from balances in the original budget at the start of the year and has resulted in an increase in General Fund Balances to £6.7m (£4.9m – 2014/15) – and reflects 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 net effect to the Council taxpayer is shown in the Movement in Reserves Statement.

A surplus of £34.1m is reported for 2015/16 (£6.3m surplus 2014/15). This is mainly explained by a £15.5m gain on the disposal of the former Golf Course for £25.2m in January 2016 (following the Cabinet decision on 11th September 2014 to close the Golf Course with effect from 1st October 2014 and market the site for development).

It also included a re-measurement of the Net Defined Benefit Liability relating to the pension fund resulted in a surplus of £11m (a deficit of £8m was reported in 2014/15).

- **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 £139.2m (£105.1m 2014/15) which are matched by the reserves held by the Authority. Key items are:

Long Term Assets

The Authority holds property, plant and equipment assets of £154.2m (£151.7m 2014/15) – mainly due to Council dwellings of £134.4m (£133.3m 2014/15).

Working Capital

Net working capital has increased to £35.7m (£20.4m 2014/15) mainly due to a deferred payment arrangement, over 3 years, relating to the sale of the former Golf Course resulting in the following payment profile:

- £8m due to be received during 2016/17 - with a corresponding increase in short term debtors; and
- the remaining £16.2m due in the following financial years – with a corresponding increase in long term debtors.

Provisions, Usable Reserves and Balances

The working balances as at 31st March 2016 are £37.2m (£30.6m 2014/15) and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

31st March 2015 £000	Provisions, Usable Reserves and Balances	31st March 2016 £000
1,679	Provisions	1,812
14,076	Earmarked Reserves	18,706
10,869	Revenue Balances	11,404
3,946	Unused Capital Receipts & Grants	5,280
30,570	Total Working Balances	37,202

Working balances of £18.9m (£13m 2014/15) relate to capital (including the Capital Reserve of £12.2m). The £9.5m capital commitments from 2015/16 and previous years carried forward to 2016/17 will be required to be financed from these balances (£4m 2014/15).

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 2016 was £65.1m (£65.1m 2014/15) and was all borrowed from the PWLB.

Pensions

The pension fund deficit has reduced in the year to £40.6m (£48.9m 2014/15) and is required to be shown on the Balance Sheet of the Authority. This improvement is as a result of an increase in the net discount rate, the positive impact of which has outweighed the likely lower than expected asset returns.

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 114 shows a reduction in HRA balances for the year of £1.2m. This equates to an underspend of £1.8m when compared to the approved budget for the year. This has resulted in a reduction in balances from £5.9m to £4.7m to be carried forward to 2016/17.

  - **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 £1.4m (the Authority's share is 11%), of which £0.8m will be distributed to preceptors during 2016/17;
    - NNDR – deficit of £1.8m (the Authority's share is 40% net of any applicable Levy of 50%).

The deficit relating to the NNDR collection fund resulted from the inclusion of an increased provision of **£4.3m (£3.8m - 2014/15)** with **£1.7m this Authority's share (£1.5m - 2014/15)** for appeals outstanding on the 31st March 2016 of **£73.9m (£61.7m - 2014/15)**.

The increase of £0.5m due to additional appeals received during 2015/16, follows a large increase in appeal submissions in the last month of the 2014/15 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.

In addition, the forecast surplus of £0.7m (share for this Authority) for 2014/15 included within the 2015/16 budget was not achieved and a forecast deficit of £0.6m was included within the 2016/17 budget.

This will mean that the forecast deficit will be £0.7m (share for this Authority) for 2015/16 compared to £0.6m included within the 2016/17 budget.

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

CHANGES TO THE ACCOUNTS 2015/16

An updated Code of Practice, applicable for 2015/16 was issued by CIPFA in March 2015 – together with a supplementary code update in January 2016 which reflects changes since the code was originally issued (mainly amendments as a result of legislative changes and particularly the Accounts and Audit Regulations 2015).

Changes reflected in the 2015/16 updated Code and subsequent supplementary update do, on the whole, have to be incorporated into the Authority's accounts but do not necessarily impact on the Authority's accounting policies. This is because the changes are principally around additional or changed disclosure notes, points of clarification and additional guidance etc.

The only change to the Code of Practice that impacts on the Authority's 2015/16 Accounting Policies concerns Fair Value Measurement (under IFRS 13) as set out in the Accounting Policies on page 29.

The introduction of IFRS 13 has changed and made more consistent the definition of Fair Value across various types of financial and non-financial assets.

The main impact is on the way any Investment Properties, Surplus Assets and some Financial Instruments are valued. It introduces a new concept of Highest and Best Use and a Fair Value Hierarchy of observable and unobservable inputs.

However, the adoption of IFRS 13 has limited applicability to the public sector and the Authority as exceptions have been permitted for all operational Property, Plant and Equipment and Intangible Assets. Therefore, this new accounting standard does require a significant increase in disclosures for any Investment Properties or Surplus Assets.

The changes resulting from the adoption of IFRS 13 are only prospective and apply from 1st April 2015. As a result, no restatement of prior year balances are required.

There is also a new requirement arising from the Accounts and Audit Regulations 2015 for the Authority to prepare a narrative statement to replace the explanatory foreword – to include a commentary on the Authority's financial performance and value for money in its use of resources.

FINANCIAL OUTLOOK

The 2016/17 budget and Medium Term Financial Strategy (MTFS) ensures that appropriate resources are focussed on the Vision Statement, Priority Themes, Corporate Priorities and Outcomes.

The Authority has been proactive in the design and implementation of innovative and effective measures for driving efficiency and reduce cost within the MTFS.

As a relatively small and primarily urban local authority, Tamworth Borough Council has planned and managed its journey through the recession and austerity period with considerable credit to date.

The budget setting process has faced significant constraints in Government funding in recent years - over 40% in real terms since 2010 - and the last 12 months have been as challenging as previous years if not more so. The recent announcements in the Summer Budget and Autumn Statement confirm that austerity measures are to continue and would suggest that the key challenges that the Authority is currently addressing are likely to become greater.

There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation arising from the Business Rates Retention System, changes in Support for Council Tax and Technical Reforms to Council Tax - as well as other changes arising from the Government's Welfare Reform Agenda.

Accurate forecasting, strong leadership and an innovative, risk aware approach have resulted in the organisation being able, in the main, to sustain a full suite of essential services albeit not without implications for the public, local politicians and the entire workforce.

Significantly, this is as much a testament to the skills and commitment of our workforce and our partners' collaboration as it is to the actions and decisions of the Joint Executive Management Team. This period, considered one of the most challenging in post war times, coincided with the Authority recording one of its most successful periods of achievement in terms of Customer Satisfaction; measured performance; project delivery and financial management.

What makes these achievements 'special' is that they were delivered in parallel with the largest and most complex **Transformation programme** which in itself, resulted in multi-million pound efficiencies.

Efficiency Statement - Sustainability Strategy

In an attempt to provide a clear 'route map' for the transition from surviving to thriving, the Authority has designed and adopted a series of strategic plans, policies and processes. Cabinet, on 22nd August 2013, endorsed the overarching document '**Planning for a Sustainable Future**' as the strategy for meeting the challenges forecast for the Authority's Medium Term Financial Strategy (MTFS) which, through the achievement of targets and outcomes associated with the work streams, enabled the organisation to generate significant efficiencies without there being any large scale impact upon the delivery of essential services.

The **Sustainability Strategy** delivered more than just 'big ticket' efficiencies, it brought about changes to working models, cultures and processes – **Agile Working; Demand Management; Joint Working; Shared Services; Locality Delivery/ Commissioning** all contributed to our journey.

This was achieved through: "**strong and clear leadership, political support, financial planning and the resilience, passion and professionalism of staff**" (Statement drawn from the 2014 LGA Peer review).

The 2015/16 budget report detailed a proactive approach to the challenge of ever increasing demand. By adopting the guiding principles, tools, techniques and transformational approaches, the Authority can set about **managing demand** and thereby have greater control and the ability to align or target "supply" to managed "demand".

The primary change is a shift away from trying to sustain a full suite of services at high standards with 40%+ budget reductions to understanding the needs of our customers and working with them to co-design how we meet those demands.

The adoption of a Demand Management operating model for the Authority was approved by Cabinet on 19th February 2015. Through its implementation, the Authority will have far greater control upon the alignment of services or 'supply' to the increased needs and expectations of the public or 'demand'.

Council, on 23rd February 2016, 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 Authority faces on-going 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, despite significant funding reductions over the next 4 years from the Government requirement for Authority's to reduce social housing rents by 1% per annum, 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.

There are a number of key challenges affecting the medium term financial planning process, which add a high level of uncertainty to budget projections.

The delivery of a balanced Medium Term Financial Strategy (three years for the General Fund & five years for the HRA) is a major achievement and shows we are in a good position – better than most.

Like many others, our budget planning process had to be carried out in light of ongoing unprecedented adverse economic conditions. This included a great deal of uncertainty over future investment and income levels. It is also facing 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.

An important part of our budget process is identifying areas of our work where we can make savings by reviewing the way we deliver services to make them more efficient.

In addition, the future economic prosperity of the Borough will also rely on increased housing provision, as in the future under the current funding arrangements, financial resilience is strongly linked to future growth in council tax and business rates income. Opportunities for identifying, promoting and supporting economic growth are actively being pursued.

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 £6.5m, representing an under-spend of £1.9m. Major differences between the budget and the outturn are as follows:-

Variance between Budget & Actual Outturn	£000	£000
Increased / Non-Budgeted Income*		
Corporate Finance - Government Grants	(80)	
Corporate Finance - Unspent Reserves	(33)	
Corporate Finance - Icelandic Banking Impairment Adjustment	(254)	
Corporate Finance - Icelandic Banking Exchange Rate Adjustment	(90)	
Corporate Finance - Lease Income	(100)	
Development Control - Planning Applications Fee Income	(116)	
Car Parks - Additional Revenue	(86)	
Land Charges - Government Grants	(67)	(826)
Shortfalls in Income		
Non-Budgeted Expenditure / Overspends		
Treasury Management - Interest Payable to HRA		98
Savings / Underspends		
Corporate Finance - Contingency Savings	(65)	
Corporate Finance - External Interest Payable	(80)	
Corporate Finance – Vacancy Allowance	(50)	
Corporate Finance – Contribution to Reserves	(120)	
Joint Waste Arrangements - Contingency Savings	(50)	
Joint Waste Arrangements - Contract Savings	(56)	(421)
Other Variances - Net (Underspends) / Overspends		(765)
Total (Favourable) / Unfavourable Variance		**(1,914)**

It should be noted that the significant underspends were outside of the Authority’s control and could not have been projected when the 2015/16 budgets were set in February 2015. 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	168,211	161,180	7,031
Director of Transformation and Corporate Performance	96,443	94,700	1,743
Head of Customer Services	526,446	432,170	94,276
Head of Organisational Development	217,960	227,400	(9,440)
Corporate Communications and PR Manager	154,188	199,040	(44,852)
Payroll Manager	53,063	50,180	2,883
Sub Total	**1,216,311**	**1,164,670**	**51,641**
Executive Director Corporate Services			
Executive Director Corporate Services	92,868	95,890	(3,022)
Head of Benefits	58,649	118,960	(60,311)
Director of Finance	(1,442,376)	(309,260)	(1,133,116)
Head of Revenues	133,379	105,330	28,049
Director of Technology & Corporate Programmes	775,678	810,600	(34,922)
Solicitor & Monitoring Officer	460,546	551,080	(90,534)
Head of Internal Audit Services	121,026	135,000	(13,974)
Sub Total	**199,770**	**1,507,600**	**(1,307,830)**
Community Services			
Director of Assets & Environment	2,319,914	2,712,720	(392,806)
Director of Housing & Health	924,787	922,070	2,717
Director of Communities, Planning & Partnerships	1,888,683	2,156,580	(267,897)
Sub Total	**5,133,384**	**5,791,370**	**(657,986)**
Total Cost of Services	**6,549,465**	**8,463,640**	**(1,914,175)**
Transfer to/ (from) Balances	**1,768,493**	**(145,682)**	1,914,175
Total to be met by Government Grants & Taxpayers	**8,317,958**	**8,317,958**	**-**

The main reasons for the underspend of £1.9m are explained on the previous page.

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 2015/16, 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	**1,232**	**3,072**	**(1,840)**

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

Variance between Budget & Actual Outturn	£000	£000
Increased / Non-Budgeted Income		
Council House Rent Income		(362)
Non-Budgeted Expenditure / Overspends		
Council Tax Payments	34	
Supporting People Contingency	50	
Item 8 Credit Interest	36	120
Savings / Underspends		
Contribution to Housing Repairs Account	(834)	
Specific Contingency	(100)	
Item 8 Debit Charges	(98)	
Provision for Bad Debts	(328)	
Repairs Contract Expenditure	(54)	
Estates Electricity	(40)	(1,454)
Other Variances - Net (Underspends) / Overspends		(144)
Total (Favourable) / Unfavourable Variance		**(1,840)**

Capital Expenditure

During 2015/16 the Authority spent £6.3m on capital expenditure. A breakdown by category and sources of finance is shown as Note 33 to the Core Financial Statements on page 95.

The majority of expenditure related to improvement, enhancement or ongoing construction works. Fixed asset acquisitions in the year include 11 dwellings as part of the Housing Regeneration Project and other acquisitions, the purchase of IT Equipment (software and hardware) and enhancements to the CCTV System.

A total of £9.5m spending originally planned for 2015/16, or earlier, has been deferred to 2016/17. Included within this deferred expenditure:

Deferred Capital Expenditure	**£000**	**£000**
Housing Capital Programme		
Regeneration of Housing Estates	4,356	
Enhancement works on HRA dwellings	2,488	6,844
General Fund Services		
Assembly Rooms Development	180	
Mercian Trail	69	
Disabled Facilities Grants	180	
Coalfields Funding	120	
Gateways Project	132	
Return on Investments	160	
Private Sector Improvement Grants	130	
Various works to public open spaces	99	
Agile Working Phase 2	310	
Contingency – Plant and Equipment	1,000	
Other Capital Schemes	306	2,686
Total		**9,530**

During the year, the Authority disposed of land and property with capital receipts totalling £2.7m, of which:

- £1.7m related to the disposal of 36 Council Dwellings through Right to Buy sales; and
- the first instalment of £1m relating to the sale of the Golf Course was also received.

NON-FINANCIAL PERFORMANCE

The Authority's Annual Review 2015/16 and Corporate Plan 2016/20 was approved by Cabinet on 17th March 2016.

The plan sets our direction and priorities for the next 5 years. It is structured around 3 priorities where we shall focus our energy and resources on supporting our "people" and our "place" in…

Living a quality life in Tamworth

and

Growing stronger together in Tamworth

by

Delivering quality services in Tamworth

By investing and supporting growth, regeneration, employment and skills we shall boost and improve the local economy and benefit from the opportunities they provide. Furthermore, we shall support those already vulnerable and those who may become vulnerable by working hard to tackle the causes of social, financial and health inequalities. This is the biggest political and corporate driver of the Authority. Finally, in doing so, we will improve residents' and visitors' access to and satisfaction in our services by undertaking a fundamental Review, Remodelling and Realignment of our customer services.

We can guarantee that this will be as challenging as it is rewarding but, at the end of it our destination will be ever closer…

"One Tamworth,
Perfectly Placed"

Open for business since
the 7th Century A.D.

Further details on the Authority's Key Performance Indicators for 2015/16 (and previous years) together with our vision and priorities for Tamworth, our values along with our performance are set out in **our Annual Review and Corporate Plan** which contains highlights from the past year and sets out our plans and priorities for the coming year, and is available from the Authority's website:

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

Shown below, against our objectives, are some of our achievements in 2015/16. All that has been achieved is not included but we have identified those achievements which we feel will be of most community interest due to their impact and benefits.

HIGH LEVEL CORPORATE PLAN PROJECTS/PROGRAMMES

An overview of the 2015/16 High Level Corporate Plan Projects/Programmes is shown below.

Corporate Priority
1.To Aspire and Prosper in Tamworth

Corporate Project/Programme	Status
Creative Quarter	▶
Development of new affordable housing	✔
Tinkers Green and Kerria Centre Regeneration	▶
To improve the green environment including management and maintenance of local nature reserves, open spaces and parks, and to provide an efficient waste collection service	✔

Corporate Priority
2. To be healthier and safer in Tamworth

Corporate Project/Programme	Status
Sheltered Housing Review Implementation	✔
To ensure all regulatory functions provided by the Council are delivered in a transparent, consistent and fair manner to promote public safety and to minimise the burden to businesses.	✔

Corporate Priority
3. Approachable, Accountable and Visible

Corporate Project/Programme	Status
Budget / Council Tax Setting Key Budget milestones completed in line with the agreed timetable	
Corporate Change Programme	
Deliver customer services that offer the customer value for money, accessible, digital by default and designed to meet customer needs	
Electoral Review	
Further develop an Organisational Development Strategy that supports the transformational change of TBC	
Local Election 2015	
Maximisation of income/collection Council Tax, Non-Domestic Rates, Debtors and Mortgages. Improved cash flow and local collection targets achieved – including monitoring of the impact of Welfare Benefit Reform and Business Rates retention.	
Parliamentary Election 2015	
Provision of financial advice, assistance and business support for Directorates & budget managers & preparation of monthly financial performance management reports for CMT & Quarterly for Cabinet	
To complete the Final Accounts process with an unqualified audit opinion	

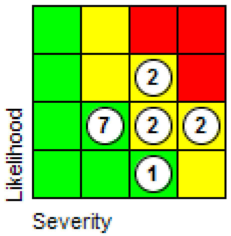
Status	
	This item has been postponed as part of the budget process
	Overdue
	Check Progress
	In Progress
	Completed

Page 64

CORPORATE RISK REGISTER

The Authority's Corporate risks for 2015/16 are outlined below.

Corporate Risk Register 'Heat Map'



Risk	Description of Risk	Date Last Reviewed	Severity	Likelihood	Current Risk Rating	Current Risk Status
Medium Term Financial Planning & Sustainability Strategy	Loss of Funding and Financial Stability.	27-Apr-2016	4	2	8	
Reputation	Damage to Reputation	27-Apr-2016	2	2	4	
Governance & Regulatory Failure	Failure to achieve adequate Governance Standards and statutory responsibilities	27-Apr-2016	2	2	4	
Partnership Working and Supply Chain Challenges	Failure in partnership working, shared services or supply chain	27-Apr-2016	2	2	4	
Emergency & Crisis Response Threats	Failure to manage an external or internal emergency/disaster situation	27-Apr-2016	2	2	4	
Economic Changes	Failure to plan and adapt services to economic changes within the community	27-Apr-2016	3	1	3	
Information Management & Information Technology	Failure to secure and manage data and IT infrastructure	27-Apr-2016	3	2	6	
Loss of Community Cohesion	Failure to achieve community cohesion	27-Apr-2016	3	3	9	

Risk	Description of Risk	Date Last Reviewed	Severity	Likelihood	Current Risk Rating	Current Risk Status
Workforce Planning Challenges	Failure to manage workforce planning challenges	27-Apr-2016	2	2	4	
Health & Safety	Failure to manage Health & Safety	27-Apr-2016	3	2	6	
Corporate Change	Failure to manage corporate change	27-Apr-2016	2	2	4	
Safeguarding Children & Vulnerable Adults	Failure to safeguard children and vulnerable adults	27-Apr-2016	3	3	9	
Inability to manage the impact corporately of the Government Austerity measures and new legislative requirements	Inability to manage the impact corporately of the Government Austerity measures and new legislative requirements	27-Apr-2016	4	2	8	
Elections	Parliamentary & Local Elections 2016	27-Apr-2016	2	2	4	

Key to symbols

Risk Status	
	High
	Medium
	Low

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 2016.

J Wheatley FCCA
Executive Director Corporate Services   Dated: 14th September 2016

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 2014/15 and 2015/16 are shown on the following pages.

Page 69

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 and Expenditure	-	-	-	-	-	-	-	**-**	501	**501**
Total Comprehensive Income and Expenditure	**(1,123)**	**-**	**6,941**	**-**	**-**	**-**	**-**	**5,818**	**501**	**6,319**
Adjustments between accounting basis and funding basis under regulations (Note 7)	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 8)	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**

Movement in Reserves Statement 2015/16

	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 2015	**4,912**	**5,919**	**5,957**	**8,023**	**3,898**	**134**	**48**	**28,891**	**76,256**	**105,147**
Movement in Reserves during 2015/16										
(Surplus) or Deficit on the Provision of Services	15,687	-	3,655	-	-	-	-	**19,342**	-	**19,342**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	14,709	**14,709**
Total Comprehensive Income and Expenditure	**15,687**	**-**	**3,655**	**-**	**-**	**-**	**-**	**19,342**	**14,709**	**34,051**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(13,850)	-	(1,576)	-	1,334	1,249	-	**(12,843)**	12,843	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**1,837**	**-**	**2,079**	**-**	**1,334**	**1,249**	**-**	**6,499**	**27,552**	**34,051**
Transfers to / (from) Earmarked Reserves (Note 8)	(69)	41	(3,312)	3,340	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2015/16	**1,768**	**41**	**(1,233)**	**3,340**	**1,334**	**1,249**	**-**	**6,499**	**27,552**	**34,051**
Balance as at 31st March 2016	**6,680**	**5,960**	**4,724**	**11,363**	**5,232**	**1,383**	**48**	**35,390**	**103,808**	**139,198**

Page 70

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 144.

2014/15					2015/16		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Comprehensive Income & Expenditure Statement**	**Notes**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
1,474	(763)	711	Central Services to the Public		1,573	(768)	805
4,661	(1,271)	3,390	Cultural and Related Services		4,324	(1,651)	2,673
4,990	(976)	4,014	Environmental and Regulatory Services		5,137	(1,712)	3,425
1,958	(549)	1,409	Planning and Development Services		1,984	(616)	1,368
828	(1,378)	(550)	Highways and Transport Services		1,006	(1,339)	(333)
10,780	(20,796)	(10,016)	Local Authority Housing (HRA)		14,751	(21,074)	(6,323)
27	(40)	(13)	Adult Social Care		81	(101)	(20)
24,622	(22,995)	1,627	Other Housing Services		23,544	(21,868)	1,676
1,915	(109)	1,806	Corporate and Democratic Core		1,608	(156)	1,452
-	(1,652)	(1,652)	Non Distributed Costs		18	-	18
51,255	**(50,529)**	**726**	**Cost of Services**	25	**54,026**	**(49,285)**	**4,741**
		121	Other Operating Expenditure	5, 9			(15,547)
		1,875	Financing and Investment Income and Expenditure (FIIE)	10			255
		117	(Surplus) or Deficit of Discontinued Operations	26			4
		(8,657)	Taxation and Non Specific Grant Income	11			(8,795)
		(5,818)	**(Surplus) or Deficit on Provision of Services**	25			**(19,342)**
		(8,546)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	21a			(3,738)
		8,045	Re-measurement of the Net Defined Benefit Liability	21c			(10,971)
		(501)	**Other Comprehensive Income and Expenditure**				**(14,709)**
		(6,319)	**Total Comprehensive Income and Expenditure**				**(34,051)**

Page 72

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 2015 £000	Balance Sheet	Notes	31st March 2016 £000
151,709	Property, Plant & Equipment	12	154,202
2,808	Heritage Assets	13	2,808
19,418	Investment Property	14	21,130
196	Intangible Assets		171
8,713	Assets Held for Sale	18	-
1	Long Term Investments	15	-
12,902	Long Term Debtors	15	28,833
195,747	**Long Term Assets**		**207,144**
18,826	Short Term Investments	15	23,921
25	Inventories		20
2,121	Short Term Debtors	16	9,745
14,110	Cash & Cash Equivalents	17	16,289
35,082	**Current Assets**		**49,975**
(460)	Cash & Cash Equivalents	17	(777)
(3,366)	Short Term Borrowing	15	(2,341)
(9,164)	Short Term Creditors	19	(9,346)
(1,679)	Provisions	20	(1,812)
(14,669)	**Current Liabilities**		**(14,276)**
(62,060)	Long Term Borrowing	15	(63,060)
(48,911)	Other Long Term Liabilities	21c	(40,575)
(6)	Capital Grants Receipts in Advance	31	(6)
(36)	Revenue Grants Receipts in Advance		(4)
(111,013)	**Long Term Liabilities**		**(103,645)**
105,147	**Net Assets**		**139,198**
28,891	Usable Reserves		35,390
76,256	Unusable Reserves	21	103,808
105,147	**Total Reserves**		**139,198**

The audited accounts were approved on 22nd September 2016 by Audit and Governance Committee.

J Wheatley FCCA
Executive Director Corporate Services Dated: 14th September 2016

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.

2014/15 £000	**Cashflow Statement**	**Notes**	**2015/16 £000**
(5,818)	Net (Surplus) or Deficit on the Provision of Services		(19,342)
(2,245)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements		6,045
1,875	Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		26,151
(6,188)	Net cash flows from Operating Activities	22	12,854
14,229	Investing Activities	23	(15,468)
(1,607)	Financing Activities	24	752
6,434	Net (increase) or decrease in Cash and Cash Equivalents		(1,862)
20,084	Cash and Cash Equivalents at the beginning of the reporting period		13,650
13,650	**Cash and Cash Equivalents at 31st March 2016**	17	**15,512**

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 2015/16 financial year and its position at the year end of 31st March 2016. The Accounts and Audit Regulations (England) 2015 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 2015/16 and the CIPFA Service Reporting Code of Practice 2015/16 (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 2015/16.

Discontinued Operations

The results of discontinued operations are shown as a single amount on the face of the Comprehensive Income and Expenditure Statement comprising the profit or loss of discontinued operations and the gain or loss recognised either on measurement to fair value less costs to sell or on the disposal of the discontinued operation. A discontinued operation is a unit that has been disposed of, or is classified as an Asset Held for Sale.

There were no discontinued operations in 2015/16.

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. During the year the former Golf Course at Eagle Drive was sold to Redrow Homes – for further details set Note 5 (page 55) Material Items of Income & Expense, and Note 9 (page 62) Other Operating Expenditure.

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 37 to the Core Financial Statements on page 99 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 3.5%.

   This is based on an approach whereby a Corporate Bond yield curve is constructed based on the constituents of the iBoxx AA Corporate Bond Index.

Separate discount rates are then set (and corresponding RPI/CPI inflation assumptions) for individual employers, dependent on their own weighted average duration.

iii. The assets of Staffordshire Local Government Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
   - quoted securities – current bid price;
   - unquoted securities – professional estimate;
   - unitised securities – current bid price;
   - property – market value.

iv. The change in the net pensions liability is analysed into the following components:

- **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 2016. 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 2015/16 financial statements (including the 2014/15 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.

The Authority has a Joint Waste Management arrangement with Lichfield District Council which does not fulfil the definition of a joint venture or a joint operation – detailed at Note 32f).

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 2015/16.

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

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.

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, the existence of which 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 2015/16 are outlined at Note 38 on page 105.

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 8 to the Core Financial Statements on page 61.

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 implication of 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.

25. FAIR VALUE MEASUREMENT

The Authority measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

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

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

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

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

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

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

The Code of Practice on Local Authority Accounting in the UK (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. No new accounting standards have been issued, but there have been a number of amendments to standards, introduced in the code, that are relevant for 2016/17 as follows:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions). An amendment to IAS 19 Employee Benefits has clarified the treatment of contributions to defined benefit plans by employees or third parties. CIPFA/LASAAC has determined that for local government pension schemes, employee contributions are determined independently of years of service, therefore in accordance with amendments to the standard they should be recognised in the period that the relevant service is rendered, and not attributed to earlier years of service. CIPFA/LASAAC considers that this is not a change in accounting practice for local authority accounts;

- Annual Improvements to IFRSs 2010-12 Cycle and 2012-14 Cycle. The IASB carries out cyclical work to identify and implement improvements in IFRSs. These include narrow scope amendments which will not have a significant impact on the Statement of Accounts;

- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations);

- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable methods of depreciation and Amortisation);

- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative);

- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in reserves Statement and the introduction of the new Expenditure and Funding Analysis;

- Changes to the format of the Pension Fund Account and the Net Assets Statement.

The Code does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements, and there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of services.

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 39e) on page 111.

- 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 appealed against the rateable value of their properties on the Rating List. The Authority has included a provision of **£1.7m (£1.5m – 2014/15)** (the overall provision in the Business Rates Collection Fund is **£4.3m (£3.8m - 2014/15)** and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2016 of **£73.9m (£61.7m – 2014/15)** – as detailed in Note CF 6 within the notes to the Collection Fund on page 123.

  The increase of £0.5m due to additional appeals received during 2015/16, follows a large increase in appeal submissions in the last month of the 2014/15 financial year resulting from a deadline for appeal applications of 31st March 2015 - as any appeals received after 31st March are not backdated to either the 2005 or 2010 Rating List.

  The actual cost of the appeals will be subject to the outcome of the review process carried out by the Valuation Office.

  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 for such.

- The Authority has a Joint Waste Management arrangement with Lichfield District Council (LDC) as the host Authority responsible for management of the arrangement including the refuse fleet.

  In February 2016 the LDC procured a new waste fleet using a contract hire arrangement that has been evaluated under IAS 17 as a finance lease. The value of assets procured and the finance lease obligation was **£2,240,000**.

At the 31 March 2016 the Net Book Value of the Assets was **£1,792,000** and the value of the finance lease obligation was **£2,190,000**.

We have applied the tests contained within the Code and IFRS 11 and it is our conclusion that the arrangement does not meet the definition of a joint venture or joint operation as:

a) IFRS 11 requires a legally binding contract to be in place and the joint waste service does not contain a formal, legally binding arrangement;

b) the decision-making arrangements do not, in our view, meet the requirement for joint control;

c) LDC, as the host Authority, hold a number of key responsibilities and elements of decision-making, including legal liability in respect of the lease of the waste fleet and other assets.

The Authority therefore only includes within its accounts the payments it makes to LDC in respect of the service and its own assets which are used for the provision of the service. Payments to LDC are based on an agreed percentage of the total net cost of providing the service, based on the number of properties in each area, currently 42.5% for the Authority.

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

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

The items in the Authority's Balance Sheet at 31st March 2016 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 reduced from £48.9m to £40.6m (following an increase from £39.8m to £48.9m in 2014/15) – see Note 37 on page 99.
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 appealed against the rateable value of their properties on the rating List.	The Authority has included a provision of **£1.7m** (the overall provision in the Business Rates Collection Fund is **£4.3m** and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2015 of **£73.9m**. 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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred 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.

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

5. Material Items of Income and Expense

This note identifies material items of income and expense. For the purposes of this note the Authority considers material items to be those greater than £1.025m. During the year the former Golf Course at Eagle drive was sold to Redrow Homes. The income from the sale will be received over 3 years and generate a Capital receipt of £24.6m and interest of £0.6m. This deferred payment arrangement, following the receipt of £1m in 2015/16, results in the following payment profile:

- a further £8m due to be received during 2016/17 - with a corresponding increase in short term debtors; and
- the remaining £16.2m due in the following financial years – with a corresponding increase in long term debtors.

See Note 9 on page 62 for further information.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director Corporate Services on 22nd June 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The UK voted on 23rd June 2016 to leave the European Union.

Although an unprecedented and seismic decision, it is as important for finance professionals, as it is for the Government, to avoid knee-jerk reactions that may do more harm than good.

In the immediate aftermath of the referendum we expect high-levels of uncertainty as politicians seek to grapple with the reality they now face. However, it is in everyone’s interest that a clear and achievable transition is agreed promptly.

It is expected that the transition will take place over a two-year period allowing at least some time to plan for the major changes that will follow.

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

- Future levels of Government support / funding;
- The potential for an economic downturn / recession and impact on the Authority's service provision / finances;
- Impact on interest rates and investment and other income for the Authority e.g. treasury management interest, car parking, planning, commercial & industrial rents etc.;
- Impact on business rates collection levels;
- Implications for the income from the deferred sale of the former Golf Course.

There are many issues that will need consideration but the uncertainty will pass and UK Public Services will continue to work closely with EU neighbours.

7. 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 and Funding Basis under Regulations	**Usable Reserves**				
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**
2015/16					
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of Non-Current Assets;	(773)	(7,873)	-	-	8,646
Revaluation losses on Property, Plant and Equipment;	(21)	2,988	-	-	(2,967)
Movements in the market value of Investment Properties;	1,608	-	-	-	(1,608)
Amortisation of Intangible Assets;	(102)	-	-	-	102
Capital Grants and Contributions Applied;	245	-	-	-	(245)
Revenue Expenditure Funded from Capital Under Statute (REFCUS);	(488)	-	-	-	488
Amounts on Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(8,713)	(1,182)	-	-	9,895
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment - Minimum Revenue Provision;	21	-	-	-	(21)
Statutory provision for the financing of capital investment - Voluntary Revenue Provision;	220	-	-	-	(220)
Capital expenditure charged against the General Fund and HRA balances.	291	2,028	-	-	(2,319)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement;	24,216	1,698	(25,914)	-	-

Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Unusable Reserves
	£000	£000	£000	£000	£000
Use of the Capital Receipts Reserve to finance new capital expenditure;	-	-	492	-	(492)
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;	(425)	-	425	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(8)	-	-	-	8
Adjustment primarily involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	23,616	-	(23,616)
Adjustments primarily involving the Major Repairs Reserve:					
Reversal of Major Repairs Allowance credited to the HRA;	-	4,477	-	(4,477)	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	3,228	(3,228)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 37);	(3,061)	(916)	-	-	3,977
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,342	393	-	-	(1,735)
Adjustment primarily involving the Collection Fund Adjustment Account:					
Amount by which Council Tax and Non Domestic Rating Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rating Income calculated for the year in accordance with statutory requirements.	(544)	-	-	-	544
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	42	10	-	-	(52)
Total Adjustments 2015/16	**13,850**	**1,576**	**(1,334)**	**(1,249)**	**(12,843)**

Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Unusable Reserves
	£000	£000	£000	£000	£000
2014/15					
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of Non Current Assets;	(418)	(7,607)	-	-	8,025
Revaluation losses on Property, Plant and Equipment;	778	6,449	-	-	(7,227)
Movements in the market value of Investment Properties;	454	-	-	-	(454)
Amortisation of Intangible Assets;	(86)	-	-	-	86
Capital Grants and 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 and Expenditure Statement.	-	(1,270)	-	-	1,270
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment - Minimum Revenue Provision;	71	-	-	-	(71)
Capital expenditure charged against the General Fund and HRA balances.	202	619	-	-	(821)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement;	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)	-

Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Unusable Reserves
	£000	£000	£000	£000	£000
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 and Expenditure Statement (see Note 37);	(2,837)	(776)	-	-	3,613
Employer's pensions contribution and 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 and Non Domestic Rating Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rating Income calculated for the year in accordance with statutory requirements.	(616)	-	-	-	616
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	11	(3)	-	-	(8)
Total Adjustments 2014/15	**(1,397)**	**3,670**	**(956)**	**(134)**	**(1,183)**

8. 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 2015/16.

Transfers to / (from) Earmarked Reserves	Balance at 1st April 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31st March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31st March 2016 £000
General Fund:							
Future Capital Expenditure	**861**	(164)	595	**1,292**	(149)	58	**1,201**
Temporary Reserves	**915**	(201)	123	**837**	(665)	191	**363**
Retained Funds	**2,169**	(534)	735	**2,370**	(309)	368	**2,429**
Commuted Sums	**1,600**	(1,183)	641	**1,058**	(39)	100	**1,119**
Other Reserves	**442**	(530)	450	**362**	-	486	**848**
Total	**5,987**	**(2,612)**	**2,544**	**5,919**	**(1,162)**	**1,203**	**5,960**
HRA:							
Future Capital Expenditure	**4,733**	(619)	3,540	**7,654**	-	3,346	**11,000**
Temporary Reserves	**169**	(178)	-	**(9)**	-	9	**-**
Retained Funds	**326**	(34)	86	**378**	(28)	13	**363**
Total	**5,228**	**(831)**	**3,626**	**8,023**	**(28)**	**3,368**	**11,363**

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

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

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

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

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

9. Other Operating Expenditure

2014/15 £000	Other Operating Expenditure	2015/16 £000
372	Payments to the Government Housing Capital Receipts Pool	425
(251)	(Gains) / losses on the disposal of Non Current Assets	(15,972)
121	**Total**	**(15,547)**

10. Financing & Investment Income & Expenditure

2014/15 £000	Financing and Investment Income and Expenditure	2015/16 £000
3,042	Interest payable and similar charges	2,853
1,696	Pension interest costs and expected return on pensions assets	1,582
(297)	Interest receivable and similar income	(502)
(843)	Finance Lease Income	(843)
(1,607)	(Income) and expenditure in relation to investment properties and changes in their fair value	(2,772)
(116)	Investment impairment	(63)
1,875	**Total**	**255**

11. Taxation & Non Specific Grant Income

2014/15 £000	Taxation and Non Specific Grant Incomes	2015/16 £000
(3,253)	Council Tax income	(3,366)
(12,086)	Non Domestic Rates	(13,351)
10,354	Non Domestic Rates - Tariff	10,552
-	Non Domestic Rates - Levy to GBSLEP	534
(3,358)	Non ringfenced government grants	(2,919)
(314)	Capital grants and contributions	(245)
(8,657)	**Total**	**(8,795)**

A detailed breakdown of the grants, contributions and donations credited to the Comprehensive Income and Expenditure Statement in 2015/16 is shown in Note 31.

12. Property, Plant & Equipment

Movement in 2015/16	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1st April 2015	**133,857**	**16,464**	**3,540**	**378**	**933**	**-**	**155,172**
Additions	5,362	20	176	-	12	150	**5,720**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(7,066)	(176)	-	-	-	-	**(7,242)**
Revaluation increases / (decreases) recognised in the Revaluation Reserve;	1,735	2,137	-	-	-	-	**3,872**
Revaluation increases / (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	2,988	(21)	-	-	-	-	**2,967**
Derecognition - Disposals;	(1,192)	-	(63)	-	-	-	**(1,255)**
Assets reclassified (to) / from Investment Properties;	-	(104)	-	-	-	-	**(104)**
At 31st March 2016	**135,684**	**18,320**	**3,653**	**378**	**945**	**150**	**159,130**
Accumulated Depreciation & Impairment							
At 1st April 2015	**(579)**	**(208)**	**(2,485)**	**(189)**	**(2)**	**-**	**(3,463)**
Depreciation Charge;	(2,505)	(274)	(175)	(12)	(1)	-	**(2,967)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	7,066	176	-	-	-	-	**7,242**
Impairment losses / (reversals) recognised in the Revaluation Reserve;	(9)	(125)	-	-	-	-	**(134)**
Impairment losses / (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(5,299)	(380)	-	-	-	-	**(5,679)**
Derecognition - disposals.	10	-	63	-	-	-	**73**
At 31st March 2016	**(1,316)**	**(811)**	**(2,597)**	**(201)**	**(3)**	**-**	**(4,928)**
Net Book Value							
at 31st March 2015	133,278	16,256	1,055	189	931	-	151,709
at 31st March 2016	**134,368**	**17,509**	**1,056**	**177**	**942**	**150**	**154,202**
Nature of Holdings at year end							
Owned	134,368	17,509	1,056	177	942	150	**154,202**

Comparative Movement in 2014/15	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £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 and 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 and Impairment Charge;	(2,167)	(304)	(159)	(13)	-	-	**(2,643)**
Accumulated Depreciation and 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**

a) Capital Commitments

At 31st March 2016, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £3.9m. Similar commitments at 31st March 2015 were £4.1m. The major commitments are:

2014/15 £000	**Capital Contract**	**2015/16 £000**
171.1	Private Sector Housing – Disabled Facilities Grants	180.0
13.0	IT Projects	25.0
3,185.7	Housing Repairs & Investment	2,244.7
655.0	Gas Installations	747.2
-	Gateways	18.4
-	Assembly Rooms Development	180.4
5.7	HR/Payroll System	-
90.6	Regeneration Projects	221.0
-	Wigginton Park	42.4
22.1	Broadmeadow Nature Reserve	52.0
-	Public Open Space	99.0
-	Agile Working	98.9
4,143.2	**Total**	**3,909.0**

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 2016. 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 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.

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 and Buildings** £000	**Vehicles, Plant, Furniture and Equipment** £000	**Infrastructure Assets** £000	**Community Assets** £000	**Assets Under Construction** £000	**Total Property, Plant& Equipment** £000
Valued at Historical Cost	-	-	3,653	378	945	150	5,126
Valued at Current Cost in:							
2015/16	38,753	11,263	-	-	-	-	50,016
2014/15	46,520	5,752	-	-	-	-	52,272
2013/14	47,594	1,305	-	-	-	-	48,899
2012/13	2,817	-	-	-	-	-	2,817
Total	**135,684**	**18,320**	**3,653**	**378**	**945**	**150**	**159,130**

13. Heritage Assets

Movement in 2015/16	Art Collection £000	Civic Regalia £000	Museum Exhibits £000	Statues £000	Castle £000	Total Heritage Assets £000
Cost or Valuation						
At 1st April 2015	**97**	**174**	**624**	**233**	**1,680**	**2,808**
At 31st March 2016	**97**	**174**	**624**	**233**	**1,680**	**2,808**

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**	**1626**	**2,754**
Additions	-	-	-	-	54	**54**
At 31st March 2015	**97**	**174**	**624**	**233**	**1,680**	**2,808**

Heritage Assets Five Year Summary of Transactions	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Cost of Acquisitions of Heritage Assets					
Castle Museum	64	836	172	54	-
Total Cost of Purchases	64	836	172	54	-

14. 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:

2014/15 £000	Investment Properties	2015/16 £000
(1,504)	Rental income from Investment Property	(1,447)
351	Direct operating expenses arising from Investment Property	283
(1,153)	**Net (Gain) / Loss**	**(1,164)**

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:

2014/15 £000	Fair Value of Investment Properties	2015/16 £000
18,964	**Balance at 1st April 2015**	**19,418**
	Transfers:	
-	to / from Property, Plant and Equipment	104
	Valuations:	
454	Changes in market valuation	1,608
19,418	**Balance at 31st March 2016**	**21,130**

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

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

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

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

Valuation Process for Investment Properties - The Authority’s investment property has been valued as at 31st March 2016 by Paul Evans, Internal Valuer, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

15. Financial Instruments

a) Categories of Financial Instruments

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

Financial Instruments	Long Term		Current	
	31st March 2015 £000	31st March 2016 £000	31st March 2015 £000	31st March 2016 £000
Investments				
Loans and receivables (Principal amount)	-	-	18,757	23,850
Plus Accounting adjustments	-	-	69	71
Available for Sale financial assets	1	-	-	-
Total Investments	**1**	**-**	**18,826**	**23,921**
Debtors				
Loans and receivables	-	-	14,090	16,245
Plus Accounting adjustments	-	-	16	41
Financial assets carried at contract amounts	12,902	28,833	1,611	9,048
Total Debtors	**12,902**	**28,833**	**15,717**	**25,334**
Borrowings				
Financial liabilities at amortised cost	62,060	63,060	3,000	2,000
Plus Accounting adjustments	-	-	366	341
Total Borrowings	**62,060**	**63,060**	**3,366**	**2,341**
Creditors				
Financial liabilities at amortised cost	-	-	460	777
Financial liabilities carried at contract amount	-	-	4,409	5,091
Total Creditors	**-**	**-**	**4,869**	**5,868**

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	2014/15					2015/16			
	Financial liabilities measured at amortised cost	**Financial Assets: Loans and receivables**	**Financial Assets: Available for sale**	**Assets and Liabilities at Fair Value through Profit and Loss**	**Total**	**Financial liabilities measured at amortised cost**	**Financial Assets: Loans and receivables**	**Assets and Liabilities at Fair Value through Profit and Loss**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Interest expense	(3,042)	-	-	-	**(3,042)**	(2,853)	-	-	**(2,853)**
Impairment losses	-	116	-	-	**116**	-	63	-	**63**
Total expense in (Surplus) or Deficit on the Provision of Services	**(3,042)**	**116**	**-**	**-**	**(2,926)**	**(2,853)**	**63**	**-**	**(2,790)**
Interest income	-	289	1	843	**1,133**	-	496	843	**1,339**
Interest income accrued on impaired financial assets	-	7	-	-	**7**	-	6	-	**6**
Total income in (Surplus) or Deficit on the Provision of Services	**-**	**296**	**1**	**843**	**1,140**	**-**	**502**	**843**	**1,345**
Gains on revaluation	-	-	2	-	**2**	-	-	-	**-**
Surplus / (deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**2**	**-**	**2**	**-**	**-**	**-**	**-**
Net Gain / (Loss) for the Year	**(3,042)**	**412**	**3**	**843**	**(1,784)**	**(2,853)**	**565**	**843**	**(1,445)**

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 2015		31st March 2016	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
PWLB Debt	65,426	96,528	65,401	99,795
Creditors	4,409	4,409	5,091	5,091
Total Financial Liabilities	**69,835**	**100,937**	**70,492**	**104,886**

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 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £99.8m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £65.4m would be valued at £81.4m. But, if the Authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £99.8m.

Loans and Receivables	**31st March 2015**		**31st March 2016**	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Money Market Loans <1 year	18,826	18,840	23,921	23,935
Debtors	1,611	1,611	9,048	9,048
Long Term Debtors	12,902	12,902	28,833	28,833
Total Financial Liabilities	**33,339**	**33,353**	**61,802**	**61,816**

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 2015/16, a notional future gain (based on economic conditions at 31st March 2016) 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 2016. 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.

16. Debtors

2014/15 £000	Debtors	2015/16 £000
317	Central Government bodies	546
563	Other Local Authorities	454
89	Council Taxpayers	90
1,730	Housing Rents	1,853
2,265	Other entities and individuals	10,120
104	Business Rates	61
(260)	Payment in advance	(404)
(2,687)	Provision for bad debts	(2,975)
2,121	**Total**	**9,745**

17. Cash & Cash Equivalents

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

2014/15 £000	Cash and Cash Equivalents	2015/16 £000
4	Cash held by the Authority	3
(460)	Bank current accounts	(777)
14,106	Short term deposits with Banks and Building Societies	16,286
13,650	**Total Cash and Cash Equivalents**	**15,512**

18. Assets Held for Sale

2014/15 Non Current £000	2014/15 Total £000	Assets Held for Sale	2015/16 Non Current £000	2015/16 Total £000
-	-	**Balance at 1st April 2015**	8,713	8,713
8,713	8,713	Property, Plant and Equipment	-	-
-	-	Assets sold	(8,713)	(8,713)
8,713	**8,713**	**Balance at 31st March 2016**	**-**	**-**

19. Creditors

2014/15 £000	Creditors	2015/16 £000
828	Central Government bodies	841
1,361	Other Local Authorities	1,384
84	Council Taxpayers	89
418	Housing Rents	445
2,404	Precepting Authorities (Business Rates)	1,819
1,106	Precepting Authorities (Council Tax)	1,251
2,630	Other entities and individuals	3,262
333	Business Rates	255
9,164	**Total**	**9,346**

20. Provisions

Provisions	Municipal Mutual Insurance £000	Land Charges Legal Liability £000	Non Domestic Rates Appeals £000	Total £000
2014/15				
Balance at 1st April 2014	**33**	**121**	**393**	**547**
Additional provisions made in year	-	-	1,132	1,132
Balance at 31st March 2015	**33**	**121**	**1,525**	**1,679**
2015/16				
Additional provisions made in year	-	-	203	203
Amount used in year	-	(70)	-	(70)
Balance at 31st March 2016	**33**	**51**	**1,728**	**1,812**

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 was informed that the value of those claims was £95k (including interest and costs). A provision of £121k was established during 2013/14, of which £51k is currently retained.

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 appealed against the rateable value of their properties on the Rating List. The Authority has included a provision of £1.728m (**£1.5m – 2014/15)** (the overall provision in the Business Rates Collection Fund is £4.32m (**£3.8m** – 2014/15) and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2016 of £73.93m (**£61.7m 2014/15)**.

A Contingent Liability has also been included at Note 38 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.

21. Unusable Reserves

31st March 2015 £000	**Unusable Reserves**	**31st March 2016 £000**
21,605	Revaluation Reserve	18,067
91,956	Capital Adjustment Account	91,201
(49,773)	Pensions Reserve	(41,044)
12,758	Deferred Capital Receipts Reserve	36,366
(11)	Collection Fund Adjustment Account	(555)
(279)	Accumulated Absences Account	(227)
76,256	**Total Unusable Reserves**	**103,808**

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.

2014/15 £000		Revaluation Reserve	2015/16 £000	
12,791		**Balance at 1st April 2015**		**21,605**
	8,732	Upward revaluation of assets	4,364	
	(186)	Downward revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	(626)	
8,546		Surplus or deficit on the revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		3,738
	268	Difference between fair value depreciation and historical cost depreciation	(7,276)	
268		Amount written off to the Capital Adjustment Account		(7,276)
21,605		**Balance at 31st March 2016**		**18,067**

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

2014/15 £000		Capital Adjustment Account	2015/16 £000	
88,467		**Balance at 1st April 2015**		**91,956**
	(8,025)	Charges for depreciation and impairment of Non Current Assets;	(8,646)	
	7,227	Revaluation losses on Property, Plant and Equipment;	2,967	
	(86)	Amortisation of Intangible Assets;	(102)	
	(274)	Revenue Expenditure Funded from Capital Under Statute;	(488)	
	(1,270)	Amounts of Non Current Assets written off on disposal or sale as part of the gains / loss on disposal to the Comprehensive Income and Expenditure Statement;	(9,895)	
(2,428)				(16,164)
(268)		Adjusting amounts written out of the Revaluation Reserve		7,276
(2,696)		Net written out amount of the cost of Non Current Assets consumed in the year		**(8,888)**
	193	Use of Capital Receipts Reserve to finance new capital expenditure;	492	
	4,332	Use of Major Repairs Reserve to finance new capital expenditure;	3,228	
	314	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing;	245	
	71	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - Minimum Revenue Provision;	241	
	821	Capital expenditure charged against the General Fund and HRA Balances.	2,319	
5,731				**6,525**
454		Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement.		**1,608**
91,956		**Balance at 31st March 2016**		**91,201**

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.

2014/15 £000	Pensions Reserve	2015/16 £000
(39,769)	**Balance at 1st April 2015**	**(49,773)**
(8,045)	Re-measurement of the Net Defined Benefit Liability / (asset)	10,971
(3,613)	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,977)
1,654	Employer's contributions and direct payments to pensioners payable in the year	1,735
(49,773)	**Balance at 31st March 2016**	**(41,044)**

The accounts include £469k relating to the advance payment of the pension lump sum for 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.

2014/15 £000	Deferred Capital Receipts Reserve	2015/16 £000
12,765	**Balance at 1st April 2015**	**12,758**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	23,616
(7)	Transfer to Capital Receipts Reserve upon receipt of cash	(8)
12,758	**Balance at 31st March 2016**	**36,366**

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.

2014/15 £000		Accumulated Absences Account	2015/16 £000	
(287)		**Balance at 1st April 2015**		**(279)**
	287	Settlement or cancellation of accrual made at the end of the preceding year	279	
	(279)	Amounts accrued at the end of the current year	(227)	
8		Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		52
(279)		**Balance at 31st March 2016**		**(227)**

22. Cash Flow Statement – Operating Activities

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

2014/15 £000	Cash Flow Statement - Operating Activities	2015/16 £000
	The cash flows for operating activities include the following items	
(1,124)	Interest received	(1,342)
3,042	Interest paid	2,877
1,918		**1,535**
5,818	Net Surplus or (Deficit) on the Provision of Services	**19,342**
	Adjusted for non cash movements	
8,025	Depreciation	8,646
(7,227)	Impairment and Downward Valuations	(2,967)
86	Amortisation	102
(2,140)	Increase / Decrease in Creditors	(148)
455	Increase / Decrease in Debtors	(22,738)
1	Increase / Decrease in Inventories	4
1,097	Movement in Pension Liability	2,635
1,270	Carrying amount of Non Current Assets and Non Current Assets Held for Sale, sold or de-recognised	9,896
678	Other non cash items charged to the Net (Surplus) or Deficit on the Provision of Services	(1,475)
2,245		**(6,045)**
	Adjusted for items that are Investing or Financing Activities	
(1,561)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(25,905)
(314)	Any other items for which the cash effects are Investing or Financing Activities cash flows	(246)
(1,875)		**(26,151)**
6,188	**Net Cash Flows from Operating Activities**	**(12,854)**

23. Cash Flow Statement – Investing Activities

2014/15 £000	Cash Flow Statement - Investing Activities	2015/16 £000
6,142	Purchase of Property, Plant and Equipment; Investment Property and Intangible Assets	5,601
(54)	Purchase of Short Term and Long Term Investments	5,091
(1,568)	Proceeds from the sale of Property, Plant and Equipment; Investment Property and Intangible Assets	(25,914)
10,025	Proceeds from Short Term and Long Term Investments	-
(316)	Other receipts from Investing Activities	(246)
14,229	**Net Cash Flows from Investing Activities**	**(15,468)**

24. Cash Flow Statement – Financing Activities

2014/15 £000	Cash Flow Statement - Financing Activities	2015/16 £000
(1,587)	Billing Authorities - Council Tax and NNDR adjustments	727
-	Other receipts from Financing Activities	25
(20)	Other payments for Financing Activities	-
(1,607)	**Net Cash Flows from Financing Activities**	**752**

25. 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:

2015/16 Directorate Income and Expenditure	Chief Executive	Executive Director Corporate Resources	Director of Finance	Director Technology and Corporate Programmes	Solicitor to the Council	Director Assets and Environmental Services	Director Housing and Health	Director Communities, Planning and Partnerships	Director Transformation and Corporate Performance	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
2015/16										
Fees, charges and other service income;	-	(1,042)	(3,979)	(9)	(142)	(5,222)	(22,447)	(1,961)	(141)	**(34,943)**
Interest and investment income;	-	-	(1,143)	-	-	-	(116)	-	-	**(1,259)**
Government grants.	-	(20,923)	(709)	-	(64)	(15)	(52)	(177)	-	**(21,940)**
Total Income	**-**	**(21,965)**	**(5,831)**	**(9)**	**(206)**	**(5,237)**	**(22,615)**	**(2,138)**	**(141)**	**(58,142)**
Employee expenses;	180	863	1,335	536	295	2,907	2,840	1,569	970	**11,495**
Other service expenses;	10	21,386	3,253	641	530	4,960	14,009	2,647	520	**47,956**
Support service recharges;	(190)	179	219	(1,342)	68	42	1,479	587	(1,042)	**-**
Depreciation, amortisation and impairment.	-	-	-	190	-	295	2,562	21	1	**3,069**
Total Operating Expenses	**-**	**22,428**	**4,807**	**25**	**893**	**8,204**	**20,890**	**4,824**	**449**	**62,520**
Net Expenditure	**-**	**463**	**(1,024)**	**16**	**687**	**2,967**	**(1,725)**	**2,686**	**308**	**4,378**

2014/15 Directorate Income and Expenditure	Chief Executive	Executive Director Corporate Resources	Director of Finance	Director Technology and Corporate Programmes	Solicitor to the Council	Director Assets and Environmental Services	Director Housing and Health	Director Communities, Planning and Partnerships	Director Transformation and Corporate Performance	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2014/15 Comparative Figures										
Fees, charges and other service income;	-	(833)	(3,512)	(8)	(123)	(4,551)	(20,823)	(2,301)	(128)	**(32,279)**
Interest and 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 and 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**

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.

2014/15 £000	Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement	2015/16 £000
4,728	Net expenditure in the Directorate Analysis	4,378
(1,327)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	3,660
(2,675)	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(3,297)
726	**Cost of Services in Comprehensive Income and Expenditure Statement**	**4,741**

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 and Expenditure Statement	Cost of Services	Corporate Amounts	Total
2015/16	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(34,943)	-	7,937	**(27,006)**	(4,379)	**(31,385)**
Interest and investment income	(1,259)	-	1,259	**-**	(1,345)	**(1,345)**
Income from Council Tax	-	-	-	**-**	(3,366)	**(3,366)**
Government grants and contributions	(21,940)	-	709	**(21,231)**	(5,429)	**(26,660)**
Total Income	**(58,142)**	**-**	**9,905**	**(48,237)**	**(14,519)**	**(62,756)**
Employee expenses	11,495	-	(101)	**11,394**	48	**11,442**
Other service expenses	47,956	-	(12,990)	**34,966**	5,908	**40,874**
Support service recharges	-	-	(111)	**(111)**	111	**-**
Depreciation, amortisation and impairment	3,069	2,720	-	**5,789**	(1,679)	**4,110**
REFCUS	-	293	-	**293**	-	**293**
Retirement Benefits	-	647	-	**647**	1,595	**2,242**
Payments to Housing Capital Receipts Pool	-	-	-	**-**	425	**425**
Gain or Loss on Disposal of Fixed Assets	-	-	-	**-**	(15,972)	**(15,972)**
Total Expenditure	**62,520**	**3,660**	**(13,202)**	**52,978**	**(9,564)**	**43,414**
(Surplus) or Deficit on the Provision of Services	**4,378**	**3,660**	**(3,297)**	**4,741**	**(24,083)**	**(19,342)**

Reconciliation to the (Surplus) or Deficit on the Provision of Services Restated	**Directorate Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in the Comprehensive Income and Expenditure Statement**	**Cost of Services**	**Corporate Amounts**	**Total**
2014/15 Comparative Figures	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(32,279)	-	7,043	**(25,236)**	(4,605)	**(29,841)**
Interest and investment income	(1,140)	-	1,140	**-**	(1,140)	**(1,140)**
Income from Council Tax	-	-	-	**-**	(3,253)	**(3,253)**
Government grants and 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 and 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)**

26. Acquired & Discontinued Operations

There were no acquired or discontinued operations in 2015/16.

27. Trading Operations

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

2014/15 Expenditure £000	2014/15 Income £000	2014/15 (Surplus)/ Deficit £000	Trading Operations	2015/16 Expenditure £000	2015/16 Income £000	2015/16 (Surplus)/ Deficit £000
4	(10)	**(6)**	Markets	6	(10)	**(4)**
135	(705)	**(570)**	Industrial Estates	(1,695)	(737)	**(2,432)**
(238)	(799)	**(1,037)**	Other Land and Property	402	(742)	**(340)**
(99)	**(1,514)**	**(1,613)**	**Total**	**(1,287)**	**(1,489)**	**(2,776)**

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

28. Members' Allowances

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

2014/15 £000	Members Allowances	2015/16 £000
153	Basic Allowance	154
86	Special Responsibility	79
4	Other Allowances/Expenses	4
2	Travel/Mileage	1
245	**Total**	**238**

29. Officers' Remuneration

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

Officers Remuneration	Year	Salary, Fees and Allowances £	Expenses Allowances £	Sub-Total £	Pension Contribution £	Total £
Chief Executive*[1]	2015/16	112,987	1,584	114,571	17,773	132,344
	2014/15	110,664	1,455	112,119	17,339	129,458
Executive Director Corporate Services*[1]	2015/16	91,037	1,157	92,194	15,024	107,218
	2014/15	89,133	1,338	90,471	14,690	105,161
Director of Transformation & Corporate Change	2015/16	73,580	1,150	74,730	12,140	86,870
	2014/15	72,521	1,338	73,859	11,962	85,821
Director of Assets & Environment	2015/16	85,250	1,134	86,384	14,067	100,451
	2014/15	76,133	1,338	77,471	12,560	90,031
Director of Housing & Health	2015/16	81,578	1,341	82,919	13,460	96,379
	2014/15	72,496	1,338	73,834	11,962	85,796
Director of Finance	2015/16	74,109	1,341	75,450	12,223	87,673
	2014/15	72,513	1,338	73,851	11,962	85,813
Director of Communities, Planning & Partnerships*[2]	2015/16	12,404	223	12,627	2,023	14,650
	2014/15	72,512	1,338	73,850	11,962	85,812
Solicitor & Monitoring Officer	2015/16	67,144	1,341	68,485	11,074	79,559
	2014/15	64,437	1,338	65,775	10,628	76,403
Director of Technology & Corporate Programmes	2015/16	71,373	1,065	72,438	11,779	84,217
	2014/15	66,797	1,062	67,859	11,022	78,881
Head of Landlord Services	2015/16	58,176	1,065	59,241	9,599	68,840
	2014/15	57,178	1,151	58,329	9,434	67,763
Head of Planning and Regeneration	2015/16	50,328	1,065	51,393	8,311	59,704
	2014/15	45,579	1,062	46,641	7,526	54,167

*[1] Includes Local Returning Officer and Deputy Returning Officer Fees under Legislation.
*[2] Left 31/05/2015

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:

2014/15 Total Number of Employees	**Remuneration Band**	**2015/16 Number of Employees Left During Year**	**2015/16 Number Employed at 31st March 2016**	**2015/16 Total Number of Employees**
-	£50,000 - £54,999	-	1	1
1	£55,000 - £59,999	-	1	1
2	£65,000 - £69,999	-	1	1
4	£70,000 - £74,999	1	2	3
1	£75,000 - £79,999	-	1	1
-	£80,000 - £84,999	-	1	1
-	£85,000 - £89,999	-	1	1
1	£90,000 - £94,999	-	1	1
1	£110,000 - £114,999	-	1	1
10	Total	1	10	11

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**	
	2014/15	**2015/16**	**2014/15**	**2015/16**
£0 - £20,000	9	2	54,254	11,388
£20,001 - £40,000	1	-	27,000	-
Total	**10**	**2**	**81,254**	**11,388**

During the year, the Authority also agreed another exit package of £13k with an employee which is due to be paid in 2016/17.

30. External Audit Costs

The agreed audit fees paid for 2015/16 were £69k (£78k 2014/15).

2014/15 £000	External Audit Costs	2015/16 £000
59	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the year;	50
17	Fees payable to Grant Thornton for the certification of grants and returns for the year;	19
2	Fees payable in respect of other services provided by Audit Commission during the year – National Fraud Initiative.	-
78	**Total**	**69**

The indicative fee for certification of grants and returns for 2015/16 is £12k.

31. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £000	Grant Income	2015/16 £000
	Credited to Taxation and Non Specific Grant Income	
2,340	Revenue Support Grant	1,608
12,086	NNDR	13,351
(10,354)	Non Domestic Rates – Tariff	(10,552)
-	Non Domestic Rates – Levy to GBSLEP	(534)
535	New Homes Bonus	560
-	Efficiency Support Grant	145
9	Community Right to Challenge	-
8	Community Right to Bid	-
-	New Burdens – Lettings & Property Management	1
348	S31 Grant – Small Business Rate Relief	439
10	Local Authority Data Sharing Programme	7
-	Real time Information Matching	4
6	Transparency Code set up	8
102	Welfare Benefit Changes	36
-	Property Searches/Land Charges Legal Action	67
-	Homelessness Prevention Strategy	43
-	Smoke/Carbon Dioxide Alarms	1
314	Capital Grants and Contributions	245
5,404	**Total**	**5,429**

The Authority credited the following grants, contributions and donations to Cost of Services within the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £000	Credited to Services Government Grant	2015/16 £000
424	DWP Admin Grant	406
92	NNDR Cost of Collection	92
21,592	Benefits	20,354
113	Discretionary Housing Payment	93
4	Nature Reserve	15
86	Safer Stronger Communities/Domestic Abuse	105
-	FERIS Maintenance Fund	23
61	Electoral Process	64
-	Administration Right to Move	3
-	Data collection Sale of High Value Vacant Assets	5
2	P R and Consultation	-
7	Business Development Programme	-
2	Food Safety	-
10	War Memorial	-
-	Growing Places	8
15	Arts Council - I Am Tamworth	63
22,408	**Total**	**21,231**

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 2015 £000	Capital Grants Receipts in Advance	31st March 2016 £000
1	DCMS Free Swimming Grant	1
3	Lottery BMX Track	3
2	Elections	2
6	**Total**	**6**

32. 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 25 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2016 are shown in Note 31.

b) Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' Allowances paid in 2015/16 is shown in Note 28. During the financial year ended 31st March 2016, 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 2016, 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 29.

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 2015 £000	Precepts	31st March 2016 £000
20,945	Staffordshire County Council	21,603
3,621	Staffordshire Police Authority	3,664
1,379	Stoke on Trent and Staffordshire Fire and Rescue Authority	1,422
25,945	**Total**	**26,689**

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 2015 £000	Recycling Credit Scheme	31st March 2016 £000
(965)	Recycling Credits	(1,075)
(965)	**Total**	**(1,075)**

f) 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 service including employment of staff.

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 2016 is as follows:-

2014/15 £000	Joint Waste Arrangement Income / Expenditure	2015/16 £000
	Funding Provided to the Operation	
(1,407)	Contribution from Tamworth Borough Council (42.5%)	(1,242)
(1,904)	Contribution from Lichfield District Council (57.5%)	(1,676)
(3,311)	**Total Funding Provided to the Operation**	**(2,918)**
	Expenditure	
2,367	Employee Costs	2,373
21	Premises Related Expenses	17
1,284	Transport Costs	1,156
902	Supplies and Services	1,318
258	Central Support Costs	249
4,832	**Total Expenditure**	**5,113**
	Income	
(1,446)	Recycling Credits	(1,779)
(130)	Other Income	(453)
(1,576)	**Total Income Received**	**(2,232)**
3,256	**Total Net Expenditure**	**2,881**
(55)	**Net (Surplus)/Deficit arising on the pooled budget during the year**	**(37)**
(23)	**Tamworth Borough Council's share of 42.5% Net (Surplus)/Deficit**	**(16)**

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 2015/16, the cost of the arrangement to the Authority was £1.2m.

33. 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.

2014/15 £000	Capital Expenditure and Financing	2015/16 £000
69,353	**Opening Capital Financing Requirement**	69,282
	Capital Investment	
5,271	Property, Plant and Equipment	5,720
54	Heritage Assets	-
62	Intangible Assets	77
274	Revenue Expenditure Funded from Capital under Statute	488
	Sources of Finance	
(193)	Capital receipts	(492)
(94)	Government grants and other contributions	(20)
(5,154)	Sums set aside from revenue - Direct Revenue Contributions	(5,547)
(71)	Sums set aside from revenue - Minimum Revenue Provision	(21)
-	Sums set aside from revenue - Voluntary Revenue Provision	(220)
(220)	Grants - Revenue Expenditure Funded from Capital Under Statute	(226)
69,282	**Closing Capital Financing Requirement**	**69,041**
	Explanation of movements in year:	
	Increase in underlying need to borrow:	
(71)	Sums set aside from revenue - Minimum Revenue Provision	(21)
-	Sums set aside from revenue - Voluntary Revenue Provision	(220)
(71)	**Increase/(Decrease) in Capital Financing Requirement**	**(241)**

34. 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 2015/16 was £348k (£307k - 2014/15). 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 2016 to making payments of £480k under operating leases, comprising the following elements:

31st March 2015 £000	Operating Leases	31st March 2016 £000
204	Not later than one year	334
41	Later than one year not later than five years	146
245	**Total Operating Leases**	**480**

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

2014/15 £000	Minimum Lease Payments	2015/16 £000
307	Minimum lease payments	348
307	**Total Minimum Lease Payments**	**348**

It should be noted that in addition new leasing arrangements are being prepared in relation to our commercial fleet.

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 73 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 2015 £000	Assets held for leases (Lessor)	31st March 2016 £000
	Finance lease debtor (NPV of minimum lease payments)	
12,629	Non current	12,621
49,485	Unearned finance income	48,642
12	Unguaranteed residual value of property	12
62,126	**Gross Investment in the Lease**	**61,275**

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

Minimum Lease Payments 31st March 2015 £000	Gross Investment in the Lease 31st March 2015 £000	Minimum Lease Payments	Minimum Lease Payments 31st March 2016 £000	Gross Investment in the Lease 31st March 2016 £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
57,860	57,871	Later than five years	57,009	57,021
62,115	62,126	**Total**	61,264	61,276

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; and

- for investment purposes to provide suitable affordable accommodation for local businesses.

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

31st March 2015 £000	Future Minimum Lease Payments	31st March 2016 £000
939	Not later than one year	1,014
3,597	Later than one year not later than five years	3,819
48,976	Later than five years	50,540
53,512	**Total**	**55,373**

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 £449k in 2015/16 (£469k - 2014/15). There were 26 void units at the 31st March 2016 (22 voids at the 31st March 2015).

35. Impairment Losses

Charges for impairment of £5.8m have been made during 2015/16. This included an amount of £4.6m where the expenditure on Council Dwellings has not produced a similar increase in the value and £712k 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 £5.5m mainly related to improvements to bathrooms, kitchens, central heating, electrical upgrades and disabled adaptations however, £598k related to the acquisition of new properties to be used within the general need stock, £150k related to assets under construction and £177k 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.

36. Termination Benefits

The Authority terminated the contracts of 2 employee in 2015/16, incurring liabilities of £11k (£81k - 2014/15) – see Note 29 Officers' Remuneration for detail of the number of exit packages with total cost per band and total cost of redundancies.

37. 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:

Comprehensive Income and Expenditure Statement

Local Government Pension Scheme 2014/15 £000	Discretionary Benefit Arrangements 2014/15 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2015/16 £000	Discretionary Benefit Arrangements 2015/16 £000
		Comprehensive Income and Expenditure Statement:		
		Service Cost Comprising:		
1,897	72	Current service costs	2,370	69
20	-	Past service costs	25	-
		Financing and Investment Income and Expenditure		
4,252	-	Interest costs	3,748	-
(2,556)	-	Expected return on scheme assets	(2,166)	-
3,613	**72**	**Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services**	**3,977**	**69**
		Re-measurement of the Net Defined Benefit Liability Comprising:		
(6,429)	71	Return on plan assets (excluding amounts included in net interest expense)	1,519	(51)
15,396	**-**	Actuarial gains and losses on changes in financial assumptions	(10,793)	**-**
(993)	-	Other	(1,646)	-
11,587	**143**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(6,943)**	**18**

Movement in Reserves Statement

Local Government Pension Scheme 2014/15 £000	Discretionary Benefit Arrangements 2014/15 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2015/16 £000	Discretionary Benefit Arrangements 2015/16 £000
		Movement in Reserves Statement:		
(11,587)	(143)	Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services for post employment benefits in accordance with the code	6,943	(18)
		Actual amount charged against the General Fund Balance for pensions in the year:		
1,654	-	Employers' contributions payable to the scheme	1,735	-
-	72	Retirement benefits payable to pensioners	-	69
(9,933)	**(71)**	**Total Movement in Reserves Statement**	**8,678**	**51**

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 2014/15 £000	Pensions Assets & Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme 2015/16 £000
117,335	Present Value of the Defined Benefit Obligation	108,203
(68,424)	Fair Value of Plan Assets	(67,628)
48,911	**Net Liability Arising From Defined Benefit Obligation**	**40,575**

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

Local Government Pension Scheme 2014/15 £000	Reconciliation of Fair Value of Scheme Assets	Local Government Pension Scheme 2015/16 £000
59,450	**Balance at 1st April 2015**	**68,424**
2,556	Interest Income on Plan Assets	2,166
6,358	Return on Assets excluding amounts included in net interest	(1,468)
2,516	Employer contributions	1,342
539	Contributions by scheme participants	530
(2,995)	Benefits paid	(3,366)
72	Contributions in respect of unfunded benefits	69
(72)	Unfunded benefits paid	(69)
68,424	**Balance at 31st March 2016**	**67,628**

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

Local Government Pension Scheme 2014/15 £000	Discretionary Benefit Arrangements 2014/15 £000	Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)	Local Government Pension Scheme 2015/16 £000	Discretionary Benefit Arrangements 2015/16 £000
97,995	**1,224**	**Balance at 1st April 2015**	**116,112**	**1,223**
1,969	-	Current service costs	2,439	-
4,252	-	Interest Cost on Defined Benefit Obligation	3,748	-
539	-	Plan Participants Contributions	530	-
		Re-measurements (gains)/losses		
15,325	71	Changes in Financial Assumptions	(10,742)	(51)
(993)	-	Other Experience	(1,646)	-
(2,995)	(72)	Benefits paid	(3,366)	(69)
20	-	Past service costs	25	-
116,112	**1,223**	**Balance at 31st March 2016**	**107,100**	**1,103**

f) Local Government Pension Scheme Assets Comprised:

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

As at 31st March 2015					As at 31st March 2016			
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				
5,867.8	-	5,867.8	8.6	Consumer	4,819.2	-	4,819.2	7.1
-	-	-	-	Manufacturing	3,942.6	-	3,942.6	5.8
1,778.9	-	1,778.9	2.6	Energy & Utilities	1,542.2	-	1,542.2	2.3
4,367.0	-	4,367.0	6.4	Financial Institutions	4,361.2	-	4,361.2	6.4
2,871.7	-	2,871.7	4.2	Health Care	3,633.2	-	3,633.2	5.4
2,654.2	-	2,654.2	3.9	Information Technology	4,118.7	-	4,118.7	6.1
5,260.1	-	5,260.1	7.7	Other	80.1	-	80.1	0.1
				Debt Securities				
5,194.0	-	5,194.0	7.6	Corporate Bonds (Investment Grade)	3,403.0	-	3,403.0	5.0
				Private Equities				
-	2,173.8	2,173.8	3.2	All	-	2,116.2	2,116.2	3.1
				Real Estate				
-	5,569.0	5,569.0	8.1	UK Property	-	6,003.3	6,003.3	8.9
				Investment Funds & Unit Trusts				
22,675.2	-	22,675.2	33.1	Equities	22,985.9	-	22,985.9	34.1
3,657.9	-	3,657.9	5.3	Bonds	3,453.8	-	3,453.8	5.1
-	1,635.6	1,635.6	2.4	Hedge Funds	-	1,582.8	1,582.8	2.3
-	2,015.2	2,015.2	2.9	Other	-	1,892.4	1,892.4	2.8
				Cash & Cash Equivalents				
2,703.6	-	2,703.6	4.0	All	3,693.4	-	3,693.4	5.5
57,030.4	**11,393.6**	**68,424.0**	**100.0**	**Total Assets**	**56,033.3**	**11,594.7**	**67,628.0**	**100.0**

g) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2013.The significant assumptions used by the actuary have been:

Local Government Pension Scheme 2014/15	**Discretionary Benefit Arrangements 2014/15**	**Assumptions**	**Local Government Pension Scheme 2015/16**	**Discretionary Benefit Arrangements 2015/16**
		Long-term expected rate of return on assets in the scheme:		
4.30%	-	Equity Investments	3.50%	-
4.30%	-	Bonds	3.50%	-
4.30%	-	Property Managed Funds	3.50%	-
4.30%	-	Cash	3.50%	-
4.30%	-	Other	3.50%	-
		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
2.80%	2.80%	CPI Rate	2.20%	2.20%
4.30%	4.30%	Rate of increase in salaries	4.20%	4.20%
2.40%	2.40%	Rate of increase in pensions	2.20%	2.20%
3.20%	3.20%	Rate for discounting scheme liabilities	3.50%	3.50%
50%/75%	-	Take-up of option to convert annual pension into retirement lump sum	50%/75%	-

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

Impact on the Defined Benefit Obligation in the Scheme		Change in Assumptions at 31st March 2016	Impact on the Defined Benefit Obligation in the Scheme	
Approx. % Increase to Liability 2014/15 %	**Approx. Monetary Value 2014/15 £000**		**Approx. % Increase to Liability 2015/16 %**	**Approx. Monetary Value 2015/16 £000**
10.00%	12,230	0.5% Decrease in Real Discount Rate	11.00%	11,390
3.00%	3,520	1 Year in Member Life Expectancy	3.00%	3,246
3.00%	3,551	0.5% Increase in the Salary Increase Rate	3.00%	3,029
7.00%	8,431	0.5% Increase in the Pension Increase Rate	8.00%	8,206

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2017 is £1.8m (£1.8m - 2015/16).

38. Contingent Liabilities

The Authority has included a provision – detailed in Note 20 – relating to Business Rate appeals outstanding as at 31st March 2016.

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	£98.9m	£214.79m
B Total original Rateable Value of successful appeals	£51.84m	£29.03m	£80.87m
Average success rate (% of RV) **(B/A)**	44.73%	29.35%	37.65%
C Total revised Rateable Value of successful appeals	£47.55m	£26.4m	£73.95m
D Total reduction in Rateable Value (C-B)	**£4.29m**	**£2.63m**	**£6.92m**
Average % reduction in Rateable Value **(D/B)**	8.28%	9.06%	8.56%
E Years since the List was compiled	11	6	-
F Average annual reduction in Rateable Value **(D/E)**	£0.39m	£0.44m	-
G Standard Business Rate Multiplier in 2015/16	49.7p	49.7p	49.7p
H Average annual cost of reduction based on 2015/16 Multiplier (FxG)	**£0.194m**	**£0.218m**	**£0.412m**
District Council Share at 40% (Hx0.4)	**£0.078m**	**£0.087m**	**£0.165m**
I Appeals outstanding 31/03/16	£0.17m	£73.76m	£73.93m
J Provision included	£0.01m	£4.31m	£4.32m
Provision as a % of Appeals outstanding **(J/I)**	5.88%	5.84%	5.84%

39. 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 2015/16 was approved by Full Council on 24th February 2015 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 £23.9m 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 2016 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 2016 £000 A**	**Historical Experience of Default % B**	**Historical Experience Adjusted for Market Conditions at 31st March 2016 % C**	**Estimated Maximum Exposure to Default and Uncollectability at 31st March 2016 £000 (A x C)**	**Estimated Maximum Exposure at 31st March 2015 £000**
AAA rated counterparties	-	0.37%	0.37%	-	-
AA rated counterparties	-	0.23%	0.23%	-	-
A rated counterparties	23,002	0.77%	0.77%	177	146
BBB rated counterparties	-	1.73%	1.73%	-	-
Caa rated counterparties	71	40.40%	40.40%	29	47
Escrow	777	-	-	-	-
Trade Debtors	2,193	79.11%	79.11%	1,734	1,555
Total	**26,043**	-	-	**1,940**	**1,748**

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 2016 but not impaired amount can be analysed by age as follows:

31st March 2015 £000	Arrears	31st March 2016 £000
644	Less than six months	341
204	Six months to one year	335
271	More than one year	365
1,097	More than two years	1,152
2,216	**Total**	**2,193**

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 2016 was £37.1k (£37.1k - 2014/15).

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:

31st March 2015 Average Rate %	31st March 2015 Amount £000	Financial Liabilities	31st March 2016 Average Rate %	31st March 2016 Amount £000
4.47%	65,426	PWLB	4.29%	65,401
-	-	Other Lenders	-	-
4.47%	**65,426**	**Total**	**4.29%**	**65,401**
-	366	less than one year Interest Due	-	341
7.29%	3,000	less than one year	11.75%	2,000
11.75%	2,000	Maturing in 1 - 2 years	-	-
-	-	Maturing in 2 - 5 years	-	-
-	-	Maturing in 5 - 10 years	-	-
-	-	Maturing in 10 - 15 years	-	-
4.09%	60,060	Maturing in over 15 years	4.05%	63,060
4.47%	**65,426**	**Total**	**4.29%**	**65,401**

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:

31st March 2015		Financial Assets	31st March 2016	
Average Rate %	Amount £000		Average Rate %	Amount £000
0.66%	18,826	less than one year	0.65%	23,921
-	1	Maturing in 1 - 2 years	-	-
-	**18,827**	**Total**	**-**	**23,921**

* Excluding balances held with Icelandic Banking institutions.

All trade and other payables are due to be paid in less than one year – debtors of £2.2m 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 2016, 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 2015/16**	**Principal Default**
			£	**%**	**£**	**£**	**%**
Glitnir	10/10/2007	09/10/2008	1,000,000	6.28	255,525	-	-
Glitnir	31/08/2007	28/08/2009	1,000,000	6.55	255,196	-	-
Glitnir	14/12/2007	12/12/2008	1,000,000	6.16	266,357	-	-
KSF	31/08/2008	09/08/2010	1,000,000	6.69	24,166	(2,685)	14.75%
KSF	31/10/2007	29/10/2008	1,000,000	6.16	23,802	(2,645)	14.75%
KSF	14/01/2008	14/10/2010	1,000,000	5.90	23,475	(2,608)	14.75%
Heritable	12/09/2008	13/10/2008	500,000	5.38	-	-	2%
Heritable	15/09/2008	22/10/2008	1,000,000	5.45	-	-	2%
Total			**7,500,000**	**-**	**848,521**	**(7,938)**	**-**

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 4.22%. 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 gain of 13.7% of the amount held in escrow due to currency fluctuations (6.7% loss - 2014/15).

Kaupthing Singer and Friedlander Ltd (KSF)

The current position on actual payments received and estimated future pay outs is as shown in the table The Authority has decided to recognise an impairment based on it recovering 85.25p in the £.

Date	Repayment
Received to 31/03/2016	83.75%
March 2017	1.50%

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. The Authority has used this final figure to calculate the impairment based on recovering 98p in the £.

Date	Repayment
Received to 31/03/2016	98.00%

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

Approval of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee
at the meeting held on 22nd September 2016

Signed on behalf of Tamworth Borough Council

Councillor J Chesworth, Chair of the Audit and Governance Committee

Dated 22nd September 2016

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.

2014/15 £000		HRA Comprehensive Income and Expenditure Statement	2015/16 £000	£000
		Expenditure:		
	3,474	Repairs and Maintenance	3,364	
	5,925	Supervision and Management	6,276	
	41	Rents, rates, taxes and other charges	68	
	1,158	Depreciation and impairment of Non Current Assets	4,885	
	10	Debt management costs	16	
	172	Movement in the allowance for bad debts	142	
10,780		**Total Expenditure**		**14,751**
		Income:		
	(18,304)	Dwelling rents	(18,564)	
	(361)	Non dwelling rents	(365)	
	(387)	Charges for services and facilities	(391)	
	(1,744)	Contributions towards expenditure	(1,754)	
(20,796)		**Total Income**		**(21,074)**
(10,016)		**Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(6,323)**
5		HRA services' share of Corporate and Democratic Core		7
(10,011)		**Net Expenditure / (Income) for HRA Services**		**(6,316)**
		HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:		
(173)		(Gain) or loss on sale of HRA Non Current Assets		(468)
2,973		Interest payable and similar charges		2,887
(87)		Interest and investment income		(116)
357		Pensions interest cost and expected return on pensions assets		358
(6,941)		**(Surplus) or Deficit for the Year on HRA Services**		**(3,655)**

Statement of Movement on the HRA Balance

2014/15 £000		Statement of Movement on the HRA Balance	2015/16 £000	£000
5,481		**Balance on the HRA at the end of the previous year**		**5,957**
	6,941	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	3,655	
	(3,670)	Adjustments between accounting basis and funding basis under statute	(1,576)	
	3,271	**Net (increase) or decrease before transfers to or from reserves**	**2,079**	
	(2,795)	Transfers to / (from) Reserves	(3,312)	
476		Increase or (decrease) on the HRA		(1,233)
5,957		**Balance on the HRA at 31st March 2016**		**4,724**

Analysis of Adjustments

2014/15 £000	Analysis of Adjustments	2015/16 £000
3	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	(10)
(174)	Gain or loss on sale of HRA Non Current Assets	(469)
428	HRA share of contributions to or from the Pensions Reserve	523
(619)	Capital expenditure funded by the HRA	(2,028)
(4,466)	Transfer to / from the Major Repairs Reserve	(4,477)
1,158	Transfer to / from the Capital Adjustment Account	4,885
(3,670)	**Total Adjustments Between Accounting Basis and Funding Basis Under Statute**	**(1,576)**

NOTES TO THE HRA

HRA1. Number & Type of Dwelling

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

	Houses and Bungalows	High and Medium Rise Flats	Low Rise Flats	Total
Housing stock as at 1st April 2015	2,785	757	880	**4,422**
Demolitions				**-**
Sales	(26)	(5)	(5)	**(36)**
Purchases	1	2	6	**9**
Assets Under Construction	-	1	1	**2**
Housing stock as at 31st March 2016	**2,760**	**755**	**882**	**4,397**

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 2016 is £399.1m (31st March 2015 Vacant Possession Value was £393.7m).

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 2015/16, a nationally set adjustment factor for the West Midlands of 34% of vacant possession value has been used (34% - 2014/15).

Existing Use Social Housing Value of Dwellings

Existing Use Social Housing Value of Dwellings	Council Dwellings £000	Other Land and Buildings £000	Asset Under Construction £000	Total £000
Cost or Valuation				
As at 1st April 2015	**133,857**	**2,201**	**-**	**136,058**
Additions;	5,362	-	**150**	**5,512**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(7,066)	(89)	**-**	**(7,155)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve;	1,735	1,940	**-**	**3,675**
Revaluation increases/ (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	2,988	-	**-**	**2,988**
Derecognition - Disposals.	(1,192)	-	**-**	**(1,192)**
As at 31st March 2016	**135,684**	**4,052**	**150**	**139,886**
Accumulated Depreciation & Impairment				
As at 1st April 2015	**(579)**	**(125)**	**-**	**(704)**
Depreciation Charge;	(2,505)	(58)	**-**	**(2,563)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	7,066	89	**-**	**7,155**
Impairment losses/ (reversals) recognised in the Revaluation Reserve;	(9)	(60)	**-**	**(69)**
Impairment losses/ (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(5,299)	(12)	**-**	**(5,311)**
Derecognition - disposals.	10	-	**-**	**10**
As at 31st March 2016	**(1,316)**	**(166)**	**-**	**(1,482)**
Net Book Value				
As at 1st April 2015	133,278	2,076	-	**135,354**
As at 31st March 2016	**134,368**	**3,886**	**150**	**138,404**
Nature of holdings at year end Owned	**134,368**	**3,886**	**150**	**138,404**

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.

2014/15 £000	Major Repairs Reserve	2015/16 £000
-	**Balance at 1st April 2015**	**134**
4,466	Contributions to the Major Repairs Reserve	4,477
(4,332)	Capital Spending on Dwellings	(3,228)
134	**Balance at 31st March 2016**	**1,383**

HRA4. Capital Expenditure Summary

The following table details how £5.5m capital expenditure was financed during the year.

2014/15 £000	Capital Expenditure	2015/16 £000
	Capital Expenditure Type:	
4,972	Dwellings	5,362
-	Assets Under Construction	150
4,972	**Total Capital Expenditure**	**5,512**
	Funded by:	
21	Usable capital receipts	256
619	Revenue contributions	2,028
4,332	Major Repairs Reserve	3,228
4,972	**Total Funding**	**5,512**

HRA5. Capital Receipts

During the year capital receipts totalling £1.7m were received in respect of dwellings sold, of which £425k was repaid to DCLG under the pooling regime. The un-pooled element of capital receipts are retained for financing housing capital investment and regeneration works

2014/15 £000	Capital Receipts	2015/16 £000
1,491	Sale of dwellings under Right to Buy	1,698
(372)	Amounts pooled to Central Government	(425)
1,119	**Net Capital Receipts**	**1,273**

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 £2.5m.

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 £5.3m have been made during 2015/16. This included an amount of £4.6m where the expenditure on capital assets has not produced a similar increase in the value of the asset and £712k in respect of dwellings, part of the Regeneration Scheme at Tinkers Green, no longer available for letting.

HRA7. HRA Pensions Reserve

2014/15 £000	Pensions	2015/16 £000
335	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	244
895	Interest on share of pensions liability	848
(538)	Expected return on share of assets	(490)
692	**Total**	**602**

HRA8. Rent Arrears

2014/15 £000	Rent Arrears	2015/16 £000
1,349	Gross arrears	1,455
7.4%	Gross arrears as percentage of gross rent income	7.8%

Of the rent arrears, 37.8% (35.6% - 2014/15) refer to former tenants.

2014/15 £000	Provision for Bad Debts	2015/16 £000
	Rent Arrears	
1025	**Balance at 1st April 2015**	**1,095**
180	Contribution from / (to) HRA in year	145
(110)	Written off in year	(32)
1,095	**As at 31st March 2016**	**1,208**
	Sundry Debtors	
46	**Balance at 1st April 2015**	**36**
(9)	Contribution from / (to) HRA in year	(4)
(1)	Written off in year	(1)
36	**Balance at 31st March 2016**	**31**
1,131	**Total Provision for Bad Debts**	**1,239**

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.

2014/15 Council Tax £000	2014/15 NNDR £000	2014/15 Total £000	Collection Fund Income and Expenditure Statement	2015/16 Council Tax £000	2015/16 NNDR £000	2015/16 Total £000
			INCOME			
(30,104)	-	(30,104)	Income from Council Tax	(31,013)	-	(31,013)
			Transfers from General Fund			
34	-	34	- Council Tax benefits	26	-	26
-	(34,151)	(34,151)	Income collectable from business ratepayers	-	(35,489)	(35,489)
(30,070)	**(34,151)**	**(64,221)**	**Total Income**	**(30,987)**	**(35,489)**	**(66,476)**
			EXPENDITURE			
			Precepts			
3,171	-	3,171	- Tamworth Borough Council	3,271	-	3,271
3,621	-	3,621	- OPCC Staffordshire	3,664	-	3,664
1,379	-	1,379	- Stoke on Trent and Staffordshire Fire and Rescue Authority	1,422	-	1,422
20,945	-	20,945	- Staffordshire County Council	21,603	-	21,603
			Business rates			
-	12,727	12,727	-Tamworth Borough Council	-	13,181	13,181
-	15,909	15,909	-Payment to Central Government	-	16,476	16,476
-	318	318	-Payment to Fire	-	330	330
-	2,864	2,864	-Payment to Staffs County	-	2,966	2,966
-	92	92	Costs of collection	-	92	92
			Bad and Doubtful Debts			
198	241	439	-Provisions	152	273	425
-	3,603	3,603	-Provision for appeals	-	1,746	1,746
			Distribution of previous year's surpluses/deficits			
54	4	58	- Tamworth Borough Council	82	728	810
62	-	62	- OPCC Staffordshire	93		93
24	-	24	- Stoke on Trent and Staffordshire Fire and Rescue Authority	36	18	54
360	1	361	- Staffordshire County Council	540	164	704
-	4	4	- Central Government	-	910	910
29,814	**35,763**	**65,577**	**Total Expenditure**	**30,863**	**36,884**	**67,747**

2014/15 Council Tax £000	2014/15 NNDR £000	2014/15 Total £000	Collection Fund Income and Expenditure Statement	2015/16 Council Tax £000	2015/16 NNDR £000	2015/16 Total £000
(256)	1,612	1,356	**(Surplus)/ Deficit for the year**	(124)	1,395	1,271
(1,035)	(1,234)	(2,269)	Fund Balance Brought Forward	(1,291)	378	(913)
(1,291)	**378**	**(913)**	**Fund Balance at 31st March 2016**	**(1,415)**	**1,773**	**358**
			Analysis of Fund Balance (Surplus)/ Deficit			
(141)	151	10	- Tamworth Borough Council	(154)	709	555
(159)	-	(159)	- OPCC Staffordshire	(170)	-	(170)
(61)	4	(57)	- Stoke on Trent and Staffordshire Fire and Rescue Authority	(67)	18	(49)
(930)	34	(896)	- Staffordshire County Council	(1,024)	160	(864)
-	189	189	- Central Government		886	886
(1,291)	**378**	**(913)**	**Total**	**(1,415)**	**1,773**	**358**

NOTES TO THE COLLECTION FUND

CF 1. NNDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2016 was £79,106,781 (£79,106,291 at 31st March 2015).

The NNDR multiplier for 2015/16 was 49.3p in the pound (48.2p - 2014/15). The qualifying small business multiplier for 2015/16 was 48.0p in the pound (47.1p - 2014/15).

CF 2. Council Tax Base Calculation

The Council base was as follows:

Number of Chargeable Properties 2014/15	Adjusted Property Base (Band D Equivalent) 2014/15	Calculation of Ctax Base	Number of Chargeable Properties 2015/16	Adjusted Property Base (Band D Equivalent) 2015/16
		Valuation Band (Multiplier)		
22	12	**A - Disabled Relief Reduction (5/9)**	**20**	11
8,128	5,419	**A - (6/9)**	**8,065**	5,377
10,578	8,227	**B - (7/9)**	**10,638**	8,274
4,982	4,428	**C - (8/9)**	**5,029**	4,470
3,343	3,343	**D - (9/9)**	**3,338**	3,338
1,585	1,937	**E - (11/9)**	**1,621**	1,981
376	543	**F - (13/9)**	**379**	547
60	100	**G - (15/9)**	**59**	98
3	6	**H - (18/9)**	**2**	3
	(3,189)	**LCTS ADJUSTMENT**		(3,029)
	-	**Technical changes adjustment**		-
29,077	20,826	**Totals**	**29,151**	**21,070**
	97.90%	**Assumed Collection Rate**		**97.90%**
	20,389	**Total Taxbase**		**20,628**

CF 3. Authorities making precepts or demands on the fund

Council Tax

Precept 2014/15 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2014/15 £	Total Movement on the Collection Fund 2014/15 £	Precepts Analysis	Precept 2015/16 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2015/16 £	Total Movement on the Collection Fund 2015/16 £
3,170,490	**140,786**	3,311,276	Tamworth Borough Council	**3,271,601**	**153,678**	**3,425,279**
3,621,290	**159,484**	3,780,774	OPCC Staffordshire	**3,663,739**	**170,533**	**3,834,272**
1,379,112	**61,229**	1,440,341	Stoke on Trent and Staffordshire Fire and Rescue Authority	**1,422,507**	**66,820**	**1,489,327**
20,944,645	**929,882**	21,874,527	Staffordshire County Council	**21,603,272**	**1,023,909**	**22,627,181**
29,115,537	**1,291,381**	**30,406,918**	**Total**	**29,961,119**	**1,414,940**	**31,376,059**

NNDR

Business Rates 2014/15 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2014/15 £	Total Movement on the Collection Fund 2014/15 £	Precepts Analysis	Business Rates 2015/16 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2015/16 £	Total Movement on the Collection Fund 2015/16 £
12,727,008	(151,376)	12,575,632	Tamworth Borough Council	13,181,129	(709,059)	12,472,070
318,175	(3,784)	314,391	Stoke on Trent and Staffordshire Fire and Rescue Authority	329,528	(17,727)	311,801
2,863,577	(34,060)	2,829,517	Staffordshire County Council	2,965,754	(159,538)	2,806,216
15,908,761	(189,223)	15,719,538	Central Government	16,476,412	(886,324)	15,590,088
31,817,521	**(378,443)**	**31,439,078**	**Total**	**32,952,823**	**(1,772,648)**	**31,180,175**

CF 4. NNDR credits

NNDR credit accounts relate to credit balances in the Collection Fund which could not be repaid to the businesses concerned as they cannot be traced, have not responded to efforts made to repay funds or no longer exist.

No credits have been transferred to the General Fund during 2015/16. However, as a prudent measure £40k remains held as a retained fund within the General Fund to meet the cost of any potential refunds requested in the future.

CF 5. Bad and Doubtful Debts

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

2014/15 £000	Provision for Bad Debts	2015/16 £000
	Council Tax	
951	**Balance at 1st April 2015**	**1,115**
198	Increase /(decrease) in provision	152
(34)	Written off in year	(93)
1,115	**As at 31st March 2016**	**1,174**
	Business Rates	
756	**Balance at 1st April 2015**	**817**
241	Increase /(decrease) in provision	273
(180)	Written off in year	(39)
817	**As at 31st March 2016**	**1,051**

CF 6. Appeals – Business Rates

The following provisions and settlements were made in the year:

2014/15 £000	Provision for Appeals	2015/16 £000
	Business Rates	
982	**Balance at 1st April 2015**	**3,814**
3,603	Increase /(decrease) in provision	1,746
(771)	Resolved in year	(1,240)
3,814	**As at 31st March 2016**	**4,320**

Annual Governance Statement 2015/16

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/governance-and-anti-fraud

This statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1), 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 31 March 2016 and up to the date of approval of the statement of accounts.

The Governance Framework

The Code of Corporate Governance is a public statement which sets out the framework through which the Authority 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. This statement provides an overview of our governance arrangements, how our assurance framework is made up and details of the review of the governance framework effectiveness completed during the financial year. Full details of the governance framework are noted in the Code of Corporate Governance.

The Assurance Framework

Our strategic framework was reviewed and revised in 2015/16 and sets out our vision **"One Tamworth, Perfectly Placed"** - **Open for business since the 7th Century A.D** and three strategic priorities aligned under "Living, Growing and Delivering in Tamworth". These priorities are underpinned by specific objectives, our core purpose, customer service standards and corporate values. Full details of which can be found in the Annual Review and Corporate Plan.

Each year, the Authority undertakes consultation with local people on a wide range of issues. During 2015/16, local people were consulted on the Authority's budget and spending, the Local Council Tax Reduction Scheme, Homelessness Prevention Strategy 2016-20, the Indoor and Outdoor Sports Facility Strategy and the Customer Access Strategy.

The 'Tamworth Listens' initiative aims to improve communication between Councillors and the public, and to ensure that the Authority is aware of issues which affect the public. Events take place throughout the year where the public can give ideas and ask questions about what would make Tamworth a better place to live.

The information collected from this initiative is fed into the annual State of Tamworth Debate. This is an opportunity for councillors to discuss and debate the findings of this consultation. Members of the public are invited to come along and listen to the debate.

Tamworth's third Question Time event took place at Tamworth Assembly Rooms on Wednesday 18 November 2015, when a panel of The Leader of Tamworth Borough Council, the police, health and County Council representatives answered questions. The event was split into three themes - Healthier Communities, Safer Communities and Regeneration and Growth.

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

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

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 Statement of Accounts is made available to the public on the website both at draft and final stage and is subject to External Audit scrutiny & review. The Authority has a balanced three year Medium Term Financial Strategy (MTFS). The delivery of a balanced MTFS (three years for the General Fund, Housing Revenue Account (HRA) and the Capital Programme) is a major achievement for the Authority 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 are 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. On-going 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 & Governance Committee in October 2015.

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 & Governance Committee as part of the assurance process.

The Authority has in place a Counter Fraud & Corruption Policy Statement, Strategy and Guidance Notes and a Whistleblowing Policy which were reviewed and adopted by the Audit & Governance Committee in October 2015 and are available on the website.

Under the Corporate Priority – Delivering Quality Services in Tamworth, the Authority continues to complete a Corporate Improvement Programme. The Authority launched the Customer Services Review Project alongside Tranche II of the Agile Working Project in 2015/16.

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.

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 & 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.

The Leader of the Council reported to Full Council on the 24th May 2016, in compliance with the Local Authorities Executive Arrangements) (Meetings & Access to Information) Regulations 2012, that no urgent executive decisions had been made for the period to 30 April 2016.

In compliance with the Localism Act 2011, two Independent persons have been appointed to join the Audit & 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.

The Assurance Framework

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

The Assurance Framework

The diagram below shows how the Assurance Framework is made up

Annual Governance Statement (AGS) Published

Chief Executive & Leader of the Council

Sign off the AGS

Audit & Governance Committee

- Review and monitor effectiveness of governance, risk management and internal control.
- Recommend approval of the Annual Governance Statement

Governance, Risk Management & Internal Control Arrangements

- Vision & Priorities
- Annual Review & Corporate Plan
- Code of Corporate Governance
- Internal Audit
- Human Resources
- Risk Management
- Performance Management
- Project/Programme Management
- Financial Management
- Asset & Property Management
- Fraud Management
- Business Continuity Management
- Partnership Governance

Service & Directorate Policies, Plans and Risk Registers

Governance Group

Coordinate evidence and drafts the Annual Governance Statement

Review of the Effectiveness of Internal Audit

Required by the Accounts & Audit Regulations 2015

Assurance Map Components

Ongoing assurance on adequacy and effectiveness of controls over key risks

1st Line of Defence (Management Control)

- Strategies, plans, risk registers, policies and procedures
- Performance Management and reporting at functional/ operational level
- Financial Management and reporting at functional/ operational level
- Operational risk registers
- Management/team meetings
- Managers Assurance Statements

2nd Line of Defence (Corporate Oversight)

- Corporate Management Team oversight
- Functional compliance reviews
- Internal quality control checks
- Customer satisfaction/complaints
- Statutory Officers
- Corporate Change Board
- Corporate Risk Register
- Performance Management Framework
- Governance Group

3rd Line of Defence (Independent Assurance)

- Internal Audit
- Audit & Governance Committee
- Ombudsman Report
- External Accreditations
- External Audit
- Office of the Surveillance Commissioner
- ROSPA

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 Auditors and other review agencies and inspectorates as detailed below:

- During 2015/16, the Governance Group has reviewed and updated an assessment 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 & Governance Committee;

- The Head of Internal Audit Services reports to the Audit & 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 2015/16 financial year and 2016/17 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 & Improvement Programme(QAIP) which identifies areas for improvement both to ensure compliance with the Standards and other quality areas. The self-assessment against the standards and the QAIP are reported to the Audit & Governance Committee. An external verification of the self-assessment will be completed in 2016/17;

- Our External Auditors report to each Audit & Governance Committee. In their Annual Audit Letter, they gave an unqualified opinion on the Statement of Accounts, 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 (June 2015) on the enquiries and complaints they received in 2014/15. In total, they received 10 enquiries / complaints of which 7 required decisions – 3 were referred back to the Authority for local resolution, 2 were closed after initial enquiries and 2 were not upheld;

- Managers Assurance Statements have been completed by Directors and Heads of Service 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 to Cabinet and also reported in the risk management update to the Audit & Governance Committee. There are no significant risks on the Corporate Risk Register;

- 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. In May 2015, staff were issued the Policy for acceptance and understanding. The Policy was reviewed and updated and approved by full Council in February 2016. A quarterly update report is presented to the Audit & Governance Committee on the use of RIPA powers. During 2015/16, no RIPA authorisations were made;

- Financial Regulations, Contract Standing Orders and Financial Guidance are reviewed on a regular basis with the last review being approved by the Audit & Governance Committee in March 2016;

- No issues were raised through the Counter Fraud and Corruption and Whistleblowing Policies;

- There were no data security breaches/lapses during the financial year;

- The Chairs of the Audit & Governance and Scrutiny Committees submitted their Annual Reports to Full Council;

- The Authority complies with the Transparency Code;

- Following the transfer of Housing Benefit Fraud Investigation to the Single Fraud Investigation Service, we retained expertise in-house through the appointment of a Corporate Anti Fraud Officer to investigate potential corporate fraud activity;

- Internal Audit completes an annual assessment of the risk of fraud which is reported to the Audit & Governance Committee. Assessments against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, the Fighting Fraud & Corruption Strategy & Checklist have 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 & 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 & 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

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 2015/16

The significant governance issues identified in relation to the Authority achieving its vision in 2015/16 are:

No	Issue	Action
1	**Medium Term Financial Strategy (MTFS)** Whilst actions have been taken to ensure that the MTFS remains balanced, this is still a significant risk to the Authority. Revenue Support grants will be removed around 2020. Opportunities and risks associated with the 100% Business Rates Retention will need to be identified. The increasing demands of our customers also need to be considered.	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. Work with the Local Government Association (LGA) responses to the Department for Communities & Local Government (DCLG) on how the Business Rate Retention Scheme will operate.
2	**Regeneration/Capital Projects** The Authority needs to ensure that capital projects are managed effectively to ensure that they are delivered and grant monies are spent appropriately and timely. There is a risk that developers will not develop schemes on a timely basis in accordance with the Local Plan need.	Maintain and review project plans on a regular basis to ensure that they can be delivered in accordance with the Capital Programme.

No	Issue	Action
3	**Better Care Fund & Disabled Facilities Grants** There is a risk that the Authority will not be fully funded to deliver the need for Disabled Facilities Grants.	Assessment of needs to be linked to the grant money received.

Significant Governance Issues 2014/15

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

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 National Non Domestic Rates (NNDR) 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 was obtained which will enable the Enterprise Quarter project to commence in early 2016. This is the first major regeneration project in the town.

No	Issue	Action	Update
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 Authority'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	**Land Redevelopment (former Golf Course)** 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 Authority 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 the land was sold on 21st January 2016.

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 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 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

Adult Social Care

- Welfare Benefits/Fairer Charging
-

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

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

We have audited the financial statements of Tamworth Borough Council (the "Authority") for the year ended 31st March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Accounts, 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 2015/16.

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and auditor

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria, issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31st March 2016.

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

Conclusion

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

Certificate

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

John Gregory

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

The Colmore Building, 20 Colmore Circus, Birmingham, B4 6AT

22nd September 2016

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.