Tamworth Borough Council
Statement of Accounts 2017/18

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Tamworth Borough Council

STATEMENT OF ACCOUNTS

2017/18

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 2018. 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 2018 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2017/18.

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 2017/18 are set out on pages 20 to 126 and consist of the following:

Core Financial Statements:

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

  A surplus of £15.7m is reported for 2017/18 (£29.5m surplus 2016/17). This is mainly explained by a £13.5m gain (on Revaluation of Property, Plant and Equipment Assets).

  It also included a re-measurement of the Net Defined Benefit Liability relating to the pension fund which resulted in a surplus of £2.1m (a deficit of £0.8m was reported in 2016/17) resulting mainly from financial assumption changes.

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

  The Movement in Reserves Statement shows a net General Fund surplus of £0.3m for the year. This equates to a variance of £1.8m compared to the planned transfer from balances in the original budget at the start of the year of £1.5m and has resulted in General Fund Balances of £6.9m (£6.6m – 2016/17). Earmarked General Fund Reserves have increased by £0.2m to £5.9m resulting in total General Fund Reserves of £12.8m (£12.3m – 2016/17) 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 £184.4m (£168.7m 2016/17) 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 £193.5m (£181.7m 2016/17) – mainly due to Council dwellings of £171.8m (£160.5m 2016/17).

Working Capital

Net working capital has increased to £57.8m (£47.8m 2016/17) mainly due to the receipt of £8.2m during 2017/18 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 2018 are £59.0m (£47.7m 2016/17) and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

31st March 2017 £000	Provisions, Usable Reserves and Balances	31st March 2018 £000
1,905	Provisions	1,545
20,238	Earmarked Reserves	21,460
12,941	Revenue Balances	13,742
12,657	Unused Capital Receipts & Grants	22,301
47,741	Total Working Balances	59,048

Working balances of £37.8m (£27.6m 2016/17) relate to capital (including the Capital Reserve of £12.0m). Deferred capital expenditure of £27.3m from 2017/18 and previous years carried forward to 2018/19 will be financed from these balances (£12.3m 2016/17).

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 2018 was £63.1m (£63.1m 2016/17) and was all borrowed from the PWLB.

Pensions

The pension fund deficit has reduced in the year to £41.9m (£43.5m 2016/17) and is required to be shown on the Balance Sheet of the Authority.

Overall, the financial assumptions are relatively similar to 31st March 2017 and fund returns over the year have been broadly in line with the 2017 accounting expected return assumption. As a result of these two factors, there has not been a large swing in the 2018 levels of assets and obligations. Obligations have increased by £1.3m since 2016/17 and assets levels have improved since 2016/17 by £2.9m – mainly as a result of an advance pension contribution of £1.8m.

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 115 shows an increase in HRA balances for the year of £0.5m (£1.6m – 2016/17).

    This equates to an underspend of £0.8m when compared to the approved budget for the year. This has resulted in an increase in balances from £6.3m to £6.8m to be carried forward to 2018/19. Earmarked HRA Reserves have increased by £0.1m (£0.6m – 2016/17) to £12.1m resulting in total HRA Reserves of £18.9m (£18.3m – 2016/17).

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

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

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

    - Council Tax – surplus of £1.5m (£1.4m – 2016/17, the Authority’s share is 11%), of which £0.8m (£0.8m – 2016/17) will be distributed to preceptors during 2018/19;
    - NNDR – surplus of £0.7m (£0.8m surplus in 2016/17) of which the Authority’s share is 40% net of any applicable Levy of 50%.

The surplus relating to the NNDR collection fund includes a reduced provision of £3.8m (£4.7m - 2016/17) with £1.5m being the Authority’s share (£1.9m - 2016/17) for appeals outstanding on the 31st March 2018 of £109.4m (£88.5m - 2016/17).

This will mean that the forecast surplus will be £0.3m (share for this Authority) for 2017/18 compared to a projected deficit of £0.2m included within the 2018/19 budget.

These accounting statements are supported by appropriate notes to the accounts and the General Accounting Policies. For 2017/18, the notes to support the primary statements include the relevant accounting policies as well as further detail regarding individual transactions.

CHANGES TO THE ACCOUNTS 2017/18

An updated Code of Practice, applicable for 2017/18 was issued by CIPFA in March 2017.

Changes reflected in the 2017/18 updated Code do, on the whole, have to be incorporated into the Authority's accounts but do not necessarily impact on the Authority's accounting policies. This is because the changes are principally around additional or changed disclosure notes, points of clarification and additional guidance etc.

The key accounting changes applicable to the Authority in the 2017/18 edition of the Code include:

a) a restructure of chapter one (Introduction) to separately present the requirements of each of the administrations across the UK for that chapter;
b) amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report;
c) updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting;
d) following the amendments in the Update to the 2016/17 Code, changes to section 3.5 (Housing Revenue Account) to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities;
e) following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements);

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 contains additional appendices containing the provisions for the introduction of these accounting standards.

FINANCIAL OUTLOOK

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 that austerity measures are to continue with Revenue Support Grant (RSG) all but eradicated for most Authorities by 2020 – and suggests that the key challenges that the Authority is currently addressing are likely to become greater.

The Authority has adopted a route-map designed to position the Authority so it could be Perfectly Placed to take advantage of every opportunity it either created or identified.

“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 Authority 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 Authority also continues to be faced with significant financial demands from Central Government following new legislation in areas such as Homelessness, Data Protection (the new General Data Protection Regulations - GDPR), planning and transparency – as well as substantial reductions in Government grant support.

The key risks are:

- Impact of uncertain economic conditions, following the decision to leave the EU – there is a higher level of uncertainty than in previous years;

- 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 with regard to business rates retention (and the associated impact on the Authority’s business rates income and associated baseline and tariff levels) – it has recently been announced that Authorities will be able to retain 75% of business rates collected from 2020/21 rather than 100% as previously planned. In addition, the Government are also consulting on a review of the distribution methodology, the ‘Fair Funding Review’ as well as the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed) - both of which will also take effect from 2020/21. There is a high risk that this will have a significant effect on the Authority’s funding level from 2020/21;

- Delivery of the planned Commercial Investment Strategy actions and associated improved investment returns of 4% 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 Medium Term Financial Strategy (MTFS) in the long term);

- 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.

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 within the MTFS together with reduced Customer Relationship Management (CRM) costs of £62k p.a. from 2019/20;

- Recruitment freeze – where possible, 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;

- Spend freeze – Managers have previously been required to restrict / limit spending to essential spend only (there was a £1.6m underspend in 2016/17 – although the majority was windfall income, c. £0.57m was lower level underspend). Savings of over £150k p.a. have been identified;

- 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 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); and
    - Investments in a Diversified Property Fund.

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

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

Council, on 27th February 2018, approved a 3 year MTFS 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.

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 Authorities 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.

The accomplishment of a balanced 3 Year MTFS for the General Fund is a major achievement as the Authority, like others, has planned to deliver its budget process in light of unprecedented adverse economic conditions with a great deal of uncertainty over future investment and income levels such as car parking, land charges and corporate property rents.

Interim Management Arrangements

During the year, the post of Chief Executive became vacant and interim management arrangements were put in place with the separate appointment of a Chief Operating Officer and Head of Paid Service.

The Authority has commenced the first phase of the Senior Management Review. This has meant that the most senior managers in the organisation have been offered the option to explore voluntary redundancy in order to reduce the number of senior managers in order to meet planned budget savings and contribute towards meeting the future budget deficit.

FINANCIAL PERFORMANCE

General Fund

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

General Fund	Actual £000	Approved Budget £000	Variance £000
(Surplus) or Deficit for the Year	**7,839**	**9,623**	**(1,784)**

The net expenditure of the Authority was £7.8m, representing an underspend of £1.8m. 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	(102)	
Corporate Finance - unspent reserves and provisions	(248)	
Business Rates - Returned Levy income	(196)	
Business Rates - Section 31 grant income	(399)	
Corporate Finance - unspent contingencies	(50)	
External Interest receivable	(71)	(1,066)
Non-Budgeted Expenditure / Overspends		
Contribution to Transformation Reserve	226	
Business Rates Levy	324	550
Savings / Underspends		
External Interest Payable (net of HRA item 8 DR)	(60)	
Joint Waste Arrangement	(157)	(217)
Other Variances - Net (Underspends) / Overspends		(1,051)
Total (Favourable) / Unfavourable Variance		**(1,784)**

It should be noted that the significant underspends were outside of the Authority's control and could not have been projected when the 2017/18 budgets were set in February 2017. The outturn figures include significant windfall items highlighted in the table above (*).

Council Housing

A summary of the Housing Revenue Account for 2017/18, compared with the approved budget (including decisions made by Members during the financial year) is shown below:-

Housing Revenue Account	**Actual**	**Approved Budget**	**Variance**
	£000	**£000**	**£000**
(Surplus) or Deficit for the Year	**(471)**	**360**	**(831)**

The net income of the HRA was £0.5m, representing an underspend of £0.8m. 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		(104)
Non-Budgeted Expenditure / Overspends		
Council Tax payments relating to Regeneration projects	46	
Transfers to Earmarked Reserves (Transformation / Repairs)	799	845
Savings / Underspends		
Housing Repairs	(1,068)	
Unspent Contingency Budget	(100)	
Unspent reserves and provisions	(84)	
Provision for Bad Debts (budget reflects welfare reforms still being rolled out)	(64)	
External Interest Payable (item 8 DR)	(99)	(1,415)
Other Variances - Net (Underspends) / Overspends		(157)
Total (Favourable) / Unfavourable Variance		**(831)**

Capital Expenditure

During 2017/18 the Authority spent £9.3m on capital expenditure (£8.9m in 2016/17). A breakdown by category and sources of finance is shown as Note 34 to the Core Financial Statements on page 89.

The majority of expenditure is related to improvement, enhancement or ongoing construction works. Fixed asset acquisitions in the year include construction of 19 dwellings as part of the Housing Regeneration Project, 5 other acquisitions and the purchase of IT Equipment (software and hardware).

A total of £27.3m spending originally planned for 2017/18, or earlier, has been deferred to 2018/19 (£12.3m in the previous year). Included within this deferred expenditure:

Deferred Capital Expenditure	£000	£000
Housing Capital Programme		
Regeneration of Housing Estates	12,966	
Acquisitions of dwellings	1,461	
Enhancement works on HRA dwellings	3,771	18,198
General Fund Services		
Investment in Property Funds	6,000	
Assembly Rooms Development	1140	
Mercian Trail	748	
Agile Working Phase 2	124	
Various works to public open spaces	67	
Disabled Facilities Grants	31	
Contingency - Return on Investments	160	
Contingency - Private Sector Improvement Grants	130	
Contingency - Refurbishment of Marmion House reception	100	
Contingency – Plant and Equipment	100	
Other Capital Schemes	506	9,106
Total		**27,304**

During the year, the Authority disposed of land and property with capital receipts totalling £10.6m, of which:

- £2.6m related to the disposal of 45 Council Dwellings through Right to Buy sales; and
- the third instalment of £8.2m (including £0.2m interest due to the deferred payment arrangement) relating to the sale of the Golf Course was also received.

NON-FINANCIAL PERFORMANCE

The Authority's Corporate Plan for the years 2017 to 2020 was approved by Cabinet on 16th March 2017.

The plan set our direction and priorities for the next 3 years. While progress against the thematic priorities adopted by the Authority has been considerable, the outcome from the review of evidence clearly indicated that these priorities are still at the forefront of our plans and ambitions for 'people', 'place' and 'organisation'. As a result, the three thematic priorities again formed the basis of the Authority's strategic framework and specific ambitions. It is these specific ambitions that serve to place the thematic priorities into context by setting out the Authority's expectations for the plan period.

Living a quality life in Tamworth

and

Growing stronger together in Tamworth

by

Delivering quality services in Tamworth

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'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 Authority 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.

Furthermore, we pride ourselves in the award-winning services provided by the Authority and we will continue to maintain and support the provision of a safe, attractive and welcoming environment for everyone.

To this end, this plan seeks to set out the route by which we intend to achieve these ambitious outcomes for no other reason than it is what our 'people' and our 'place' expects of our organisation.

Further details on the Authority's Key Performance Indicators for 2017/18 (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 2017/18. 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 2017 to 2020 High Level Corporate Plan Projects/Programmes is shown below.

Corporate Priority
1. Living a quality life in Tamworth

Corporate Project/Programme	Status
Maintain & Manage the environment within Tamworth	
Delivery of the Community Safety Partnership	
Delivery of an effective regulatory service	

Corporate Priority
2. Growing strong together in Tamworth

Corporate Project/Programme	Status
Growth & Regeneration in Tamworth	
Tinkers Green & Kerria Regeneration	
Garage sites redevelopment	
New Repairs Contract	

Corporate Project/Programme	Status
Preparation for collection of the Business Improvement District (BID) Levy	Completed
Business Rates Retention	In Progress
Commercial opportunities in business decision making	In Progress
Heritage, leisure & events	Completed

Corporate Priority
3. Delivering quality services in Tamworth

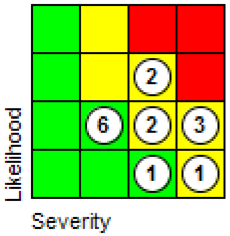
Corporate Project/Programme	Status
Organisational well-being	In Progress
Digital Customer Services	Check Progress
Corporate Knowledge Hub	In Progress
New General Data Protection Regulations	In Progress
Office 365	In Progress
Enablement of Self-Service	In Progress

Action Status	
✖	Cancelled
●	Overdue
⚠	Check Progress
▶	In Progress
✔	Completed

CORPORATE RISK REGISTER

The Authority's Corporate risks for 2017/18 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	04-May-2018	3	3	9	
Safeguarding Children & Vulnerable Adults	Failure to safeguard children and vulnerable adults	04-May-2018	3	3	9	
Medium Term Financial Planning & Sustainability Strategy	Loss of Funding and Financial Stability & application of uncertainties of Brexit	04-May-2018	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	04-May-2018	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	04-May-2018	4	2	8	
Information Management & Information Technology	Failure to secure and manage data and IT infrastructure	04-May-2018	3	2	6	
Health & Safety	Failure to manage Health & Safety	04-May-2018	3	2	6	
Reputation	Damage to Reputation	04-May-2018	2	2	4	
Governance & Regulatory Failure	Failure to achieve adequate Governance Standards and statutory responsibilities	04-May-2018	2	2	4	

Risk	Description of Risk	Date Last Reviewed	Severity	Likelihood	Current Risk Rating	Current Risk Status
Partnership Working and Supply Chain Challenges	Failure in partnership working, shared services or supply chain	04-May-2018	2	2	4	
Emergency & Crisis Response Threats	Failure to manage an external or internal emergency/disaster situation	04-May-2018	2	2	4	
Workforce Planning Challenges	Failure to manage workforce planning challenges	04-May-2018	2	2	4	
Corporate Change	Failure to manage corporate change	04-May-2018	2	2	4	
Taxi Licences	Taxi Licensing process not followed, giving rise to licenses being issued to persons who are not fit and proper	04-May-2018	4	1	4	
Economic Changes	Failure to plan and adapt services to economic changes within the community	04-May-2018	3	1	3	

Risk Status	
	High Risk
	Medium Risk
	Low Risk

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

Telephone : 01827 709242.
Email: mailto:stefan-garner@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 Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Executive Director Finances' Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

The Executive Director Finance has also:

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

This Statement of Accounts gives a true and fair view of the financial position of Tamworth Borough Council and its expenditure and income for the year ended 31st March 2018.

Stefan Garner CPFA
Executive Director Finance Dated: 26th July 2018

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

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 150.

2016/17 Gross Expenditure Restated £000	2016/17 Gross Income Restated £000	2016/17 Net Expenditure Restated £000	Comprehensive Income & Expenditure Statement	Notes	2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000
212	(38)	174	Chief Executive		151	(33)	118
21,601	(21,149)	452	Executive Director Corporate Services		20,161	(19,845)	316
1,341	(857)	484	Director of Finance		2,030	(879)	1,151
849	(315)	534	Solicitor to the Council		821	(286)	535
1,351	(418)	933	Corporate Director Technology and Corporate Programmes		1,342	(454)	888
1,585	(572)	1,013	Corporate Director Transformation and Corporate Performance		1,678	(641)	1,037
2	-	2	Director of Communities, Planning and Partnerships		2	(1)	1
10,338	(4,684)	5,654	Director of Growth, Assets and Environment (GF)		11,023	(4,604)	6,419
3,236	(990)	2,246	Director Housing and Health (GF)		3,001	(594)	2,407
201	(252)	(51)	Director of Growth, Assets and Environment (HRA)		209	(251)	(42)
5,794	(1,274)	4,520	Director Housing and Health (HRA)		5,893	(1,375)	4,518
8,889	(18,738)	(9,849)	HRA Summary		7,403	(18,405)	(11,002)
2,547	(66)	2,481	Housing Repairs		2,721	(23)	2,698
-	(14,734)	(14,734)	Exceptional Item - Change in EUV - SH		-	-	-
57,946	**(64,087)**	**(6,141)**	**Cost of Services**	7	**56,435**	**(47,391)**	**9,044**
		65	Other Operating Expenditure	11			(266)
		380	Financing and Investment Income and Expenditure	12			806
		(9,048)	Taxation and Non Specific Grant Income	13			(9,736)
		(14,744)	**(Surplus) or Deficit on Provision of Services**	7			**(152)**
		(15,573)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	23a			(13,467)
		790	Re-measurement of the Net Defined Benefit Liability	23c			(2,070)
		(14,783)	**Other Comprehensive Income and Expenditure**				**(15,537)**
		(29,527)	**Total Comprehensive Income and Expenditure**				**(15,689)**

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 2016/17 and 2017/18 are shown on the following pages.

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 Note HRA3	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**

Movement in Reserves Statement 2017/18

	General Fund Balance	Earmarked Reserves	Total General Fund Balances	Housing Revenue Account	Earmarked HRA Reserves	Total HRA Balances	Capital Receipts Reserve	Major Repairs Reserve Note HRA3	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 2017	**6,588**	**5,725**	**12,313**	**6,353**	**11,992**	**18,345**	**12,609**	**2,521**	**48**	**45,836**	**122,889**	**168,725**
Movement in Reserves during 2017/18												
Surplus or (Deficit) on the Provision of Services	(1,801)	-	**(1,801)**	1,953	-	**1,953**	-	-	-	**152**	-	**152**
Other Comprehensive Income and Expenditure	-	-	**-**	-	-	**-**	-	-	-	**-**	15,537	**15,537**
Total Comprehensive Income and Expenditure	**(1,801)**	**-**	**(1,801)**	**1,953**	**-**	**1,953**	**-**	**-**	**-**	**152**	**15,537**	**15,689**
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,294	-	**2,294**	(1,379)	-	**(1,379)**	9,644	956	-	**11,515**	(11,515)	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**493**	**-**	**493**	**574**	**-**	**574**	**9,644**	**956**	**-**	**11,667**	**4,022**	**15,689**
Transfers to / (from) Earmarked Reserves (Note 10)	(163)	163	**-**	(103)	103	**-**	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2017/18	**330**	**163**	**493**	**471**	**103**	**574**	**9,644**	**956**	**-**	**11,667**	**4,022**	**15,689**
Balance as at 31st March 2018	**6,918**	**5,888**	**12,806**	**6,824**	**12,095**	**18,919**	**22,253**	**3,477**	**48**	**57,503**	**126,911**	**184,414**

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 2017 £000	Balance Sheet	Notes	31st March 2018 £000
181,686	Property, Plant & Equipment	14	193,491
2,847	Heritage Assets	15	2,865
22,023	Investment Property	16	22,385
160	Intangible Assets		198
20,785	Long Term Debtors	17	12,787
227,501	**Long Term Assets**		**231,726**
43,151	Short Term Investments	17	51,128
21	Inventories		21
10,148	Short Term Debtors	18	11,237
8,123	Cash & Cash Equivalents	19	9,775
61,443	**Current Assets**		**72,161**
(923)	Cash & Cash Equivalents	19	(1,357)
(311)	Short Term Borrowing	17	(311)
(10,501)	Short Term Creditors	21	(11,150)
(401)	Provisions	22	(692)
(12,136)	**Current Liabilities**		**(13,510)**
(1,504)	Provisions	22	(853)
(63,060)	Long Term Borrowing	17	(63,060)
(43,479)	Other Long Term Liabilities	38	(41,873)
(6)	Capital Grants Receipts in Advance	32	(134)
(34)	Revenue Grants Receipts in Advance		(43)
(108,083)	**Long Term Liabilities**		**(105,963)**
168,725	**Net Assets**		**184,414**
45,836	Usable Reserves		57,503
122,889	Unusable Reserves	23	126,911
168,725	**Total Reserves**		**184,414**

The audited accounts were approved on 26th July 2018 by Audit and Governance Committee.

Stefan Garner CPFA
Executive Director Finance Dated: 26th July 2018

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

Cash Flow Statement

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

2016/17 £000	Cashflow Statement	Notes	2017/18 £000
(14,744)	Net (Surplus) or Deficit on the Provision of Services		(152)
2,367	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements		(9,298)
2,995	Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		3,953
(9,382)	Net cash flows from Operating Activities (Surplus)/Deficit	24	(5,497)
17,181	Investing Activities	25	4,379
513	Financing Activities	26	(100)
8,312	Net (increase) or decrease in Cash and Cash Equivalents		(1,218)
15,512	Cash and Cash Equivalents at the beginning of the reporting period		7,200
7,200	**Cash and & Cash Equivalents at 31st March 2018**	19	**8,418**

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

NOTES TO THE ACCOUNTS

1. Accounting Policies

BASIS FOR PREPARATION

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

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year end of 31st March 2018. The Accounts and Audit Regulations (England) 2015 require the Authority to prepare an Annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the CIPFA Service Reporting Code of Practice 2017/18 (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.

ii. ACCRUALS OF INCOME AND EXPENDITURE

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

a) Revenue from 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.

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

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

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

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

iv. CHARGES TO REVENUE FOR NON CURRENT ASSETS

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

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

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

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

v. 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 2018. 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.

vi. INTANGIBLE ASSETS

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

vii. 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).

viii. 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.

ix. 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 the Authority as an agent activity on behalf of its major preceptors (the Ministry for Housing, Communities and Local Government (MHCLG), 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.

For 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.

x. 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.

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

• IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets.

The changes introduced by the standard will have a timing and budgetary impact on local authorities, depending on the individual circumstances of each authority – for this Authority a material impact is not expected.

• IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

• IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 26) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

• IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value.

• IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

3. Critical Judgements in Applying Accounting Policies

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

- 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 110.

- 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 42.2% 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	Adjustment to the level of liability on the Balance Sheet. During the year the overall liability reduced from £43.5m to £41.9m (following an increase from £40.6m to £43.5m in 2016/17) – see Note 38 on page 95. 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 £12.1m (10%); A 0.5% increase in the assumed level of salary increases will increase the net pension liability by £1.6m (1%); and A 0.5% increase in the assumed level of pension increases will increase the net pension liability by £10.3m (8%).
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 £1.5m (the overall provision in the Business Rates Collection Fund is £3.8m and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2018 of £109.4m. Local businesses can appeal against the Rateable Value on the 2010 Rating list under limited circumstances and can also appeal against the Rateable Value on the 2017 Rating List.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		The 2017 Rating List is subject to a fresh approach to appeals known as "Check, Challenge & Appeal" (CCA) which means that before an appeal is made the Rateable Value may be amended upon negotiation between the Valuation Office and the ratepayer (or their agents). This process will inevitably lead to a delay in appeals being made. It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal in the future and the Authority has therefore made 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.£55k 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

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

This note identifies material items of income and expense. For the purposes of this note the Authority considers material items to be those greater than £1.3m.

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 £8.2m in 2017/18 (£1.0m in 2015/16 and £8.0m in 2016/17), leaving the remaining £8.0m due in 2018/19.

6. 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 2018) and the date when the Statement of Accounts is authorised for issue (26th July 2018). 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.

The Statement of Accounts was authorised for issue by the Executive Director Corporate Services on 30th May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Expenditure and Funding Analysis and Adjustment Detail

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

Restated 2016/17			Expenditure Funding Analysis	2017/18		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
			Cost of Services			
174	-	174	Chief Executive	119	(1)	118
389	63	452	Executive Director Corporate Services	223	93	316
847	(363)	484	Director of Finance	1,100	51	1,151
505	29	534	Solicitor to the Council	488	47	535
726	207	933	Corporate Director Technology and Corporate Programmes	713	175	888
1,000	13	1,013	Corporate Director Transformation and Corporate Performance	1,015	22	1,037
2	-	2	Director of Communities, Planning and Partnerships	1	-	1
4,538	1,116	5,654	Director of Growth, Assets and Environment (GF)	4,768	1,651	6,419
1,726	520	2,246	Director Housing and Health (GF)	1,755	652	2,407
(48)	(3)	(51)	Director of Growth, Assets and Environment (HRA)	(42)	-	(42)
8,800	(4,280)	4,520	Director Housing and Health (HRA)	8,699	(4,181)	4,518
(18,463)	8,614	(9,849)	HRA Summary	(18,075)	7,073	(11,002)
2,481	-	2,481	Housing Repairs	2,698	-	2,698
-	(14,734)	(14,734)	Exceptional Item - Change in EUV - SH	-	-	-
2,677	**(8,818)**	**(6,141)**	**Net Cost of Services**	**3,462**	**5,582**	**9,044**
(4,608)	(3,995)	(8,603)	Other Comprehensive Income and Expenditure	(4,529)	(4,667)	(9,196)
(1,931)	**(12,813)**	**(14,744)**	**(Surplus) / Deficit on Provision of Services**	**(1,067)**	**915**	**(152)**
(28,727)	-	-	General Fund and HRA balances B/fwd	(30,658)	-	-
(1,931)	-	-	(Surplus) / Deficit on Provision of Services	(1,067)	-	-
(30,658)	-	-	Closing General Fund and HRA Balances	(31,725)	-	-

2016/17				Expenditure Funding Analysis Adjustment Detail	2017/18			
Adjustments for Capital Purposes (Note 7a)	**Net Change for Pensions Adjustments (Note 7b)**	**Other Differences (Note 7c)**	**Total Adjustments**		**Adjustments for Capital Purposes (Note 7a)**	**Net Change for Pensions Adjustments (Note 7b)**	**Other Differences (Note 7c)**	**Total Adjustments**
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
-	-	-	**-**	Chief Executive	-	-	(1)	**(1)**
-	57	6	**63**	Executive Director Corporate Services	-	90	3	**93**
-	(364)	1	**(363)**	Director of Finance	-	52	(1)	**51**
-	29	-	**29**	Solicitor to the Council	-	45	2	**47**
209	-	(2)	**207**	Corporate Director Technology and Corporate Programmes	173	-	2	**175**
1	13	(1)	**13**	Corporate Director Transformation and Corporate Performance	1	17	4	**22**
-	-	-	**-**	Director of Communities, Planning and Partnerships	-	-	-	**-**
791	308	17	**1,116**	Director of Growth, Assets and Environment (GF)	1,154	506	(9)	**1,651**
470	50	-	**520**	Director Housing and Health (GF)	564	90	(2)	**652**
-	-	(3)	**(3)**	Director of Growth, Assets and Environment (HRA)	-	-	-	**-**
(4,501)	209	12	**(4,280)**	Director Housing and Health (HRA)	(4,501)	333	(13)	**(4,181)**
8,711	(97)	-	**8,614**	HRA Summary	7,058	15	-	**7,073**
(14,734)	-	-	**(14,734)**	Exceptional Item - Change in EUV - SH	-	-	-	**-**
(9,053)	**205**	**30**	**(8,818)**	**Net Cost of Services**	**4,449**	**1,148**	**(15)**	**5,582**
(4,407)	1,440	(1,028)	**(3,995)**	Other Comprehensive Income and Expenditure	(5,844)	1,135	42	**(4,667)**
(13,460)	**1,645**	**(998)**	**(12,813)**	**(Surplus) / Deficit on Provision of Services**	**(1,395)**	**2,283**	**27**	**915**

7a) Adjustments for Capital Purposes

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

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

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

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

7b) Net Change for the Pensions Adjustments

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

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

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

7c) Other Differences

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

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

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

8. Expenditure and Income Analysed by Nature

2016/17 £000	Expenditure and Income Analysed by Nature	2017/18 £000
	Expenditure	
11,821	Employee Benefits Expenses	12,111
39,489	Other Services Expense	37,237
8,343	Depreciation, Amortisation and Impairment	8,069
1,645	Retirement Benefits	2,283
695	REFCUS	641
597	Payments to Housing Capital Receipts Pool	422
62,590	**Total Expenditure**	**60,763**
	Income	
(14,734)	Exceptional Item - Change in EUV - SH	-
(532)	Gain on Disposal of Assets	(688)
(30,899)	Fees, Charges and Other Service Income	(29,503)
(1,533)	Interest and Investment Income	(1,464)
(6,553)	Income from Council Tax, NNDR and District Rates Income	(7,430)
(23,083)	Government Grants and Contributions	(21,830)
(77,334)	**Total Income**	**(60,915)**
(14,744)	**(Surplus) / Deficit on Provision of Services**	**(152)**

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**				
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**
2017/18					
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;	(434)	(7,225)	-	-	7,659
Revaluation losses on Property, Plant and Equipment;	(750)	156	-	-	594
Movements in the market value of Investment Properties;	396	-	-	-	(396)
Amortisation of Intangible Assets;	(76)	-	-	-	76
Capital Grants and Contributions Applied;	1,027	246	-	-	(1,273)
Revenue Expenditure Funded from Capital Under Statute (REFCUS);	(641)	-	-	-	641
Amounts on Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(8)	(1,925)	-	-	1,933
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.	302	3,569	-	-	(3,871)
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	2,624	(2,680)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure;			562	-	(562)
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals;	-	(59)	59	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool;	(422)	-	422	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(10)	-	(8,007)	-	8,017
Adjustments primarily involving the Major Repairs Reserve:					
Reversal of Major Repairs Allowance credited to the HRA;	-	4,510	-	(4,510)	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	3,554	(3,554)

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
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 38);	(3,337)	(992)	-	-	4,329
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,584	462	-	-	(2,046)
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.	(43)	-	-	-	43
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.	4	13	-	-	(17)
Total Adjustments 2017/18	**(2,294)**	**1,379**	**(9,644)**	**(956)**	**11,515**

Adjustments between Accounting Basis and Funding Basis under Regulations

Restated	Usable Reserves: General Fund Balance	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Unusable Reserves
	£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
Restated	**£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 and Expenditure Statement (see Note 38);	(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)**

10. Transfers to / (from) Earmarked Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by 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.

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 2017/18.

Transfers to / (from) Earmarked Reserves	Balance at 1st April 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31st March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31st March 2018 £000
General Fund:							
Future Capital Expenditure	**1,201**	(274)	27	**954**	(530)	708	**1,132**
Temporary Reserves	**363**	(370)	146	**139**	(155)	166	**150**
Retained Funds	**2,429**	(982)	1,035	**2,482**	(878)	689	**2,293**
Commuted Sums	**1,119**	(5)	219	**1,333**	(225)	110	**1,218**
Other Reserves	**848**	(1,172)	1,141	**817**	(298)	576	**1,095**
Total	**5,960**	**(2,803)**	**2,568**	**5,725**	**(2,086)**	**2,249**	**5,888**
HRA:							
Future Capital Expenditure	**11,000**	(2,207)	2,704	**11,497**	(3,561)	2,924	**10,860**
Temporary Reserves	**-**	-	84	**84**	(84)	586	**586**
Retained Funds	**363**	(23)	71	**411**	-	16	**427**
Other Reserves	**-**	-	-	**-**	-	222	**222**
Total	**11,363**	**(2,230)**	**2,859**	**11,992**	**(3,645)**	**3,748**	**12,095**

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

2016/17 £000	Other Operating Expenditure	2017/18 £000
597	Payments to the Government Housing Capital Receipts Pool	422
(532)	(Gains) / losses on the disposal of Non Current Assets	(688)
65	**Total**	**(266)**

12. Financing & Investment Income & Expenditure

2016/17 Restated £000	Financing and Investment Income and Expenditure	2017/18 £000
2,877	Interest payable and similar charges	2,677
1,432	Pension interest costs and expected return on pensions assets	1,121
(690)	Interest receivable and similar income	(621)
(842)	Finance Lease Income	(842)
(2,137)	(Income) and expenditure in relation to investment properties and changes in their fair value	(1,665)
(260)	Investment impairment	136
380	**Total**	**806**

13. Taxation & Non Specific Grant Income

2016/17 Restated £000	Taxation and Non Specific Grant Incomes	2017/18 £000
(3,456)	Council Tax income	(3,604)
(13,736)	Non Domestic Rates	(13,543)
10,640	Non Domestic Rates - Tariff	9,718
612	Non Domestic Rates - Levy to GBSLEP	1,168
(2,234)	Non ringfenced government grants	(2,202)
(874)	Capital grants and contributions	(1,273)
(9,048)	**Total**	**(9,736)**

A detailed breakdown of the grants, contributions and donations credited to the Comprehensive Income and Expenditure Statement in 2017/18 is shown in Note 32 on page 84.

14. Property, Plant & Equipment

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

a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, subject to a de minimus level of £10k, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

b) Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years – including a desktop review of all Council Dwellings 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 annually.

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 are not capitalised in the accounts.

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

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

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

f) Component Accounting Policy for Property, Plant and Equipment

i. De Minimus Level

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

ii. Policy for Componentisation

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

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

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

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

- when an asset is enhanced, the cost of the replacement component is compared with the cost of the total asset and the result is measured against the agreed de minimus threshold;

- When an asset is acquired: the cost of any component parts are compared with the overall cost of the new asset and the results assessed against the agreed de minimus threshold;

iii. Valuation

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

In addition in each financial year, a list of assets that have had capital expenditure incurred will be passed to the 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.

Movement in 2017/18	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 2017	**166,878**	**19,021**	**3,936**	**378**	**993**	**592**	**191,798**
Additions	5,528	546	200	-	85	2,128	**8,487**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(11,313)	(833)	-	-	-	-	**(12,146)**
Revaluation increases / (decreases) recognised in the Revaluation Reserve;	12,611	856	-	-	-	-	**13,467**
Revaluation increases / (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	156	(750)	-	-	-	-	**(594)**
Derecognition - Disposals;	(3,461)	(194)	-	-	-	-	**(3,655)**
Assets reclassified (to) / from Investment Properties;	-	27	-	-	-	-	**27**
Other movements in cost or valuation.	1,993	(384)	-	-	-	(1,609)	**-**
At 31st March 2018	**172,392**	**18,289**	**4,136**	**378**	**1,078**	**1,111**	**197,384**
Accumulated Depreciation & Impairment							
At 1st April 2017	**(6,394)**	**(704)**	**(2,797)**	**(214)**	**(3)**	**-**	**(10,112)**
Depreciation Charge;	(2,701)	(323)	(200)	(13)	-	-	**(3,237)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	11,313	833	-	-	-	-	**12,146**
Impairment losses / (reversals) recognised in the Revaluation Reserve;	(1)	-	-	-	-	-	**(1)**
Impairment losses / (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(4,420)	-	-	-	-	-	**(4,420)**
Derecognition - disposals.	1,582	147	-	-	-	-	**1,729**
Assets reclassified (to)/ from Investment Property	-	2	-	-	-	-	**2**
At 31st March 2018	**(621)**	**(45)**	**(2,997)**	**(227)**	**(3)**	**-**	**(3,893)**
Net Book Value							
at 31st March 2017	160,484	18,317	1,139	164	990	592	181,686
at 31st March 2018	**171,771**	**18,244**	**1,139**	**151**	**1,075**	**1,111**	**193,491**
Nature of Holdings at year end							
Owned	171,771	18,244	1,139	151	1,075	1,111	**193,491**

Comparative Movement in 2016/17	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£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 and Impairment 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**

a) Capital Commitments

At 31st March 2018, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years. The major commitments for schemes valued in excess of £1m are:

2016/17 £000	Capital Contract	2017/18 £000
2,504.3	Housing Repairs & Investment	2,458.1
1,002.9	Redevelopment of Garage Sites	-
-	Assembly Rooms Development	3,212.1
-	Improvements to High Rise Blocks*	2,054.7
-	Regeneration of Tinkers Green & Kerria	14,849.2
3,507.2	**Total**	**22,574.1**

*Excludes Fire Upgrades to flats

b) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. The effective date of revaluation is 31st March 2018. 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 current value.

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years – including a desktop review of all Council Dwellings 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 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	-	-	4,136	378	1,078	1,111	6,703
Valued at Current Value in:							
2017/18	171,621	18,244	-	-	-	-	189,865
2016/17	771	-	-	-	-	-	771
2014/15*	-	45	-	-	-	-	45
Total	**172,392**	**18,289**	**4,136**	**378**	**1,078**	**1,111**	**197,384**

* Relates to Kerria Community Centre (impaired to land value as part of the Regeneration Scheme).

15. Heritage Assets

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

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

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

Valuation of Heritage Assets

The Code requires that Heritage Assets are measured at valuation in the 2017/18 financial statements (including the 2016/17 comparative information). The Authority will recognise in the Balance Sheet each asset shown in the table which has an identified value.

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

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

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

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

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

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

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

Movement in 2017/18	**Art Collection**	**Civic Regalia**	**Museum Exhibits**	**Statues**	**Castle**	**Total Heritage Assets**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation						
At 1st April 2017	**97**	**174**	**624**	**233**	**1,719**	**2,847**
Additions	-	-	-	-	18	**18**
At 31st March 2018	**97**	**174**	**624**	**233**	**1,737**	**2,865**

Movement in 2016/17	**Art Collection**	**Civic Regalia**	**Museum Exhibits**	**Statues**	**Castle**	**Total Heritage Assets**
	£000	**£000**	**£000**	**£000**	**£000**	**£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**

Heritage Assets Five Year Summary of Transactions	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
	£000	**£000**	**£000**	**£000**	**£000**
Cost of Acquisitions of Heritage Assets					
Castle Museum	172	54	-	39	18
Total Cost of Purchases	172	54	-	39	18

16. Investment Properties

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

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:

2016/17 Restated £000	**Investment Properties**	**2017/18 £000**
(1,498)	Rental income from Investment Property	(1,551)
254	Direct operating expenses arising from Investment Property	277
(1,244)	**Net (Gain) / Loss**	**(1,274)**

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:

2016/17 £000	Fair Value of Investment Properties	2017/18 £000
21,130	**Balance at 1st April 2017**	**22,023**
	Transfers:	
-	to / from Property, Plant and Equipment	(29)
	Valuations:	
893	Changes in market valuation	396
-	Disposals	(7)
-	Other changes	2
22,023	**Balance at 31st March 2018**	**22,385**

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 2018 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

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.

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.

a) Categories of Financial Instruments

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

Financial Instruments	Long Term		Current	
	31st March 2017 £000	31st March 2018 £000	31st March 2017 £000	31st March 2018 £000
Investments				
Loans and receivables (Principal amount)	-	-	43,092	51,035
Plus Accrued Interest	-	-	59	93
Total Investments	**-**	**-**	**43,151**	**51,128**
Debtors				
Loans and receivables	-	-	8,119	9,770
Plus Accrued Interest	-	-	2	3
Financial assets carried at contract amounts	20,785	12,787	9,426	9,284
Total Debtors	**20,785**	**12,787**	**17,547**	**19,057**
Borrowings				
Financial liabilities at amortised cost	63,060	63,060	-	-
Plus Accrued Interest	-	-	311	311
Total Borrowings	**63,060**	**63,060**	**311**	**311**
Creditors				
Financial liabilities at amortised cost	-	-	923	1,357
Financial liabilities carried at contract amount	-	-	4,278	5,044
Total Creditors	**-**	**-**	**5,201**	**6,401**

The value of debtors and creditors reported in the table are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 18 and 21 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

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	2016/17				2017/18			
	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	2,877	-	-	**2,877**	2,677	-	-	**2,677**
Impairment (Gains) / losses	-	(260)	-	**(260)**	-	136	-	**136**
Total expense in (Surplus) or Deficit on the Provision of Services	**2,877**	**(260)**	**-**	**2,617**	**2,677**	**136**	**-**	**2,813**
Interest income	-	(690)	(842)	**(1,532)**	-	(621)	(842)	**(1,463)**
Total income in (Surplus) or Deficit on the Provision of Services	**-**	**(690)**	**(842)**	**(1,532)**	**-**	**(621)**	**(842)**	**(1,463)**
Net Gain / (Loss) for the Year	**2,877**	**(950)**	**(842)**	**1,085**	**2,677**	**(485)**	**(842)**	**1,350**

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 2017		31st March 2018	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
PWLB Debt	63,371	89,239	63,371	89,113
Creditors	4,278	4,278	5,044	5,044
Total Financial Liabilities	**67,649**	**93,517**	**68,415**	**94,157**

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 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £89.1m 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 certainty interest rates – as the Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. 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.

. But, as a supplementary measure of the fair value as a result of its PWLB commitments, 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 £110.4m.

Loans and Receivables	31st March 2017		31st March 2018	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Money Market Loans <1 year	43,151	43,163	51,128	51,120
Debtors	9,426	9,426	9,284	9,284
Long Term Debtors	20,785	20,785	12,787	12,787
Total Financial Liabilities	**73,362**	**73,374**	**73,199**	**73,191**

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 2017/18, a notional future gain (based on economic conditions at 31st March 2018) attributable to the commitment to receive interest above current market rates.

For loans receivable prevailing benchmark market rates have been used to provide the fair value.

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 2018. 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

2016/17 £000	Debtors	2017/18 £000
602	Central Government bodies	1,832
375	Other Local Authorities	348
81	Council Taxpayers	76
2,073	Housing Rents	2,210
2,176	Other entities and individuals	2,193
8,200	Redrow Homes (from sale of former Golf Course)	8,000
39	Business Rates	45
(252)	Payment in advance	(267)
(3,146)	Provision for bad debts	(3,200)
10,148	**Total**	**11,237**

19. Cash & Cash Equivalents

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

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

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

2016/17 £000	Cash and Cash Equivalents	2017/18 £000
2	Cash held by the Authority	2
(923)	Bank current accounts	(1,357)
8,121	Short term deposits with Banks and Building Societies	9,773
7,200	**Total Cash and Cash Equivalents**	**8,418**

20. Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and 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.

There were no assets held for sale at 31st March 2018.

21. Creditors

2016/17 £000	Creditors	2017/18 £000
439	Central Government bodies	425
1,881	Other Local Authorities	1,711
101	Council Taxpayers	90
488	Housing Rents	513
3,884	Precepting Authorities (Business Rates)	3,565
1,393	Precepting Authorities (Council Tax)	1,418
1,909	Other entities and individuals	2,820
406	Business Rates	608
10,501	**Total**	**11,150**

22. Provisions

Provisions	Municipal Mutual Insurance £000	Land Charges Legal Liability £000	Restated Short Term Non Domestic Rates Appeals £000	Restated Short Term Provisions Total £000	Restated Long Term Non Domestic Rates Appeals £000
2016/17					
Balance at 1st April 2016	**33**	**51**	**393**	**477**	**1,335**
Additional provisions made in year	-	-	313	313	169
Amount used in year	(25)	(16)	(313)	(354)	-
Unused amounts reversed in year	-	(35)	-	(35)	-
Balance at 31st March 2017	**8**	**-**	**393**	**401**	**1,504**
2017/18					
Additional provisions made in year	-	-	651	651	-
Amount used in year			(350)	(350)	-
Unused amounts reversed in year	-	-	(10)	(360)	(651)
Balance at 31st March 2018	**8**	**-**	**684**	**692**	**853**

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.

a) Municipal Mutual Insurance (MMI)

This provision has been established as a result of the decision to trigger the 'Scheme of Arrangement' (SOA) with regard to Municipal Mutual Insurance (MMI), at a meeting of the Board of Directors on 13th November 2012. Under this SOA, the Authority is liable to pay a levy up to the value of claims paid since 1993 (£252k) and a provision of £33k was established to cover the potential additional levy of up to 28%. There is currently a remaining provision of £8k.

b) Business Rates Appeals

Under Business Rates Retention arrangements, Billing authorities acting as agents on behalf of the major preceptors (10%), Central Government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the Rating List. The Authority has included a provision of £1.5m (£1.9m – 2016/17) (the overall provision in the Business Rates Collection Fund is £3.8m (£4.7m – 2016/17) and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2018 of £109.4m (£88.5m 2016/17).

Further details regarding the approach to determining the NNDR provision can be found in Note 39 - Contingent Liabilities as local businesses could still appeal against the Rateable Value on the 2010 Rating List under limited circumstances and can also appeal against the Rateable Value on the 2017 Rating List.

23. Unusable Reserves

31st March 2017 £000	Unusable Reserves	31st March 2018 £000
33,951	Revaluation Reserve	47,059
103,782	Capital Adjustment Account	102,952
(43,479)	Pensions Reserve	(43,692)
28,420	Deferred Capital Receipts Reserve	20,403
472	Collection Fund Adjustment Account	429
(257)	Accumulated Absences Account	(240)
122,889	**Total Unusable Reserves**	**126,911**

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.

2016/17 £000	Revaluation Reserve	2017/18 £000
18,067	**Balance at 1st April 2017**	**33,951**
15,573	Surplus or deficit on the revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services	13,467
311	Amount written off to the Capital Adjustment Account	(359)
33,951	**Balance at 31st March 2018**	**47,059**

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.

2016/17 £000		Capital Adjustment Account		2017/18 £000
91,201		**Balance at 1st April 2017**		**103,782**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
	(10,577)	Charges for depreciation and impairment of Non Current Assets;	(7,659)	
	15,914	Revaluation losses on Property, Plant and Equipment;	(594)	
	(99)	Amortisation of Intangible Assets;	(76)	
	(695)	Revenue Expenditure Funded from Capital Under Statute;	(641)	
	(1,537)	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;	(1,933)	
3,006				(10,903)
(311)		Adjusting amounts written out of the Revaluation Reserve;		359
2,695		Net written out amount of the cost of Non Current Assets consumed in the year;		**(10,544)**
		Capital financing applied in the year:		
	2,032	Use of Capital Receipts Reserve to finance new capital expenditure;	562	
	3,373	Use of Major Repairs Reserve to finance new capital expenditure;	3,554	
	874	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing;	1,273	
	58	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - Minimum Revenue Provision;	58	
	2,656	Capital expenditure charged against the General Fund and HRA Balances.	3,871	
8,993				**9,318**
893		Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement.		**396**
103,782		**Balance at 31st March 2018**		**102,952**

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.

2016/17 £000	Pensions Reserve	2017/18 £000
(41,044)	**Balance at 1st April 2017**	**(43,479)**
(790)	Remeasurement of the Net Defined Benefit Liability / (Asset)	2,070
(3,461)	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	(4,329)
1,816	Employer's contributions and direct payments to pensioners payable in the year	2,046
(43,479)	**Balance at 31st March 2018**	**(43,692)**

The accounts include £1.8m relating to the advance payment of the pension lump sum for 2018/19 and 2019/20 – following the triennial review in March 2016. This has been accounted for, following technical advice, by reducing the charge to the Comprehensive Income and Expenditure Account offset in the Pensions Reserve.

d) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of Non Current Assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The majority of the current balance relates to the accounting arrangements for finance leases under IFRS.

2016/17 £000	Deferred Capital Receipts Reserve	2017/18 £000
36,366	**Balance at 1st April 2017**	**28,420**
(7,922)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(24)	Transfer to Capital Receipts Reserve upon receipt of cash	(8,017)
28,420	**Balance at 31st March 2018**	**20,403**

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 2018. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2016/17 £000		Accumulated Absences Account	2017/18 £000	
(227)		**Balance at 1st April 2017**		**(257)**
	227	Settlement or cancellation of accrual made at the end of the preceding year	257	
	(257)	Amounts accrued at the end of the current year	(240)	
(30)		Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		17
(257)		**Balance at 31st March 2018**		**(240)**

24. Cash Flow Statement – Operating Activities

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

2016/17 £000	Cash Flow Statement - Operating Activities	2017/18 £000
	The cash flows for operating activities include the following items	
(1,544)	Interest received	(1,429)
2,907	Interest paid	2,677
1,363		**1,248**
14,744	Net Surplus or (Deficit) on the Provision of Services	**152**
	Adjusted for non cash movements	
10,577	Depreciation	7,659
(15,914)	Impairment and Downward Valuations	594
99	Amortisation	76
1,075	Increase / Decrease in Creditors	(124)
(1,055)	Increase / Decrease in Debtors	(542)
-	Increase / Decrease in Inventories	(4)
2,114	Movement in Pension Liability	464
1,537	Carrying amount of Non Current Assets and Non Current Assets Held for Sale, sold or de-recognised	1,932
(800)	Other non cash items charged to the Net (Surplus) or Deficit on the Provision of Services	(757)
(2,367)		**9,298**
	Adjusted for items that are Investing or Financing Activities	
(2,121)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,680)
(874)	Any other items for which the cash effects are Investing or Financing Activities cash flows	(1,273)
(2,995)		**(3,953)**
9,382	**Net Cash Flows from Operating Activities Surplus/(Deficit)**	**5,497**

25. Cash Flow Statement – Investing Activities

2016/17 £000	Cash Flow Statement - Investing Activities	2017/18 £000
8,445	Purchase of Property, Plant and Equipment; Investment Property and Intangible Assets	7,995
19,242	Purchase of Short Term and Long Term Investments	7,942
(9,900)	Proceeds from the sale of Property, Plant and Equipment; Investment Property and Intangible Assets	(10,824)
(606)	Other receipts from Investing Activities	(734)
17,181	**Net Cash Flows from Investing Activities**	**4,379**

26. Cash Flow Statement – Financing Activities

2016/17 £000	Cash Flow Statement - Financing Activities	2017/18 £000
(1,431)	Other payments for Financing Activities	(6)
(56)	Other receipts from Financing Activities	(94)
2,000	Repayments of Short Term and Long Term Borrowing	-
513	**Net Cash Flows from Financing Activities**	**(100)**

27. Acquired & Discontinued Operations

Acquired operations

There were no acquired operations during 2017/18.

Discontinued Operations

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

There were no discontinued operations during 2017/18.

28. Trading Operations

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

2016/17 Expenditure Restated £000	2016/17 Income £000	2016/17 (Surplus)/ Deficit Restated £000	Trading Operations	2017/18 Expenditure £000	2017/18 Income £000	2017/18 (Surplus)/ Deficit £000
5	(11)	**(6)**	Markets	6	(10)	**(4)**
(698)	(789)	**(1,487)**	Industrial Estates	(35)	(831)	**(866)**
59	(709)	**(650)**	Other Land and Property	(77)	(722)	**(799)**
(634)	**(1,509)**	**(2,143)**	**Total**	**(106)**	**(1,563)**	**(1,669)**

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.

2016/17 £000	Members Allowances	2017/18 £000
158	Basic Allowance	160
86	Special Responsibility	92
4	Other Allowances/Expenses	4
1	Travel/Mileage	1
249	**Total**	**257**

30. Officers' Remuneration

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.

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,*2	2017/18	67,943	736	68,679	10,160	78,839
	2016/17	116,857	1,353	118,210	18,480	136,690
Executive Director Corporate Services*1	2017/18	89,393	1,356	90,749	15,394	106,143
	2016/17	87,802	1,314	89,116	14,479	103,595
Director of Transformation & Corporate Change *3	2017/18	34,818	503	35,321	5,745	41,066
	2016/17	74,312	1,077	75,389	12,262	87,651
Head of Paid Service *3	2017/18	46,672	577	47,249	7,701	54,950
	2016/17	-	-	-	-	-
Director of Growth, Assets & Environment *4	2017/18	40,559	503	41,062	6,692	47,754
	2016/17	86,021	1,077	87,098	14,195	101,293
Chief Operating Officer *4	2017/18	55,017	577	55,594	9,078	64,672
	2016/17	-	-	-	-	-
Director of Housing & Health	2017/18	83,556	1,356	84,912	13,787	98,699
	2016/17	82,314	1,353	83,667	13,582	97,249
Director of Finance	2017/18	75,057	1,356	76,413	12,384	88,797
	2016/17	74,323	1,353	75,676	12,262	87,938
Solicitor & Monitoring Officer	2017/18	69,561	1,356	70,917	11,333	82,250
	2016/17	68,049	1,353	69,402	11,221	80,623
Director of Technology & Corporate Programmes	2017/18	68,687	1,080	69,767	11,333	81,100
	2016/17	68,127	1,077	69,204	11,244	80,448
Head of Landlord Services	2017/18	61,181	1,329	62,510	10,095	72,605
	2016/17	58,595	1,074	59,669	9,668	69,337
Head of Planning and Regeneration	2017/18	55,199	1,080	56,279	9,107	65,386
Restated	2016/17	52,901	1,077	53,978	8,739	62,717
Housing Strategy Manager	2017/18	51,560	1,080	52,640	8,507	61,147
	2016/17	46,722	977	47,699	7,709	55,408

*1 Includes Local Returning Officer and Deputy Returning Officer Fees under Legislation
*2 This post was vacated during the year
*3 Temporary appointment as Head of Paid Service to cover part of the vacant Chief Executive post
*4 Temporary appointment as Chief Operating Officer to cover part of the vacant Chief Executive post

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 2017 - 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:

2016/17 Total Number of Employees	Remuneration Band	2017/18 Number of Employees Left During Year	2017/18 Number Employed at 31st March 2018	2017/18 Total Number of Employees
1	£50,000 - £54,999	-	2	2
1	£55,000 - £59,999	-	-	-
-	£60,000 - £64,999	-	1	1
2	£65,000 - £69,999	1	1	2
-	£70,000 - £74,999	-	1	1
2	£75,000 - £79,999	-	1	1
1	£80,000 - £84,999	-	2	2
2	£85,000 - £89,999	-	-	-
-	£90,000 - £94,999	-	1	1
-	£95,000 - £99,999	-	1	1
1	£115,000 - £119,999	-	-	-
10	Total	1	10	11

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

Exit Package Cost Band	Number of Departures Agreed		Total Cost of Exit Packages	
	2016/17	2017/18	2016/17 £'000	2017/18 £'000
£0 - £20,000	1	-	13	-
Total	**1**	**-**	**13**	**-**

31. External Audit Costs

The agreed audit fees paid for 2017/18 were £56k (£66k 2016/17) net of a refund of £7.4k.

2016/17 £000	External Audit Costs	2017/18 £000
50	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the year;	42
14	Fees payable to Grant Thornton for the certification of grants and returns for the year;	14
2	Fees payable in respect of other services provided by Cabinet Office during the year - National Fraud Initiative.	-
66	**Total**	**56**

The indicative fee for certification of grants and returns for 2017/18 is £14k.

32. Grant Income

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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.

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

2016/17 £000	Grant Income	2017/18 £000
	Credited to Taxation and Non Specific Grant Income	
1,210	Revenue Support Grant	771
13,736	NNDR	13,543
(10,640)	Non Domestic Rates - Tariff	(9,718)
(612)	Non Domestic Rates - Levy to GBSLEP	(1,168)
657	New Homes Bonus	382
-	Discretionary Business Rates Relief	107
316	S31 Grant - Small Business Rate Relief	656
51	Other Grants	286
874	Capital Grants and Contributions	1,273
5,592	**Total**	**6,132**

The Authority credited the following grants, contributions and donations to Cost of Services within the Comprehensive Income and Expenditure Statement in 2017/18:

2016/17 £000	Credited to Services Government Grant	2017/18 £000
362	DWP Admin Grant	330
93	NNDR Cost of Collection	91
19,792	Benefits	18,459
120	Discretionary Housing Payment	159
9	Nature Reserve	4
101	Safer Stronger Communities/Domestic Abuse	102
50	Electoral Process	38
-	Homelessness Reduction Act	29
-	Domestic Abuse Services	106
4	Arts Council	33
4	HLF - Assembly Rooms	-
53	Welfare Benefit Reform Changes	113
-	Flexible Homelessness Support	59
20,588	**Total**	**19,523**

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 2017 £000	Capital Grants Receipts in Advance	31st March 2018 £000
1	DCMS Free Swimming Grant	1
3	Lottery BMX Track	3
2	Elections	2
-	HLF Mercian Trail	10
-	Arts Council	91
-	Other	27
6	**Total**	**134**

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 2018 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 2017/18 is shown in Note 29. During the financial year ended 31st March 2018, 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.

Members are required to disclose information regarding any material transactions between them and any other organisation in which they could exert control. During the financial year ended 31st March 2018, there were no such transactions.

c) Officers

During the financial year ended 31st March 2018, 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 0.

Senior Officers are required to disclose information regarding any material transactions between them and any other organisation in which they could exert control. During the financial year ended 31st March 2018, there were no such transactions.

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 2017 £000	Precepts	31st March 2018 £000
22,757	Staffordshire County Council	24,100
3,713	Staffordshire Police Authority	3,821
1,470	Stoke on Trent and Staffordshire Fire and Rescue Authority	1,509
27,940	**Total**	**29,430**

During the year, there were 3 Councillors who were 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 2017 £000	Recycling Credit Scheme	31st March 2018 £000
(766)	Recycling Credits	(693)
(766)	**Total**	**(693)**

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 **57.8%** from the Lichfield District Council and **42.2%** 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 2018 is as follows:

2016/17 £000	**Joint Waste Arrangement Income / Expenditure**	**2017/18 £000**
	Funding Provided to the Operation	
(1,292)	Contribution from Tamworth Borough Council	(1,275)
(1,748)	Contribution from Lichfield District Council	(1,750)
(3,040)	**Total Funding Provided to the Operation**	**(3,025)**
	Expenditure	
2,471	Employee Costs	2,577
4	Premises Related Expenses	4
1,217	Transport Costs	1,229
1,389	Supplies and Services	1,345
318	Central Support Costs	369
5,399	**Total Expenditure**	**5,524**
	Income	
(1,872)	Recycling Credits	(1,812)
-	Green Waste Service	(231)
(553)	Other Income	(562)
(2,425)	**Total Income Received**	**(2,605)**
2,974	**Total Net Expenditure**	**2,919**
(66)	**Net (Surplus)/Deficit arising on the pooled budget during the year**	**(106)**
42.50%	**Tamworth Borough Council's share of Service**	**42.16%**
(28)	**Tamworth Borough Council's share of Net (Surplus)/Deficit**	**(45)**

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 2017/18, the cost of the arrangement to the Authority was £1.28m.

34. Capital Expenditure & Financing

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

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

2016/17 £000	Capital Expenditure and Financing	2017/18 £000
69,041	**Opening Capital Financing Requirement**	68,983
	Capital Investment	
8,111	Property, Plant and Equipment	8,487
39	Heritage Assets	18
88	Intangible Assets	114
695	Revenue Expenditure Funded from Capital under Statute	641
	Sources of Finance	
(2,032)	Capital receipts	(562)
(521)	Government grants and other contributions	(809)
(6,027)	Sums set aside from revenue - Direct Revenue Contributions	(7,425)
(58)	Sums set aside from revenue - Minimum Revenue Provision	(58)
(353)	Grants - Revenue Expenditure Funded from Capital Under Statute	(464)
68,983	**Closing Capital Financing Requirement**	**68,925**
	Explanation of movements in year:	
	Increase in underlying need to borrow:	
(58)	Sums set aside from revenue - Minimum Revenue Provision	(58)
(58)	**Increase/(Decrease) in Capital Financing Requirement**	**(58)**

35. Leases

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

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

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

a) Authority as Lessee

Operating Leases

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

The Authority currently uses vehicles, plant and equipment financed under terms of an operating lease. The amount paid under these arrangements in 2017/18 was £329k (£328k - 2016/17). These leases have options for annual extensions beyond the original lease term, a number of these options are currently being taken up.

2016/17 £000	**Minimum Lease Payments**	**2017/18 £000**
328	Minimum lease payments	329
328	**Total Minimum Lease Payments**	**329**

The Authority was committed at 31st March 2018 to making payments of £811k under operating leases, comprising the following elements:

31st March 2017 £000	**Operating Leases**	**31st March 2018 £000**
208	Not later than one year	256
462	Later than one year not later than five years	555
670	**Total Operating Leases**	**811**

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

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (Long Term Debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Authority has leased out property at the Ankerside Shopping Centre including car park, on a finance lease with a remaining term of 71 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 2017 £000	Assets Held for Leases (Lessor)	31st March 2018 £000
	Finance lease debtor (NPV of minimum lease payments)	
12,612	Non current	12,603
47,800	Unearned finance income	46,959
12	Unguaranteed residual value of property	12
60,424	**Gross Investment in the Lease**	**59,574**

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

Minimum Lease Payments 31st March 2017 £000	Gross Investment in the Lease 31st March 2017 £000	Minimum Lease Payments	Minimum Lease Payments 31st March 2018 £000	Gross Investment in the Lease 31st March 2018 £000
851	851	Not later than one year	851	851
3,403	3,403	Later than one year not later than five years	3,404	3,404
56,158	56,170	Later than five years	55,307	55,319
60,412	**60,424**	**Total**	**59,562**	**59,574**

The Authority does not set aside any amount for future uncollectable amounts.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

ii. Operating Leases

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

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

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

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

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

31st March 2017 £000	Future Minimum Lease Payments	31st March 2018 £000
	Operating Leases	
1,024	Not later than one year	1,096
3,740	Later than one year not later than five years	4,120
50,428	Later than five years	54,609
55,192	**Total**	**59,825**

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 £441k in 2017/18 (£425k - 2016/17). There were 22 void units at the 31st March 2018 (21 voids at the 31st March 2017).

36. Impairment Losses

Charges for impairment of £4.4m have been made during 2017/18. This included an amount of £4.3m where the expenditure on Council Dwellings has not produced a similar increase in the value and £0.1m 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 £7.7m mainly related to improvements to bathrooms, kitchens, central heating, electrical upgrades and disabled adaptations however, £0.7m related to the acquisition of 5 new properties to be used within the general need stock; £2.07m related to the construction of 19 new dwellings on redeveloped garage sites. 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

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.

There were no terminations of employee contracts during 2017/18.

38. Defined Benefit Pension Schemes

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.

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 2.7%.

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.

Discretionary Benefits

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

a) Participation in Pension Schemes

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

The authority participates in two post employment schemes:

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

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

b) Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund (and HRA) via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement

Local Government Pension Scheme 2016/17 £000	Discretionary Benefit Arrangements 2016/17 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2017/18 £000	Discretionary Benefit Arrangements 2017/18 £000
		Comprehensive Income and Expenditure Statement:		
2,030	67	Current service costs	3,191	66
-	-	Past service costs	17	-
		Financing and Investment Income and Expenditure		
3,775	-	Interest costs	3,219	-
(2,344)	-	Expected return on scheme assets	(2,098)	-
3,461	**67**	**Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services**	**4,329**	**66**
		Re-measurement of the Net Defined Benefit Liability Comprising:		
(11,552)	104	Return on plan assets (excluding amounts included in net interest expense)	206	34
(494)	-	Actuarial gains and losses on changes in demographic assumptions	-	-
17,465	-	Actuarial gains and losses on changes in financial assumptions	(2,320)	-
(4,733)	-	Other	10	-
4,147	**171**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**2,225**	**100**

Movement in Reserves Statement

Local Government Pension Scheme 2016/17 £000	Discretionary Benefit Arrangements 2016/17 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2017/18 £000	Discretionary Benefit Arrangements 2017/18 £000
		Movement in Reserves Statement:		
(4,147)	(171)	Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services for post employment benefits in accordance with the code	(2,225)	(100)
		Actual amount charged against the General Fund Balance for pensions in the year:		
1,816	-	Employers' contributions payable to the scheme	2,046	-
-	67	Retirement benefits payable to pensioners	-	66
(2,331)	**(104)**	**Total Movement in Reserves Statement**	**(179)**	**(34)**

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 2016/17 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme 2017/18 £000
123,687	Present Value of the Defined Benefit Obligation	125,028
(80,208)	Fair Value of Plan Assets	(83,155)
43,479	**Net Liability Arising From Defined Benefit Obligation**	**41,873**

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

Local Government Pension Scheme 2016/17 £000	Reconciliation of Fair Value of Scheme Assets	Local Government Pension Scheme 2017/18 £000
67,628	**Balance at 1st April 2017**	**80,208**
2,344	Interest Income on Plan Assets	2,098
11,448	Return on Assets excluding amounts included in net interest	(240)
1,347	Employer contributions	3,865
531	Contributions by scheme participants	544
(3,090)	Benefits paid	(3,320)
67	Contributions in respect of unfunded benefits	66
(67)	Unfunded benefits paid	(66)
80,208	**Balance at 31st March 2018**	**83,155**

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

Local Government Pension Scheme 2016/17 £000	Discretionary Benefit Arrangements 2016/17 £000	Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)	Local Government Pension Scheme 2017/18 £000	Discretionary Benefit Arrangements 2017/18 £000
107,100	**1,103**	**Balance at 1st April 2017**	**122,547**	**1,140**
2,097	-	Current service costs	3,257	-
3,775	-	Interest Cost on Defined Benefit Obligation	3,219	-
531	-	Plan Participants Contributions	544	-
(494)	-	Changes in Demographic Assumptions	-	-
17,361	104	Changes in Financial Assumptions	(2,354)	34
(4,733)	-	Other Experience	10	-
(3,090)	(67)	Benefits paid	(3,320)	(66)
-	-	Past service costs	17	-
122,547	**1,140**	**Balance at 31st March 2018**	**123,920**	**1,108**

f) Local Government Pension Scheme Assets Comprised:

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

As at 31st March 2017					As at 31st March 2018			
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				
5,380.3	-	5,380.3	6.7	Consumer	3,603.9	-	3,603.9	4.3
4,638.2	-	4,638.2	5.8	Manufacturing	3,472.8	-	3,472.8	4.2
1,988.4	-	1,988.4	2.5	Energy & Utilities	1,018.2	-	1,018.2	1.2
5,372.4	-	5,372.4	6.7	Financial Institutions	3,375.0	-	3,375.0	4.1
4,462.8	-	4,462.8	5.6	Health Care	2,461.7	-	2,461.7	3.0
5,368.1	-	5,368.1	6.7	Information Technology	2,355.7	-	2,355.7	2.8
79.7	-	79.7	0.1	Other	90.2	-	90.2	0.1
				Debt Securities				
5,956.3	-	5,956.3	7.4	Corporate Bonds (Investment Grade)	6,309.4	-	6,309.4	7.6
				Private Equities				
-	2,546.2	2,546.2	3.2	All	-	2,428.0	2,428.0	2.9
				Real Estate				
-	6,456.8	6,456.8	8.1	UK Property	-	6,432.8	6,432.8	7.7
				Investment Funds & Unit Trusts				
26,771.7	-	26,771.7	33.2	Equities	39,297.6	-	39,297.6	47.2
4,386.8	-	4,386.8	5.5	Bonds	4,893.1	-	4,893.1	5.9
-	1,574.4	1,574.4	2.0	Hedge Funds	-	1,460.0	1,460.0	1.8
-	1,196.8	1,196.8	1.5	Other	-	2,145.4	2,145.4	2.6
				Cash & Cash Equivalents				
4,029.1	-	4,029.1	5.0	All	3,811.2	-	3,811.2	4.6
68,433.8	**11,774.2**	**80,208.0**	**100.0**	**Total Assets**	**70,688.8**	**12,466.2**	**83,155.0**	**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 2018.The significant assumptions used by the actuary have been:

Local Government Pension Scheme 2016/17	Discretionary Benefit Arrangements 2016/17	Assumptions	Local Government Pension Scheme 2017/18	Discretionary Benefit Arrangements 2017/18
		Long-term expected rate of return on assets in the scheme:		
2.60%	-	Equity Investments	2.70%	-
2.60%	-	Bonds	2.70%	-
2.60%	-	Property Managed Funds	2.70%	-
2.60%	-	Cash	2.70%	-
2.60%	-	Other	2.70%	-
		Mortality assumptions (in years):		
		Longevity at 65 for current pensioners:		
22.1	22.1	Men	22.1	22.1
24.4	24.4	Women	24.4	24.4
		Longevity at 65 for future pensioners:		
24.1	24.1	Men	24.1	24.1
26.4	26.4	Women	26.4	26.4
2.40%	2.40%	CPI Rate	2.40%	2.40%
2.80%	2.80%	Rate of increase in salaries	2.80%	2.80%
2.40%	2.40%	Rate of increase in pensions	2.40%	2.40%
2.60%	2.60%	Rate for discounting scheme liabilities	2.70%	2.70%
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 2018	Impact on the Defined Benefit Obligation in the Scheme	
Approx. % Increase to Liability 2016/17 %	**Approx. Monetary Value 2016/17 £000**		**Approx. % Increase to Liability 2017/18 %**	**Approx. Monetary Value 2017/18 £000**
9.00%	11,697	0.5% Decrease in Real Discount Rate	10.00%	12,071
3.00% to 5.00%	4,986 to 8,310	1 Year in Member Life Expectancy	3.00% to 5.00%	4,947 to 8,245
1.00%	1,662	0.5% Increase in the Salary Increase Rate	1.00%	1,649
8.00%	9,875	0.5% Increase in the Pension Increase Rate	8.00%	10,275

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2018 is £3.8m (£2.0m - 2017/18), which includes an advance deficit repair pension payment of £2.5m made 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

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 Authority has included a provision – detailed in Note 22 – relating to Business Rate appeals outstanding as at 31st March 2018.

Local businesses can appeal against the Rateable Value on the 2010 Rating list under limited circumstances and can also appeal against the Rateable Value on the 2017 Rating List. The 2017 Rating List is subject to a fresh approach to appeals known as "Check, Challenge & Appeal" (CCA) which means that before an appeal is made the Rateable Value may be amended upon negotiation between the Valuation Office and the ratepayer (or their agents). This process will inevitably lead to a delay in appeals being made.

It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal and the Authority has therefore made provision in the accounts based on professional advice from independent valuers. 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	2017 List	Total
A Total of original Rateable Values resolved	£115.89m	£126.27m	£-	£242.16m
B Total original Rateable Value of successful appeals	£51.84m	£34.77m	£-	£86.61m
Average success rate (% of RV) **(B/A)**	44.73%	27.54%	n/a	35.77%
C Total revised Rateable Value of successful appeals	£47.55m	£30.07m	£-	£77.62m
D Total reduction in Rateable Value (C-B)	**£4.29m**	**£4.70m**	**£-**	**£8.99m**
Average % reduction in Rateable Value **(D/B)**	8.28%	13.53%	n/a	10.39%
E Years the List has been active	5	7	1	-
F Average annual reduction in Rateable Value **(D/E)**	£0.86m	£0.67m	n/a	-
G Standard Business Rate Multiplier in 2018/19	49.3p	49.3p	49.3p	49.3p
H Average annual cost of reduction based on 2018/19 Multiplier (FxG)	**£0.423m**	**£0.331m**	**n/a**	**£0.754m**
District Council Share at 40% (Hx0.4)	**£0.169m**	**£0.132m**	**n/a**	**£0.302m**
I Appeals outstanding 31/03/18	£0.17m	£109.20m	£-	£109.37m
J Provision included	£0.01m	£2.40m	£1.43m	£3.84m
Provision as a % of Appeals outstanding **(J/I)**	5.78%	2.19%	n/a	3.51%

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 Link 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 2017/18 was approved by Full Council on 21st February 2017 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 £51m 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 2018 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.

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

Credit Risk	**Amount at 31st March 2018 £000 A**	**Historical Experience of Default % B**	**Historical Experience Adjusted for Market Conditions at 31st March 2018 % C**	**Estimated Maximum Exposure to Default and Uncollectability at 31st March 2018 £000 (A x C)**	**Estimated Maximum Exposure at 31st March 2017 £000**
A rated counterparties	43,000	0.05%	0.05%	23	328
BBB rated counterparties	8,003	0.16%	0.16%	13	-
Caa rated counterparties	32	18.74%	18.74%	6	29
Trade Debtors	2,017	89.37%	89.37%	1,802	1,794
Total	**53,052**	-	-	**1,844**	**2,151**

The Authority does not generally allow credit for customers, such that £2.0m is past its due date for payment. The past due amount as at 31st March 2018 but not impaired amount can be analysed by age as follows:

31st March 2017 £000	Arrears	31st March 2018 £000
329	Less than six months	288
186	Six months to one year	207
375	More than one year	265
1,217	More than two years	1,257
2,107	**Total**	**2,017**

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 2018 was £47.2k (£28.4k - 2016/17).

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 2017 Average Rate %	31st March 2017 Amount £000	Financial Liabilities	31st March 2018 Average Rate %	31st March 2018 Amount £000
4.05%	63,371	PWLB	4.05%	63,371
4.05%	**63,371**	**Total**	**4.05%**	**63,371**
-	311	Less than one year (Interest Due)	-	311
4.25%	1,000	Maturing in 10 - 15 years	4.25%	1,000
4.05%	62,060	Maturing in over 15 years	4.05%	62,060
4.05%	**63,371**	**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 2017		Financial Assets	31st March 2018	
Average Rate %	Amount £000		Average Rate %	Amount £000
0.56%	43,151	Less than one year	0.63%	51,128
0.56%	**43,151**	**Total**	**0.63%-**	**51,128**

All trade and other payables are due to be paid in less than one year – debtors of £2.0m 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 2018, 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.

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	-	-
Glitnir	31/08/2007	28/08/2009	1,000,000	6.55	-	-
Glitnir	14/12/2007	12/12/2008	1,000,000	6.16	-	-
KSF	31/08/2008	09/08/2010	1,000,000	6.69	10,740	13.5%
KSF	31/10/2007	29/10/2008	1,000,000	6.16	10,579	13.5%
KSF	14/01/2008	14/10/2010	1,000,000	5.90	10,433	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**	**-**	**31,753**	**-**

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 was retained in Iceland due to currency controls currently operating there and as a result was subject to exchange rate risk, over which the Authority had no control.

On 27th June 2017, the Authority received €1,017,109.80 (£885,212.28) in respect of the repayment of the Icelandic Bank Glitnir deposit held in escrow. This was £135,539 lower than the figure contained within the 2016/17 accounts, due to the discounted offer from the Central Bank of Iceland to release the funds. This was an opportunity for those Authorities 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 previous 2 years. The escrow funds were also no longer receiving interest credits.

The accounts contained a balance of £1,020,751 which included an exchange rate gain of £243,673.

Kaupthing Singer and Friedlander Ltd (KSF)

The current position o is as shown in the table above. 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.

41. Prior Period Restatement of Service Expenditure and Income

The following table shows how the net expenditure and income for 2016/17 has been restated (within the CIES on page 20) following identification of a change in the presentation of internal recharges from 2017/18. From 2017/18 internal support services recharge costs have to be removed and can no longer be shown within the cost of other services.

Comprehensive Income & Expenditure Statement	Gross Expenditure 2016/17 £000	Removal of Recharges 2016/17 £000	Restated Gross Expenditure 2016/17 £000	Gross Income 2016/17 £000	Removal of Recharges 2016/17 £000	Restated Gross Income 2016/17 £000	Net Expenditure 2016/17 £000	Removal of Recharges 2016/17 £000	Restated Net Expenditure 2016/17 £000
Chief Executive	246	(34)	212	(246)	208	(38)	-	174	174
Executive Director Corporate Services	22,117	(516)	21,601	(21,376)	227	(21,149)	741	(289)	452
Director of Finance	2,899	(1,558)	1,341	(1,556)	699	(857)	1,343	(859)	484
Solicitor to the Council	1,185	(336)	849	(452)	137	(315)	733	(199)	534
Corporate Director Technology and Corporate Programmes	1,479	(128)	1,351	(1,505)	1,087	(418)	(26)	959	933
Corporate Director Transformation and Corporate Performance	2,154	(569)	1,585	(1,821)	1,249	(572)	333	680	1,013
Director of Communities, Planning and Partnerships	29	(27)	2	(29)	29	-	-	2	2
Director of Growth, Assets and Environment (GF)	12,367	(2,029)	10,338	(6,358)	1,674	(4,684)	6,009	(355)	5,654
Director Housing and Health (GF)	3649	(413)	3,236	(1,326)	336	(990)	2,323	(77)	2,246
Director of Growth, Assets and Environment (HRA)	226	(25)	201	(264)	12	(252)	(38)	(13)	(51)
Director Housing and Health (HRA)	6,417	(623)	5,794	(2,317)	1,043	(1,274)	4,100	420	4,520
HRA Summary	8,889	-	8,889	(18,738)	-	(18,738)	(9,849)	-	(9,849)
Housing Repairs	2,954	(407)	2,547	(66)	-	(66)	2,888	(407)	2,481
Exceptional Item - Change in EUV – SH [1]	-	-	-	(14,734)	-	(14,734)	(14,734)	-	(14,734)
Cost of Services	**64,611**	**(6,665)**	**57,946**	**(70,788)**	**6,701**	**(64,087)**	**(6,177)**	**36**	**(6,141)**

Comprehensive Income & Expenditure Statement	Gross Expenditure 2016/17 £000	Removal of Recharges 2016/17 £000	Restated Gross Expenditure 2016/17 £000	Gross Income 2016/17 £000	Removal of Recharges 2016/17 £000	Restated Gross Income 2016/17 £000	Net Expenditure 2016/17 £000	Removal of Recharges 2016/17 £000	Restated Net Expenditure 2016/17 £000
Other Operating Expenditure	-	-	-	-	-	-	65	-	65
Financing and Investment Income and Expenditure (FIIE)	-	-	-	-	-	-	469	(89)	380
Taxation and Non Specific Grant Income [2]	-	- -	-	-	-	-	(9,101)	53	(9,048)
(Surplus) or Deficit on Provision of Services							**(14,744)**	**-**	**(14,744)**
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	-	-	-	-	-	-	(15,573)	-	(15,573)
Re-measurement of the Net Defined Benefit Liability	-	-	-	-	-	-	790	-	790
Other Comprehensive Income and Expenditure							**(14,783)**	**-**	**(14,783)**
Total Comprehensive Income and Expenditure							**(29,527)**	**-**	**(29,527)**

[1] Existing Use Value for Social Housing
[2] As a result of amended disclosure of grant income.

Approval of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on 26th July 2018

Signed on behalf of Tamworth Borough Council

Councillor M Summers, Chair of the Audit and Governance Committee

Dated 26th July 2018

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

Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Authority charges rents to cover expenditure in accordance with legislative framework; this may be different from accounting cost. The increase or decrease in the year, on the basis which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2016/17		**HRA Comprehensive Income and Expenditure Statement**	**2017/18**	
£000			**£000**	**£000**
		Expenditure:		
	2,929	Repairs and Maintenance	3,079	
	6,082	Supervision and Management	6,311	
	137	Rents, rates, taxes and other charges	76	
	8,722	Depreciation and impairment of Non Current Assets	7,069	
	24	Debt management costs	20	
	139	Movement in the allowance for bad debts	152	
18,033		**Total Expenditure**		**16,707**
		Income:		
	(18,082)	Dwelling rents	(17,739)	
	(369)	Non dwelling rents	(371)	
	(757)	Charges for services and facilities	(768)	
	(1,732)	Contributions towards expenditure	(1,666)	
(20,940)		**Total Income**		**(20,544)**
(2,907)		**Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(3,837)**
8		HRA services' share of Corporate and Democratic Core		9
(14,734)		Exceptional Item - Change in EUSHV		-
(17,633)		**Net Expenditure / (Income) for HRA Services**		**(3,828)**
		HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:		
(486)		(Gain) or loss on sale of HRA Non Current Assets		(640)
2,891		Interest payable and similar charges		2,632
(120)		Interest and investment income		(124)
332		Pensions interest cost and expected return on pensions assets		253
(246)		Capital grants and contributions receivable		(246)
(15,262)		**(Surplus) or Deficit for the Year on HRA Services**		**(1,953)**

Statement of Movement on the HRA Balance

2016/17 £000	£000	Statement of Movement on the HRA Balance	2017/18 £000	£000
4,724		Balance on the HRA at the end of the previous year		6,353
	15,262	Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	1,953	
	(13,061)	Adjustments between accounting basis and funding basis under statute	(1,379)	
	2,201	**Net Increase or (Decrease) before transfers to or from reserves**	**574**	
	(572)	Transfers (to) / from Reserves	(103)	
1,629		Increase or (Decrease) on the HRA		471
6,353		**Balance on the HRA at 31st March 2018**		**6,824**

Analysis of Adjustments

2016/17 £000	Analysis of Adjustments	2017/18 £000
10	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	(13)
(486)	Gain or loss on sale of HRA Non Current Assets	(640)
403	HRA share of contributions to or from the Pensions Reserve	530
(2,218)	Capital expenditure funded by the HRA	(3,569)
(246)	Capital Grants and Contributions Applied	(246)
(4,511)	Transfer to / from the Major Repairs Reserve	(4,510)
(6,013)	Transfer to / from the Capital Adjustment Account	7,069
(13,061)	**Total Adjustments Between Accounting Basis and Funding Basis Under Statute**	**(1,379)**

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 2017	2,744	750	882	**4,376**
Demolitions	-	(82)	(4)	**(86)**
Sales	(35)	(4)	(6)	**(45)**
Purchases	23	-	1	**24**
Housing Stock as at 31st March 2018	**2,732**	**664**	**873**	**4,269**

In order to comply with the requirements of Resource Accounting, garages are now identified within other property. Non operational assets are those held by an authority but not directly occupied or used in the delivery of its services.

HRA2. Vacant possession value of dwellings

The Vacant Possession Valuation as at 31st March 2018 is £428.2m (31st March 2017 Vacant Possession Value was £404.6m).

However, assets are valued on the Balance Sheet at their existing use reflecting the valuation of a property if it were to be disposed with sitting tenants benefiting from sub-market rents. This reflects the economic cost to the Government of providing council housing at less than open market value.

Council dwellings are held on the Balance Sheet at Existing Use Value Social Housing (EUV-SH) which for 2017/18, a nationally set adjustment factor for the West Midlands of 40% of vacant possession value has been used (40% - 2016/17).

Existing Use Social Housing Value of Dwellings

Existing Use Social Housing Value of Dwellings	Council Dwellings £000	Other Land and Buildings £000	Asset Under Construction £000	Total £000
Cost or Valuation				
As at 1st April 2017	**166,878**	**4,375**	**592**	**171,845**
	-			
Additions;	5,528	-	2,128	**7,656**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(11,313)	(195)	-	**(11,508)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve;	12,611	195	-	**12,806**
Revaluation increases/ (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	156	-	-	**156**
Derecognition – Disposals;	(3,461)	(193)	-	**(3,654)**
Other movements in cost or valuation.	1,993	(384)	(1,609)	**-**
As at 31st March 2018	**172,392**	**3,798**	**1,111**	**177,301**
Accumulated Depreciation & Impairment				
As at 1st April 2017	**(6,394)**	**(240)**	**-**	**(6,634)**
Depreciation Charge;	(2,701)	(103)	-	**(2,804)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	11,313	195	-	**11,508**
Impairment losses/ (reversals) recognised in the Revaluation Reserve;	(1)	-	-	**(1)**
Impairment losses/ (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(4,420)	-	-	**(4,420)**
Derecognition - disposals.	1,582	147	-	**1,729**
As at 31st March 2018	**(621)**	**(1)**	**-**	**(622)**
Net Book Value				
As at 1st April 2017	160,484	4,135	592	**165,211**
As at 31st March 2018	**171,771**	**3,797**	**1,111**	**176,679**
Nature of holdings at year end Owned	**171,771**	**3,797**	**1,111**	**176,679**

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.

2016/17 £000	Major Repairs Reserve	2017/18 £000
1,383	**Balance at 1st April 2017**	**2,521**
4,511	Contributions to the Major Repairs Reserve	4,510
(3,373)	Capital Spending on Dwellings	(3,554)
2,521	**Balance at 31st March 2018**	**3,477**

The contribution in 2017/18 includes depreciation of £2.7m and a further revenue contribution to capital outlay of £1.8m.

HRA4. Capital Expenditure Summary

The following table details how £7.7m Capital Expenditure was financed during the year.

2016/17 £000	Capital Expenditure	2017/18 £000
	Capital Expenditure Type:	
6,428	Dwellings	5,528
325	Land	-
10	Plant, Vehicles and Equipment (PVE)	7
598	Assets Under Construction	2,128
7,361	**Total Capital Expenditure**	**7,663**
	Funded by:	
1,524	Usable capital receipts	294
2,218	Revenue contributions	3,569
246	External grants and contributions	246
3,373	Major Repairs Reserve	3,554
7,361	**Total Funding**	**7,663**

HRA5. Capital Receipts

During the year capital receipts totalling £2.6m were received in respect of dwellings sold, of which £0.4m 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

2016/17 £000	Capital Receipts	2017/18 £000
2,065	Sale of dwellings under Right to Buy	2,624
(597)	Amounts pooled to Central Government	(422)
1,468	**Net Capital Receipts**	**2,202**

HRA6. Depreciation & Impairment Charges

Council Dwellings are depreciated on a straight line basis over the period of their useful economic life. The charge for the year was £2.7m.

The charge for depreciation of £0.1m on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

Charges for impairment of £4.4m have been made during 2017/18. 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 £0.1m in respect of dwellings, part of the Regeneration Scheme at Tinkers Green, no longer available for letting.

HRA7. HRA Pensions Reserve

2016/17 £000	Pensions	2017/18 £000
293	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	667
877	Interest on share of pensions liability	727
(544)	Expected return on share of assets	(474)
626	**Total**	**920**

HRA8. Rent Arrears

2016/17 £000	Rent Arrears	2017/18 £000
1,601	Gross arrears	1,180
8.9%	Gross arrears as percentage of gross rent income	6.7%

Of the rent arrears, 51.6% (37.5% - 2016/17) refer to former tenants.

2016/17 £000	Provision for Bad Debts	2017/18 £000
	Rent Arrears	
1,208	**Balance at 1st April 2017**	**1,324**
143	Contribution from / (to) HRA in year	152
(27)	Written off in year	(106)
1,324	**As at 31st March 2018**	**1,370**
	Sundry Debtors	
31	**Balance at 1st April 2017**	**27**
(3)	Contribution from / (to) HRA in year	(4)
(1)	Written off in year	-
27	**Balance at 31st March 2018**	**23**
1,351	**Total Provision for Bad Debts**	**1,393**

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.

2016/17 Council Tax £000	2016/17 NNDR £000	2016/17 Total £000	Collection Fund Income and Expenditure Statement	2017/18 Council Tax £000	2017/18 NNDR £000	2017/18 Total £000
			INCOME			
(32,166)	-	(32,166)	Income from Council Tax	(33,921)	-	(33,921)
11	-	11	Transfers from General Fund - Council Tax benefits	9	-	9
-	(35,785)	(35,785)	Income collectable from business ratepayers	-	(33,982)	(33,982)
(32,155)	**(35,785)**	**(67,940)**	**Total Income**	**(33,912)**	**(33,982)**	**(67,894)**
			EXPENDITURE			
			Precepts			
3,381	-	3,381	- Tamworth Borough Council	3,517	-	3,517
3,713	-	3,713	- OPCC Staffordshire	3,821	-	3,821
1,470	-	1,470	- Stoke on Trent and Staffordshire Fire and Rescue Authority	1,509	-	1,509
22,757	-	22,757	- Staffordshire County Council	24,100	-	24,100
			Business rates			
-	13,262	13,262	- Tamworth Borough Council	-	13,253	13,253
-	16,578	16,578	- Central Government	-	16,567	16,567
-	332	332	- Stoke on Trent and Staffordshire Fire and Rescue Authority	-	331	331
-	2,984	2,984	- Staffordshire County Council	-	2,982	2,982

2016/17 Council Tax £000	2016/17 NNDR £000	2016/17 Total £000	**Collection Fund Income and Expenditure Statement**	2017/18 Council Tax £000	2017/18 NNDR £000	2017/18 Total £000
-	92	92	Costs of Collection	-	91	91
			Bad and Doubtful Debts			
130	146	276	- Provisions	129	59	188
-	1,206	1,206	- Provision for appeals	-	(24)	(24)
			Distribution of previous year's surpluses/deficits			
82	(560)	(478)	- Tamworth Borough Council	81	338	419
92	-	92	- OPCC Staffordshire	89	-	89
36	(14)	22	- Stoke on Trent and Staffordshire Fire and Rescue Authority	35	8	43
541	(126)	415	- Staffordshire County Council	545	76	621
-	(700)	(700)	- Central Government	-	423	423
32,202	**33,200**	**65,402**	**Total Expenditure**	**33,826**	**34,104**	**67,930**
47	(2,585)	(2,538)	**(Surplus)/ Deficit for the year**	(86)	122	36
(1,415)	1,773	358	Fund Balance Brought Forward	(1,368)	(812)	(2,180)
(1,368)	**(812)**	**(2,180)**	**Fund Balance at 31st March 2018**	**(1,454)**	**(690)**	**(2,144)**
			Analysis of Fund Balance (Surplus)/ Deficit			
(147)	(325)	(472)	- Tamworth Borough Council	(153)	(276)	(429)
(160)	-	(160)	- OPCC Staffordshire	(169)	-	(169)
(64)	(8)	(72)	- Stoke on Trent and Staffordshire Fire and Rescue Authority	(66)	(7)	(73)
(997)	(73)	(1,070)	- Staffordshire County Council	(1,066)	(62)	(1,128)
-	(406)	(406)	- Central Government	-	(345)	(345)
(1,368)	**(812)**	**(2,180)**	**Total**	**(1,454)**	**(690)**	**(2,144)**

NOTES TO THE COLLECTION FUND

CF 1. NNDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2018 was £81,531,830 (£78,997,744 at 31st March 2017).

The NNDR multiplier for 2017/18 was 47.9p in the pound (49.7p - 2016/17). The qualifying small business multiplier for 2017/18 was 46.6p in the pound (48.4p - 2016/17).

CF 2. Council Tax Base Calculation

The Council base was as follows:

Number of Chargeable Properties 2016/17	Adjusted Property Base (Band D Equivalent) 2016/17	Calculation of Ctax Base	Number of Chargeable Properties 2017/18	Adjusted Property Base (Band D Equivalent) 2017/18
		Valuation Band (Multiplier)		
22	12	**A - Disabled Relief Reduction (5/9)**	**22**	12
8,071	5,381	**A - (6/9)**	**8,106**	5,404
10,666	8,296	**B - (7/9)**	**10,628**	8,266
5,040	4,480	**C - (8/9)**	**5,033**	4,474
3,334	3,334	**D - (9/9)**	**3,359**	3,359
1,623	1,984	**E - (11/9)**	**1,665**	2,035
391	565	**F - (13/9)**	**399**	576
56	93	**G - (15/9)**	**61**	102
2	5	**H - (18/9)**	**2**	5
	(2,797)	**LCTS ADJUSTMENT**		(2,688)
29,205	21,353	**Totals**	**29,275**	**21,545**
	97.90%	**Assumed Collection Rate**		**97.90%**
	20,904	**Total Taxbase**		**21,093**

CF 3. Authorities making precepts or demands on the fund

Council Tax

Precept 2016/17 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2016/17 £	Total Movement on the Collection Fund 2016/17 £	Precepts Analysis	Precept 2017/18 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2017/18 £	Total Movement on the Collection Fund 2017/18 £
3,381,222	**146,995**	**3,528,217**	Tamworth Borough Council	**3,517,258**	**153,485**	**3,670,743**
3,712,758	**160,640**	**3,873,398**	OPCC Staffordshire	**3,821,217**	**169,299**	**3,990,516**
1,470,178	**63,541**	**1,533,719**	Stoke on Trent and Staffordshire Fire and Rescue Authority	**1,509,415**	**65,792**	**1,575,207**
22,757,129	**997,358**	**23,754,487**	Staffordshire County Council	**24,099,608**	**1,066,063**	**25,165,671**
31,321,287	**1,368,534**	**32,689,821**	**Total**	**32,947,498**	**1,454,639**	**34,402,137**

NNDR

Business Rates 2016/17 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2016/17 £	Total Movement on the Collection Fund 2016/17 £	Precepts Analysis	Business Rates 2017/18 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2017/18 £	Total Movement on the Collection Fund 2017/18 £
13,262,270	**325,091**	**13,587,361**	Tamworth Borough Council	**13,253,351**	**276,245**	**13,529,596**
331,557	**8,127**	**339,684**	Stoke on Trent and Staffordshire Fire and Rescue Authority	**331,334**	**6,906**	**338,240**
2,984,011	**73,146**	**3,057,157**	Staffordshire County Council	**2,982,004**	**62,156**	**3,044,160**
16,577,837	**406,364**	**16,984,201**	Central Government	**16,566,688**	**345,303**	**16,911,991**
33,155,675	**812,728**	**33,968,403**	**Total**	**33,133,377**	**690,610**	**33,823,987**

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 2017/18.

CF 5. Bad and Doubtful Debts

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

2016/17 £000	Provision for Bad Debts	2017/18 £000
	Council Tax	
1,174	**Balance at 1st April 2017**	**1,223**
131	Increase /(decrease) in provision	129
(82)	Written off in year	(118)
1,223	**As at 31st March 2018**	**1,234**
	Business Rates	
1,051	**Balance at 1st April 2017**	**1,026**
146	Increase /(decrease) in provision	59
(171)	Written off in year	(352)
1,026	**As at 31st March 2018**	**733**

CF 6. Appeals – Business Rates

The following provisions and settlements were made in the year:

2016/17 £000	Provision for Appeals	2017/18 £000
	Business Rates	
4,320	**Balance at 1st April 2017**	**4,742**
1,206	Increase /(decrease) in provision	(24)
(784)	Resolved in year	(875)
4,742	**As at 31st March 2018**	**3,843**

Annual Governance Statement 2017/18

What is Governance?

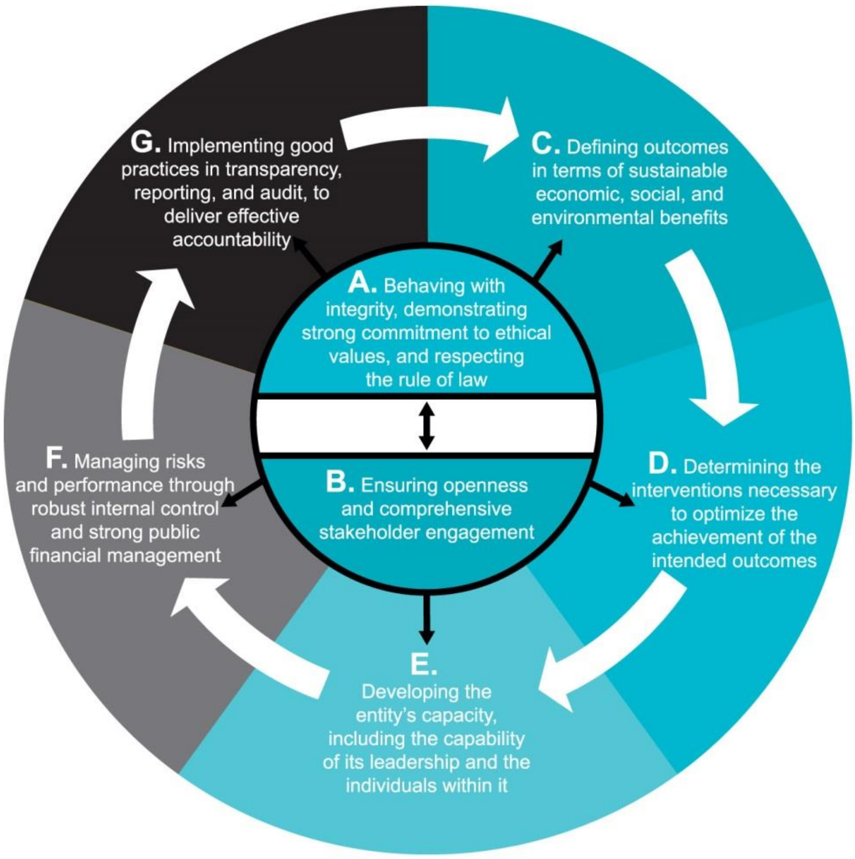
Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

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. The Code of Corporate Governance document is available on the Council's website.

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:

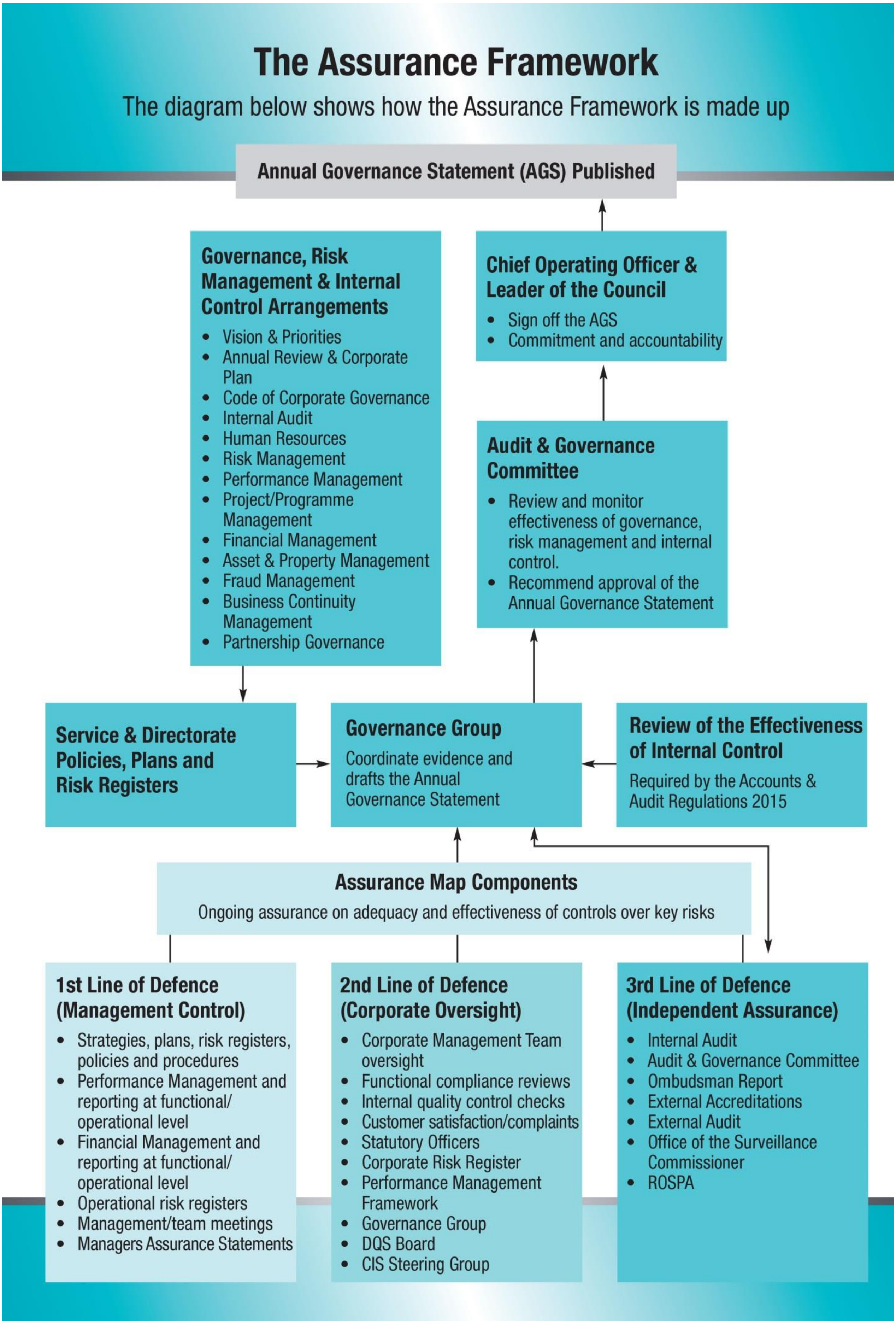
"One Tamworth, Perfectly Placed – Open for business since the 7^{th} century AD"

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
Annual Governance Statement (AGS) Published
Governance, Risk Management & Internal Control Arrangements
• Vision & Priorities
• Annual Review & Corporate Plan
• Code of Corporate Governance
• Internal Audit
• Human Resources
• Risk Management
• Performance Management
• Project/Programme Management
• Financial Management
• Asset & Property Management
• Fraud Management
• Business Continuity Management
• Partnership Governance
Chief Operating Officer & Leader of the Council
• Sign off the AGS
• Commitment and accountability
Audit & Governance Committee
• Review and monitor effectiveness of governance, risk management and internal control.
• Recommend approval of the Annual Governance Statement
Service & Directorate Policies, Plans and Risk Registers
Governance Group
Coordinate evidence and drafts the Annual Governance Statement
Review of the Effectiveness of Internal Control
Required by the Accounts & Audit Regulations 2015
Assurance Map Components
Ongoing assurance on adequacy and effectiveness of controls over key risks
1st Line of Defence (Management Control)
• Strategies, plans, risk registers, policies and procedures
• Performance Management and reporting at functional/ operational level
• Financial Management and reporting at functional/ operational level
• Operational risk registers
• Management/team meetings
• Managers Assurance Statements
2nd Line of Defence (Corporate Oversight)
• Corporate Management Team oversight
• Functional compliance reviews
• Internal quality control checks
• Customer satisfaction/complaints
• Statutory Officers
• Corporate Risk Register
• Performance Management Framework
• Governance Group
• DQS Board
• CIS Steering Group
3rd Line of Defence (Independent Assurance)
• Internal Audit
• Audit & Governance Committee
• Ombudsman Report
• External Accreditations
• External Audit
• Office of the Surveillance Commissioner
• ROSPA

What have we done to monitor and evaluate the effectiveness of our governance arrangements during 2017/18 **and in 2018/19 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 Audit & Governance 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 2017/18, 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 Audit & Governance 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 2017/18 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;

- Our External Auditors report to each Audit & Governance Committee. In their Annual Audit Letter (2016/17), 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 2016/17 was reported to the Audit & Governance Committee in October 2017;

- Managers Assurance Statements have been completed by Directors and Heads of Service (as was) 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 2017, the Office of the Surveillance Commissioner completed an assessment of the Authority's RIPA policy and procedures, the results of which were reported to the Audit & Governance Committee in October 2017. The Policy was reviewed and updated and approved by the Audit & Governance Committee in February 2018. A quarterly update report is presented to the Audit & Governance Committee on the use of RIPA powers. During 2017/18, no RIPA authorisations were made;

- Financial Regulations, Contract Standing Orders and Financial Guidance are reviewed on a regular basis with the last review being approved by the Audit & Governance Committee in March 2018 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 28th March 2018;

- 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 the22nd May 2018, in compliance with the Local Authorities Executive Arrangements) (Meetings & Access to Information) Regulations 2012, that one urgent executive decisions has been made for the period to 30 April 2018;.

- In compliance with the Localism Act 2011, a report was presented to Full Council in May 2018 advising them of the number of complaints received regarding Members Conduct;

- The appointments of the Chief Executive and the Head of Paid Service and appointments of Statutory positions including the senior management review were approved by Council in Junes 2018;

- The review of the Constitution and Scheme of Delegation was approved by Council in June 2018;

- The Anti-Money Laundering Policy was reviewed and approved by the Audit & Governance Committee in February 2018;

- The Diversity & Equalities Scheme 2015-19 was approved by Cabinet in July 2017; The Pay Policy 2018 was approved by Council in May 2018;

- In the last eighteen months, activity has progressed around the implementation of the organisation's response to the General Data Protection Regulations (GDPR). This has seen a project group formed to manage the implementation and a Corporate Information Governance Group representing all services within the organisation. Awareness has been raised through corporate communications, distribution of merchandise such as stationery and desk calendars and delivery of information through InfoZone. Specialist staff have been trained to practitioner level to ensure local knowledge for the implementation and subsequent maintenance. These officers have also been formally nominated as Data Protection Officer and Deputy Data Protection Officer. An Information Asset Register has been developed internally which holds details of approximately 500 datasets held by the organisation. This register will produce information such as retention schedules and disposal logs. Mandatory training has been developed for all staff and delivered through a combination of e-learning, classroom sessions and information dissemination through InfoZone. A notification process has been developed to ensure that staff can recognise potential and actual security breaches and ensure that notifiable incidents are handled appropriately. Web pages are being redesigned based on feedback from the organisation that the original pages weren't appropriate. An Information Security Policy is being developed which will be disseminated through NetConsent in 2018;

- Partnership working arrangements continue to strengthen and further develop with both our statutory and community and voluntary sector partners. A number of projects and new ways of working have been developed in 2017/18. The Place Based Approach continues to grow and further develop; this is a collaborative partnership approach that uses multi skilled teams, universal services, voluntary sector organisations, and communities at the right time to improve outcomes for children, young people, vulnerable people and our community. As part of this Place Based Approach we have been working in partnership to identify community and voluntary sector organisations that can offer children, families and vulnerable people help and support at the earliest opportunity. We are currently exploring the most effective ways to share this information with our partners and communities. We value our community and voluntary sector and the work they do within our community. We contribute to the sector through funding projects that support the vision and corporate priorities of the Council. In 2017/18 we awarded a total of 34 grants through our Community and Voluntary Sector Grant Programme and our Arts Grant Programme; the total value of this funding was £17,766.02;

- 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 within the MTFS together with reduced CRM costs of £62k p.a. from 2019/20;

- Recruitment freeze – where possible, 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;

- The Senior Management Review saw the restructuring of the senior management roles and responsibilities to meet future needs whilst delivering savings;

- Spend freeze – Managers have previously been required to restrict / limit spending to essential spend only (there was a £1.6m underspend in 2016/17 – although the majority was windfall income, c. £0.57m was lower level underspend). Savings of over £150k p.a. have been included within the MTFS;
- 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 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;

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

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

- 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 2018/19. The Tamworth Vulnerability Partnership continues to meet each morning to ensure that partner organisations are working together to coordinate efforts to support children, young people, families and vulnerable people across Tamworth.

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 2016/17 Annual Governance Statement still remain significant issues during 2017/18 with additional governance issues highlighted during 2017/18 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 Barratt
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 Finance

Significant Governance Issues 2017/18

The significant governance issues identified in relation to the Authority achieving its vision in 2016/17 remain significant issues for 2017/18 and are detailed below:

No	Issue	Action 2016/17	Update 2017/18
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.	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.	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 within the MTFS together with reduced CRM costs of £62k p.a. from 2019/20; • Recruitment freeze – where possible, 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% c. £45k p.a. year on year for the General Fund (£14k p.a. – HRA); It should be noted that staffing in some services e.g. planning, are key to the delivery of the Council's economic

No	Issue	Action 2016/17	Update 2017/18
			growth agenda and have significant demand from the public and local businesses but can also experience severe recruitment difficulties – which may lead to the use of market supplements to attract staff. • Spend freeze – Managers have previously been required to restrict / limit spending to essential spend only (there was a £1.6m underspend in 2016/17 – although the majority was windfall income, c. £0.57m was lower level underspend). Savings of over £150k p.a. have been included within the MTFS; • 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: o Set up of trading company to develop new income streams; o 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); o Investments in a Diversified Property Fund; Note: these would represent long term

No	Issue	Action 2016/17	Update 2017/18
			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 – to identify potential areas for review in future years. Uncertainty remains over the work progressing with regard to business rates retention (and the associated impact on the Council's business rates income and associated baseline and tariff levels) – it has recently been announced that Councils will be able to retain 75% of business rates collected from 2020/21 rather than 100% as previously planned. In addition, the Government are also consulting on a review of the distribution methodology, the 'Fair Funding Review' as well as the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed) - both of which will also take effect from 2020/21. **There is a high risk that this will have a significant effect on the Council's funding level from 2020/21**;
2	**Regeneration/Capital Projects** The Authority needs to ensure that capital projects are managed effectively to ensure that they are delivered and	Cabinet have received updates on the Commercial Investment Strategy (CIS), and have approved a steering group be formed comprising Members	Significant re-profiling of capital scheme spend is forecast for 2017/18 into 2018/19 – c.£20m relating mainly to Housing Regeneration Schemes, works to High Rise flats and the works at the Assembly Rooms.

<table>
<tr><th>No</th><th>Issue</th><th>Action 2016/17</th><th>Update 2017/18</th></tr>
<tr><td></td><td>grant monies are spent appropriately and timely.

There is a risk that developers will not develop timely in accordance with the Local Plan need.</td><td>and Officers to oversee the implementation of projects delivered within the CIS. The last meeting of this group was May 2017.

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.</td><td>The majority of this is beyond the control of the Council and has been forecast with the reasons understood.

It is anticipated that this spend will now occur during 2018/19 with firm plans in place for such but the situation will be closely monitored and any potential issues will be highlighted at the earliest opportunity.

Review of Asset Holdings and Asset Management Plan

The Council’s Asset Management Plan will be reviewed on an ongoing basis. This will identify any assets held by the Council that are no longer either required or fit for purpose and appropriate recommendations made regarding retention for alternative use or disposal.

The Corporate Asset Management Strategy was last updated in 2015 relating to the following assets:

<table><tr><th>Asset Description</th><th>Value (31/03/15)</th></tr><tr><td>Investment Properties</td><td>£14,588,052</td></tr><tr><td>Land and Buildings</td><td>£6,537,500</td></tr></table></td></tr>
</table>

No	Issue	Action 2016/17	Update 2017/18
			Total **£21,125,552** It details an estimated 10 year maintenance cost for each asset (**totalling c.£8m**) based on the inspections that had been undertaken. **Long Term Strategic Plan** It has been identified that the Council, through the Corporate Capital strategy and through the development of a long term strategic plan, needs to take a longer-term view of the assets required to deliver its Corporate Plan priorities and to support its Medium Term Financial Strategy (MTFS), including spend required (and associated potential funding streams) to address the identified maintenance and repairs backlog for corporate assets.
3	**Disabled Facilities Grants** There is a risk that the Authority will not be fully funded to deliver the need for Disabled Facilities Grants.	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 being reviewed through the Chief Executive Group.	The contract for delivery of the pan-Staffordshire delivery of DFG's has now been tendered, evaluated and the contract awarded for delivery commencing 1st April 2018. The pan Staffordshire Partnership Board has been set up which meets quarterly.

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No	Issue	Action 2016/17	Update 2017/18
		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.	The allocation of funding for 2018/19 will follow the same principles as for the previous year while the new contract beds in, and will be reviewed in time for 2019/20.

Significant Governance Issues 2017/18

No	Issue	Action 2017/18
1	**Senior Management Review** The Authority has commenced the first phase of the Senior Management Review. This has meant that the most senior managers in the organisation have been offered the option to explore voluntary redundancy. This is because we need to reduce the number of senior managers in order to meet budget deficits. All applications for voluntary redundancy together with the supporting business cases will be considered to see what impact they will have on the organisation which will help to shape a potential new leaner senior management structure. However, we have recognised there is a risk in the capacity to deliver services with a reduction in staffing numbers.	The Authority will continue to monitor and assess the capacity to deliver services taking into account Delivering Quality Services.

No	Issue	Action 2017/18
2	**GDPR** Whilst activity has progressed around the implementation of the organisation's response to the General Data Protection Regulations (GDPR), there are still significant risks around potential data loss resulting in a significant fine and reputational damage.	A Project Group has been formed to manage the implementation of GDPR. Awareness has been raised through corporate communications, specialist staff have been trained to practitioner level to ensure local knowledge for the implementation and subsequent maintenance. Mandatory training is being developed for all staff.
3	**Welfare & Benefit Reform** There is a risk of reduced income corporately due to welfare reform changes (including council tax support scheme and Universal Credit with further austerity measures from the Welfare reform Act 2015). As well as the potential for reduced income and an increase in bad debts, there are additional impacts arising from increased needs in services – eg homelessness, requirement for additional support to vulnerable people, increased issues of ASB etc meaning an increase in demand on 3rd sector and statutory agency services.	The Authority will continue to proactively manage and monitor corporate income levels on a monthly basis and report this to CMT. Staff will be trained to deal with the impact and we will be commissioning 3rd sector support as well as providing additional resources in key service areas. In addition, we will provide financial advice and support for vulnerable clients.

GLOSSARY

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

Amortisation
A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

Balances
The total sum available to the 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 received and paid out to Government and precepting authorities.

Collection Fund Adjustment Account
The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Community Assets
The class of fixed assets held by the Authority in perpetuity that have no determinable useful life and may have restrictions on their disposal, such as parks, historical buildings, works of art, etc.

Component Accounting
Where a Property, Plant or Equipment asset has major components, with a cost significant in relation to the overall cost of the asset; materially different useful lives; and/or different methods of depreciation, the components are separately identified and depreciated.

Comprehensive Income and Expenditure Statement
This statement shows the 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.

Current Service Cost
An estimate of the true economic cost of employing people in a 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 be 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 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.

Major Repairs Reserve
The Major Repairs Reserve represents the long term average amount of capital spending required to maintain the HRA Council housing stock in its current condition.

Materiality
An item is material if its omission, non disclosure or misstatement could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision
The minimum amount which must be charged to a revenue account each year and set aside to repay debt, presently 4% of the General Fund Capital Financing Requirement. No MRP is required for the Housing Revenue Account.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the 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, Planning and Partnerships

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tamworth Borough Council (the 'Authority') for the year ended 31 March 2018 which 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 Statement of Movement on the Housing Revenue Account Balance, the Collection Fund Income and Expenditure Statement and the notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Executive Director Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 19 and 127 to 151, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Executive Director Finance and Those Charged with Governance for the financial statements

As explained more fully in the Responsibilities for the Statement of Accounts set out on page 19, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director Finance. The Executive Director Finance 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 2017/18, which give a true and fair view, and for such internal control as the Executive Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

John Gregory

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

Grant Thornton UK LLP
The Colmore Building
Colmore Plaza
Birmingham
B4 6AT

26 July 2018

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 Finance.

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