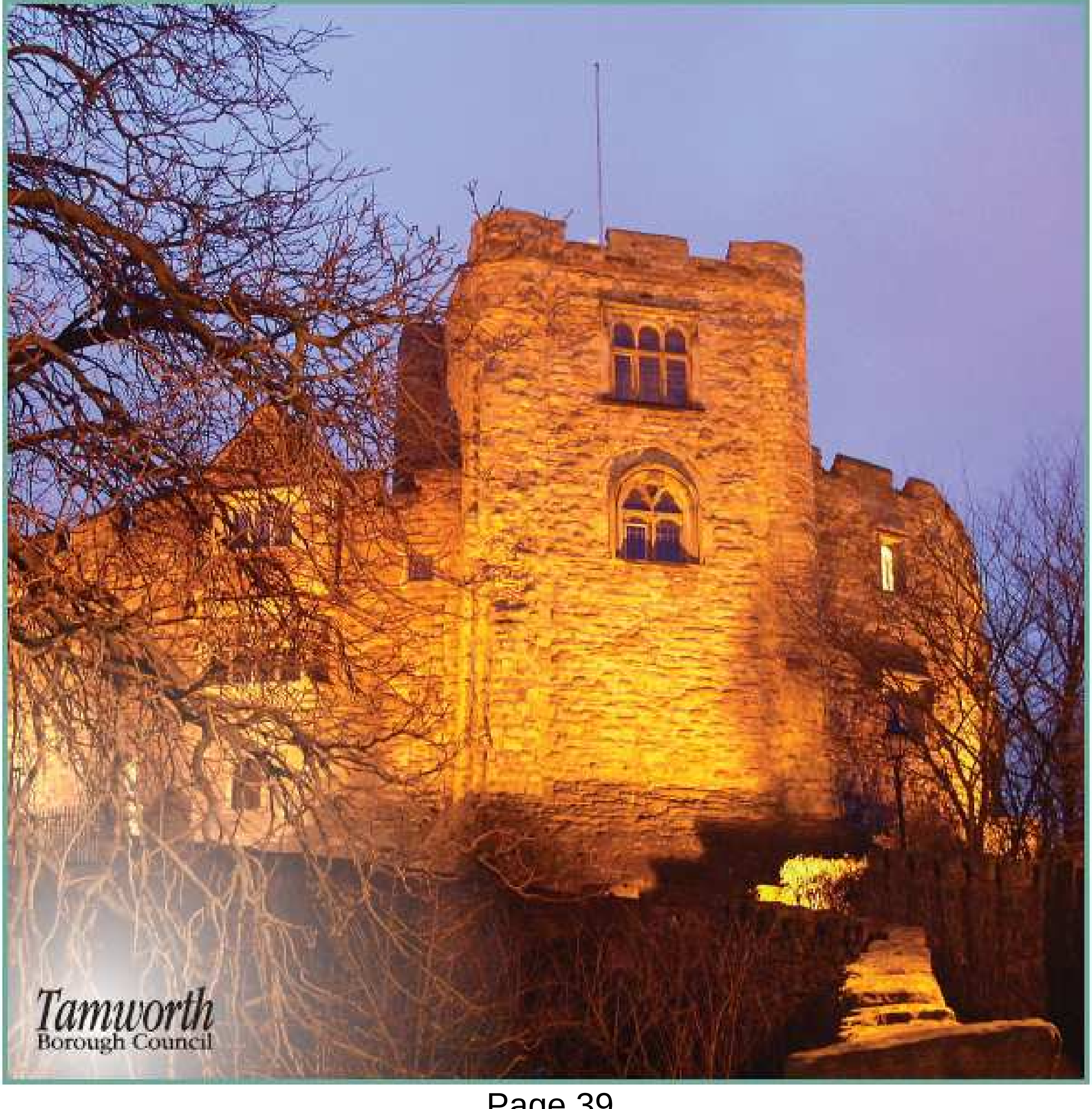
Appendix 1

Tamworth Borough Council

Statement of Accounts 2013/14

One Tamworth, Perfectly Placed



STATEMENT OF ACCOUNTS

2013/14

Contents

THE EXPLANATORY FOREWORD

The statement of accounts presents the financial position and performance of the Authority for the year ended 31st March 2014. This foreword describes the nature and purpose of each of the statements which follow and highlights the most significant matters which are contained within the accounts and the major influences affecting the Authority's income, expenditure and cash flows.

THE FINANCIAL STATEMENTS

The Annual Statement of Accounts for the year ended 31st March 2014 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2013/14.

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 2013/14 are set out on pages 15 to 131 and consist of the following:

- **Core Financial Statements:**

  - **Movement in Reserves Statement:** shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services. 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 Movement in Reserves Statement on page 15 shows a net General Fund deficit of £0.049m for the year. This was £0.706m lower than planned in the original budget at the start of the year and has reduced General Fund Balances of £4.619m (with the minimum approved level being £0.5m) brought forward from 2012/13, to produce a cumulative surplus of £4.57m carried forward to 2014/15 – and reflect the risks and uncertainties facing the Authority over the medium term.

  - **Comprehensive Income & Expenditure Account:** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

A deficit of £1.893m is reported for 2013/14 (£552k surplus 2012/13). This is mostly explained by the increase in charge for depreciation and impairment relating to Council Dwellings.

- **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 £98.8m (£100.7m 2012/13) which are matched by the reserves held by the Authority. Key items are:

Long Term Assets

The Council holds property, plant and equipment assets of £148.7m (£148.2m 2012/13) – mainly due to Council dwellings of £128.6m (£125.7m 2012/13).

Working Capital

Net working capital has increased to £20m (£17.7m 2012/13).

Provisions, Reserves and Balances

The working balances as at 31st March 2014 are £24.803m (£22.991m 2012/13) and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

Working balances of £8.584m (£7.238m 2012/13) relate to capital (including the Capital Reserve of £5.594m). The £2.848m capital commitments from 2013/14 and previous years carried forward to 2014/15 will be required to be financed from these balances (£4.778m 2012/13).

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 2014 was £65.06m (£65.06m 2012/13) and was all borrowed from the PWLB.

Pensions

The pension fund deficit has increased in the year to £39.769m (2012/13 £34.415m) and is required to be shown on the balance sheet of the Authority. This increase is as a result of less favourable financial assumptions at 31st March 2014 than at 31st March 2013. Falling bond yields have adversely affected value of the schemes liabilities and though asset returns have been stronger than expected, the deficit has grown by some 15.6%.

However, it should be noted that there has been no impact on the net cost to the taxpayer arising from this - other than as part of the planned increase in annual contributions (from 19.6% to 22.42% - including 16.5% p.a. plus an increasing lump sum element) arising from the formal valuation on 31st March 2013.

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

- **Supplementary Statements:**

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

    The overall revenue financial position relating to Council Housing as given on page 120 shows an increase in HRA balances for the year of £0.214m. This equates to an under-spend of £0.812m when compared to the approved budget for the year. This has resulted in an increase in balances from £5.267m to £5.481m to be carried forward to 2014/15.

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

    The local government finance system has been revised from 2013/14 with the introduction of the business rates retention scheme. The main aim of the scheme is to give Authorities a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base. The scheme allows the Authority to retain a proportion of the total NNDR received. The local share retained by the Authority is 40% (less a tariff payment) with the remainder paid to precepting bodies - Central Government (50% share), Staffordshire County Council (9%) and the Fire & Rescue Authority (1% share).

    The Collection Fund achieved the following surpluses:

    - Council Tax £1m (the Authority’s share is 11%), of which £0.5m will be distributed to preceptors during 2014/15;
    - NNDR £1.2m (the Authority’s share is 40% less Levy of 50%);

    subject to collection of outstanding arrears.

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

CHANGES TO THE ACCOUNTS FOR 2013/14

An updated Code of Practice applicable for 2013/14 was issued by CIPFA in April 2013 and the changes reflected in this review must now be incorporated into the Authority's 2013/14 accounts, together with relevant changes to accounting policies.

The 2013/14 Code has introduced some changes in accounting practice for defined benefit pensions, the introduction of the Business Rates Retention Scheme from 1st April 2013 and to the valuation of Property, Plant and Equipment (PPE).

IAS19 Employee Benefits

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits which will require a change of accounting policy and a restatement of the 2012/13 accounts. However, these changes will not alter the usable reserves. This has resulted in changes to accounting treatment for financial years starting on or after 1st January 2013.

These include:

Expected Return on Assets

Asset Disclosures

Disclosure Presentation

Business Rates

Following the introduction of the Business Rates Retention Scheme, billing authorities need to operate a Collection Fund to account for business rates in a similar way that council tax is accounted for, subject to ongoing government guidance and legislation. The Accounting Policies have been amended to reflect this.

During the year, the Authority collected £33m from business ratepayers,, distributed as follows (after collection costs (£0.1m), provisions for bad debts (£0.1m) and appeals (£1m):

Central Government	£15.25m
Fire & Rescue Authority	£0.3m
County Council	£2.75m
Tamworth Borough Council	£12.2m

resulting in a surplus of £1.2m carried forward to 2014/15.

From it's retained business rates, the Authority had to make a tariff payment of £10.2m to Central Government leaving a residual amount of business rates retained locally of c. £2m.

IAS 16: Property, Plant & Equipment (PPE)

IAS 16: Property, Plant & Equipment (PPE) – IFRS post-implementation review. The Code now explicitly requires all of a class of assets to be revalued within a short period. The Authority uses a five year rolling programme of valuation within the asset class of other land and buildings; this does not strictly meet the Code requirements. The rolling valuation programme is supplemented with reviews of, for example, impairment, enhancement and material change in market conditions by the Authority's professional valuers. Although not strictly adhering to the specific provisions of the Code, this will satisfy the general provision of the Code in providing adequate assurance that the balance sheet is fairly stated. This is a national issue with many Authorities being in the same position. Discussions have already been held with the Authority's external auditors regarding the approach for future years.

Local Council Tax Reduction Scheme

Since April 2013, Local Authorities have administered a Local Council Tax Reduction scheme for those of Working Age (replacing the national Council Tax Benefit Scheme) on behalf of the Government. A scheme with national rules continues for pensioners, which is also delivered by Local Authorities.

The Government still provides funding for localised schemes, but since April 2013 it has been reduced. In 2012 there was a public consultation to gauge views about the locally proposed scheme from April 2013.

The scheme reduces the amount that a qualifying Council Tax payer will have to pay, based on their personal and financial circumstances.

This means that the council tax income accounted for through the Collection Fund has been reduced (due to the reduction scheme) by c.£5m as council tax benefit subsidy is no longer received.

As part of the scheme introduction, to compensate for the reduced income, the Government paid additional Revenue Support Grant (RSG) to the Authority and the major preceptors – however, this was reduced by a 10% savings target (met from the revised scheme provisions approved locally).

The Benefits subsidy income and associated costs of c.£5m are no longer shown within Central Services to the Public within the Comprehensive Income and Expenditure income – with the Authority's share of c.11% included within RSG shown within Taxation and Specific Grant income.

CHANGES IN ACCOUNTING POLICY FOR 2013/14

The need for changes in accounting policy can arise from:

(i) changes that are mandatory under the annual IFRS based *Code of Practice on Local Authority Accounting* and require a new or revised accounting policy to be adopted by all local authorities;

(ii) changes within the overall framework of the *Code of Practice* but where the policy to be adopted is discretionary and is dependent upon interpretation of local circumstances.

There is only one change to the accounting policies for 2013/14 compared to 2012/13, this is described below.

The 2013/14 Code follows amendments to International Accounting Standard 19 – Employee Benefits (IAS19) and changes the accounting requirements for defined benefit pension liabilities. In June 2011 the International Accounting Standards Board (IASB) issued a new version of IAS19. This applies to financial years starting on or after 1st January 2013. The main changes are

- a reallocation of amounts charged in the Comprehensive Income and Expenditure Statement (CIES); and
- additional disclosure requirements.

although these changes have no overall impact on the Authority's General Fund and the amount payable by local tax payers. This change in policy will be applied retrospectively and will therefore amend 2012/13 comparatives to the financial statements (as well as the supporting notes) as detailed below:

Comprehensive Income & Expenditure Statement	**2012/13 £000s**	**Change £000s**	**2012/13 Restated £000s**
Cost of Services	**5,124**	-	**5,124**
Other Operating Expenditure	310	-	**310**
Financing & Investment Income & Expenditure (FIIE)	234	467	**701**
Taxation & Non Specific Grant Income	(9,774)	-	(9,774)
(Surplus) or Deficit on Provision of Services	**(4,106)**	**467**	**(3,639)**
Surplus or Deficit on Revaluation of Property, Plant & Equipment Assets	(1,960)	-	**(1,960)**
Actuarial Gains / Losses on Pension Assets / Liabilities	5,514	(467)	**5,047**
Other Comprehensive Income & Expenditure	**3,554**	**(467)**	**3,087**
Total Comprehensive Income & Expenditure	**(552)**	**-**	**(552)**

Movement in Reserves Statement 2012/13	General Fund Balance £000s	Change £000s	General Fund Balance £000s Restated	Housing Revenue Account £000s	Change £000s	Housing Revenue Account £000s Restated
Balance as at 1st April 2012	**4,721**	**-**	**4,721**	**4,487**	**-**	**4,487**
Movement in reserves during 2012/13						
(Surplus) or deficit on the provision of services	(2,097)	(370)	(2,467)	6,203	(97)	6,106
Total Comprehensive Income & Expenditure	**(2,097)**	**(370)**	**(2,467)**	**6,203**	**(97)**	**6,106**
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,695	370	2,065	(2,329)	97	(2,232)
Net (Increase) / Decrease before transfers to Earmarked Reserves	**(402)**	**-**	**(402)**	**3,874**	**-**	**3,874**
Transfers to/(from) Earmarked Reserves (Note 8)	300	-	300	(3,094)	-	(3,094)
Increase / (Decrease) in 2012/13	**(102)**	**-**	**(102)**	**780**	**-**	**780**
Balance as at 31st March 2013	**4,619**	**-**	**4,619**	**5,267**	**-**	**5,267**

FINANCIAL OUTLOOK

Long before the current austerity measures and on-going public sector spending cuts, the Authority has been proactive in the design and implementation of innovative and effective measures for driving efficiency.

The Authority's Executive Management Team recognises that Members will need to focus on strategic decisions relating to high level financial issues as flexibility within future budgets will be extremely limited given the need to identify substantial savings following significant constraints in public spending (post grant reductions of 34% since 2010 and announcements from CSR 2013 of further grant reductions for District Councils of over 15% from 2015/16 – over 40% in real terms since 2010/11).

There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation with effect from 1st April 2013, arising from Business Rates Retention, changes in Support for Council Tax and technical reforms to Council Tax - as well as other changes arising the Government's Welfare Reform Agenda.

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

Council, on 25th February 2014, approved a 3 year Medium Term Financial Strategy (MTFS) for the General Fund with Council Tax increases lower than the Government referendum limits – in order to continue to deliver those services essential to the Local Community. However, in the longer term, the Authority faces on-going grant reductions and income uncertainties which mean that substantial savings will need to be made from 2017/18 onwards to deliver a balanced budget.

With regard to the Housing Revenue Account (HRA), a 5 year MTFS was approved by Council, including significant investment in Regeneration projects to meet future housing needs and sustain the HRA in the longer term. Following HRA self financing, the majority of the capital funding is made through revenue contributions. A recent update to the 30 year HRA Business Plan has recently been finalised and shows that the HRA is financially sound for the future.

FINANCIAL PERFORMANCE

General Fund

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

The net expenditure of the Authority was £8.255m, representing an under-spend of £0.706m. Major differences between the budget and the outturn are as follows:-

Variance between Budget & Actual Outturn	£000s	£000s
Increased / Non-Budgeted Income*		
Corporate Finance – S31 Government Grants	(217)	
Corporate Finance - Unspent Reserves	(56)	
Development Control - Planning Applications Fee Income	(89)	
Council Tax - Court Costs /Fees Income	(84)	
Car Parks - Additional Revenue	(24)	
Civil Parking Enforcement- Scheme Income	(24)	
Joint Waste Arrangements - Bulky Waste	(29)	
Conveyancing & Right to Buy - Legal Fees	(40)	
Marmion House - Recharge to HRA	(102)	
Commercial Property Management - Rents	(43)	(708)
Shortfalls in Income		
ICT - Shared Service Provision	50	
Assembly Rooms - Bar/Ticket Sales	67	
Corporate Finance - Council Tax Freeze Grant	87	204
Non-Budgeted Expenditure / Overspends		
Corporate Finance - NNDR Levy Payments	355	
Treasury Management - Interest Payable to HRA	65	
Benefits - Net Scheme Overspend	46	466
Savings / Underspends*		
Corporate Finance - Efficiency Savings	(173)	
Corporate Finance - Contingency Savings	(150)	
Corporate Finance - Localised Council Tax Benefit Grant	(50)	
Joint Waste Arrangements - Contingency Savings	(73)	
Joint Waste Arrangements - Contract Savings	(51)	(497)
Other Variances - Net (Underspends) / Overspends		(171)
Total (Favourable) / Unfavourable Variance		**(706)**

It should be noted that the significant underspends were outside of the Authority's control and could not have been projected when the 2013/14 budgets were set in February 2013. The outturn figures include significant windfall items highlighted in the table above (*).

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

	Actual [a] £	Budget [b] £	Variance [c] £
Chief Executive			
Chief Executive	169,542	159,610	9,932
Director of Transformation and Corporate Performance	104,134	101,700	2,434
Head of Customer Services	427,793	393,400	34,393
Head of Organisational Development	200,186	215,520	(15,334)
Corporate Communications and PR Manager	205,238	213,060	(7,822)
Payroll Manager	50,234	48,900	1,334
Sub Total	**1,157,127**	**1,132,190**	**24,937**
Executive Director Corporate Services			
Executive Director Corporate Services	100,688	92,300	8,388
Head of Benefits	156,266	103,380	52,886
Director of Finance	81,849	38,530	43,319
Head of Revenues	57,006	147,950	(90,944)
Director of Technology & Corporate Programmes	701,706	653,660	48,046
Solicitor & Monitoring Officer	428,255	575,860	(147,605)
Head of Internal Audit Services	105,557	111,550	(5,993)
Sub Total	**1,631,327**	**1,723,230**	**(91,903)**
Community Services			
Director of Assets & Environment	2,113,488	2,545,450	(431,962)
Director of Housing & Health	970,482	1,022,960	(52,478)
Director of Communities, Planning & Partnerships	2,382,903	2,536,950	(154,047)
Sub Total	**5,466,873**	**6,105,360**	**(638,487)**
Total Cost of Services	**8,255,327**	**8,960,780**	**(705,453)**
Transfer to/ (from) Balances	(50,241)	(756,300)	706,059
Total to be met by Government Grants & Taxpayers	**8,205,086**	**8,204,480**	**606**

The Government Grants and Taxpayers variance is due to the difference between the Government set baseline and the approved Non Domestic Rates (NNDR1) return.

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

Council Housing

A summary of the Housing Revenue Account for 2013/14, compared with the approved budget (including decisions made by Members during the financial year) is shown below:-

Council Housing Summary

Housing Revenue Account	Actual £000s	Approved Budget £000s	Variance £000s
(Surplus) or Deficit for the Year Added to HRA	**(214)**	**598**	**(812)**

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

Variance between Budget & Actual Outturn	£000s	£000s
Increased / Non-Budgeted Income		
Interest on Internal Balances	(45)	
Council House & Garage Rent Income	(35)	(80)
Non-Budgeted Expenditure / Overspends		
Marmion House - Recharge to HRA	102	102
Savings / (Underspends)		
Contribution to Housing Repairs Account	(494)	
Specific Contingency	(100)	
Allocations - Welfare Reform	(50)	(644)
Other Variances - Net (Underspends) / Overspends		(190)
Total (Favourable) / Unfavourable Variance		**(812)**

Capital Expenditure

During 2013/14 the Authority spent £8.967m on capital expenditure. A breakdown by category and sources of finance is shown as Note 35 to the Core Financial Statements on page 96.

The majority of expenditure related to improvement, enhancement or ongoing construction works. Fixed asset acquisitions in the year include 4 dwellings as part of the Housing Regeneration Project, the purchase of IT Equipment (software & hardware) and enhancements to the CCTV System.

A total of £2.848m spending originally planned for 2013/14, or earlier, has been deferred to 2014/15. Included within this deferred expenditure, £704k enhancement works on HRA dwellings; £99k HRA Environmental Works; £605k Regeneration of Housing Estates; £162k Coalfields Funding, £125k Broadmeadow enhancements, £350k is earmarked for the Mercian Trail; £160k for Return on Investments; £130k for Private Sector Improvement Grants and £103k for the Corporate Change Programme.

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

Telephone : 01827 709252.
Email: john-wheatley@tamworth.gov.uk

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

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

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

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

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

- Approve the Statement of Accounts.

The Executive Director Corporate Services' Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Local Authority Code.

The Executive Director Corporate Services has also:

- kept proper accounting records which were up to date;

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

This Statement of Accounts gives a true and fair view of the financial position of Tamworth Borough Council and its expenditure and income for the year ended 31st March 2014.

J Wheatley FCCA
Executive Director Corporate Services Dated: 25th September 2014

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

Movement in Reserves Statement

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

The reserve movements for 2012/13 and 2013/14 are shown on pages 16 to 17.

Movement in Reserves Statement 2012/13

	General Fund Balance £000s Restated	Earmarked Reserves £000s	Housing Revenue Account £000s Restated	Earmarked HRA Reserves £000s	Capital Receipts Reserve £000s	Major Repairs Reserve HRA Note 3 £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s Restated	Unusable Reserves £000s Restated	Total Authority Reserves £000s Restated
Balance as at 1st April 2012	**4,721**	**6,653**	**4,487**	**655**	**1,776**	**-**	**44**	**18,336**	**81,833**	**100,169**
Movement in reserves during 2012/13										
(Surplus) or deficit on the provision of services	(2,467)	-	6,106	-	-	-	-	**3,639**	-	**3,639**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	**-**	(3,087)	**(3,087)**
Total Comprehensive Income & Expenditure	**(2,467)**	**-**	**6,106**	**-**	**-**	**-**	**-**	**3,639**	**(3,087)**	**552**
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,065	-	(2,232)	-	(81)	1,112	4	**868**	(868)	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**(402)**	**-**	**3,874**	**-**	**(81)**	**1,112**	**4**	**4,507**	**(3,955)**	**552**
Transfers to/(from) Earmarked Reserves (Note 8)	300	(300)	(3,094)	3,094	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2012/13	**(102)**	**(300)**	**780**	**3,094**	**(81)**	**1,112**	**4**	**4,507**	**(3,955)**	**552**
Balance as at 31st March 2013	**4,619**	**6,353**	**5,267**	**3,749**	**1,695**	**1,112**	**48**	**22,843**	**77,878**	**100,721**

Movement in Reserves Statement 2013/14

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve HRA Note 3	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance as at 1st April 2013	**4,619**	**6,353**	**5,267**	**3,749**	**1,695**	**1,112**	**48**	**22,843**	**77,878**	**100,721**
(Surplus) or deficit on the provision of services	(3,051)	-	1,094	-	-	-	-	**(1,957)**	-	**(1,957)**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	**-**	64	**64**
Total Comprehensive Income & Expenditure	**(3,051)**	**-**	**1,094**	**-**	**-**	**-**	**-**	**(1,957)**	**64**	**(1,893)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,636	-	599	-	1,247	(1,112)	-	**3,370**	(3,370)	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**(415)**	**-**	**1,693**	**-**	**1,247**	**(1,112)**	**-**	**1,413**	**(3,306)**	**(1,893)**
Transfers to/(from) Earmarked Reserves (Note 8)	366	(366)	(1,479)	1,479	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2013/14	**(49)**	**(366)**	**214**	**1,479**	**1,247**	**(1,112)**	**-**	**1,413**	**(3,306)**	**(1,893)**
Balance as at 31st March 2014	**4,570**	**5,987**	**5,481**	**5,228**	**2,942**	**-**	**48**	**24,256**	**74,572**	**98,828**

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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 154.

2012/13 Restated					2013/14		
Gross Expenditure £000s	**Gross Income £000s**	**Net Expenditure £000s**	**Comprehensive Income & Expenditure Statement**	**Notes**	**Gross Expenditure £000s**	**Gross Income £000s**	**Net Expenditure £000s**
6,859	(6,012)	847	Central Services to the Public		1,381	(711)	670
5,633	(1,024)	4,609	Cultural & Related Services		4,597	(1,288)	3,309
4,679	(720)	3,959	Environmental & Regulatory Services		4,827	(861)	3,966
2,075	(246)	1,829	Planning & Development Services		2,261	(361)	1,900
825	(1,365)	(540)	Highways & Transport Services		1,493	(1,379)	114
10,433	(19,500)	(9,067)	Local Authority Housing (HRA)		16,626	(20,569)	(3,943)
24,355	(22,498)	1,857	Other Housing Services		24,188	(22,472)	1,716
1,663	(47)	1,616	Corporate & Democratic Core		1,953	(94)	1,859
14	-	14	Non Distributed Costs		4	-	4
56,536	**(51,412)**	**5,124**	**Cost of Services**	27	**57,330**	**(47,735)**	**9,595**
		310	Other Operating Expenditure	9			(79)
		701	Financing & Investment Income & Expenditure (FIIE)	10			1,997
		(9,774)	Taxation & Non Specific Grant Income	11			(9,556)
		(3,639)	**(Surplus) or Deficit on Provision of Services**	27			**1,957**
		(1,960)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	23a			(3,536)
		5,047	Remeasurement of the Net Defined Benefit Liability / (Asset)	23e			3,472
		3,087	**Other Comprehensive Income & Expenditure**				**(64)**
		(552)	**Total Comprehensive Income & Expenditure**				**1,893**

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 2013 £000s	Balance Sheet	Notes	31st March 2014 £000s
148,157	Property, Plant & Equipment	12	148,673
2,582	Heritage Assets	13	2,754
18,435	Investment Property	14	18,964
124	Intangible Assets	15	220
236	Long Term Investments	16	114
12,961	Long Term Debtors	16	12,938
182,495	**Long Term Assets**		**183,663**
6,940	Short Term Investments	16	8,726
31	Inventories	17	26
2,935	Short Term Debtors	18	2,325
14,701	Cash & Cash Equivalents	19	20,084
24,607	**Current Assets**		**31,161**
(415)	Cash & Cash Equivalents	19	-
(366)	Short Term Borrowing	16	(366)
(5,932)	Short Term Creditors	21	(10,233)
(148)	Provisions	22	(547)
(6,861)	**Current Liabilities**		**(11,146)**
(65,060)	Long Term Borrowing	16	(65,060)
(34,415)	Other Long Term Liabilities	23e	(39,769)
(45)	Capital Grants Receipts in Advance	33	(4)
-	Revenue Grants Receipts in Advance		(17)
(99,520)	**Long Term Liabilities**		**(104,850)**
100,721	**Net Assets**		**98,828**
22,843	Usable Reserves		24,256
77,878	Unusable Reserves	23	74,572
100,721	**Total Reserves**		**98,828**

The audited accounts were approved on 25th September 2014 by Audit & Governance Committee.

J Wheatley FCCA
Executive Director Corporate Services Dated: 25th September 2014

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

Cash Flow Statement

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

2012/13 Restated £000s	**Cashflow Statement**	**Notes**	**2013/14 £000s**
(3,639)	Net (surplus) or deficit on the provision of services		1,957
(6,547)	Adjustments to net surplus or deficit on the provision of services for non cash movements		(15,293)
1,473	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,568
(8,713)	Net cash flows from Operating Activities	24	(10,768)
1,877	Investing Activities	25	7,670
1,913	Financing Activities	26	(2,700)
(4,923)	Net (increase) or decrease in cash & cash equivalents		(5,798)
9,363	Cash & cash equivalents at the beginning of the reporting period		14,286
14,286	**Cash & Cash Equivalents at 31st March 2014**	19	**20,084**

Notes to the Accounts - Summary **Page**

NOTES TO THE ACCOUNTS

1. Accounting Policies

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31st March 2014. The Accounts and Audit Regulations (England) 2011 require the Authority to prepare an Annual Statement of Accounts prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of Non Current Assets and financial instruments.

2. ACCRUALS OF INCOME AND EXPENDITURE

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

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

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

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

d) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

e) Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;

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

The Authority's policy is to review all accruals over £500 together with payments over £5,000 made in March & April to ensure that they are appropriate. Any accruals below this amount are not considered to be material.

3. ACQUISITIONS AND DISCONTINUED OPERATIONS

Acquired operations

The Authority has not acquired any operations during 2013/14.

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 held for sale. The Authority did not discontinue any operations during 2013/14.

4. CASH AND CASH EQUIVALENTS

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

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

5. EXCEPTIONAL ITEMS

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

7. CHARGES TO REVENUE FOR NON CURRENT ASSETS

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

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

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

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

8. EMPLOYEE BENEFITS

a) Benefits Payable During Employment

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

b) Termination Benefits

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

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

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

c) Post Employment Benefits - The Local Government Pension Scheme

The pension costs included in these accounts have been determined in accordance with government regulations and IAS 19. The standard requires the full recognition of the pensions liability (and the movement of its constituent parts) in the Comprehensive Income and Expenditure Statement. These requirements are included within the accounts in accordance with CIPFA recommended practice. Note 39 to the Core Financial Statements on page 100 refers.

The employees of the Authority may participate in the Local Government Pension Scheme administered by Staffordshire County Council, which provides defined benefits related to pay and service.

The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008:

i. The liabilities of the Staffordshire Local Government Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

ii. Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the single average gilt yield which gives the same present value as the gilt curve applied to the cash flows of a typical LGPS employer with a duration of around 20 years plus the median ‘credit spread’ applying to AA corporate bonds within the iBoxx Over 15 Years Index). This is no longer consistent with the iBoxx Index yield.

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 seven 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;

- **Remeasurement of the Net Defined Benefit Liability / (Asset):** Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve; and

- **Contributions paid to the Staffordshire Local Government Pension Fund:** Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund and the Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

d) Discretionary Benefits

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

e) Pension Estimation Techniques

Staffordshire County Council, the Administering Authority to the Staffordshire County Council Pension Fund instructed Hymans Robertson LLP, an independent firm of actuaries, to undertake pension expense calculations on behalf of Tamworth Borough Council for the purpose of complying with International Accounting Standard 19 ‘Employee Benefits’ (IAS19) for the period ending 31st March 2014.

The calculations have been carried out in accordance with the Pensions Technical Actuarial Standards (TAS) adopted by the Financial Reporting Council, which came into effect on 1st January 2013 and TAS D – Data, TAS M – Modelling and TAS R – Reporting.

In order to assess the value of the Fund’s liabilities as at 31st March 2014, the value of the Employer’s liabilities calculated as at the latest formal valuation has been rolled forward, allowing for the different financial assumptions required under IAS 19. In calculating the current service cost, changes in the pensionable payroll have been allowed for, estimated from either contribution or payroll information provided. In calculating the asset share, the share of the assets allocated as at the latest valuation, allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by the Authority and its employees have been rolled forward. Note 39 to the Core Financial Statements on page 100 has been prepared on the basis of these disclosures.

It is not possible to assess the accuracy of the estimated rolled-forward liability as at 31st March 2014 without conducting a full valuation. The estimated liability will not reflect differences in demographic experience from that assumed (e.g. early retirements) or the impact of differences between aggregate changes in salary and pension and changes for specific individuals.

As required under IAS 19, the projected unit credit method of valuation has been used to calculate the service cost.

A set of demographic assumptions (including life expectancy and commutation) have been adopted. The mortality assumptions adopted are consistent with those used for the formal funding valuation as at 31st March 2013.

The post-retirement mortality assumptions used are in line with the Actuary’s Club Vita analysis which was carried out for the formal funding valuation as at 31st March 2013. These are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the fund and are based on the data provided for the purposes of the last formal valuation. Improvements have been applied that are in line with the CMI 2010 model assuming the rate of longevity improvements has reached a peak and will converge to a long term rate of 1.25% p.a.

The other demographic assumptions adopted (e.g. commutation, pre-retirement mortality) are the same as those used for the formal funding valuation as at 31st March 2013.

The financial assumptions used to calculate the components of the pension expense for the year ended 31st March 2014 were those from the beginning of the year (i.e. 31st March 2013) and have not been changed during the year. The financial assumptions used for the purposes of the IAS 19 calculations are detailed in Note 39 to the Core Financial Statements on page 100.

IAS 19 states that the discount rate used to place a value on the liabilities should be 'determined by reference to market yields at the end of the reporting period on high quality corporate bonds. It further states that 'the currency and term of the corporate bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations'.

In the past, the approach to setting the discount rate was to identify the yield available on UK Government bonds (of appropriate duration) and add to this the mean credit spread. This spread was determined by comparing yields available on the constituents of the iBoxx AA over 15 year index with the Government bond yields at equivalent duration.

The approach to setting the recommended discount rate as at 31st March 2014 has changed in two key ways:

1) Rather than construct the discount rate as the yield on Government bonds plus a measure of the credit spread, it will be derived from a Corporate bond yield curve constructed from yields on high quality bonds.
2) The recommended discount rate recognises the weighted average duration (or term) of the benefit obligation for each separate employer in the scheme.

An approach has been adopted whereby a Corporate Bond yield curve is constructed based on the constituents of the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology.
Separate discount rates are then set (and corresponding RPI/CPI inflation assumptions – see below) for individual employers, dependent on their own weighted average duration. Each employer is allocated to a duration category, as defined below:

Weighted Average Duration	Discount Rate Category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

The weighted average duration used to identify the appropriate category for each employer is that determined at the most recent actuarial valuation

For the 2013/14 financial year the discount rate derived from corporate bond yields as at 31st March 2014 was 4.1% for short weighted average duration and 4.3% p.a. for medium and long.

The inflation assumption (which the assumptions for salary growth and pension increases rely on) is typically derived by considering the difference in yields available on traditional fixed interest and index-linked Government Bonds. For consistency with the above discount rate assumption, the inflation assumption is derived from the Bank of England implied inflation curve at 31st March 2014.

The pension increase assumption for 2013/14, as with the accounting exercise in the previous year, will be in line with the Consumer Prices Index (CPI). The CPI assumption will be calculated as RPI less 0.8% p.a., with RPI being calculated as outlined above.

The salary increase assumption has been set to be consistent with the most recent formal valuation. As at 31st March 2014, the long term pay growth assumption is RPI plus 1.0% p.a. An additional allowance has also been made for promotional salary increases

9. EVENTS AFTER THE BALANCE SHEET DATE

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

a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

b) those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

10. FINANCIAL INSTRUMENTS

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Financial liabilities within the accounts consist of long term debt (PWLB) and bank overdraft carried at amortised cost. Other financial liabilities quoted are contractual creditors (less than 1 year) carried at contract amount. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

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

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

b) Financial Assets

Financial assets are classified into two types:

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

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

  - ***Loans and Receivables***

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

- ***Available for Sale Assets***

Available for sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;

- other instruments with fixed and determinable payments – discounted cash flow analysis;

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

- **Instruments Entered Into Before 1st April 2006**

The Authority entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

11. FOREIGN CURRENCY TRANSLATION

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31st March 2014. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Within the accounts, this relates only to deposits from Glitnir Bank held in escrow in Iceland on our behalf.

12. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

b) the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

13. HERITAGE ASSETS

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

The Authority's Museum, Art and Civic Heritage Assets are held in various sites. The Museum Collection has four main collections, General Collection, Art, Furniture and Archaeological Collection & 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 2013/14 financial statements (including the 2012/13 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 & 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.

- **Heritage Assets – General**

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. There will be the occasional disposal of Heritage Assets which have a doubtful provenance or are unsuitable for public display.

Disposals will be made in line with the Authority's policy on acquisitions and disposals. The proceeds of such items are accounted for in accordance with the authority's general provisions relating to the disposal of Property, Plant and Equipment except where specified in the acquisition and disposal policy. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

14. INTANGIBLE ASSETS

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure over a de minimus level of £10k is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible Assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on Intangible Assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance.

The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

15. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that would require it to prepare group accounts.

16. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

17. INVESTMENT PROPERTY

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

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

18. JOINTLY CONTROLLED OPERATIONS AND ASSETS

Jointly controlled 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 or 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.

Jointly controlled operations relate to the Joint Waste Management arrangement with Lichfield District Council – detailed at Note 34 f) on page 95.

19. LEASES (IAS 17)

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

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

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

a) The Authority as Lessee

i. Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant and Equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets.

Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Authority did not have any finance leases where it is the lessee during 2013/14.

ii. 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 or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

b) The Authority as Lessor

i. Finance Leases

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

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

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

Lease rentals receivable are apportioned between:

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

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

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

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

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

ii. Operating Leases

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

c) Statutory Requirements

Regulations were introduced in England and Wales after the publication of the Code that mitigated the impact of lease reclassification on income received when an authority was acting as a lessor. This means that income received under a lease that was reclassified on transition to IFRS continues to be treated as either a capital receipt or as revenue income according to its status prior to reclassification.

Where a lease has been reclassified as a finance lease on transition to IFRS, income received under the lease continues to be treated as revenue income – and transferred from the capital receipt to the General Fund and reported in the Movement in Reserves Statement.

Where a lease has been reclassified as an operating lease on transition to IFRS, any income that would, prior to the reclassification, have been treated as a capital receipt is transferred from the General Fund to the Capital Receipts Reserve, and reported in the Movement in Reserves Statement.

20. OVERHEADS AND SUPPORT SERVICES

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

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

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

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

21. PROPERTY, PLANT AND EQUIPMENT

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

a) Recognition

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

b) Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. There were no assets under construction during 2013/14.

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. 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); & 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 line(s) in the Comprehensive Income and Expenditure Statement.

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

c) Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where the Authority has incurred capital expenditure on Council dwellings this is included within the Gross Book Value (GBV) and where it is not considered to add value it is included as impairment. These impairments are subject to write out following a full revaluation exercise (on a 5 yearly basis).

During the year a review of garage sites was undertaken and several areas identified for disposal and redevelopment. Where the decision had been made to dispose of a garage site, the value of the buildings element has been impaired to zero leaving only a residual land value.

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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 & Surplus Assets:** no depreciation has been applied to either the land or building value of Investment Properties or Surplus Assets

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

x. Furniture and equipment owned by the Authority is charged to revenue in the year of acquisition and is not capitalised in the accounts.

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

e) Disposals and Non Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund or Housing Revenue Account in the Movement in Reserves Statement. For 2013/14 £339k (£305k 2012/13) was paid over in respect to Government pooling (see the Comprehensive Income & Expenditure Statement on page 18).

The written off value of disposals is not a charge against council tax or housing rents, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund or Housing Revenue Account in the Movement in Reserves Statement.

There were no assets held for sale during 2013/14.

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.

Cost is defined as the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.

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

Land and Buildings will be componentised between the two elements where this has not already been done, subject to the de minimus level being considered.

A component can either be part of an individual structure, such as roofs, windows, heating systems or a complete building where many buildings are held as a single asset such as the Council Offices.

Where individual assets are beneath the de minimus threshold but collectively are above, they should be considered for componentisation where they are generally treated together elsewhere.

Where components are identified, they will be set up separately in the asset register and have individual values, useful lives and depreciation methods recorded.

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;

When such an asset is revalued: the cost of the component part is measured against the cost of the total asset and the result compared with the agreed de minimus threshold.

Car Parks without structures on them (excluding ticket machines) are considered to be one component.

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.

22. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

b) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. The contingent liabilities for 2013/14 are outlined at Note 40 on page 108.

c) Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

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. The Authority did not have any contingent assets during 2013/14.

23. RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund or Housing Revenue Account in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund or Housing Revenue Account in the Movement in Reserves Statement so that there is no net charge against council tax or housing rent for the expenditure.

Certain reserves are kept to manage the accounting processes for Non Current Assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies. Details can be found in Note 8 to the Core Financial Statements on page 60.

The Revaluation Reserve and Capital Adjustment Account can be used for specific statutory purposes and are not therefore backed by cash at any point in time. The Usable Capital Receipts Reserve is available to part finance capital expenditure. Further details can be found in Note 23 to the Core Financial Statements on page 75.

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

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

25. 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.

26. CAPITAL CHARGES

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

- depreciation attributable to the assets used by the relevant service;
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity).

Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

The Redemption of Debt

Under the Local Government Act 2003, the General Fund Revenue Account must be charged a Minimum Revenue Provision (MRP) for the repayment of outstanding debt. This is calculated as 4% of the Capital Financing Requirement for General Fund services. The Authority has complied by charging £23k within the General Fund plus £191k relating to the repayment of Icelandic Capitalisation debt (including an additional £135k voluntary repayment of principal relating to the capitalisation of Icelandic Banking losses, due to better than anticipated returns from Heritable Bank). Under the Act no MRP is chargeable to the Housing Revenue Account.

27. ACCOUNTING FOR COUNCIL TAX

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).

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.

28. ACCOUNTING FOR NATIONAL NON DOMESTIC RATES

The collection of National Non Domestic Rates (NNDR) is carried out by authorities as an agent activity on behalf of its major preceptors (the Department for Communities and Local Government (DCLG), Staffordshire County Council and Stoke on Trent and Staffordshire Fire & 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.

29. INTEREST

All interest earned is credited to the Comprehensive Income & Expenditure Statement via the General Fund. A proportion of this is credited to the Housing Revenue Account in accordance with the Local Government and Housing Act 1989.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

The long term and current parts of individual instruments (including Interest accruals on loans or investments) are required to be separated into individual elements of financial instruments, such as interest payable and receivable and dividends receivable. Therefore, interest accruals have been included in either current liabilities or assets.

30. SERVICE REPORTING CODE OF PRACTICE (SeRCOP)

SeRCOP sets out "proper practice" with regard to consistent financial reporting in order to ensure that the requirement to obtain and demonstrate best value is met. The Statement of Accounts have been prepared on this basis.

31. GROUP ACCOUNTS

In accordance with the requirements of the Code, the Authority has reviewed its relationship with organisations in which it may have an interest. The review has highlighted that the Authority has no material interest in subsidiaries, associates or joint ventures which would require the preparation of Group Accounts for 2013/14.

32. PRINCIPAL AND AGENT

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 whereby the Authority is collecting Council tax and Business Rates income on behalf of itself and preceptors (Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire and the Stoke on Trent and Staffordshire Fire & Rescue Authority in relation to Council Tax and the Department for Communities and Local Government (DCLG), Staffordshire County Council and Stoke on Trent and Staffordshire Fire & Rescue Authority in relation to Business Rates).

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 has introduced several changes in accounting policies which will be required from 1st April 2014. If these had been adopted for the financial year they would not have a significant impact on the Statement of Accounts as detailed below.

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

- **IFRS 10 Consolidated Financial Statements –** This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Authority does not have any subsidiaries and there is therefore no impact as a result of these changes.

- **IFRS 11 Joint Arrangements –** This standard addresses the account for a 'joint arrangement', which is defined as an arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operations. In addition proportionate consolidation can no longer be used for jointly controlled entities. This change will have no effect as the Authority already account for it's share of the assets, liabilities, revenue and expenses of the Joint Waste Management arrangement within these accounts – which is prescribed under the joint operations approach.

- **IFRS 12 Disclosures of Involvement with Other Entities –** This is a consolidation disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The adoption of this IFRS does not materially affect the Authority as the nature of the Joint Waste Management arrangement is already disclosed within the Authority's accounting policies and in Note 1 on page 24.

- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures –** These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, there is therefore no impact as a result of these changes.

IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and no further disclosure is required.

IAS 1 Presentation of the Financial Statements – The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

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

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

- The level and timing of recovery of Icelandic Deposits – as detailed in Note 42 on page 109.

- Under the new Business Rates Retention arrangements Billing Authorities acting as agents on behalf of the major preceptors (10%), central government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appeals against the rateable value of their properties on the rating list. The Authority has included a provision of **£0.4m** (the overall provision in the Business Rates Collection Fund is **£1.0m** and this Authority's share of the Local Business Rates Retention scheme is **40%**) for appeals outstanding on the 31st March 2014 of **£21.7m**. However, local businesses can still appeal against the Rateable Value on the 2010 Rating list until 31st March 2017. Therefore there are a number of future financial years where the cost of successful appeals could impact on the Authority's Financial Statements. It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal and the Authority has therefore made no provision in the accounts.

4. Assumptions Made About the Future and 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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	Adjustment to the level of liability on the balance sheet. During the year the overall liability increased from £34.415m to £39.769m (following an increase from £28.118m to £34.415m in 2012/13) – see Note 39 on page 100.
Property ,Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Council dwellings would increase by c.£30k for every year that useful lives had to be reduced.
Business Rates Retention	The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the business rates came into effect on 1st April 2013. Billing authorities acting as agents on behalf of the major preceptors (10%), central government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appeals against the rateable value of their properties on the rating list.	The Authority has included a provision of **£0.4m** (the overall provision in the Business Rates Collection Fund is **£1.0m** and this Authority's share of the Local Business Rates Retention scheme is **40%**) for appeals outstanding on the 31st March 2014 of **£21.7m**. However, local businesses can still appeal against the Rateable Value on the 2010 Rating list until 31st March 2017. Therefore there are a number of future financial years where the cost of successful appeals could impact on the Authority's Financial Statements. It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal and the Authority has therefore made no provision in the accounts.

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

The Statement of Accounts includes the following material items of income and expenditure:

Pension Fund

The pension fund deficit has increased in the year to £39.769m (2012/13 £34.415m) as financial assumptions are less favourable at 31st March 2014 than the previous year - this is required to be shown on the balance sheet of the Authority. The increased liability is as a result of a fall in the real bond yields which was partially offset by strong asset returns – as reflected in the Actuarial Gains / Losses on Pension Assets / Liabilities line of the Comprehensive Income & Expenditure Account.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director Corporate Services on 30th June 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31st March 2014 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

a) Land Charges

As a result of ongoing legal action by a group of Property Search Companies seeking to claim refunds of fees paid to the Authority to access land charges data, a provision of £121k has been established in the Authority's accounts. This was set on the basis of the current value of those claims being £95k, plus interest and costs.

Correspondence has since been received from Bevan Brittain LLP, who are acting for the local authorities involved, advising of a proposed framework for settlement, and notifying of a settlement figure of £55.5k (excluding interest and costs) for this Authority. A decision is due to be made on this proposed settlement by 1st July 2014.

b) Deposits with Icelandic Banks

The Authority has been advised that it is due to receive the following additional repayment by 30th June 2014:

Expected Date	KSF £
June 2014	71,443

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool;	(339)	-	339	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(6)	-	(1)	-	-	7
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA;	-	4,471	-	(4,471)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	5,583	-	(5,583)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 39);	(2,679)	(717)	-	-	-	3,396
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,201	313	-	-	-	(1,514)
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements.	555	-	-	-	-	(555)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(32)	(7)	-	-	-	39
Total Adjustments 2013/14	**(2,636)**	**(599)**	**(1,247)**	**1,112**	**-**	**3,370**

Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
Restated	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
2012/13						
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
Charges for depreciation & impairment of Non Current Assets;	(489)	(5,268)	-	-	-	5,757
Revaluation losses on Property Plant & Equipment;	(1,876)	3,110	-	-	-	(1,234)
Movements in the market value of Investment Properties;	1,298	-	-	-	-	(1,298)
Amortisation of Intangible Assets;	(63)	-	-	-	-	63
Capital Grants and Contributions Applied;	929	-	-	-	-	(929)
Revenue Expenditure Funded from Capital Under Statute;	(554)	-	-	-	-	554
Amounts on Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement.	-	(526)	-	-	-	526
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment - Minimum Revenue Provision;	80	-	-	-	-	(80)
Capital expenditure charged against the General Fund & HRA balances.	90	-	-	-	-	(90)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement;	6	-	-	-	(6)	-
Application of grants to capital financing transferred to the Capital Adjustment Account.	-	-	-	-	2	(2)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income & Expenditure Statement;	108	733	(841)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure;	-	-	602	-	-	(602)
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals;	-	(23)	23	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool.	(305)	-	305	-	-	-

Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
Restated	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.		-	(8)	-	-	8
Adjustment primarily involving the Deferred Capital Receipts Reserve:						
Finance Leases.	(303)	-	-	-	-	303
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA;	-	4,477	-	(4,477)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	3,365	-	(3,365)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	-	2	-	-	-	(2)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 39);	(2,142)	(581)	-	-	-	2,723
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,167	306	-	-	-	(1,473)
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	3	-	-	-	-	(3)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements.	(14)	2	-	-	-	12
Total Adjustments 2012/13	**(2,065)**	**2,232**	**81**	**(1,112)**	**(4)**	**868**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA Balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA Expenditure in 2013/14.

Transfers to / (from) Earmarked Reserves	Balance at 1st April 2012 £000s	Transfers out 2012/13 £000s	Transfers in 2012/13 £000s	Balance at 31st March 2013 £000s	Transfers out 2013/14 £000s	Transfers in 2013/14 £000s	Balance at 31st March 2014 £000s
General Fund:							
Future Capital Expenditure	**1,241**	(89)	-	**1,152**	(692)	401	**861**
Temporary Reserves	**1,432**	(760)	259	**931**	(265)	249	**915**
Retained Funds	**1,903**	(664)	868	**2,107**	(555)	617	**2,169**
Repairs & Renewals	**259**	-	-	**259**	(259)	-	**-**
Commuted Sums	**1,468**	(31)	77	**1,514**	(32)	118	**1,600**
Other Reserves	**350**	-	40	**390**	(546)	598	**442**
Total	**6,653**	**(1,544)**	**1,244**	**6,353**	**(2,349)**	**1,983**	**5,987**
HRA:							
Future Capital Expenditure	**274**	-	2,957	**3,231**	(1,959)	3,461	**4,733**
Temporary Reserves	**230**	(171)	108	**167**	(70)	72	**169**
Retained Funds	**151**	(4)	204	**351**	(78)	53	**326**
Total	**655**	**(175)**	**3,269**	**3,749**	**(2,107)**	**3,586**	**5,228**

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

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

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

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

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

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

9. Other Operating Expenditure

2012/13 £000s	Other Operating Expenditure	2013/14 £000s
305	Payments to the Government Housing Capital Receipts Pool	339
5	(Gains) / losses on the disposal of Non Current Assets	(418)
310	**Total**	**(79)**

10. Financing and Investment Income and Expenditure

2012/13 Restated £000s	Financing & Investment Income & Expenditure	2013/14 £000s
2,976	Interest payable and similar charges	3,004
1,348	Pensions interest cost and expected return on pensions assets	1,555
(451)	Interest receivable and similar income	(326)
(844)	Finance Lease Income	(844)
(2,292)	(Income) and expenditure in relation to investment properties and changes in their fair value	(1,359)
(36)	Investment impairment	(33)
701	**Total**	**1,997**

11. Taxation and Non Specific Grant Income

2012/13 £000s	Taxation & Non-specific Grant Incomes	2013/14 £000s
(3,526)	Council tax income	(3,153)
(4,603)	Non domestic rates	(12,693)
-	Non domestic rates - Tariff	10,156
-	Non domestic rates - Levy to GBSLEP	356
(710)	Non-ringfenced government grants	(3,830)
(935)	Capital grants and contributions	(392)
(9,774)	**Total**	**(9,556)**

A detailed breakdown of the grants, contributions and donations credited to the Comprehensive Income and Expenditure Statement in 2013/14 is shown in Note 33.

In 2013/14 there was a change to the method for distributing and accounting for business rates income. Prior to 1st April 2013 Non-Domestic Rates were collected by the Authority and then completed paid over to the Government, who then redistributed these sums across the country in the form of the Non-Domestic rates grant.

From 1st April 2013 Business Rates Retention has come in whereby local authorities (Tamworth Borough Council (40%), Staffordshire County Council (9%) and the Stoke on Trent and Staffordshire Fire & Rescue Authority (1%)) retain 50% of the business rates collected for the area and pay the remaining 50% to central government. In addition the government has set a level of business rates funding deemed to be applicable to each area and every Authority receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

With the introduction of business rates retention if a local authority increases its business rates base and thereby increases its business rate income it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government or in the case of the Authority, to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP) as the Authority is a member of the GBSLEP Business Rates Pool. This payment where it occurs is known as a levy payment.

The Government has also stated that no local authority will suffer a reduction in business rate income or more than 7.5% of its Business Rates funding baseline. If business rates income falls below this 7.5% level (£153k for the Authority) then the Government or pool, if part of a pooling arrangement, will make a safety net payment.

12. Property, Plant and Equipment

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

Comparative Movement in 2012/13	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Total Property, Plant & Equipment £000s
Cost or Valuation						
At 1st April 2012	**133,672**	**20,751**	**3,809**	**378**	**803**	**159,413**
Additions;	3,365	22	126	-	-	**3,513**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(15,610)	(113)	-	-	-	**(15,723)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve;	1,747	246	-	-	-	**1,993**
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on the Provision of Services;	3,109	(1,875)	-	-	-	**1,234**
Derecognition – Disposals;	(536)	-	(662)	-	-	**(1,198)**
Assets reclassified (to)/ from Investment Property.	-	2,135	-	-	-	**2,135**
At 31st March 2013	**125,747**	**21,166**	**3,273**	**378**	**803**	**151,367**
Accumulated Depreciation & Impairment						
At 1st April 2012	**(10,422)**	**(519)**	**(2,711)**	**(151)**	**(1)**	**(13,804)**
Depreciation and Impairment Charge;	(1,833)	(402)	(144)	(13)	-	**(2,392)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	15,610	113	-	-	-	**15,723**
Impairment losses/ (reversals) recognised in the Revaluation Reserve;	-	(33)	-	-	-	**(33)**
Impairment losses/ (reversals) recognised in the Surplus/ Deficit on the Provision of Services;	(3,365)	(10)	-	-	(1)	**(3,376)**
Derecognition – disposals.	10	-	662	-	-	**672**
At 31st March 2013	**-**	**(851)**	**(2,193)**	**(164)**	**(2)**	**(3,210)**
Net Book Value						
at 31st March 2012	123,250	20,232	1,098	227	802	145,609
at 31st March 2013	**125,747**	**20,315**	**1,080**	**214**	**801**	**148,157**
Nature of Holdings at year end						
Owned	125,747	20,315	1,080	214	801	**148,157**

a) Capital Commitments

At 31st March 2014, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £5.542m. Similar commitments at 31st March 2013 were £9.06m. The major commitments are:

2012/13 £000s	Capital Contract	2013/14 £000s
167.0	Private Sector Housing – Disabled Facilities Grants	55.3
115.9	IT Projects	48.7
6,869.5	Housing Repairs & Investment	3,846.5
1,593.5	Gas Installations	1,249.0
262.5	Tamworth Castle Heritage Lottery Fund	89.9
9.4	Repair to River Bank Castle	-
6.6	BMX Track	-
8.0	Assembly Rooms Development	32.5
27.4	HR/Payroll System	7.4
-	Regeneration Projects	191.3
-	New Cemetery Land	21.2
9,059.8	**Total**	**5,541.8**

b) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The valuations are carried out by Authority's Property Surveyor, Mr P Evans MRICS, IRRV with the valuation of Council Dwellings being undertaken by Specialist Valuation Services an external valuer. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are carried at historical cost as a proxy for fair value.

The significant assumptions applied in estimating the fair values are:

- Fair Value is: 'The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arms length transaction';

- Fair Value represents the price that would be reasonably agreed between two specific parties for the exchange of an asset;

- Although the parties may be unconnected and negotiating at arms length, the asset is not necessarily exposed in the wider market and the price agreed may be one that reflects the specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large;

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

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

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

Valuations (Cost or Valuation)	**Council Dwellings**	**Other Land and Buildings**	**Vehicles, Plant, Furniture and Equipment**	**Infrastructure Assets**	**Community Assets**	**Total Property, Plant & Equipment**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Valued at historical cost	-	-	1,117	202	809	2,128
Valued at current cost in:						
2013/14	128,594	17,951	-	-	-	146,545
Total	**128,594**	**17,951**	**1,117**	**202**	**809**	**148,673**

13. Heritage Assets

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

Movement in 2012/13	Art Collection £000s	Civic Regalia £000s	Museum Exhibits £000s	Statues £000s	Castle £000s	Total Heritage Assets £000s
Cost or Valuation						
At 1st April 2012	**97**	**174**	**622**	**233**	**620**	**1,746**
Additions	-	-	-	-	836	**836**
At 31st March 2013	**97**	**174**	**622**	**233**	**1,456**	**2,582**

Heritage Assets Five Year Summary of Transactions	2009/10 £000s	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s
Cost of Acquisitions of Heritage Assets					
Castle Museum	10	4	64	836	172
Total Cost of Purchases	10	4	64	836	172

14. Investment Properties

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

2012/13 £000s	Investment Properties	2013/14 £000s
(1,344)	Rental income from investment property	(1,434)
350	Direct operating expenses arising from investment property	397
(994)	**Net (Gain) / Loss**	**(1,037)**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property 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:

2012/13 £000s	Fair Value of Investment Properties	2013/14 £000s
19,272	**Balance at 1st April 2013**	**18,435**
	Transfers:	
(2,135)	to/ from Property, Plant & Equipment	207
	Valuations:	
1,298	Changes in market valuation	322
18,435	**Balance at 31st March 2014**	**18,964**

15. Intangible Assets

The Authority accounts for its software as Intangible Assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The Intangible Assets include purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £63k charged to revenue in 2013/14 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

2012/13 £000s	Intangible Assets	2013/14 £000s
	Balance at 1st April 2013	
740	Gross carrying amounts	826
(639)	Accumulated amortisation	(702)
101	**Net Carrying Amount at 1st April 2013**	**124**
86	Additions through purchases	159
(63)	Amortisation for the period	(63)
124	**Net Carrying Amount at 31st March 2014**	**220**
	Comprising:	
826	Gross carrying amounts	985
(702)	Accumulated amortisation	(765)
124	**Net Book Value at 31st March 2014**	**220**

16. Financial Instruments

a) Categories of Financial Instruments

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

Financial Instruments	Long Term		Current	
	31st March 2013 £000s	31st March 2014 £000s	31st March 2013 £000s	31st March 2014 £000s
Investments				
Loans and receivables (Principal amount)	178	59	6,873	8,674
Plus Accounting adjustments	-	-	67	52
Available for sale financial assets	58	55	-	-
Total Investments	**236**	**114**	**6,940**	**8,726**
Debtors				
Loans and receivables	-	-	14,662	20,055
Plus Accounting adjustments	-	-	35	25
Financial assets carried at contract amounts	12,961	12,938	1,207	1,274
Total Debtors	**12,961**	**12,938**	**15,904**	**21,354**
Borrowings				
Financial liabilities at amortised cost	65,060	65,060	-	-
Plus Accounting adjustments	-	-	366	366
Total Borrowings	**65,060**	**65,060**	**366**	**366**
Creditors				
Financial liabilities at amortised cost	-	-	415	-
Financial liabilities carried at contract amount	-	-	4,493	5,718
Total Creditors	**-**	**-**	**4,908**	**5,718**

Under accounting requirements the financial instrument value shown in the balance sheet include the principal amount borrowed or lent plus accrued interest and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation).

Fair value has been measured by:

- Direct reference to published price quotations in an active market; and/or
- Estimated using a valuation technique.

b) Reclassifications

There were no reclassifications of financial instruments during the year.

c) 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	2012/13					2013/14				
	Financial liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest expense	(2,976)	-	-	-	**(2,976)**	(3,004)	-	-	-	**(3,004)**
Impairment losses	-	36	-	-	**36**	-	33	-	-	**33**
Total expense in (Surplus) or Deficit on the Provision of Services	**(2,976)**	**36**	**-**	**-**	**(2,940)**	**(3,004)**	**33**	**-**	**-**	**(2,971)**
Interest income	-	416	2	844	**1,262**	-	306	1	844	**1,151**
Interest income accrued on impaired financial assets	-	33	-	-	**33**	-	19	-	-	**19**
Total income in (Surplus) or Deficit on the Provision of Services	**-**	**449**	**2**	**844**	**1,295**	**-**	**325**	**1**	**844**	**1,170**
Gains on revaluation	-	-	2	-	**2**	-	-	2	-	**2**
Surplus / (deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**2**	**-**	**2**	**-**	**-**	**2**	**-**	**2**
Net Gain / (Loss) for the Year	**(2,976)**	**485**	**4**	**844**	**(1,643)**	**(3,004)**	**358**	**3**	**844**	**(1,799)**

d) Fair Values of Assets and Liabilities

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

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities	31st March 2013		31st March 2014	
	Carrying Amount £000s	**Fair Value £000s**	**Carrying Amount £000s**	**Fair Value £000s**
PWLB Debt	65,426	80,354	65,426	75,567
Creditors	4,493	4,493	5,718	5,718
Total Financial Liabilities	**69,919**	**84,847**	**71,144**	**81,285**

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 2014) arising from a commitment to pay interest to lenders above current market rates.

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

Loans and Receivables	31st March 2013		31st March 2014	
	Carrying Amount £000s	**Fair Value £000s**	**Carrying Amount £000s**	**Fair Value £000s**
Money Market Loans <1 year	6,940	6,962	8,726	8,737
Money Market Loans >1 year	178	178	59	59
Debtors	1,207	1,207	1,274	1,274
Long-term debtors	12,961	12,961	12,938	12,938
Total Financial Liabilities	**21,286**	**21,308**	**22,997**	**23,008**

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 & vice versa. This shows, for 2013/14, a notional future gain (based on economic conditions at 31st March 2014) attributable to the commitment to receive interest above current market rates.

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

The differences are attributable to fixed interest instruments payable being held by the Authority whose interest rate is higher than the prevailing rate estimated to be available at 31st March 2014. 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.

17. Inventories

Inventories	Castle Stock		Assembly Rooms		Tourist Information Centre		Golf Course		Total	
	2012/13 £000s	**2013/14 £000s**	**2012/13 £000s**	**2013/14 £000s**	**2012/13 £000s**	**2013/14 £000s**	**2012/13 £000s**	**2013/14 £000s**	**2012/13 £000s**	**2013/14 £000s**
Balance at 1st April 2013	**13**	**13**	**5**	**5**	**13**	**13**	**-**	**-**	**31**	**31**
Movement		(3)		(1)		(2)		1		(5)
Balance at 31st March 2014	**13**	**10**	**5**	**4**	**13**	**11**	**-**	**1**	**31**	**26**

18. Debtors

2012/13 Restated £000s	Debtors	2013/14 £000s
1,654	Central Government bodies	933
268	Other Local Authorities	303
74	Council Taxpayers	86
1,506	Housing Rents	1,655
1,921	Other entities and individuals	2,027
-	Business Rates	32
(219)	Payment in advance	(229)
(2,269)	Provision for bad debts	(2,482)
2,935	**Total**	**2,325**

19. Cash and Cash Equivalents

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

2012/13 £000s	Cash & Cash Equivalents	2013/14 £000s
4	Cash held by the Authority	4
(415)	Bank current accounts	172
14,697	Short-term deposits with Banks and Building Societies	19,908
14,286	**Total Cash and Cash Equivalents**	**20,084**

20. Assets Held for Sale

The Authority held no assets for sale during 2013/14.

21. Creditors

2012/13 £000s	Creditors	2013/14 £000s
1,005	Central Government bodies	1,761
740	Other Local Authorities	1,741
68	Council Taxpayers	71
436	Housing Rents	394
-	Precepting Authorities – Business Rates	1,642
366	Precepting Authorities – Council Tax	800
3,317	Other entities and individuals	3,583
-	Business Rates	241
5,932	**Total**	**10,233**

22. Provisions

Provisions	Costs Associated with VR £000s	Housing Repairs Contract Pensions £000s	Municipal Mutual Insurance £000s	Land Charges Legal Liability £000s	Non-Domestic Rates Appeals £000s	Total £000s
2012/13						
Balance at 1st April 2012	**59**	**518**	**-**	**-**	**-**	**577**
Additional provisions made in year	-	-	33	110	-	143
Amount used in year	(54)	(463)	-	-	-	(517)
Unused amounts reversed in year	-	(55)	-	-	-	(55)
2013/14						
Balance at 31st March 2013	**5**	**-**	**33**	**110**	**-**	**148**
Additional provisions made in year	-	-	-	11	393	404
Amount used in year	(5)	-	-	-	-	(5)
Unused amounts reversed in year	-	-	-	-	-	-
Balance at 31st March 2014	**-**	**-**	**33**	**121**	**393**	**547**

a) Costs Associated with VR

The provision for the costs associated with VR has reduced to nil (£5k in 202/13). It was established to cover redundancy payments and associated costs arising from a cost reduction scheme introduced during 2010/11.

b) Municipal Mutual Insurance (MMI)

This provision has been established as a result of the decision to trigger the 'Scheme of Arrangement' (SOA) with regard to Municipal Mutual Insurance (MMI), at a meeting of the Board of Directors on 13th November 2012. Under this SOA, the Authority is liable to pay a levy up to the value of claims paid since 1993 (£252k – excluding the first £50k of claims paid). The provision of £33k is to cover the potential additional levy of up to 28%.

c) Land Charges Ongoing Legal Action

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

d) Business Rates Appeals

Under the new Business Rates Retention arrangements Billing authorities acting as agents on behalf of the major preceptors (10%), central government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appeals against the rateable value of their properties on the rating list. The Authority has included a provision of **£0.4m** (the overall provision in the Business Rates Collection Fund is **£1.0m** and this Authority's share of the Local Business Rates Retention scheme is **40%**) for appeals outstanding on the 31st March 2014 of **£21.7m**.

A Contingent Liability has also been included at Note 40 as local businesses can still appeal against the Rateable Value on the 2010 Rating list until 31st March 2017. Therefore there are a number of future financial years where the cost of successful appeals could impact on the Authority's Financial Statements.

23. Unusable Reserves

31st March 2013 £000s	Unusable Reserves	31st March 2014 £000s
9,017	Revaluation Reserve	12,791
90,702	Capital Adjustment Account	88,467
-	Financial Instruments Adjustment Account	-
(34,415)	Pensions Reserve	(39,769)
12,772	Deferred Capital Receipts Reserve	12,765
50	Collection Fund Adjustment Account	605
(248)	Accumulated Absences Account	(287)
77,878	**Total Unusable Reserves**	**74,572**

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.

2012/13 £000s	Revaluation Reserve	2013/14 £000s	
7,254	**Balance at 1st April 2013**		**9,017**
2,109	Upward revaluation of assets	4,393	
(149)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(857)	
1,960	Surplus or deficit on the revaluation of Non Current Assets not posted to the Surplus/Deficit on the Provision of Services		3,536
(197)	Difference between fair value depreciation and historical cost depreciation	238	
(197)	Amount written off to the Capital Adjustment Account		238
9,017	**Balance at 31st March 2014**		**12,791**

b) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

There have been no material movements in available for sale financial instruments in 2013/14.

c) Capital Adjustment Account

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

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

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

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

2012/13 £000s	Capital Adjustment Account	2013/14 £000s	
89,805	**Balance at 1st April 2013**		**90,702**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(5,757)	Charges for depreciation and impairment of Non Current Assets;	(10,910)	
1,234	Revaluation losses on Property, Plant and Equipment;	1,555	
(63)	Amortisation of Intangible Assets;	(63)	
(554)	Revenue Expenditure Funded from Capital Under Statute;	(374)	
(526)	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.	(1,711)	
			(11,503)
197	Adjusting amounts written out of the Revaluation Reserve.		(238)
	Net written out amount of the cost of Non Current Assets consumed in the year.		(11,741)
	Capital financing applied in the year:		
602	Use of Capital Receipts Reserve to finance new capital expenditure;	543	
3,365	Use of Major Repairs Reserve to finance new capital expenditure;	5,583	
929	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing;	392	
2	Application of grants to capital financing from the Capital Grants Unapplied Account;	-	
80	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - Minimum Revenue Provision;	79	
-	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - Voluntary Revenue Provision;	135	
90	Capital expenditure charged against the General Fund and HRA Balances;	2,452	
			9,184
1,298	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement.		322
90,702	**Balance at 31st March 2014**		**88,467**

d) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2012/13 £000s	Financial Instruments Adjustment Account	2013/14 £000s
(2)	**Balance at 1st April 2013**	**-**
2	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
2	Amount by which finance costs charge to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	**-**
-	**Balance at 31st March 2014**	**-**

e) 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.

2012/13 Restated £000s	Pensions Reserve	2013/14 £000s
(28,118)	**Balance at 1st April 2013**	**(34,415)**
(5,047)	Remeasurement of the Net Defined Benefit Liability / (Asset)	(3,472)
(2,723)	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,396)
1,473	Employer's contributions and direct payments to pensioners payable in the year	1,514
(34,415)	**Balance at 31st March 2014**	**(39,769)**

f) 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.

2012/13 £000s	Deferred Capital Receipts Reserve	2013/14 £000s
13,083	**Balance at 1st April 2013**	**12,772**
(8)	Transfer to Capital Receipts Reserve upon receipt of cash	(7)
(303)	Finance Leases	-
12,772	**Balance at 31st March 2014**	**12,765**

g) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2012/13 £000s	Collection Fund Adjustment Account	2013/14 £000s
47	**Balance at 1st April 2013**	**50**
3	Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rate income calculated for the year in accordance with statutory requirements	555
50	**Balance at 31st March 2014**	**605**

h) 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 2014. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2012/13 £000s	Accumulated Absences Account	2013/14 £000s	
(236)	**Balance at 1st April 2013**		**(248)**
236	Settlement or cancellation of accrual made at the end of the preceding year	248	
(248)	Amounts accrued at the end of the current year	(287)	
(12)	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		(39)
(248)	**Balance at 31st March 2014**		**(287)**

24. Cash Flow Statement – Operating Activities

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

2012/13 £000	Cash Flow Statement - Operating Activities	2013/14 £000
	The cash flows for operating activities include the followng items	
(1,269)	Interest received	(1,185)
2,980	Interest paid	2,991
1,711		**1,806**
4,106	Net Surplus or (Deficit) on the Provision of Services	**(1,957)**
	Adjusted for non-cash movements	
5,757	Depreciation	10,910
(1,235)	Impairment and Downward Valuations	(1,555)
63	Amortisation	63
1,379	Increase/Decrease in Creditors	2,029
541	Increase/Decrease in Debtors	171
(7)	Increase/Decrease in Inventories	5
783	Movement in Pension Liability	1,882
526	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	1,711
(1,727)	Other non-cash items charged to the net surplus of deficit on the provision of services	77
6,080		**15,293**
	Adjusted for items that are investing or financing activities	
(538)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(2,176)
(935)	Any other items for which the cash effects are investing or financing cash flows	(392)
(1,473)		**(2,568)**
8,713	**Net Cash Flows from Operating Activities**	**10,768**

25. Cash Flow Statement – Investing Activities

2012/13 £000s	Cash Flow Statement - Investing Activities	2013/14 £000s
3,654	Purchase of Property, Plant and Equipment; Investment Property and Intangible Assets	8,370
178	Purchase of Short Term and Long Term Investments	55
(849)	Proceeds from the sale of Property, Plant and Equipment; Investment Property and Intangible Assets	(2,184)
(621)	Proceeds from Short Term and Long Term Investments	1,623
(485)	Other Receipts from Investing Activities	(194)
1,877	**Net Cash Flows from Investing Activities**	**7,670**

26. Cash Flow Statement – Financing Activities

2012/13 £000s	Cash Flow Statement - Financing Activities	2013/14 £000s
1,916	Billing Authorities - Council Tax and NNDR adjustments	(2,700)
(3)	Appropriation to/from Collection Fund Adjustment Account	-
1,913	**Net Cash Flows from Financing Activities**	**(2,700)**

27. Amounts Reported for Resource Allocation Decisions

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

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year under IAS19.

- the finance lease repayment charges are charged in full to the portfolio as opposed to being split between interest cost and repayment of the outstanding liability.

- the costs and income relating to investment properties are shown within the portfolio whereas they are charges/ credited to financing and investment income on the face of the Comprehensive Income and Expenditure Statement.

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).

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

Directorate Income and Expenditure	Chief Executive	Executive Director Corporate Resources	Director of Finance	Director Technology and Corporate Programmes	Solicitor to the Council	Director Assets and Environmental Services	Director Housing and Health	Director Communities, Planning and Partnerships	Director Transformation and Corporate Performance	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2013/14										
Fees, charges & other service income	-	(548)	(4,142)	(49)	(149)	(5,102)	(21,731)	(1,500)	(89)	**(33,310)**
Interest and investment income	-	-	(1,061)	-	-	-	(97)	(15)	-	**(1,173)**
Government grants	-	(22,020)	(448)	(7)	(9)	(2)	(45)	(37)	-	**(22,568)**
Total Income	**-**	**(22,568)**	**(5,651)**	**(56)**	**(158)**	**(5,104)**	**(21,873)**	**(1,552)**	**(89)**	**(57,051)**
Employee expenses	182	906	982	530	230	3,060	2,712	1,999	980	**11,581**
Other service expenses	11	22,048	3,484	608	453	5,108	12,334	1,963	432	**46,441**
Support service recharges	(193)	272	543	(1,167)	196	(553)	1,244	742	(1,084)	**-**
Depreciation, amortisation & impairment	-	-	-	109	-	392	2,166	37	1	**2,705**
Total Operating Expenses	**-**	**23,226**	**5,009**	**80**	**879**	**8,007**	**18,456**	**4,741**	**329**	**60,727**
Net Expenditure	**-**	**658**	**(642)**	**24**	**721**	**2,903**	**(3,417)**	**3,189**	**240**	**3,676**

Income and Expenditure	Chief Executive	Executive Director Corporate Resources	Director of Finance	Director Technology and Corporate Programmes	Solicitor to the Council	Director Assets and Environmental Services	Director Housing and Health	Director Communities, Planning and Partnerships	Director Transformation and Corporate Performance	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
2012/13 Comparative Figures										
Fees, charges & other service Income;	-	(641)	(282)	(35)	(94)	(4,155)	(19,894)	(739)	(74)	**(25,914)**
Interest and investment income;	-	-	(1,167)	-	-	-	(113)	(15)	-	**(1,295)**
Government Grants.	-	(27,335)	(624)	-	-	(2)	(62)	(210)	-	**(28,233)**
Total Income	**-**	**(27,976)**	**(2,073)**	**(35)**	**(94)**	**(4,157)**	**(20,069)**	**(964)**	**(74)**	**(55,442)**
Employee expenses;	173	867	945	510	285	3,071	2,387	1,868	989	**11,095**
Other service expenses;	13	27,536	3,340	565	613	4,179	8,241	1,604	428	**46,519**
Support service recharges;	(186)	191	(2,683)	(1,119)	187	(35)	1,854	691	(1,034)	**(2,134)**
Depreciation, amortisation & impairment.	-	-	-	120	-	408	1,903	24	-	**2,455**
Total Operating Expenses	**-**	**28,594**	**1,602**	**76**	**1,085**	**7,623**	**14,385**	**4,187**	**383**	**57,935**
Net Expenditure	**-**	**618**	**(471)**	**41**	**991**	**3,466**	**(5,684)**	**3,223**	**309**	**2,493**

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

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

2012/13 Restated £000s	Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement	2013/14 £000s
2,493	Net expenditure in the Directorate Analysis	3,676
2,610	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	7,419
21	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(1,500)
5,124	**Cost of Services in Comprehensive Income and Expenditure Statement**	**9,595**

Reconciliation to the (Surplus) or deficit on the provision of services	**Directorate Analysis**	**Amounts not Reported to Management for Decision Making**	**Amounts not included in the Comprehensive Income and Expenditure Statement**	**Cost of Services**	**Corporate Amounts**	**Total**
2013/14	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(33,310)	-	8,561	**(24,749)**	(4,406)	**(29,155)**
Interest and investment income	(1,173)	-	1,169	**(4)**	(1,169)	**(1,173)**
Income from council tax	-	-	-	**-**	(3,153)	**(3,153)**
Government grants and contributions	(22,568)	-	404	**(22,164)**	(6,403)	**(28,567)**
Total Income	**(57,051)**	**-**	**10,134**	**(46,917)**	**(15,131)**	**(62,048)**
Employee expenses	11,581	-	(40)	**11,541**	40	**11,581**
Other service expenses	46,441	-	(11,465)	**34,976**	6,198	**41,174**
Support service recharges	-		(129)	**(129)**	129	**-**
Depreciation, amortisation and impairment	2,705	6,724	-	**9,429**	(356)	**9,073**
REFCUS	-	374	-	**374**		**374**
Retirement Benefits	-	321	-	**321**	1,561	**1,882**
Payments to Housing Capital Receipts Pool	-		-	**-**	339	**339**
Gain or Loss on Disposal of Fixed Assets	-	-	-	**-**	(418)	**(418)**
Total Expenditure	**60,727**	**7,419**	**(11,634)**	**56,512**	**7,493**	**64,005**
(Surplus) or Deficit on the Provision of Services	**3,676**	**7,419**	**(1,500)**	**9,595**	**(7,638)**	**1,957**

Reconciliation to the (Surplus) or deficit on the provision of services	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in the Comprehensive Income and Expenditure Statement	Cost of Services	Corporate Amounts	Total
2012/13 Comparative Figures	**£000s**	**£000s**	**£000s**	**£000s**	**Restated £000s**	**Restated £000s**
Fees, charges and other service income;	(25,914)	-	2,674	**(23,240)**	(1,378)	**(24,618)**
Interest and investment income;	(1,295)	-	-	**(1,295)**	(1,296)	**(2,591)**
Income from council tax;	-	-	-	**-**	(3,525)	**(3,525)**
Government grants and contributions.	(28,233)	-	708	**(27,525)**	(6,248)	**(33,773)**
Total Income	**(55,442)**	**-**	**3,382**	**(52,060)**	**(12,447)**	**(64,507)**
Employee expenses;	11,095	-	(43)	**11,052**	43	**11,095**
Other service expenses;	46,519	-	(6,179)	**40,340**	6,179	**46,519**
Support service recharges;	(2,134)	-	2,861	**727**	(2,861)	**(2,134)**
Depreciation, amortisation and impairment;	2,455	2,141	-	**4,596**	(1,334)	**3,262**
REFCUS;	-	554	-	**554**	-	**554**
Retirement Benefits;	-	(85)	-	**(85)**	1,347	**1,262**
Payments to Housing Capital Receipts Pool;	-	-	-	**-**	305	**305**
Gain or Loss on Disposal of Fixed Assets.	-	-	-	**-**	5	**5**
Total Expenditure	**57,935**	**2,610**	**(3,361)**	**57,184**	**3,684**	**60,868**
Surplus or Deficit on the Provision of Services	**2,493**	**2,610**	**21**	**5,124**	**(8,763)**	**(3,639)**

28. Trading Operations

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

2012/13 Expenditure £000s	2012/13 Income £000s	2012/13 (Surplus)/ Deficit £000s	Trading Operations	2013/14 Expenditure £000s	2013/14 Income £000s	2013/14 (Surplus)/ Deficit £000s
7	(10)	**(3)**	Markets	4	(10)	**(6)**
(1,153)	(621)	**(1,774)**	Industrial Estates	32	(670)	**(638)**
206	(723)	**(517)**	Other Land & Property	31	(751)	**(720)**
(940)	**(1,354)**	**(2,294)**	**Total**	**67**	**(1,431)**	**(1,364)**

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

29. Agency Services

Staffordshire County Council is currently carrying out Highways Maintenance works on behalf of the Authority under a management agreement. This amounted to £167k for 2013/14.

2012/13 £000s	Agency Services	2013/14 £000s
139	Highways services	115
51	Management fee	52
190	**Total**	**167**

30. Members' Allowances

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

2012/13 £000s	Members Allowances	2013/14 £000s
151	Basic Allowance	140
96	Special Responsibility	83
3	Other Allowances/Expenses	3
4	Travel/Mileage	3
254	**Total**	**229**

Under the revised Members' Allowance Scheme approved by Council 19th March 2013, 10% of the basic and special responsibility allowances are withheld, and are then paid to each member at the end of the municipal year, provided at least 75% meetings required have been attended.

31. Officers' Remuneration

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

Officers Remuneration		Salary, Fees and Allowances	Expenses Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive *	**2013/14**	**106,615**	**1,455**	**20,597**	**128,667**
	2012/13	*105,545*	*1,439*	*19,873*	*126,857*
Executive Director Corporate Services *	**2013/14**	**85,762**	**1,338**	**16,793**	**103,893**
	2012/13	*84,586*	*1,322*	*16,137*	*102,045*
Director Transformation and Corporate Performance	**2013/14**	**72,138**	**1,338**	**14,139**	**87,615**
	2012/13	*71,426*	*1,322*	*13,636*	*86,384*
Director Assets and Environment	**2013/14**	**75,762**	**1,338**	**14,845**	**91,945**
	2012/13	*75,005*	*1,322*	*14,317*	*90,644*
Director Housing and Health	**2013/14**	**72,135**	**1,338**	**14,139**	**87,612**
	2012/13	*71,426*	*1,322*	*13,636*	*86,384*
Director Finance	**2013/14**	**72,166**	**1,338**	**14,139**	**87,643**
	2012/13	*69,378*	*1,322*	*13,239*	*83,939*
Director Communities, Planning and Partnerships	**2013/14**	**72,171**	**1,338**	**14,139**	**87,648**
	2012/13	*69,384*	*1,322*	*13,239*	*83,945*
Solicitor to the Council	**2013/14**	**62,284**	**1,338**	**12,196**	**75,818**
	2012/13	*61,652*	*1,322*	*11,767*	*74,741*
Director Technology and Corporate Programmes	**2013/14**	**64,045**	**1,062**	**12,562**	**77,669**
	2012/13	*61,608*	*1,045*	*11,753*	*74,406*
Head of Landlord Services	**2013/14**	**56,766**	**1,338**	**11,126**	**69,230**
	2012/13	*54,043*	*1,045*	*12,588*	*67,676*

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

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2012/13 Number of Employees	Remuneration Band	2013/14 Number of Employees Left During Year	2013/14 Number Employed at 31st March 2014	2013/14 Total Number of Employees
1	£50,000 - £54,999	-	-	-
-	£55,000 - £59,999	-	1	1
2	£60,000 - £64,999	-	2	2
2	£65,000 - £69,999	-	-	-
3	£70,000 - £74,999	-	4	4
-	£75,000 - £79,999	-	1	1
1	£80,000 - £84,999	-	-	-
-	£85,000 - £89,999	-	1	1
1	£100,000 - £104,999	-	-	-
-	£105,000 - £109,999	-	1	1

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

Exit Package Cost Band	Number of Departures Agreed		Total Cost of Exit Packages	
	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	2	2	20,000	10,288
£40,001 - £60,000	1	-	60,000	-
Total	**3**	**2**	**80,000**	**10,288**

There were no compulsory redundancies during 2013/14.

32. External Audit Costs

The agreed audit fee for 2013/14 was £65.55k less a rebate of £7.5k from the Audit Commission, but in the year it was accounted for on an accruals basis which means the following has been charged in the accounts:

2012/13 £000s	External Audit Costs	2013/14 £000s
61	Fees payable to Audit Commission with regard to the external audit services carried out by the appointed auditor for the year	-
29	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the year	58
-	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the previous year	16
-	Accounting adjustment: reversal of prepayment	20
27	Fees payable to Audit Commission for the certification of grants and returns for the year	-
8	Fees payable to Grant Thornton for the certification of grants and returns for the year	20
-	Fees payable in respect of other services provided by Audit Commission during the year - National Fraud Initiative	2
125	**Total**	**116**

33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

2012/13 £000s	Grant Income	2013/14 £000s
	Credited to Taxation and Non Specific Grant Income	
89	Revenue Support Grant	3,070
4,603	NNDR	12,693
-	Non domestic rates - Tariff	(10,156)
-	Non domestic rates - Levy to GBSLEP	(356)
257	New Homes Bonus	406
87	Council Tax Freeze Grant	-
163	Preventing Homelessness Grant	-
84	Local Council Tax Support Scheme	54
9	Community Right to Challenge	9
5	Community Right to Bid	8
3	Deferment Business Rates 2012/13	-
-	Capitalisation Provision redistribution	16
-	S31 Grant - Small Business Rate Relief	217
-	Local Authority Data Sharing Programme	17
	Transparency Code set up	3
13	Welfare Benefit Changes	30
935	Capital Grants and Contributions	392
6,248	**Total**	**6,403**

The Authority credited the following grants, contributions and donations to Cost of Services within the Comprehensive Income and Expenditure Statement in 2013/14:

2012/13 £000s	Credited to Services Government Grant	2013/14 £000s
512	DWP Admin Grant	474
93	NNDR Cost of Collection	92
26,793	Benefits	21,392
16	Discretionary Housing Payment	106
-	Nature Reserve	2
37	Safer Stronger Communities/Domestic Abuse	27
-	Tamworth Inspire	7
-	Electoral Process	9
62	Supporting People	45
-	IEWM Developing Multi-Agency Locality Commissioning	10
10	Town Centre Regenerations	-
2	Miscellaneous	-
27,525	**Total**	**22,164**

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 13 £000s	Capital Grants Receipts in Advance	31st March 14 £000s
44	HLF Assembly Rooms	-
1	DCMS Free Swimming Grant	1
-	Lottery BMX Track	3
45	**Total**	**4**

34. 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 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2014 are shown in Note 33.

b) Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' Allowances paid in 2013/14 is shown in Note 30. During the financial year ended 31st March 2014, there were no material transactions between the Authority and its Members, other than the payment of Member Allowances. Details of all transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

c) Officers

During the financial year ended 31st March 2014, 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 31.

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 2013 £000s	Precepts	31st March 2014 £000s
24,052	Staffordshire County Council	20,749
4,152	OPCC Staffordshire	3,588
1,581	Stoke on Trent & Staffordshire Fire & Rescue Authority	1,366
29,785	**Total**	**25,703**

e) Staffordshire County Council and OPCC

The County Council is the Administering Authority for the Pension Fund and details of the employer's contributions paid by this Authority are detailed in Note 39.

The Authority receives Supporting People Grant from Staffs CC and Safer Stronger Communities grant, now administered by the OPCC, as follows:-

31st March 2013 £000s	Staffordshire County Council/OPCC	31st March 2014 £000s
62	Supporting People Grant	45
37	Safer Stronger Communities Fund	27
99	**Total**	**72**

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 2013 £000s	Recycling Credit Scheme	31st March 2014 £000s
(508)	Recycling Credits	(761)
(508)	**Total**	**(761)**

f) Jointly Controlled Operation – Joint Waste Management Services

The Authority's Joint Waste Service with Lichfield District Council was launched in July 2010, and a joint committee - 'Lichfield and Tamworth Waste Collection Services' - was established. The organisation provides waste and recycling services to approximately 73,000 properties across the two Authorities. Lichfield District Council is responsible for hosting the employment of staff.

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

The parties have an agreement in place for funding this operation with contributions to the agreed budget of **57.5%** from the Lichfield District Council and **42.5%** from Tamworth Borough Council. The same proportions are used to meet any deficit or share any surplus arising on the operation's budget at the end of each financial year.

The revenue outturn of the Joint Waste Service for the year ended 31st March 2014 is as follows:-

2012/13 £000s	Joint Waste Arrangement Income / Expenditure	2013/14 £000s
	Funding Provided to the Operation	
(1,426)	Contribution from Tamworth Borough Council (42.5%)	(1,400)
(1,929)	Contribution from Lichfield District Council (57.5%)	(1,892)
(3,355)	**Total Funding Provided to the Operation**	**(3,292)**
	Expenditure	
2,276	Employee Costs	2,318
19	Premises Related Expenses	22
1,494	Transport Costs	1,296
559	Supplies and Services	573
253	Central Support Costs	253
4,601	**Total Expenditure**	**4,462**
	Income	
(1,281)	Recycling Credits	(1,217)
(76)	Other Income	(87)
(1,357)	**Total Income Received**	**(1,304)**
3,244	**Total Net Expenditure**	**3,158**
(111)	**Net (Surplus)/Deficit arising on the pooled budget during the year**	**(134)**
(47)	**Tamworth Borough Council's share of 42.5% net (surplus)/deficit**	**(57)**

Lichfield DC are the lead Authority for this arrangement, with the Authority reimbursing Lichfield for services on the basis of a proportion of actual spend. For 2013/14, the cost of the joint arrangement to the Authority was £1.4m.

35. Capital Expenditure and Capital Financing

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

2012/13 £000s	Capital Expenditure & Financing	2013/14 £000s
69,668	**Opening Capital Financing Requirement**	**69,579**
	Capital Investment	
3,513	Property, Plant and Equipment	8,262
836	Heritage Assets	172
86	Intangible Assets	159
554	Revenue Expenditure Funded from Capital under Statute	374
	Sources of Finance	
(602)	Capital Receipts	(543)
(673)	Government Grants and Other Contributions	(200)
(3,455)	Sums set aside from revenue - Direct Revenue Contributions	(8,032)
(80)	Sums set aside from revenue - Minimum Revenue Provision	(79)
-	Sums set aside from revenue - Voluntary Revenue Provision	(135)
(9)	Impairment of HRA Non Dwellings	(12)
(259)	Grants - Revenue Expenditure Funded from Capital Under Statute	(192)
69,579	**Closing Capital Financing Requirement**	**69,353**
	Explanation of movements in year:	
	Increase in underlying need to borrow:	
(80)	Sums set aside from revenue - Minimum Revenue Provision	(79)
-	Sums set aside from revenue - Voluntary Revenue Provision	(135)
(9)	Impairment of HRA Non Dwellings	(12)
(89)	**Increase/(decrease) in Capital Financing Requirement**	**(226)**

36. Leases

a) Authority as Lessee

i) Finance Leases

In the year 2013/14 rentals payable under finance leases in respect of Vehicles and Plant was £nil (2012/13 £nil).

The Authority has no finance lease liabilities for any assets where it is the lessee.

ii) Operating Leases

The Authority currently uses vehicles, plant and equipment financed under terms of an operating lease. The amount paid under these arrangements in 2013/14 was £318k (£328k in 2012/13). These leases have options for annual extensions beyond the original lease term, a number of these options are currently being taken up.

The Authority was committed at 31st March 2014 to making payments of £288k under operating leases, comprising the following elements:

31st March 2013 £000s	Operating Leases	31st March 2014 £000s
328	Not later than one year	288
328	**Total Operating Leases**	**288**

The expenditure charged to the Cultural & Environmental Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2012/13 £000s	Minimum Lease Payments	2013/14 £000s
328	Minimum lease payments	288
328	**Total Minimum Lease Payments**	**288**

b) Authority as Lessor

i) Finance Leases

The Authority has leased out property at the Ankerside Shopping Centre inc. Car Park, on a finance lease with a remaining term of 75 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 2013 £000s	Assets held for leases (Lessor)	31st March 2014 £000s
	Finance lease debtor (NPV of minimum lease payments)	
12,644	Non current	12,636
51,172	Unearned finance income	50,329
12	Unguaranteed residual value of property	12
63,828	**Gross Investment in the Lease**	**62,977**

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

Minimum Lease Payments 31st March 2013 £000s	Gross Investment in the Lease 31st March 2013 £000s	Minimum Lease Payments	Minimum Lease Payments 31st March 2014 £000s	Gross Investment in the Lease 31st March 2014 £000s
851	851	Not later than one year	851	851
3,404	3,404	Later than one year not later than five years	3,404	3,404
59,561	59,573	Later than five years	58,711	58,723
63,816	**63,828**	**Total**	**62,966**	**62,978**

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

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

ii) Operating Leases

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

- for the provision of community services, such as community centres
- for investment purposes to provide suitable affordable accommodation for local businesses.

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

31st March 2013 £000s	Future Minimum Lease Payments	31st March 2014 £000s
	Operating Leases	
907	Not later than one year	909
3,498	Later than one year not later than five years	3,551
48,364	Later than five years	49,408
52,769	**Total**	**53,868**

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 £516k in 2013/14 (£393k in 2012/13). There were 17 void units at the 31st March 2014 (25 voids at the 31st March 2013).

37. Impairment Losses

Charges for impairment of £8.279m have been made during 2013/14. This included an amount of £7.296m where the expenditure on Council Dwellings has not produced a similar increase in the value: £684k in respect of the reduction in value of the Council Car Parks and £287k for HRA dwellings no longer available to let as part of the Regeneration Project The remaining £12k relates to Council Garages held within Other Land and Buildings which are no longer available for letting. This amount was charged direct to the Comprehensive Income and Expenditure Statement for the Housing Revenue Account.

The HRA Capital Expenditure of £7.602m mainly related to improvements to bathrooms, kitchens, central heating, electrical upgrades and disabled adaptations however, £306k related to the acquisition of 4 dwellings as part of the regeneration project. The impairment has been recognised as the advice of the Authority's internal valuer is that such improvements have not increased the overall value of the asset.

38. Termination Benefits

The Authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £10k (£80k in 2012/13) – see Note 31 Officers' Remuneration for detail of the number of exit packages with total cost per band and total cost of redundancies.

39. Defined Benefit Pension Schemes

a) Participation in Pension Schemes

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

The authority participates in two post employment schemes:

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

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

- The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Staffordshire County Council. Policy is determined in accordance with Pension Fund Regulations. The investment managers of the fund are appointed by the committee.

- The principal risk to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme) changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and Housing Revenue Account (HRA) the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. The are no plan assets built up to meet these pension liabilities.

b) Transactions Relating to Post-employment Benefits

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

Defined Benefit Pension Schemes

Local Government Pension Scheme 2012/13 Restated £000s	Discretionary Benefit Arrangements 2012/13 Restated £000s	Defined Benefit Pension Schemes	Local Government Pension Scheme 2013/14 £000s	Discretionary Benefit Arrangements 2013/14 £000s
		Comprehensive Income and Expenditure Statement:		
		Service Cost Comprising:		
1,354	72	Current service costs	1,841	72
21	-	Past service costs	-	-
		Financing and Investment Income and Expenditure		
3,840	-	Interest costs	4,206	-
(2,492)	-	Expected return on scheme assets	(2,651)	-
2,723	**72**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**3,396**	**72**
		Remeasurement of the Net Defined Benefit Liability Comprising:		
(5,390)	102	Return on plan assets (excluding amounts included in net interest expense)	1,603	126
-	-	Actuarial gains & losses on changes in demographic assumptions	2,268	-
10,466	-	Actuarial gains & losses on changes in financial assumptions	2,202	-
(131)	-	Other	(2,727)	-
7,668	**174**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**6,742**	**198**

Local Government Pension Scheme 2012/13 £000s	Discretionary Benefit Arrangements 2012/13 £000s	Defined Benefit Pension Schemes	Local Government Pension Scheme 2013/14 £000s	Discretionary Benefit Arrangements 2013/14 £000s
		Movement in Reserves Statement:		
(7,668)	(174)	Reversal of net charges made to the surplus/deficit on the provision of services for post employment benefits in accordance with the code	(6,742)	(198)
		Actual amount charged against the General Fund Balance for pensions in the year:		
1,473	-	Employers' contributions payable to the scheme	1,514	-
-	72	Retirement benefits payable to pensioners	-	72
(6,195)	**(102)**	**Total Movement in Reserves Statement**	**(5,228)**	**(126)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2014 is a loss of £31.616m (£28.144m 2012/13).

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 2012/13 £000s	Discretionary Benefit Arrangements 2012/13 £000s	Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme 2013/14 £000s	Discretionary Benefit Arrangements 2013/14 £000s
93,792	-	Present Value of the Defined Benefit Obligation	99,219	-
(59,377)	-	Fair Value of Plan Assets	(59,450)	-
34,415	**-**	**Net Liability Arising From Defined Benefit Obligation**	**39,769**	**-**

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

Local Government Pension Scheme 2012/13 Restated £000s	Reconciliation of fair value of scheme assets	Local Government Pension Scheme 2013/14 £000s
52,239	**Balance at 1 April 2013**	**59,377**
2,492	Interest Income on Plan Assets	2,651
5,288	Return on Assets excluding amounts included in net interest	(1,729)
1,473	Employer contributions	1,514
469	Contributions by scheme participants	494
(2,584)	Benefits paid	(2,857)
72	Contributions in respect of unfunded benefits	72
(72)	Unfunded benefits paid	(72)
59,377	**Balance at 31st March 2014**	**59,450**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £922k (£7.789m in 2012/13).

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

Local Government Pension Scheme 2012/13 Restated £000s	Discretionary Benefit Arrangements 2012/13 Restated £000s	Reconciliation of present value of scheme liabilities (defined benefit obligation)	Local Government Pension Scheme 2013/14 £000s	Discretionary Benefit Arrangements 2013/14 £000s
79,217	**1,140**	**Balance at 1st April 2013**	**92,622**	**1,170**
1,426	-	Current service costs	1,913	-
3,840	-	Interest Cost on Defined Benefit Obligation	4,206	-
469	-	Plan Participants Contributions	494	-
		Remeasurements (gains)/losses		
-	-	Changes in Demographic Assumptions	2,268	-
10,364	102	Changes in Financial Assumptions	2,076	126
(131)	-	Other Experience	(2,727)	-
(2,584)	(72)	Benefits paid	(2,857)	(72)
21	-	Past service costs	-	-
92,622	**1,170**	**Balance at 31st March 2014**	**97,995**	**1,224**

f) Local Government Pension Scheme Assets Comprised:

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

As at 31st March 2013					As at 31st March 2014			
Quoted Prices in Active Markets	Quoted Prices Not in Active Markets	Total	Percentage of Total Assets	Fair Value of Employers Assets	Quoted Prices in Active Markets	Quoted Prices Not in Active Markets	Total	Percentage of Total Assets
£000s	£000s	£000s	%		£000s	£000s	£000s	%
				Equity Securities				
5,461.9	-	5,461.9	9	Consumer	4,515.7	-	4,515.7	8
3,333.5	-	3,333.5	6	Manufacturing	4,222.2	-	4,222.2	7
2,487.8	-	2,487.8	4	Energy & Utilities	2,487.9	-	2,487.9	4
4,553.0	-	4,553.0	8	Financial Institutions	4,461.1	-	4,461.1	8
3,089.0	-	3,089.0	5	Health Care	3,111.5	-	3,111.5	5
2,473.0	-	2,473.0	4	Information Technology	2,717.3	-	2,717.3	5
1,288.5	-	1,288.5	2	Other	1,252.6	-	1,252.6	2
				Debt Securities				
4,498.4	-	4,498.4	8	Corporate Bonds (Investment Grade)	4,449.0	-	4,449.0	7
				Private Equities				
-	1,899.0	1,899.0	3	All	-	1,862.3	1,862.3	3
				Real Estate				
-	4,621.5	4,621.5	8	UK Property	-	4,367.7	4,367.7	7
				Investment Funds & Unit Trusts				
18,179.7	-	18,179.7	31	Equities	17,591.4	-	17,591.4	30
3,021.6	-	3,021.6	5	Bonds	2,889.3	-	2,889.3	5
-	1,088.4	1,088.4	2	Hedge Funds	-	1,126.2	1,126.2	2
-	1,992.6	1,992.6	3	Other	-	1,872.4	1,872.4	3
				Cash & Cash Equivalents				
1,388.8	-	1,388.8	2	All	2,523.4	-	2,523.4	4
49,775.2	**9,601.5**	**59,376.7**	**100**	**Total Assets**	**50,221.4**	**9,228.6**	**59,450.0**	**100**

g) Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

Local Government Pension Scheme 2012/13	Discretionary Benefit Arrangements 2012/13	Assumptions	Local Government Pension Scheme 2013/14	Discretionary Benefit Arrangements 2013/14
		Long-term expected rate of return on assets in the scheme:		
4.5%	-	Equity Investments	4.5%	-
4.5%	-	Bonds	4.5%	-
4.5%	-	Other	4.5%	-
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
21.2	21.2	Men	22.1	22.1
23.4	23.4	Women	24.3	24.3
		Longevity at 65 for future pensioners:		
23.3	23.3	Men	24.3	24.3
25.6	25.6	Women	26.6	26.6
2.8%	2.8%	CPI Rate	2.8%	2.8%
5.1%	5.1%	Rate of increase in salaries	4.6%	4.6%
2.8%	2.8%	Rate of increase in pensions	2.8%	2.8%
4.5%	4.5%	Rate for discounting scheme liabilities	4.3%	4.3%

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.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2015 is £1.62m (£1.43m for 2013/14).

40. Contingent Liabilities

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the business rates came into effect on 1st April 2013. Billing authorities acting as agents on behalf of the major preceptors (10%), central government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appeals against the rateable value of their properties on the rating list.

The Authority has included a provision of **£0.4m** (the overall provision in the Business Rates Collection Fund is **£1.0m** and this Authority's share of the Local Business Rates Retention scheme is **40%**) for appeals outstanding on the 31st March 2014 of **£21.7m**. However, local businesses can still appeal against the Rateable Value on the 2010 Rating list until 31st March 2017. Therefore there are a number of future financial years where the cost of successful appeals could impact on the Authority's Financial Statements.

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

Indicator	**2005 List**	**2010 List**	**Overall**
Total value of Rateable Values appealed	£115.98m	£86.12m	£202.10m
Average success rate (% of RV)	44.59%	22.73%	
Average % reduction in Rateable Value	8.28%	8.92%	8.42%
Total reduction in Rateable Value	**£4.29m**	**£1.34m**	**£5.63m**
Years since the List was compiled	9	4	
Average annual reduction in Rateable Value	£0.48m	£0.34m	
Standard Business Rate Multiplier in 2014/15	48.2p	48.2p	
Average annual cost of reduction based on 2014/15 Multiplier	**£0.231m**	**£0.164m**	
District Council Share at 40%	**£0.092m**	**£0.07m**	
Appeals outstanding 31/03/14	£0.34m	£21.34m	£21.68m
Provision included	£0.07m	£0.91m	£0.98m
Provision as a % of Appeals outstanding	19.65%	4.29%	

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41. Contingent Assets

There were no contingent assets for the Authority in 2013/14.

42. Nature and Extent of Risks Arising from Financial Instruments

a) Key Risks

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

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

a) Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the *Local Government Act 2003* and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Authority's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance (regulations – Scotland);

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 26th February 2013 and is available on the Authority website. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was set at £92.112m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £72.268m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £49.4m and £6.5m based on the Authority's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown at Annex 3 of the report.

These policies are implemented by the treasury team. The Authority maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

b) 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 & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Authority's website the key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

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

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

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

The full Investment Strategy for 2013/14 was approved by Full Council on 26th February 2013 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 £8.696m 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 2014 that this was likely to crystallise.

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

Credit Risk	**Amount at 31st March 2014 £000s A**	**Historical Experience of Default % B**	**Historical Experience Adjusted for Market Conditions at 31st March 2014 % C**	**Estimated Maximum Exposure to Default and Uncollectability at 31st March 2014 £000s (A x C)**	**Estimated Maximum Exposure at 31st March 2013 £000s**
AAA rated counterparties	-	0.13%	13.00%	-	-
AA rated counterparties	-	0.38%	0.38%	-	-
A rated counterparties	8,000	0.86%	0.86%	69	71
BBB rated counterparties	-	2.00%	2.00%	-	-
Caa rated counterparties	70	46.27%	46.27%	-	117
Escrow	626	-	-	-	-
Trade Debtors	1,864	75.71%	75.71%	1,411	1,292
Total	**10,560**			**1,480**	**1,480**

No credit limits were exceeded during the reporting period and apart from the monies invested with the Icelandic banks the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Authority had £7.5m invested in this sector at that time. In accordance with accounting practice the Authority has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations, although all related investment income has been fully impaired.

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

The Authority does not generally allow credit for customers, such that £1.87m is past its due date for payment. The past due amount as at 31st March 2014 but not impaired amount can be analysed by age as follows:

Arrears	31st March 2014 £000s	31st March 2013 £000s
Less than six months;	322	343
Six months to one year;	196	258
More than one year;	343	455
More than two years.	1,004	770
Total	**1,865**	**1,826**

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 2014 was £37.1k (£37.1k 2012/13).

d) Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

Financial Liabilities	**31st March 2014**		**31st March 2013**	
	Average Rate %	**Amount £000s**	**Average Rate %**	**Amount £000s**
PWLB	4.47%	65,426	4.47%	65,426
Total	**4.47%**	**65,426**	**4.47%**	**65,426**
Interest Due:				
Less than one year;	-	366	-	366
Maturing in 1 - 2 years;	7.29%	3,000	-	-
Maturing in 2 - 5 years;	11.75%	2,000	9.08%	5,000
Maturing in over 15 years.	4.09%	60,060	4.09%	60,060
Total	**4.47%**	**65,426**	**4.47%**	**65,426**

Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial assets is as follows:

Financial Assets	31st March 2014 Average Rate %	31st March 2014 Amount £000s	31st March 2013 Average Rate %	31st March 2013 Amount £000s
less than one year	0.79%	8,726	1.88%	6,940
Maturing in 1 - 2 years	-	59	-	178
Total	**-**	**8,785**	**-**	**7,118**

* Excluding balances held with Icelandic Banking institutions.

All trade and other payables are due to be paid in less than one year – debtors of £2.3m are not included in the table above.

e) 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 2014, the Authority had no variable rate debt or investments. There would therefore be no material impact if all interest rates had been higher or lower during the year.

ii) Price Risk

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

iii) Foreign Exchange Risk

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

f) Impairment of Financial Assets – Deposits with Icelandic Banks

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

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

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount	Impairment 2013/14	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	32,300	(4,924)	14.25
KSF	31/10/2007	29/10/2008	1,000,000	6.16	32,402	(7,905)	14.25
KSF	14/01/2008	14/10/2010	1,000,000	5.90	32,242	(7,699)	14.25
Heritable	12/09/2008	13/10/2008	500,000	5.38	-	(30,013)	5.98
Heritable	15/09/2008	22/10/2008	1,000,000	5.45	-	(60,006)	5.98
Total			**7,500,000**		**96,944**	**(110,547)**	

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. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. The Icelandic Supreme Court decision to grant UK local authorities priority status, enabled the winding up board to make a distribution to creditors in a basket of currencies in March 2012.

An element of the distribution was in Icelandic Krona which was placed in an ESCROW account in Iceland and is currently earning interest of 4.2%. This element of the distribution has been retained in Iceland due to currency controls currently operating there and as a result is subject to exchange rate risk, over which the Authority has no control.

The Authority has recognised a gain of 0.05% of the claim amount due to currency fluctuations (7.4% 2012/13).

Prior to distribution of the Glitnir settlement, the banks Winding Up Board (WUB) required Authorities to sign an agreement that if any issues were found with the distribution calculations then they would agree to repay any sums required. The Authority signed this agreement following advice from the Local Government Association (LGA) and to avoid delay in the repayments that were due.

Following a decision in the Icelandic Courts regarding the winding-up of the Landsbanki claims, it has been determined that the WUB had used the incorrect date for the currency exchange rate conversion, resulting in a demand being made for the Authority to repay approximately £57k.

The Local Government Associations Solicitors (Bevan Brittan) who are acting our behalf and the other 52 Local Authorities affected by this, are currently undertaking negotiations with the WUB with regard to the basis of the sum repayable.

A Creditor in the sum of £57k has been included within the accounts, pending resolution of this issue.

Kaupthing Singer and Friedlander Ltd (KSF)

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

Date	Repayment
Received to date	81.50%
June 2014	2.25%
June 2015	2.00%

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

Heritable Bank

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

Date	Repayment
Received to date	94.02%

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

Accounting for Impairment

The total impairment gain (principal plus interest) recognised in the Comprehensive Income and Expenditure Statement in 2013/14 of £90k has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

Note to the Accounts - Impairment of Investments

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

Bank	Amount Invested £	Interest £	Impairment £	Repaid £	Held in Escrow Account £	Carrying Value £
Glitnir	**3,000,000**	**659,772**	**(431,075)**	**(2,554,431)**	**(674,266)**	**-**
KSF	1,000,000	172,963	(265,313)	(875,350)	**-**	32,300
KSF	1,000,000	148,480	(253,900)	(862,178)	**-**	32,402
KSF	1,000,000	130,581	(248,033)	(850,306)	**-**	32,242
	3,000,000	**452,024**	**(767,246)**	**(2,587,834)**	**-**	**96,944**
Heritable	500,000	55,030	(83,336)	(471,694)	**-**	-
Heritable	1,000,000	110,946	(167,559)	(943,387)	**-**	-
	1,500,000	**165,976**	**(250,895)**	**(1,415,081)**	**-**	**-**
Total	**7,500,000**	**1,277,772**	**(1,449,216)**	**(6,557,346)**	**(674,266)**	**96,944**

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

Expected Date	KSF £
31st March 2015	71,443
31st March 2016	63,505
Total	**134,948**

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

Bank	Credited 2010/11 £	Repayments 2010/11 £	Credited 2011/12 £	Repayments 2011/12 £	Credited 2012/13 £	Repayments 2012/13 £	Credited 2013/14 £	Repayments 2013/14 £
Glitnir	48,234	-	51,379	3,140,912	24,886	-	27,178	-
KSF	49,261	317,526	43,385	317,526	21,318	412,783	12,925	174,639
Heritable	33,360	268,130	19,109	268,130	11,417	140,858	5,617	251,913
Total	**130,855**	**585,656**	**113,873**	**3,726,568**	**57,621**	**553,641**	**45,720**	**426,552**

Note to the Accounts - Financial Instruments Adjustment Account (FIAA)

The balance on the FIAA relating to impairment of Icelandic investments was written off following capitalisation of the impairment losses in 2009/10.

Approval of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on 25th September 2014

Signed on behalf of Tamworth Borough Council

Councillor M. Gant, Chair of the Audit and Governance Committee

Dated 25th September 2014

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

Housing Revenue Account

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

2012/13 Restated £000s	HRA Comprehensive Income & Expenditure Statement	2013/14 £000s	2013/14 £000s
	Expenditure:		
3,125	Repairs and maintenance	3,608	
4,952	Supervision and management	5,859	
26	Rents, rates, taxes and other charges	34	
2,168	Depreciation and impairment of Non Current Assets	6,971	
16	Debt management costs	9	
146	Movement in the allowance for bad debts	145	
10,433	**Total Expenditure**		**16,626**
	Income:		
(17,232)	Dwelling rents	(18,133)	
(375)	Non-dwelling rents	(353)	
(402)	Charges for services and facilities	(413)	
(1,491)	Contributions towards expenditure	(1,670)	
(19,500)	**Total Income**		**(20,569)**
(9,067)	**Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(3,943)**
4	HRA services' share of Corporate and Democratic Core		5
(9,063)	**Net Expenditure / (Income) for HRA Services**		**(3,938)**
	HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:		
(184)	(Gain) or loss on sale of HRA Non Current Assets		(354)
2,974	Interest payable and similar charges		2,974
(113)	Interest and investment income		(97)
280	Pensions interest cost and expected return on pensions assets		321
(6,106)	**(Surplus)/ Deficit for the Year on HRA Services**		**(1,094)**

Statement of Movement on the HRA Balance

2012/13 Restated £000s	Statement of Movement on the HRA Balance	2013/14 £000s	£000s
4,487	Balance on the HRA at the end of the previous year		5,267
6,106	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	1,094	
(2,232)	Adjustments between accounting basis and funding basis under statute	599	
3,874	**Net (increase) or decrease before transfers to or from reserves**	**1,693**	
(3,094)	Transfers to/ (from) reserves	(1,479)	
780	(Increase) or decrease on the HRA		214
5,267	**Balance on the HRA at 31st March 2014**		**5,481**

Analysis of Adjustments

2012/13 Restated £000s	Analysis of Adjustments	2013/14 £000s
(1)	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	7
(184)	Gain or loss on sale of HRA Non Current Assets	(353)
275	HRA share of contributions to or from the Pensions Reserve	404
-	Capital expenditure funded by the HRA	(1,959)
(4,477)	Transfer to/ from the Major Repairs Reserve	(4,471)
(3)	Transfer to/ from the FIAA	-
2,158	Transfer to/ from the Capital Adjustment Account	6,971
(2,232)	**Total Adjustments Between Accounting Basis and Funding Basis Under Statute**	**599**

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 2013	2,859	764	884	**4,507**
Demolitions	-	-	-	**-**
Sales	(35)	(5)	(2)	**(42)**
Purchases	-	2	2	**4**
Reclassification of Assets	1	-	-	1
Housing stock as at 31st March 2014	**2,825**	**761**	**884**	**4,470**

In order to comply with the requirements of Resource Accounting, garages are now identified within other property. Non-operational assets are those held by an authority but not directly occupied or used in the delivery of its services. There are no non-operational assets held by the Housing Revenue Account.

HRA2. Vacant possession value of dwellings

The Vacant Possession Valuation as at 31st March 2014 is £379.191m (31st March 2013 Vacant Possession Value was £369.844m).

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

Council dwellings are held on the balance sheet at Existing Use Social Housing Value (EUSHV) which for 2013/14, a nationally set adjustment factor for the West Midlands of 34% of vacant possession value has been used (34% for 2012/13).

Existing Use Social Housing Value of Dwellings

Existing Use Social Housing Value of Dwellings	Council Dwellings £000s	Other Land and Buildings £000s	Total £000s
Cost or Valuation			
As at 1st April 2013	**125,747**	**2,557**	**128,304**
Additions;	7,602	-	**7,602**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(9,385)	(401)	**(9,786)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve;	3,460	369	**3,829**
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on the Provision of Services;	2,778	-	**2,778**
Derecognition – Disposals;	(1,367)	(214)	**(1,581)**
Assets reclassified (to)/ from Investment Property.	52	-	**52**
As at 31st March 2014	**128,887**	**2,311**	**131,198**
Accumulated Depreciation & Impairment			
As at 1st April 2013	**-**	**(450)**	**(450)**
Depreciation Charge;	(2,103)	(64)	**(2,167)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	9,385	400	**9,785**
Impairment losses/ (reversals) recognised in the Revaluation Reserve;	(1)	(41)	**(42)**
Impairment losses/ (reversals) recognised in the Surplus/ Deficit on the Provision of Services;	(7,583)	(12)	**(7,595)**
Derecognition – disposals;	9	37	**46**
Other movements in depreciation and impairment.	-	10	**10**
As at 31st March 2014	**(293)**	**(120)**	**(413)**
Net Book Value			
As at 1st April 2013	125,747	2,107	127,854
As at 31st March 2014	**128,594**	**2,191**	**130,785**
Nature of holdings at year end			
Owned	**128,594**	**2,191**	**130,785**

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.

2012/13 £000s	Major Repairs Reserve	2013/14 £000s
-	**Balance at 1st April 2013**	**1,112**
4,477	Contributions to the Major Repairs Reserve	4,471
(3,365)	Capital Spending on Dwellings	(5,583)
1,112	**Balance at 31st March 2014**	**-**

HRA4. Capital Expenditure Summary

The following table details how £7.602m capital expenditure was financed during the year.

2012/13 £000s	Capital Expenditure	2013/14 £000s
	Capital Expenditure Type:	
3,365	Dwellings	7,602
3,365	**Total Capital Expenditure**	**7,602**
	Funded by:	
-	Usable capital receipts	60
-	Revenue contributions	1,959
3,365	Major Repairs Reserve	5,583
3,365	**Total Funding**	**7,602**

HRA5. Capital Receipts

During the year capital receipts totalling £1.944m were received in respect of dwellings sold, of which £339k was repaid to CLG under the pooling regime. The un-pooled element of capital receipts are retained for financing housing capital investment and regeneration works

2012/13 £000s	Capital Receipts	2013/14 £000s
710	Sale of dwellings under right to buy	1,944
(305)	Amounts pooled to Central Government	(339)
405	**Net Capital Receipts**	**1,605**

HRA6. Depreciation and 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 £2.102m.

The charge for depreciation of £63k on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

Charges for impairment of £7.594m have been made during 2013/14. This included an amount of £7.296m where the expenditure on capital assets has not produced a similar increase in the value of the asset and £299k in respect of dwellings and council garages no longer available for letting.

HRA7. HRA Pensions Reserve

2012/13 Restated £000s	Pensions	2013/14 £000s
328	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	304
798	Interest on share of pensions liability	869
(615)	Expected return on share of assets	(548)
511	**Total**	**625**

HRA8. Rent Arrears

2012/13 £000s	Rent Arrears	2013/14 £000s
1,180	Gross arrears	1,306
6.8%	Gross arrears as percentage of gross rent income	7.2%

Of the rent arrears, 33.5% (31.6% 2012/13) refer to former tenants.

2012/13 £000s	Provision for Bad Debts	2013/14 £000s
	Rent arrears	
802	**Balance at 1st April 2013**	**920**
151	Contribution from / (to) HRA in year	154
(33)	Written off in year	(49)
920	**As at 31st March 2014**	**1,025**
	Sundry debtors	
68	**Balance at 1st April 2013**	**57**
(6)	Contribution from / (to) HRA in year	(9)
(5)	Written off in year	(2)
57	**Balance at 31st March 2014**	**46**
977	**Total Provision for Bad Debts**	**1,071**

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 Fire & Rescue Authority and this Authority's General Fund together with non-domestic rates collected on behalf of the Government, Staffordshire County Council, the Fire & Rescue Authority and this Authority's General Fund.

2012/13 £000s	Collection Fund Income and Expenditure Statement	2013/14 Council Tax £000s	2013/14 NNDR £000s	2013/14 Total £000s
	INCOME			
(28,377)	Income from council tax	(29,670)	-	(29,670)
	Transfers from General Fund			
(5,324)	- Council Tax Benefits	55	-	55
(30,256)	Income collectable from business ratepayers	-	(32,941)	(32,941)
(63,957)	**Total Income**	**(29,615)**	**(32,941)**	**(62,556)**
	EXPENDITURE			
	Precepts			
3,496	- Tamworth Borough Council	3,080	-	3,080
4,152	- OPCC Staffordshire	3,588	-	3,588
1,581	- Stoke on Trent & Staffordshire Fire & Rescue Authority	1,366	-	1,366
24,052	- Staffordshire County Council	20,749	-	20,749
	Business rate			
29,569	-Payment to national pool	-	-	-
-	-Tamworth Borough Council	-	12,200	12,200
-	-Payment to Government	-	15,250	15,250
-	-Payment to Fire	-	305	305
-	-Payment to Staffs County	-	2,745	2,745
93	Costs of collection	-	92	92
	Bad and Doubtful Debts			
744	-Provisions	165	133	298
-	-Provision for appeals	-	982	982
	Distribution of previous year's surpluses			
26	- Tamworth Borough Council	11	-	11
31	- OPCC Staffordshire	13	-	13
12	- Stoke on Trent & Staffordshire Fire & Rescue Authority	5	-	5
181	- Staffordshire County Council	72	-	72
63,937	**Total Expenditure**	**29,049**	**31,707**	**60,756**

2012/13 £000s	Collection Fund Income and Expenditure Statement	2013/14 Council Tax £000s	2013/14 NNDR £000s	2013/14 Total £000s
(20)	**(Surplus)/ Deficit for the year**	(566)	(1,234)	(1,800)
(449)	Fund Balance Brought Forward	(469)	-	(469)
(469)	**Fund Balance at 31st March 2014**	**(1,035)**	**(1,234)**	**(2,269)**
	Analysis of Fund Balance (Surplus)/ Deficit			
(50)	- Tamworth Borough Council	(112)	(494)	(606)
(59)	- OPCC Staffordshire	(129)	-	(129)
(22)	- Stoke on Trent & Staffordshire Fire & Rescue Authority	(49)	(12)	(61)
(338)	- Staffordshire County Council	(745)	(111)	(856)
	- Government (DCLG)	-	(617)	(617)
(469)	**Total**	**(1,035)**	**(1,234)**	**(2,269)**

NOTES TO THE COLLECTION FUND

CF 1. NNDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2014 was £79,074,501 (£79,129,606 at 31st March 2013).

The NNDR multiplier for 2013/14 was 47.1p in the pound (2012/13 45.8p). The qualifying small business multiplier for 2013/14 was 46.2p in the pound (2012/13 45.0p).

CF 2. Council Tax Base Calculation

The Council base was as follows:

Number of chargeable properties 2012/13	Adjusted property base (Band D Equivalent) 2012/13	Calculation of Ctax Base	Number of chargeable properties 2013/14	Adjusted property base (Band D Equivalent) 2013/14
		Valuation Band (Multiplier)		
20	11	**A - Disabled Relief Reduction (5/9)**	**22**	12
8,025	5,350	**A - (6/9)**	**8,128**	5,419
10,473	8,146	**B - (7/9)**	**10,578**	8,227
4,919	4,372	**C - (8/9)**	**4,982**	4,429
3,275	3,275	**D - (9/9)**	**3,343**	3,343
1,588	1,940	**E - (11/9)**	**1,585**	1,938
372	538	**F - (13/9)**	**376**	543
59	99	**G - (15/9)**	**60**	100
2	3	**H - (18/9)**	**3**	5
	-	**Local Council Tax Reduction Scheme Adjustment**		(3,189)
28,733	23,734	**Totals**	**29,077**	**20,827**
	98.50%	**Assumed Collection Rate**		**97.90%**
	23,378	**Total Taxbase**		**20,389**

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

Council Tax

Precept 2012/13 £	Distribution of previous years estimated surplus/ (deficit) 2012/13 £	Total movement on the Collection Fund 2012/13 £	Precepts Analysis	Precept 2013/14 £	Distribution of previous years estimated surplus/ (deficit) 2013/14 £	Total movement on the Collection Fund 2013/14 £
3,496,180	49,997	3,546,177	**Tamworth Borough Council**	**3,080,349**	**111,769**	**3,192,118**
4,152,167	58,471	4,210,638	**OPCC Staffordshire**	**3,587,544**	**128,863**	**3,716,407**
1,581,199	22,267	1,603,466	**Stoke on Trent & Staffordshire Fire & Rescue Authority**	**1,366,260**	**49,075**	**1,415,335**
24,051,518	338,288	24,389,806	**Staffordshire County Council**	**20,749,467**	**745,310**	**21,494,777**
33,281,064	**469,023**	**33,750,087**	**Total**	**28,783,620**	**1,035,017**	**29,818,637**

NNDR

Precepts Analysis	Business Rates 2013/14 £	Distribution of previous years estimated surplus/ (deficit) 2013/14 £	Total movement on the Collection Fund 2013/14 £
Tamworth Borough Council	12,199,806	493,412	12,693,218
Stoke on Trent & Staffordshire Fire & Rescue Authority	304,995	12,335	317,330
Staffordshire County Council	2,744,956	111,018	2,855,974
Government (DCLG)	15,249,758	616,765	15,866,523
Total	**30,499,515**	**1,233,530**	**31,733,045**

CF 4. NNDR credits

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

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

No credits have been transferred during 2013/14. However, as a prudent measure £62,732.09 remains held as a retained fund within the General Fund to meet the cost of any refunds requested in the future.

CF 5. Bad & Doubtful Debts

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

2012/13 Restated £000s	Provision for Bad Debts	2013/14 £000s
	Council Tax	
709	**Balance at 1st April 2013**	**824**
150	Increase /(decrease) in provision	166
(35)	Written off in year	(39)
824	**As at 31st March 2014**	**951**
	Business Rates	
722	**Balance at 1st April 2013**	**789**
605	Increase /(decrease) in provision	133
(538)	Written off in year	(166)
789	**As at 31st March 2014**	**756**

Annual Governance Statement 2013/14

Scope of Responsibility

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

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

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

The Purpose of the Governance Framework

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

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

The Governance Framework has been in place at the Authority for the year ended 31st March 2014 and up to the date of approval of the statement of accounts.

The Governance Framework

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

Some of the key elements of the systems, processes and controls that comprise the Authority’s governance arrangements are set out below in line with our statements of intent. Further details of the systems, processes and controls in place can be found in the Code of Corporate Governance.

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

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

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

People

Every year, the Authority undertakes consultation with local people on a wide range of issues. Further details can be found in the Code of Corporate Governance. In August 2013, Cabinet endorsed “Planning for a Sustainable Future” as the overarching strategy for meeting the challenges forecast for the Council’s Medium Term Financial Strategy and a series of workstreams designed to deliver savings & efficiencies to mitigate grant & income reductions in the coming years.

Survey and consultation results are made available on the website. Communication and feedback is also completed through several publications which are made available on the website.

We use various types of media to communicate our vision and priorities. Examples are the Corporate Plan and quarterly reporting on achievements. All documents are available on the Authority's website and in hard copy format.

During 2013/14 Tamworth Listens initiative was a question time event held at the Assembly Rooms on the evening of 16th October 2013. This gave residents of Tamworth the opportunity to ask a panel of public sector representatives questions about Tamworth. The event was split into 2 themes; Future plans for the Town Centre, Safer Tamworth and a section for general questions. The event was well attended. Due to time constraints, not all questions were able to be answered; and those not answered at the event were given a written response following the meeting.

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

There is a "Tell Us Scheme" in place which captures comments, compliments and complaints. The "Tell Us Scheme" is due for review in 2014/15.

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

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

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

The Petitions Policy has been reviewed and updated so that it correlates with the Constitution thus ensuring that anomalies which existed between the two are corrected. This has resulted in a more streamlined and customer friendly process to deal with a petition.

Place

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

The Authority is working to promote private sector growth and create quality employment locally. Some of the achievements during 2013/14 include, improvements to be made to the Tamworth Castle which successfully gained Heritage Lottery Funding; progression of the Gateway Projects with the County Council; development of the Creative Quarter, and influencing both the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP), and the Staffordshire and Stoke-on-Trent Local Enterprise Partnership, with successful outcomes for Tamworth.

Following the successful implementation of Council House Finance Reform the 30 year business plan was refreshed during 2013/14.

The Tamworth Growth & Regeneration Plan has been adopted and sets out the economic context we are operating in, identifies the Authority's strategic approach to growth & regeneration and brings together a range of key strands – connecting together the varied work streams that are being delivered internally and in some cases externally. Considerable consultation and engagement has been completed for both Housing Regeneration for Tinkers Green and the Kerria Centre and the revised Local Plan.

Organisation

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

During 2013/14, a Peer Assessment was completed and the Peer team feedback and final report were extremely complimentary about the political and managerial leadership and its ability to lead, plan and deliver against a clear Vision. The Peer Assessment Team assessed and reviewed five core components:

- Understanding of local context and priority setting;
- Financial planning and viability;
- Political and management leadership;

- Governance and decision making;
- Organisational capacity.

The Authority also identified two other areas for the assessment to focus on:

- Community Development; and
- Partnerships & Commissioning.

The Peer Assessment highlighted that the Authority has a clear vision, a sound understanding of the economic drivers impacting on the Borough. It also highlighted that the Authority was well led by the joint Member/Officer Executive that delivers. The Peer Assessment Team recognised the existence of good working relationships between senior political and managerial leadership, a willingness to stand by tough decisions, staff that have a clear passion and pride and commitment and a Medium Term Financial Strategy based on prudent assumptions. The Assessment also highlighted some suggestions for consideration which has resulted in a high level improvement plan for local context and priority setting, financial planning and viability, political and managerial leadership, governance and decision making and organisational capacity.

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

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

The Policy in Relation to Councillors for an Alleged Breach of the Code of Conduct is to be approved by Council on 16th September 2014.

A Risk Management Strategy is in place which has been formally approved by Corporate Management Team and the Audit & Governance Committee. It is updated and reviewed on a regular basis. There is a Corporate Risk Register in place which is monitored by the Corporate Management Team and reported to the Audit & Governance Committee. Operational risk registers are also identified and managed.

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

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

A Service Review Policy and Procedure has been developed and further governance arrangements to support this have been identified.

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

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

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

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

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

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

Training in specialised areas is provided to members and during 2013/14 the following training was provided to members:

Constitution Workshop, Chairing Scrutiny workshop for the Chairs of Scrutiny, Governance Seminar, Protocols & Practice for Council Meetings, and Finance & Treasury Management Seminars. Workshops, seminars and briefings in other areas were also completed.

An Independent Remuneration Panel was established to review Member Allowances:

The Leader of the Council reported to Full Council in compliance with the Local Authorities Executive Arrangements (Meetings & Access to Information) Regulations 2012, that no urgent executive decisions had been made for the period to 30 April 2014;

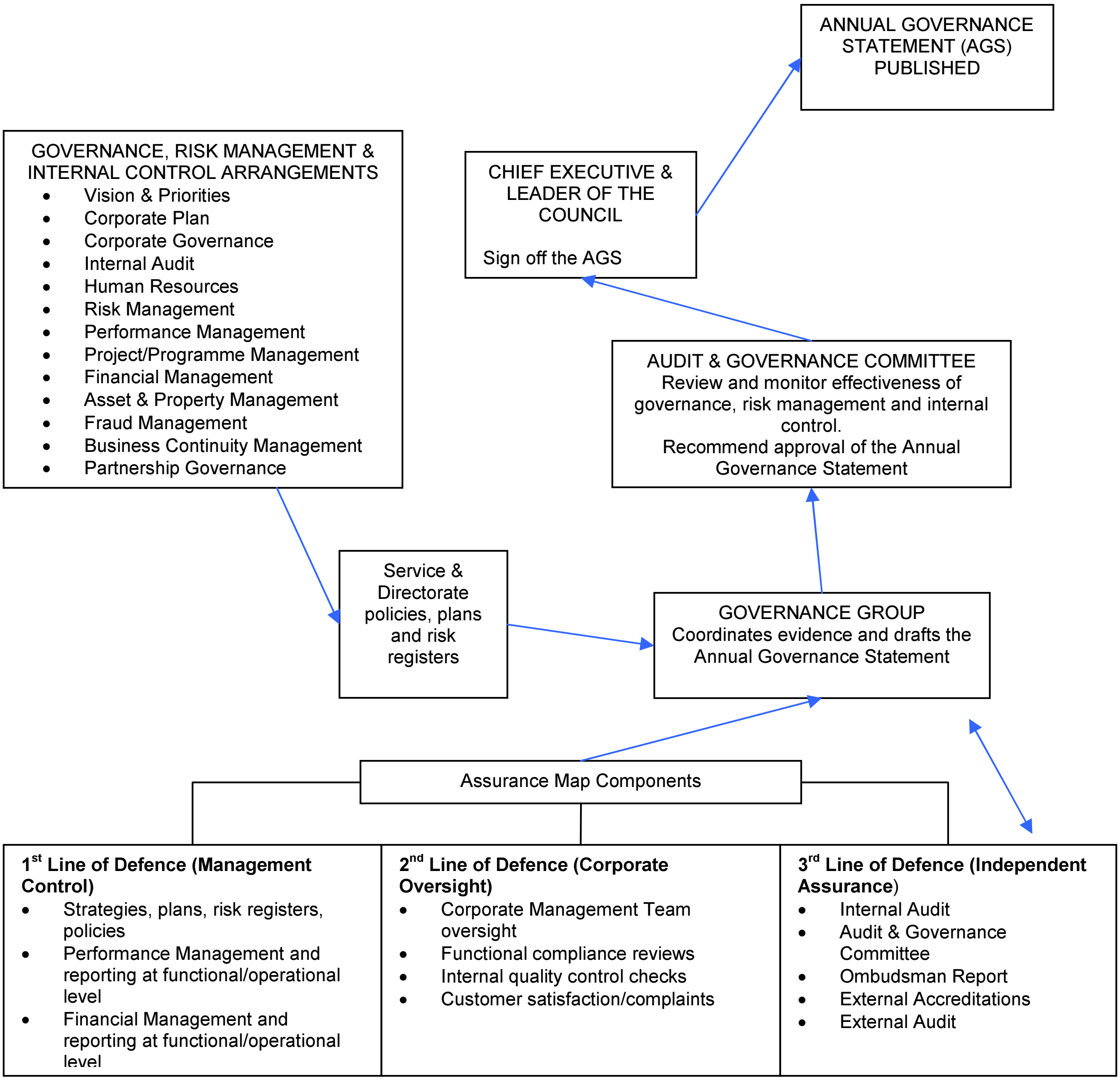
In compliance with the Localism Act 2011, two Independent persons have been appointed to join the Audit & Governance Committee when required to deal with Members Code of Conduct issues;

We are working towards compliance with the Local Government Transparency Code and have commenced work on improving the reporting requirements for the Contracts Register and the Grants Register;

In compliance with the Openness of Local Government Bodies Regulations 2014, the Authority revised the Constitution to meet the requirements of the legislation to allow reporting at meetings and taking into account Freedom of Information Legislation changes (to be approved by Council on 16th September 2014).

The Assurance Framework

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



Review of Effectiveness

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

- During 2013/14, the Governance Group has reviewed and updated against 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 and reported to the Audit & Governance Committee;

- The Head of Internal Audit Services reports to the Audit & Governance Committee on a quarterly basis and provides an opinion on the overall effectiveness of the system of internal control based upon the work completed. For the 2013/14 financial year and 2014/15 to date, the Head of Internal Audit Services' overall opinion of the control environment at this time is that "reasonable assurance" can be given;

- From the 1st April 2013, Internal Audit are required to comply with the Public Sector Internal Audit Standards. As part of the requirement of compliance, Internal Audit are required to complete an annual self assessment against the Standards and produced a Quality Assurance & Improvement Programme (QAIP) which identifies areas for improvement both to ensure compliance with the Standards and other quality areas. The self assessment against the standards and the QAIP are reported to the Audit & Governance Committee;

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

- The Ombudsman reported in September 2013 on the enquiries and complaints they received in 2012/13. In total, they received 11 enquiries/complaints of which 7 were passed to the investigative team all of which concluded that there was not enough evidence of fault;

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

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

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

- During 2013/14, the Authority commissioned a Peer Challenge to be completed by the Local Government Association. This identified that the Authority had a clear vision, a sound understanding of the economic drivers affecting the Authority, there were good working relationships between senior managers and politicians, staff worked with passion, pride and commitment and the Medium Term Financial Strategy was based on prudent assumptions. The Peer Challenge did identify areas for improvement and these have been formulated into a high level improvement plan;

- The Authority has successfully retained the BSI Accreditations for Information Security and Information Technology - Service Management;

- 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.

The Assurance Map identifies all sources of assurance received.

Tamworth Borough Council Assurance Map

1st line of Defence		2nd line of Defence		3rd line of defence	
Business Plans	✓	Corporate Management Team	✓	Head of Internal Audit Opinion	✓
Operational Risk Registers	✓	Statutory Officers	✓	External Audit Reports	✓
Policies & Procedures	✓	Tell Us Scheme	✓	Audit & Governance Committee	✓
Management/team meetings	✓	Management Controls	✓	Ombudsman Report	✓
Managers Assurance Statements	✓	Corporate Change Board	✓	Peer Challenge	⚠
Budget Monitoring & Reporting	✓	Corporate Risk Register	✓	ISO accreditation – Information Security	✓
		Performance Management Framework	✓	ISO accreditation – Information Technology Service Management	✓
		Governance group	✓	Code of Connection Certificate	✓
				QAS accreditation – Sheltered Housing	✓

Declaration

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

We propose over the coming year to take steps to address those matters raised to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operations as part of our next review.

Signed

D Cook	A E Goodwin
Leader	Chief Executive

Date

On behalf of the Authority

This information can be produced on request in other formats and languages. Please contact Internal Audit Services on 01827 709234 or email enquiries@tamworth.gov.uk

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

Significant Governance Issues raised 2012/13 and action completed

The significant governance issues identified in relation to the Authority achieving its vision in 2012/13 and action completed are:

No	Issue	Action	Update
1	**Medium Term Financial Strategy (MTFS)** The financial planning process has enabled a balanced MTFS to be delivered and has estimated closing balances over three years to £0.5m which is the minimum approved level.	Review on a regular basis the plans in place to deliver the MTFS to ensure that plans remain realistic and achievable including development of the Sustainability Strategy to address future financial constraints.	The Authority holds sufficient funds in reserves and balances to allow it to plan its approach to budget setting, and Cabinet, on 22nd August 2013, endorsed the document 'Planning for a Sustainable Future' as the overarching strategy for meeting the challenges forecast for the Authority's Medium Term Financial Strategy (MTFS) and a series of workstreams designed to deliver savings and efficiencies designed to tackle the forecast deficit long before it becomes a reality. This includes exploring new and innovative ideas and to be more commercial in our approach to business, including making better use of our assets. Council, on 25th February 2014, approved a 3 year Medium Term Financial Strategy for the General Fund with Council Tax increases lower than the Government referendum limits – in order to continue to deliver those services essential to the Local Community. However, in the longer term, the Authority faces on-going grant reductions and income uncertainties which mean that substantial savings will need to be made from 2017/18 onwards to deliver a balanced budget.

No	Issue	Action	Update
			The Local Plan has identified the need for increased housing provision within the Borough and associated service demand. In the future, under the current funding arrangements, financial resilience is strongly linked to future growth in council tax and business rates income. Opportunities for identifying, promoting and supporting economic growth are actively being pursued. Capital spending for the General Fund is extremely limited by resource constraints – each project is robustly challenged through a business case, return on investment assessment. With regard to the Housing Revenue Account (HRA), a 5 year MTFS was approved by Council, including significant investment in Regeneration projects to meet future housing needs and sustain the HRA in the longer term. Following HRA self financing, the majority of the capital funding is made through revenue contributions. A recent update to the 30 year HRA Business plan has recently been finalised and shows that the HRA is financially sound for the future. In addition a model has been developed to monitor delivery of the savings included within the MTFS (for the General Fund & HRA) – and to identify the savings target for the next 3/5 Medium Term Planning Period. The development of which also meets the action arising from the Peer Challenge process recommendations / improvement plan. This includes updated forecasts for new homes bonus / council tax income arising from expected housing developments together with revised business rates income forecasts following completion of NNDR1.

No	Issue	Action	Update
			These will be monitored / updated regularly on a monthly / quarterly basis. Regular monitoring meetings with planning, economic development and strategic housing as well as the Valuation Office have been put in place – as a proactive measure to facilitate maximisation of income. The model also includes stress testing of the forecast to give a range over best, central and worse case scenarios and will be used in the strategic monitoring of the progress made in delivering the workstream savings against the MTFS targets – and the longer term savings which will be required to ensure the ongoing sustainability of the Authority.
2	**Town Centre Redevelopment** The Authority is making plans for the redevelopment of the Town Centre.	Maintain and review plans on a regular basis to ensure that they can be delivered without detrimental impact on the MTFS.	The Authority has worked in partnership with the public and private sector to support economic growth and regeneration in the town centre. Regeneration proposals are considered against their direct and indirect financial impact on the authority and economy.
3	**Housing Regeneration** An in-depth study of council housing in Tamworth has identified that some housing in Tinkers Green in Wilnecote and the Kerria Centre in Amington was unpopular with residents, outdated and unsuitable for current housing needs.	A major redevelopment plan has been approved by the Authority's Cabinet to involve the demolition and rebuilding of parts of the Tinkers Green and Kerria estates. The Authority will invest around £21.5 million over the next six years in the redevelopment of the two estates.	The regeneration of Tinkers Green and Kerria areas are progressing well with Development Consultants appointed and currently developing master planning proposals. These will be submitted for approval by the Authority's Planning Committee later this year. It is anticipated that the project will move to detailed design stages during 2015 and a developer procured during this period.

No	Issue	Action	Update
4	**Golf Course** The provision of golfing in Tamworth was at risk due to the financial stability of the management company running the golf course. The Authority has reopened and is managing the golf course for a period of up to two years.	Work is progressing to look at other options for securing the long-term future of the golf course site, including future redevelopment and investment options.	The Authority has completed its future options appraisal for the Golf Course and Cabinet has chosen to close the course at the end of September 2014. A project to prepare the site for sale and redevelopment part of it for housing is being progressed. In the meantime the Authority continues to run the Golf Course in house until the end of September 2014.

Significant Governance Issues 2013/14

The significant governance issues identified in relation to the Authority achieving its vision in 2013/14 are:

No	Issue	Action
1	**Medium Term Financial Strategy (MTFS)** Whilst actions have been taken to ensure that the MTFS remains balanced, this is still a significant risk to the Authority.	Review on a regular basis the plans in place to deliver the MTFS to ensure that plans remain realistic and achievable including development of the Sustainability Strategy to address future financial constraints.
2	**Town Centre Redevelopment** The Authority is making plans for the redevelopment of the Town Centre.	Maintain and review plans on a regular basis to ensure that they can be delivered in accordance with the MTFS.
3	**Housing Regeneration** An in-depth study of council Housing in Tamworth has identified that some housing in Tinkers Green in Wilnecote and the Kerria Centre in Amington was unpopular with residents, outdated and unsuitable for current housing needs.	The regeneration of Tinkers Green and Kerria areas are progressing well with Development Consultants appointed and currently developing master planning proposals. These will be submitted for approval by the Authority's Planning Committee later this year. It is anticipated that the project will move to detailed design stages during 2015 and a developer procured during this period.

No	Issue	Action
4	**Peer Challenge High Level Action Plan** The peer Challenge confirmed the need for a more proactive approach to member training with clear rules on compliance and sanctions and with particular regard to the Scrutiny function.	 Completion of a more proactive approach to member training in accordance with the details in the Peer Challenge High Level Action Plan
5	**Golf Course redevelopment** Following Cabinet approval a project has been established to investigate and implement the redevelopment of the site for housing including the provision of significant open space. A project team has been established and external support procured to instigate the site constraints and prepare for an outline planning application prior to a sale of the site. Note some land will be withheld by the Authority for public open space.	 Deliver the high level project plan as approved by Cabinet.

GLOSSARY

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

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

Available for Sale Financial Instruments Reserve

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

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

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

Business Rates Retention Scheme
This was introduced with effect from 1 April 2013, and requires the Authority to operate a Collection Fund to account for business rates in a similar way to council tax. Rather than collecting business rates on behalf of the Government, the Authority can now retain a share of the business rates it collects, and pays out a share to Government, Staffs County Council and the Fire & Rescue Authority.

Capital Adjustment Account
This reserve reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital Expenditure
Expenditure on the acquisition and enhancement of significant fixed assets that will be of use or benefit to the Authority in providing its services beyond the year of the account e.g. land and buildings.

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

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

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

Capital Receipts Reserve

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

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

Cash Flow Statement
This shows the changes in cash and cash equivalents of the Authority during the reporting period.

CIPFA
The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional body for accountants working in the public service.

Code of Practice
The Code of Practice on Local Authority Accounting in the United Kingdom is produced by CIPFA and complied with by local authorities in the production of the financial statements.

Collection Fund
A fund administered by the Borough Council into which Business Rates and Council Tax monies are paid.

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

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

Comprehensive Income and Expenditure Statement
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Contingency
The sum of money set aside to meet unforeseen expenditure.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Authority a possible asset which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Authority's control. Contingent Assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Authority a possible obligation, subject to uncertain future events not wholly within the Authority's control. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts..

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

Debtors
Amounts due to the Authority for work done or services supplied, for which income has not been received by the end of the financial year.

Deferred Capital Receipts Reserve
The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of Non Current Assets but for which cash settlement has yet to take place.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technical or other changes.

Exceptional Items
A material item of income or expenditure, significant to an understanding of the Authority's financial performance, disclosed separately within the CIES or in a note to the accounts.

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

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

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

IFRS
International Financial Reporting Standards (IFRS) are to be used for the production of accounts from 2010/11 onwards. The introduction of IFRS is intended to make the Statement of Accounts more robust and comparable with other local authorities and the wider public sector.

Intangible Assets
Non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences).

Investment Property
Under IFRS, investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate - not used directly to deliver the Authority's services.

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

Jointly Controlled Operations
These are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity.

Leasing
A method of financing capital expenditure where rental charges are paid over a specified period of time. There are two main types of leasing arrangements:

(a) finance leases which transfer all the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet:
(b) operating leases where the ownership of the asset remains with the lessor and annual rental is charged direct to the revenue account.

Liabilities
Amounts due to individuals or organisations which will have to be paid some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

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

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

Major Repairs Allowance
The Major Repairs Allowance represents the estimated long-term average amount of capital spending required to maintain the Authority's housing stock in its current condition.

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

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

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

National Non-Domestic Rates (NNDR)
The tax paid on non domestic properties, set annually by government. In previous years, this tax was collected by billing authorities and paid over to the Government, with the Authority receiving a share of the national pool as part of its resources used to meet total net expenditure. Under the new scheme introduced with effect from 1st April 2014, 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 & 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 8.

Appendix to the Comprehensive Income & Expenditure Statement

Central Services to the Public

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

Cultural and Related Services

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

Environmental and Regulatory Services

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

Planning and Development Services

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

Highways, Roads and Transport Services

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

Local Authority Housing (HRA)

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

Other Housing Services

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

Corporate and Democratic Core Costs

- Democratic Representation and Management
- Corporate Management

Non Distributed Costs

- Pension Costs Relating to Added Years and Early Retirement

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

Opinion on the Authority financial statements

We have audited the financial statements of Tamworth Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes .The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Executive Director (Corporate Services) and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Tamworth Borough Council as at 31st March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

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

Matters on which we report by exception

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Tamworth Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2014.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

James Cook

Director

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

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

30th September 2014

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

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