

# STATEMENT OF ACCOUNTS 2022/23



The Council has replaced its waste vehicle fleet

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# **Statement of Accounts**

**Year ended 31<sup>st</sup> March 2023**

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# STATEMENT OF ACCOUNTS

2022 – 2023

<b>Contents</b>	<b>Page</b>
Narrative Statement by the Chief Finance Officer	1 – 6
Guide to the Main Financial Statements	7 – 8
Statement of Responsibilities for the Statement of Accounts	9
Comprehensive Income and Expenditure Statement	11
Movement in Reserves Statement	12 – 13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Accounts (See table of notes overleaf)	16 – 94
Collection Fund	95 – 101
Independent Auditors Report	101 – 108
Glossary of Terms	109 – 113
Annual Governance Statement	115 – 121

## TABLE OF DISCLOSURE NOTES

Note	Description	Page
1	Accounting policies	16 – 30
2	Critical judgements in applying accounting policies	31
3	Assumptions made about the future and other major sources of estimation uncertainty	31 – 33
4	Note to the expenditure and funding analysis	33 – 38
5	Expenditure and income analysed by nature	39
6	Accounting standards that have been issued but not yet adopted	39
7	Material and other notable items of income and expense	40
8	Adjustments between accounting basis and funding basis under regulations	40 – 43
9	Transfer to/(from) earmarked reserves	44 - 45
10	Other operating expenditure	45
11	Financing and investment income and expenditure	45
12	Taxation and non-specific grant income/expenditure	46
13	Property, plant and equipment	47 – 50
14	Investment properties	51 – 53
15	Intangible assets	54
16	Heritage assets	54 – 55
17	Long-term debtors	55
18	Financial instruments	56 – 58
19	Financial instruments risks	59 – 63
20	Stocks / inventories	63
21	Debtors	63
22	Cash and cash equivalents	64
23	Creditors	64
24	Construction Contracts	64
25	Provisions	65
26	Borrowing	65
27	Usable reserves	66
28	Unusable reserves	67 – 70
29	Cash flow statement – operating activities	71
30	Cash flow statement – investing activities	72
31	Cash flow statement – financing activities	72
32	Reconciliation of liabilities arising from financing activities	72 – 73
33	Trading activities	73
34	External audit services	73
35	Members allowances	74
36	Officers' remuneration	74 – 76
37	Grant income	77
38	Related party transactions	78 – 79
39	Capital expenditure and financing	79
40	Authority Acting as Agent	80 – 81
41	Finance and operating lease rentals	81 – 83
42	Impairment losses	83
43	Termination benefits and exit packages	83
44	Pensions	83 – 89
45	Contingent liabilities	90
46	Prior period restatement of service expenditure and income	90 – 93
47	Events after balance sheet date	94
48	Date financial statements authorised for issue	94

# **NARRATIVE STATEMENT BY THE CHIEF FINANCE OFFICER**

## **INTRODUCTION**

I am pleased to introduce the Council's Statement of Accounts for the year ended 31<sup>st</sup> March 2023. These accounts are presented in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy.

East Staffordshire Borough Council is a non-metropolitan district council operating as part of a two tier administrative structure, whereby Staffordshire County Council is responsible for social services, education and highways.

East Staffordshire is located on the edge of the West Midlands boundary, adjacent to the East Midlands and has significant social and economic links with both. The Borough's position within the Midlands and proximity to the A38 and A50, are contributing factors to a number of well-known brands locating within the Borough resulting in growth in the distribution, warehousing, hotels and restaurants sector.

The Borough has two main towns; Burton upon Trent and Uttoxeter. As the Local Plan 2012-31 adopted in 2015, was heavily "front loaded," house building has rapidly resumed in recent years and there are a number of large housing developments currently underway or due to start across the Borough, which will expand existing settlements. The ONS estimates East Staffordshire had a population of 118,574 in 2018, forecast to increase to 121,975 by 2028.

The Council approved the Corporate Plan in March 2022 which set out the way in which the Council would deliver, develop and improve its services over the financial year, which is an important role in ensuring that our strategic objectives are achieved for the People of East Staffordshire. This showed residents, partners and staff where the Council was heading during the year and beyond and was established within three overarching corporate priorities:

- Community Regeneration
- Environment and Health and Wellbeing
- Value for Money

Detail on performance against the Corporate Plan is outlined later in the statement.

## **FINANCIAL POSITION**

The outturn presented to the Council's Cabinet reported a revenue budget under-spend of £0.564m against a budget of £13.1m. When the budget was set in March 2023 it was against a backdrop of uncertainty due to the ongoing impact of Covid-19, the planned reforms to local government finance and demand levels for supported housing within the Borough. Despite these challenges, the Council's strategic approach to financial planning enable it to respond to this environment positively, through the investment in priorities, protecting services and at the same time balancing the budget. During the course of the year the economic conditions were extremely volatile at times with high levels of inflation and rapidly rising interest rates. Within this environment, the Council's sustainable underlying financial position resulting in the cost pressures being more than offset by increased investment income and recycling income due to higher commodity prices. The Outturn report also sets out a significant surplus against the business rates retention scheme of £1.2m with an additional £0.2m estimated to be payable from the business rates pool with other Staffordshire authorities. This scheme is managed across both the General and Collection Funds which creates timing differences in terms of when resources are available; The Council manages this together with the associated risks attached to the scheme through the business rates volatility reserve. Members have considered the outturn position and taken the decision to set aside the revenue outturn towards mitigating the risks associated with ongoing supported housing claims.

Overall the outturn was a positive, particularly considering the economic volatility during the course of the year and the ongoing impact of the Covid-19 Pandemic. Members and officers across the Council continue to deserve credit for their tight budget management in what continues to be challenging and uncertain circumstances for local authority finances.

During the course of the year the Council provided grants for disabled facilities, commenced work towards a CCTV upgrade, the installation of EV charging points and the enhancement of the Washlands. The Council received approvals from the Government in relation to Burton Towns Fund, with the purchase of properties on High Street completed during the year. Spending during the course of the year on capital projects amounted to £2.4m with a further £5.7m accrued against Towns Fund Projects.

The Council administered a further grant funding package on behalf of Government in 2022/23, this included £6.5m in relation to the national Council Tax energy rebate scheme. In addition to which the balance of sums relating to Covid-19 grant schemes administered in 2021/22 were repaid to Government during 2022/23. Further information is outlined on pages 80 - 81.

The Medium Term Financial Strategy when it was approved in March 2023 takes account of the ongoing impact of Covid-19 and the current economic circumstances. There remains significant uncertainties in relation to future funding from Central Government to local authorities with large scale reforms planned to take place into the next Parliament, however overall the level of our reserves provides a strong foundation of financial resilience. The Council remains well placed to meet the challenges ahead and ensure that the residents of East Staffordshire continue to receive high quality services.

The statements presented within the Council's accounts demonstrate a positive financial position for the Borough Council. Despite significant challenges during the year, we maintained prudent and responsible financial management.

## **KEY AREAS OF SIGNIFICANCE WITHIN THE ACCOUNTS**

The Comprehensive Income and Expenditure Statement set out on page 11 of this document shows a surplus on the provision of services of £13.9m. This statement measures the authority's financial performance in terms of the resources consumed and generated over the period and is presented in a similar format to a commercial enterprise. However the authority is required by law to set its budget and raise council tax on a different accounting basis. As a consequence there are a number of statutory adjustments that are made to this figure (set out on pages 40 - 41), in order to determine the movement on the general fund balances, which was neutral as the revenue outturn under-spend has been set aside within earmarked reserves and allocated towards known risks.

The general fund balance represents a minimum working balance in order to deal with any unexpected events. As at 31<sup>st</sup> March 2023 the balance, stands at £1.278m. This is an appropriate level for an authority of this size, level of expenditure and risk profile, it is also consistent with the approved medium term financial strategy. In addition, the Council holds a number of other specific earmarked reserves to mitigate against key risks (including the impact of the Business Rates Retention Scheme) but also to support the capital programme and allow for projects to take place over a number of years, and to meet future borrowing costs.

The Balance Sheet set out on page 14, shows an increase in the total net worth of £31m to £93m. The most significant underlying reason for this change relates to a reduction in the estimated pension fund liability from £42.2m to £5.8m and an increase in property valuations. The pension fund liability is calculated by a firm of actuaries and is based on a number of assumptions – it is these assumptions that have changed and resulted in the reduced liability. The pension liability represents the underlying long term commitment that the authority has to pay future retirement benefits. The pension fund is regularly assessed to determine the level of future contributions necessary to ensure that it is funded in the long term and any increase in these contributions must be met from the Council's budget – the approved Medium Term Financial Strategy makes provision for these contributions in line with the latest triennial review.



The amounts shown within the accounts in relation to non-current assets (primarily Property, Plant and Equipment and Investment Properties) have increased by £14m. They are underpinned by valuations provided by the Council's external valuers, these are measured on a range of valuation bases. The Council appointed a new valuer in relation to the valuations for 2022/23 and these have been reflected within the accounts, with those assets measured on a depreciated replacement cost basis being most effected (i.e. leisure centres and the Brewhouse Theatre). There is also an increase in Assets under Construction of £5.7m arising from the purchase of the properties on High street in relation to the Towns Fund Project D being delivered directly by the Council.

Short term creditors have reduced by £13.7m following the administration of the Council Tax Energy Rebate Scheme and the repayment to Government in respect of the balance of Covid Grants allocations. In addition to this capital grants held pending planned commitments have increased during the year by £5.2m (held in Capital Grants Unapplied), which largely relates to Towns Fund monies.

## GENERAL FUND REVENUE OUTTURN 2022/23

The table below sets out the position of the General Fund for 2022/2023. When the budget for the year was agreed in March 2022, it assumed total net revenue expenditure of £15.542m, which was subsequently revised on 21<sup>st</sup> March 2023 by reallocating £0.596m in relation to the Towns Fund. This increased the total net revenue budget to £13.138m.

The outturn report highlighted that there continues to be some significant financial pressures arising due to the Covid-19 pandemic but also the volatile economic conditions that existed during the year. However these were offset by an increase in investment income due to the bank rate rises and an increase in recycling income due to higher commodity prices. Once these are taken into account there was an overall under-spend against the budget of £0.564m which Cabinet approved to set aside towards mitigating the risks associated with supported housing claims/disputes.

	<b>Budget</b> £'000	<b>Outturn</b> £'000	<b>Variance</b> £'000
Service Net Expenditure	13,138	12,574	(564)
<b>Total Net Expenditure</b>	<b>13,138</b>	<b>12,574</b>	<b>(564)</b>
<u>To be met from:</u>			
Retained Business Rates	4,859	4,859	-
Lower Tier Support Grant	146	146	-
Services Grant	221	221	-
Covid-19 Support	18	18	-
Collection Fund			
Demand for Year	7,755	7,755	-
Previous Years' Surplus	139	139	-
<b>Total Revenue Budget Support</b>	<b>13,138</b>	<b>13,138</b>	<b>-</b>
<b>Amount to be Met from/(to) Reserves</b>	<b>0</b>	<b>(564)</b>	<b>(564)</b>

A full reconciliation between the above management outturn position and the financial statements is shown within the expenditure and funding analysis shown in note 4 to the accounts.

## COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Business Rates (NNDR) and its distribution to the relevant authorities.

The Collection Fund shows an in year surplus of £7.3m (£14.5m surplus in 2021/22), this includes a surplus of £0.26m in relation to Council Tax and a £7m surplus in relation to Business Rates. This position is after taking into account payments of £1.2m (Council Tax) and receipts of £6.4m (Business Rates) relating to prior year surpluses / deficits. These figures have once again been heavily impacted by the pandemic, with the Government Covid Additional Relief Fund (CARF) administered in 2022/23. The corresponding compensation in the form of section 31 grants is held within the earmarked reserves. In addition to which, there is a significant surplus in Council Tax largely due housing growth within the Borough being higher than anticipated and also lower council tax support costs.

Overall, after taking into account the balance brought forward from 2021/22, the Collection Fund has a surplus of £7.2m, which will be distributed in 2023/24 and 2024/25, in accordance with the respective legislative requirements.

Further details are given in the Collection Fund Income and Expenditure account and notes on pages 97 onwards.

## CAPITAL EXPENDITURE 2022/2023

During 2022/2023 the Council spent £8.063m on capital projects. A breakdown of the most significant areas of spend and the sources of funds used to finance this expenditure is shown below.

<b>Analysis of Capital Expenditure</b>	<b>£'000</b>	<b>Sources of Finance</b>	<b>£'000</b>
Towns Fund Project D High Street	5,678	Capital Grants and Contributions	7,021
Disabled Facility Grants *	1,162	Capital Receipts	413
Council Wide Fleet Replacement	499	Borrowing	337
Tutbury S106 Grant Scheme*	123	Revenue / Earmarked Reserves	292
Community Regeneration Fund*	94		
CCTV Upgrade	86		
EV Charging Points	74		
Small Business Fund*	70		
Washlands Enhancement	64		
Uttoxeter Master Plan - Maltings Precinct	59		
Stubby Lane Sewerage Facility Works	28		
ICT Windows Server Upgrade	25		
Cemeteries Road Improvements	21		
Other Minor Schemes (less than £20k)*	80		
<b>Total Capital Expenditure</b>	<b>8,063</b>	<b>Total Capital Financing</b>	<b>8,063</b>

\*Relates to expenditure treated either in part or entirely as REFCUS (Revenue Expenditure Funded from Capital Under Statute)

## BORROWING

At the end of 2022/2023 the total external loan debt of the Council was £11.058m (£11.115m at 31<sup>st</sup> March 2022). The Council's underlying need to borrow reduced during the year from £15.8m to £14.3m, which includes the voluntary set-aside from capital receipts of £0.96m in line with our financial strategy and expenditure funded from prudential borrowing to replace the remainder our fleet following an options appraisal. The Council's Medium Term Financing Strategy makes provision for the voluntary setting aside of resources to reduce the underlying need to borrow which will generate savings to the revenue budget and reduce the burden of existing debt on future taxpayers.

## **PENSIONS**

For the purposes of International Accounting Standard 19 (Accounting and Reporting by Retirement Benefit plans), the results of the Pension Fund actuary's calculations in respect of the Local Government Pension scheme on behalf of the Council revealed a net liability of £5.8m at 31<sup>st</sup> March 2023. This is shown under long-term liabilities on the Balance Sheet on page 14.

The pension liability of £5.8m represents the underlying long term commitment that the authority has to pay future retirement benefits. This deficit has no direct impact on the budget of the authority or the level of council tax. The fund is regularly assessed to determine the level of future contributions necessary to ensure that it is funded in the long term and any increase in these contributions must be met from the Council's budget.

The overall position shows a net decrease in the pension liability at 31<sup>st</sup> March 2023, due to a reduction in scheme assets based on current valuations and a decrease in scheme liabilities. The decrease in scheme liabilities has mainly been affected by the change to financial assumptions. For example, the rate for discounting scheme liabilities has increased from 2.7%, to 4.75% which serves to decrease the employer's obligations on scheme liabilities over the longer term resulting in a gain of almost £40.6m. These actuarial assumptions are reassessed each year and changes in the assumptions can cause significant changes in the values of the net liability.

## **FINANCIAL STRATEGY 2023/24 AND BEYOND**

The Council approved its Medium term Financial Strategy (MTFS) for 2023/24 to 2025/26 in March 2022. Whilst the MTFS is balanced over the three year period by utilising reserves, it does highlight a potential significant ongoing funding shortfall in 2025/26, subject to the outcome and timing of the Government funding reforms. In addition to which the strategy highlights some significant risks and uncertainties including demand levels for supported housing, the current economic circumstances including high inflation and interest rate movements, large scale capital programme and regeneration projects, the ongoing impact of the Covid-19 Pandemic, and those associated with the scheme which localises income from business rates. These could have a significant impact on the resources available and how resources are allocated within the sector in the future. Nevertheless, the Council has set out a strategy which balances the budget for the three year period but at the same time acknowledges that ongoing savings may be needed in the medium term to maintain financial sustainability.

The Council has a robust underlying financial position which provides a strong foundation of financial resilience during these challenging times. Further information in relation to the Medium Term Financial Strategy can be found on our website.

## **PERFORMANCE AGAINST THE CORPORATE PLAN**

The Council has approved a Corporate Plan with the 2022/23 edition adopted at Full Council in March 2022. This is updated and refreshed on an annual basis and performance monitored throughout the year. For 2022/23 the Council set 129 corporate plan targets, however during the course of the year 1 of those targets was deferred. This resulted in 128 live targets of which 93.75% were fully achieved. Overall performance is monitored against our three overarching priorities, as follows:

- Value for Money Council (93% fully achieved)
- Environment and Health & Well Being (96% fully achieved)
- Community Regeneration (93% fully achieved)

Looking ahead to 2023/24, the Council has set a range of development targets under pinning 5 new corporate priorities, including:

- Tackling the cost of living crisis and supporting local communities;
- Various targets associated with improving the environment and climate change;

- Developing tourism within the Borough;
- Continuing to develop and promote sport and leisure;
- Protecting heritage within the borough, including reviewing the high street linkages project and working with partners to support delivery of the Towns Fund;
- Improving local democracy and consultation.

Further details on the Corporate Plan can be found on our website.

### **AUDIT OF THE ACCOUNTS**

The Council's auditors, Grant Thornton UK LLP, undertake the audit of these accounts. The contact details for the Auditor are: Andy Smith, Key Audit Partner, Grant Thornton UK LLP, 17<sup>th</sup> Floor, 103 Colmore Row, Birmingham, B3 3AG

### **FURTHER INFORMATION**

The accounts and accompanying statistics in the following pages contain a great deal of information about East Staffordshire Borough Council's finances. I hope you will find it interesting. Further information on the Council's accounts is available from the Financial Management Unit, Town Hall, King Edward Place, Burton upon Trent, DE14 2EB. Or by telephone (01283) 508139 or e-mail to [james.hopwood@eaststaffsbc.gov.uk](mailto:james.hopwood@eaststaffsbc.gov.uk). The public has a statutory right to inspect and, if they wish, object to the accounts prior to the completion of the audit.

# GUIDE TO THE MAIN FINANCIAL STATEMENTS

The Council's accounts for the year 2022/2023 are set out on the following pages. The accounts comprise:

## **Statement of Responsibilities for the Statement of Accounts**

Within this statement the respective responsibilities of the Council and the Chief Finance Officer are set out in relation to the preparation of the accounts, and also of members in the approval of the accounts.

## **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 taxations. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the movement in reserves statement.

## **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 Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The 'Net Increase/Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## **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 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 capital receipts may only be used to fund capital expenditure or repay debt). The second category of reserves are 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 Reserves), 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 'Adjustment between accounting basis and funding basis under regulations'.

## **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 to 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 flows 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.

### **Collection Fund Account**

This is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

### **Annual Governance Statement**

This sets out the framework within which internal control is managed and reviewed and provides reasonable assurance as to its effectiveness. The statement reports on any weaknesses identified and the actions being taken to rectify these.

### **Glossary of Terms**

This explains the technical terms used within the Statement of Accounts.

Please note that where figures disclosed in the Statement of Accounts have been rounded to the nearest £'000, there is the potential for rounding errors and minor inconsistency when cross referencing due to inter-dependencies across different disclosures. These have been minimised as far as reasonably possible, whilst ensuring the robustness of values carried forwards and disclosures within the Core Statements carrying prominence.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## 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 Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## The Responsibilities of the Chief Finance Officer

The Chief Finance Officer 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 Chief Finance Officer 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 of Practice.

The Chief Finance Officer has also:

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

## Certificate of the Chief Finance Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Borough Council at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.



Lloyd Haynes CPFA  
Chief Finance Officer

Date: 17 April 2024

## Member Approval of the Statement of Accounts



Councillor Aaron Mansfield  
Chair of Audit Committee

Date: 17 April 2024

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## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### For the year ended 31<sup>st</sup> March 2023

(Restated) 2021/22			2022/23			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,634	(1,123)	1,511		3,330	(1,193)	2,137
1,258	(1,558)	(300)	Leader of the Council	3,428	(1,845)	1,583
23,266	(20,996)	2,270	Tourism and Cultural Development	22,717	(20,425)	2,292
8,940	(2,447)	6,493	Communities and Housing Standards	9,977	(2,386)	7,591
2,187	(81)	2,106	Environment and Climate Change	2,395	(82)	2,313
674	(342)	332	Finance and Treasury management	615	(504)	111
1,077	(1,062)	15	Regeneration, Business Support and Marketing	694	(684)	10
			External Funding and Holding Accounts			
<b>40,036</b>	<b>(27,609)</b>	<b>12,427</b>	<b>Cost of Services</b>	<b>43,156</b>	<b>(27,119)</b>	<b>16,037</b>
1,297	(41)	1,256	Other operating expenditure	2,315	(965)	1,350
4,133	(3,283)	850	Financing and investment income and expenditure	5,312	(8,093)	(2,781)
25,287	(44,436)	(19,149)	Taxation and non specific grant income and expenditure	20,450	(48,925)	(28,475)
<b>70,753</b>	<b>(75,369)</b>	<b>(4,616)</b>	<b>(Surplus) or Deficit on Provision of Service</b>	<b>71,233</b>	<b>(85,102)</b>	<b>(13,869)</b>
	(4,816)		(Surplus)/deficit on revaluation of non current assets		(8,050)	
	<u>(19,529)</u>		Remeasurement of the net defined pension liability		<u>(39,646)</u>	
		<b>(24,345)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(47,696)</b>
		<b>(28,961)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(61,565)</b>

\*The figures for 2021/22 have been restated to reflect revised operating segments in line with in-year management reporting, as outlined within note 46.

**MOVEMENT IN RESERVES STATEMENT**  
For the year ended 31<sup>st</sup> March 2023

	General Fund		Total General Fund Reserves £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Total Usable Reserves (Note 27) £'000	Unusable Reserves (Note 28) £'000	Total Authority Reserves £'000
	Balance	Earmarked Reserves						
<b>Balance at 31 March 2022 carried forward</b>	<b>1,278</b>	<b>24,956</b>	<b>26,234</b>	<b>1,035</b>	<b>573</b>	<b>27,842</b>	<b>3,600</b>	<b>31,442</b>
<b>Movement in reserves during 2022/23</b>								
Surplus/(Deficit) on provision of services	13,869	0	13,869	0	0	13,869	0	13,869
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	47,696	47,696
Total Comprehensive Income and Expenditure	13,869	0	13,869	0	0	13,869	47,696	61,565
Adjustments between accounting basis & funding basis under regulations (note 8)	(13,862)	0	(13,862)	5,215	(333)	(8,980)	8,980	0
Net Increase before Transfers to Earmarked Reserves	7	0	7	5,215	(333)	4,889	56,676	61,565
Transfers to/from Earmarked Reserves (note 9)	(7)	7	0	0	0	0	0	0
Increase / (Decrease) in Year	0	7	7	5,215	(333)	4,889	56,676	61,565
<b>Balance at 31 March 2023 carried forward</b>	<b>1,278</b>	<b>24,963</b>	<b>26,241</b>	<b>6,250</b>	<b>240</b>	<b>32,731</b>	<b>60,276</b>	<b>93,007</b>

**MOVEMENT IN RESERVES STATEMENT**  
For the year ended 31<sup>st</sup> March 2022

	General Fund		Total General Fund Reserves £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Total Usable Reserves (Note 27) £'000	Unusable Reserves (Note 28) £'000	Total Authority Reserves £'000
	Balance	Earmarked Reserves						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2021 carried forward</b>	<b>1,278</b>	<b>26,500</b>	<b>27,778</b>	<b>0</b>	<b>571</b>	<b>28,349</b>	<b>(25,868)</b>	<b>2,481</b>
<b>Movement in reserves during 2021/22</b>								
Surplus/(Deficit) on provision of services	<b>4,616</b>	<b>0</b>	<b>4,616</b>	<b>0</b>	<b>0</b>	<b>4,616</b>	<b>0</b>	<b>4,616</b>
Other Comprehensive Income and Expenditure	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,345</b>	<b>24,345</b>
Total Comprehensive Income and Expenditure	<b>4,616</b>	<b>0</b>	<b>4,616</b>	<b>0</b>	<b>0</b>	<b>4,616</b>	<b>24,345</b>	<b>28,961</b>
Adjustments between accounting basis & funding basis under regulations (note 8)	<b>(6,160)</b>	<b>0</b>	<b>(6,160)</b>	<b>1,035</b>	<b>2</b>	<b>(5,123)</b>	<b>5,123</b>	<b>0</b>
Net Increase before Transfers to Earmarked Reserves	<b>(1,544)</b>	<b>0</b>	<b>(1,544)</b>	<b>1,035</b>	<b>2</b>	<b>(507)</b>	<b>29,468</b>	<b>28,961</b>
Transfers to/from Earmarked Reserves (note 9)	<b>1,544</b>	<b>(1,544)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Increase / (Decrease) in Year	<b>0</b>	<b>(1,544)</b>	<b>(1,544)</b>	<b>1,035</b>	<b>2</b>	<b>(507)</b>	<b>29,468</b>	<b>28,961</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>1,278</b>	<b>24,956</b>	<b>26,234</b>	<b>1,035</b>	<b>573</b>	<b>27,842</b>	<b>3,600</b>	<b>31,442</b>

**BALANCE SHEET**  
**As at 31<sup>st</sup> March 2023**

52,135	Property, Plant and Equipment	13	<b>63,687</b>
10,966	Investment Property	14	<b>13,430</b>
0	Intangible Assets	15	<b>53</b>
358	Heritage Assets	16	<b>345</b>
3	Long Term Investments		<b>3</b>
788	Long Term Debtors	17	<b>788</b>
<b>64,250</b>	<b>Long Term Assets</b>		<b>78,306</b>
	<b>Current Assets</b>		
43,022	Short Term Investments	19	<b>25,301</b>
209	Inventories	20	<b>146</b>
5,911	Short Term Debtors	21	<b>4,829</b>
14,398	Cash and Cash Equivalents	22	<b>30,208</b>
<b>63,540</b>	<b>Current Assets</b>		<b>60,484</b>
(565)	Short-Term Borrowing	26	<b>(568)</b>
(33,215)	Short Term Creditors	23	<b>(19,537)</b>
<b>(33,780)</b>	<b>Current Liabilities</b>		<b>(20,105)</b>
(2,087)	Provisions	25	<b>(1,511)</b>
(10,550)	Long Term Borrowing	26	<b>(10,490)</b>
(42,292)	Pension Liability	44	<b>(5,775)</b>
(7,639)	Capital Grants Receipts in Advance	37	<b>(7,902)</b>
<b>(62,568)</b>	<b>Long Term Liabilities</b>		<b>(25,678)</b>
<b>31,442</b>	<b>Net Assets</b>		<b>93,007</b>
	<b>Financed by:</b>		
3,600	Unusable Reserves	28	<b>60,276</b>
27,842	Usable Reserves	27	<b>32,731</b>
<b>31,442</b>	<b>Total Net Worth</b>		<b>93,007</b>

*L. S. Hayes*

17/04/2024

These financial statements replace the unaudited financial statements confirmed by Stephen Fitzgerald on 26 October 2023.

**CASH FLOW STATEMENT**  
**For the year ended 31<sup>st</sup> March 2023**

	Note	<b>2022/23</b> £'000	<b>2021/22</b> £'000
Net (surplus) or deficit on the provision of services		(13,869)	(4,616)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	29	9,815	910
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	29	<u>1,871</u>	<u>493</u>
<b>Net cash flows from operating activities</b>		<b>(2,183)</b>	<b>(3,213)</b>
Investing activities	30	(12,933)	10,234
Financing activities	31	(694)	(10,642)
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(15,810)</b>	<b>(3,621)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(14,398)</b>	<b>(10,777)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b><u>(30,208)</u></b>	<b><u>(14,398)</u></b>

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/2023 financial year and its position as at the year-end 31<sup>st</sup> March 2023. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet. An exception to this principle housing benefits payments are matched to the subsidy claim which includes 52 weekly payment runs. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- 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.
- Interest payable and receivable 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.
- Where income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Where the exact amount due in respect of accruals has not yet been confirmed, for example grant entitlements from Central Government, the accounts reflect the best estimate and use latest available information. The estimation techniques used have not generally been changed from the previous year.

### iii. Tax Income (Council Tax, Non-Domestic Rates (NNDR) / Business Rates)

The Council is a billing authority and therefore acts as an agent, collecting council tax and non-domestic rates (NNDR) on behalf of major preceptors (including government for NNDR) and, as principals, collecting council tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NNDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NNDR collected could be less than predicted.

## Accounting for Council Tax and NNDR

The Council Tax and NNDR income and expenditure included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However regulations determine the amount of council tax and NNDR that must be included in the authority's general fund. Therefore, 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 is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the year end balances in respect of council tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

Where debtor balances for the above are identified as impaired because of the likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carry amount and the revised future cash flows.

### **iv. 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 one month 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.

### **v. 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.

### **vi. 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, or other events and conditions on the authority's 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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **vii. 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 the fixed assets during the year. This comprises:

- Depreciation attributable to the assets used by the relevant service;
- 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
- 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 amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation, impairment losses and amortisations are therefore replaced by a contribution in the General Fund Balance (Minimum Revenue Provision - MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

## **viii. Employee Benefits**

### Benefits Payable during Employment

Short term employee benefits are those expected 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, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render the service to the authority. An accrual is made for the cost of the holiday entitlements (or any form of leave, such as time off in lieu) earned by employees but not taken before the year end in which employees can carry forward into the next financial year. The accrual is charged to the surplus or deficit in 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.

### 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 Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance 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 of 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 year-end.

### Post-Employment Benefits

The employees of the Council may participate in the Local Government Pension Scheme administered by Staffordshire County Council (Staffordshire Pension Fund), which provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.



## **The Local Government Pension Scheme**

The Local Government scheme is accounted for as a defined benefits scheme:

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.75% (2.7% 2021/22). This rate is equal to the yield available on long-dated, high quality corporate bonds and is commonly referred to as the AA Corporate Bond Rate.

The assets of pension fund attributable to the Council 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

### **Leisure Transfer – Pension Guarantee**

During 2018/19 authority transferred the provision of its leisure services to a third party provider, Sports and Leisure Management Ltd (SLM). As part of the contractual arrangements, all leisure centre staff were transferred to SLM or its subsidiaries via TUPE arrangements. SLM has been admitted to the Staffordshire County Council pension fund and pension arrangements between the three parties are managed using admission agreements. The IAS19 report provided by the actuary excludes the assets and liabilities relating to the transferred staff. As the contractual arrangements mean that Council acts as guarantor for the vast majority of the pension risks associated with the former employees, an annual assessment is carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2022/23, the risk has been assessed as nil as the IAS19 report estimates a net asset associated to the Leisure Providers proportion of the pension assets and liabilities. (The liability was assessed at 10% or £0.2m in 2021/22).

The change in the net pension's liability is analysed into the following components:

#### **Service Cost Comprising:**

- Current service cost – the increase in liabilities as a result of years of service earned this year. This is allocated to the revenue accounts of the services for whom the employees worked.
- Past service gains/costs – the increase or decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.
- Net interest cost on the defined benefit liability, i.e. Net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the defined benefit liability – charged to the Pension Reserve as other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is debited to the Pensions Reserve as other Comprehensive Income and Expenditure.
- Contributions paid to Staffordshire 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 limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Movement on 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 year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Council also 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.

## **ix. Events after the Balance Sheet Date**

An event (favourable or unfavourable) occurring after the balance sheet date of 31 March, which provides evidence of conditions which existed at 31 March, is an adjusting event with the amounts shown in the Statement of Accounts updated to take account of the new information.

An event occurring after 31<sup>st</sup> March which indicates conditions that arose from 1 April onwards is a non-adjusting event with no effect on amounts included in the Statement of Accounts. However if these events are material they are disclosed in the notes to the accounts.

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

## **x. Financial Instruments**

Financial Assets

Financial assets i.e. amounts invested, are classified based on a classification and measurement approach that reflects the business model for holding the assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit and loss (FVPL)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

## Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the balance sheet when the authority becomes 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 (CIES) for the interest receivable are based on the carry amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains for losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line of the CIES.

## Expected Credit Loss Model

The authority recognises expected credit losses on all its financial assets held at amortised cost on either a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables and lease receivables held by the authority. The authority adopts the simplified approach to lease and trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since the instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on a 12 month expected losses basis.

## Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured as FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices - the market price.
- Other instruments with fixed and determinable payments - discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. These amounts are trivial in nature.

## Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. 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 instruments to the amount at which it was originally recognised.

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

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 Council has a policy of spreading the gain/loss over the term remaining on the loan against which the premium was payable or discount receivable when it was repaid or a nominated shorter period. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movements in Reserves Statement.

### **xi. Foreign Currency Translation**

From time to time the authority occasionally enters into a transaction denominated in a foreign currency. The transaction is converted into sterling at the exchange rate applicable on the date of the transaction.

### **xii. Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the 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-ring-fenced revenue grants and capital grants) in the Comprehensive Income and Expenditure Statement.

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

The Council has received a number of grants from Central Government in order to support business and residents during both the pandemic and also the economic conditions. Section xxv of these accounting policies sets out our approach to accounting for these in line with the Code.

### **xiii. Heritage Assets**

The authority's heritage assets include various paintings, sculptures and civic items which are held primarily as a contribution to knowledge and culture. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with our accounting policies for property, plant and equipment. However some of these measurement rules are relaxed in relation to Heritage Assets.

Heritage asset records are maintained within the fixed asset register and insurance records. Access to the vast majority of these items can be gained via the Brewhouse Centre and mayoral and civic rooms within the Town Hall.

Heritage Assets are measured and reported in the balance sheet based on insurance valuation, which are periodically updated. However sculptures are reported within the Balance Sheet at depreciated historic cost.

All assets are depreciated to the Comprehensive Income and Expenditure Statement based on an estimate of their useful lives – generally 50 years with sculptures 25 years. The carrying values are reviewed where there is evidence of impairment this is recognised and measured in accordance with our general policies on impairment, as set out in xix.

Further information in relation to Heritage Assets is set out with note 16 to the accounts.

### **xiv. Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council, e.g. computer software and related licences, is capitalised at cost when it will bring benefits to the Council for more than one financial year. The balance is amortised/depreciated to the relevant service lines in the Comprehensive Income and Expenditure Statement over the economic life of the investment to reflect the consumption of benefits.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses are recognised within the relevant service line within the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains or 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 sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **xv. Interests in Companies and Other Entities**

The Council does not have any significant interest in companies and this interest does not require the preparation of group accounts.

### **xvi. Inventories and Long Term Contracts**

Stocks/Inventories are included in the accounts on the basis of the latest price paid. This is a departure from the requirements of the Code, which require stocks to be shown at the lower of cost or net realisable value. The effect of the different treatment is immaterial.

Work in progress on long term contracts, for which interim valuations are made, is included in the surplus or deficit in the provision of services at historical cost covering labour, materials and direct overheads, net of any progress payments received.

#### **xvii. Investment Property**

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in a 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. As a non-financial asset, investment properties are valued at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses 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 sale proceeds greater than £10,000 the capital receipts reserve.

#### **xviii. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks 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.

#### **Finance Leases – Authority as Lessee**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of a 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 or 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 assets estimated 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 from 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 adjustment transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases – Authority as Lessee**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the 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 start of the lease).

### **Finance Leases – Authority as Lessor**

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 property, plant and equipment 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.

### **Operating Leases – Authority as Lessor**

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. Any significant 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 the rental income.

## **xix. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the provision of 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.

### **Recognition**

All expenditure on the acquisition, creation or enhancement of tangible property, plant and equipment is capitalised on an accruals basis, provided that it yields benefit to the Council and the services it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset, e.g. repairs and maintenance, is charged to revenue as it is incurred.

### **Measurement**

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The authority does not capitalise borrowing costs. Assets are then carried in the Balance Sheet using the following measurement bases:

- Other land and buildings, vehicles, plant and equipment – current value, determined as the amount that would be paid for the asset in existing use.
- Infrastructure, community assets and assets under construction - depreciated historical cost.
- Surplus assets, the current value measurement base is fair value, estimated at highest and best use from the market participants' perspective.

Where there is not market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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 Surplus or deficit on the Provision of Services 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:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains).
- 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 in the Comprehensive Income and Expenditure Statement.

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



## **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 impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against the balance (up to the accumulated gains).
- Where there is no balance in the Revaluation Reserve or insufficient balance, the impairment is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line 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.

## **Depreciation**

Depreciation is provided for all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives at 1<sup>st</sup> April each year. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are yet available for use (i.e. assets under construction). Depreciation commences on newly acquire assets in the year after acquisition.

### **Depreciation is calculated on the following bases:**

- Buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset.
- Infrastructure - straight line allocation over the useful life of the asset.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charge 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.

### **De Minimis Levels**

Charges to Revenue are made subject to a de minimis level regarding the capitalisation of expenditure. This has been set at £15,000 for land and buildings and £10,000 for equipment. If expenditure that would normally be capital is incurred below these levels, it would normally be charged directly to the revenue cost of the service concerned.

## **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through the sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on the 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 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 £10,000 are categorised as capital receipts. These receipts are appropriated to the Capital Receipts Reserve from the General Fund balance in the Movement in Reserves Statement. These receipts can only be used for new capital investment or set aside to reduce the authority's underlying need to borrow.

The written off value of disposals is not a charge against council tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Reserve balance in the Movement in Reserves Statement.

## **xx. Provisions, Contingent Liabilities and Contingent Assets**

### **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 payment of compensation.

Provisions are charged as an expense to the appropriate line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and can measure 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 each balance Sheet date – where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement anticipated), the provision is reversed (or reduced) and credited back to the relevant service line within the Comprehensive Income and Expenditure Statement.

### **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 or resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not included in the accounts as an item of expenditure. They are disclosed in the Notes to the accounts.

### **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 or economic benefits or service potential.

### **xxi. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and included in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council. These reserves are explained in the relevant accounting policies.

### **xxii. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

REFCUS represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. REFCUS incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has decided to meet the cost of the REFCUS from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Movement in Reserves Statement so that there is no impact on the level of council tax.

### **xxiii. Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

#### **xxiv. Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets, investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The authority measures the fair value of an asset or liability using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices include within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

#### **xxv. Authority Acting as Agent**

Where the authority is acting as an agent in situations or circumstances (i.e. as an intermediary, providing goods or services to a third party on behalf of another body) only the relevant income and expenditure incurred by the authority in providing the service is included within the Comprehensive Income and Expenditure Statement. The cash flows associated with providing the service itself are excluded.

In recent years the Council has administered a large number of grant schemes announced by Central Government as part of the both the Covid-19 response and in relation to the current economic circumstances. In many cases the eligibility for these schemes was set out within government guidance. For each of these schemes the Council has made an assessment as to whether it was acting as Principal or Agent. The main determining factor being the degree to which control over who receives the funding and associated amounts. For those schemes in which the Council acted as Principal the respective income and expenditure has been included within the Comprehensive Income and Expenditure Statement. For those schemes whereby the Council acted as agent the respective grant income and expenditure amounts are excluded from the Comprehensive Income and expenditure, with the grants awarded and associated Government funding disclosed in a separate note to the accounts.

## 2. 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 as follows:-

- Supported Housing Claims - Following a lengthy process of engagement, two landlords failed to provide the Council with sufficient evidence to support their claims for supported housing and as a result the Council took the decision to cancel the claims. Following the internal review/appeal process, the landlords decided to dispute this decision and the as at 31<sup>st</sup> March 2023 the Council was awaiting the tribunal hearings. The Council has strong cases to dispute the claims and has made the judgement that this is a contingent liability pending the outcome of the tribunals. It is difficult to assess the potential cost to the Council should the tribunal decide in favour of the landlord due to the fluid nature of individual tenants requiring supported housing, however this could be in the region of £1.5m if it is fully backdated.

## 3. 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 as at 31<sup>st</sup> March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual result differs from assumptions
Pensions Liability	Estimation of the net liability to pay pensions (£5.8m) as at 31st March 2023. depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, an increase in member life expectancy of 1 year would result in an increase in the pension liability by approx. £4.4m. Please refer to Note 44 (P.89) for further details.
Valuation of Property, Plant and Equipment	2. Use of estimates The accounts include estimates with regard to the valuations of property, plant and equipment valued at £52.045m. Professional valuers are engaged to provide expert advice in line with the RICS guidance in relation to these valuations. Estimates and assumptions are provided from a number of sources including, for example, relevant market evidence where it is available, rebuild costs and the expected life of the asset.	A +/- 10% change against the assets which have been subject to valuation will result in a £5.20m increase or decrease in the value shown in the balance sheet.

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual result differs from assumptions</b>
Impairment allowance for doubtful debt	As at 31 March 2023, the Council had an outstanding balance of short-term debtors totalling £8.4m. Against this debtors' balance, there is an impairment allowance of £3.5m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic and subsequent economic conditions has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review has been carried out to reflect the uncertainty of the collection rates as a result of Covid-19 and the current economic conditions. If collection rates were to deteriorate by 5% the provision would need to increase by £0.3m
Business Rate Appeals	As at 31 <sup>st</sup> March 2023 the Council's share of the estimated appeals and claims against business rates is £1.5m. This is a complex calculation based on past success and claim levels.	A 10% increase in success rate and a 10% increase of RV reductions applied plus 10% increase in claim numbers would increase the provision required for this Council by £0.3m.
Fair Value Measurements	<p>When fair value for financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values including unobservable inputs. These judgements typically include considerations such as uncertainty and risk. However, changes in assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where level 1 inputs are not available the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties the external valuer).</p> <p>Continued on the next page</p>	<p>The authority uses the discounted cash flow model to measure the fair value of some of its investment properties.</p> <p>Significant unobservable inputs used include management assumptions regarding rent levels, vacancy levels and discount rates.</p> <p>Significant changes in any of these unobservable inputs would result in lower or higher fair value measurement.</p>

Item	Uncertainties	Effect if actual result differs from assumptions
Fair Value Measurements continued	<p data-bbox="464 275 900 336"><u>Investment Properties – Variation to Unobservable Income</u></p> <p data-bbox="464 338 943 465">Unobservable inputs such as rents, vacancy levels and discounts have been used in the valuation of £10.2m of our investment properties.</p> <p data-bbox="464 468 963 685">The portfolio consists of local commercial/industrial units with no significant holding of shops or other retail space. However the units may be impacted by a lack of demand due to the inflationary pressures being experienced in the wider economy.</p>	<p data-bbox="997 275 1382 432">If lower demand is reflected in yield (slower moving / more vacancies) then a 10% movement would lead to a drop in value of £0.488m.</p> <p data-bbox="997 468 1382 560">Including a 10% decrease in rents receivable means the drop in value totals £1.460m.</p>

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

#### 4. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

#### 4a – Expenditure and Funding Analysis (2022/23)

	<b>2022/23</b>				
	Net Amount Reported as part of Management Outturn	Adjustment to arrive at net amount chargeable to the General Fund Balances*	Net Expenditure chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Leader of the Council and Economic Growth	2,601	188	2,789	(652)	2,137
Tourism and Cultural Development	574	(130)	444	1,139	1,583
Communities and Housing Standards	1,848	(319)	1,529	763	2,292
Environment and Climate Change	6,583	103	6,686	905	7,591
Finance and Treasury Management	1,179	226	1,405	908	2,313
Regeneration, Business Support, and Marketing	229	(227)	2	109	111
Corporate Items	(440)	(1,009)	(1,449)	1,449	0
External Funding/Holding Accounts	0	292	292	(282)	10
<b>Cost of Services</b>	<b>12,574</b>	<b>(876)</b>	<b>11,698</b>	<b>4,339</b>	<b>16,037</b>
Other Income and expenditure	(13,138)	1,433	(11,705)	(18,201)	(29,906)
<b>(Surplus) or Deficit</b>	<b>(564)</b>	<b>557</b>	<b>(7)</b>	<b>(13,862)</b>	<b>(13,869)</b>
<b>Opening General Fund Balance</b>			<b>(26,234)</b>		
Less/Plus (Surplus) or Deficit			<b>(7)</b>		
<b>Closing General Fund Balance at 31st March</b>			<b>(26,241)</b>		
<b>General Fund Working Balance</b>			<b>1,278</b>		
<b>Earmarked Reserves (Note 9)</b>			<b>24,963</b>		
			<b>26,241</b>		

\* This column includes net transfers to and from earmarked reserves.



	<b>(Restated)*</b>				
	<b>2021/22</b>				
	Net Amount Reported as part of Management Outturn	Adjustment to arrive at net amount chargeable to the General Fund Balances**	Net Expenditure chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Leader of the Council and Economic Growth	2,064	0	2,064	(553)	1,511
Tourism and Cultural Development	613	(271)	342	(642)	(300)
Communities and Housing Standards	2,094	(525)	1,569	701	2,270
Environment and Climate Change	5,748	(16)	5,732	761	6,493
Finance and Treasury Management Regeneration, Business Support, and Marketing	2,369	256	2,625	(519)	2,106
Corporate Items	258	18	276	56	332
External Funding/Holding Accounts	(1,217)	(140)	(1,357)	1,357	0
	0	137	137	(122)	15
<b>Cost of Services</b>	<b>11,929</b>	<b>(541)</b>	<b>11,388</b>	<b>1,039</b>	<b>12,427</b>
Other Income and expenditure	(13,434)	3,590	(9,844)	(7,199)	(17,043)
			0		
<b>(Surplus) or Deficit</b>	<b>(1,505)</b>	<b>3,049</b>	<b>1,544</b>	<b>(6,160)</b>	<b>(4,616)</b>
<b>Opening General Fund Balance</b>			<b>(27,778)</b>		
Less/Plus (Surplus) or Deficit			<b>1,544</b>		
<b>Closing General Fund Balance at 31st March</b>			<b>(26,234)</b>		
<b>General Fund Working Balance</b>			<b>1,278</b>		
<b>Earmarked Reserves (Note 9)</b>			<b>24,956</b>		
			<b>26,234</b>		

\* The figures for 2021/22 have been restated to revised operating segments in line with in-year management reporting, as outlined within note 46.

\*\* This column includes net transfers to and from earmarked reserves.

<b>Adjustments between Funding and Accounting Basis 2022/23</b>				
<b>Adjustments from General fund to arrive at the Comprehensive Income and Expenditure Statement amounts.</b>	<b>Adjustments for Capital Purposes (Note 1) £'000</b>	<b>Net Change for the Pensions Adjustments (Note 2) £'000</b>	<b>Other Differences (Note 3) £'000</b>	<b>Total Adjustments £'000</b>
<b>Segment</b>				
Leader of the Council and Economic Growth	(2,395)	(1,510)	3,253	(652)
Tourism and Cultural Development	1,104	217	(182)	1,139
Communities and Housing Standards	177	575	10	762
Environment and Climate Change	875	649	(619)	905
Finance and Treasury Management	(799)	230	1,478	909
Regeneration, Business Support, and Marketing	69	41	(1)	109
Corporate Items	0	0	1,449	1,449
External Funding and Holding Accounts	0	10	(292)	(282)
<b>Net Cost of Services</b>	<b>(969)</b>	<b>212</b>	<b>5,096</b>	<b>4,339</b>
Other income and expenditure from the Expenditure and Funding Analysis	(11,093)	1,167	(8,275)	(18,201)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>(12,062)</b>	<b>1,379</b>	<b>(3,179)</b>	<b>(13,862)</b>

<b>Adjustments between Funding and Accounting Basis 2021/22 (Restated)</b>				
<b>Adjustments from General fund to arrive at the Comprehensive Income and Expenditure Statement amounts.</b>	<b>Adjustments for Capital Purposes (Note 1)</b>	<b>Net Change for the Pensions Adjustments (Note 2)</b>	<b>Other Differences (Note 3)</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Segment</b>				
Leader of the Council and Economic Growth	(331)	(1,233)	1,010	(554)
Tourism and Cultural Development	(767)	250	(125)	(642)
Communities and Housing Standards	55	655	(9)	701
Environment and Climate Change	189	805	(233)	761
Finance and Treasury Management	(470)	261	(309)	(518)
Regeneration, Business Support, and Marketing	(1)	55	2	56
Corporate Items	0	0	1,357	1,357
External Funding and Holding Accounts	0	41	(163)	(122)
<b>Net Cost of Services</b>	<b>(1,325)</b>	<b>834</b>	<b>1,530</b>	<b>1,039</b>
Other income and expenditure from the Expenditure and Funding Analysis	(1,242)	1,189	(7,146)	(7,199)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>(2,567)</b>	<b>2,023</b>	<b>(5,616)</b>	<b>(6,160)</b>

\*The figures for 2021/22 have been restated to reflect revised operating segments in line with in-year management reporting, as outlined within note 46.

### **Explanatory Notes:**

#### **Note 1 - Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and adjusts for the statutory financing charge (MRP) and Revenue Expenditure Financed from Capital under Statute (REFCUS).

In addition, within the other income and expenditure it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. The taxation and non-specific grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

#### **Note 2 - Net Change for Pensions Adjustments**

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

- For Services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and for any past service costs.
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### Note 3 - Other Differences

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

- For services – this includes adjustments for employee benefits, such as accrued leave, which are adjusted through the Accumulated Absences Account.
- For financing and investment income and expenditure – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.
- In addition, there are a number of re-classifications of expenditure for the purposes of conversion to the format for the Comprehensive Income and Expenditure. These include the transfer of New Homes Bonus and other grants such as Covid-19 support for business and residents from the corporate items and external funding lines to the Taxation and non-specific Income line and the transfer of interest payments and receipts from financial services to the financing and investment line.

The table below sets out income in relation to fees and charges from external customers on a segmental basis in line with the Comprehensive Income and Expenditure Statement.

Following the adoption of IFRS 15 (Revenue Recognition from Contracts with Customers) the Council re-assessed its performance obligations under planning fees and charges and identified planning applications where the planning decision had not been made by the Balance Sheet date and where work is outstanding. The value of the fee receivable has been assessed as £146k as at 31<sup>st</sup> March 2023 compared to £100k as at 31<sup>st</sup> March 2022 with no impairment considered likely as all applications are validated initially within the overall planning process and the applicable fees have been received in advance. These have been carried forward on the Balance Sheet as income in advance for future recognition.

<b>(b) Segmental Income: Fees, charges from external customers on a Segmental Basis is Analysed Below</b>		
<b>Segment</b>	<b>2022/23</b>	<b>(Restated)* 2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Leader of the Council and Economic Growth	(1,718)	(1,725)
Tourism and Cultural Development	(1,734)	(1,663)
Communities and Housing Standards	(1,115)	(889)
Environment and Climate Change	(2,305)	(2,274)
Finance and Treasury Management	(28)	(31)
External Funding and Holding Accounts	(203)	(284)
<b>Total Income from external customers analysed on a segmental basis</b>	<b>(7,103)</b>	<b>(6,866)</b>

\* The figures for 2021/22 have been restated to reflect revised operating segments in line with in- year management reporting, as outlined within note 46.

## 5. EXPENDITURE AND INCOME ANALYSED BY NATURE

The following table provides any analysis of the Income and Expenditure, consistent with the Comprehensive Income and Expenditure Statement, analysed subjectively:

Expenditure/Income	2022/23 £'000	2021/22* £'000
<b>Expenditure</b>		
Employees	13,018	12,482
Other service expenses	10,049	9,588
Discretionary Covid-19 Grants and Other Payments	(7)	4,601
REFCUS	1,462	1,058
Depreciation, amortisation, impairment and revaluation	2,432	(451)
Interest Payments, including Pensions	4,613	3,765
Business Rates Transfers	20,457	20,610
Housing Benefits	16,895	17,787
Local Precepts and Grants	1,369	1,282
Book Value on Disposal of Assets	945	31
<b>Total Expenditure</b>	<b>71,233</b>	<b>70,753</b>
<b>Income</b>		
Fees, charges and other service income	(7,103)	(6,866)
Other Grants and Contributions	(1,630)	(1,404)
Interest and investment income, including Pensions	(4,334)	(2,073)
Income from council tax and non-domestic rates	(30,968)	(29,713)
Government Grants (Note 37)	(37,244)	(34,816)
Income on Disposal of Assets/Financial Instruments	(965)	(67)
Upward Revaluation of Investment Properties	(2,858)	(430)
<b>Total Income</b>	<b>(85,102)</b>	<b>(75,369)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(13,869)</b>	<b>(4,616)</b>

\*The amount for Discretionary Covid-19 Grants expenditure for 21/22 differs to that at Note 12 as a result of expenditure treated as REFCUS (£76k).

## 6. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

In accordance with the Code the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom and are therefore required to be disclosed. It is not envisaged that these will have any significant impact on the financial statements:

- Definition of Accounting Estimates (amendments to IAS 8) issued in February 2021;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021
- Deferred Tax related to Assets and liabilities arising from a single transaction (Amendments to IAS 12) issued in May 2021

## 7. MATERIAL AND OTHER NOTABLE ITEMS OF INCOME AND EXPENSE

### Pension Fund Pre-payment

The Council's Pension Fund is subject to triennial reviews by an independent actuary to assess the levels of contributions that will be required. A valuation was undertaken as at 31<sup>st</sup> March 2019 and resulted in an overall increase in contribution rates of 2%. This includes employer contribution rates plus a deficit repair lump sum payment. The Council has taken the option to pay the annual lump sum amounts for the three years to March 2023 as one advance payment of £4.528m. This was paid in April 2020 and reflects a discount of 4% on the nominal sums. Of this lump sum amount, £1.75m has been charged to the General Fund Balance via the Movement in Reserves Statement relating to the 2022/23, there is no remaining balance held in the Pension Reserve.

## 8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Movement in Unusable reserves
<b>2022/23</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Amortisation of intangible fixed assets	0	0	0	0
Depreciation and impairment of fixed assets	1,979	0	0	(1,979)
Revaluation gains on property, plant and equipment	0	0	0	0
Revaluation losses on property, plant and equipment	121	0	0	(121)
Movements in market value of investment properties	(2,526)	0	0	2,526
Capital grants and contributions applied	(7,022)	0	0	7,022
Gain or loss associated with financial instruments	0	0	0	0
Gain or loss on disposal of non current assets	(19)	0	1,039	(1,020)
Capital Expenditure charged to General Fund	(292)	0	0	292
Revenue expenditure funded from capital under statute	1,462	0	0	(1,462)
Balance carried forward to next page	<b>(6,297)</b>	<b>0</b>	<b>1,039</b>	<b>5,258</b>

<b>2022/23</b>	<b>General Fund Balance</b>	<b>Capital Grants Unapplied</b>	<b>Capital Receipts Reserve</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance brought forward from last page</b>	<b>(6,297)</b>	<b>0</b>	<b>1,039</b>	<b>5,258</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Minimum revenue provision for capital financing	<b>(842)</b>	<b>0</b>	<b>0</b>	<b>842</b>
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied, credited to the CIES	<b>(5,215)</b>	<b>5,215</b>	<b>0</b>	<b>0</b>
<b>Adjustment Primarily involving the Capital Receipts Reserve</b>				
Use of capital receipts to finance new capital	<b>0</b>	<b>0</b>	<b>(412)</b>	<b>412</b>
Repayment of debt from capital receipts	<b>0</b>	<b>0</b>	<b>(960)</b>	<b>960</b>
<b>Adjust primarily involving the Deferred Capital Receipts Reserve</b>				
Gain on disposal where deferred receipt was held	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustment primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	<b>(31)</b>	<b>0</b>	<b>0</b>	<b>31</b>
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits	<b>4,423</b>	<b>0</b>	<b>0</b>	<b>(4,423)</b>
Employers pensions contributions and direct payments to pensioners payable in the year	<b>(3,044)</b>	<b>0</b>	<b>0</b>	<b>3,044</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<b>(30)</b>	<b>0</b>	<b>0</b>	<b>30</b>
Amounts by which business rates income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<b>(2,825)</b>	<b>0</b>	<b>0</b>	<b>2,825</b>
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
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	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(13,862)</b>	<b>5,215</b>	<b>(333)</b>	<b>8,980</b>

Comparator information for 2021/22 on this note follows.

<b>2021/22</b>	<b>General Fund Balance £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Total Movement in Unusable reserves £'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Amortisation of intangible fixed assets	1	0	0	(1)
Depreciation and impairment of fixed assets	1,235	0	0	(1,235)
Revaluation gains on property, plant and equipment	0	0	0	0
Revaluation losses on property, plant and equipment	(1,732)	0	0	1,732
Movements in market value of investment properties	(384)	0	0	384
Capital grants and contributions applied	(1,176)	0	0	1,176
Gain or loss associated with financial instruments	0	0	0	0
Gain or loss on disposal of non current assets	(27)	0	202	(175)
Capital expenditure charged to the General Fund	(238)	0	0	238
Revenue expenditure funded from capital under statute	1,058	0	0	(1,058)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Minimum revenue provision for capital financing	(497)	0	0	497
<b>Adjustments Primarily involving the Capital Grants Unapplied Account</b>				
Capital Grants and contributions unapplied, credited to the CIES	(1,035)	1,035	0	0
<b>Adjustment Primarily involving the Capital Receipts Reserve</b>				
Use of capital receipts to finance new capital	0	0	(126)	126
Repayment of debt from capital receipts	0	0	(100)	100
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>				
Gain on disposal where deferred receipt was held	(10)	0	26	(16)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in the year in accordance with statutory requirements	(31)	0	0	31
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits	4,683	0	0	(4,683)
Employers pensions contributions and direct payments to pensioners payable in the year	(2,660)	0	0	2,660
Balance carried forward to next page	(813)	1,035	2	(224)



<b>2021/22</b>	<b>General Fund Balance</b>	<b>Capital Grants Unapplied</b>	<b>Capital Receipts Reserve</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance brought forward from last page</b>	<b>(813)</b>	<b>1,035</b>	<b>2</b>	<b>(224)</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<b>(220)</b>	<b>0</b>	<b>0</b>	<b>220</b>
Amounts by which business rates income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<b>(5,070)</b>	<b>0</b>	<b>0</b>	<b>5,070</b>
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
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	<b>(57)</b>	<b>0</b>	<b>0</b>	<b>57</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(6,160)</b>	<b>1,035</b>	<b>2</b>	<b>5,123</b>

## 9. TRANSFER TO / (FROM) EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	Balance at 31st March 2021	Transfers Out In		Balance at 31st March 2022	Transfers Out In		Balance at 31st March 2023
	£'000	£'000	£'000	£'000	£000	£000	£'000
Capital Programme	1,865	(187)	1,076	2,754	(223)	3,898	6,429
New Homes Bonus	5,412	0	0	5,412	0	0	5,412
Contingency Fund Reserve	2,299	(934)	916	2,281	(221)	150	2,210
Housing Benefit Supported Housing	350	0	550	900	0	564	1,464
Covid-19 Section 31 Business Rates Grants	8,206	(8,206)	3,444	3,444	(3,444)	1,458	1,458
Debt Repayment Reserve	1,283	(283)	500	1,500	(283)	0	1,217
Business Rates Retention Reserve	3,430	(3,017)	3,440	3,853	(4,637)	1,392	608
Regeneration – Multi-Disciplinary Support	0	0	0	0	0	600	600
New Burdens	508	(233)	202	477	(226)	255	506
Local Development Framework (LDF)	265	0	228	493	(1)	0	492
Leisure Pension Reserve	50	0	178	228	0	264	492
Towns Fund Reserve - Pre-Project Delivery Costs	0	0	0	0	(8)	495	487
Housing Benefits	366	0	6	372	0	25	397
Bldg Control Fee Earning Reserve	234	0	68	302	0	65	367
Budget Carry Forward	192	(190)	876	878	(878)	367	367
UKSPF Revenue Grant	0	0	0	0	(70)	384	314
Other Reserves	795	(480)	178	493	(419)	173	247
IT Equipment/Support Reserve	151	(37)	28	142	(22)	100	220
Professional Reserve	177	(95)	168	250	(157)	110	203
Leisure Management	109	0	65	174	0	23	197
MTFS Pressures – Energy	0	0	0	0	0	165	165
Licensing Income Volatility Reserve	132	(68)	90	154	(80)	69	143
Council Elections	39	0	55	94	0	47	141
Disabled Facilities Discretionary Payments Fund	52	0	18	70	(1)	55	124
Housing Options Fund	106	0	0	106	0	0	106
Towns Fund - (Regeneration Interest)	0	0	0	0	0	99	99
Local Strategic Partnership	87	0	0	87	0	0	87
Staffordshire Waste Partnership	48	0	7	55	0	20	75
Car Park Maintenance Reserve	121	(13)	0	108	(40)	0	68
Homelessness Reduction Act Funding Reserve	59	0	0	59	0	0	59
Selective Licensing Reserve	62	(15)	0	47	0	11	58
Safer & Active Communities	51	0	0	51	0	0	51
Prevention Violent Extremism Reserve	51	0	0	51	0	0	51
Levelling Up Fund	0	(4)	125	121	(72)	0	49
<b>Total</b>	<b>26,500</b>	<b>(13,762)</b>	<b>12,218</b>	<b>24,956</b>	<b>(10,782)</b>	<b>10,789</b>	<b>24,963</b>

Further information in relation to the most significant reserves is described below.

**Capital Programme:** Set aside from windfall revenue monies to support the capital programme.

**New Homes Bonus:** Funding set aside to support the budget and financial resilience as part of the approved Medium Term Financial Strategy.

**Contingency Fund:** To support one-off non-recurring items and provide a contingency against unexpected events.

**Housing Benefit Supported Housing:** To provide support for potential backdated Supported Housing costs for which ESBC may become liable.

**Covid-19 Section 31 Business Rates Grants:** Additional reliefs in response to the pandemic were awarded through the Collection Fund in 2021/22 (Retail and Nursery Relief) and 2022/23 (Covid-19 Additional Relief Fund). This Section 31 grant funding from Government will be needed to meet these costs as they flow through from the Collection Fund.

**Debt Repayment Reserve:** Used within the current MTFS to support ongoing debt costs on an annual basis until 2030 (or earlier) until debt matures.

**Business Rate Retention Scheme:** Held against the known risks associated with income volatility from the Business Rates Retention Scheme as well as to support balancing the budget in the medium term, pending the outcome of the proposed central funding reforms. This volatility arises due to appeals, reliefs and government changes that are outside of the Council's control.

**\*Other Reserves (£0.2m):** holds reserves with a balance of less than £49k value as at 31<sup>st</sup> March. This has resulted in an amendment to the comparator figures.

## 10. OTHER OPERATING EXPENDITURE

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Parish Council Precepts	<b>1,310</b>	1,223
Parish Council Tax Support Grant	<b>59</b>	59
(Gains) / losses on disposal of non current assets	<b>(19)</b>	(26)
	<b><u>1,350</u></b>	<u>1,256</u>

## 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable and similar charges	<b>564</b>	569
Interest element of finance leases	<b>0</b>	0
(Gain)/Loss from financial instruments	<b>0</b>	(10)
Revised Impairment of financial instruments	<b>0</b>	(1)
Net Pension Interest Expense	<b>1,167</b>	1,189
Interest receivable and similar income	<b>(1,450)</b>	(65)
Income and expenditure in relation to investment properties and changes in their fair values (note 14)	<b>(3,247)</b>	(957)
(Gain)/Loss on Trading Accounts (note 33)	<b>185</b>	125
	<b><u>(2,781)</u></b>	<u>850</u>

## 12. TAXATION AND NON SPECIFIC GRANT INCOME/EXPENDITURE

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Council tax income	<b>(9,233)</b>	(8,823)
Non domestic rates income	<b>(21,735)</b>	(20,890)
Business Rates Tariff	<b>18,913</b>	18,913
Business Rates - Net Amount to the Pool	<b>926</b>	1,019
Revenue Support Grant	<b>(1)</b>	0
Services Grant	<b>(220)</b>	0
Capital Grants	<b>(11,074)</b>	(1,235)
New Homes Bonus	<b>(1,533)</b>	(1,439)
Small Business Rate Relief	<b>(1,582)</b>	(1,483)
Business Rates Compensation Grant	<b>(2,746)</b>	(3,649)
Business Rates Levy Surplus	<b>(27)</b>	0
Lower Tier Services Grant	<b>(146)</b>	(615)
Covid-19 General Support Grant	<b>0</b>	(645)
Covid-19 Sales Fees and Charges Support	<b>0</b>	(168)
Covid-19 Local Council Tax Support Grant	<b>0</b>	(134)
Covid-19 Council Tax Hardship Fund	<b>(10)</b>	0
Covid-19 Council Tax Hardship Fund Awarded	<b>(7)</b>	0
Covid-19 Discretionary Grants	<b>0</b>	(4,677)
Covid-19 Discretionary Grants Awarded	<b>0</b>	4,677
	<b><u>(28,475)</u></b>	<b><u>(19,149)</u></b>

### 13. PROPERTY, PLANT AND EQUIPMENT

<b>Movements in 2022/23</b>	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure £'000</b>	<b>Community Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
1st April 2022	46,152	7,377	4,055	2,015	254	1,282	<b>61,135</b>
Additions	0	599	28	0	5,949	0	<b>6,576</b>
Revaluations recognised in the Revaluation Reserve	6,301	0	0	0	0	82	<b>6,383</b>
Revaluations recognised in the Provision of Services	(121)	0	0	0	0	0	<b>(121)</b>
Reclassifications	21	108	23	0	(199)	0	<b>(47)</b>
Disposals with NIL Net Book Value	(34)	(667)	(217)	(48)	0	0	<b>(966)</b>
Disposals to I & E	0	0	0	0	0	(940)	<b>(940)</b>
<b>31st March 2023</b>	<b>52,319</b>	<b>7,417</b>	<b>3,889</b>	<b>1,967</b>	<b>6,004</b>	<b>424</b>	<b>72,020</b>
<b>Depreciation and Impairment</b>							
1st April 2022	(1,205)	(3,425)	(2,551)	(1,819)	0	0	<b>(9,000)</b>
Depreciation charge	(1,134)	(714)	(112)	(5)	0	0	<b>(1,965)</b>
Revaluation recognised in the Revaluation reserve	1,666	0	0	0	0	0	<b>1,666</b>
Revaluations recognised in the Provision of Services	0	0	0	0	0	0	<b>0</b>
Disposals with NIL Net Book Value	34	667	217	48	0	0	<b>966</b>
Disposal to I & E	0	0	0	0	0	0	<b>0</b>
<b>31st March 2023</b>	<b>(639)</b>	<b>(3,472)</b>	<b>(2,446)</b>	<b>(1,776)</b>	<b>0</b>	<b>0</b>	<b>(8,333)</b>
<b>Balance Sheet as at 1st April 2022</b>							
	<b>44,947</b>	<b>3,952</b>	<b>1,504</b>	<b>196</b>	<b>254</b>	<b>1,282</b>	<b>52,135</b>
<b>Balance Sheet as at 31st March 2023</b>							
	<b>51,680</b>	<b>3,945</b>	<b>1,443</b>	<b>191</b>	<b>6,004</b>	<b>424</b>	<b>63,687</b>

Comparator figures for 2021/22 are shown on the following page.

<b>Movements in 2021/22</b>	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure £'000</b>	<b>Community Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
1st April 2021	39,970	6,578	4,039	2,190	129	1,275	<b>54,181</b>
Additions	183	3,465	16	-	153	-	<b>3,817</b>
Revaluations recognised in the Revaluation Reserve	4,316	-	-	-	-	7	<b>4,323</b>
Revaluations recognised in the Provision of Services	1,683	-	-	-	-	-	<b>1,683</b>
Reclassifications	-	-	-	-	(28)	-	<b>(28)</b>
Disposals to I & E	0	(2,666)	-	(175)	-	-	<b>(2,841)</b>
31st March 2022	46,152	7,377	4,055	2,015	254	1,282	<b>61,135</b>
<b>Depreciation and Impairment</b>							
1st April 2021	(721)	(6,012)	(2,440)	(1,814)	0	0	<b>(10,987)</b>
Depreciation charge	(1,026)	(79)	(111)	(5)	-	-	<b>(1,221)</b>
Revaluation recognised in the Revaluation reserve	493	-	-	-	-	-	<b>493</b>
Revaluations recognised in the Provision of Services	49	-	-	-	-	-	<b>49</b>
Disposal to I & E	0	2,666	-	-	-	-	<b>2,666</b>
31st March 2022	(1,205)	(3,425)	(2,551)	(1,819)	0	0	<b>(9,000)</b>
<b>Balance Sheet as at 1st April 2021</b>	<b>39,249</b>	<b>566</b>	<b>1,599</b>	<b>376</b>	<b>129</b>	<b>1,275</b>	<b>43,194</b>
<b>Balance Sheet as at 31st March 2022</b>	<b>44,947</b>	<b>3,952</b>	<b>1,504</b>	<b>196</b>	<b>254</b>	<b>1,282</b>	<b>52,135</b>

For the purposes of valuation assets are grouped into classes. Assets within a class are valued at the same time. The table below shows the different classes within the asset net book value totals shown in the table above.

	<b>31<sup>st</sup> March 2023</b>	<b>31<sup>st</sup> March 2022</b>
	<b>£'000</b>	<b>£'000</b>
Other Land and Buildings:		
Car Parks	<b>1,092</b>	962
Cemeteries & Crematorium	<b>474</b>	280
Changing Rooms	<b>458</b>	49
Community Centre	<b>2,821</b>	1,034
Leisure	<b>23,553</b>	21,277
Misc Property	<b>19,510</b>	17,256
Operational Buildings	<b>3,131</b>	3,749
Public Conveniences	<b>641</b>	340
Vehicles, Plant and Equipment	<b>3,945</b>	3,952
Infrastructure	<b>1,443</b>	1,504
Community Assets	<b>191</b>	196
Assets Under Construction	<b>6,004</b>	254
Surplus Assets	<b>424</b>	1,282
	<b>63,687</b>	52,135

### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Other Land and Buildings	10 – 100 years
Vehicles, Plant and Equipment	
Car Park Ticket Machines	15 years
CCTV Cameras	Between 5 and 10 years
Computer Hardware and Software	3 or 5 years
Parking Meters	15 years
Play Equipment	10 years
Recycling Bins	10 years
Organ	50 years
Others	between 2 and 10 years
Infrastructure Assets	
Bus shelters	15 years
Lighting	10 years
High Street/New Street improvements	50 years
Tree planting	100 years
Others, including footpaths, traffic calming, Cycle routes etc.	Between 10 and 25 years
Community and Heritage Assets	
Enhancement of Parks and Open Spaces	10 years
Works of Art and Sculptures	25 or 50 years

### Capital Commitments

The Council has £0.280m in commitments outstanding in relation to capital contracts as at 31<sup>st</sup> March 2023 (2022 £0.705m) of which £0.161m relates to Disabled Facilities Grants.

## Revaluations

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. All valuations have been undertaken by externally appointed valuers, Wilkes Head & Eve Chartered Surveyors\*, with the exception of an element of the investment property in relation to land on Lynwood Road Branston, Burton which has been valued by Salloway Property Consultants. The basis for valuation is set out in the accounting policies.

	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Surplus Assets</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Valued at historical cost	59	3,945	0	<b>4,004</b>
Valued at current value as at 31 <sup>st</sup> March 2023*	51,621	0	424	<b>52,045</b>
<b>Net Book Value at 31<sup>st</sup> March 2023</b>	<b>51,680</b>	<b>3,945</b>	<b>424</b>	<b>56,049</b>
Other Assets (all valued and depreciated, where necessary)				
Infrastructure Assets				<b>1,443</b>
Community Assets				<b>191</b>
Assets Under Construction				<b>6,004</b>
<b>Net Book Value of Assets at 31<sup>st</sup> March 2023</b>				<b>63,687</b>

\*Wilkes Head & Eve, Chartered Surveyors were employed by the Council in March 2023. The carrying value of all valuations have been reviewed and apply their estimations and assumptions in accordance with RCIS methodology. There are a range of valuations of current assets that are undertaken using the DRC (Depreciated Replacement Cost) Method. These valuations are underpinned by estimated rebuild costs. The relevant asset valuations therefore take into account the recent increases in estimated rebuild costs over the past 12 months reflecting the current wider economic circumstances. Assets to a total value of £52.045m were subject to a full inspection which included all assets over £1m.

Since 1 April 2015, the council's surplus properties are valued in accordance with the fair value hierarchy and have been assessed as level 2 (see note 1 xxiv for explanation of level 2). The valuation technique for surplus properties at level 2 uses a market approach which takes into account market conditions, recent sale prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased/sold and the level of observable inputs are significant.



## 14. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement.

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	£'000
Rental income from investment property	<b>(788)</b>	(623)
Direct operating expenses arising from investment property	<b>68</b>	50
Revaluation Changes	<b>(2,526)</b>	(384)
<b>Net (Gain) / Loss</b>	<b>(3,246)</b>	(957)

Movements during the year in relation to Investment Property carrying value are shown in the table below. In line with the Code of Practice, Investment Properties are revalued each year. All valuations have been undertaken by externally appointed valuers, Wilkes Head & Eve Chartered Surveyors, with the exception of the land at Lynwood Road which has been valued by Salloway Property Consultants.

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	£'000
Balance at start of year	<b>10,966</b>	10,554
Reclassifications from Assets under Construction	<b>18</b>	28
Disposals	<b>(80)</b>	0
Net gains/(losses) from fair value adjustments	<b>2,526</b>	384
<b>Balance at Year end</b>	<b>13,430</b>	10,966

### Fair value measurement of investment properties

#### Fair Value Hierarchy

The council's investment property portfolio has been assessed as either level 2 or level 3 for valuation purposes (see note 1 xxiv for explanation of fair value levels). Details are shown in the tables below:

<b>31st March 2023</b>	<b>Quoted prices</b>	<b>Other</b>	<b>Other</b>	<b>Fair Value</b>
Recurring fair value measurements using:	<b>in active markets for identical assets</b>	<b>significant observable inputs</b>	<b>significant Unobservable inputs</b>	<b>31st March 2023</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	£'000	£'000	£'000	£'000
Residential	0	0	0	0
Office Units	0	0	583	583
Commercial units	0	0	9,496	9,496
Other	0	3,227	124	3,351
<b>Total</b>	<b>0</b>	<b>3,227</b>	<b>10,203</b>	<b>13,430</b>

<b>Restated 31st March 2022</b>	<b>Recurring fair value measurements using:</b>	<b>Quoted prices in active markets for identical assets</b>	<b>Other significant observable inputs</b>	<b>Other significant Unobservable inputs</b>	<b>Fair Value 31st March 2022</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
		£'000	£'000	£'000	£'000
Residential		0	0	0	0
Office Units		0	0	307	307
Commercial units		0	75	7,958	8,033
Other		0	2,510	116	2,626
<b>Total</b>		<b>0</b>	<b>2,585</b>	<b>8,381</b>	<b>10,966</b>

### **Transfers between levels of the fair value hierarchy**

Net transfers of £52k have taken place between levels of the fair value hierarchy in 2022/23 in line with changes to the available market information and status of the investment properties concerned. (2021/22 – £0).

### **Valuation Techniques used to determine Level 2 and Level 3 Fair Values for Investment Properties:**

#### Significant Observable Inputs – Level 2

The fair value for investment properties at level 2 has been measured using a market approach which takes into account market conditions, recent sale prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased/sold and the level of observable inputs are significant, leading to properties being categorised as level 2 on the fair value hierarchy.

#### Significant Unobservable Inputs – Level 3

The fair value for investment properties at level 3 has been measured using an income approach taking account available factors such as rent, duration of lease, occupancy and local market conditions. Properties where there is little or no active market are also included here.

### **Highest and Best Use of Investment Properties**

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

### **Valuation Techniques and Process**

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

The fair value of the authority's investment properties is measured annually as at 31 March 2023 remaining valid at each reporting date. All valuations are carried out by an independent external valuer, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers regarding all valuation matters. Further details with regard to investment property valuations and material uncertainties/ estimations can be found in Note 3.

**Reconciliation of Fair Value Measurements (using significant unobservable inputs)  
Categorised within level 3 of the Fair Value Hierarchy**

	<b>2022/23</b>	<b>2021/22</b>
	£'000	£'000
<b>Balance at start of year</b>	<b>8,381</b>	8,205
Transfer into/(out) Level 3	<b>53</b>	0
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value.	<b>1,751</b>	155
Reclassifications from Assets under Construction	<b>18</b>	21
<b>Balance at Year end</b>	<b>10,203</b>	<b>8,381</b>

Gains or losses arising from changes in fair value of the investment property are recognised in the surplus or deficit on the provision of services – financing and investment income and expenditure line.

**Quantitative Information about Fair Value measurement of Investment Properties using Significant Unobservable Inputs – Level 3**

	<b>As at 31st March 2023 £'000</b>	<b>Valuation Technique used to measure fair value</b>	<b>Unobservable inputs</b>	<b>Range (weighted average used)</b>	<b>Sensitivity</b>
Office Units	583	Income	Future rental income/yield	5% -13% (7.2%)	Significant variations in yield will result in a significantly lower or higher fair value
Commercial units	9,496	Income			
Other	124	Income			
<b>Total</b>	<b>10,203</b>				

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.

## 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.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the authority. The useful life assigned to the major software suites used by the authority is generally 5 years.

The carrying amount of these software licences is amortised on a straight line basis.

	2022/23 £'000	2021/22 £'000
<b>Balance at start of year</b>		
Gross Carrying amount	403	403
Accumulated amortisation	(403)	(402)
<b>Net Carrying Amount at start of year</b>	<b>0</b>	1
Reclassifications	28	0
Additions	25	0
Amortisation for Period	0	(1)
<b>Net Carrying Amount at end of year</b>	<b>53</b>	0

## 16. HERITAGE ASSETS

Reconciliation of the carrying value of heritage assets held by the authority is set out below. Valuations are undertaken, as set out below, with the last valuation dated January 2010.

	Ceramics £'000	Art Work £'000	Civic Regalia £'000	Other £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>					
1st April 2010	65	176	60	119	420
Additions - 2011/12	0	95	0	0	95
Impairment recognised prior to 2018/19	0	(11)	0	0	(11)
Additions - 2018/19	0	4	0	0	4
Gross Cost/Valuation	65	264	60	119	508
Depreciation b/f	(15)	(91)	(14)	(30)	(150)
Depreciation in Year	(1)	(7)	(1)	(4)	(13)
Cumulative Depreciation	(16)	(98)	(15)	(34)	(163)
Net Book Value 31/3/2022	50	173	46	89	358
<b>Net Book Value 31/3/2023</b>	<b>49</b>	<b>166</b>	<b>45</b>	<b>85</b>	<b>345</b>

### **Ceramics, Porcelain & Silverware etc.**

The authority's collection of ceramics, porcelain work and silverware is reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.

### **Art Collection**

The authority's art collection includes a number of paintings and bronze figures which are held at both the Town Hall and the Brewhouse as well as a number of sculptures located around the Borough. Paintings are held within the Balance Sheet at insurance valuation, which is based on market values. These are updated periodically. Sculptures are held within the balance sheet at depreciated historic cost.

### **Civic Regalia**

This includes the mayoral chains, mace and stand. These are reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.

### **Other items**

This includes other misc. items including fifty two leaded window panels of past mayors of the Borough from 1880 – 1975. These items are also reported within the balance sheet at insurance valuation, which is based on market values. These insurance valuations are updated periodically.

### **Additions**

During the course of 2018/19 small scale refurbishment work was undertaken on certain sculptures.

The code requires, where practical, the disclosure of information in relation to these assets for the previous 4 years. This is neither practical nor significant in the context of these accounts.

## **17. LONG-TERM DEBTORS**

These are mortgage advances made to previous Council tenants and private individuals under the Housing Act 1958. In addition, following the winding up of the Kickstart programme, loans to households totalling £162k were transferred to the Council and £89k repayments have been received to date. The summary of balance are as follows:

	<b>Balance at 1<sup>st</sup> April 2022</b>	<b>Accrued in Year</b>	<b>Repaid for Year</b>	<b>Balance at 31<sup>st</sup> March 2023</b>
	£'000	£'000	£'000	£'000
Housing Advances	<b>21</b>	-	0	<b>21</b>
Kick Start Loan Portfolio	<b>73</b>	-	-	<b>73</b>
Property, Plant and Equipment - Finance Leases	<b>694</b>	-	-	<b>694</b>
	<b>788</b>	<b>0</b>	<b>0</b>	<b>788</b>

## 18. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments. The following categories of financial instrument are carried in the Balance Sheet:

	Long-Term		Short-Term	
	31 <sup>st</sup> March 2023 £'000	31 <sup>st</sup> March 2022 £'000	31 <sup>st</sup> March 2023 £'000	31 <sup>st</sup> March 2022 £'000
<b>Financial Assets</b>				
at amortised cost				
Investments	3	3	25,301	43,022
Cash and Cash Equivalents	0	0	12,208	6,473
at fair value through profit and loss				
Cash and Cash Equivalents (money market funds)	0	0	18,000	7,925
<b>Total Investments</b>	<b>3</b>	<b>3</b>	<b>55,509</b>	<b>57,420</b>
Financial assets carried at amortised cost				
Debtors	788	788	2,152	2,081
<b>Total Debtors</b>	<b>788</b>	<b>788</b>	<b>2,152</b>	<b>2,081</b>
<b>Total Financial Assets</b>	<b>791</b>	<b>791</b>	<b>57,661</b>	<b>59,501</b>

Excluded from the debtors figure above are Payments in Advance £1.239m (2021/22 £1.030m), HMRC £0.184m (2021/22 £0.201m), Other Government Departments £0.041m (2021/22 £1.396m), Local Authorities £0.211m (2021/22 £0.264m), Collection Fund £2.693m (2021/22 £2.401m), and Collection Fund Bad Debt Provisions - £1.673m (2021/22 - £1.461m).

	Long-Term		Short-Term	
	31 <sup>st</sup> March 2023 £'000	31 <sup>st</sup> March 2022 £'000	31 <sup>st</sup> March 2023 £'000	31 <sup>st</sup> March 2022 £'000
<b>Financial Liabilities</b>				
at amortised cost				
Creditors	0	0	3,987	3,422
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>3,987</b>	<b>3,422</b>
at amortised cost				
Loans	10,490	10,550	568	565
<b>Total Borrowings</b>	<b>10,490</b>	<b>10,550</b>	<b>568</b>	<b>565</b>
Finance Lease Liabilities	0	0	0	0
<b>Total other Long Term Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>10,490</b>	<b>10,550</b>	<b>4,555</b>	<b>3,987</b>

Excluded from the creditors figure above are Receipts in advance £0.516m (2021/22 £0.505m), HMRC £0.175m (2021/22 £0.207m), Government Grants £9.963m (2021/22 £24.391m), Amounts due to Precept Authorities £1.932m, (2021/22 £0.579m), Other Local Authorities £0.825m (2021/22 £1.561m), and Collection Fund £2.138m (2021/22 £1.456m).

An analysis of financial liabilities is shown in note 26 – Borrowing.

## Income, expense, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities		Financial Assets		Total
	31st March 2023	31st March 2022	31st March 2023	31st March 2022	31st March 2023
	£'000	£'000	£'000	£'000	£'000
Financial Assets/Liabilities measured at amortised cost					
Interest expense	<b>565</b>	569	<b>0</b>	0	<b>565</b>
<b>Total expense in surplus or deficit in the provision of services</b>	<b>565</b>	569	<b>0</b>	0	<b>565</b>
at amortised cost					
Interest income	<b>0</b>	0	<b>(1,113)</b>	(56)	<b>(1,113)</b>
Impairment changes	<b>0</b>	0	<b>0</b>	0	<b>0</b>
at fair value through profit and loss					
Interest income (money market funds)	<b>0</b>	0	<b>(338)</b>	(9)	<b>(338)</b>
<b>Total income in surplus or deficit in the provision of services</b>	<b>0</b>	0	<b>(1,451)</b>	(65)	<b>(1,451)</b>
<b>Net loss/(gain) for the year</b>	<b>565</b>	569	<b>(1,451)</b>	(65)	<b>(886)</b>

## Fair Values of assets and liabilities that are not measured at fair Value (but for which fair value disclosures are required)

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms-length transaction. Where liabilities are held as an asset by another party, such as Council borrowing, the fair value is estimated from the holder's perspective.

Financial liabilities and financial assets represented by loans and investments (other than money market fund investments) 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 methodology and assumptions:

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments/receipts in the future in today's terms.

The discount rate used in the NPV calculation should be equal to the current rate in relation to an instrument from a comparable lender. This is the rate applicable in the market on the date of valuation.

The new borrowing rate, as opposed to the premature repayment rate, has been used for PWLB borrowing. The premature repayment rate includes a margin representing the lender's profit on rescheduling loans, which should not be included in the fair value calculation. For comparison purposes this has been included in a footnote to the table.

Accrued interest has been included in the fair value calculation to provide a comparison with the carrying value on the Balance Sheet.

The rates used in the valuation were obtained by Link Assets Services from the market on 31<sup>st</sup> March 2023, using bid prices where applicable. There has been no change in the valuation techniques used during the financial year for the financial instruments.

The fair values calculated are as follows:

	<b>31<sup>st</sup> March 2023</b>		<b>31<sup>st</sup> March 2022</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial liabilities	<b>11,058</b>	<b>11,487*</b>	11,115	12,738*
The fair value is higher than the carrying amount as premia would be payable if loans were prematurely repaid.				

*\*The table above shows the fair value of loan liabilities calculated using the new borrowing rate. By comparison using the premature borrowing rate would give a fair value figure of £11.889m as at 31<sup>st</sup> March 2023 and £13.275m as at 31<sup>st</sup> March 2022.*

In respect of investments (other than money market funds), the carrying amount/amortised cost is deemed to be a reasonable approximation of the fair value.

In respect of the Investments in money market funds – these are included at fair value. The fair value basis adopted for the money market funds is using Level 2 Inputs (i.e. inputs other than quoted prices that are observable for the financial asset/liability).

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

#### **Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value**

	<b>31st March 2023</b>	<b>31st March 2022</b>
	<b>Other significant observable inputs (Level 2)</b>	<b>Other significant observable inputs (Level 2)</b>
	<b>£'000</b>	<b>£'000</b>
<u>Financial Liabilities held at amortised cost</u>		
Loans and borrowings	<b>11,487</b>	12,738
	<b>11,487</b>	12,738



## **19. FINANCIAL INSTRUMENTS RISKS**

### **Nature of Risks**

The Council's activities expose it to a variety of financial risks, with the key risks being:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in factors such as interest rate movements.

### **Procedures for Managing Risks**

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

The Council meeting of 7<sup>th</sup> March 2022 approved and accepted the Treasury Management Strategy Statement and Annual Investment Strategy 2022/23. Actual performance for 2022/2023 is reported in the Annual Treasury Management Report submitted to Council on 3<sup>rd</sup> July 2023.

The Council maintains documented principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These are included in Treasury Management Practices which are a requirement of the Code and are reviewed annually.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers i.e. outstanding debtors. This risk is minimised through the Annual Investment Strategy, which is available on the authority's website. Deposits are not made with banks and financial institutions unless they meet the minimum requirements and do not exceed the limits set in the investment criteria outlined in the Annual Investment Strategy 2022/2023.

The Council uses the creditworthiness service provided by Link Assets Services. This service uses a sophisticated modelling approach with credit ratings from all three agencies – Fitch, Moody's and Standard Poor's, 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 strategy recognises only institutions in Countries with an 'AA' sovereignty weighting, with the UK being the only exception, and reviews all ratings on a regular basis, removing those counterparties that no longer meet the criteria.

The table below highlights all short-term investments held at the 31<sup>st</sup> March 2023.

Balance Sheet 31st March 2022 £	Institution / Account	Principal £	Accrued Interest £	Balance Sheet 31st March 2023 £
-	Bank of Montreal	3,500,000	69,118	3,569,118
-	Rabobank	3,500,000	44,220	3,544,220
1,502,515	Toronto Dominion Bank	3,500,000	28,222	3,528,222
3,502,885	Lloyds	3,500,000	25,562	3,525,562
1,500,322	DZ Bank	3,500,000	18,091	3,518,091
5,005,955	National Westminster Bank (RFB)	3,000,000	40,296	3,040,296
	Royal Bank of Canada	1,500,000	34,356	1,534,356
	National Australia Bank	1,500,000	32,819	1,532,819
3,500,000	Santander	1,500,000	8,151	1,508,151
11,002,877	UK Debt Management	-	-	-
5,500,000	UK Treasury	-	-	-
5,003,877	Basildon Borough Council	-	-	-
5,001,851	Merseyside PCC	-	-	-
1,502,034	Nordea	-	-	-
<b>43,022,316</b>	<b>Total</b>	<b>25,000,000</b>	<b>300,835</b>	<b>25,300,835</b>

Other deposit account investment balances held within the Balance Sheet as cash equivalents, and cash in hand are as follows:

Balance Sheet 31st March 2022 £	Institution / Account	Principal £	Accrued Interest £	Balance Sheet 31st March 2023 £
8,400,747	Uk Debt Management	13,125,000	2,158	13,127,158
4,000,000	CCLA Money Market Fund	6,000,000	-	6,000,000
3,925,000	Insight Money Market Fund	6,000,000	-	6,000,000
-	Federated Money Market Fund	6,000,000	-	6,000,000
59,597	Royal Bank of Scotland	167,972	5	167,977
13	Barclays	-	-	-
-	Cash in Hand	4,600	-	4,600
<b>16,385,357</b>	<b>Total</b>	<b>31,297,572</b>	<b>2,163</b>	<b>31,299,735</b>

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies 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.

### Amounts arising from Expected Credit Losses

#### Investments – Amortised Cost

The Council's Investments (as set out in the tables above) have been classified as Financial Assets at Amortised Cost. Based on historical loss model the expected credit loss is De-Minimis as at 31<sup>st</sup> March 2022 and 2023 (i.e. less than £3k).

#### Debtors/Trade Receivables

In relation to customers the simplified approach has been adopted to calculating the expected credit losses. This amounts to £0.105m as at 31<sup>st</sup> March 2022 and £0.105m as at 31<sup>st</sup> March 2023 (after excluding allowances for statutory Housing Benefits).

## Credit Risk Exposure

The authority has the following exposure to credit risk at 31<sup>st</sup> March 2023:

### Investments/Cash Equivalents

No significant credit losses are expected in respect of the majority of these assets. The administration process relating to Icelandic Bank Investments was finalised during 2021/22.

<b>Gross Carrying Amount 31st March 2022 £'000</b>	<b>Credit Risk Rating</b>	<b>Gross Carrying Amount 31st March 2023 £'000</b>
37,830	Yellow - Up to 5 Years	31,127
5,066	Blue - Up to 1 year	3,208
4,505	Orange - Up to 1 Year	17,227
12,007	Red - Up to 6 months	5,034
(1,985)	No rating (see note 1 below)	(1,084)
<b>57,423</b>		<b>55,512</b>
<u>Balance Sheet:</u>		
3	Long Term Investments	3
43,022	Short Term Investments	25,301
14,398	Cash and Cash Equivalents	30,208
<b>57,423</b>		<b>55,512</b>

Note 1 – This includes £1.091m of credits within the Cash and Cash Equivalents figure due to transactions in the clearing process (see note 23), which would not be subject to credit losses, and £4K cash in hand.

### Debtors/Trade Receivables

The Council does not generally allow extended credit for customers, but some of the current balance is past its due date for payment. The table below demonstrates the outstanding amounts. The simplified approach to credit losses as been applied in respect of these amounts, with allowance for credit losses amounting to £0.105m (2021/22 £0.105m).

<b>Gross Carrying Amount 31st March 2022 £'000</b>	<b>Credit Risk Rating (based on age)</b>	<b>Gross Carrying Amount 31st March 2023 £'000</b>
2,820	Public Sector	1,396
484	Less than 30 days	774
24	30 - 89 days	111
2	90 - 149 days	9
16	150 - 365 days	18
92	Greater than 1 year	88
<b>3,438</b>		<b>2,396</b>

Non-financial assets that have been excluded above include statutory debtors in relation to the collection fund (Council tax and NNDR) totalling £1.001m (£0.940m at 31st March 2022) and also housing benefits of £1.537m (£1.639m as at 31st March 2022), net of allowances for impairment.

## **Liquidity Risk**

The Council 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 Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council 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 Council 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.

All sums owing are due to be paid in less than one year.

## **Re-financing Risk**

This risk relates to both the maturing of longer term financial assets and financial liabilities. The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for longer than one year are the key parameters used to address this risk.

Operational risks are addressed within the approved parameters which include:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council'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 liabilities is shown in note 26.

## **Market Risk**

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, 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. 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 Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. 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.

According to this assessment strategy, at 31 March 2023, if all interest rates had been 1% higher (with all other variables held constant) this would not have a significant impact upon the accounting statements.

The Council has no financial assets or liabilities denominated in foreign currencies.

## 20. STOCKS / INVENTORIES

Stock balances at the end of each year are as follows:

	<b>31<sup>st</sup> March 2022</b>	<b>Expenses</b>	<b>Drawn Down</b>	<b>31<sup>st</sup> March 2023</b>
	£'000	£'000	£'000	£'000
Fuel	55	439	467	27
Other Stock Items	154	356	391	119
	<b>209</b>	<b>795</b>	<b>858</b>	<b>146</b>

## 21. DEBTORS

	<b>31<sup>st</sup> March 2023</b>	<b>31<sup>st</sup> March 2022</b>
	£'000	£'000
<b>Amounts falling due in one year -</b>		
HMRC	<b>185</b>	201
Other Government Departments	<b>41</b>	1,396
Local Authorities	<b>211</b>	263
Collection Fund	<b>2,693</b>	2,401
Other Sundry Debtors	<b>5,227</b>	4,896
	<b>8,357</b>	9,157
Provision for bad debts	<b>(3,528)</b>	(3,246)
	<b>4,829</b>	5,911

### Notes

- a) The majority of this decrease reflects the cessation of the transitional business rates relief grant from central government.
- b) This reflects a reduction in the amounts from other local authorities with regard to the provision of the council's waste services.
- c) Collection Fund debtors include the authority's share of Council Tax and Business Rates Arrears.
- d) The provision for bad debts includes £1.836m (£1.785m in 2021/22) relating to general customer accounts and housing benefit overpayments, £0.662m (£0.603m in 2021/22) relating to the authority's share of outstanding Council Tax and £1.030m (£0.858m in 2021/22) relating to the authority's share of outstanding Business Rates.

## 22. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	<b>31<sup>st</sup> March 2023</b>	<b>31<sup>st</sup> March 2022</b>
	<b>£'000</b>	<b>£'000</b>
Bank current accounts	<b>(1,091) *</b>	(1,988)
Investment deposit accounts	<b>18,168</b>	7,985
Short term deposits of less than one month	<b>13,127</b>	8,401
Cash in Hand	<b>4</b>	0
	<b><u>30,208</u></b>	<u>14,398</u>

\*The Council's bank account was not overdrawn at 31<sup>st</sup> March 2023 or 31<sup>st</sup> March 2022. The negative balance reflects items that are in the process of clearing the Council's bank account.

## 23. CREDITORS

	Note	<b>31<sup>st</sup> March 2023</b>	<b>31<sup>st</sup> March 2022</b>
		<b>£'000</b>	<b>£'000</b>
HMRC	a	<b>175</b>	208
Other Government Departments	b	<b>9,963</b>	24,391
Amount due to Precepting Authorities	c	<b>1,931</b>	578
Other Local Authority Creditors	d	<b>825</b>	1,561
Collection Fund	e	<b>2,139</b>	1,456
Other Sundry Creditors		<b>4,504</b>	5,021
		<b><u>19,537</u></b>	<u>33,215</u>

### Notes

- a) Amounts due in relation to Income Tax, National Insurance and the Apprentice levy.
- b) Other Government Department creditors have reduced due to 21/22 only grants for the Council Tax Rebate Scheme (Energy) of £6.779m and COVID Support Grants of £5,542m. There were also reductions in S31 Business Rates Relief Grants and Housing Benefit Subsidy due.
- c) Amounts due to precepting authorities have increased in line with the position shown in the Collection Fund.
- d) Local Authority creditors decreased due to a reduction in the levy outstanding to the Business Rates Pool.
- e) Reflects the authority's share of business rates and council tax held in advance or owing to rate payers.

## 24. CONSTRUCTION CONTRACTS

At 31<sup>st</sup> March 2023 the council had £0.275m of construction contracts in progress (£0.150m as at 31<sup>st</sup> March 2022).

## 25. PROVISIONS

The following table provides a list of provisions the authority has made at the end of the financial year:

	Note	31st March 2022 £'000	Provisions Made £'000	Provision Reversed £'000	Amounts used £'000	31st March 2023 £'000
West Midlands Pensions	a	12	0	0	(3)	9
Business Rates	b	1,884	111	0	(493)	1,502
Leisure Pensions	c	191	0	(191)	0	0
		<b>2,087</b>	<b>111</b>	<b>(191)</b>	<b>(496)</b>	<b>1,511</b>

a) W M Pensions Liability

The Council has a liability to contribute towards the pension cessation liability associated with West Midlands Councils.

b) Business Rates Appeals

This represents the council's share of a provision for appeals against the individual businesses rateable value that have or it is anticipated will be lodged with the Valuation Office (£1.502m as at 31<sup>st</sup> March 2023). The equivalent figure at 31<sup>st</sup> March 2022 was £1.884m.

c) Leisure Pension Provision

The Council transferred the delivery and operation of leisure services to a third party provider in February 2019. Under these arrangements the provider is an admitted body to the Local Government Pension Scheme. The contractual arrangements mean that the Council acts as guarantor for a number of risks associated with the pension liabilities. The level of this risk has been assessed as at the 31<sup>st</sup> March 2023 with no provision remaining.

## 26. BORROWING

	As at 31 <sup>st</sup> March 2023 £'000	As at 31 <sup>st</sup> March 2022 £'000
<b>Long Term</b>		
<b>Analysis of Loans by Type</b>		
Public Works Loan Board	5,990	6,050
Money Market - LOBOs	4,500	4,500
Total Long Term Borrowing	<b>10,490</b>	10,550
<b>Analysis of Loans by Maturity</b>		
Maturing in 1-2 Years	61	60
Maturing in 2-5 Years	6,701	6,727
Maturing in 5-10 Years	3,723	3,746
Maturing in 10-15 Years	5	17
	<b>10,490</b>	10,550
<b>Short Term</b>		
Public Works Loan Board	156	153
Other Loans	412	412
Total Short Term Borrowing	<b>568</b>	565

## 27. USABLE RESERVES

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement. Further narrative context is set out below:

### General Fund Balance

This is a working balance held against unforeseen events and represents approximately 3% of gross expenditure on the cost of services.

### Earmarked Reserves

These are reserves held by the authority for specific purposes and further detailed information is set out within note 9 to these accounts.

### Capital Grants Unapplied

The capital grants unapplied account holds the grants and contributions received towards capital projects for which the authority is deemed to have met the conditions, as specified by the code of practice, that would otherwise require repayment of the monies but which have yet to be applied to meet capital expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which it can take place. The current balances held are shown in the table below:

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Towns Fund Grant	<b>5,389</b>	1,035
Local Authority Housing Fund	<b>294</b>	0
Section 106 - Developers Deposits	<b>567</b>	0
	<b>6,250</b>	1,035

### Capital Receipts

The Council receives receipts following the agreement to sell its long term assets. These are held within the capital receipts reserve and applied to relevant capital expenditure or repayment of debt in accordance with the approved capital programme and Medium Term Financial Strategy.



## 28. UNUSABLE RESERVES

A breakdown of the unusable reserves is set out in the following tables:

	Note	31 <sup>st</sup> March 2023 £'000	31 <sup>st</sup> March 2022 £'000
Revaluation Reserve	a	<b>33,304</b>	25,924
Capital Adjustment Account	b	<b>30,687</b>	22,545
Financial Instruments Adjustment Account	c	<b>(91)</b>	(122)
Pensions Reserve	d	<b>(5,775)</b>	(44,042)
Deferred Capital Receipts Reserve	e	<b>94</b>	94
Collection Fund Adjustment Account	f	<b>2,301</b>	(554)
Accumulated Absences Account	g	<b>(244)</b>	(245)
		<b>60,276</b>	3,600

### (a) Revaluation Reserve

This was established with an opening balance of zero in 2007/08. The Reserve records as a credit the accumulated gains on the Property, Plant and Equipment held by the Council, arising from increases in value as a result of inflation or other factors. The Reserve is debited with amounts equal to depreciation charged on the revalued part of each asset, or where greater their impairment value and with the carrying amount of any asset sold or otherwise disposed of.

	2022/23 £'000	2021/22 £'000
<b>Balance Brought Forward</b>	<b>25,924</b>	21,794
Revaluation of Fixed Assets	<b>8,050</b>	4,816
In Year Fixed Asset Disposals	<b>0</b>	(125)
Depreciation of Revaluation Gains	<b>(670)</b>	(561)
<b>Balance as at 31st March</b>	<b>33,304</b>	25,924

### (b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with amounts set aside by the authority as financing towards the costs.

The account also contains accumulated gains and losses on Investment Properties. In addition, the account also contains accumulated revaluation gains on Property, Plant and Equipment, before the Revaluation Reserve was created.

	<b>2022/23</b> <b>£'000</b>	<b>2021/22</b> <b>£'000</b>
<b>Balance Brought Forward</b>	<b>22,545</b>	20,074
<u>Capital Financing</u>		
Usable Capital Receipts	<b>413</b>	126
Revenue	<b>292</b>	238
Grants and Contributions	<b>7,021</b>	1,177
Debt repayment from capital receipts	<b>960</b>	100
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Depreciation and Impairment of Fixed Assets	<b>(1,979)</b>	(1,235)
Revaluation Surplus /(Losses) on Property, Plant and Equipment	<b>(121)</b>	1,732
Amortisation of Intangible Assets	<b>0</b>	(1)
Revenue Expenditure Financed from Capital Under Statute	<b>(1,462)</b>	(1,058)
Minimum Revenue Provision	<b>842</b>	497
Voluntary Set-aside for repayment of debt	<b>0</b>	0
Movements in market value of investment properties	<b>2,526</b>	384
Gain or loss on Disposal of Fixed Assets	<b>(1,020)</b>	(175)
<u>Other Movements</u>		
Revaluation Reserve - Depreciation	<b>670</b>	561
Revaluation Reserve - Asset Disposal	<b>0</b>	125
<b>Balance as at 31st March</b>	<b>30,687</b>	22,545

### Financial Instrument Adjustment Account

This account holds the deferred cost of premiums incurred following the restructuring of debt. The balance is charged to the general fund balance within the Movement in Reserves Statement and is detailed in note 8 to the accounts.

	<b>31st March</b> <b>2022</b> <b>£'000</b>	<b>Movements</b>	<b>31<sup>st</sup> March</b> <b>2023</b> <b>£'000</b>
Deferred Premia	(122)	<b>31</b>	<b>(91)</b>
<b>Total</b>	<b>(122)</b>	<b>31</b>	<b>(91)</b>

#### d) Pensions 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 investments returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension 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.

	<b>31<sup>st</sup> March 2023</b>	<b>31<sup>st</sup> March 2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1<sup>st</sup> April</b>	<b>(44,042)</b>	(61,548)
Actuarial gains and (losses) on pensions assets and liabilities	<b>39,646</b>	19,529
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	<b>(4,423)</b>	(4,683)
Employers pension contributions and direct payments to pensioners payable in year	<b>3,044</b>	2,660
<b>Balance at 31st March</b>	<b><u>(5,775)</u></b>	<b><u>(44,042)</u></b>

#### e) Deferred Capital Receipts Reserve

Deferred capital receipts are amounts derived from the sale of assets or from advances made to other bodies, which will be received or be repayable in instalments over agreed periods of time. They mainly arise from mortgages on the sale of council houses and loans inherited from the now defunct Kickstart scheme, which are shown as long-term debtors on the asset side of the Balance Sheet.

	<b>31<sup>st</sup> March 2023</b>	<b>31<sup>st</sup> March 2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1<sup>st</sup> April</b>	<b>94</b>	110
Transfer to the Capital Receipts Reserve upon receipt of cash	<b>0</b>	(16)
<b>Balance at 31st March</b>	<b><u>94</u></b>	<b><u>94</u></b>

#### f) Collection Fund Adjustment Account

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

	<b>31<sup>st</sup> March 2023</b>	<b>31<sup>st</sup> March 2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1<sup>st</sup> April</b>	<b>(554)</b>	<b>(5,843)</b>
Amount by which council tax income collected to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	<b>30</b>	219
Amount by which business rates income collected to the Comprehensive Income and Expenditure Statement is different from business income calculated for the year in accordance with statutory requirements	<b>2,825</b>	5,070
<b>Balance at 31<sup>st</sup> March</b>	<b>2,301</b>	<b>(554)</b>

#### g) Accumulated Absences Account

The 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 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

	<b>31<sup>st</sup> March 2023</b>	<b>31<sup>st</sup> March 2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1<sup>st</sup> April</b>	<b>(245)</b>	<b>(302)</b>
Cancellation of accrual made at end of preceding year	<b>245</b>	302
Amounts accrued at the end of the current year	<b>(244)</b>	<b>(245)</b>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>1</b>	<b>57</b>
<b>Balance at 31<sup>st</sup> March</b>	<b>(244)</b>	<b>(245)</b>

## 29. CASH FLOW STATEMENT – OPERATING ACTIVITIES

Adjustments made to the Net Surplus or deficit on the Provision of Services for non-cash and other movements not relating to operating activities are as follows:

	31 <sup>st</sup> March 2023	31 <sup>st</sup> March 2022
	£'000	£'000
Depreciation	(1,979)	(1,235)
Impairment and revaluations changes	(121)	1,732
Amortisation	0	(1)
Increase/ (decrease) in debtors	320	(896)
(Increase)/decrease in creditors	12,705	3,776
Increase/(decrease) in inventories	(63)	116
Pension liability	(3,129)	(3,475)
Carrying amount of non-current assets sold	(1,020)	(175)
(Increase)/decrease in other provisions	576	683
Increase/(decrease) in value of investment properties	2,526	384
Icelandic Interest/impairment	0	1
<b>Adjustment for non-cash movements</b>	<b>9,815</b>	<b>910</b>
Capital grants credited to income and expenditure account	831	265
Net adjustment from sale of long and short term investments	0	26
Proceeds from sale of Property, plant and equipment	1,040	202
<b>Adjustment for investing and financing activities</b>	<b>1,871</b>	<b>493</b>

The Cash flows for operating activities include the following items:

	31 <sup>st</sup> March 2023	31 <sup>st</sup> March 2022
	£'000	£'000
Interest received	(1,450)	(65)
Interest paid	564	569
<b>Total</b>	<b>(886)</b>	<b>504</b>

### 30. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	<b>31<sup>st</sup> March 2023</b>	<b>31<sup>st</sup> March 2022</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of property, plant and equipment, investment property and intangible assets	<b>6,373</b>	3,817
Purchase of short term and long term investments	<b>266,000</b>	164,300
Proceeds from sale of short term and long term investments	<b>(284,000)</b>	(155,305)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>(1,040)</b>	(202)
Other capital receipts	<b>0</b>	(26)
Other grants and contributions received	<b>(266)</b>	(2,350)
<b>Total</b>	<b><u>(12,933)</u></b>	<b><u>10,234</u></b>

### 31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	<b>31<sup>st</sup> March 2023</b>	<b>31<sup>st</sup> March 2022</b>
	<b>£'000</b>	<b>£'000</b>
Cash payments for the reduction or outstanding liabilities relating to finance leases	<b>0</b>	0
Repayments of short and long term borrowing	<b>57</b>	56
Net (inflow)/outflow from NNDR collected and payable to the authorities	<b>(5,670)</b>	(8,728)
Net (inflow)/outflow from Council Tax collected and payable to the preceptors	<b>(706)</b>	(1,579)
Net (inflow)/outflow from Covid 19 Grants administered by the Council as agents.	<b>5,625</b>	(391)
<b>Total</b>	<b><u>(694)</u></b>	<b><u>(10,642)</u></b>

### 32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

<b>2022/23</b>	<b>1<sup>st</sup> April 2022</b>	Repayments	Acquisition	Non Cash Changes	<b>31<sup>st</sup> March 2023</b>
	<b>£'000</b>	£'000	£'000	£'000	<b>£'000</b>
Long Term Borrowings	<b>10,550</b>	-	-	(60)	<b>10,490</b>
Short Term Borrowings	<b>565</b>	(57)	-	60	<b>568</b>
Lease Liabilities	<b>0</b>	-	-	-	<b>0</b>
<b>Total</b>	<b><u>11,115</u></b>	<b><u>(57)</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>11,058</u></b>

<b>2021/22</b>	<b>1st April 2021 £'000</b>	Repayments £'000	Acquisition £'000	Non Cash Changes £'000	<b>31st March 2022 £'000</b>
Long Term Borrowings	<b>10,607</b>	-	-	(57)	<b>10,550</b>
Short Term Borrowings	<b>565</b>	(56)	-	56	<b>565</b>
Lease Liabilities	<b>0</b>	-	-	-	<b>0</b>
<b>Total</b>	<b>11,172</b>	<b>(56)</b>	<b>0</b>	<b>(1)</b>	<b>11,115</b>

### 33. TRADING ACTIVITIES

The Council operated retail markets in Burton upon Trent during 2022/23, generating rental income from the letting of stalls. Their financial results are set out below:

<b>2021/22</b>				<b>2022/23</b>		
Exp £'000	Income £'000	Deficit £'000		Exp £'000	Income £'000	Deficit £'000
257	(132)	125	Market Undertakings	300	(115)	185
<b>257</b>	<b>(132)</b>	<b>125</b>		<b>300</b>	<b>(115)</b>	<b>185</b>

### 34. EXTERNAL AUDIT SERVICES

During 2022/23 East Staffordshire Borough Council incurred the following fees relating to external audit and Inspection:

	<b>2022/23 £'000</b>	<b>2021/22 £'000</b>
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	<b>74</b>	85
Fees payable to external auditors for the certification of grant claims and returns for the year	<b>23</b>	18
	<b>97</b>	103

### 35. MEMBERS ALLOWANCES

The Council is required to disclose the total of members allowances paid each year.

In 2022/23 a total of £307,762.49 was paid in allowances to elected members, and other expenses reimbursed by the Council including travel and subsistence totalled £5,677.65. Comparative figures for 2021/22 were £285,404.71 and £2,210.85 respectively.

In addition to this, allowances of £910.50 were paid to unelected / independent members with expenses totalling £63.00 (£1,212.00 and £nil in 2021/22).

### 36. OFFICERS' REMUNERATION

The number of employees whose remuneration in the year ended 31<sup>st</sup> March 2023 was £50,000 or more, excluding employers' pension contributions, in £5,000 bands is set out in the table below.

Since 2010 the authority has undertaken significant management restructuring exercises, which has generated significant on-going savings. During 2022/23 a new Interim Head of Regeneration post was created, and a further local government pay award has increased officer pay. As a result of this a number of posts attract salaries above £50,000. The table below includes the Chief Executive and three Heads of Service as well as a number of Senior Managers.

<b>Remuneration Band</b>	<b>2022/23</b> Total Number of Employees	<b>2021/22</b> Total Number of Employees
£50,000 - £54,999	<b>6</b>	6
£55,000 - £59,999	<b>5</b>	3
£60,000 - £64,999	-	-
£65,000 - £69,999	<b>1</b>	1
£70,000 - £74,999	<b>1</b>	-
£75,000 - £79,999	<b>1</b>	-
£80,000 - £94,999	-	-
£95,000 - £99,999	<b>1</b>	1
£100,000 - £104,999	<b>1</b>	1
£105,000 - £134,999	-	-
£135,000 - £139,999	<b>1</b>	1
	<b>17</b>	13

Further details in relation to Senior Officers' remuneration are outlined within the following table. This information is in accordance with statutory regulations which came into effect from 31<sup>st</sup> March 2010 and includes comparator information for 2021/22. The definition used to determine Senior Officers has been taken from the Audit and Accounts Regulations which reference the Local Government and Housing Act 1989, and for this authority includes the three Chief Officers, being the Chief Executive and two Heads of Service, alongside two managers who report directly to the Chief Executive (Head of Paid Service).



## Detailed Information of Senior Officers Remuneration – 2022/23

The authority has generated significant ongoing savings through management re-structuring in prior years. Benefits in Kind figures represent car allowance and mileage payments made to officers using cars to drive for business need. In addition, these figures include costs associated with the car leasing scheme, whereby officers have sacrificed salary in terms of their entitlement to incremental grade progression.

<b>Post holder information</b>	<b>Salary (including fees &amp; allowances) 2022/23</b>	<b>Benefits in Kind (see note above)</b>	<b>Total Remuneration excluding pension contributions 2022/23</b>	<b>Pension contributions</b>	<b>Total Remuneration including pension contributions 2022/23</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Current Chief Officer Positions</u></b>					
Chief Executive	134,749	4,868	<b>139,617</b>	20,482	<b>160,099</b>
Head of Service – Sal Khan	97,461	4,702	<b>102,163</b>	14,814	<b>116,977</b>
Head of Service – Mark Rizk	97,461	767	<b>98,288</b>	14,814	<b>113,042</b>
Interim Head of Regeneration*	74,388	477	<b>74,865</b>	11,307	<b>86,172</b>
<b><u>Other Non-Chief Officers that meet the Criteria in the Regulations<sup>1</sup></u></b>					
Borough Solicitor & Monitoring Officer	65,847	0	<b>65,847</b>	10,009	<b>75,855</b>
SSC Manager (HR OD and Payments)	51,615	0	<b>51,615</b>	8,097	<b>59,712</b>

\*Interim Head of Regeneration post was occupied from 1st May 2022. The post-holders substantive position does not meet the requirements for inclusion in this note, but is included in the Remuneration Band table on the previous page.

<sup>1</sup> The Audit and Accounts Regulations cross reference to the Local Government and Housing Act (Part 1, Section 2 (7)) in relation to the definition of Senior Officers which require disclosure, which incorporates those Officers whose annual salary exceeds £50,000 and report directly into the Head of Paid Service / Chief Executive.

## Detailed Comparative Information of Senior Officers Remuneration – 2021/22

<b>Post holder information</b>	<b>Salary (including fees &amp; allowances) 2021/22</b>	<b>Benefits in Kind (see note above)</b>	<b>Total Remuneration excluding pension contributions 2021/22</b>	<b>Pension contributions</b>	<b>Total Remuneration including pension contributions 2021/22</b>
<b><u>Current Senior Management Roles</u></b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	132,824	4,988	<b>137,812</b>	20,189	<b>158,001</b>
Head of Service - Sal Khan	95,536	4,989	<b>100,525</b>	14,521	<b>115,046</b>
Head of Service - Mark Rizk	95,536	531	<b>96,067</b>	14,521	<b>110,588</b>
<b><u>Other Non-Chief Officers that meet the Criteria in the Regulations<sup>2</sup></u></b>					
Solicitor to the Council & Monitoring Officer*	33,194	0	<b>33,194</b>	4,590	<b>37,784</b>
Borough Solicitor & Monitoring Officer*	4,259	0	<b>4,259</b>	647	<b>4,906</b>
SSC Manager (HR OD and Payments)	51,646	0	<b>51,646</b>	7,850	<b>59,496</b>

\*Note that the incumbent Solicitor to the Council & Monitoring Officer vacated this post on the 3<sup>rd</sup> October 2021, and this post was occupied by the new Borough Solicitor & Monitoring Officer from the 7<sup>th</sup> March 2022.

<sup>2</sup> The Audit and Accounts Regulations cross reference to the Local Government and Housing Act (Part 1, Section 2 (7)) in relation to the definition of Senior Officers which require disclosure, which incorporates those Officers whose annual salary exceeds £50,000 and report directly into the Head of Paid Service / Chief Executive.

### 37. GRANT INCOME

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

The authority has received a number of significant capital grants and contributions that have yet to be recognised as income, as they have conditions attached to them that may require the monies to be returned to the giver if these conditions are not met. These are held in Capital Grants Receipts in Advance within the Balance Sheet, and the balances at year end are as follows:

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Credited to Taxation and non Specific Grant Income</b>		
Revenue Support Grant	(1)	0
Business Rates - Reliefs - Compensation	(1,288)	(3,649)
New Homes Bonus	(1,533)	(1,439)
Small Business Rate Relief	(1,582)	(1,483)
Business Rates Levy Account Surplus	(27)	0
Capital Grants	(11,074)	(1,235)
Lower Tier Services Grant	(146)	(615)
(CARF) Additional Relief Fund Grant	(1,458)	0
Services Grant	(220)	0
Covid 19 Council Tax Hardship Grant	(10)	0
Covid 19 General Support Grant	0	(645)
Covid 19 Sales Fees and Charges Support	0	(168)
Covid 10 Local Council Tax Support Grant	0	(134)
Covid 19 Discretionary Grants	0	(4,677)
	<b>(17,339)</b>	<b>(14,045)</b>
<b>Credited to Services</b>		
NNDR Collection Grant	(167)	(167)
Housing Benefits Administration Grants	(655)	(476)
Housing and Council Tax Benefits Subsidy	(16,504)	(17,490)
New Burdens Grant	(366)	(81)
New Burdens Grant - Covid 19	0	(298)
Disabled Facilities Grant (Capital)	(1,162)	(974)
Towns Fund - Projects (Capital)	0	(152)
Homelessness Grants	(439)	(463)
Next Steps Accommodation Programme	(47)	(41)
Flood Recovery Framework Grant	(59)	(151)
UK Shared Prosperity Fund	(384)	0
Covid 19 Compliance and Enforcement Funding	0	(17)
Covid 19 Re-Opening the High Streets	0	(155)
Levelling Up Fund	(71)	(125)
Contain Outbreak Management Fund	(3)	(116)
Other Grants	(48)	(65)
	<b>(19,905)</b>	<b>(20,771)</b>
<b>Total</b>	<b>(37,244)</b>	<b>(34,816)</b>

	<b>31st March 23</b>	<b>31st March 22</b>
	<b>£'000</b>	<b>£'000</b>
Regional Housing Grant	<b>207</b>	207
Section 106 - Developers Deposits	<b>4,716</b>	4,490
Disabled Facilities Grant	<b>1,707</b>	1,938
Environment Agency Contribution	<b>1,000</b>	1,000
Others	<b>274</b>	4
<b>Total</b>	<b>7,904</b>	<b>7,639</b>

### **38. RELATED PARTY TRANSACTIONS**

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council, and include members, chief officers and close family members of the same household as these individuals. Disclosure of these transactions allows readers to assess the extent to which the council 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.

#### **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 council operates, provides a significant proportion of its funding in the form of grants and prescribes the term of many of the transactions that the authority has with other parties (i.e. council tax bills and housing benefits). Grants received from government departments are largely those set out in note 38 Grant Income and when acting as agent in note 40, with sums due to or from central government set out within the debtors and creditors notes – 21 and 23 respectively.

#### **Members and Officers**

Declarations under section 81 of the Local Government Act 2000 and under the Local Authorities (Model Code of Conduct) (England) Order 2001 are made by members. In addition, members and officers make annual disclosures of their interests to the Council's Monitoring Officer for inclusion in the Register of Members and Officers Interests. Members have to make declarations on individual committee agenda items. Finally a separate declaration has been returned at year-end by members and chief officers.

Based on these key data sources, no material related party transactions have been identified for 2020/2021 or 2021/22 amongst either Members or Chief Officers.

A number of Councillors serve on, or have interests in the following outside bodies which receive or have received some form of financial support from the Council:

#### **2022/23**

East Staffordshire Sports Council  
Uttoxeter Health Community Centre  
Waterside Community Centre

#### **2021/22**

Carver Road Community Centre  
East Staffordshire Sports Council

Payments to these organisations totalled £0.010m, with the most significant payment being a Sport and Leisure Grant of £0.007m to East Staffordshire Sports Council for 2022/2023, compared to total payments of £0.009m for 2021/2022.

In addition a number of councillors and officers serve on the following outside bodies, which have some financial dealings with the Council:

**2022/23**

Carver Road Community Centre  
 Uttoxeter Leisure & Development Co Ltd

**2021/22**

Uttoxeter Health Community Centre  
 Uttoxeter Leisure & Development Co Ltd  
 Waterside Community Centre

No payments were made to the above bodies in 2022/2023, with receipts being £0.039m. This compares to payments of £0.00m and receipts of £0.043m for 2021/2022.

**39. CAPITAL EXPENDITURE AND FINANCING**

The table below demonstrates that there has been a reduction in the capital financing requirement of (£1.465m). The capital financing requirement represents the Council's underlying need to borrow in order to finance capital expenditure that has already been incurred.

	<b>2022/23</b>	2021/22
	<b>£'000</b>	£'000
<b>Opening Capital Financing Requirement</b>	<b>15,791</b>	13,070
<u>Capital Investment:</u>		
Property, Plant and Equipment	<b>6,576</b>	3,817
Intangible Assets	<b>25</b>	0
Revenue Expenditure Financed from Capital Under Statute	<b>1,462</b>	1,058
<u>Sources of Finance:</u>		
Capital Receipts	<b>(413)</b>	(126)
Capital Grants	<b>(7,021)</b>	(1,177)
Revenue/Reserves	<b>(292)</b>	(238)
Minimum Revenue Provision	<b>(842)</b>	(497)
Debt Repayment from Capital Receipt	<b>(960)</b>	(100)
Voluntary Set Aside	<b>0</b>	0
Increase/(Reduction) in Long-term Debtors	<b>0</b>	(16)
<b>Closing Capital Financing Requirement</b>	<b>14,326</b>	15,791
<b>EXPLANATION OF MOVEMENTS IN YEAR</b>		
In year Debt Repayment	<b>(1,802)</b>	(613)
Increase/(Decrease) in underlying need to borrow	<b>337</b>	3,334
	<b>(1,465)</b>	2,721

#### 40. AUTHORITY ACTING AS AN AGENT

During the course of 2022/23 the Council has administered one additional scheme on behalf of Government, and in previous years including during 2021/22 the Council administered a number of grant schemes announced by Central Government as part of the Covid-19 Response. In many cases the eligibility for these grants was set out within government guidance. For each of these schemes the Council has made an assessment as to whether it was acting as Principal or Agent. The main determining factor being the degree to which the Council has control over who receives the funding and associated amounts.

##### Principal

For those schemes in which the Council acted as Principal the respective income and expenditure has been included within the Comprehensive Income and Expenditure Statement.

##### Agent

For those schemes whereby the Council acted as agent the respective grant income and expenditure amounts are excluded from the Comprehensive Income and Expenditure, with the grants awarded and associated Government funding disclosed in the table below, with the difference being held in the balance sheet as a creditor pending further awards the following year or return to Government or where grants have exceeded the funding paid on account a debtor in respect of monies due from Government. As shown in the table below a number of the grant schemes are now complete with monies owed back to Government. At the outset, the government issued Section 31 Grant funding to all Local Authorities based on its own formula. Using the guidance issued by government, the Council identified all potentially eligible ratepayers based on its records at the time. The Council published all schemes extensively following government announcements, issued invitations to eligible ratepayers identified from its records as well as accepting applications from ratepayers not identified as eligible. All applications have been processed by the end of each scheme closing date, and grants have been paid to successful applicants that have satisfied the relevant criteria for each grant.

The unspent amounts are a combination of eligible ratepayers deciding not to apply for grant funding and/or over-funding by Government. A comprehensive reconciliation is completed when requested by government and any unspent funding then returned, in accordance with scheme/funding conditions.

Grant Scheme	Amounts (received) / repaid (from) / to				Net Debtor / (Creditor) Position	
	Grant Payment		Government'			
	2022/23	2021/22	2022/23	2021/22		
	£'000	£'000	£'000	£'000	£'000	
Test and Trace Support Grant - Main	1	0	497	(179)	(239)	0
Local Restrictions Support Grant - Christmas Support Package	2	0	0	0	15	0
Local Restrictions Support Grant - Closed	3	0	212	3,220	0	0
Closed Business Lockdown Grant	4	0	113	2,210	0	0
Restart Grants	5	0	6,353	475	(6,828)	0
Omicron Hospitality and Leisure Grant	6	0	643	515	(1,158)	0
Council Tax Energy Rebate	7	6,493	0	(6,570)	0	(77)
		<b>6,493</b>	<b>7,818</b>	<b>(329)</b>	<b>(8,210)</b>	<b>(77)</b>

## Notes

1. This scheme commenced in 2020/21 and was finalised during 2022/23, with Government reimbursing £179K to the Council.
2. This scheme was delivered in full during 2020/21 with a refund of £0.015m made to Government in 2021/22.
3. This scheme commenced in 2020/21 and was finalised during 2022/23, with the Council repaying £3.220m to Government.
4. This scheme commenced in 2020/21 and was finalised during 2022/23, with the Council repaying £2.210m back to Government.
5. This scheme commenced in 2021/22 and was finalised during 2022/23, with the Council repaying £0.475m back to Government.
6. This scheme commenced in 2021/22 and was finalised during 2022/23, with Council repaying £0.515m back to Government.
7. A total of £6.570m grant funding was received in advance during 2021/22, of which £6.493m of payments were made to eligible households during 2022/23. The scheme is complete and there is an outstanding creditor balance of £77K expected to be repaid to Government during 2023/24.

## 41. FINANCE AND OPERATING LEASE RENTALS

### Authority as Lessee

#### Finance Lease

The authority has no further Property Plant and Equipment finance leases; the last remaining asset acquired was being hired on a daily rate which ceased at the beginning of the 2022.23 financial year. The asset was held in the Balance Sheet at net NIL and has now been written out.

#### Operating Leases

The authority has acquired a small number of vehicles and properties under operating leases.

Future minimum lease payments due under non-cancellable leases in future years are as follows:

	<b>2022/23</b>	2021/22
	<b>£'000</b>	£'000
Not more than one year	<b>54</b>	59
later than one year and not later than five years	<b>194</b>	212
Later than five years	<b>779</b>	844
	<b>1,027</b>	1,115

The expenditure is charged directly to the appropriate line within the Comprehensive Income and Expenditure Statement. In 2022/23 this amounted to **£123,675** (comparator figure for 2021/22 - £232,281).

### Authority as Lessor

#### Finance Leases

The authority has leased out property at Branston Golf Course and Uttoxeter Racecourse on long term finance leases of 125 and 200 years respectively.

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:

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	£'000
Finance lease debtor (net present value of minimum lease payments)	<b>694</b>	693
Unearned finance income	<b>7,492</b>	7,554
<b>Gross investment in the lease</b>	<b>8,186</b>	8,247

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

	<b>Gross Investment in the Lease</b>		<b>Finance Lease Liabilities</b>	
	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Not more than one year	<b>61</b>	61	<b>61</b>	61
later than one year and not later than five years	<b>244</b>	244	<b>244</b>	244
Later than five years	<b>7,881</b>	7,942	<b>7,249</b>	7,249
	<b>8,186</b>	8,247	<b>7,554</b>	7,554

There were no contingent rentals receivable for the period.

#### Operating Leases

The authority leases out property under operating leases for the generation of income to support the budget.

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



	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	£'000
Not more than one year	<b>186</b>	237
later than one year and not later than five years	<b>440</b>	402
Later than five years	<b>4,612</b>	4,703
	<b>5,238</b>	5,342

The future 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.

Income receivable in relation to operating leases was £492,136 in 2022/23 (£483,969 in 2021/22) and this has been included within the Comprehensive Income and Expenditure Statement.

#### **42. IMPAIRMENT LOSSES**

##### **Impairment of Property, Plant and Equipment**

There were no impairment losses during 2022/23 or during 2021/22.

#### **43. TERMINATION BENEFITS AND EXIT PACKAGES**

There were no termination benefits or exit packages paid in 2022/23 and 2021/22.

#### **44. PENSIONS**

##### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pensions Scheme. This scheme is administered locally by Staffordshire County Council. It is a funded defined benefit career average salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The 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 the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee. Further details can be found in the Annual Report published on the Staffordshire County Council Pension Fund website.

The principal risks 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 to the General Fund the amounts required by statute as described in the accounting policies note.

## 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 the council tax is based on the cash payable in the year, so the real costs of post-employment benefits is reversed out of the General Fund 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.

<b>Comprehensive Income and Expenditure Statement</b>	<b>Local Government Pension Scheme</b>	
	<b>2022/23</b> <b>£'000</b>	<b>2021/22</b> <b>£'000</b>
<b>Cost of Services</b>		
Current Service Cost	<b>3,256</b>	3,494
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	<b>1,167</b>	1,189
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,423</b>	4,683
<b>Other Post Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
Return on Plan Assets (excluding the amount included in the net interest expense)	<b>4,846</b>	(10,193)
Actuarial gains and losses arising on changes in demographic assumptions	<b>(938)</b>	(1,601)
Actuarial gains and losses arising on changes in financial assumptions	<b>(51,978)</b>	(8,979)
Other	<b>8,424</b>	1,244
	<b>(39,646)</b>	<b>(19,529)</b>
<b>Total Post Employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(35,223)</b>	<b>(14,846)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(4,423)</b>	(4,683)
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	<b>3,044</b>	2,660
	<b>(1,379)</b>	(2,023)

## Pension Fund Pre-payment

The Council's Pension Fund is subject to triennial reviews by an independent actuary to assess the levels of contributions that will be required. The most recent valuation was undertaken as at 31<sup>st</sup> March 2022. However the 2022/23 accounts include the release of the prepayment which was confirmed in the previous triennial review undertaken as at 31<sup>st</sup> March 2019 which resulted in an overall increase in contribution rates of 2% for the period of 2020/21, 2021/22 and 2022/23. This included employer contribution rates plus a deficit repair lump sum payment. The Council took the option to pay the annual lump sum amounts for the three years to March 2023 as one advance payment of £4.528m. This was paid in April 2020 and reflected a discount of 4% on the nominal sums. Of this lump sum amount, £1.750m has been released during 2022/23 (£1.453m in 2021/22 and £1.325m in 2020/21). The Pension Reserve and the Pension Liability are of equivalent value as at the 31<sup>st</sup> March 2023.

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	<b>Local Government Pension Scheme</b>	
	<b>2022/23 £'000</b>	<b>2021/22 £'000</b>
Present value of the defined benefit obligation	<b>109,538</b>	150,181
Fair Value of Plan Assets	<b>(103,763)</b>	(107,889)
Sub total	<b>5,775</b>	42,292
Other Movements in the liability	<b>0</b>	0
<b>Net liability arising from benefit obligation</b>	<b>5,775</b>	42,292

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

	<b>Local Government Pension Scheme</b>	
	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	<b>107,889</b>	101,545
Interest Income	<b>2,882</b>	2,007
Remeasurement gain/(loss):		
The return on plan assets, excluding the the amount included in the net interest	<b>(4,846)</b>	10,193
Other Experience on Obligations	<b>0</b>	(3,608)
Contributions from employer relating to current year	<b>1,294</b>	1,207
Advance Lump Sum Contributions	<b>0</b>	0
Contributions from employees	<b>483</b>	439
Benefits Paid	<b>(3,939)</b>	(3,894)
<b>Closing fair value of scheme assets</b>	<b>103,763</b>	<b>107,889</b>

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

	<b>Local Government Pension Scheme</b>	
	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance at 1 <sup>st</sup> April	<b>150,181</b>	159,890
Current Service Cost	<b>3,256</b>	3,494
Interest Cost	<b>4,049</b>	3,196
Contributions from scheme participants	<b>483</b>	439
Remeasurement (gains) and losses:		
Actuarial gains/ losses arising from changes in demographic assumptions	<b>(938)</b>	(1,601)
Actuarial gains/ losses arising from changes in financial assumptions	<b>(51,978)</b>	(8,979)
Other	<b>8,424</b>	(2,364)
Past Service Cost	<b>0</b>	0
Benefits Paid	<b>(3,939)</b>	(3,894)
<b>Closing balance at 31<sup>st</sup> March</b>	<b>109,538</b>	150,181

**Local Government Pension Scheme assets comprised:**

	<b>Fair Value of Scheme Assets</b>	
	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Cash & Cash Equivalents	<b>4,067</b>	4,229
Equity Securities:		
Consumer	<b>3,493</b>	3,632
Manufacturing	<b>2,851</b>	2,964
Energy & Utilities	<b>783</b>	814
Financial Institutions	<b>3,718</b>	3,866
Health & Care	<b>3,927</b>	4,083
Information Technology	<b>4,516</b>	4,695
Other	<b>0</b>	0
<b>Sub total equity</b>	<b>19,288</b>	20,054
Bonds:		
Corporate Bonds	<b>6,096</b>	6,338
Government	<b>0</b>	0
<b>Sub total bonds</b>	<b>6,096</b>	6,338
Property:		
UK Property	<b>8,310</b>	8,640
Overseas Property	<b>0</b>	0
<b>Sub total property</b>	<b>8,310</b>	8,640
Private Equity:		
All	<b>5,141</b>	5,346
<b>Sub total equity</b>	<b>5,141</b>	5,346
Other investment funds and unit trusts:		
Equities	<b>49,291</b>	51,252
Bonds	<b>6,494</b>	6,752
Hedge Funds	<b>38</b>	40
Infrastructure	<b>276</b>	287
Other	<b>4,762</b>	4,951
<b>Sub total investment funds</b>	<b>60,861</b>	63,282
<b>Total Assets</b>	<b>103,763</b>	107,889

## Basis for Estimating Assets & 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 dependant on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Staffordshire County Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2022.

The significant assumptions used by the actuary have been:

	<b>2022/23</b>	<b>2021/22</b>
Duration in years of Employers funded obligations as at the date of latest valuation	<b>17.0</b>	20.0
Mortality assumptions:		
Longevity at 65 for current pensioners (years)		
Male	<b>21.2</b>	21.4
Female	<b>24.2</b>	24.3
Longevity at 65 for future pensioners (years)		
Male	<b>21.8</b>	22.2
Female	<b>25.8</b>	25.7
	<b>%</b>	<b>%</b>
Long Term expected rate of return on assets	<b>4.75</b>	2.70
Rate of inflation (CPI)	<b>3.00</b>	3.20
Rate of increase in salaries	<b>3.50</b>	3.70
Rate increase in pensions	<b>3.00</b>	3.20
Rate for discounting scheme liabilities	<b>4.75</b>	2.70

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonable 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 interrelated. 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 method and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

## Impact on the Authority's Cash Flows

	<b>Impact on the Defined Obligation in the Scheme</b>
	<b>2022/23</b>
	£000
0.5% decrease in Real Discount Rate	8,960
1 year increase in member life expectancy	4,382
0.5% increase in the Salary Increase Rate	920
0.5% increase in the Pension Increase Rate	8,170

Staffordshire County Council has agreed a strategy with the fund actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis. Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The last triennial valuation dated the 31<sup>st</sup> March 2022 for English and Welsh LGPS Funds were concluded by 31<sup>st</sup> March 2023.

The overall position shows a net decrease in the pension liability at 31<sup>st</sup> March 2023, due to a small decrease in the current valuations of scheme assets, alongside a more significant decrease in the current valuations of scheme liabilities. The decrease in scheme liabilities is largely due to actuarial gains as a result in changes to financial assumptions, with a significant change in the discount rate for scheme liabilities which have changed from 2.7% as at the 31<sup>st</sup> March 2022 to 4.75% as at the 31<sup>st</sup> March 2023. This serves to decrease the employer's obligations on scheme liabilities over the longer term. These actuarial assumptions are reassessed each year and changes in the assumptions can cause significant changes in the values of the net liability. The most recent triennial review at the 31<sup>st</sup> March 22 considered the long term implications and funding requirements of the pension scheme, and has resulted in increased employer contributions from 2023/24 onwards with the intention of ensuring the scheme remains fully funded.

The authority anticipates payment of £3.062m in expected contributions to the scheme in relation to the financial year 2023/24.

#### Recent Court Cases

##### Guaranteed Minimum Pension (GMP) and McCloud

Guaranteed minimum pension (GMP) rights were accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of the GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

The Fund's actuary has allowed for the impact of full GMP indexation in the calculation of the 31 March 2019 triennial funding valuation results, and the more recent 2022 triennial valuation. Therefore, any financial impact of GMP to the pension obligations are accounted for in the closing balance sheet position.

##### McCloud Judgement

A court ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements (the McCloud case), which has implications for the Local Government Pension Scheme (LGPS).

An allowance has previously been made for McCloud, with no specific further adjustment made to the current service cost this year.

## **45. CONTINGENT LIABILITES**

### **Externally Funded Schemes**

The Council was previously involved as the accountable body in a number of schemes where grants are received from external funding agencies - primarily the European Commission for European Regional Development Fund (ERDF) grant and Advantage West Midlands for Single Regeneration Budget grant. Under the conditions for offer of grant, there is a potential for these bodies to claw-back grants if these conditions are not met, although none are known at present.

### **Municipal Mutual Insurance**

The Scheme of Arrangement was enacted in 2012/13. The liability upon the Council as a scheme creditor cannot be fully estimated at this stage for unknown claims incurred but not yet reported. Whilst the council has considered the financial impact in producing its Statement of Final Accounts there is a risk that the Council's financial liability could increase from this level.

### **Business Rates – Appeals and Reliefs**

The Council has made a provision for NNDR Appeals based on its best estimate of the actual liability as at the year-end in known appeals and an estimate of future appeals against the current 2017 list. These estimates are based on historical data in relation to the level and success of appeals, it is possible that the actual costs may exceed provision based on historical data analysis.

### **Leisure Provision**

On 1<sup>st</sup> February 2019, Sports and Leisure Management Ltd (trading as Everyone Active) took over the management of the Council's Leisure Services.

The staff were transferred by TUPE and SLM are an admitted body to the Staffordshire County Council LGPS Pension Fund. The contractual arrangements mean that the Council is guarantor of pension commitments for these former employees. An assessment has been carried out by management of the risk and potential financial consequences should the Council be called to settle any such liabilities. For 2022/23, the risk has been assessed at extremely low, as the estimates indicate a surplus as at 31<sup>st</sup> March 2023

### **Supported Housing Tribunal**

Following a lengthy process of engagement, two landlords failed to provide the Council with sufficient evidence to support their claims for supported housing and as a result the Council took the decision to cancel the claims. Following the internal review/appeal process, the landlords have decided to dispute this decision and as at 31<sup>st</sup> March 2023 the cases were awaiting tribunal hearings. The Council has strong cases to dispute the claims. It is difficult to assess the potential cost to the Council should the tribunal decide in favour of the landlord due to the fluid nature of individual tenants requiring supported housing, however this could be in the region of £1.5m if it is fully backdated.

## **46. PRIOR PERIOD RESTATEMENT OF SERVICE EXPENDITURE AND INCOME**

Expenditure on services and income disclosed within in the Comprehensive Income and Expenditure Statement is in accordance with the CIPFA Code of Local Authority Accounting in the UK. This requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. During the course of 2022/23 the reporting structure changed to reflect Cabinet Member portfolios therefore the comparative figures for 2021/22 within the Comprehensive Income and Expenditure Statement have been amended to reflect the revised structure and ensure a like for like comparison. This has resulted in the transfer of services between portfolios. This predominantly relates to the transfer of Off Street Parking, Social Regeneration and Community and Civil Enforcement from the Community and Open Spaces service, among others, and the transfer of CCTV from Licensing and Enforcement. The tables below outline the services within each portfolio and the movements (shown in bold) between services.



A number of associated notes have also been re-stated to ensure consistency with the re-stated comparator figures in the Comprehensive Income and Expenditure Statement.

	<b>2021/22</b>		
	Gross Expenditure 2021/22 Statement of Accounts £'000	Adjustments £'000	Gross Expenditure 2021/22 Restated £'000
Legal Services and Assets	480	0	480
Corporate Management Team	580	0	580
Planning and Land Charges	1,141	0	1,141
Human Resources, Payments & Pensions	433	0	433
<b>Leader of the Council and Economic Growth</b>		0	2,634
Arts, Brewhouse and Functions	1,128	0	1,128
Leisure Services	-1,415	0	-1,415
Licensing and Enforcement	510	(83)	427
Strategic Tourism	0	60	60
Off Street Parking	0	1,058	1,058
<b>Tourism and Cultural Development</b>		1,035	1,258
Environmental Health	1,648	0	1,648
Housing	770	0	770
Revenue, Benefits and Customer Contacts	20,290	0	20,290
Community and Civil Enforcement	0	330	330
Partnerships	0	38	38
Social Regeneration	0	107	107
CCTV	0	83	83
<b>Communities and Housing Standards</b>		558	23,266
Community and Open Spaces	4,207	(1,562)	2,645
Environment	6,295		6,295
<b>Environment and Climate Change</b>		(1,562)	8,940
Corporate and Commercial	916	(31)	885
IT and Printing	438	0	438
Financial Services	864	0	864
<b>Finance and Treasury Management</b>		(31)	2,187
Cultural Services - Marketing	103	0	103
Enterprise	571	0	571
<b>Regeneration, Business Support and Marketing</b>		0	674
Non Distributed Costs	0	0	0
External Funding and Holding Accounts	1,077	0	1,077
		0	1,077
	40,036	0	40,036

	<b>2021/22</b>		
	Gross Income 2021/22 Statement of Accounts £'000	Adjustments £'000	Gross Income 2021/22 Restated £'000
Legal Services and Assets	(40)	0	(40)
Corporate Management Team	(18)	0	(18)
Planning and Land Charges	(1,049)	0	(1,049)
Human Resources, Payments & Pensions	(16)	0	(16)
<b>Leader of the Council and Economic Growth</b>		0	(1,123)
Arts, Brewhouse and Functions	(175)	0	(175)
Leisure Services	6	0	6
Licensing and Enforcement	(387)	18	(369)
Strategic Tourism	0	(3)	(3)
Off Street Parking	0	(1,017)	(1,017)
<b>Tourism and Cultural Development</b>		(1,002)	(1,558)
Environmental Health	(1,076)	0	(1,076)
Housing	(492)	0	(492)
Revenue, Benefits and Customer Contacts	(19,409)	0	(19,409)
Community and Civil Enforcement	0	(1)	(1)
Partnerships	0	0	0
Social Regeneration	0	0	0
CCTV	0	(18)	(18)
<b>Communities and Housing Standards</b>		(19)	(20,996)
Community and Open Spaces	(1,434)	1,018	(416)
Environment	(2,031)	0	(2,031)
<b>Environment and Climate Change</b>		1,018	(2,447)
Corporate and Commercial	(19)	3	(16)
IT and Printing	(29)	0	(29)
Financial Services	(36)	0	(36)
<b>Finance and Treasury Management</b>		3	(81)
Cultural Services - Marketing	0	0	0
Enterprise	(342)	0	(342)
<b>Regeneration, Business Support and Marketing</b>		0	(342)
Non Distributed Costs	0	0	0
External Funding and Holding Accounts	(1,062)	0	(1,062)
		0	(1,062)
	(27,609)	0	(27,609)

	<b>2021/22</b>		
	Net Expenditure 2021/22 Statement of Accounts	Adjustments	Net Expenditure 2021/22 Restated
	£'000	£'000	£'000
Legal Services and Assets	440	0	440
Corporate Management Team	562	0	562
Planning and Land Charges	92	0	92
Human Resources, Payments & Pensions	417	0	417
<b>Leader of the Council and Economic Growth</b>		0	1,511
Arts, Brewhouse and Functions	953	0	953
Leisure Services	(1,409)	0	(1,409)
Licensing and Enforcement	123	(65)	58
Strategic Tourism	0	57	57
Off Street Parking	0	41	41
<b>Tourism and Cultural Development</b>		33	(300)
Environmental Health	572	0	572
Housing	278	0	278
Revenue, Benefits and Customer Contacts	881	0	881
Community and Civil Enforcement	0	329	329
Partnerships	0	38	38
Social Regeneration	0	107	107
CCTV	0	65	65
<b>Communities and Housing Standards</b>		539	2,270
Community and Open Spaces	2,773	(544)	2,229
Environment	4,264	0	4,264
<b>Environment and Climate Change</b>		(544)	6,493
Corporate and Commercial	897	(28)	869
IT and Printing	409	0	409
Financial Services	828	0	828
<b>Finance and Treasury Management</b>		(28)	2,106
Cultural Services - Marketing	103	0	103
Enterprise	229	0	229
<b>Regeneration, Business Support and Marketing</b>		0	332
Non Distributed Costs	0	0	0
External Funding and Holding Accounts	15	0	15
		0	15
	12,427	0	12,427

## **A. EVENTS AFTER BALANCE SHEET DATE**

The unaudited statement of Accounts was authorised for issue on 26<sup>th</sup> October 2023. 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 31<sup>st</sup> March 2022, 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 31<sup>st</sup> March 2023 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:

### **Repayment of Market Borrowing – Non adjusting event**

During April 2023 £4.5m of Market Loans due to be repaid during March 2026 were repaid early resulting in an estimated cost saving of £179k over the remaining life of the loans (or on average £60k per annum). This takes into account a significantly reduced premium when compared to the equivalent PWLB premium and the estimated lost investment income from early repayment. This was approved in Executive Decision Record 571/23 and does not change the Council's underlying need to borrow, it simply moves this element from external to internal borrowing.

### **Pension Fund Pre-payment – Non adjusting event**

The Council's Pension Fund is subject to triennial reviews by an independent actuary to assess the levels of contributions that will be required. The latest valuation took place as at 31<sup>st</sup> March 2022 and resulted in no overall increase in contribution rates. This includes employer contribution rates plus a deficit repair lump sum payment. The Council has taken the option to pay the annual lump sum amounts for the three years to March 2026 as one advance payment of £4.3m. This was paid in April 2023 and reflects a discount of 4.6% on the nominal sums.

## **B. DATE FINANCIAL STATEMENTS AUTHORISED FOR ISSUE**

The unaudited accounts were issued on 26<sup>th</sup> October 2023.



# **Collection Fund 2022/23**

**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31<sup>st</sup> March 2023**

2021/22 Council Tax £'000	2021/22 Business Rates £'000	2021/22 Total £'000		2022/23 Council Tax £'000	2022/23 Business Rates £'000	2022/23 Total £'000
<b>INCOME</b>						
(75,096)	-	(75,096)	Council Tax Payers	(79,088)	-	(79,088)
-	(49,950)	(49,950)	Income from Business Ratepayers	-	(53,761)	(53,761)
-	(15,441)	(15,441)	Transfer of Collection Fund Deficit (See Note 1)	-	(6,388)	(6,388)
<b>(75,096)</b>	<b>(65,391)</b>	<b>(140,487)</b>		<b>(79,088)</b>	<b>(60,149)</b>	<b>(139,237)</b>
<b>EXPENDITURE</b>						
Precepts						
51,533	-	51,533	- Staffordshire County Council	54,734	-	54,734
9,036	-	9,036	- Staffordshire PCC	9,709	-	9,709
2,984	-	2,984	- Staffordshire Commissioner Fire and Rescue	3,138	-	3,138
8,568	-	8,568	- East Staffordshire BC	9,065	-	9,065
Business Rates						
-	27,275	27,275	- Payment to Government	-	26,544	26,544
-	4,910	4,910	- Staffordshire County Council	-	4,778	4,778
-	546	546	- Staffordshire Commissioner Fire and Rescue	-	531	531
-	21,820	21,820	- East Staffordshire BC	-	21,236	21,236
-	167	167	- Cost of Collection	-	167	167
Bad and Doubtful Debts						
754	(695)	59	- Provisions	524	432	956
74	129	203	- Write Offs	486	355	841
-	(1,437)	(1,437)	Change in Provision for Appeals	-	(955)	(955)
293	-	293	Transfer of Collection Fund Surplus (See Note 1)	1,171	-	1,171
<b>73,242</b>	<b>52,715</b>	<b>125,957</b>		<b>78,827</b>	<b>53,088</b>	<b>131,915</b>
<b>(1,854)</b>	<b>(12,676)</b>	<b>(14,530)</b>	<b>Deficit/(Surplus) for the Year</b>	<b>(261)</b>	<b>(7,061)</b>	<b>(7,322)</b>
<u>Collection Fund Balance</u>						
119	14,573	14,692	Balance brought forward at 1 April	(1,735)	1,897	162
(1,854)	(12,676)	(14,530)	Deficit/(Surplus) for Year (as above)	(261)	(7,061)	(7,322)
<b>(1,735)</b>	<b>1,897</b>	<b>162</b>	<b>Balance c/f at 31 March</b>	<b>(1,996)</b>	<b>(5,164)</b>	<b>(7,160)</b>
Allocated to						
(205)	759	554	- East Staffordshire Borough Council	(235)	(2,065)	(2,300)
(1,240)	171	(1,069)	- Staffordshire County Council	(1,426)	(465)	(1,891)
(218)	-	(218)	- Staffordshire PCC	(253)	-	(253)
(72)	19	(53)	- Staffordshire Commissioner Fire and Rescue	(82)	(52)	(134)
-	948	948	- Government	-	(2,582)	(2,582)
<b>(1,735)</b>	<b>1,897</b>	<b>162</b>		<b>(1,996)</b>	<b>(5,164)</b>	<b>(7,160)</b>

# NOTES TO THE COLLECTION FUND ACCOUNT

## 1. General

The Collection Fund is an agent's Statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The Statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Business Rates and its distribution to Local Government bodies and the Government.

The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant bodies that precept against the Collection Fund in subsequent financial years. For Council Tax these bodies are Staffordshire County Council, Staffordshire Police and Crime Commissioner (PCC) and Staffordshire Commissioner Fire and Rescue Authority.

A breakdown of the surpluses/deficits is shown in the table below.

Council Tax	Business Rates		Council Tax	Business Rates
2021/22	2021/22		2022/23	2022/23
-	(8,765)	Central Government	-	(3,194)
209	(345)	Staffordshire County Council	837	(575)
36	-	Staffordshire PCC	147	0
12	(155)	Staffordshire Commissioner Fire and Rescue	48	(64)
36	(6,176)	East Staffordshire BC	139	(2,555)
<b>293</b>	<b>(15,441)</b>	<b>Transfer of Collection Fund Surplus / (Deficit)</b>	<b>1,171</b>	<b>(6,388)</b>

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils greater incentive to grow businesses in the Borough. It does, however, also increase financial risk due to non-collection and the volatility of the business rates tax base.

Business Rates surpluses or deficits declared by the billing authority in relation to Collection Fund are apportioned to the relevant bodies in subsequent financial years in their respective proportions.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

## 2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent number of Band D dwellings).

The Council Tax base for 2022/23 was 39,059.2 (37,875.0 in 2021/22). The tax base for 2022/23 was approved by Executive Decision (Ref No. 384.21) on 1<sup>st</sup> December 2021 and was calculated as follows:

<b>Valuation Band</b>		<b>No. of Dwellings after Discounts and Exemptions</b>	<b>Ratio to Band D</b>	<b>Band D Equivalent Dwellings</b>
A	Up to £40,000	15,824	6/9	10,545.4
B	£40,001 to £52,000	10,559	7/9	8,212.8
C	£52,001 to £68,000	8,311	8/9	7,387.2
D	£68,001 to £88,000	6,108	9/9	6,108.1
E	£88,001 to £120,000	4,537	11/9	5,545.0
F	£120,001 to £160,000	2,371	13/9	3,425.1
G	£160,001 to £320,000	1,183	15/9	1,971.9
H	Over £320,000	77	18/9	153.0
		48,970		43,348.5
Less adjustment for council tax support				(3,492.2)
Less adjustment for collection rates and property changes				(797.1)
<b>Council Tax Base for 2022/23</b>				<b>39,059.2</b>

### 3. Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

In 2013/14, the allocation of business rates resources changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to a central pool, local authorities retain a proportion of the total collectable rates due. In the case of East Staffordshire the local share is 40%. The remainder is distributed to the preceptors and in the case of East Staffordshire these are Central Government 50%, Staffordshire County Council 9% and Staffordshire Commissioner Fire and Rescue Authority 1%.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency. As such, authorities are expected to make a provision for these amounts. The total provision at 31<sup>st</sup> March 2023 has been calculated at £3.756m (£4.711m at 31<sup>st</sup> March 2022).

The business rates shares payable to preceptors for 2022/23 were estimated before the start of the financial year and these sums have been paid in 2022/23 and charged to the Collection Fund in year.

The total non-domestic rateable value at 31<sup>st</sup> March 2023 was £141.120m, compared to £139.060m at 31<sup>st</sup> March 2022. The national non-domestic rate multiplier for the year was 51.2p for properties with a rateable value in excess of £51k and 49.9p for properties with a rateable value lower than £51k, this remained the same from the previous year.

The increase in income from Business Ratepayers during 2022/23 reflects the reduction of retail, hospitality and nursery reliefs granted to support business compared to 21/22. The Collection Fund surplus will be shared in accordance with the respective legislative requirements.



#### 4. Provisions for Doubtful Debts and for Valuation Appeals

##### Provision for Council Tax Doubtful Debts

The Collection Fund account provides for doubtful debts on arrears on the basis of prior year experience and current years' collection rates.

	<b>2022/23</b>	2021/22
	<b>£'000</b>	£'000
Balance at 1 <sup>st</sup> April	<b>5,076</b>	4,322
Net Increase/(Decrease) in provision	<b>524</b>	754
<b>Balance at 31<sup>st</sup> March</b>	<b>5,600</b>	5,076

East Staffordshire Borough Councils proportion of this provision is shown below.

	<b>2022/23</b>	2021/22
	<b>£'000</b>	£'000
Balance at 1 <sup>st</sup> April	<b>603</b>	526
Net Increase/(Decrease) in provision	<b>59</b>	77
<b>Balance at 31<sup>st</sup> March</b>	<b>662</b>	603

##### Provision for Business Rates / NNDR Doubtful Debts

The Collection Fund account also provides for doubtful debts on NNDR arrears.

	<b>2022/23</b>	2021/22
	<b>£'000</b>	£'000
Balance at 1 April	<b>2,144</b>	2,839
Net Increase/(Decrease) in provision	<b>432</b>	(695)
<b>Balance at 31<sup>st</sup> March</b>	<b>2,576</b>	2,144

East Staffordshire Borough Councils proportion of this provision is shown below.

	<b>2022/23</b>	2021/22
	<b>£'000</b>	£'000
Balance at 1 <sup>st</sup> April	<b>858</b>	1,136
Net Increase/(Decrease) in provision	<b>172</b>	(278)
<b>Balance at 31<sup>st</sup> March</b>	<b>1,030</b>	858

#### **NNDR – Provision for Appeals/Reliefs**

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the valuation Office Agency (VOA) not settled as at 31<sup>st</sup> March 2023.

	<b>2022/23</b>	2021/22
	<b>£'000</b>	£'000
Balance at 1 <sup>st</sup> April	<b>4,711</b>	6,148
Net Increase/(Decrease) in provision	<b>(955)</b>	(1,437)
<b>Balance at 31<sup>st</sup> March</b>	<b>3,756</b>	4,711

East Staffordshire Borough Councils proportion of this provision is shown below.

	<b>2022/23</b>	2021/22
	<b>£'000</b>	£'000
Balance at 1 <sup>st</sup> April	<b>1,884</b>	2,459
Net Increase/(Decrease) in provision	<b>(382)</b>	(575)
<b>Balance at 31<sup>st</sup> March</b>	<b>1,502</b>	1,884

# **Independent Auditors Report**

## Independent auditor's report to the members of East Staffordshire Borough Council

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements of East Staffordshire Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements. 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

#### Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

#### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

#### Responsibilities of the Authority and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 Chief Finance Officer. The Chief Finance Officer 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, and the risk of fraud in revenue and expenditure recognition. We determined that the principal risks were in relation to manual journal entries posted as part of the year end close down process. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on high value manual journals posted around the year end,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuations of land and buildings and investment property, and the valuation of the pension fund net liability, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including potential for fraud in revenue and expenditure recognition or significant accounting estimates related to land and buildings, investment property and the pension fund net liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFALASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

## **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- **Financial sustainability:** how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:** how the Authority ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:** how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of East Staffordshire Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Smith, Key Audit Partner

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

Birmingham

23 April 2024



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# **Glossary of Terms**

# GLOSSARY OF TERMS

## **Accounting Concepts**

The fundamental accounting principles that are applied to ensure that the Statement of Accounts present a true and fair view of the financial performance and position of the local authority.

## **Accounting Policies**

Accounting policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the authority that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy, for example, will specify the estimation basis for accruals where there is uncertainty over the amount.

## **Accruals**

Sums included in the accounts to recognise revenue and capital expenditure and income incurred or earned in the financial year, but for which actual payment had not been made or received as at 31 March (see Creditors and Debtors).

## **Amortisation**

This is a charge made to the service revenue accounts each accounting period to reflect the reduction in the value of the intangible assets used in the delivery of services.

## **Asset**

An item having value measured in monetary terms. Assets can be defined as non-current or current. A non-current asset has a value for more than one year (for example a building or long-term investment). A current asset can be readily converted into cash (for example stocks or short term debtors).

## **Audit of Accounts**

An independent examination of the council's financial statements.

## **Balances**

The total level of funds the Council has accumulated over the years, which form part of the Council's reserves.

## **Balance Sheet**

A statement of the recorded assets, liabilities and other balances of the Council at the end of the financial year.

## **Billing Authority**

A council that has the power to set and collect council tax.

## **Budget**

The spending plans of the Authority over a specific period of time - generally the financial year, 1st April to 31 March.

## **Capital Adjustment Account (CAA)**

An unusable reserve which is charged with the historic cost of creating or enhancing non-current assets over the life of those assets. This account also contains the appropriations needed to ensure that any depreciation or impairment losses debited to the Comprehensive Income and Expenditure Statement do not impact on the level of local taxation.

## **Capital Expenditure**

Expenditure on the acquisition of a fixed asset, or which adds to the life or value of an existing fixed asset.

## **Capital Receipts**

Income received from the sale of assets and from the repayment of grants and loans made by the Council. Capital receipts may be used to finance new capital expenditure or to repay loan debt.

## **Cash Equivalents**

Short term highly liquid investments that are convertible into cash within 24 hours and are subject to insignificant risk of changes in value. Cash equivalents are investments that mature in three 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.

## **CIPFA**

The Chartered Institute of Public Finance and Accounting is the professional body for accountants working in Local Authorities.

## **Collection Fund**

A separate account which records receipts of Council Tax and Business Rates. Payments to the Council and other authorities are shown.

## **Community Assets**

Assets which the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their

## GLOSSARY OF TERMS

disposal. Examples of community assets are parks and historic buildings.

### **Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Creditors**

Amounts owed by the Council for works done, goods received or services provided within the financial year, but for which payment has not been made at the end of the financial year.

### **Debtors**

Amounts owed to the Council for works carried out, goods provided or services rendered within the financial year, but for which payment has not been received at the end of the financial year.

### **Deferred Credits**

Are deferred capital receipts, which are amounts derived from the sale of assets which will be received in instalments over agreed periods of time.

### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

### **Earmarked Reserve**

A sum set aside for a specific purpose.

### **Emoluments**

All sums paid to or receivable by an employee, including the money value of any non-cash benefits.

### **Events after the Balance Sheet Date**

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed for issue by the Chief Finance Officer.

### **Fair Value**

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **Fees and Charges**

Income arising from the provision of services e.g. the use of leisure facilities.

### **Finance Lease**

A lease that transfers all the risks and rewards of ownership of a fixed asset to the lessee.

### **Financial Instrument**

Any contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another equity.

### **Financial Year**

The period of time to which the Statement of Accounts relates. The financial year of the Council is from 1 April to 31 March.

### **General Fund**

The account which records the cost of all Council services except those shown in the Collection Fund.

### **Government Grants**

Grants made by the government and other bodies towards either revenue or capital expenditure, in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

### **Gross Expenditure (Total Cost)**

Gross expenditure includes expenditure relating to employees, premises, transport, supplies and services, third party payments, transfer payments, support services and capital charges including depreciation.

### **IAS**

International Accounting Standard

### **IFRS**

International Financial Reporting Standards.

### **Impairment**

A reduction in the value of a fixed asset to below the amount it is included on the balance sheet.

### **Income and Expenditure Account**

This statement reports the net cost for the year of all the functions for which the authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

### **Infrastructure Assets**

Assets belonging to the Council which cannot be transferred or sold and therefore their cost is only recoverable by continued use of the

# GLOSSARY OF TERMS

asset created. Examples are highways and footpaths.

## **Intangible Assets**

Represents expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (e.g. computer software licences).

## **Investments**

The lending of surplus revenue balances to provide additional income in the form of interest received.

## **Investment Properties**

Are held by the Council for investment purposes (income generation or capital value appreciation) only and cannot be classified as any other type of asset.

## **LASAAC**

Local Authority Scotland Accounts Advisory Committee.

## **Liabilities**

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

## **Materiality**

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

## **Minimum Revenue Provision (MRP)**

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP).

## **National Non-Domestic Rates (NNDR)**

Are nationally set rates levied on business properties and therefore known as business rates. The Council collects these rates and under the Business Rates Retention Scheme this is shared 50% to central government, 40% to East Staffordshire Borough Council, 9% to the County Council and 1% to the Fire Authority.

## **Net Book Value**

The amount at which fixed assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

## **Net Current Replacement Cost**

Cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

## **Net Expenditure**

Net expenditure is gross expenditure less income from grants, contributions, sales, fees and charges, rents and recharges.

## **Net Realisable Value**

Open market value of an asset in its existing use, less the expenses to be incurred in realising the asset.

## **Non-Operational Assets**

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets surplus to requirements and awaiting sale or redevelopment.

## **Operating Lease**

The ownership of the asset remains with the leasing company who charge an annual rental.

## **Operational Assets**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## **Post Balance Sheet Events**

Material events which can be either favourable or unfavourable which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

## **Precepts**

Amounts which the Council is required to collect as council tax on behalf of other authorities.

## **Prior Period Adjustments**

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring conditions or adjustments of accounting estimates made in prior years.

## **Provisions**

Amounts set aside to meet liabilities which are likely to be incurred, but where the amount and date on which they will arise is uncertain.

## GLOSSARY OF TERMS

### **Prudence**

The concept that income is not anticipated but is recognised only when realised in the form of cash or other assets and which can be assessed with reasonable certainty.

### **Public Works Loan Board (PWLB)**

Central Government Agency which lends money to local authorities, usually at interest rates which are more favourable than those found elsewhere.

### **Related Party**

Two or more parties are related where one party has control or is able to influence the financial or operational policies of another.

### **Residual Value**

The net realisable value of an asset at the end of its useful life.

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure which may properly be incurred, but does not result in an asset owned by the council. Examples of these are expenditure on items such as improvement grants.

### **Revenue Expenditure**

Expenditure on the day-to-day running of the Council, such as employee costs and supplies and services.

### **Revenue Support Grant (RSG)**

A grant paid by Central Government towards the cost of providing services.

### **Stocks**

The value of items purchased for use on a continuing basis, but which have not been used at the balance sheet date.

### **Tangible Fixed Assets**

Tangible assets that yield benefits to the council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

### **Triennial Revaluation**

A formal review of the pension fund which occurs every 3 years and is undertaken by the scheme actuary.

### **TUPE**

Transfer of Undertakings (Protection of Employment) Regulations.

### **Useful Life**

Period over which the Council will derive benefits from the use of a fixed asset.

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# **Annual Governance Statement**



# ANNUAL GOVERNANCE STATEMENT 2022/23

## 1. SCOPE OF RESPONSIBILITY

East Staffordshire Borough Council (ESBC) 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. ESBC also has a duty under the Local Government Act 1999 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, ESBC 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.

ESBC 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 code can be found on our website, or can be obtained from the Corporate and Commercial Team. The statement explains how ESBC has complied with the code, and also meets the requirements of The Accounts and Audit Regulations 2015, regulation 6(1)(b), which requires all relevant bodies to prepare an annual governance statement.

## 2. 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 accounts 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 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 ESBC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at ESBC for the year ended 31st March 2023 and up to the date of approval of the annual report and statement of accounts.

## 3. THE GOVERNANCE FRAMEWORK

ESBC operates a number of systems and processes that comprise the authority's governance arrangements including:

- The clear statement of corporate objectives in the Corporate Plan and Service Plans, with the monitoring of achievement of corporate objectives via quarterly monitoring at the Corporate Management Team, Cabinet and the three Scrutiny Committees. The Corporate Plan, and Service Plans, are reviewed annually. Communication with respect to the Corporate Plan is carried out with key stakeholders externally and through internal communications. Service Plans are communicated through internal communications and via the employee appraisal process;
- The effective facilitation and operation of policies and decision-making processes including Cabinet and Scrutiny Committees, the Council's Constitution and delegated decision making powers. The Constitution sets out how the Council operates and the procedures which are followed to enable transparent and accountable decisions to be made by the Cabinet. Scrutiny Committees provide the opportunity for independent Member review of Cabinet decisions and

Council services and meetings are open to the public except where confidential matters are being disclosed. In addition, delegated decision making authority is given to senior officers in certain circumstances outlined in the Council's Constitution. The Council publishes a Forward Plan containing details of future key decisions to be made by the Council;

- The operation of the statutory officer roles of Head of Paid Service (Chief Executive), Chief Financial Officer and Monitoring Officer, having specific responsibility for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer has the authority to report to Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration, thereby stopping the proposal or decision being implemented until the report has been considered;
- The statutory officers have the statutory duty to report to all the local authority's Elected Members if there is or is likely to be unlawful expenditure or an unbalanced budget set;
- The Council's procedure rules, and scheme of delegation are contained within the authority's Constitution. The constitution is reviewed on a regular and ongoing basis, with recommendations regarding changes and improvements being made to full Council;
- Effective financial management of the Council is conducted in accordance with Financial Regulations as Appended to Part 4 of the Constitution and appropriate professional standards, under the responsibility of the Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. This includes comprehensive budget setting processes and budgetary control systems, clearly defined capital expenditure guidelines and regular reporting mechanisms to Services and Members including quarterly and annual financial reports that indicate financial performance against forecasts. The Council has introduced a reporting mechanism to demonstrate the relationship between financial and operational performance. The Council has in place an annually updated financial plan in line with Central Government's funding policy and aligned with the authority's Corporate Plan;
- The Council maintains an Internal Audit Service, which operates to the Public Sector Internal Audit Standards;
- The Council has a formally constituted Audit Committee which is responsible for providing independent assurance on the adequacy and effectiveness of the authority's control environment;
- The Council has positions for two independent members to reside on the Audit Committee;
- The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Report;
- There is a robust risk management approach which is considered and overseen by the Audit Committee. This enables the Council to identify, and take appropriate action to mitigate against or eradicate significant risks to the Council's objectives in line with the requirements of the Council's Risk Management Strategy. This approach is continually being developed, maintained and embedded through the proactive participation of all services, which strengthens the links between risk management and audit;
- Corporate review of services, processes and procedures to ensure the economical, effective and efficient use of resources, combined with target setting and monitoring via a performance management framework designed to secure continuous improvement in the way in which its services are delivered;
- Services are delivered by suitably trained and experienced staff, all posts having detailed job descriptions and person specifications while training and development needs are identified through a staff appraisal scheme which ensures that objectives and targets are clear and agreed;

- The adoption and use of PRINCE2 methodology to ensure the effective and ultimately successful management of projects. This, combined with the regular meeting of the Business Assurance Group (BAG), enables the Council to proactively monitor and appraise appropriate projects;
- A comprehensive performance management and benchmarking framework including regular reporting to senior officers and Members through to Cabinet;
- An effective approach to engaging with local people and other stakeholders through partnership arrangements, electronic channels such as the website, e-mail, e-newsletters and social media, and through stakeholder engagement forums such as those undertaken for the Resident's Survey, Uttoxeter Master Plan and the Stronger Towns Fund. We also commissioned a 'Place Narrative' for marketing the local area for inward investment.
- A customer feedback scheme for the public to make complaints, comments, compliments and constructive criticism about any aspect of the Council's services, which is used to improve services;
- The Council's whistle-blowing policy enables the authority to receive and investigate alleged incidences of malpractice or illegal activities. The policy is reviewed and updated on a regular basis, and allows for staff, members, partners, public and other stakeholders the opportunity to report such instances of malpractice or illegal activity. The policy is widely publicised, and is effectively communicated to the aforementioned stakeholders;
- Appropriate governance arrangements are put in place for each of the partnerships the authority is involved with and relevant partnerships are reviewed;
- Developing the capacity and capability of Members in order to improve and become more effective, and also ensure that officers (including statutory officers) have the capability and capacity to deliver efficiency; and
- 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. By doing so, the Authority is able to demonstrate that the core principles are adhered to and achieved.

#### **4. REVIEW OF EFFECTIVENESS**

ESBC 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 senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

In practice, this review of the effectiveness of the system of internal control is an ongoing process incorporating the various elements described above. This review has carried out throughout 2022/23 and encompassed the following:

- The ongoing review of existing corporate policies and production and approval of new or revised policies and procedures in accordance with best practice. This included a refreshed Treasury Management and Annual Investment Strategy, an updated Medium Term Financial Strategy, a revised Procurement Policy, an update to the Anti-Social Behaviour Procedure, a revised Domestic Abuse Strategy and an Options Appraisal of the potential for shared services. A revised Risk Management Policy was also drafted during the year which will be approved in 2023/24.

- The Council responded to the 2021 Local Government Association Corporate Peer Challenge's recommendations in November 2022. The Peer Challenge Team's feedback was that the Council's response was very positive.
- The ongoing review of the Council's Constitution by Members and Senior Officers of the Council;
- The continued operation of clear policy and decision making through Cabinet and Regulatory Committees and review and challenge through Scrutiny Committees;
- The Scrutiny (Value for Money Services) Committee, Scrutiny (Community Regeneration Committee and Scrutiny (Environment and Health and Wellbeing) Committee completed reviews into Station Street Refurbishment Project, Burton Jobs Fair and Business Springboard Boost, Uttoxeter Sports Hub, Homelessness, White Ribbon Campaign, the Mayoralty Function, Disability Facility Grants and a basic review of the Council's ICT Infrastructure and Systems. A review was also initiated to look at Civil Enforcement.
- Formal reporting mechanisms to members to review and monitor the work of the Internal Audit Service through reports to the Audit Committee, including an annual report containing an opinion statement on the overall adequacy and effectiveness of the Council's internal control environment;
- The development of the authority's chosen internal audit supplier, CW Audit, and implementing advice and guidance;
- The Audit Committee also, as part of its terms of reference, approves and/or recommends changes to the Annual Governance Statement, and reviews its content and effectiveness on an annual basis;
- The Audit Committee has received training and briefing sessions to support with its effectiveness;
- The Standards Committee is responsible for the Council's ethical framework, and works closely with the Monitoring Officer. Issues covered by the Committee's terms of reference include member conduct and ethical standards;
- There have been quarterly formal reports being considered by Cabinet which focus on both Corporate Plan and Financial Performance;
- The Audit Committee received and reviewed the quarterly financial performance reports which cover the revenue budget, capital programme, treasury management and risk management;
- The Scrutiny (Value for Money Services) Committee, Scrutiny (Community Regeneration Committee, Scrutiny (Environment and Health and Wellbeing) Committee received and reviewed quarterly corporate plan performance reports as well as reviewing all Executive Decision Records that have been taken by the Council's Cabinet Members;
- The Leisure Operating Contract (LOC) states that a Partnership Board shall be maintained throughout the Contract Period, consisting of five representatives of the Authority comprising the Leader of the Council, Deputy Leader (Leisure, Amenities & Tourism), Chief Executive, Head of Service and Corporate & Commercial Manager on behalf of the Council and the Regional Director, Area Manager and Contract Manager on behalf of the Operator. This is chaired by the then Cabinet Member (Leisure, Amenities & Tourism) and supports the partners to work cooperatively with each other to discharge their respective responsibilities under the LOC and to provide strategic direction for the provision of the services and the operation of the Facilities.
  - Regarding the Council's leisure services, a significant outsourced contract, the delivery of this partnership has continued to be managed closely on an ongoing basis and detailed performance reports presented quarterly to senior officers and elected Members, including the Scrutiny (Value for Money Services) Committee.

- The Council and its leisure operating partner have continued to work closely to manage the impact of COVID-19 and the increased cost of energy, the service and the contract, agreeing appropriate interim arrangements for support utilising appropriate government funding to minimise the impacts on leisure provision.
- The Council's ICT infrastructure and security arrangements remain robust and the ICT infrastructure remains patched and up to date to current standards, verified and backed up by regular vulnerability scanning and external penetration testing
- In March 2022 the Council submitted the required project documentation to the Department for Levelling Up, Housing and Communities as required by the Heads of Terms for four projects contained within the original Burton upon Trent Town Investment Plan (December 2020). The Council was awarded £23.8M later in the year the subsequent programme of work was initiated.
- In March 2023 formal assurance had to be provided to DLUHC to state that "the Council had processes in place to ensure proper administration of financial affairs relating to the funded projects". A positive statement was provided following an independent review of the processes by CW Audit on behalf of the Council's CFO.
- Internal Audit's review of services and functions based on a risk assessed audit plan, in order to provide an independent opinion on the adequacy and effectiveness of the system of internal control.
- Internal Audit's presence and participation on appropriate Council projects in order to provide additional assurance;
- There are regular review meetings that are held with external auditors and the Council's Chief Finance Officer and Chief Accountant;
- There are regular meetings that are held between the Head of Internal Audit and the Chief Accountant;
- There are regular meetings between the Council's three statutory officers to discuss risk and governance;
- The Council approved its Medium term Financial Strategy for 2023/24 to 2025/26 in February 2023.
  - As well as supporting the continued delivery and improvement of our existing services, it made provision for significant investment in the Borough and was prepared following extensive discussion between Chief Officers, Managers and leading Members.
  - It acknowledged that both demand for supported housing the planned reforms to local government finance as well as the current economic conditions has created a high degree of uncertainty within our financial planning. Nevertheless, the budget was balanced for the three year period pending the outcome of the local government reforms and supported housing disputes, whilst acknowledging that ongoing savings will be needed in the medium term in order to maintain financially sustainable.
  - The Council has a robust underlying financial position which provides a strong foundation of financial resilience during these unprecedented times.

**5. SIGNIFICANT GOVERNANCE ISSUES**

During the 2022/23 financial year no significant governance issues arose.

However, the challenges brought on by the cost of living implications which were effectively managed throughout 2022/23 will continue to be closely monitored and any associated impacts will be responded to appropriately.

We propose that we continue to maintain the level of governance at the authority, whilst striving to improve wherever we can.

Signed: .....

Leading Member on behalf of East Staffordshire Borough Council

Signed: .....

Chief Executive on behalf of East Staffordshire Borough Council