Tamworth Borough Council

Statement of Accounts 2016/17

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Tamworth Borough Council

STATEMENT OF ACCOUNTS
2016/17
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 2017. 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 2017 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2016/17.

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 2016/17 are set out on pages 32 to 135 and consist of the following:

- **Core Financial Statements:**

  - **Expenditure Funding Analysis (EFA):** shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The introduction of the EFA is a new Code requirement this year and a prior period adjustment has been applied in order to comply with the Code.

  - **Comprehensive Income and Expenditure Account (CIES):** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The net effect to the Council taxpayer is shown in the Movement in Reserves Statement. There have been changes to the format of the CIES this year and a prior period adjustment has been applied in order to comply with the Code.

A surplus of £29.5m is reported for 2016/17 (£34.1m surplus 2015/16). This is mainly explained by a £15.6m gain (on Revaluation of Property, Plant and Equipment Assets. An exceptional change to social discount factor for Council Housing valuation (£14.7m) is also reported.

It also included a re-measurement of the Net Defined Benefit Liability relating to the pension fund which resulted in a deficit of £0.8m (a surplus of £11m was reported in 2015/16).

The reason for the difference can be explained due to the effect of asset returns and financial assumption changes on the 2017 balance sheet which have been overshadowed by the effect of the 2016 formal actuarial valuation calculations and the resulting ‘step-change’ in the roll forward approach.

Both the charge in year to the CIES and the balance sheet position have worsened over 2016/17. This is as a result of a significant decrease in the net discount rate (much lower discount rate, net of slightly higher inflation) over this period. The effect of this has been at least partially offset by much greater than expected asset returns.

- **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 deficit of £0.1m for the year. This was £1.6m lower than the planned transfer from balances in the original budget at the start of the year and has resulted in General Fund Balances of £6.6m (£6.7m – 2015/16). Earmarked General Fund Reserves have fallen by £0.2m to £5.7m resulting in total General Fund Reserves of £12.3m (£12.6m – 2015/16) and reflect the risks and uncertainties facing the Authority over the medium term.

- **Balance Sheet:** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are £168.7m (£139.2m 2015/16) 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 £181.7m (£154.2m 2015/16) – mainly due to Council dwellings of £160.5m (£134.4m 2015/16).

  Working Capital

  Net working capital has increased to £47.8m (£35.7m 2015/16) mainly due to the receipt of £8m during 2016/17 under the deferred payment arrangement relating to the income from the sale of the former Golf Course).

Provisions, Usable Reserves and Balances

The working balances as at 31st March 2017 are £47.7m (£37.2m 2015/16) and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

31st March 2016 £000	Provisions, Usable Reserves and Balances	31st March 2017 £000
1,812	Provisions	1,905
18,706	Earmarked Reserves	20,238
11,404	Revenue Balances	12,941
5,280	Unused Capital Receipts & Grants	12,657
37,202	Total Working Balances	47,741

Working balances of £27.6m (£18.9m 2015/16) relate to capital (including the Capital Reserve of £12.5m). Deferred capital expenditure of £12.3m from 2016/17 and previous years carried forward to 2017/18 will be financed from these balances (£9.5m 2015/16).

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 2017 was £63.1m (£65.1m 2015/16) and was all borrowed from the PWLB.

Pensions

The pension fund deficit has increased in the year to £43.5m (£40.6m 2015/16) and is required to be shown on the Balance Sheet of the Authority. This deterioration is as a result of a significant decrease in the net discount rate, the negative impact of which has been at least partially offset by much greater 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 (an ongoing annual contribution of 16.5% p.a. plus an increasing lump sum element) arising from the formal valuation on 31st March 2016 (following the triennial review).

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

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

    The overall revenue financial position relating to Council Housing as given on page 124 shows an increase in HRA balances for the year of £1.6m (£1.2m – 2015/16).

    This equates to an underspend of £2m when compared to the approved budget for the year. This has resulted in an increase in balances from £4.7m to £6.3m to be carried forward to 2017/18. Earmarked HRA Reserves have increased by £0.6m (£1.4m – 2015/16) to £12m resulting in total HRA Reserves of £18.3m (£16.1m – 2015/16).

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

    The fund also includes Non Domestic rates income under the Business Rates Retention Scheme.

    The Collection Fund, subject to collection of outstanding arrears, achieved the following:

    - Council Tax – surplus of £1.4m (£1.4m – 2015/16, the Authority's share is 11%), of which £0.8m (£0.8m – 2015/16) will be distributed to preceptors during 2017/18;
    - NNDR – surplus of £0.8m (£1.8m deficit in 2015/16) of which the Authority's share is 40% net of any applicable Levy of 50%.

The surplus relating to the NNDR collection fund includes an increased provision of **£4.7m (£4.3m - 2015/16)** with **£1.9m being the Authority's share (£1.7m - 2015/16)** for appeals outstanding on the 31st March 2017 of **£88.5m (£73.9m - 2015/16)**.

The increase of £0.4m due to additional appeals received during 2016/17, 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.

This will mean that the forecast surplus will be £0.3m (share for this Authority) for 2016/17 compared to £0.3m included within the 2017/18 budget.

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

CHANGES TO THE ACCOUNTS 2016/17

An updated Code of Practice, applicable for 2016/17 was issued by CIPFA in March 2016 – together with a supplementary code update in January 2017.

Changes reflected in the 2016/17 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 changes to the Code of practice requirements for 2016/17 includes amendments to the Code's provision on the presentation of financial statements to amend the reporting requirements for the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MiRS), the removal of the Service Expenditure Analysis and the introduction of an Expenditure and Funding Analysis (EFA) under the "*telling the story" review* with the intention *of* improving the presentation of local authority financial statements.

For 2016/17 the accounts will include service segments based on the way the Council operates and manage services. There is no longer a requirement for the service analysis to be based on the service expenditure analysis in the Service reporting Code of Practice (SerCOP). The new format means the service section of the CIES supports accountability and transparency as it reflects service structures within the Council.

The CIES previously presented the service analysis on the basis of SerCOP whereas the revised CIES presents the service analysis on the basis of the Council's own organisational structure.

The MiRS prescriptions have been reduced to an absolute minimum in the Code and will become less prominent.

The introduction of the EFA to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring, General Fund information and final outturn, closing the accountability loop from budgets through to outturn.

This will be supported by the requirement to cross reference to the EFA within the management commentary which will help to provide a linkage between management and annual accounts.

The EFA demonstrates to council tax payers how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed and earned by authorities in accordance with generally accepted accounting practices. The EFA also shows how expenditure is allocated for decision making purposes between the Council's Directorates.

Full retrospective restatement of the 2015/16 CIES and EFA related information has been made. However there is no requirement for a restated balance sheet as there are no changes to that information as a result of the new accounting policies.

Overall the changes to the financial statements prescribed in the 2016/17 Code should provide better accountability and transparency and a clear link between in-year monitoring and final outturn.

There are other significant upcoming changes to the Code in future years which include the provision for IFRS 9 which replaces IAS 39 Financial Instruments: recognition and measurement and IFRS 15 Revenue from Contracts with Customers. These do not apply until 2018/19 nevertheless the changes will inevitably involve considerable advance planning and preparatory work in the lead up to implementation and the 2017/18 Code will contain additional appendices containing the provisions for the introduction of these accounting standards.

PRIOR PERIOD RESTATEMENT OF SERVICE EXPENDITURE AND INCOME

The following table shows how the net expenditure and income for 2015/16 has been restated.

2015/16 Net Expenditure Restated	**Central Services to the Public**	**Cultural and Related Services**	**Environmental and Regulatory Services**	**Planning and Development Services**	**Highways and Transport Services**	**Local Authority Housing (HRA)**	**Adult Social Care**	**Other Housing Services**	**Corporate and Democratic Core**	**Non Distributed Costs**	**Recharges**	**Cost of Services**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive	-	-	-	-	-	-	-	-	-	-	-	**-**
Executive Director Corporate Services	267	-	-	-	-	-	(20)	319	-	-	(12)	**554**
Director of Finance	307	(11)	(13)	(5)	(2)	-	-	(60)	972	18	102	**1,308**
Solicitor to the Council	214	-	-	64	-	-	-	-	489	-	(11)	**756**
Corporate Director Technology and Corporate Programmes	17	-	-	-	-	-	-	-	2	-	(115)	**(96)**
Corporate Director Transformation and Corporate Performance	-	322	-	6	-	-	-	-	3	-	5	**336**
Director of Communities, Planning and Partnerships	-	-	-	-	-	-	-	-	-	-	-	**-**
Director of Growth, Assets and Environment (GF)	-	2,210	3,353	826	(331)	-	-	19	6	-	11	**6,094**
Director Housing and Health (GF)	-	152	85	477	-	-	-	1,398	(27)	-	19	**2,104**
Director of Growth, Assets and Environment (HRA)	-	-	-	-	-	-	-	-	-	-	-	**-**
Director Housing and Health (HRA)	-	-	-	-	-	4,140	-	-	7	-	1	**4,148**
HRA Summary	-	-	-	-	-	(13,778)	-	-	-	-	-	**(13,778)**
Housing Repairs	-	-	-	-	-	3,315	-	-	-	-	-	**3,315**
Net Cost of Services	**805**	**2,673**	**3,425**	**1,368**	**(333)**	**(6,323)**	**(20)**	**1,676**	**1,452**	**18**	**-**	**4,741**

2015/16 Gross Expenditure Restated	Central Services to the Public £'000	Cultural and Related Services £'000	Environmental and Regulatory Services £'000	Planning and Development Services £'000	Highways and Transport Services £'000	Local Authority Housing (HRA) £'000	Adult Social Care £'000	Other Housing Services £'000	Corporate and Democratic Core £'000	Non Distributed Costs £'000	Recharges £'000	Cost of Services £'000
Chief Executive	-	-	-	-	-	-	-	-	-	-	245	**245**
Executive Director Corporate Services	505	-	-	-	-	-	81	21,825	-	-	345	**22,756**
Director of Finance	710	(11)	(13)	(5)	(2)	-	-	(60)	1,079	18	979	**2,695**
Solicitor to the Council	341	-	-	64	-	-	-	-	561	-	216	**1,182**
Corporate Director Technology and Corporate Programmes	17	-	-	-	-	-	-	-	2	-	1,419	**1,438**
Corporate Director Transformation and Corporate Performance	-	436	-	6	-	-	-	-	3	-	1,684	**2,129**
Director of Communities, Planning and Partnerships	-	-	-	-	-	-	-	-	-	-	57	**57**
Director of Growth, Assets and Environment (GF)	-	3,693	5,045	1,442	1,008	-	-	19	6	-	1,713	**12,926**
Director Housing and Health (GF)	-	215	105	477	-	-	-	1,759	7	-	637	**3,200**
Director of Growth, Assets and Environment (HRA)	-	-	-	-	-	230	-	-	-	-	-	**230**
Director Housing and Health (HRA)	-	-	-	-	-	6,281	-	-	7	-	1	**6,289**
HRA Summary	-	-	-	-	-	5,287	-	-	-	-	-	**5,287**
Housing Repairs	-	-	-	-	-	3,392	-	-	-	-	-	**3,392**
Gross Cost of Services	**1,573**	**4,333**	**5,137**	**1,984**	**1,006**	**15,190**	**81**	**23,543**	**1,665**	**18**	**7,296**	**61,826**

There are differences between the 2015/16 accounts values in income and expenditure for Cultural services (£9k), LA Housing (£439k) and Corporate and democratic core (£57k). These mainly relate to reclassification of recharges.

2015/16 Gross Income Restated	**Central Services to the Public**	**Cultural and Related Services**	**Environmental and Regulatory Services**	**Planning and Development Services**	**Highways and Transport Services**	**Local Authority Housing (HRA)**	**Adult Social Care**	**Other Housing Services**	**Corporate and Democratic Core**	**Non Distributed Costs**	**Recharges**	**Cost of Services**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive	-	-	-	-	-	-	-	-	-	-	(245)	**(245)**
Executive Director Corporate Services	(238)	-	-	-	-	-	(101)	(21,506)	-	-	(357)	**(22,202)**
Director of Finance	(403)	-	-	-	-	-	-	-	(107)	-	(877)	**(1,387)**
Solicitor to the Council	(127)	-	-	-	-	-	-	-	(72)	-	(227)	**(426)**
Corporate Director Technology and Corporate Programmes	-	-	-	-	-	-	-	-	-	-	(1,534)	**(1,534)**
Corporate Director Transformation and Corporate Performance	-	(114)	-	-	-	-	-	-	-	-	(1,679)	**(1,793)**
Director of Communities, Planning and Partnerships	-	-	-	-	-	-	-	-	-	-	(57)	**(57)**
Director of Growth, Assets and Environment (GF)	-	(1,483)	(1,692)	(616)	(1,339)	-	-	-	-	-	(1,702)	**(6,832)**
Director Housing and Health (GF)	-	(63)	(20)	-	-	-	-	(361)	(34)	-	(618)	**(1,096)**
Director of Growth, Assets and Environment (HRA)	-	-	-	-	-	(230)	-	-	-	-	-	**(230)**
Director Housing and Health (HRA)	-	-	-	-	-	(2,141)	-	-	-	-	-	**(2,141)**
HRA Summary	-	-	-	-	-	(19,065)	-	-	-	-	-	**(19,065)**
Housing Repairs	-	-	-	-	-	(77)	-	-	-	-	-	**(77)**
Gross Income from Services	**(768)**	**(1,660)**	**(1,712)**	**(616)**	**(1,339)**	**(21,513)**	**(101)**	**(21,867)**	**(213)**	**-**	**(7,296)**	**(57,085)**

FINANCIAL OUTLOOK

The 2017/18 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.

The budget setting process has faced significant constraints in Government funding in recent years - over 50% in real terms since 2010. The 4 year Local Government Finance Settlement confirmed in February 2016 that austerity measures are to continue with Revenue Support Grant (RSG) all but eradicated for most Councils by 2020 – and suggests that the key challenges that the Authority is currently addressing are likely to become greater.

In an attempt to provide a clear 'route map' for the transition from surviving to thriving, the Council has designed and adopted a series of strategic plans, policies and processes. "From Surviving To Thriving" set out a number of opportunities based upon the principle that by focusing upon the growth of the economy, both the "people" and the "place" would benefit. The Council remains committed to promoting and stimulating economic growth and regeneration; meeting our housing needs; creating a vibrant town centre economy and protecting those most vulnerable in our communities. To this end, we pledge to explore and invest in viable and sustainable methods of generating income and moving towards financial independence.

The foundations supporting these sustained successes can be attributed to strong political and executive leadership, having a detailed understanding of the issues and challenges facing our "people" and "place" and, more importantly, the plans, policies and resources with which to resolve them. The process by which the Council sets out its plans for dealing with these priorities and providing the resources and funding necessary forms the basis of the **Corporate Plan & Medium Term Financial Strategy** produced and reviewed annually.

It is this tried and tested approach that has enabled this Council to navigate its way through the recession, extended periods of austerity and the uncertainties and complexities brought about by 'devolution', elected Mayors, Combined Authorities et al. With many of the challenges of previous years still facing the Council and the uncertainties surrounding issues such as BREXIT, NNDR retention, the future of the NHS and Care Services, our local clarity of Vision and purpose has never been so important.

However, 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.

The Key Risks are:

- The impact of uncertain economic conditions, following the decision to leave the EU – there is a higher level of uncertainty than in previous budget setting processes. It is suggested that, given the uncertainty, there should be no knee jerk reactions – with a clear plan to focus on balancing the next 3 years' budget position for the General Fund (5 years for the HRA);

- Achievement of the anticipated growth in business rates income – in line with the assumed baseline and tariff levels set;

- Uncertainty remains over the work progressing on the system for Councils to keep 100% of the business rates collected by 2020 (and the associated impact on the Council's business rates income and associated baseline and tariff levels);

- Delivery of the planned Commercial Investment and Regeneration Strategy actions and associated improved investment returns of 5% p.a. arising from the investment of £24m from the capital receipt due to be received over the period 2016 – 2018 from the sale of the former golf course (to support the MTFS in the long term);

- Work is continuing on a number of actions to address the longer term financial position;

- Achievement of anticipated growth in new homes within the Borough and the associated dependency on the New Homes Bonus income to address / reduce the funding shortfall for the General Fund; and

- Challenge to continue to achieve high collection rates for council tax, business rates and housing rents – in light of further austerity, economic conditions and uncertainty.

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.

The adoption of 'Demand Management' as the primary operating model and the targeting of resources via locality based commissioning and delivery has enabled greater effectiveness in service delivery as evidenced by customer satisfaction, award winning services and of course, the management of the Council's finances.

Through its implementation, the Council will have far greater control upon the alignment of services or 'supply' to the increased needs and expectations of the public or 'demand'.

Key to this will be the application of existing and new technology to capture, collate and analyse customer insight, intelligence and data so as to understand not just the 'need' but the cause, behaviours or decisions creating the need.

Then by the application of locality based commissioning for example, it can commission services that either intervene or prevent future need thereby reducing demand. The report entitled **'Creating Opportunities from an Uncertain Future'** is available to all Members and is available to the public.

This approach will change the organisation and how it works; will require Members to take difficult decisions and adhere to them; will involve managed risks and will sustain essential services critical in supporting the most vulnerable in our communities at a time when demand is increasing and resources reducing.

Work is continuing on a number of actions to address the financial position in future years:

- Delivering Quality Services project – the demand management approach to shift demand to more efficient methods of service delivery – online and automation (*Interactive Voice Response*). A savings target of £100k p.a. has already been included together with reduced CRM costs of £62k p.a. from 2019/20;

- Recruitment freeze – temporary 12 month appointments are now only being made; there is a robust challenge / re-justification process in place for all vacant posts with a requirement to investigate alternative options including restructuring to fill vacancies / looking at what we can stop doing. This means we have the opportunity to increase the vacancy allowance from 5% to 7.5% over the next 5 years – c. £45k p.a. year on year for the General Fund (£14k p.a. – HRA);

- Spend freeze – Managers have previously been required to restrict / limit spending to essential spend only (there was a £2m underspend in 2015/16 – although the majority was windfall income, c. £0.75m was lower level underspend);

- Alternative investment options arising from the Commercial Investment Strategy (as well as the Treasury Management Investment Strategy, including any prudential borrowing opportunities) to generate improved returns of c. 5% p.a. (plus asset growth) including:
    - Set up of trading company to develop and deliver new income streams;
    - Local Investment Options – Lower Gungate / Solway Close development including the potential to drawdown funding from the Local Growth Fund / Local Enterprise Partnerships (GBS and Staffordshire);
    - Investments in a Diversified Property Fund;
    - Investments in a Diversified Investment Vehicle (property, shares etc.);

  Note: these would be subject to a robust check and Challenge business case and represent long term investments of between 5 – 10 years (minimum) in order to make the necessary returns (after set up costs).

- Review of reserves / creation of fund for transformation costs (if needed), and

- Targeted Savings – Members to identify potential areas for review in future years.

Council, on 21st February 2017, approved a 3 year Medium Term Financial Strategy for the General Fund with a Council Tax increase within 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 and additional income will need to be made into the future to deliver a balanced budget in the longer term.

Capital spending for the General Fund is 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 4 years from 2016/17, given 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.

General Fund	**Actual**	**Approved Budget**	**Variance**
	£000	**£000**	**£000**
(Surplus) or Deficit for the Year	**6,827**	**8,460**	**(1,633)**

The net expenditure of the Authority was £6.8m, representing an under-spend of £1.6m. Major differences between the budget and the outturn are as follows:-

Variance between Budget & Actual Outturn	**£000**	**£000**
Increased / Non-Budgeted Income*		
Development Control - Planning Applications Fee income	(192)	
Corporate Finance - unspent reserves and provisions	(374)	
Business Rates - Returned Levy income	(172)	
Icelandic Deposits Exchange Rate Adjustment	(260)	
Icelandic Deposits Exchange Rate Reserve	200	
Corporate Finance - unspent contingencies	(100)	
Interest Element of capital receipt from sale of Former Golf Course	(282)	(1,180)
Non-Budgeted Expenditure / Overspends		
Business Rates Levy		217
Savings / Underspends		
Joint Waste Arrangement		(100)
Other Variances - Net (Underspends) / Overspends		(570)
Total (Favourable) / Unfavourable Variance		**(1,633)**

It should be noted that the significant underspends were outside of the Authority's control and could not have been projected when the 2016/17 budgets were set in February 2016. The outturn figures include significant windfall items highlighted in the table above (*).

Council Housing

A summary of the Housing Revenue Account for 2016/17, compared with the approved budget (including decisions made by Members during the financial year) is shown below:-

Housing Revenue Account	Actual £000	Approved Budget £000	Variance £000
(Surplus) or Deficit for the Year Added to HRA Balances	**(1,629)**	**368**	**(1,997)**

The net income of the HRA was £1.6m, representing an under-spend of £2m. Major differences between the budget and the outturn are as follows:-

Variance between Budget & Actual Outturn	£000	£000
Increased / Non-Budgeted Income		
Council House Rent income		(405)
Non-Budgeted Expenditure / Overspends		
Maintenance and Security costs relating to Regeneration projects	79	
Council Tax payments relating to Regeneration projects	106	185
Savings / Underspends		
Housing Repairs	(1,302)	
Unspent Contingency Budget	(100)	
Provision for Bad Debts (budget reflects welfare reforms still being rolled out)	(330)	
		(1,732)
Other Variances - Net (Underspends) / Overspends		(45)
Total (Favourable) / Unfavourable Variance		**(1,997)**

Capital Expenditure

During 2016/17 the Authority spent £8.9m on capital expenditure (£6.3m in 2015/16). A breakdown by category and sources of finance is shown as Note 34 to the Core Financial Statements on page 105.

The majority of expenditure related to improvement, enhancement or ongoing construction works. Fixed asset acquisitions in the year include 19 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 £12.3m spending originally planned for 2016/17, or earlier, has been deferred to 2017/18 (£9.5m in the previous year). Included within this deferred expenditure:

Deferred Capital Expenditure	**£000**	**£000**
Housing Capital Programme		
Regeneration of Housing Estates	6,323	
Enhancement works on HRA dwellings	3,251	9,574
General Fund Services		
Assembly Rooms Development	100	
Mercian Trail	635	
Disabled Facilities Grants	91	
Coalfields Funding	92	
Return on Investments	160	
Private Sector Improvement Grants	130	
Various works to public open spaces	103	
Agile Working Phase 2	124	
Contingency – Plant and Equipment	1,000	
Other Capital Schemes	297	2,732
Total		**12,306**

During the year, the Authority disposed of land and property with capital receipts totalling £10m, of which:

- £2m related to the disposal of 40 Council Dwellings through Right to Buy sales; and
- the second instalment of £8m 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 set 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 2016/17 (and previous years) together with our vision and priorities for Tamworth, our values along with our performance are set out in **our Corporate Plan** which sets out our plans and priorities for the coming year, and is available from the Authority’s website:

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

Shown below, against our objectives, are some of our achievements in 2016/17. 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 2016/17 High Level Corporate Plan Projects/Programmes is shown below.

Corporate Priority
SP1: Living a quality life in Tamworth

Corporate Priority
LQ001 – Support and protect individuals, communities that are or may become vulnerable

Corporate Project/Programme	Status
Adoption of the Tamworth Prevent Strategy	
Implement changes to Sheltered Housing Services	
Develop and deliver Homelessness Prevention services in line with – DCLG gold standard	
Provision/Development of multi agency Digital Sharepoint	

Corporate Priority
LQ002 – Enable residents to improve their health and quality of life

Corporate Project/Programme	Status
Enable access to high quality leisure facilities through our partners	
Enable the provision of leisure activities targeted at identified sectors of the community	
Support the provision of health interventions for vulnerable people	
To secure and develop the scope of Locality Commissioning opportunities and mechanisms with strategic partners	

Corporate Priority
LQ003 – Work together with partners and residents to tackle the causes of inequality in Tamworth

Corporate Project/Programme	Status
Explore options and mechanisms for developing self-help opportunities at a neighbourhood level	
Engage collaboratively in the review of Voluntary, Community & Social Enterprise (VCSE) support and Development Models	
Facilitate review of strategic purpose and processes of the TSP	

Corporate Priority
LQ004 – Work together with residents to maintain and improve a safe, clean and green environment

Corporate Project/Programme	Status
Ensure all green spaces and nature reserves are accessible by residents and are maintained to a standard that is conducive for use.	
Continued commitment to a Community Safety Partnership that is responsive to locality, and reflects the needs of the community and partners	
Review and implement options for Council housing repairs & investment services	
Develop a unified neighbourhood offer	

Corporate Priority
LQ005 – Work together to improve housing quality in Tamworth

Corporate Project/Programme	Status
Explore and develop proposals for an asset backed vehicle for the delivery of new housing/deliver of services	
Develop and deliver a programme of housing development on Council owned sites including exploration of asset backed vehicles to deliver prs	
Deliver regeneration at Tinkers Green and Kerria	
Review and update the Council’s HRA Business Plan including reviewing the impact of government policies	
Review of Council's Private Sector Housing offer	
Complete the review of the Healthy Housing Strategy & Action Plan	

Corporate Priority
SP2: Growing Strong Together in Tamworth

Corporate Priority
GS001 – Develop and support the local economy, together with local businesses and partners through our regional influence.

Corporate Project/Programme	Status
Actively engage in the WMCA work stream for Innovation and Inward Investment	
Sustain support for GBSLEP Growth Hub	

Corporate Priority
GS002 – Work with businesses and developers to create a vibrant and sustainable town centre.

Corporate Project/Programme	Status
To support local businesses with their submission for B.I.D. status	

Corporate Project/Programme	Status
Use our regulatory powers within Licensing, Planning, and Environmental Health to be proactive with support and advice to enable business development	
The provision of accurate and timely advice, support, guidance and signpost town centre business to relevant information, business support programmes, training and funding opportunities	
Collection of the levy arising from the planned Business Improvement District	

Corporate Priority
GS003 – Use our regional influence to support an environment where business and enterprise can flourish and grow.

Corporate Project/Programme	Status
Working with GBSLEP Finance Directors to maximise retention of business rates to improve the economy and infrastructure of the region	
Working with GBSLEP Legal Directors to ensure Scrutiny and governance compliance	
Engage as necessary in order to benefit from Non-Constituent Membership of WMCA	
Maintain ongoing commitment to GBSLEP via Board and Executive membership	
Maintain ongoing commitment to SSoTLEP and countywide collaborations	

Corporate Priority
GS003a – Work together to strengthen the relationships between schools/FE & HE/Employers

Corporate Project/Programme	Status
Actively engage with the GBSLEP & SSoTLEP in their respective programmes targeting young people	
Engage as appropriate in Area Review processes	

Corporate Priority
GS003b – Champion higher skilled and better paid jobs in Tamworth

Corporate Project/Programme	Status
Actively engage in and influence key strategic work streams namely: WMCA Skills & Productivity Commission & SSoTLEP Employment & Skills work streams	

Corporate Priority
GS004 – Work together to strengthen the connections between schools/FE & HE/Employment to create opportunities for higher skilled and better paid jobs.

Corporate Project/Programme	Status
Engage in the WMCA and SSoTLEP Skills and Productivity work streams	

Corporate Priority
GS005 – Adopt a commercial approach to managing Council assets in order to enhance the viability of the borough.

Corporate Project/Programme	Status
To commission a review of the Town Centre Master plan	
To facilitate progress by developers/landowners of sites identified in the local plan for housing and / or commercial activity	
To facilitate progress by developers/landowners of the regeneration of the Gungate Site	
Explore opportunities that will ensure all Council investment assets produce a revenue stream to support corporate priorities	
To ensure consideration of commercial opportunities in business decision making	

Corporate Priority
GS006 – Work together to preserve and promote Tamworth's heritage, leisure and natural environment
GS007 – Work together to preserve our culture; preserve our heritage and sustain our national environment

Corporate Project/Programme	Status
To project manage the delivery of the Creative Quarter regeneration	

Corporate Priority
SP3: Delivering Quality Services in Tamworth

Corporate Priority
DQ001 – Provide accurate information via a fully integrated Customer Services Centre.

Corporate Project/Programme	Status
Undertake fundamental review of customer services functions across every service	
Remodel service functions, standards and systems	
Co-design Customer Service standards with user groups	
To provide support for the integrated Customer Services Centre	
Full and robust implementation of Corporate Change Programme	

Corporate Priority
DQ002 – Work with customers to improve their access to Council services

Corporate Project/Programme	Status
Seek customer feedback consistently across all service areas	
Explore and develop new channels of access	
Deliver services that are digital by default	

Corporate Priority
DQ003 – Enable and support Tamworth residents and businesses using our statutory and regulatory powers

Corporate Project/Programme	Status

Corporate Project/Programme	Status
Implementation of the Crime and Police 2014	▶
Delivery of a Community Safety Partnership that is responsive to locality, and reflects the needs of the community and partners	▶
Proactive Business Continuity information sharing with businesses	▶

Corporate Priority
DQ004 – Enabling greater public engagement in local decision making

Corporate Project/Programme	Status
Explore new methods of ways in which the community can engage with the delivery of council services using data and intelligence	▶
Continue to develop democratic community leadership	▶
Budget Consultation	✔
Local Council Tax Reduction Scheme consultation	✔
State of Tamworth Debate	✔
Registration of Electors/Individual Elector Registration/Elections	▶
Council, Cabinet, Planning Committee	▶

Corporate Priority
DQ005 – Demonstrate value for money

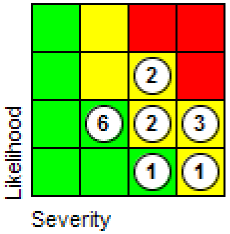
Corporate Project/Programme	Status
Review, remodel and realign services and resources by aligning them to our vision, purpose and priorities	
Implement organisational transformation to ensure the Councils workforce is equipped and positioned for change	
Challenge statutory need and reduce demand for services	
Deliver a training plan that focuses on behaviours, culture and leadership	
Proper Governance advice for officers and Members	
Business case approach to investment decisions	
To provide appropriate professional support	
Consideration of commercial opportunities in business decision making	

Action Status	
	Cancelled
	Overdue
	Check Progress
	In Progress
	Completed

CORPORATE RISK REGISTER

The Authority's Corporate risks for 2016/17 are outlined below.

Corporate Risk Register 'Heat Map'



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Risk	Description of Risk	Date Last Reviewed	Severity	Likelihood	Current Risk Rating	Current Risk Status
Loss of Community Cohesion	Failure to achieve community cohesion	03-Jan-2017	3	3	9	
Safeguarding Children & Vulnerable Adults	Failure to safeguard children and vulnerable adults	03-Jan-2017	3	3	9	
Medium Term Financial Planning & Sustainability Strategy	Loss of Funding and Financial Stability & application of uncertainties of Brexit	03-Jan-2017	4	2	8	
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	03-Jan-2017	4	2	8	
Implementation of response to GDPR Legislation	General Data Protection Regulations (GDPR) coming into effect in May 2018 resulting in significant change for the organisation, including substantial penalties for failing to adhere and breaches	17-Mar-2017	4	2	8	
Information Management & Information Technology	Failure to secure and manage data and IT infrastructure	17-Mar-2017	3	2	6	
Health & Safety	Failure to manage Health & Safety	03-Jan-2017	3	2	6	
Reputation	Damage to Reputation	03-May-2017	2	2	4	

Risk	Description of Risk	Date Last Reviewed	Severity	Likelihood	Current Risk Rating	Current Risk Status
Governance & Regulatory Failure	Failure to achieve adequate Governance Standards and statutory responsibilities	03-Jan-2017	2	2	4	
Partnership Working and Supply Chain Challenges	Failure in partnership working, shared services or supply chain	03-Jan-2017	2	2	4	
Emergency & Crisis Response Threats	Failure to manage an external or internal emergency/disaster situation	03-Jan-2017	2	2	4	
Workforce Planning Challenges	Failure to manage workforce planning challenges	03-Jan-2017	2	2	4	
Corporate Change	Failure to manage corporate change	17-Mar-2017	2	2	4	
Taxi Licences	Taxi Licensing process not followed, giving rise to licenses being issued to persons who are not fit and proper	21-Feb-2017	4	1	4	
Economic Changes	Failure to plan and adapt services to economic changes within the community	03-Jan-2017	3	1	3	

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 2017.

J Wheatley FCCA
Executive Director Corporate Services   Dated: 27th July 2017

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.

Expenditure Funding Analysis

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

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2015/16 Restated			Expenditure Funding Analysis	2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
			Cost of Services			
1	(1)	-	Chief Executive	-	-	-
492	62	554	Executive Director Corporate Services	678	63	741
1,279	29	1,308	Director of Finance	1,341	(363)	978
720	36	756	Solicitor to the Council	703	30	733
(280)	184	(96)	Corporate Director Technology and Corporate Programmes	(232)	206	(26)
320	16	336	Corporate Director Transformation and Corporate Performance	321	12	333
(233)	233	-	Director of Communities, Planning and Partnerships	(256)	256	-
5,238	856	6,094	Director of Growth, Assets and Environment (GF)	5,507	867	6,374
1,754	350	2,104	Director Housing and Health (GF)	1,806	517	2,323
(8)	8	-	Director of Growth, Assets and Environment (HRA)	(35)	(3)	(38)
3,844	304	4,148	Director Housing and Health (HRA)	3,868	232	4,100
(14,092)	314	(13,778)	HRA Summary	(13,952)	(10,631)	(24,583)
3,315	-	3,315	Housing Repairs	2,888	-	2,888
2,350	**2,391**	**4,741**	**Net Cost of Services**	**2,637**	**(8,814)**	**(6,177)**
(6,266)	(17,817)	(24,083)	Other Comprehensive Income and Expenditure	(4,568)	(3,999)	(8,567)
(3,916)	**(15,426)**	**(19,342)**	**(Surplus) / Deficit on Provision of Services**	**(1,931)**	**(12,813)**	**(14,744)**
(24,811)			Opening General Fund and HRA Balances	(28,727)		
(3,916)			(Surplus) / Deficit on Provision of Services	(1,931)		
(28,727)			Closing General Fund and HRA Balances	(30,658)		

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 152.

2015/16 Restated					2016/17		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Comprehensive Income & Expenditure Statement**	**Notes**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
245	(245)	-	Chief Executive		246	(246)	-
22,756	(22,202)	554	Executive Director Corporate Services		22,117	(21,376)	741
2,695	(1,387)	1,308	Director of Finance		2,899	(1,921)	978
1,182	(426)	756	Solicitor to the Council		1,185	(452)	733
1,438	(1,534)	(96)	Corporate Director Technology and Corporate Programmes		1,479	(1,505)	(26)
2,129	(1,793)	336	Corporate Director Transformation and Corporate Performance		2,154	(1,821)	333
57	(57)	-	Director of Communities, Planning and Partnerships		29	(29)	-
12,926	(6,832)	6,094	Director of Growth, Assets and Environment (GF)		12,367	(5,993)	6,374
3,200	(1,096)	2,104	Director Housing and Health (GF)		3,649	(1,326)	2,323
230	(230)	-	Director of Growth, Assets and Environment (HRA)		226	(264)	(38)
6,289	(2,141)	4,148	Director Housing and Health (HRA)		6,417	(2,317)	4,100
5,287	(19,065)	(13,778)	HRA Summary		8,889	(18,738)	(9,849)
3,392	(77)	3,315	Housing Repairs		2,954	(66)	2,888
			Exceptional Item - Change in EUV-SH		-	(14,734)	(14,734)
61,826	**(57,085)**	**4,741**	**Cost of Services**		**64,611**	**(70,788)**	**(6,177)**
		(15,547)	Other Operating Expenditure	11			65
		255	Financing and Investment Income and Expenditure	12			469
		4	(Surplus) or Deficit of Discontinued Operations	27			-
		(8,795)	Taxation and Non Specific Grant Income	13			(9,101)
		(19,342)	**(Surplus) or Deficit on Provision of Services**	8			**(14,744)**
		(3,738)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	23a			(15,573)
		(10,971)	Remeasurement of the Net Defined Benefit Liability	23c			790
		(14,709)	**Other Comprehensive Income and Expenditure**				**(14,783)**
		(34,051)	**Total Comprehensive Income and Expenditure**				**(29,527)**

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 2015/16 and 2016/17 are shown on the following pages.

Movement in Reserves Statement 2015/16	**General Fund Balance**	**Earmarked Reserves**	**Total General Fund Balances**	**Housing Revenue Account**	**Earmarked HRA Reserves**	**Total HRA Balances**	**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**	**£000**	**£000**
Balance as at 1st April 2015	4,912	5,919	**10,831**	5,957	8,023	**13,980**	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	-	**15,687**	3,655	-	**3,655**	-	-	-	**19,342**	-	**19,342**
Other Comprehensive Income and Expenditure	-	-	**-**	-	-	**-**	-	-	-	**-**	14,709	**14,709**
Total Comprehensive Income and Expenditure	**15,687**	**-**	**15,687**	**3,655**	**-**	**3,655**	**-**	**-**	**-**	**19,342**	**14,709**	**34,051**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(13,850)	-	**(13,850)**	(1,576)	-	**(1,576)**	1,334	1,249	-	**(12,843)**	12,843	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**1,837**	**-**	**1,837**	**2,079**	**-**	**2,079**	**1,334**	**1,249**	**-**	**6,499**	**27,552**	**34,051**
Transfers to / (from) Earmarked Reserves (Note 10)	(69)	41	**(28)**	(3,312)	3,340	**28**	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2015/16	**1,768**	**41**	**1,809**	**(1,233)**	**3,340**	**2,107**	**1,334**	**1,249**	**-**	**6,499**	**27,552**	**34,051**
Balance as at 31st March 2016	**6,680**	**5,960**	**12,640**	**4,724**	**11,363**	**16,087**	**5,232**	**1,383**	**48**	**35,390**	**103,808**	**139,198**

Movement in Reserves Statement 2016/17

	General Fund Balance	Earmarked Reserves	Total General Fund Balances	Housing Revenue Account	Earmarked HRA Reserves	Total HRA Balances	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	£000	£000
Balance as at 1st April 2016	**6,680**	**5,960**	**12,640**	**4,724**	**11,363**	**16,087**	**5,232**	**1,383**	**48**	**35,390**	**103,808**	**139,198**
Movement in Reserves during 2016/17												
(Surplus) or Deficit on the Provision of Services	(518)	-	**(518)**	15,262	-	**15,262**	-	-	-	**14,744**	-	**14,744**
Other Comprehensive Income and Expenditure	-	-	**-**	-	-	**-**	-	-	-	**-**	14,783	**14,783**
Total Comprehensive Income and Expenditure	**(518)**	**-**	**(518)**	**15,262**	**-**	**15,262**	**-**	**-**	**-**	**14,744**	**14,783**	**29,527**
Adjustments between accounting basis and funding basis under regulations (Note 9)	248	-	**248**	(13,061)	-	**(13,061)**	7,377	1,138	-	**(4,298)**	4,298	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**(270)**	**-**	**(270)**	**2,201**	**-**	**2,201**	**7,377**	**1,138**	**-**	**10,446**	**19,081**	**29,527**
Transfers to / (from) Earmarked Reserves (Note 10)	178	(235)	**(57)**	(572)	629	**57**	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2016/17	**(92)**	**(235)**	**(327)**	**1,629**	**629**	**2,258**	**7,377**	**1,138**	**-**	**10,446**	**19,081**	**29,527**
Balance as at 31st March 2017	**6,588**	**5,725**	**12,313**	**6,353**	**11,992**	**18,345**	**12,609**	**2,521**	**48**	**45,836**	**122,889**	**168,725**

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 2016 £000	Balance Sheet	Notes	31st March 2017 £000
154,202	Property, Plant & Equipment	14	181,686
2,808	Heritage Assets	15	2,847
21,130	Investment Property	16	22,023
171	Intangible Assets		160
28,833	Long Term Debtors	17	20,785
207,144	**Long Term Assets**		**227,501**
23,921	Short Term Investments	17	43,151
20	Inventories		21
9,745	Short Term Debtors	18	10,148
16,289	Cash & Cash Equivalents	19	8,123
49,975	**Current Assets**		**61,443**
(777)	Cash & Cash Equivalents	19	(923)
(2,341)	Short Term Borrowing	17	(311)
(9,346)	Short Term Creditors	21	(10,501)
(1,812)	Provisions	22	(1,905)
(14,276)	**Current Liabilities**		**(13,640)**
(63,060)	Long Term Borrowing	17	(63,060)
(40,575)	Other Long Term Liabilities	23c	(43,479)
(6)	Capital Grants Receipts in Advance	32	(6)
(4)	Revenue Grants Receipts in Advance		(34)
(103,645)	**Long Term Liabilities**		**(106,579)**
139,198	**Net Assets**		**168,725**
35,390	Usable Reserves		45,836
103,808	Unusable Reserves	23	122,889
139,198	**Total Reserves**		**168,725**

The audited accounts were approved on 27th July 2017 by Audit and Governance Committee.

J Wheatley FCCA
Executive Director Corporate Services Dated: 27th July 2017

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.

2015/16 £000	**Cashflow Statement**	**Notes**	**2016/17 £000**
(19,342)	Net (Surplus) or Deficit on the Provision of Services		(14,744)
6,045	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements		2,367
26,151	Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		2,995
12,854	Net cash flows from Operating Activities (Surplus)/Deficit	24	(9,382)
(15,468)	Investing Activities	25	17,181
752	Financing Activities	26	513
(1,862)	Net (increase) or decrease in Cash and Cash Equivalents		8,312
13,650	Cash and Cash Equivalents at the beginning of the reporting period		15,512
15,512	**Cash and & Cash Equivalents at 31st March 2017**	19	**7,200**

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

NOTES TO THE ACCOUNTS

1. Accounting Policies

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31st March 2017. 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 2016/17 and the CIPFA Service Reporting Code of Practice 2016/17 (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 2016/17.

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 2016/17.

4. CASH AND CASH EQUIVALENTS

Cash is represented by Cash in Hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, Cash and Cash Equivalents are shown net of Bank Overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

5. EXCEPTIONAL ITEMS

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

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

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

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

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

7. CHARGES TO REVENUE FOR NON CURRENT ASSETS

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

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

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

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

8. EMPLOYEE BENEFITS

a) Benefits Payable During Employment

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

b) Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

c) Post Employment Benefits - The Local Government Pension Scheme

The pension costs included in these accounts have been determined in accordance with government regulations and IAS 19. The standard requires the full recognition of the pensions liability (and the movement of its constituent parts) in the Comprehensive Income and Expenditure Statement. These requirements are included within the accounts in accordance with CIPFA recommended practice. Note 38 to the Core Financial Statements on page 109 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 2.6%.

    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 May 2017) and the date when the Statement of Accounts is authorised for issue (27th July 2017). 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 2017. 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 2016/17 financial statements (including the 2015/16 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 33f).

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 within the relevant directorate 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.

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** – minor purchases by the Authority are 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 2016/17 are outlined at Note 39 on page 115.

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 10 to the Core Financial Statements on page 77.

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:

- Amendment to the reporting of pension fund scheme transaction costs

- Amendment to the reporting of investment concentration

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 and the impact of the decision to leave the European Union remains unclear. 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 40e) on page 121.

- 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 **£1.9m (£1.7m – 2015/16)** (the overall provision in the Business Rates Collection Fund is **£4.7m (£4.3m - 2015/16)** and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2017 of **£88.5m (£73.9m – 2015/16)** – as detailed in Note CF6 within the notes to the Collection Fund on page 135.

  The increase of £0.4m due to additional appeals received during 2016/17, 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 could appeal against the Rateable Value on the 2010 Rating List until 31st March 2017 – although they will now not be backdated to 2010. 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**.

  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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	Adjustment to the level of liability on the Balance Sheet. During the year the overall liability increased from £40.6m to £43.5m (following a reduction from £48.9m to £40.6m in 2015/16) – see Note 38 on page 109. Variations in the key assumptions will have the following impact on the net liability: • A 0.5% decrease in the real discount rate will increase the net pension liability by £11.7m; • A 0.5% increase in the assumed level of salary increases will increase the net pension liability by £1.7m; and • A 0.5% increase in the assumed level of pension increases will increase the net pension liability by £9.9m.
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 **£1.9m** (the overall provision in the Business Rates Collection Fund is **£4.7m** and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2017 of **£88.5m**. 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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		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.
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.£85k 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 £1.081m.

During 2015/16 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. The deferred payment arrangement, generated a receipt of £8m in 2016/17 (£1m in 2015/16), leaving the remaining £16.2m due in the following financial years – with a corresponding increase in long term debtors.

During 2016/17 the Existing Use Value – Social Housing (EUV-SH – see HRA Note 2 on page 126) for Council dwellings was increased from 34% to 40%. This resulted in a credit of £14.734m in the Comprehensive Income and Expenditure Account.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director Corporate Services on 30th May 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Repayment of the Glitnir balance from escrow account (in Iceland)

On 27th June 2017, the Council received €1,017,109.80, £885,212.28 in respect of the repayment of the Icelandic Bank Glitnir deposit held in escrow. This is £135,539 lower than the figure contained within the accounts, due to the discounted offer from the Central Bank of Iceland to release the funds. This was an opportunity for those Council with balances, to use this as an exit route, in liaison with the LGA – and also to realise the significant exchange rate gains made during the last 2 years. The escrow funds were also no longer receiving interest credits.

The accounts contain a balance of £1,020,751 which included an exchange rate gain of £243,673 (from £777,078 reported in 2015/16).

7. Expenditure and Funding Analysis Adjustment Detail

2015/16 Restated				Expenditure and Funding Analysis	2016/17			
Adjustments for Capital Purposes (Note 7a) £000	**Net Change for Pensions Adjustments (Note 7b) £000**	**Other Differences (Note 7c) £000**	**Total Adjustments £000**		**Adjustments for Capital Purposes (Note 7a) £000**	**Net Change for Pensions Adjustments (Note 7b) £000**	**Other Differences (Note 7c) £000**	**Total Adjustments £000**
-	-	(1)	**(1)**	Chief Executive	-	-	-	**-**
-	70	(8)	**62**	Executive Director Corporate Services	-	57	6	**63**
-	32	(2)	**30**	Director of Finance	-	(364)	1	**(363)**
-	40	(4)	**36**	Solicitor to the Council	-	29	-	**29**
190	-	(6)	**184**	Corporate Director Technology and Corporate Programmes	209	-	(2)	**207**
1	20	(5)	**16**	Corporate Director Transformation and Corporate Performance	1	13	(2)	**12**
236	-	(3)	**233**	Director of Communities, Planning and Partnerships	256	-	-	**256**
673	196	(13)	**856**	Director of Growth, Assets and Environment (GF)	538	308	17	**863**
293	61	(4)	**350**	Director Housing and Health (GF)	467	50	-	**517**
-	10	(2)	**8**	Director of Growth, Assets and Environment (HRA)	-	-	(2)	**(2)**
10	300	(8)	**302**	Director Housing and Health (HRA)	10	209	13	**232**
398	(83)	-	**315**	HRA Summary	(10,534)	(97)	-	**(10,631)**
1,801	**646**	**(56)**	**2,391**	**Net Cost of Services**	**(9,053)**	**205**	**31**	**(8,817)**
(19,959)	1,595	547	**(17,817)**	Other Comprehensive Income and Expenditure	(4,407)	1,440	(1,029)	**(3,996)**
(18,158)	**2,241**	**491**	**(15,426)**	**(Surplus) / Deficit on Provision of Services**	**(13,460)**	**1,645**	**(998)**	**(12,813)**

7a) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

7b) Net Change for the Pensions Adjustments

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

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

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

7c) Other Differences

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

- **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

8. Expenditure and Income Analysed by Nature

2015/16 £000	Expenditure and Income Analysed by Nature	2016/17 £000
	Expenditure	
11,442	Employee Expenses	11,821
40,679	Other Services Expense	39,488
4,110	Depreciation, Amortisation and Impairment	(6,390)
2,242	Retirement Benefits	1,645
488	REFCUS	695
425	Payments to Housing Capital Receipts Pool	597
(15,972)	Gain on Disposal of Assets	(532)
43,414	**Total Expenditure**	**47,324**
	Income	
(31,385)	Fees, Charges and Other Service Income	(30,899)
(1,345)	Interest and Investment Income	(1,533)
(3,366)	Income from Council Tax, NNDR and District Rates Income	(3,456)
(26,660)	Government Grants and Contributions	(26,180)
(62,756)	**Total Income**	**(62,068)**
(19,342)	**(Surplus) / Deficit on Provision of Services**	**(14,744)**

9. 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				Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	
	£000	£000	£000	£000	£000
2016/17					
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;	(425)	(10,152)	-	-	10,577
Revaluation losses on Property, Plant and Equipment;	(251)	16,165	-	-	(15,914)
Movements in the market value of Investment Properties;	893	-	-	-	(893)
Amortisation of Intangible Assets;	(99)	-	-	-	99
Capital Grants and Contributions Applied;	628	246	-	-	(874)
Revenue Expenditure Funded from Capital Under Statute (REFCUS);	(695)	-	-	-	695
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.	(10)	(1,527)	-	-	1,537
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;	58	-	-	-	(58)
Capital expenditure charged against the General Fund and HRA balances.	438	2,218	-	-	(2,656)
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;	56	2,065	(2,121)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure;			2,032	-	(2,032)
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals;	-	(52)	52	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool;	(597)	-	597	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(9)	-	(15)	-	24

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
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	-	-	(7,922)	-	7,922
Adjustments primarily involving the Major Repairs Reserve:					
Reversal of Major Repairs Allowance credited to the HRA;	-	4,511	-	(4,511)	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	3,373	(3,373)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 39);	(2,642)	(819)	-	-	3,461
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,400	416	-	-	(1,816)
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.	1,027	-	-	-	(1,027)
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.	(20)	(10)	-	-	30
Total Adjustments 2016/17	**(248)**	**13,061**	**(7,377)**	**(1,138)**	**(4,298)**

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)	-	-
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

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
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 and Expenditure Statement (see Note 39);	(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)**

10. 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 2016/17.

Transfers to / (from) Earmarked Reserves	Balance at 1st April 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31st March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31st March 2017 £000
General Fund:							
Future Capital Expenditure	**1,292**	(149)	58	**1,201**	(274)	27	**954**
Temporary Reserves	**837**	(665)	191	**363**	(370)	146	**139**
Retained Funds	**2,370**	(309)	368	**2,429**	(982)	1,035	**2,482**
Commuted Sums	**1,058**	(39)	100	**1,119**	(5)	219	**1,333**
Other Reserves	**362**	-	486	**848**	(1,172)	1,141	**817**
Total	**5,919**	**(1,162)**	**1,203**	**5,960**	**(2,803)**	**2,568**	**5,725**
HRA:							
Future Capital Expenditure	**7,654**	-	3,346	**11,000**	(2,207)	2,704	**11,497**
Temporary Reserves	**(9)**	-	9	**-**	-	84	**84**
Retained Funds	**378**	(28)	13	**363**	(23)	71	**411**
Total	**8,023**	**(28)**	**3,368**	**11,363**	**(2,230)**	**2,859**	**11,992**

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

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

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

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

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

11. Other Operating Expenditure

2015/16 £000	Other Operating Expenditure	2016/17 £000
425	Payments to the Government Housing Capital Receipts Pool	597
(15,972)	(Gains) / losses on the disposal of Non Current Assets	(532)
(15,547)	**Total**	**65**

12. Financing & Investment Income & Expenditure

2015/16 £000	Financing and Investment Income and Expenditure	2016/17 £000
2,853	Interest payable and similar charges	2,877
1,582	Pension interest costs and expected return on pensions assets	1,432
(502)	Interest receivable and similar income	(690)
(843)	Finance Lease Income	(842)
(2,772)	Income) and expenditure in relation to investment properties and changes in their fair value	(2,048)
(63)	Investment impairment	(260)
255	**Total**	**469**

13. Taxation & Non Specific Grant Income

2015/16 £000	Taxation and Non Specific Grant Incomes	2016/17 £000
(3,366)	Council Tax income	(3,456)
(13,351)	Non Domestic Rates	(13,736)
10,552	Non Domestic Rates - Tariff	10,640
534	Non Domestic Rates - Levy to GBSLEP	612
(2,919)	Non ringfenced government grants	(2,287)
(245)	Capital grants and contributions	(874)
(8,795)	**Total**	**(9,101)**

A detailed breakdown of the grants, contributions and donations credited to the Comprehensive Income and Expenditure Statement in 2016/17 is shown in Note 32 on page 101.

14. Property, Plant & Equipment

Movement in 2016/17	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 2016	**135,684**	**18,320**	**3,653**	**378**	**945**	**150**	**159,130**
Additions	6,428	754	283	-	48	598	**8,111**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(5,507)	(376)	-	-	-	-	**(5,883)**
Revaluation increases / (decreases) recognised in the Revaluation Reserve;	15,492	663	-	-	-	-	**16,155**
Revaluation increases / (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	16,165	(251)	-	-	-	-	**15,914**
Derecognition - Disposals;	(1,540)	(89)	-	-	-	-	**(1,629)**
Other movements in cost or valuation.	156	-	-	-	-	(156)	**-**
At 31st March 2017	**166,878**	**19,021**	**3,936**	**378**	**993**	**592**	**191,798**
Accumulated Depreciation & Impairment							
At 1st April 2016	**(1,316)**	**(811)**	**(2,597)**	**(201)**	**(3)**	**-**	**(4,928)**
Depreciation Charge;	(4,209)	(312)	(200)	(13)	-	-	**(4,734)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	5,507	376	-	-	-	-	**5,883**
Impairment losses / (reversals) recognised in the Revaluation Reserve;	(549)	(33)	-	-	-	-	**(582)**
Impairment losses / (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(5,839)	(4)	-	-	-	-	**(5,843)**
Derecognition - disposals.	12	80	-	-	-	-	**92**
At 31st March 2017	**(6,394)**	**(704)**	**(2,797)**	**(214)**	**(3)**	**-**	**(10,112)**
Net Book Value							
at 31st March 2016	134,368	17,509	1,056	177	942	150	154,202
at 31st March 2017	**160,484**	**18,317**	**1,139**	**164**	**990**	**592**	**181,686**
Nature of Holdings at year end							
Owned	160,484	18,317	1,139	164	990	592	**181,686**

Comparative Movement in 2015/16	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£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**

a) Capital Commitments

At 31st March 2017, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years. The major commitments for schemes valued in excess of £1m are:

Capital Contract	2016/17 £000
Housing Repairs & Investment	2,504.3
Regeneration of Garage Sites	1,002.9
Total	**3,507.2**

b) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The effective date of revaluation is 31st March 2017. 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	-	-	3,936	378	993	592	5,899
Valued at Fair Value in:							
2016/17	166,878	7,554	-	-	-	-	174,432
2015/16	-	6,853	-	-	-	-	6,853
2014/15	-	45	-	-	-	-	45
2013/14	-	4,569	-	-	-	-	4,569
Total	**166,878**	**19,021**	**3,936**	**378**	**993**	**592**	**191,798**

15. Heritage Assets

Movement in 2016/17	Art Collection £000	Civic Regalia £000	Museum Exhibits £000	Statues £000	Castle £000	Total Heritage Assets £000
Cost or Valuation						
At 1st April 2016	**97**	**174**	**624**	**233**	**1,680**	**2,808**
Additions	-	-	-	-	39	**39**
At 31st March 2017	**97**	**174**	**624**	**233**	**1,719**	**2,847**

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**

Heritage Assets Five Year Summary of Transactions	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Cost of Acquisitions of Heritage Assets					
Castle Museum	836	172	54	-	39
Total Cost of Purchases	836	172	54	-	39

16. 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:

2015/16 £000	Investment Properties	2016/17 £000
(1,447)	Rental income from Investment Property	(1,498)
283	Direct operating expenses arising from Investment Property	343
(1,164)	**Net (Gain) / Loss**	**(1,155)**

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:

2015/16 £000	Fair Value of Investment Properties	2016/17 £000
19,418	**Balance at 1st April 2016**	**21,130**
	Transfers:	
104	to / from Property, Plant and Equipment	-
	Valuations:	
1,608	Changes in market valuation	893
21,130	**Balance at 31st March 2017**	**22,023**

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 2017 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.

17. 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 2016 £000	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000
Investments				
Loans and receivables (Principal amount)	-	-	23,850	43,092
Plus Accounting adjustments	-	-	71	59
Total Investments	**-**	**-**	**23,921**	**43,151**
Debtors				
Loans and receivables	-	-	16,245	8,119
Plus Accounting adjustments	-	-	41	2
Financial assets carried at contract amounts	28,833	20,785	9,048	9,426
Total Debtors	**28,833**	**20,785**	**25,334**	**17,547**
Borrowings				
Financial liabilities at amortised cost	63,060	63,060	2,000	-
Plus Accounting adjustments	-	-	341	311
Total Borrowings	**63,060**	**63,060**	**2,341**	**311**
Creditors				
Financial liabilities at amortised cost	-	-	777	923
Financial liabilities carried at contract amount	-	-	5,091	4,278
Total Creditors	**-**	**-**	**5,868**	**5,201**

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	2015/16				2016/17			
	Financial liabilities measured at amortised cost	**Financial Assets: Loans and receivables**	**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**
Interest expense	(2,853)	-	-	**(2,853)**	(2,877)	-	-	**(2,877)**
Impairment losses	-	63	-	**63**	-	260	-	**260**
Total expense in (Surplus) or Deficit on the Provision of Services	**(2,853)**	**63**	**-**	**(2,790)**	**(2,877)**	**260**	**-**	**(2,617)**
Interest income	-	496	843	**1,339**	-	690	842	**1,532**
Interest income accrued on impaired financial assets	-	6	-	**6**	-	-	-	**-**
Total income in (Surplus) or Deficit on the Provision of Services	**-**	**502**	**843**	**1,345**	**-**	**690**	**842**	**1,532**
Net Gain / (Loss) for the Year	**(2,853)**	**565**	**843**	**(1,445)**	**(2,877)**	**950**	**842**	**(1,085)**

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 (Level 2 of the fair value hierarchy), 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 2016**		**31st March 2017**	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
PWLB Debt	65,401	99,795	63,371	110,927
Creditors	5,091	5,091	4,278	4,278
Total Financial Liabilities	**70,492**	**104,886**	**67,649**	**115,205**

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 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £110.9m 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 £63.3m would be valued at £89.2m. 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 £110.9m.

Loans and Receivables	31st March 2016		31st March 2017	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Money Market Loans <1 year	23,921	23,935	43,151	43,163
Debtors	9,048	9,048	9,426	9,426
Long Term Debtors	28,833	28,833	20,785	20,785
Total Financial Liabilities	**61,802**	**61,816**	**73,362**	**73,374**

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 2016/17, a notional future gain (based on economic conditions at 31st March 2017) 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 2017. 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.

18. Debtors

2015/16 £000	Debtors	2016/17 £000
546	Central Government bodies	602
454	Other Local Authorities	375
90	Council Taxpayers	81
1,853	Housing Rents	2,073
10,120	Other entities and individuals	10,376
61	Business Rates	39
(404)	Payment in advance	(252)
(2,975)	Provision for bad debts	(3,146)
9,745	**Total**	**10,148**

19. Cash & Cash Equivalents

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

2015/16 £000	Cash and Cash Equivalents	2016/17 £000
3	Cash held by the Authority	2
(777)	Bank current accounts	(923)
16,286	Short term deposits with Banks and Building Societies	8,121
15,512	**Total Cash and Cash Equivalents**	**7,200**

20. Assets Held for Sale

2015/16 Non Current £000	2015/16 Total £000	Assets Held for Sale	2016/17 Non Current £000	2016/17 Total £000
8,713	8,713	**Balance at 1st April 2016**	-	-
(8,713)	(8,713)	Assets sold	-	-
-	**-**	**Balance at 31st March 2017**	**-**	**-**

21. Creditors

2015/16 £000	Creditors	2016/17 £000
841	Central Government bodies	439
1,384	Other Local Authorities	1,881
89	Council Taxpayers	101
445	Housing Rents	488
1,819	Precepting Authorities (Business Rates)	3,884
1,251	Precepting Authorities (Council Tax)	1,393
3,262	Other entities and individuals	1,909
255	Business Rates	406
9,346	**Total**	**10,501**

22. Provisions

Provisions	Municipal Mutual Insurance £000	Land Charges Legal Liability £000	Non Domestic Rates Appeals £000	Total £000
2015/16				
Balance at 1st April 2015	**33**	**121**	**1,525**	**1,679**
Additional provisions made in year	-	-	203	203
Amount used in year	-	(70)	-	(70)
Balance at 31st March 2016	**33**	**51**	**1,728**	**1,812**
2016/17				
Additional provisions made in year			169	169
Amount used in year	(25)	(16)		(41)
Unused amounts reversed in year	-	(35)	-	(35)
Balance at 31st March 2017	**8**	**-**	**1,897**	**1,905**

a) Municipal Mutual Insurance (MMI)

This provision has been established as a result of the decision to trigger the ‘Scheme of Arrangement’ (SOA) with regard to Municipal Mutual Insurance (MMI), at a meeting of the Board of Directors on 13th November 2012. Under this SOA, the Authority is liable to pay a levy up to the value of claims paid since 1993 (£252k and a provision of £33k was established to cover the potential additional levy of up to 28%. During the year a payment of £25k was made in respect of an additional 10% clawback under the SOA, leaving a remaining provision of £8k.

b) Land Charges Ongoing Legal Action

A group of Property Search Companies were seeking to claim refunds of fees paid to the Authority to access land charges data, and a provision to meet the potential cost of settlement, plus costs and interest, was established during 2013/14. During 2016/17 the claim was settled and the remaining provision no longer required was returned to revenue balances.

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 **£1.9m** (**£1.7m – 2015/16)** (the overall provision in the Business Rates Collection Fund is **£4.7m** (**£4.3m** – 2015/16) and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2017 of **£88.5m** (**£73.9m 2015/16)**.

A Contingent Liability has also been included at Note 39 as local businesses could 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.

23. Unusable Reserves

31st March 2016 £000	Unusable Reserves	31st March 2017 £000
18,067	Revaluation Reserve	33,951
91,201	Capital Adjustment Account	103,782
(41,044)	Pensions Reserve	(43,479)
36,366	Deferred Capital Receipts Reserve	28,420
(555)	Collection Fund Adjustment Account	472
(227)	Accumulated Absences Account	(257)
103,808	**Total Unusable Reserves**	**122,889**

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.

2015/16 £000		Revaluation Reserve	2016/17 £000	
21,605		**Balance at 1st April 2016**		**18,067**
	3,738	Revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	15,573	
3,738		Surplus or deficit on the revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		15,573
	(7,276)	Difference between fair value depreciation and historical cost depreciation	311	
(7,276)		Amount written off to the Capital Adjustment Account		311
18,067		**Balance at 31st March 2017**		**33,951**

b) Capital Adjustment Account

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

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

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

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £000		Capital Adjustment Account	2016/17 £000	
91,956		**Balance at 1st April 2016**		**91,201**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
	(8,646)	Charges for depreciation and impairment of Non Current Assets;	(10,577)	
	2,967	Revaluation losses on Property, Plant and Equipment;	15,914	
	(102)	Amortisation of Intangible Assets;	(99)	
	(488)	Revenue Expenditure Funded from Capital Under Statute;	(695)	
	(9,895)	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;	(1,537)	
(16,164)				3,006
7,276		Adjusting amounts written out of the Revaluation Reserve		(311)
(8,888)		Net written out amount of the cost of Non Current Assets consumed in the year		**2,695**
		Capital financing applied in the year:		
	492	Use of Capital Receipts Reserve to finance new capital expenditure;	2,032	
	3,228	Use of Major Repairs Reserve to finance new capital expenditure;	3,373	
	245	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing;	874	
	21	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - Minimum Revenue Provision;	58	
	220	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - Voluntary Revenue Provision;	-	
	2,319	Capital expenditure charged against the General Fund and HRA Balances.	2,656	
6,525				**8,993**
1,608		Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement.		**893**
91,201		**Balance at 31st March 2017**		**103,782**

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.

2015/16 £000	Pensions Reserve	2016/17 £000
(49,773)	**Balance at 1st April 2016**	**(41,044)**
10,971	Remeasurement of the Net Defined Benefit Liability / (Asset)	(790)
(3,977)	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	(3,461)
1,735	Employer's contributions and direct payments to pensioners payable in the year	1,816
(41,044)	**Balance at 31st March 2017**	**(43,479)**

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.

2015/16 £000	**Deferred Capital Receipts Reserve**	**2016/17 £000**
12,758	**Balance at 1st April 2016**	**36,366**
23,616	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,922)
(8)	Transfer to Capital Receipts Reserve upon receipt of cash	(24)
36,366	**Balance at 31st March 2017**	**28,420**

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 2017. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2015/16 £000		**Accumulated Absences Account**	**2016/17 £000**	
(279)		**Balance at 1st April 2016**		**(227)**
	279	Settlement or cancellation of accrual made at the end of the preceding year	227	
	(227)	Amounts accrued at the end of the current year	(257)	
52		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		(30)
(227)		**Balance at 31st March 2017**		**(257)**

24. Cash Flow Statement – Operating Activities

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

2015/16 £000	Cash Flow Statement - Operating Activities	2016/17 £000
	The cash flows for operating activities include the following items	
(1,342)	Interest received	(1,544)
2,877	Interest paid	2,907
1,535		**1,363**
19,342	**Net Surplus or (Deficit) on the Provision of Services**	**14,744**
	Adjusted for non cash movements	
8,646	Depreciation	10,577
(2,967)	Impairment and Downward Valuations	(15,914)
102	Amortisation	99
(148)	Increase / Decrease in Creditors	1,075
(22,738)	Increase / Decrease in Debtors	(1,055)
4	Increase / Decrease in Inventories	-
2,635	Movement in Pension Liability	2,114
9,896	Carrying amount of Non Current Assets and Non Current Assets Held for Sale, sold or de-recognised	1,537
(1,475)	Other non cash items charged to the Net (Surplus) or Deficit on the Provision of Services	(800)
(6,045)		**(2,367)**
(25,905)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,121)
(246)	Any other items for which the cash effects are Investing or Financing Activities cash flows	(874)
(26,151)		**(2,995)**
(12,854)	**Net Cash Flows from Operating Activities Surplus/(Deficit)**	**9,382**

25. Cash Flow Statement – Investing Activities

2015/16 £000	Cash Flow Statement - Investing Activities	2016/17 £000
5,601	Purchase of Property, Plant and Equipment; Investment Property and Intangible Assets	8,445
5,091	Purchase of Short Term and Long Term Investments	19,242
(25,914)	Proceeds from the sale of Property, Plant and Equipment; Investment Property and Intangible Assets	(9,900)
(246)	Other receipts from Investing Activities	(606)
(15,468)	**Net Cash Flows from Investing Activities**	**17,181**

26. Cash Flow Statement – Financing Activities

2015/16 £000	Cash Flow Statement - Financing Activities	2016/17 £000
727	Billing Authorities - Council Tax and NNDR adjustments	(1,431)
25	Other receipts from Financing Activities	(56)
-	Repayments of Short Term and Long Term Borrowing	2,000
752	**Net Cash Flows from Financing Activities**	**513**

27. Acquired & Discontinued Operations

There were no acquired or discontinued operations in 2016/17.

28. Trading Operations

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

2015/16 Expenditure £000	2015/16 Income £000	2015/16 (Surplus)/ Deficit £000	Trading Operations	2016/17 Expenditure £000	2016/17 Income £000	2016/17 (Surplus)/ Deficit £000
6	(10)	**(4)**	Markets	5	(11)	**(6)**
(1,695)	(737)	**(2,432)**	Industrial Estates	(658)	(789)	**(1,447)**
402	(742)	**(340)**	Other Land and Property	108	(709)	**(601)**
(1,287)	**(1,489)**	**(2,776)**	**Total**	**(545)**	**(1,509)**	**(2,054)**

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

29. Members' Allowances

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

2015/16 £000	Members Allowances	2016/17 £000
154	Basic Allowance	158
79	Special Responsibility	86
4	Other Allowances/Expenses	4
1	Travel/Mileage	1
238	**Total**	**249**

30. 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	2016/17	116,857	1,353	118,210	18,480	136,690
	2015/16	112,987	1,584	114,571	17,773	132,344
Executive Director Corporate Services*₁	2016/17	87,802	1,314	89,116	14,479	103,595
	2015/16	91,037	1,157	92,194	15,024	107,218
Director of Transformation & Corporate Change	2016/17	74,312	1,077	75,389	12,262	87,651
	2015/16	73,580	1,150	74,730	12,140	86,870
Director of Growth, Assets & Environment	2016/17	86,021	1,077	87,098	14,195	101,293
	2015/16	85,250	1,134	86,384	14,067	100,451
Director of Housing & Health	2016/17	82,314	1,353	83,667	13,582	97,249
	2015/16	81,578	1,341	82,919	13,460	96,379
Director of Finance	2016/17	74,323	1,353	75,676	12,262	87,938
	2015/16	74,109	1,341	75,450	12,223	87,673
Solicitor & Monitoring Officer	2016/17	68,049	1,353	69,402	11,221	80,623
	2015/16	67,144	1,341	68,485	11,074	79,559
Director of Technology & Corporate Programmes	2016/17	68,127	1,077	69,204	11,244	80,449
	2015/16	71,373	1,065	72,438	11,779	84,217
Head of Landlord Services	2016/17	58,595	1,074	59,669	9,668	69,337
	2015/16	58,176	1,065	59,241	9,599	68,840
Head of Planning and Regeneration	2016/17	49,985	1,077	51,062	8,739	59,801
	2015/16	50,328	1,065	51,393	8,311	59,704

*₁ Includes Local Returning Officer and Deputy Returning Officer Fees under Legislation.

With regard to the reduction in pension contribution levels - following the triennial review carried out by the Actuary employed by the Pension Fund in March 2016 - indicative *ongoing* annual increases in Employer's contributions for the 3 years commencing 1st April 2017 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 rate has not changed since 2014/15).

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

2015/16 Total Number of Employees	Remuneration Band			2016/17 Number Employed at 31st March 2017	2016/17 Total Number of Employees
1	£50,000	-	£54,999	1	1
1	£55,000	-	£59,999	1	1
1	£65,000	-	£69,999	2	2
3	£70,000	-	£74,999	-	-
1	£75,000	-	£79,999	2	2
1	£80,000	-	£84,999	1	1
1	£85,000	-	£89,999	2	2
1	£90,000	-	£94,999	-	-
1	£110,000	-	£114,999	-	-
-	£115,000	-	£119,999	1	1
11	**Total**			**10**	**10**

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	
	2015/16	**2016/17**	**2015/16**	**2016/17**
£0 - £20,000	2	1	11,388	13,222
Total	**2**	**1**	**11,388**	**13,222**

31. External Audit Costs

The agreed audit fees paid for 2016/17 were £66k (£69k 2015/16).

2015/16 £000	External Audit Costs	2016/17 £000
50	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the year;	50
19	Fees payable to Grant Thornton for the certification of grants and returns for the year;	14
-	Fees payable in respect of other services provided by Cabinet Office during the year - National Fraud Initiative.	2
69	**Total**	**66**

The indicative fee for certification of grants and returns for 2016/17 is £12k.

32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

2015/16 £000	Grant Income	2016/17 £000
	Credited to Taxation and Non Specific Grant Income	
1,608	Revenue Support Grant	1,210
13,351	NNDR	13,736
(10,552)	Non Domestic Rates - Tariff	(10,640)
(534)	Non Domestic Rates - Levy to GBSLEP	(612)
560	New Homes Bonus	657
145	Efficiency Support Grant	-
439	S31 Grant - Small Business Rate Relief	316
167	Other Grants	104
245	Capital Grants and Contributions	874
5,429	**Total**	**5,645**

The Authority credited the following grants, contributions and donations to Cost of Services within the Comprehensive Income and Expenditure Statement in 2016/17:

2015/16 £000	Credited to Services Government Grant	2016/17 £000
406	DWP Admin Grant	362
92	NNDR Cost of Collection	93
20,354	Benefits	19,792
93	Discretionary Housing Payment	120
15	Nature Reserve	9
105	Safer Stronger Communities/Domestic Abuse	101
23	FERIS Maintenance Fund	-
64	Electoral Process	50
3	Administration Right to Move	-
5	Data collection Sale of High Value Vacant Assets	-
8	Growing Places	-
63	Arts Council	4
-	HLF - Assembly Rooms	4
21,231	**Total**	**20,535**

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 2016 £000	Capital Grants Receipts in Advance	31st March 2017 £000
1	DCMS Free Swimming Grant	1
3	Lottery BMX Track	3
2	Elections	2
6	**Total**	**6**

33. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have control or joint control, or significant influence over the Authority, or are a member of the key management personnel of the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

a) Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8. Grant receipts outstanding at 31st March 2017 are shown in Note 32.

b) Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' Allowances paid in 2016/17 is shown in Note 29. During the financial year ended 31st March 2017, 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 2017, there were no material transactions between the Authority and its Chief Officers, other than the payment of officer salaries. The total of Senior Officers' Remuneration is shown in Note 30.

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 2016 £000	Precepts	31st March 2017 £000
21,603	Staffordshire County Council	22,757
3,664	Staffordshire Police Authority	3,713
1,422	Stoke on Trent and Staffordshire Fire and Rescue Authority	1,470
26,689	**Total**	**27,940**

During the year, there was 1 Councillor who was both a Member of the Council and Staffordshire County Council.

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 2016 £000	Recycling Credit Scheme	31st March 2017 £000
(1,075)	Recycling Credits	(766)
(1,075)	**Total**	**(766)**

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 2017 is as follows:

2015/16 £000	Joint Waste Arrangement Income / Expenditure	2016/17 £000
	Funding Provided to the Operation	
(1,242)	Contribution from Tamworth Borough Council (42.5%)	(1,292)
(1,676)	Contribution from Lichfield District Council (57.5%)	(1,748)
(2,918)	**Total Funding Provided to the Operation**	**(3,040)**
	Expenditure	
2,373	Employee Costs	2,471
17	Premises Related Expenses	4
1,156	Transport Costs	1,217
1,318	Supplies and Services	1,389
249	Central Support Costs	318
5,113	**Total Expenditure**	**5,399**
	Income	
(1,779)	Recycling Credits	(1,872)
(453)	Other Income	(553)
(2,232)	**Total Income Received**	**(2,425)**
2,881	**Total Net Expenditure**	**2,974**
(37)	**Net (Surplus)/Deficit arising on the pooled budget during the year**	**(66)**
(16)	**Tamworth Borough Council's share of 42.5% Net (Surplus)/Deficit**	**(28)**

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 2016/17, the cost of the arrangement to the Authority was £1.3m.

34. 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.

2015/16 £000	Capital Expenditure and Financing	2016/17 £000
69,282	**Opening Capital Financing Requirement**	69,041
	Capital Investment	
5,720	Property, Plant and Equipment	8,111
-	Heritage Assets	39
77	Intangible Assets	88
488	Revenue Expenditure Funded from Capital under Statute	695
	Sources of Finance	
(492)	Capital receipts	(2,032)
(20)	Government grants and other contributions	(521)
(5,547)	Sums set aside from revenue - Direct Revenue Contributions	(6,027)
(21)	Sums set aside from revenue - Minimum Revenue Provision	(58)
(220)	Sums set aside from revenue - Voluntary Revenue Provision	-
(226)	Grants - Revenue Expenditure Funded from Capital Under Statute	(353)
69,041	**Closing Capital Financing Requirement**	**68,983**
	Explanation of movements in year:	
	Increase in underlying need to borrow:	
(21)	Sums set aside from revenue - Minimum Revenue Provision	(58)
(220)	Sums set aside from revenue - Voluntary Revenue Provision	-
(241)	**Increase/(Decrease) in Capital Financing Requirement**	**(58)**

35. 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 2016/17 was £328k (£348k - 2015/16). These leases have options for annual extensions beyond the original lease term, a number of these options are currently being taken up.

2015/16 £000	Minimum Lease Payments	2016/17 £000
348	Minimum lease payments	328
348	**Total Minimum Lease Payments**	**328**

The Authority was committed at 31st March 2017 to making payments of £670k under operating leases, comprising the following elements:

31st March 2016 £000	Operating Leases	31st March 2017 £000
334	Not later than one year	208
146	Later than one year not later than five years	462
480	**Total Operating Leases**	**670**

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 72 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 2016 £000	Assets Held for Leases (Lessor)	31st March 2017 £000
	Finance lease debtor (NPV of minimum lease payments)	
12,621	Non current	12,612
48,642	Unearned finance income	47,800
12	Unguaranteed residual value of property	12
61,275	**Gross Investment in the Lease**	**60,424**

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

Minimum Lease Payments 31st March 2016 £000	Gross Investment in the Lease 31st March 2016 £000	Minimum Lease Payments	Minimum Lease Payments 31st March 2017 £000	Gross Investment in the Lease 31st March 2017 £000
851	851	Not later than one year	851	851
3,403	3,403	Later than one year not later than five years	3,403	3,403
57,009	57,021	Later than five years	56,158	56,170
61,263	**61,275**	**Total**	**60,412**	**60,424**

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 2016 £000	Future Minimum Lease Payments	31st March 2017 £000
	Operating Leases	
1,014	Not later than one year	1,024
3,819	Later than one year not later than five years	3,740
50,540	Later than five years	50,428
55,373	**Total**	**55,192**

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 £425k in 2016/17 (£449k - 2015/16). There were 21 void units at the 31st March 2017 (26 voids at the 31st March 2016).

36. Impairment Losses

Charges for impairment of £5.8m have been made during 2016/17. This included an amount of £4.3m where the expenditure on Council Dwellings has not produced a similar increase in the value and £1.5m 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 £7.4m mainly related to improvements to bathrooms, kitchens, central heating, electrical upgrades and disabled adaptations however, £1.98m related to the acquisition of new properties to be used within the general need stock; £592k related to assets under construction; £138k related to the acquisition of 2 dwellings and £325k related to the purchase of land 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.

37. Termination Benefits

The Authority terminated the contract of 1 employee in 2016/17, incurring liabilities of £13k (£11k - 2015/16) – see Note 30 Officers' Remuneration for detail of the number of exit packages with total cost per band and total cost of redundancies.

38. 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 2015/16 £000	**Discretionary Benefit Arrangements 2015/16 £000**	**Defined Benefit Pension Schemes**	**Local Government Pension Scheme 2016/17 £000**	**Discretionary Benefit Arrangements 2016/17 £000**
		Comprehensive Income and Expenditure Statement:		
		Service Cost Comprising:		
2,370	69	Current service costs	2,030	67
25	-	Past service costs	-	-
		Financing and Investment Income and Expenditure		
3,748	-	Interest costs	3,775	-
(2,166)	-	Expected return on scheme assets	(2,344)	-
3,977	**69**	**Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services**	**3,461**	**67**
		Remeasurement of the Net Defined Benefit Liability Comprising:		
1,519	(51)	Return on plan assets (excluding amounts included in net interest expense)	(11,552)	104
-	-	Actuarial gains and losses on changes in demographic assumptions	(494)	-
(10,793)	-	Actuarial gains and losses on changes in financial assumptions	17,465	-
(1,646)	-	Other	(4,733)	-
(6,943)	**18**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**4,147**	**171**

Movement in Reserves Statement

Local Government Pension Scheme 2015/16 £000	Discretionary Benefit Arrangements 2015/16 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2016/17 £000	Discretionary Benefit Arrangements 2016/17 £000
		Movement in Reserves Statement:		
6,943	(18)	Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services for post employment benefits in accordance with the code	(4,147)	(171)
		Actual amount charged against the General Fund Balance for pensions in the year:		
1,735	-	Employers' contributions payable to the scheme	1,816	-
-	69	Retirement benefits payable to pensioners	-	67
8,678	**51**	**Total Movement in Reserves Statement**	**(2,331)**	**(104)**

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 2015/16 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme 2016/17 £000
108,203	Present Value of the Defined Benefit Obligation	123,687
(67,628)	Fair Value of Plan Assets	(80,208)
40,575	**Net Liability Arising From Defined Benefit Obligation**	**43,479**

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

Local Government Pension Scheme 2015/16 £000	Reconciliation of Fair Value of Scheme Assets	Local Government Pension Scheme 2016/17 £000
68,424	**Balance at 1st April 2016**	**67,628**
2,166	Interest Income on Plan Assets	2,344
(1,468)	Return on Assets excluding amounts included in net interest	11,448
1,342	Employer contributions	1,347
530	Contributions by scheme participants	531
(3,366)	Benefits paid	(3,090)
69	Contributions in respect of unfunded benefits	67
(69)	Unfunded benefits paid	(67)
67,628	**Balance at 31st March 2017**	**80,208**

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

Local Government Pension Scheme 2015/16 £000	Discretionary Benefit Arrangements 2015/16 £000	Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)	Local Government Pension Scheme 2016/17 £000	Discretionary Benefit Arrangements 2016/17 £000
116,112	**1,223**	**Balance at 1st April 2016**	**107,100**	**1,103**
2,439	-	Current service costs	2,097	-
3,748	-	Interest Cost on Defined Benefit Obligation	3,775	-
530	-	Plan Participants Contributions	531	-
		Remeasurements (gains)/losses		
-	-	Changes in Demographic Assumptions	(494)	-
(10,742)	(51)	Changes in Financial Assumptions	17,361	104
(1,646)	-	Other Experience	(4,733)	-
(3,366)	(69)	Benefits paid	(3,090)	(67)
25	-	Past service costs	-	-
107,100	**1,103**	**Balance at 31st March 2017**	**122,547**	**1,140**

f) Local Government Pension Scheme Assets Comprised:

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

As at 31st March 2016					As at 31st March 2017			
Quoted Prices in Active Markets £000	**Quoted Prices Not in Active Markets £000**	**Total £000**	**Percentage of Total Assets %**	**Fair Value of Employers Assets**	**Quoted Prices in Active Markets £000**	**Quoted Prices Not in Active Markets £000**	**Total £000**	**Percentage of Total Assets %**
				Equity Securities				
4,819.2	-	4,819.2	7.1	Consumer	5,380.3	-	5,380.3	6.7
3,942.6	-	3,942.6	5.8	Manufacturing	4,638.2	-	4,638.2	5.8
1,542.2	-	1,542.2	2.3	Energy & Utilities	1,988.4	-	1,988.4	2.5
4,361.2	-	4,361.2	6.4	Financial Institutions	5,372.4	-	5,372.4	6.7
3,633.2	-	3,633.2	5.4	Health Care	4,462.8	-	4,462.8	5.6
4,118.7	-	4,118.7	6.1	Information Technology	5,368.1	-	5,368.1	6.7
80.1	-	80.1	0.1	Other	79.7	-	79.7	0.1
				Debt Securities				
3,403.0	-	3,403.0	5.0	Corporate Bonds (Investment Grade)	5,956.3	-	5,956.3	7.4
				Private Equities				
-	2,116.2	2,116.2	3.1	All	-	2,546.2	2,546.2	3.2
				Real Estate				
-	6,003.3	6,003.3	8.9	UK Property	-	6,456.8	6,456.8	8.1
				Investment Funds & Unit Trusts				
22,985.9	-	22,985.9	34.1	Equities	26,771.7	-	26,771.7	33.2
3,453.8	-	3,453.8	5.1	Bonds	4,386.8	-	4,386.8	5.5
-	1,582.8	1,582.8	2.3	Hedge Funds	-	1,574.4	1,574.4	2.0
-	1,892.4	1,892.4	2.8	Other	-	1,196.8	1,196.8	1.5
				Cash & Cash Equivalents				
3,693.4	-	3,693.4	5.5	All	4,029.1	-	4,029.1	5.0
56,033.3	**11,594.7**	**67,628.0**	**100.0**	**Total Assets**	**68,433.8**	**11,774.2**	**80,208.0**	**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 2016.The significant assumptions used by the actuary have been:

Local Government Pension Scheme 2015/16	**Discretionary Benefit Arrangements 2015/16**	**Assumptions**	**Local Government Pension Scheme 2016/17**	**Discretionary Benefit Arrangements 2016/17**
		Long-term expected rate of return on assets in the scheme:		
3.50%	-	Equity Investments	2.60%	-
3.50%	-	Bonds	2.60%	-
3.50%	-	Property Managed Funds	2.60%	-
3.50%	-	Cash	2.60%	-
3.50%	-	Other	2.60%	-
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
22.1	22.1	Men	22.1	22.1
24.3	24.3	Women	24.4	24.4
		Longevity at 65 for future pensioners:		
24.3	24.3	Men	24.1	24.1
26.6	26.6	Women	26.4	26.4
2.20%	2.20%	CPI Rate	2.40%	2.40%
4.20%	4.20%	Rate of increase in salaries	2.80%	2.80%
2.20%	2.20%	Rate of increase in pensions	2.40%	2.40%
3.50%	3.50%	Rate for discounting scheme liabilities	2.60%	2.60%
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 2017	Impact on the Defined Benefit Obligation in the Scheme	
Approx. % Increase to Liability 2015/16 %	**Approx. Monetary Value 2015/16 £000**		**Approx. % Increase to Liability 2016/17 %**	**Approx. Monetary Value 2016/17 £000**
11.00%	11,390	0.5% Decrease in Real Discount Rate	9.00%	11,697
3.00%	3,246	1 Year in Member Life Expectancy	3.00 to 5.00%	4,986 to 8,310
3.00%	3,029	0.5% Increase in the Salary Increase Rate	1.00%	1,662
8.00%	8,206	0.5% Increase in the Pension Increase Rate	8.00%	9,875

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2018 is £2m (£1.8m - 2016/17). In addition, the Council plan to make an advance deficit repair pension payment of £2.5m in April 2017 (in return for a discount) in respect of the lump sum payments due for financial years 2017/18 to 2019/20.

39. Contingent Liabilities

The Authority has included a provision – detailed in Note 22 – relating to Business Rate appeals outstanding as at 31st March 2017.

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	£112.51m	£228.40m
B Total original Rateable Value of successful appeals	£51.84m	£32.05m	£83.89m
Average success rate (% of RV) **(B/A)**	44.73%	28.49%	36.73%
C Total revised Rateable Value of successful appeals	£47.55m	£28.55m	£76.10m
D Total reduction in Rateable Value (B-C)	**£4.29m**	**£3.50m**	**£7.79m**
Average % reduction in Rateable Value **(D/B)**	8.28%	10.92%	9.29%
E Years since the List was compiled	12	7	-
F Average annual reduction in Rateable Value **(D/E)**	£0.36m	£0.50m	-
G Standard Business Rate Multiplier in 2017/18	47.9p	47.9p	47.9p
H Average annual cost of reduction based on 2017/18 Multiplier (FxG)	**£0.171m**	**£0.240m**	**£0.411m**
District Council Share at 40% (Hx0.4)	**£0.068m**	**£0.096m**	**£0.164m**
I Appeals outstanding 31/03/16	£0.17m	£88.32m	£88.49m
J Provision included	£0.01m	£4.73m	£4.74m
Provision as a % of Appeals outstanding **(J/I)**	5.88%	5.36%	5.36%

40. 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; and

- 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 2016/17 was approved by Full Council on 23rd February 2016 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 £43.1m 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 2017 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 2017 £000 A**	**Historical Experience of Default % B**	**Historical Experience Adjusted for Market Conditions at 31st March 2017 % C**	**Estimated Maximum Exposure to Default and Uncollectability at 31st March 2017 £000 (A x C)**	**Estimated Maximum Exposure at 31st March 2016 £000**
AAA rated counterparties	-	0.37%	0.37%	-	-
AA rated counterparties	-	0.23%	0.23%	-	-
A rated counterparties	42,000	0.78%	0.78%	328	177
BBB rated counterparties	-	1.78%	1.78%	-	-
Caa rated counterparties	71	42.74%	42.74%	31	29
Escrow	1,021	-	-	-	-
Trade Debtors	2,107	85.15%	85.15%	1,794	1,734
Total	**45,199**	-	-	**2,153**	**1,940**

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 £2.1m is past its due date for payment. The past due amount as at 31st March 2017 but not impaired amount can be analysed by age as follows:

31st March 2016 £000	Arrears	31st March 2017 £000
341	Less than six months	329
335	Six months to one year	186
365	More than one year	375
1,152	More than two years	1,217
2,193	**Total**	**2,107**

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 2017 was £28.4k (£37.1k - 2015/16).

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 2016		Financial Liabilities	31st March 2017	
Average Rate %	Amount £000		Average Rate %	Amount £000
4.29%	65,401	PWLB	4.05%	63,371
4.29%	**65,401**	**Total**	**4.05%**	**63,371**
-	341	Less than one year (Interest Due)	-	311
11.75%	2,000	Less than one year	-	-
-	-	Maturing in 10 - 15 years	4.25%	1,000
4.05%	63,060	Maturing in over 15 years	4.05%	62,060
4.29%	**65,401**	**Total**	**4.05%**	**63,371**

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 2016		Financial Assets	31st March 2017	
Average Rate %	**Amount £000**		**Average Rate %**	**Amount £000**
0.65%	23,921	less than one year	0.56%	43,151
0.65%	**23,921**	**Total**	**0.56%**	**43,151**

* Excluding balances held with Icelandic Banking institutions.

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

d) Market Risk

i) Interest Rate Risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods.

For instance, a rise in variable and fixed interest rates would have the following effects:

- **Borrowings at variable rates:** The interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- **Borrowings at fixed rates:** The fair value of the borrowing will fall (no impact on revenue balances);
- **Investments at variable rates:** The interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- **Investments at fixed rates:** The fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in Interest Payable and Receivable on variable rate borrowings and investments will be posted to the (Surplus) or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. As at 31st March 2017, 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 £	Principal Default %
Glitnir	10/10/2007	09/10/2008	1,000,000	6.28	335,652	-
Glitnir	31/08/2007	28/08/2009	1,000,000	6.55	335,220	-
Glitnir	14/12/2007	12/12/2008	1,000,000	6.16	349,880	-
KSF	31/08/2008	09/08/2010	1,000,000	6.69	24,166	13.5%
KSF	31/10/2007	29/10/2008	1,000,000	6.16	23,802	13.5%
KSF	14/01/2008	14/10/2010	1,000,000	5.90	23,475	13.5%
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**	**-**	**1,092,195**	**-**

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. 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 29.4% of the amount held in escrow due to currency fluctuations (13.7% gain- 2015/16).

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 86.50p in the £.

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 £.

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 27th July 2017

Signed on behalf of Tamworth Borough Council

Councillor R Ford, Deputy Chair of the Audit and Governance Committee

Dated 27th July 2017

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.

2015/16 £000		**HRA Comprehensive Income and Expenditure Statement**	**2016/17** £000	£000
		Expenditure:		
	3,364	Repairs and Maintenance	2,929	
	6,276	Supervision and Management	6,082	
	68	Rents, rates, taxes and other charges	137	
	4,885	Depreciation and impairment of Non Current Assets	8,722	
	16	Debt management costs	24	
	142	Movement in the allowance for bad debts	139	
14,751		**Total Expenditure**		**18,033**
		Income:		
	(18,564)	Dwelling rents	(18,082)	
	(365)	Non dwelling rents	(369)	
	(391)	Charges for services and facilities	(757)	
	(1,754)	Contributions towards expenditure	(1,732)	
(21,074)		**Total Income**		**(20,940)**
(6,323)		**Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(2,907)**
7		HRA services' share of Corporate and Democratic Core		8
-		Exceptional Item - Change in EUSHV		(14,734)
(6,316)		**Net Expenditure / (Income) for HRA Services**		**(17,633)**
		HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:		
(468)		(Gain) or loss on sale of HRA Non Current Assets		(486)
2,887		Interest payable and similar charges		2,891
(116)		Interest and investment income		(120)
358		Pensions interest cost and expected return on pensions assets		332
-		Capital grants and contributions receivable		(246)
(3,655)		**(Surplus) or Deficit for the Year on HRA Services**		**(15,262)**

Statement of Movement on the HRA Balance

2015/16 £000		Statement of Movement on the HRA Balance	2016/17 £000	£000
5,957		Balance on the HRA at the end of the previous year		4,724
	3,655	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	15,262	
	(1,576)	Adjustments between accounting basis and funding basis under statute	(13,061)	
	2,079	**Net (increase) or decrease before transfers to or from reserves**	**2,201**	
	(3,312)	Transfers to / (from) Reserves	(572)	
(1,233)		Increase or (decrease) on the HRA		1,629
4,724		**Balance on the HRA at 31st March 2017**		**6,353**

Analysis of Adjustments

2015/16 £000	Analysis of Adjustments	2016/17 £000
(10)	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	10
(469)	Gain or loss on sale of HRA Non Current Assets	(486)
523	HRA share of contributions to or from the Pensions Reserve	403
(2,028)	Capital expenditure funded by the HRA	(2,218)
-	Capital Grants and Contributions Applied;	(246)
(4,477)	Transfer to / from the Major Repairs Reserve	(4,511)
4,885	Transfer to / from the Capital Adjustment Account	(6,013)
(1,576)	**Total Adjustments Between Accounting Basis and Funding Basis Under Statute**	**(13,061)**

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 2016	2,760	755	882	**4,397**
Sales	(28)	(7)	(5)	**(40)**
Purchases	12	2	5	**19**
Housing Stock as at 31st March 2017	**2,744**	**750**	**882**	**4,376**

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 2017 is £404.6m (31st March 2016 Vacant Possession Value was £399.1m).

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 Value Social Housing (EUV-SH) which for 2016/17, a nationally set adjustment factor for the West Midlands of 40% of vacant possession value has been used (34% - 2015/16).

Existing Use Social Housing Value of Dwellings

Existing Use Social Housing Value of Dwellings	Council Dwellings £000	Other Land and Buildings £000	PVE £000	Asset Under Construction £000	Total £000
Cost or Valuation					
As at 1st April 2016	**135,684**	**4,052**	**-**	**150**	**139,886**
	-				
Additions;	6,428	325	10	598	**7,361**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(5,507)	(30)	-	-	**(5,537)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve;	15,492	28	-	-	**15,520**
Revaluation increases/ (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	16,165	-	-	-	**16,165**
Derecognition - Disposals.	(1,540)	-	-	-	**(1,540)**
Other movements in cost or valuation	156	-	-	(156)	**-**
As at 31st March 2017	**166,878**	**4,375**	**10**	**592**	**171,855**
Accumulated Depreciation & Impairment					
As at 1st April 2016	**(1,316)**	**(166)**	**-**	**-**	**(1,482)**
Depreciation Charge;	(4,209)	(104)	-	-	**(4,313)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	5,507	30	-	-	**5,537**
Impairment losses/ (reversals) recognised in the Revaluation Reserve;	(549)	-	-	-	**(549)**
Impairment losses/ (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(5,839)	-	-	-	**(5,839)**
Derecognition - disposals.	12	-	-	-	**12**
As at 31st March 2017	**(6,394)**	**(240)**	**-**	**-**	**(6,634)**
Net Book Value					
As at 1st April 2016	134,368	3,886	-	150	**138,404**
As at 31st March 2017	**160,484**	**4,135**	**10**	**592**	**165,221**
Nature of holdings at year end Owned	**160,484**	**4,135**	**10**	**592**	**165,221**

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.

2015/16 £000	Major Repairs Reserve	2016/17 £000
134	**Balance at 1st April 2016**	**1,383**
4,477	Contributions to the Major Repairs Reserve	4,511
(3,228)	Capital Spending on Dwellings	(3,373)
1,383	**Balance at 31st March 2017**	**2,521**

HRA4. Capital Expenditure Summary

The following table details how £7.4m Capital Expenditure was financed during the year.

2015/16 £000	Capital Expenditure	2016/17 £000
	Capital Expenditure Type:	
5,362	Dwellings	6,428
-	Land	325
-	Plant, Vehicles and Equipment (PVE)	10
150	Assets Under Construction	598
5,512	**Total Capital Expenditure**	**7,361**
	Funded by:	
256	Usable capital receipts	1,524
2,028	Revenue contributions	2,218
-	External grants and contributions	246
3,228	Major Repairs Reserve	3,373
5,512	**Total Funding**	**7,361**

HRA5. Capital Receipts

During the year capital receipts totalling £2.1m were received in respect of dwellings sold, of which £597k 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

2015/16 £000	Capital Receipts	2016/17 £000
1,698	Sale of dwellings under Right to Buy	2,065
(425)	Amounts pooled to Central Government	(597)
1,273	**Net Capital Receipts**	**1,468**

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 £4.2m.

The charge for depreciation of £104k on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

Charges for impairment of £5.8m have been made during 2016/17. This included an amount of £4.3m where the expenditure on capital assets has not produced a similar increase in the value of the asset and £1.5m in respect of dwellings, part of the Regeneration Scheme at Tinkers Green, no longer available for letting.

HRA7. HRA Pensions Reserve

2015/16 £000	Pensions	2016/17 £000
244	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	293
848	Interest on share of pensions liability	877
(490)	Expected return on share of assets	(544)
602	**Total**	**626**

HRA8. Rent Arrears

2015/16 £000	Rent Arrears	2016/17 £000
1,455	Gross arrears	1,601
7.8%	Gross arrears as percentage of gross rent income	8.9%

Of the rent arrears, 37.5% (37.8% - 2015/16) refer to former tenants.

2015/16 £000	Provision for Bad Debts	2016/17 £000
	Rent Arrears	
1,095	**Balance at 1st April 2016**	**1,208**
145	Contribution from / (to) HRA in year	143
(32)	Written off in year	(27)
1,208	**As at 31st March 2017**	**1,324**
	Sundry Debtors	
36	**Balance at 1st April 2016**	**31**
(4)	Contribution from / (to) HRA in year	(4)
(1)	Written off in year	(1)
31	**Balance at 31st March 2017**	**27**
1,239	**Total Provision for Bad Debts**	**1,351**

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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.

2015/16 Council Tax £000	2015/16 NNDR £000	2015/16 Total £000	Collection Fund Income and Expenditure Statement	2016/17 Council Tax £000	2016/17 NNDR £000	2016/17 Total £000
			INCOME			
(31,013)	-	(31,013)	Income from Council Tax	(32,166)	-	(32,166)
26	-	26	Transfers from General Fund - Council Tax benefits	11	-	11
-	(35,489)	(35,489)	Income collectable from business ratepayers	-	(35,785)	(35,785)
(30,987)	**(35,489)**	**(66,476)**	**Total Income**	**(32,155)**	**(35,785)**	**(67,940)**
			EXPENDITURE			
			Precepts			
3,271	-	3,271	- Tamworth Borough Council	3,381	-	3,381
3,664	-	3,664	- OPCC Staffordshire	3,713	-	3,713
1,422	-	1,422	- Stoke on Trent and Staffordshire Fire and Rescue Authority	1,470	-	1,470
21,603	-	21,603	- Staffordshire County Council	22,757	-	22,757
			Business rates			
-	13,181	13,181	- Tamworth Borough Council	-	13,262	13,262
-	16,476	16,476	- Central Government	-	16,578	16,578
-	330	330	- Stoke on Trent and Staffordshire Fire and Rescue Authority	-	332	332
-	2,966	2,966	- Staffordshire County Council	-	2,984	2,984
-	92	92	Costs of collection	-	92	92
			Bad and Doubtful Debts			
152	273	425	-Provisions	130	146	276
-	1,746	1,746	-Provision for appeals	-	1,206	1,206

2015/16 Council Tax £000	2015/16 NNDR £000	2015/16 Total £000	Collection Fund Income and Expenditure Statement	2016/17 Council Tax £000	2016/17 NNDR £000	2016/17 Total £000
			Distribution of previous year's surpluses/deficits			
82	728	810	- Tamworth Borough Council	82	(560)	(478)
93	-	93	- OPCC Staffordshire	92	-	92
36	18	54	- Stoke on Trent and Staffordshire Fire and Rescue Authority	36	(14)	22
540	164	704	- Staffordshire County Council	541	(126)	415
-	910	910	- Central Government	-	(700)	(700)
30,863	**36,884**	**67,747**	**Total Expenditure**	**32,202**	**33,200**	**65,402**
(124)	1,395	1,271	**(Surplus)/ Deficit for the year**	47	(2,585)	(2,538)
(1,291)	378	(913)	Fund Balance Brought Forward	(1,415)	1,773	358
(1,415)	**1,773**	**358**	**Fund Balance at 31st March 2017**	**(1,368)**	**(812)**	**(2,180)**
			Analysis of Fund Balance (Surplus)/ Deficit			
(154)	709	555	- Tamworth Borough Council	(147)	(325)	(472)
(170)	-	(170)	- OPCC Staffordshire	(160)	-	(160)
(67)	18	(49)	- Stoke on Trent and Staffordshire Fire and Rescue Authority	(64)	(8)	(72)
(1,024)	160	(864)	- Staffordshire County Council	(997)	(73)	(1,070)
-	886	886	- Central Government	-	(406)	(406)
(1,415)	**1,773**	**358**	**Total**	**(1,368)**	**(812)**	**(2,180)**

NOTES TO THE COLLECTION FUND

CF 1. NNDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2017 was £78,997,744 (£79,106,781at 31st March 2016).

The NNDR multiplier for 2016/17 was 49.7p in the pound (49.3p - 2015/16). The qualifying small business multiplier for 2016/17 was 48.4p in the pound (48.0p - 2015/16).

CF 2. Council Tax Base Calculation

The Council base was as follows:

Number of Chargeable Properties 2015/16	Adjusted Property Base (Band D Equivalent) 2015/16	Calculation of Ctax Base	Number of Chargeable Properties 2016/17	Adjusted Property Base (Band D Equivalent) 2016/17
		Valuation Band (Multiplier)		
20	11	**A - Disabled Relief Reduction (5/9)**	**22**	12
8,065	5,377	**A - (6/9)**	**8,071**	5,381
10,638	8,274	**B - (7/9)**	**10,666**	8,296
5,029	4,470	**C - (8/9)**	**5,040**	4,480
3,338	3,338	**D - (9/9)**	**3,334**	3,334
1,621	1,981	**E - (11/9)**	**1,623**	1,984
379	547	**F - (13/9)**	**391**	565
59	98	**G - (15/9)**	**56**	93
2	3	**H - (18/9)**	**2**	5
	(3,029)	**LCTS ADJUSTMENT**		(2,797)
29,151	21,070	**Totals**	**29,205**	**21,353**
	97.90%	**Assumed Collection Rate**		**97.90%**
	20,628	**Total Taxbase**		**20,904**

CF 3. Authorities making precepts or demands on the fund

Council Tax

Precept 2015/16 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2015/16 £	Total Movement on the Collection Fund 2015/16 £	Precepts Analysis	Precept 2016/17 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2016/17 £	Total Movement on the Collection Fund 2016/17 £
3,271,601	**153,678**	**3,425,279**	Tamworth Borough Council	**3,381,222**	**146,995**	**3,528,217**
3,663,739	**170,533**	**3,834,272**	OPCC Staffordshire	**3,712,758**	**160,640**	**3,873,398**
1,422,507	**66,820**	**1,489,327**	Stoke on Trent and Staffordshire Fire and Rescue Authority	**1,470,178**	**63,541**	**1,533,719**
21,603,272	**1,023,909**	**22,627,181**	Staffordshire County Council	**22,757,129**	**997,358**	**23,754,487**
29,961,119	**1,414,940**	**31,376,059**	**Total**	**31,321,287**	**1,368,534**	**32,689,821**

NNDR

Business Rates 2015/16 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2015/16 £	Total Movement on the Collection Fund 2015/16 £	Precepts Analysis	Business Rates 2016/17 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2016/17 £	Total Movement on the Collection Fund 2016/17 £
13,181,129	**(709,059)**	**12,472,070**	Tamworth Borough Council	**13,262,270**	**325,091**	**13,587,361**
329,528	**(17,727)**	**311,801**	Stoke on Trent and Staffordshire Fire and Rescue Authority	**331,557**	**8,127**	**339,684**
2,965,754	**(159,538)**	**2,806,216**	Staffordshire County Council	**2,984,011**	**73,146**	**3,057,157**
16,476,412	**(886,324)**	**15,590,088**	Central Government	**16,577,837**	**406,364**	**16,984,201**
32,952,823	**(1,772,648)**	**31,180,175**	**Total**	**33,155,675**	**812,728**	**33,968,403**

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 2016/17.

CF 5. Bad and Doubtful Debts

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

2015/16 £000	Provision for Bad Debts	2016/17 £000
	Council Tax	
1,115	**Balance at 1st April 2016**	**1,174**
152	Increase /(decrease) in provision	131
(93)	Written off in year	(82)
1,174	**As at 31st March 2017**	**1,223**
	Business Rates	
817	**Balance at 1st April 2016**	**1,051**
273	Increase /(decrease) in provision	146
(39)	Written off in year	(171)
1,051	**As at 31st March 2017**	**1,026**

CF 6. Appeals – Business Rates

The following provisions and settlements were made in the year:

2015/16 £000	Provision for Appeals	2016/17 £000
	Business Rates	
3,814	**Balance at 1st April 2016**	**4,320**
1,746	Increase /(decrease) in provision	1,206
(1,240)	Resolved in year	(784)
4,320	**As at 31st March 2017**	**4,742**

Annual Governance Statement

What is Governance?

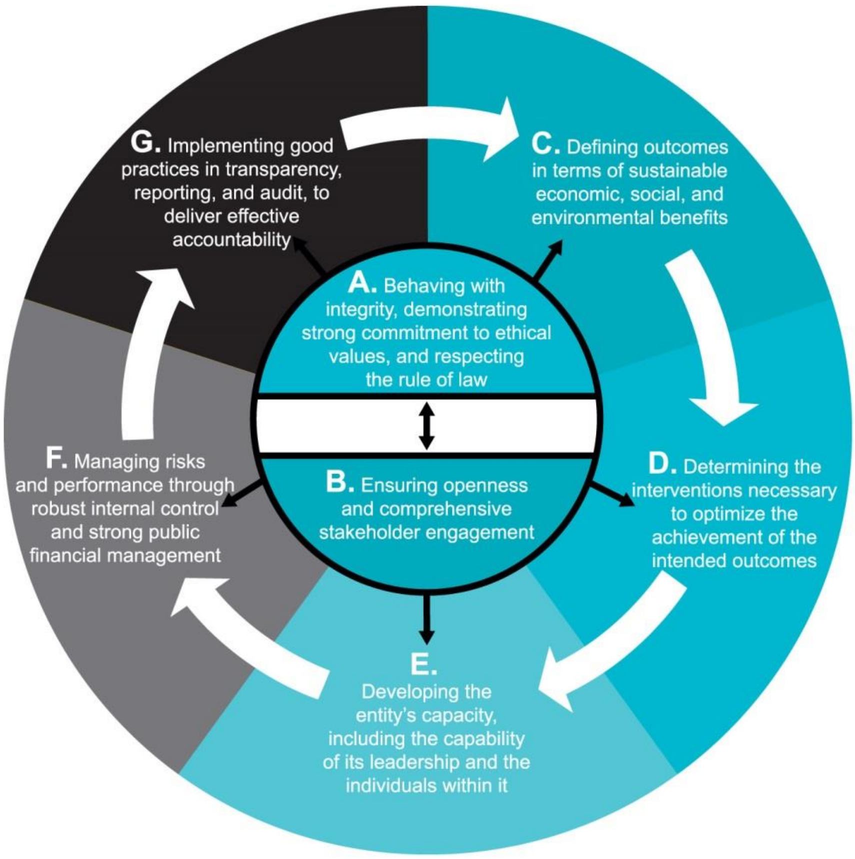
Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To deliver good governance in the Authority, both governing bodies (Members) and individuals working for the Authority must try to achieve the Authority's objectives whilst acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

The Core Principles of Good Governance

The diagram below, taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC. 2014) (the "International Framework"), illustrates the various principles of good governance in the public sector and how they relate to each other.



Responsibility

The Authority is responsible for ensuring that its business is completed in line with the law and statutory legislation, and that public money is spent wisely and properly accounted for. We will ensure that we continually improve the way we provide our services whilst taking into account value for money.

We will ensure that we put in place proper arrangements to ensure our risks are managed, and that controls and the governance process are in place.

We have approved and adopted a Code of Corporate Governance which is consistent with principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Code demonstrates the supporting principles which underpin the core principles and identifies the assurance as outlined in the Framework. It also demonstrates what level of assurance we get and thus, identifies any areas for improvement. This forms the assurance framework for good governance and demonstrates that we know our governance arrangements are working. Links to all supporting evidence identified in the assurance framework are contained within the Code of Corporate Governance and are not repeated in this statement.

Our Outcomes

Our desired outcomes for 2017-20 are detailed in the **Corporate Plan**. The Corporate Plan details our Vision and sets out our Thematic Priorities.

Our Vision is:

"One Tamworth, Perfectly Placed – Open for business since the 7th century AD"

Our thematic priorities are:

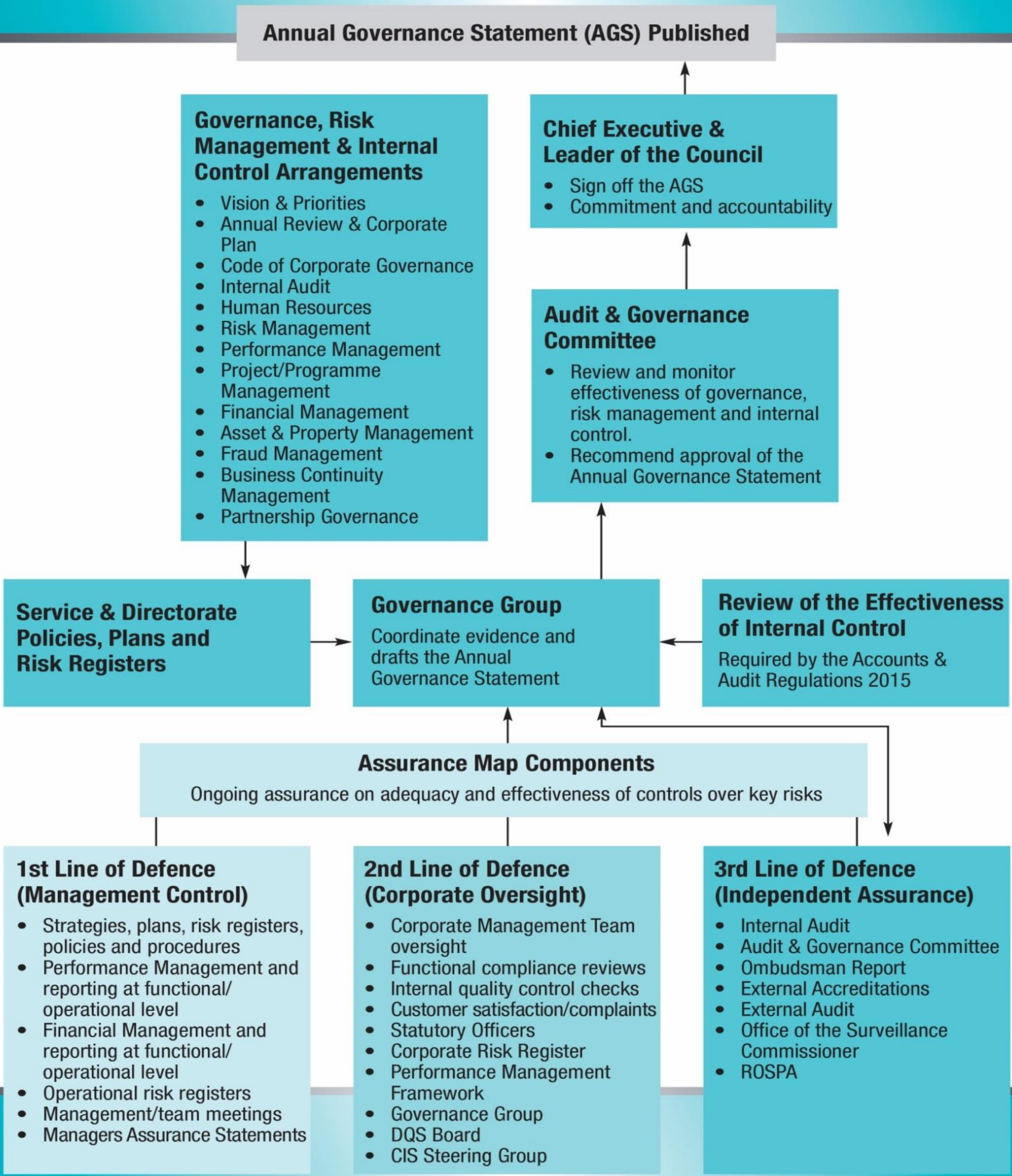
Living a Quality Life in Tamworth
Growing Stronger Together in Tamworth
Delivering Quality Services in Tamworth.

Under each thematic priority, we detail our ambitions and how we are going to realise these. All outcomes we aim to achieve, along with changes we want to see and supporting information are detailed in the Corporate Plan.

For each activity or process we complete, we ensure that the appropriate governance arrangements are in place.

The Assurance Framework

The diagram below shows how the Assurance Framework is made up



What have we done to monitor and evaluate the effectiveness of our governance arrangements during 2016/17 and in 2017/18 to date.

The Authority has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of the effectiveness of the system of internal control is informed by:

- The work of internal audit which is detailed in the Head of Internal Audit Services Annual Report;
- Responsibility of Corporate Management Team for the development and maintenance of the internal control environment; and
- Reports received from our External Auditors and any other review agencies or inspectorates.

During 2016/17, the following actions have contributed to the evaluation of the effectiveness of the governance arrangements;

- The Governance Group has reviewed and updated against the Code of Corporate Governance in line with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government;*

- 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. Both officers comply with expected roles;

- 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. The statement for the 2016/17 financial year is as follows:

  "I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's risk management, control and governance processes.
  Overall in my opinion, based upon the reviews performed during the year, the Authority has:

  - adequate and effective risk management arrangements;
  - adequate and effective governance; and
  - has adequate and effective control processes.

- From the 1st April 2013, Internal Audit is required to comply with the Public Sector Internal Audit Standards. As part of this requirement, Internal Audit are required to complete an annual self-assessment against the Standards and produce a Quality Assurance & Improvement Programme(QAIP) which identifies areas for improvement both to ensure compliance with the Standards and other quality areas. The self-assessment against the standards and the QAIP are reported to the Audit & Governance Committee. An external verification of the self-assessment has been completed in 2016/17 and confirms that the service complies with the Standards;

- Our External Auditor's 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 on the enquiries and complaints they received in 2015/16 was reported to the Audit & Governance Committee;

- 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 May 2017. A quarterly update report is presented to the Audit & Governance Committee on the use of RIPA powers. During the 2016/17, 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 June 2017 and made available to staff;

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

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

- To assist in a more co-ordinated approach to managing projects, a Corporate Project Management template and process has been devised and made available to Officers;

- The governance framework for Information Services has been reviewed and updated;

- We have put in place an action plan for the introduction of the General Data Protection Rules which come into force in May 2018;
- A self-assessment of the Audit & Governance Committee's effectiveness was completed on the 30th March 2017;
- The Chairs of the Audit & Governance and Scrutiny Committees submitted their Annual Reports to Full Council;
- The Authority complies with the Transparency Code;
- Counter fraud work continues to be completed with the retained expertise of in-house staff to investigate corporate fraud;
- 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;
- The Leader of the Council reported to Full Council on the 16th May 2017, 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 2017;
- The Anti-Money Laundering Policy was reviewed and approved by Full Council in May 2017;
- In compliance with the Localism Act 2011, a report was presented to Full Council in May 2017 advising them of the number of complaints received regarding Members Conduct;
- The Diversity & Equalities Scheme 2015-19 was approved by Cabinet in July 2017; The Pay Policy 2017 was approved by Appointment & Staffing Committee in February 2017;
- 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 Council. We do this by:
- Having a Safeguarding Children & Adults at Risk of Abuse & Neglect Policy and procedures in place;
- Having Safeguarding Children & Adults Processes which give clear, step-by-step guidance if abuse is identified;
- Safeguarding training programme in place for staff and members;

- Carrying out of the appropriate level of Disclosure and Barring Service (DBS) checks on staff and volunteers;
- Working closely with Staffordshire Safeguarding Children's Board & Staffordshire & Stoke-on-Trent Adult Safeguarding Partnership.

- The Authority recognises that it has a responsibility to take a robust approach to slavery and human trafficking. In addition to the Authority's responsibility as an employer, it also acknowledges its duty as a Borough Council to notify the Secretary of State of suspected victims of slavery or human trafficking as introduced by section 52 of the Modern Slavery Act 2015. The Authority is committed to preventing slavery and human trafficking in its corporate activities and to ensuring that its supply chains are free from slavery and human trafficking. The Authority has included modern slavery and human trafficking information within the corporate safeguarding policy and training. The Council will continue to develop and strengthen its approach to modern slavery and trafficking in 2017/18.

Declaration

We have been advised on the implications of the result of the review of the effectiveness of the Governance Framework by the Audit & Governance Committee and that the arrangements continue to be regarded as fit for purpose. The significant governance issues highlighted in the 2015/16 Annual Governance Statement still remain the significant issues during 2016/17 and are detailed at **Annex 1** with actions completed to date to address the issues. Other minor issues highlighted through the assurance gathering process have been noted with planned actions to address these issues. Monitoring of the completion of all these issues will be completed through reporting to the Audit & Governance Committee.

We propose over the coming year to take steps to address those matters raised to further enhance our governance arrangements. We are satisfied that these steps 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

Annex 1

Significant Governance Issues 2016/17

The significant governance issues identified in relation to the Authority achieving its vision in 2016/17 are:

No	Issue	Action 2015/16	Update 2016/17
1	**Medium Term Financial Strategy (MTFS)** Whilst actions have been taken to ensure that the MTFS remains balanced, this is still a significant risk to the Authority. Revenue Support grant will be removed around 2020. Opportunities and risks associated with the 100% Business Rates Retention will need to be identified. The increasing demands of our customers also need to be considered.	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 work.	Sustainability Strategy savings targets approved as part of the Policy Changes on an annual basis are reviewed as part of the MTFS and Budget setting process each year. Quarterly updates are also 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. We await an update from the Government on the revised timetable on the 100% Business Rate Retention.
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.	Maintain and review project plans on a regular basis to ensure that they can be delivered in accordance with the Capital Programme.	Cabinet have received updates on the Commercial Investment Strategy (CIS), and have approved a steering group be formed comprising Members and Officers to oversee the implementation of projects delivered within the CIS. The last meeting of this group was in May 2017.

No	Issue	Action 2015/16	Update 2016/17
	There is a risk that developers will not develop timely in accordance with the Local Plan need.		Cabinet have also received regular updates on projects that sit outside of the CIS such as the Tinkers/Kerria regeneration and the Enterprise Quarter project. Work has commenced on an inward investment strategy which will assist in encouraging growth and development within the Borough.
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.	The pan-Staffordshire position in respect of the transfer of DFG Funding from the Better Care Fund (BCF) held by the County Council has not been fully resolved and is currently be reviewed through the Chief Executive Group. Progress has been made on the 'whole systems' review of the DFG processes. We are currently working in a Partnership Board with Districts and County to progress the equitable distribution. . For 2017/2018 allocation, we are currently working with the County Council on a 'Pass Through Agreement' for the forthcoming year. We have a statement from the County Council identifying the current years distribution, but there are a number of deductions – Minor Works and the pro-rata contribution towards the Project Management costs of the 'whole systems review'. At the Chief Executive Officer Group meeting on 13th July, 2017 the CEO of Staffordshire County Council undertook to take back these issues and to press for a resolution ASAP.

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

Capital Receipts
Proceeds from the sale of assets e.g. land or buildings, which may be used to finance new capital expenditure or are payable to the Central Government Housing Capital Receipts Pool.

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

Cash and Cash Equivalents
Cash includes bank balances and on demand deposits. Cash Equivalents are short term, highly liquid investments where the date of maturity is three months or less from the date of acquisition that are readily convertible to cash with an insignificant risk of change in value.

Cash Flow Statement
This shows the changes in cash and cash equivalents of the 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.

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

Housing Revenue Account Balance
The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

IFRS
International Financial Reporting Standards (IFRS) are 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 Reserve
The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

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 10.

Appendix to Comprehensive Income and Expenditure Statement

Chief Executive
Chief Executive

Executive Director Corporate Services
Executive Director Corporate Services
Benefits
Internal Audit

Director Finance
Accountancy
Corporate Finance
Financial Operations
Procurement
Revenue Services

Solicitor and Monitoring Officer
Solicitor to the Council
Children, Family and Safeguarding
Democratic Services
Land Charges
Mayoralty

Director Technology and Corporate Programmes
Civil Contingencies
Information Technology
Reprographics

Director Transformation and Corporate Performance
Communication and Public Relations
Customer Services
Organisational Development
Health And Safety
Payroll

Director Communities, Planining and Partnerships
Partnership and Community Development

Director Growth, Assets and Environment - General Fund
Assets and Environmental Services Business Support
Community Leisure
Asset Management
Community Safety
Environmental Health
Environmental Management
Joint Waste Arrangement
Strategic Planning and Development

Director Of Housing and Health - General Fund
Community Engagement
Community Leisure
Health Agenda
Partnership Support and Development
Housing Strategy and Advice

Director Growth, Assets and Environment - HRA
Asset Management and Investment

Director Of Housing and Health - HRA
Landlord Services

HRA Summary

Housing Repairs

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 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes including the Expenditure Funding Analysis. 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 2016/17.

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 Authority's 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 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 2016/17, 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, the Code of Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 for the financial year for which the financial statements are prepared 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 (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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, having regard to the guidance on the specified criteria, issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

John Gregory

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

The Colmore Building, Colmore Plaza, Birmingham, B4 6AT

xxth July 2017

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.