Tamworth Borough Council

Statement of Accounts 2018/19

Tamworth
Borough Council

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STATEMENT OF ACCOUNTS
2018/19
Contents

THE NARRATIVE REPORT

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

The statement of accounts presents the financial position and performance of the Authority for the year ended 31st March 2019. This narrative report describes the nature and purpose of each of the statements which follow and highlights the most significant matters which are contained within the accounts and the major influences affecting the Authority's income, expenditure and cash flows.

THE FINANCIAL STATEMENTS

The Annual Statement of Accounts for the year ended 31st March 2019 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2018/19.

The Code is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board.

The Authority's accounts for 2018/19 are set out on pages 22 to 133 and consist of the following:

Core Financial Statements:

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

  A surplus of £6.6m is reported for 2018/19 (£15.7m surplus 2017/18). This is mainly explained by a £9.1m gain on Revaluation of Property, Plant and Equipment Assets as well as a surplus on the provision of services of £3.2m.

  It also included a re-measurement of the Net Defined Benefit Liability relating to the pension fund which resulted in a deficit of £5.7m (a surplus of £2.1m was reported in 2017/18) resulting mainly from financial assumption changes.

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

  The Movement in Reserves Statement shows a net General Fund deficit of £0.8m for the year. This equates to a favourable variance of £2.3m compared to the planned transfer from balances in the original budget at the start of the year of £3.1m and has resulted in General Fund Balances of £6.1m (£6.9m – 2017/18). Earmarked General Fund Reserves have increased by £2.1m to £8.0m resulting in total General Fund Reserves of £14.1m (£12.8m – 2017/18) and reflect the risks and uncertainties facing the Authority over the medium term.

- **Balance Sheet:** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are £191.1m (£184.4m 2017/18) which are matched by the reserves held by the Authority.

Key items are:

Long Term Assets

The Authority holds property, plant and equipment assets of £210.2m (£193.5m 2017/18) – mainly due to Council dwellings of £178.0m (£171.8m 2017/18).

Working Capital

Net working capital has reduced to £53.7m (£58.7m 2017/18) mainly due to the receipt of £8.0m during 2018/19 under the deferred payment arrangement relating to the income from the sale of the former Golf Course (previously a short term debtor).

Provisions, Usable Reserves and Balances

The working balances as at 31st March 2019 are £60.2m (£59.0m 2017/18) and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

31st March 2018 £000	Provisions, Usable Reserves and Balances	31st March 2019 £000
1,545	Provisions	1,815
21,460	Earmarked Reserves	24,411
13,742	Revenue Balances	10,598
22,301	Unused Capital Receipts & Grants	23,409
59,048	Total Working Balances	60,233

Working balances of £41.1m (£37.8m 2017/18) relate to capital (including the Capital Reserve of £14.7m). Deferred capital expenditure of £40.3m from 2018/19 and previous years carried forward to 2019/20 will be financed in part from these balances (£27.3m 2017/18).

Borrowing Facilities

The Authority borrows funds where necessary to meet both long term capital expenditure commitments and short-term cash flow demands. Funds are borrowed from the Government (Public Works Loan Board - PWLB) and from the commercial money market (banks, building societies and other lenders). The Authority's debt at 31st March 2019 was £63.1m (£63.1m 2017/18) and was all borrowed from the PWLB.

Pensions

The pension fund deficit has increased in the year to £50.9m (£41.9m 2017/18) and is required to be shown on the Balance Sheet of the Authority.

This is due to corporate bond yields being lower at 31st March 2019 than 31st March 2018 which serves to increase the value placed on the obligations which have increased by £14m since 2017/18. This has been partially offset by investment returns being greater than the 31st March 2018 discount rate with an associated improvement in asset levels since 2017/18 of £5.6m.

It should be noted that there has been no impact on the net cost to the taxpayer arising from this - other than as part of the planned increase in annual contributions (an ongoing annual contribution of 16.5% p.a. plus an increasing lump sum element) arising from the formal valuation on 31st March 2016 (following the triennial review).

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

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

    The overall revenue financial position relating to Council Housing as given on page 123 shows a reduction in HRA balances for the year of £2.3m (£0.5m increase in 2017/18).

    This equates to an underspend of £1.5m when compared to the approved budget for the year. This has resulted in a reduction in balances from £6.8m to £4.5m to be carried forward to 2019/20. Earmarked HRA Reserves have increased by £1.4m (£0.1m – 2017/18) to £13.5m resulting in total HRA Reserves of £18m (£18.9m – 2017/18).

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

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

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

    - Council Tax – surplus of £1.4m (£1.5m – 2017/18, the Authority's share is 10%), of which £0.6m (£0.8m – 2017/18) will be distributed to preceptors during 2019/20;
    - NNDR – surplus of £2.3m (£0.7m surplus in 2017/18) of which the Authority's share is 40%.

The surplus relating to the NNDR collection fund includes an increased provision of £4.5m, (£3.8m – 2017/18) with £1.8m being the Authority's share (£1.5m – 2017/18), for appeals outstanding on the 31st March 2019 of £101.4m (£109.4m – 2017/18).

This will mean that the surplus will be £0.9m (share for this Authority) for 2018/19 compared to a surplus of £0.8m included within the 2019/20 budget.

These accounting statements are supported by appropriate notes to the accounts and the General Accounting Policies. For 2018/19, the notes to support the primary statements include the relevant accounting policies as well as further detail regarding individual transactions.

CHANGES TO THE ACCOUNTS 2018/19

An updated Code of Practice, applicable for 2018/19 was issued by CIPFA in March 2018.

Changes reflected in the 2018/19 updated Code do, on the whole, have to be incorporated into the Authority's accounts but do not necessarily impact on the Authority's accounting policies. This is because the changes are principally around additional or changed disclosure notes, points of clarification and additional guidance etc.

The key accounting changes applicable to the Authority in the 2018/19 edition of the Code include:

a) additional guidance on the principles of revenue recognition in section 2.1 (Concepts);
b) a completely revised section 2.7 (Revenue from Contracts with Service Recipients) following the adoption of IFRS 15 Revenue from Contracts with Customers;
c) amendments to section 3.4 (Presentation of Financial Statements) to reflect the disclosure requirements under IAS 7 Statement of Cash Flows (Disclosure Initiative);
d) an augmented section 3.4 to clarify the reporting requirements for debtors and creditors following removal of the disclosure requirements for the analysis of debtors and creditors across public sector organisations;
e) amendments to section 3.4 to clarify the segmental reporting arrangements under the Code;
f) amendments to section 4.1 (Property, Plant and Equipment) to reflect changes as a result of The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2017;
g) amendments to the new section 5.2 of the Code to introduce the incurred loss model for the impairment of non-contractual debts including relevant disclosure requirements as a consequence of the expected credit loss model for impairment being introduced by the adoption of IFRS 9
h) amendments to section 5.2 (Debtors) to remove the requirement to disclose the analysis of debtors across public sector bodies – note this has been replaced in section 5.2 with a reminder of the reporting requirements for these balances in paragraph 3.4.2.63;
i) a fully revised chapter seven (Financial Instruments) to reflect the Code's adoption of IFRS 9 Financial Instruments.
j) amendments to section 8.1 (Creditors) to remove the requirement to disclose the analysis of creditors across public sector bodies – note this has been replaced in section 8.1 with a reminder of the reporting requirements for these balances in paragraph 3.4.2.63.

The major change for 2018/19 is the implementation of IFRS 9 Financial Instruments. This has seen a significant change to the way investments are categorised and an enhanced disclosure requirement to Note 17 is included in the Council's accounts. With the adoption of IFRS 9, the new standard sets out that revenue investments in pooled funds should be recognised as fair value through profit and loss. This would mean that any changes in valuation would impact the Council's revenue budget. However, MHCLG has agreed a temporary override for English Local Authorities for a five year period starting on 1st April 2018.

The Council invested in 2 pooled property funds during 2018/19. The Council does not need to use the statutory override to account for the any changes in the fair value on its pooled investments as they meet the definition of capital expenditure and therefore the change in value will be offset through the Capital Adjustment Account. Further details on the impact of the IFRS 9 is disclosed in Note 40.

FINANCIAL OUTLOOK

The medium term financial planning process is being challenged by Government austerity measures as well as continued uncertainty. The accomplishment of a balanced 3 Year Medium Term Financial Strategy for the General Fund is a major achievement as the Council, like others, has planned to deliver its budget process in light of unprecedented adverse economic conditions with a great deal of uncertainty over future investment and income levels such as car parking, land charges and corporate property rents.

There is also a high degree of uncertainty arising from the work progressing with regard to business rates retention (and the associated impact on the Council's business rates income and associated baseline and tariff levels), the 'Fair Funding Review' as well as the planned Business Rates Reset which will also take effect from 2020/21.

The Council is responding to these challenges by considering the opportunities to grow our income. We are ambitious with our commercial view and will continue to work hard to identify income streams that enable us to continue to meet the needs of our residents.

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services.

We continue to invest in our teams, transform our processes and ensure our technology infrastructure is fit for purpose. We have identified a number of opportunities to improve customer access to information and services as well as our engagement with our citizens and the way in which we manage our data and information.

Despite the impact of continuing austerity and significant reductions in Government funding, Tamworth Borough Council has, in the main, continued to sustain a full suite of essential services, and has recorded one of its most successful periods in terms of customer satisfaction; measured performance; project delivery and financial management.

The adoption of a Demand Management operating model was approved by Cabinet in February 2015. This signifies a shift away from trying to sustain a full suite of services at high standards with continuing budget reductions, to understanding the needs of our customers and working with them to co-design how we meet those demands. It will also involve the application of existing and new technology to capture, collate and analyse customer insight, intelligence and data so as to understand not just the ‘need’ but the cause, behaviours or decisions creating the need.

Linked with this, a major ‘Delivering Quality Services’ project will incorporate a review of processes and demand, with the aim of re-designing processes to meet changing customer expectations and making the best use of technology to deliver efficient and effective services to the customer, including self-service and digital functionality.

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

- Recruitment freeze – there is a robust challenge / re-justification process in place for all vacant posts with a requirement to investigate alternative options including restructuring to fill vacancies / looking at what we can stop doing;

- Spend freeze –A review of the underspend position has been undertaken with a view to drive out as many savings as possible – and has identified annual savings of c.£450k p.a. from 2019/20;

- Alternative investment options arising from the Commercial Investment Strategy (as well as the Treasury Management Investment Strategy) to generate improved returns of c. 4% to 5% p.a. (plus asset growth);

- Review of reserves (including ensuring adequate provision for the funding uncertainties) / creation of fund for transformation costs (if needed);

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

- Review and rationalisation of IT systems.

Council, on 26th February 2019, approved a 3 year MTFS for the General Fund with a Council Tax increase within the Government referendum limits – in order to continue to deliver those services essential to the Local Community. Challenging savings targets have been included which need to be achieved over the next 3 years. However, in the longer term, the Authority faces on-going grant reductions and income uncertainties which mean that substantial additional savings and additional income will need to be made into the future to deliver a balanced budget in the longer term.

With regard to the Housing Revenue Account, a 5 year MTFS was approved by Council, despite significant funding reductions over the 4 years from 2016/17, given the Government requirement for Authorities to reduce social housing rents by 1% per annum, including significant investment in Regeneration projects to meet future housing needs and sustain the HRA in the longer term.

Review of Senior Management Arrangements

During the year the Authority undertook a review to ensure that the senior management in the Authority is able to meet our future challenges, is sustainable through a period of significant on-going change, to meet financial challenges and to ensure we deliver outcomes for customers, residents and communities. This meant that a reduction in the number of senior managers in the organisation who were offered the option to explore voluntary redundancy in order to meet planned budget savings and contribute towards meeting the future budget deficit.

Following the implementation of the senior management structure, it was evident that further organisational change would be necessary in order to align the Council's overall staffing structure. In addition, this provided an opportunity to ensure that the Council's team structure supports the achievement of corporate objectives and service delivery requirements. The review directly impacted on over 180 employees in varying degrees and, following a consultation period, was implemented with effect from 1st April 2019.

FINANCIAL PERFORMANCE

General Fund

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

General Fund	Actual £000	Approved Budget £000	Variance £000
(Surplus) or Deficit for the Year	**7,998**	**10,270**	**(2,272)**

The net expenditure of the Authority was £8.0m, representing an underspend of £2.3m. Major differences between the budget and the outturn are as follows:-

Variance between Budget & Actual Outturn	£000	£000
Increased / Non-Budgeted Income*		
Development Control - Planning Fee income	(138)	
Benefits Grants	(302)	
Benefits Administration Grants	(110)	
Business Rates - Returned Levy income	(388)	
Business Rates - Section 31 grant income	(243)	
External Interest receivable	(371)	(1,552)
Shortfalls in Income		
Non-Budgeted Expenditure / Overspends		
Interest Payable to HRA	155	
Business Rates Levy	210	365
Savings / Underspends		
Corporate Finance - unspent contingencies	(192)	
Joint Waste Arrangement	(237)	(429)
Other Variances - Net (Underspends) / Overspends		(656)
Total (Favourable) / Unfavourable Variance		**(2,272)**

It should be noted that the majority of the significant underspends were outside of the Authority's control and could not have been projected when the 2018/19 budgets were set in February 2018. The outturn figures include significant windfall items highlighted in the table above (*).

Council Housing

A summary of the Housing Revenue Account for 2018/19, compared with the approved budget (including decisions made by Members during the financial year) is shown below:-

Housing Revenue Account	Actual £000	Approved Budget £000	Variance £000
(Surplus) or Deficit for the Year	**2,339**	**3,806**	**(1,467)**

The net cost of the HRA was £2.3m, representing an underspend of £1.5m. Major differences between the budget and the outturn are as follows:-

Variance between Budget & Actual Outturn	£000	£000
Increased / Non-Budgeted Income		
External Interest Payable (item 8 DR)	(155)	
Council House Rent income	(181)	(336)
Savings / Underspends		
Housing Repairs	(705)	
Unspent Contingency Budget	(118)	
Provision for Bad Debts	(42)	(865)
Other Variances - Net (Underspends) / Overspends		(266)
Total (Favourable) / Unfavourable Variance		**(1,467)**

Capital Expenditure

During 2018/19 the Authority spent £24m on capital expenditure (£9.3m in 2017/18). A breakdown by category and sources of finance is shown as Note 34 to the Core Financial Statements on page 96.

The majority of expenditure is related to improvement, enhancement or ongoing construction works:

Capital Scheme	£m
Housing Capital Programme	
Enhancements to Council Dwellings	2.8
Improvements to High Rise flats	1.4
Regeneration of Tinkers Green and Kerria	6.6
Acquisition of Council Dwellings	1.6
General Fund Services	
Purchase of Town Centre site at Gungate	3.3
Assembly Rooms extension and refurbishment	2.2
Investment in Pooled Property Funds	3.9

A total of £40.3m spending originally planned for 2018/19, or earlier, has been deferred to 2019/20 (£27.3m in the previous year). Included within this deferred expenditure:

Deferred Capital Expenditure	£000	£000
Housing Capital Programme		
Regeneration of Housing Estates	17,514	
Improvements to High Rise flats	3,329	
Acquisitions of dwellings	946	
Enhancement works on HRA dwellings	565	22,354
General Fund Services		
Development of Gungate Site	730	
Investment in Property Funds	8,131	
Solway (Tamworth) Ltd – Trading Company	4,000	
Assembly Rooms Development	2,053	
Mercian Trail	576	
Amington Community Woodland and Cycleway	502	
3G Sports Facility	310	
Contingencies	595	
Other Capital Schemes	1,032	17,929
Total		**40,283**

During the year, the Authority disposed of land and property with capital receipts totalling £9.7m, of which:

- £1.8m related to the disposal of 28 Council Dwellings through Right to Buy sales; and
- the final instalment of £8m (including interest due to the deferred payment arrangement) relating to the sale of the Golf Course was also received.

NON-FINANCIAL PERFORMANCE

In March 2017 Cabinet adopted the Council's Corporate Plan for the period 2017 to 2020. The focus of that document was upon how the Council will use its Corporate Plan, Medium Term Financial Strategy and agreed priorities and objectives to achieve its ambition to shift from a surviving organisation with efficiency as the key driver to that of a thriving organisation with long term sustainability as the ultimate aim.

The plan set our direction and priorities for the 3 year period with an update approved by Cabinet in March 2018. While progress against the thematic priorities adopted by the Authority has been considerable, the outcome from the review of evidence clearly indicated that these priorities are still at the forefront of our plans and ambitions for 'people', 'place' and 'organisation'. As a result, the three thematic priorities again formed the basis of the Authority's strategic framework and specific ambitions. It is these specific ambitions that serve to place the thematic priorities into context by setting out the Authority's expectations for the plan period.

Living a quality life in Tamworth

and

Growing stronger together in Tamworth

by

Delivering quality services in Tamworth

The Vision for Tamworth is underpinned by high level, evidence based priorities that focus upon both Tamworth (the place), the communities served (the people) as well as the Council (the organisation).

However, it became evident that the plans, processes and strategies that have guided the organisation to date required a review and refresh if elected members are to respond to the demands from local people.

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services. A revised Vision, Strategic Priorities and Corporate Plan for the 3 years from 2019-2022 was approved by Council in February 2019.

TAMWORTH BOROUGH COUNCIL: VISION To put Tamworth, its people and the local economy at the heart of everything we do	
OUR STRATEGIC PRIORITIES FOR 2019-2022	
People and Place	**Organisation**
1. To meet housing needs through a variety of approaches and interventions 2. To facilitate sustainable growth and economic prosperity 3. To work collaboratively and flexibly to meet the needs of our communities 4. To create a new and developing vision for the continued evolution of Tamworth, including a Town Centre fit for the 21st century	1. To be financially stable 2. To ensure our employees have the right skills and culture to help our residents, visitors and businesses 3. To ensure our service delivery is consistent, clear, and focused 4. To ensure our decisions are driven by evidence and knowledge

Further details on the Authority's Key Performance Indicators for 2018/19 (and previous years) together with our vision and priorities for Tamworth, our values along with our performance are set out in **our Corporate Plan** which sets out our plans and priorities for the coming year, and is available from the Authority's website:

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

Shown below, against our objectives, are some of our achievements in 2018/19. All that has been achieved is not included but we have identified those achievements which we feel will be of most community interest due to their impact and benefits.

HIGH LEVEL CORPORATE PLAN PROJECTS/PROGRAMMES

An overview of the 2017 to 2020 High Level Corporate Plan Projects/Programmes is shown below.

2017 to 2019 High Level Corporate Plan Projects/Programmes

Tamworth Borough Council

Corporate Priority
1. Living a quality life in Tamworth

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

Corporate Priority
2. Growing strong together in Tamworth

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

Corporate Project/Programme	Status
Commercial opportunities in business decision making	
Heritage, leisure & events	

Corporate Priority
3. Delivering quality services in Tamworth

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

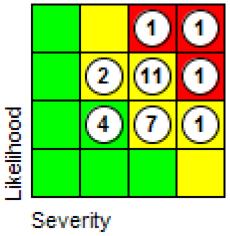
Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

CORPORATE RISK REGISTER

The Authority's Corporate risks for 2018/19 are outlined below.

2018/19 Corporate Risk Register

Corporate Risk Register - Heat Map



Title	Description
Finance	To ensure that the Council is financially sustainable as an organisation

Risk	Date Reviewed	Current Risk Severity	Current Risk Likelihood	Current Risk Rating	Current Risk Status
Funding gaps	29-Mar-2019	3	3	9	
Business Rates Retention	29-Mar-2019	3	3	9	
New Homes Bonus	29-Mar-2019	3	2	6	
Brexit	28-Mar-2019	3	4	12	
Welfare and Benefit Reform	29-Mar-2019	3	3	9	
Failure to manage budgets	29-Mar-2019	3	2	6	

Title	Description
Modernisation & Commercialisation Agenda	Develop and implement continuous improvement and develop employees to perform the right work

Risk	Date Reviewed	Current Risk Severity	Current Risk Likelihood	Current Risk Rating	Current Risk Status
Contract Management & Procurement	29-Mar-2019	2	2	4	
Management of Assets	29-Mar-2019	2	2	4	
New Revenue Streams	29-Mar-2019	3	3	9	
Workforce Planning Challenges	28-Mar-2019	3	2	6	
Continuous Improvement	28-Mar-2019	2	2	4	
Partnerships fail	28-Mar-2019	3	2	6	

Title	Description
Governance	Ensure that processes, policies and procedures are in place and the authority is held to account

Risk	Date Reviewed	Current Risk Severity	Current Risk Likelihood	Current Risk Rating	Current Risk Status
Democratic Process	28-Mar-2019	3	3	9	
Assurance Process	28-Mar-2019	2	3	6	
Legislation	28-Mar-2019	3	2	6	
Policies & Procedures	28-Mar-2019	3	2	6	
Ethics	28-Mar-2019	2	2	4	

Title	Description
Community Focus	To ensure the safety, health and wellbeing of the citizens of the borough

Risk	Date Reviewed	Current Risk Severity	Current Risk Likelihood	Current Risk Rating	Current Risk Status
Community Cohesion & Engagement	28-Mar-2019	3	3	9	
Safeguarding Children & Adults (including Modern Slavery)	28-Mar-2019	2	3	6	
Emergency Planning	28-Mar-2019	3	2	6	

Title	Description
Economic Growth & Sustainability	To ensure that the economic growth and sustainability of the borough is maintained

Risk	Date Reviewed	Current Risk Severity	Current Risk Likelihood	Current Risk Rating	Current Risk Status
Regeneration	28-Mar-2019	3	3	9	
Housing Needs	27-Mar-2019	3	3	9	
Economic Changes	28-Mar-2019	3	3	9	
Demographics	28-Mar-2019	3	3	9	

Title	Description
Information Safeguarding	To ensure that our data is protected

Risk	Date Reviewed	Current Risk Severity	Current Risk Likelihood	Current Risk Rating	Current Risk Status
Data Protection	28-Mar-2019	4	3	12	
Cyber Security	28-Mar-2019	4	2	8	
Business Continuity	28-Mar-2019	3	3	9	

Risk	Date Reviewed	Current Risk Severity	Current Risk Likelihood	Current Risk Rating	Current Risk Status
Brexit	28-Mar-2019	4	4	16	

Risk Status	
	High Risk
	Medium Risk
	Low Risk

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

Telephone : 01827 709242.
Email: stefan-garner@tamworth.gov.uk

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

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

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

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

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

- Approve the Statement of Accounts.

The Executive Director Finances' Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Local Authority Code.

The Executive Director Finance has also:

- kept proper accounting records which were up to date; and

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

This Statement of Accounts gives a true and fair view of the financial position of Tamworth Borough Council and its expenditure and income for the year ended 31st March 2019.

Stefan Garner CPFA
Executive Director Finance   Dated: 25th July 2019

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

Comprehensive Income and Expenditure Statement (CIES)

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

The table at Note 41 shows how the net expenditure and income for 2017/18 has been restated following the Senior Management Restructure.

A breakdown of the individual services contained within the CIES headings are detailed within the Appendix to the CIES on page 160.

2017/18 Gross Expenditure Restated £000	2017/18 Gross Income Restated £000	2017/18 Net Expenditure Restated £000	Comprehensive Income & Expenditure Statement	Notes	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
2,454	(963)	1,491	Chief Executive		2,127	(849)	1,278
2,133	(990)	1,143	Assistant Director Growth and Regeneration		1,995	(975)	1,020
734	(287)	447	Executive Director Organisation (GF)		824	(251)	573
2,834	(1,039)	1,795	Assistant Director People		2,809	(1,039)	1,770
5,218	(2,115)	3,103	Assistant Director Operations and Leisure (GF)		6,685	(3,592)	3,093
131	(36)	95	Executive Director Finance		308	(60)	248
21,859	(20,600)	1,259	Assistant Director Finance		19,350	(17,737)	1,613
948	(373)	575	Assistant Director Assets (GF)		743	(459)	284
1,789	(580)	1,209	Assistant Director Neighbourhoods (GF)		1,584	(392)	1,192
2,109	(354)	1,755	Assistant Director Partnerships		2,346	(449)	1,897
7,404	(18,406)	(11,002)	HRA Summary		7,974	(18,267)	(10,293)
541	-	541	Assistant Director Operations and Leisure (HRA)		538	-	538
631	(292)	339	Assistant Director Assets (HRA)		702	(314)	388
4,929	(1,333)	3,596	Assistant Director Neighbourhoods (HRA)		5,087	(1,378)	3,709
2,721	(23)	2,698	Housing Repairs		3,810	(36)	3,774
56,435	**(47,391)**	**9,044**	**Cost of Services**	7	**56,882**	**(45,798)**	**11,084**
		(266)	Other Operating Expenditure	11			(165)
		806	Financing and Investment Income and Expenditure (FIIE)	12			833
		(9,736)	Taxation and Non Specific Grant Income	13			(14,975)
		(152)	**(Surplus) or Deficit on Provision of Services**	7			**(3,223)**
		(13,467)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	23a			(9,102)
		(2,070)	Re-measurement of the Net Defined Benefit Liability	23c			5,676
		(15,537)	**Other Comprehensive Income and Expenditure**				**(3,426)**
		(15,689)	**Total Comprehensive Income and Expenditure**				**(6,649)**

Movement in Reserves Statement

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

The reserve movements for 2017/18 and 2018/19 are shown on the following pages.

Movement in Reserves Statement 2017/18

	General Fund Balance	Earmarked Reserves	Total General Fund Balances	Housing Revenue Account	Earmarked HRA Reserves	Total HRA Balances	Capital Receipts Reserve	Major Repairs Reserve Note HRA3	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2017	6,588	5,725	**12,313**	6,353	11,992	**18,345**	12,609	2,521	48	**45,836**	122,889	**168,725**
Movement in Reserves during 2017/18												
Surplus or (Deficit) on the Provision of Services	(1,801)	-	**(1,801)**	1,953	-	**1,953**	-	-	-	**152**	-	**152**
Other Comprehensive Income and Expenditure	-	-	**-**	-	-	**-**	-	-	-	**-**	15,537	**15,537**
Total Comprehensive Income and Expenditure	**(1,801)**	**-**	**(1,801)**	**1,953**	**-**	**1,953**	**-**	**-**	**-**	**152**	**15,537**	**15,689**
Adjustments between Accounting Basis and Funding Basis Under Regulations (Note 9)	2,294	-	**2,294**	(1,379)	-	**(1,379)**	9,644	956	-	**11,515**	(11,515)	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**493**	**-**	**493**	**574**	**-**	**574**	**9,644**	**956**	**-**	**11,667**	**4,022**	**15,689**
Transfers to / (from) Earmarked Reserves (Note 10)	(163)	163	-	(103)	103	-	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2017/18	**330**	**163**	**493**	**471**	**103**	**574**	**9,644**	**956**	**-**	**11,667**	**4,022**	**15,689**
Balance as at 31st March 2018	**6,918**	**5,888**	**12,806**	**6,824**	**12,095**	**18,919**	**22,253**	**3,477**	**48**	**57,503**	**126,911**	**184,414**

Movement in Reserves Statement 2018/19

Movement in Reserves Statement 2018/19	General Fund Balance	Earmarked Reserves	Total General Fund Balances	Housing Revenue Account	Earmarked HRA Reserves	Total HRA Balances	Capital Receipts Reserve	Major Repairs Reserve Note HRA3	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2018	**6,918**	**5,888**	**12,806**	**6,824**	**12,095**	**18,919**	**22,253**	**3,477**	**48**	**57,503**	**126,911**	**184,414**
Movement in Reserves during 2018/19												
Surplus or (Deficit) on the Provision of Services	(547)	-	**(547)**	3,770	-	**3,770**	-	-	-	**3,223**	-	**3,223**
Other Comprehensive Income and Expenditure	-	-	**-**	-	-	**-**	-	-	-	**-**	3,426	**3,426**
Total Comprehensive Income and Expenditure	**(547)**	**-**	**(547)**	**3,770**	**-**	**3,770**	**-**	**-**	**-**	**3,223**	**3,426**	**6,649**
Adjustments between Accounting Basis and Funding Basis Under Regulations (Note 9)	1,805	-	**1,805**	(4,705)	-	**(4,705)**	1,108	(516)	-	**(2,308)**	2,308	**-**
Net (Increase) / Decrease before transfers to Earmarked Reserves	**1,258**	**-**	**1,258**	**(935)**	**-**	**(935)**	**1,108**	**(516)**	**-**	**915**	**5,734**	**6,649**
Transfers to / (from) Earmarked Reserves (Note 10)	(2,063)	2,063	**-**	(1,404)	1,404	**-**	-	-	-	**-**	-	**-**
Increase / (Decrease) in 2018/19	**(805)**	**2,063**	**1,258**	**(2,339)**	**1,404**	**(935)**	**1,108**	**(516)**	**-**	**915**	**5,734**	**6,649**
Balance as at 31st March 2019	**6,113**	**7,951**	**14,064**	**4,485**	**13,499**	**17,984**	**23,361**	**2,961**	**48**	**58,418**	**132,645**	**191,063**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The Net Assets of the Authority (assets less liabilities) are matched by the Reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2018 £000	Balance Sheet	Notes	31st March 2019 £000
193,491	Property, Plant & Equipment	14	210,194
2,865	Heritage Assets	15	3,060
22,385	Investment Property	16	22,488
198	Intangible Assets		244
-	Long Term Investments	17	3,820
12,787	Long Term Debtors	17	12,830
231,726	**Long Term Assets**		**252,636**
51,128	Short Term Investments	17	60,216
21	Inventories		34
11,237	Short Term Debtors	18	3,281
9,775	Cash & Cash Equivalents	19	4,921
72,161	**Current Assets**		**68,452**
(1,357)	Cash & Cash Equivalents	19	(878)
(311)	Short Term Borrowing	17	(311)
(11,150)	Short Term Creditors	21	(13,044)
(692)	Provisions	22	(532)
(13,510)	**Current Liabilities**		**(14,765)**
(853)	Provisions	22	(1,283)
(63,060)	Long Term Borrowing	17	(63,060)
(41,873)	Other Long Term Liabilities	23c/38	(50,861)
(134)	Capital Grants Receipts in Advance	32	(26)
(43)	Revenue Grants Receipts in Advance		(30)
(105,963)	**Long Term Liabilities**		**(115,260)**
184,414	**Net Assets**		**191,063**
57,503	Usable Reserves		58,418
126,911	Unusable Reserves	23	132,645
184,414	**Total Reserves**		**191,063**

The audited accounts were approved on 25th July 2019 by the Audit and Governance Committee.

Stefan Garner CPFA
Executive Director Finance Dated: 25th July 2019

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

Cash Flow Statement

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

2017/18 £000	**Cashflow Statement**	**Notes**	**2018/19 £000**
(152)	Net (Surplus) or Deficit on the Provision of Services		(3,223)
(9,298)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non-cash movements		(15,945)
3,953	Adjustments for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		9,050
(5,497)	Net cash flows from Operating Activities (Surplus)/Deficit	24	(10,118)
4,379	Investing Activities	25	15,859
(100)	Financing Activities	26	(1,366)
(1,218)	Net (increase) or decrease in Cash and Cash Equivalents		4,375
7,200	Cash and Cash Equivalents at the beginning of the reporting period		8,418
8,418	**Cash and & Cash Equivalents at 31st March 2019**	19	**4,043**

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

NOTES TO THE ACCOUNTS

1. Accounting Policies

BASIS FOR PREPARATION

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

i. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year end of 31st March 2019. The Accounts and Audit Regulations (England) 2015 require the Authority to prepare an Annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the CIPFA Service Reporting Code of Practice 2018/19 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

ii. ACCRUALS OF INCOME AND EXPENDITURE

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

a) Revenue from 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 in the contract;

b) 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;

c) 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;

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

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

The Authority's policy is to review all accruals over £1k together with payments over £5k made in February, March and April to ensure that they are appropriate. Any accruals below this amount are not considered to be material.

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

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

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

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

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

iv. CHARGES TO REVENUE FOR NON CURRENT ASSETS

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

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

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

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

v. COUNCIL TAX AND NON-DOMESTIC RATES (ENGLAND)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR.

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 NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES 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 end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vi. FOREIGN CURRENCY TRANSLATION

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31st March 2019. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

vii. INTANGIBLE ASSETS

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

viii. JOINT OPERATIONS

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to any interest in a joint operation, the Authority as a joint operator would recognise:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

The Authority has a Joint Waste Management arrangement with Lichfield District Council which does not fulfil the definition of a joint operation – detailed at Note 33f.

ix. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

x. FAIR VALUE MEASUREMENT

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments 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 asset 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 the 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 participant's 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.

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

The Code of Practice on Local Authority Accounting in the UK (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

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

IFRS 16 Leases – will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1st April 2020.

IAS 40 Investment Property: Transfers of Investment Property – provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

IFRIC 22 Foreign Currency Transactions and Advance Consideration – clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any transactions within the scope of the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments – provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the Council's accounts.

IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation – amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

3. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

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

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

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

The Authority therefore only includes within its accounts the payments it makes to LDC in respect of the service and its own assets which are used for the provision of the service. Payments to LDC are based on an agreed percentage of the total net cost of providing the service, based on the number of properties in each area, currently 42.2% for the Authority.

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

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

The items in the Authority's Balance Sheet at 31st March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	Adjustment to the level of liability on the Balance Sheet. During the year the overall liability increased from £41.9m to £50.9m (following a reduction from £43.5m to £41.9m in 2017/18) – see Note 38 on page 102. Variations in the key assumptions will have the following impact on the net liability: A 0.5% decrease in the real discount rate will increase the net pension liability by £13.9m (10%); A 0.5% increase in the assumed level of salary increases will increase the net pension liability by £1.8m (1%); and A 0.5% increase in the assumed level of pension increases will increase the net pension liability by £11.8m (8%).
Business Rates Retention	The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme that enabled local authorities to retain a proportion of the Business Rates generated in their area. The arrangements for the Business Rates came into effect on 1st April 2013. Billing authorities acting as agents on behalf of the major preceptors (10%), Central Government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating List.	The Authority has included a provision of £1.8m (the overall provision in the Business Rates Collection Fund is £4.5m and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2019 of £101.4m. Local businesses can appeal against the Rateable Value on the 2010 Rating list under limited circumstances and can also appeal against the Rateable Value on the 2017 Rating List.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		The 2017 Rating List is subject to a fresh approach to appeals known as "Check, Challenge & Appeal" (CCA) which means that before an appeal is made the Rateable Value may be amended upon negotiation between the Valuation Office and the ratepayer (or their agents). This process will inevitably lead to a delay in appeals being made. It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal in the future and the Authority has therefore made provision in the accounts based on professional advice from independent valuers.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Council dwellings would increase by c.£56k for every year that useful lives had to be reduced.

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

5. Material Items of Income and Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance. This note identifies material items of income and expense. For the purposes of this note the Authority considers material items to be those greater than £1.1m.

During 2015/16 the former Golf Course at Eagle drive was sold to Redrow Homes. The income from the sale has been received over 3 years and generated a Capital receipt of £24.6m and interest of £0.6m. The deferred payment arrangement, generated a receipt of £8.0m in 2018/19 (£1.0m in 2015/16, £8.0m in 2016/17 and £8.2m in 2017/18).

During the year the opportunity to purchase a strategic town centre site at Gungate became available - at a cost of £3.3m. In addition, investments were made in pooled property funds totalling £3.9m.

The Housing Capital programme saw significant development schemes in the year including the ongoing regeneration of Tinkers Green and Kerria at a cost of £6.6m

6. Events after the Reporting Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period (31st March 2019) and the date when the Statement of Accounts is authorised for issue (25th July 2019). Two types of events can be identified:

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

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

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

The Statement of Accounts was authorised for issue by the Executive Director Finance on 23rd May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. This includes the impact of the recent McCloud ruling and GMP equalisation. This impact has been allowed for in the Employer’s past service cost which includes £369k for the estimated impact of the recent McCloud ruling and £179k for the estimated impact of changes to GMP equalisation. This also allowed for actual asset returns over the period from 31st March 2018 to 31st March 2019 to be updated (which were previously estimated).

7. Expenditure and Funding Analysis and Adjustment Detail

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

2017/18			Expenditure Funding Analysis	2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Restated £000	Restated £000	Restated £000		£000	£000	£000
			Cost of Services			
1,473	18	1,491	Chief Executive	1,264	14	1,278
744	399	1,143	Assistant Director Growth and Regeneration	875	145	1,020
416	31	447	Executive Director Organisation (GF)	561	12	573
1,602	193	1,795	Assistant Director People	1,568	202	1,770
2,159	944	3,103	Assistant Director Operations and Leisure (GF)	566	2,527	3,093
95	-	95	Executive Director Finance	250	(2)	248
1,116	143	1,259	Assistant Director Finance	1,031	582	1,613
372	203	575	Assistant Director Assets (GF)	200	84	284
1,123	86	1,209	Assistant Director Neighbourhoods (GF)	1,134	58	1,192
1,082	673	1,755	Assistant Director Partnerships	1,138	759	1,897
(15,271)	4,269	(11,002)	HRA Summary	(14,992)	4,699	(10,293)
501	40	541	Assistant Director Operations and Leisure (HRA)	514	24	538
304	35	339	Assistant Director Assets (HRA)	369	19	388
5,046	(1,452)	3,596	Assistant Director Neighbourhoods (HRA)	5,187	(1,478)	3,709
2,698	-	2,698	Housing Repairs	3,774	-	3,774
3,462	**5,582**	**9,044**	**Net Cost of Services**	**3,439**	**7,645**	**11,084**
(4,529)	(4,667)	(9,196)	Other Comprehensive Income and Expenditure	(3,762)	(10,545)	(14,307)
(1,067)	**915**	**(152)**	**(Surplus) / Deficit on Provision of Services**	**(323)**	**(2,900)**	**(3,223)**
(30,658)			**General Fund and HRA balances B/fwd**	(31,725)		
(1,067)			**(Surplus) / Deficit on Provision of Services**	(323)		
(31,725)			**Closing General Fund and HRA Balances**	(32,048)		

2017/18				Expenditure Funding Analysis Adjustment Detail	2018/19			
Adjustments for Capital Purposes (Note a)	Net Change for Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments		Adjustments for Capital Purposes (Note a)	Net Change for Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
Restated £000	Restated £000	Restated £000	Restated £000		£000	£000	£000	£000
				Cost of Services				
-	17	1	**18**	Chief Executive	-	10	4	**14**
233	170	(4)	**399**	Assistant Director Growth and Regeneration	52	96	(3)	**145**
-	27	4	**31**	Executive Director Organisation (GF)	-	13	(1)	**12**
174	18	1	**193**	Assistant Director People	183	11	8	**202**
697	253	(6)	**944**	Assistant Director Operations and Leisure (GF)	2,388	141	(2)	**2,527**
-	-	-	**-**	Executive Director Finance	-	-	(2)	**(2)**
-	142	1	**143**	Assistant Director Finance	-	586	(4)	**582**
203	1	(1)	**203**	Assistant Director Assets (GF)	85	1	(2)	**84**
17	69	-	**86**	Assistant Director Neighbourhoods (GF)	18	38	2	**58**
568	103	2	**673**	Assistant Director Partnerships	723	46	(10)	**759**
4,255	14	-	**4,269**	HRA Summary	4,522	177	-	**4,699**
-	39	1	**40**	Assistant Director Operations and Leisure (HRA)	-	23	1	**24**
-	36	(1)	**35**	Assistant Director Assets (HRA)	-	19	-	**19**
(1,698)	259	(13)	**(1,452)**	Assistant Director Neighbourhoods (HRA)	(1,611)	143	(10)	**(1,478)**
4,449	**1,148**	**(15)**	**5,582**	**Net Cost of Services**	**6,360**	**1,304**	**(19)**	**7,645**
(5,844)	1,135	42	**(4,667)**	Other Comprehensive Income and Expenditure	(11,074)	1,167	(638)	**(10,545)**
(1,395)	**2,283**	**27**	**915**	**(Surplus) / Deficit on Provision of Services**	**(4,714)**	**2,471**	**(657)**	**(2,900)**

7a) Adjustments for Capital Purposes

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

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

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

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

7b) Net Change for the Pensions Adjustments

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

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

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

7c) Other Differences

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

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

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

8. Expenditure and Income Analysed by Nature

2017/18 £000	Expenditure and Income Analysed by Nature	2018/19 £000
	Expenditure	
12,111	Employee Benefits Expenses	13,202
37,237	Other Services Expense	34,722
8,069	Depreciation, Amortisation and Impairment	10,095
2,283	Retirement Benefits	2,472
641	REFCUS	717
422	Payments to Housing Capital Receipts Pool	418
60,763	**Total Expenditure**	**61,626**
	Income	
(688)	Gain on Disposal of Assets	(583)
(29,503)	Fees, Charges and Other Service Income	(30,709)
(1,464)	Interest and Investment Income	(1,746)
(7,430)	Income from Council Tax, NNDR and District Rates Income	(7,263)
(21,830)	Government Grants and Contributions	(24,548)
(60,915)	**Total Income**	**(64,849)**
(152)	**(Surplus) / Deficit on Provision of Services**	**(3,223)**

9. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000
2018/19						
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of Non-Current Assets;	(472)	(8,091)	-	-	-	8,563
Revaluation losses on Property, Plant and Equipment;	(2,160)	697	-	-	-	1,463
Movements in the market value of Investment Properties;	73	-	-	-	-	(73)
Movement in Fair Value of Capital Property Fund Investments	(49)	-	-	-	-	49
Amortisation of Intangible Assets;	(93)	-	-	-	-	93
Capital Grants and Contributions Applied;	2,916	4,200	-	-	-	(7,116)
Revenue Expenditure Funded from Capital Under Statute (REFCUS);	(717)	-	-	-	-	717
Amounts on Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(149)	(1,300)	-	-	-	1,449
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment - Minimum Revenue Provision;	57	-	-	-	-	(57)
Capital expenditure charged against the General Fund and HRA balances.	176	3,540	-	-	-	(3,716)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement;	265	1,803	(2,068)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure;			8,198	-	-	(8,198)
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals;	-	(36)	36	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool;	(418)	-	418	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(10)	-	(7,692)	-	-	7,702

Adjustments between Accounting Basis and Funding Basis Under Regulations	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA;	-	4,482	-	(4,482)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	4,998	-	(4,998)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 38);	(3,766)	(1,180)	-	-	-	4,946
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,892	582	-	-	-	(2,474)
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non Domestic Rating Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rating Income calculated for the year in accordance with statutory requirements.	639	-	-	-	-	(639)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	11	8	-	-	-	(19)
Total Adjustments 2018/19	**(1,805)**	**4,705**	**(1,108)**	**516**	**-**	**(2,308)**

Adjustments between Accounting Basis and Funding Basis Under Regulations	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000
2017/18						
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of Non Current Assets;	(434)	(7,225)	-	-	-	7,659
Revaluation losses on Property, Plant and Equipment;	(750)	156	-	-	-	594
Movements in the market value of Investment Properties;	396	-	-	-	-	(396)
Amortisation of Intangible Assets;	(76)	-	-	-	-	76
Capital Grants and Contributions Applied;	1,027	246	-	-	-	(1,273)
Revenue Expenditure Funded from Capital Under Statute (REFCUS);	(641)	-	-	-	-	641
Amounts on Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(8)	(1,925)	-	-	-	1,933
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment - Minimum Revenue Provision;	58	-	-	-	-	(58)
Capital expenditure charged against the General Fund and HRA balances.	302	3,569	-	-	-	(3,871)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement;	56	2,624	(2,680)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure;			562	-	-	(562)
Contribution from the Capital Receipts Reserve towards administrative costs of Non Current Asset disposals;	-	(59)	59	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool;	(422)	-	422	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	(10)	-	(8,007)	-	-	8,017

Adjustments between Accounting Basis and Funding Basis Under Regulations	**Usable Reserves**					**Unusable Reserves**
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA;	-	4,510	-	(4,510)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	3,554	-	(3,554)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38);	(3,337)	(992)	-	-	-	4,329
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,584	462	-	-	-	(2,046)
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non Domestic Rating Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic Rating Income calculated for the year in accordance with statutory requirements.	(43)	-	-	-	-	43
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	4	13	-	-	-	(17)
Total Adjustments 2017/18	**(2,294)**	**1,379**	**(9,644)**	**(956)**	**-**	**11,515**

10. Transfers to / (from) Earmarked Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund or Housing Revenue Account balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund or Housing Revenue Account balance so that there is no net charge against Council Tax or housing rent for the expenditure.

Certain reserves are kept to manage the accounting processes for Non Current Assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

This note sets out the amounts set aside from the General Fund and HRA Balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA Expenditure in 2018/19.

Transfers to / (from) Earmarked Reserves	Balance at 1st April 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31st March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31st March 2019 £000
General Fund:							
Future Capital Expenditure	**954**	(530)	708	**1,132**	(138)	729	**1,723**
Temporary Reserves	**139**	(155)	166	**150**	(104)	414	**460**
Retained Funds	**2,482**	(878)	689	**2,293**	(785)	1,492	**3,000**
Repairs & Renewals	**-**	-	-	**-**	-	-	**-**
Commuted Sums	**1,333**	(225)	110	**1,218**	(710)	1,556	**2,064**
Other Reserves	**817**	(298)	576	**1,095**	(1,016)	625	**704**
Total	**5,725**	**(2,086)**	**2,249**	**5,888**	**(2,753)**	**4,816**	**7,951**
HRA:							
Future Capital Expenditure	**11,497**	(3,561)	2,924	**10,860**	(3,528)	5,647	**12,979**
Temporary Reserves	**84**	(84)	586	**586**	(461)	-	**125**
Retained Funds	**411**	-	16	**427**	(94)	-	**333**
Other Reserves	**-**	-	222	**222**	(222)	62	**62**
Total	**11,992**	**(3,645)**	**3,748**	**12,095**	**(4,305)**	**5,709**	**13,499**

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

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

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

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

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

11. Other Operating Expenditure

2017/18 £000	Other Operating Expenditure	2018/19 £000
422	Payments to the Government Housing Capital Receipts Pool	418
(688)	(Gains) / losses on the disposal of Non Current Assets	(583)
(266)	**Total**	**(165)**

12. Financing & Investment Income & Expenditure

2017/18 £000	Financing and Investment Income and Expenditure	2018/19 £000
2,677	Interest payable and similar charges	2,755
1,121	Pension interest costs and expected return on pensions assets	1,159
(621)	Interest receivable and similar income	(904)
(842)	Finance Lease Income	(841)
(1,665)	(Income) and expenditure in relation to investment properties and changes in their fair value	(1,385)
136	Investment impairment	49
806	**Total**	**833**

13. Taxation & Non Specific Grant Income

2017/18 £000	Taxation and Non Specific Grant Incomes	2018/19 £000
(3,604)	Council Tax income	(3,756)
(13,543)	Non Domestic Rates	(13,517)
9,718	Non Domestic Rates - Tariff	10,010
1,168	Non Domestic Rates - Levy to GBSLEP	992
(2,202)	Non ringfenced government grants	(1,588)
(1,273)	Capital grants and contributions	(7,116)
(9,736)	**Total**	**(14,975)**

A detailed breakdown of the grants, contributions and donations credited to the Comprehensive Income and Expenditure Statement in 2018/19 is shown in Note 32 on page 90.

14. Property, Plant & Equipment

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

a) Recognition

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

b) Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years – including a desktop review of all Council Dwellings where they have not been subject to a formal revaluation in the year. A review of the valuation of all significant assets is undertaken annually.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

i. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down firstly against that balance (up to the amount of the accumulated gains); and then;
ii. where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

c) Impairment

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

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

The Authority has an ongoing programme of regeneration including disposal and redevelopment of garage sites and the redevelopment of housing at Tinkers Green and Kerria Centre.

Where the decision had been made to dispose of a garage site, the value of the buildings element has been impaired to zero leaving only a residual land value. Similarly, the value of the dwellings in the housing redevelopment areas that are no longer available to let have been impaired to zero leaving only a residual land value.

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

i. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down firstly against that balance (up to the amount of the accumulated gains);
ii. where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

d) Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction).

Deprecation is calculated on the following bases:

i. **Council Housing Stock:** on a straight line basis to an appropriate residual value over the expected useful life of the asset of 50 years.

ii. **Other Land and Buildings:** on a straight line basis to a nil residual value over the expected useful life of the asset being a range of 5 years to 70 years.

Historical properties: on a straight line basis to a nil residual value over the expected useful life of the asset being over 100 years

iii. **Vehicles, Plant and Equipment:** on a straight line basis to a nil residual value over the expected useful life of the asset, being between 1 and 20 years.

iv. **Infrastructure:** on a straight line basis to a nil residual value over the expected useful life of the asset of 30 years.

v. **Community Assets:** on a straight line basis to a nil residual value over the expected useful life of the asset of 100 years.

vi. **Heritage Assets:** the Authority considers that the Heritage Assets held will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets.

vii. **Computer Hardware:** is depreciated over a period of 3 years on a straight line basis to a nil residual value.

viii. **Investment Properties and Surplus Assets:** no depreciation has been applied to either the land or building value of Investment Properties or Surplus Assets.

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

x. **Furniture and equipment** – minor purchases by the Authority are charged to revenue in the year of acquisition and are not capitalised in the accounts.

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

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

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

e) Disposals and Non Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previous losses recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie 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. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the authority's underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

f) Component Accounting Policy for Property, Plant and Equipment

i. De Minimus Level

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

ii. Policy for Componentisation

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

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

- have a cost of at least 20% of the cost of the overall asset and
- have a materially different useful life (at least 20% different) and/or

- have a different depreciation method that materially affects the amount charged

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

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

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

iii. Valuation

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

In addition in each financial year, a list of assets that have had capital expenditure incurred will be passed to the finance team and/or valuers who can consider componentisation for any properties not already reviewed.

iv. Impairment

We will continue to complete a desktop Impairment review on an annual basis.

Movement in 2018/19	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1st April 2018	**172,392**	**18,289**	**4,136**	**378**	**1,078**	**1,111**	**197,384**
Additions	6,659	5,511	65	-	61	6,806	**19,102**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(7,979)	(263)	-	-	-	-	**(8,242)**
Revaluation increases / (decreases) recognised in the Revaluation Reserve;	7,834	1,247	-	-	-	-	**9,081**
Revaluation increases / (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	697	(2,160)	-	-	-	-	**(1,463)**
Derecognition - Disposals;	(1,932)	(170)	(29)	-	-	-	**(2,131)**
Assets reclassified (to) / from Investment Properties;	-	(28)	-	-	-	-	**(28)**
Other movements in cost or valuation.	308	(39)	-	-	-	(269)	**-**
At 31st March 2019	**177,979**	**22,387**	**4,172**	**378**	**1,139**	**7,648**	**213,703**
Accumulated Depreciation & Impairment							
At 1st April 2018	**(621)**	**(45)**	**(2,997)**	**(227)**	**(3)**	**-**	**(3,893)**
Depreciation Charge;	(2,758)	(355)	(206)	(12)	(1)	-	**(3,332)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	7,979	263	-	-	-	-	**8,242**
Impairment losses / (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(5,231)	-	-	-	-	-	**(5,231)**
Derecognition - disposals.	631	45	29	-	-	-	**705**
At 31st March 2019	**-**	**(92)**	**(3,174)**	**(239)**	**(4)**	**-**	**(3,509)**
Net Book Value							
at 31st March 2018	171,771	18,244	1,139	151	1,075	1,111	193,491
at 31st March 2019	**177,979**	**22,295**	**998**	**139**	**1,135**	**7,648**	**210,194**
Nature of Holdings at year end							
Owned	177,979	22,295	998	139	1,135	7,648	**210,194**

Comparative Movement in 2017/18	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation							
At 1st April 2017	**166,878**	**19,021**	**3,936**	**378**	**993**	**592**	**191,798**
Additions;	5,528	546	200	-	85	2,128	**8,487**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(11,313)	(833)	-	-	-	-	**(12,146)**
Revaluation increases / (decreases) recognised in the Revaluation Reserve;	12,611	856	-	-	-	-	**13,467**
Revaluation increases / (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	156	(750)	-	-	-	-	**(594)**
Derecognition - Disposals;	(3,461)	(194)	-	-	-	-	**(3,655)**
Assets reclassified (to) / from Assets Held for Sale.	-	27	-	-	-	-	**27**
Other movements in cost or valuation	1,993	(384)	-	-	-	(1,609)	**-**
At 31st March 2018	**172,392**	**18,289**	**4,136**	**378**	**1,078**	**1,111**	**197,384**
Accumulated Depreciation & Impairment							
At 1st April 2017	**(6,394)**	**(704)**	**(2,797)**	**(214)**	**(3)**	**-**	**(10,112)**
Depreciation and Impairment Charge;	(2,701)	(323)	(200)	(13)	-	-	**(3,237)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	11,313	833	-	-	-	-	**12,146**
Impairment losses / (reversals) recognised in the Revaluation Reserve;	(1)	-	-	-	-	-	**(1)**
Impairment losses / (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(4,420)	-	-	-	-	-	**(4,420)**
Derecognition - disposals;	1,582	147	-	-	-	-	**1,729**
Assets reclassified (to) / from Investment Property.	-	2	-	-	-	-	**2**
At 31st March 2018	**(621)**	**(45)**	**(2,997)**	**(227)**	**(3)**	**-**	**(3,893)**
Net Book Value							
at 31st March 2017	160,484	18,317	1,139	164	990	592	181,686
at 31st March 2018	**171,771**	**18,244**	**1,139**	**151**	**1,075**	**1,111**	**193,491**
Nature of Holdings at year end							
Owned	171,771	18,244	1,139	151	1,075	1,111	**193,491**

a) Capital Commitments

At 31st March 2019, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years. The major commitments for schemes valued in excess of £1m are:

2017/18 £000	Capital Contract	2018/19 £000
2,458.1	Housing Repairs & Investment	2,939.7
3,212.1	Assembly Rooms Development	1,139.7
2,054.7	Improvements to High Rise Blocks	2,339.7
14,849.2	Regeneration of Tinkers Green & Kerria	7,332.5
22,574.1	**Total**	**13,751.6**

b) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. The effective date of revaluation is 31st March 2019. The valuations are carried out by Authority's Property Surveyor, Mr P Evans MRICS, IRRV with the valuation of Council Dwellings being undertaken by Specialist Valuation Services an external valuer. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are carried at historical cost as a proxy for current value.

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years – including a desktop review of all Council Dwellings where they have not been subject to a formal revaluation in the year. A review of the valuation of all significant assets is undertaken annually.

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

Valuations (Cost or Valuation)	**Council Dwellings**	**Other Land and Buildings**	**Vehicles, Plant, Furniture and Equipment**	**Infrastructure Assets**	**Community Assets**	**Assets Under Construction**	**Total Property, Plant& Equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Valued at Historical Cost	-	-	4,172	378	1,139	7,648	13,337
Valued at Current Value in:							
2018/19	177,979	18,825	-	-	-	-	196,804
2017/18	-	3,562	-	-	-	-	3,562
Total	**177,979**	**22,387**	**4,172**	**378**	**1,139**	**7,648**	**213,703**

15. Heritage Assets

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

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

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

Valuation of Heritage Assets

The Code requires that Heritage Assets are measured at valuation in the 2018/19 financial statements (including the 2017/18 comparative information). The Authority will recognise in the Balance Sheet each asset shown in the table which has an identified value.

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

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

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

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

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

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

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

Movement in 2018/19	**Art Collection** £000	**Civic Regalia** £000	**Museum Exhibits** £000	**Statues** £000	**Castle** £000	**Total Heritage Assets** £000
Cost or Valuation						
At 1st April 2018	**97**	**174**	**624**	**233**	**1,737**	**2,865**
Additions	-	-	-	23	172	**195**
At 31st March 2019	**97**	**174**	**624**	**256**	**1,909**	**3,060**

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

Heritage Assets Five Year Summary of Transactions	**2014/15** £000	**2015/16** £000	**2016/17** £000	**2017/18** £000	**2018/19** £000
Cost of Acquisitions of Heritage Assets					
Castle Museum	54	-	39	18	195
Total Cost of Purchases	54	-	39	18	195

16. Investment Properties

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

Investment Properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

2017/18 **£000**	**Investment Properties**	**2018/19** **£000**
(1,551)	Rental income from Investment Property	(1,580)
277	Direct operating expenses arising from Investment Property	270
(1,274)	**Net (Gain) / Loss**	**(1,310)**

There are no restrictions on the Authority’s ability to realise the value inherent in its Investment Properties or on the Authority’s right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of Investment Properties over the year:

2017/18 £000	Fair Value of Investment Properties	2018/19 £000
22,023	**Balance at 1st April 2018**	**22,385**
	Additions:	
-	Subsequent expenditure	6
	Transfers:	
(29)	to / from Property, Plant and Equipment	28
	Valuations:	
396	Changes in market valuation	73
(7)	Disposals	(23)
2	Other changes	19
22,385	**Balance at 31st March 2019**	**22,488**

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

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

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

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

Valuation Process for Investment Properties - The Authority's investment property has been valued as at 31st March 2019 by Paul Evans, Internal Valuer, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

17. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

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 (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on 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 (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the 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 an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive 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 authority 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 derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

a) Categories of Financial Instruments

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

Financial Assets	Non-Current		Current			
	Investments		Investments		Debtors	
	31st March 2018 £000	31st March 2019 £000	31st March 2018 £000	31st March 2019 £000	31st March 2018 £000	31st March 2019 £000
Amortised Cost						
Principal	-	-	51,035	60,027	-	-
Investment Interest Accrual	-	-	93	189	-	-
Cash & Cash Equivalents (CCE)	-	-	-	-	9,770	4,914
CCE Accrued Interest	-	-	-	-	3	5
Total Investments	**-**	**-**	**51,128**	**60,216**	**9,773**	**4,919**
Trade Debtors	12,787	12,830	-	-	9,284	1,662
Total Amortised Cost	**12,787**	**12,830**	**51,128**	**60,216**	**19,057**	**6,581**
Fair Value Through Profit and Loss	**-**	**3,820**	**-**	**-**	**-**	**-**
Total Financial Assets	**12,787**	**16,650**	**51,128**	**60,216**	**19,057**	**6,581**

Financial Liabilities	Non-Current		Current	
	Borrowings		Creditors	
	31st March 2018 £000	31st March 2019 £000	31st March 2018 £000	31st March 2019 £000
Amortised Cost				
Principal	63,060	63,060	-	-
Interest Payable Accrual	-	-	311	311
Total Borrowings	**63,060**	**63,060**	**311**	**311**
Bank Overdraft	-	-	1,357	878
Trade Creditors	-	-	5,044	5,157
Total Financial Liabilities at Amortised Cost	**63,060**	**63,060**	**6,712**	**6,346**

Reclassification and remeasurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

Reclassification and Remeasurement of Financial Assets	Carrying amount brought forward at 1st April 2018 £000	New Classifications at 1st April 2018: Amortised Cost £000
Previous classifications		
Loans and Receivables	82,972	82,972
Reclassified & Remeasured amounts at 1st April 2018	**82,972**	**82,972**

Effect of Asset Reclassification and Remeasurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

New Classifications 1st April 2018	Amortised Cost £000	Total Balance Sheet carrying amount £000
Remeasured carrying amounts at 1 April 2018	**82,972**	**82,972**
Reclassified Amounts:		
Long Term Debtors	12,787	12,787
Current Investments	51,128	51,128
Cash & Cash Equivalents	9,773	9,773
Current Debtors	9,284	9,284
Total	**82,972**	**82,972**

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

b) Gains and Losses

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

Financial Instruments	**Surplus or Deficit on the Provision of Services 2017/18 £000**	**Surplus or Deficit on the Provision of Services 2018/19 £000**
Net gains/losses on: Financial Assets Measured at Fair Value Through Profit or Loss	136	49
Total net gains/losses	**136**	**49**
Interest revenue: Financial Assets Measured at Amortised Cost	(621)	(904)
Total interest revenue	**(621)**	**(904)**
Interest expense Fee expense: Financial Assets or Financial Liabilities that are not at Fair Value Through Profit or Loss	2,677	2,755
Total fee expense	**2,677**	**2,755**

c) Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring Fair Value Measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31st March 2018 £000	31st March 2019 £000
Fair Value Through Profit and Loss				
Other Financial Instruments Classified as Fair Value Through Profit and Loss	Level 1	Unadjusted quoted prices in active markets for identical shares (Investments in Property Funds)	-	3,820

Investments made in property funds during 2018/19 are as follows:-

Schroders UK Real Estate Fund - £1.85m, with an estimated return/yield of 3.2%

Threadneedle Property Unit Trust - £2.00m, with an estimated return/yield of 4.7%

Total investments - £3.85m, with an estimated return of 4.0% plus any capital growth. The total value of these investments at 31st March 2019 is £3.82m.

d) The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB new market rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment/borrowing rates, highlighting the impact of the alternative valuation;

- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

The fair value of trade and other receivables is taken to be the invoiced or billed amount. The fair values calculated are as follows:

Financial Liabilities	31st March 2018		31st March 2019	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
PWLB Debt*	63,371	89,113	63,371	90,672
Creditors	5,044	5,044	5,157	5,157
Total Financial Liabilities	**68,415**	**94,157**	**68,528**	**95,829**

* includes short term interest accrual of £311k.

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31st March 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £90.7m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. If a value is calculated on this basis, the carrying amount of £63.1m would be valued at £90.7m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid/giving a discount for the reduced interest income that will be avoided. The exit price for the PWLB loans including the penalty charge would be £112.1m.

Loans and Receivables	31st March 2018 Carrying Amount £000	31st March 2018 Fair Value £000	31st March 2019 Carrying Amount £000	31st March 2019 Fair Value £000
Money Market Loans <1 year	51,128	51,120	60,216	60,069
Cash & Cash Equivalents	9,773	9,773	4,919	4,919
Long Term Investments	-	-	3,820	3,820
Debtors	9,284	9,284	1,662	1,662
Long Term Debtors	12,787	12,787	12,830	12,830
Total Financial Assets	**82,972**	**82,964**	**83,447**	**83,300**

Where the fair value of the assets is lower than the carrying amount this is because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date and vice versa. For 2018/19, a notional future gain (based on economic conditions at 31st March 2019) was attributable to the commitment to receive interest above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

e) Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

Recurring Fair Value Measurements Using:	Other Significant Observable Inputs (Level 2) 31st March 2018 £000	Other Significant Observable Inputs (Level 2) 31st March 2019 £000
Financial Liabilities Financial Liabilities Held at Amortised Cost: PWLB	63,371	63,371
Total	**63,371**	**63,371**
Financial assets Financial Assets Held at Amortised Cost:	60,901	65,135
Total	**60,901**	**65,135**

18. Debtors

2017/18 £000	Debtors	2018/19 £000
	Trade Receivables:	
348	Other Local Authority	256
2,210	Housing Rent	2,382
10,193	Other Entities and Individuals	2,672
12,751		**5,310**
	Other Receivable Amounts:	
1,832	Government Departments	1,494
45	Business Rates	40
76	Council Tax Payers	85
1,953		**1,619**
(267)	**Payments in Advance**	(374)
(3,200)	**Less Provision for Bad Debt**	(3,274)
11,237	**Total Debtors**	**3,281**

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

Debtors 2017/18 £000	Bad debt Provisions 2017/18 £000	Debtors for Local Taxation - Council Tax & Non-domestic Rates	Debtors 2018/19 £000	Bad Debt Provisions 2018/19 £000
1,013	316	Less than one year	1,170	377
484	270	One to two years	443	215
343	213	Two to three years	377	252
1,307	1,168	More than three years	1,065	927
3,147	**1,967**	**Total**	**3,055**	**1,771**

19. Cash & Cash Equivalents

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

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

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

2017/18 £000	Cash and Cash Equivalents	2018/19 £000
2	Cash held by the Authority	2
(1,357)	Bank current accounts	(878)
9,773	Short term deposits with Banks and Building Societies	4,919
-	Other	-
8,418	**Total Cash and Cash Equivalents**	**4,043**

20. Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

There were no assets held for sale at 31st March 2019.

21. Creditors

2017/18 £000	Creditors	2018/19 £000
	Trade Payables:	
1,711	Other Local Authorities	1,754
513	Housing Rent	533
2,820	Other Entities and Individuals	2,870
5,044		**5,157**
	Other Payables:	
425	Government Departments	1,111
90	Council Tax Payers	107
3,565	Precepting Authorities (Business Rates)	4,732
1,418	Precepting Authorities (Council Tax)	1,470
608	Business Rates Payments	467
6,106		**7,887**
11,150		**13,044**

22. Provisions

Provisions	Municipal Mutual Insurance £000	Non Domestic Rates Appeals £000	Short Term Provisions Total £000	Long Term - Non Domestic Rates Appeals £000
Balance at 1st April 2017	**8**	**393**	**401**	**1,504**
Additional provisions made in year	-	651	651	
Amount used in year	-	(350)	(350)	-
Unused amounts reversed in year	-	(10)	(10)	(651)
Balance at 31st March 2018	**8**	**684**	**692**	**853**
Additional provisions made in year	-	-	-	751
Amount used in year	-	(98)	(98)	(89)
Unused amounts reversed in year	-	(62)	(62)	(232)
Balance at 31st March 2019	**8**	**524**	**532**	**1,283**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

a) Municipal Mutual Insurance (MMI)

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

b) Business Rates Appeals

Under Business Rates Retention arrangements, Billing authorities acting as agents on behalf of the major preceptors (10%), Central Government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the Rating List. The Authority has included a provision of £1.8m (£1.5m – 2017/18) (the overall provision in the Business Rates Collection Fund is £4.5m (£3.8m – 2017/18) and the Authority's share of the Local Business Rates Retention scheme is 40%) for appeals outstanding on the 31st March 2019 of £101.4m (£109.4m 2017/18).

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

23. Unusable Reserves

31st March 2018 £000	Unusable Reserves	31st March 2019 £000
47,059	Revaluation Reserve	55,561
102,952	Capital Adjustment Account	115,376
(43,692)	Pensions Reserve	(51,840)
20,403	Deferred Capital Receipts Reserve	12,701
(240)	Accumulated Absences Account	(221)
429	Collection Fund Adjustment Account	1,068
126,911	**Total Unusable Reserves**	**132,645**

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/18 £000		Revaluation Reserve	2018/19 £000	
33,951		**Balance at 1st April 2018**		**47,059**
	13,467	Revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	9,102	
13,467		Surplus or deficit on the revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		9,102
	(359)	Difference between fair value depreciation and historical cost depreciation	(600)	
(359)		Amount written off to the Capital Adjustment Account		(600)
47,059		**Balance at 31st March 2019**		**55,561**

b) Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2017/18 £000		Capital Adjustment Account	2018/19 £000	
103,782		**Balance at 1st April 2018**		**102,952**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
	(7,659)	Charges for depreciation and impairment of Non Current Assets;	(8,563)	
	(594)	Revaluation losses on Property, Plant and Equipment;	(1,463)	
	-	Movement in Fair Value of Capital Property Fund Investments	(49)	
	(76)	Amortisation of Intangible Assets;	(93)	
	(641)	Revenue Expenditure Funded from Capital Under Statute;	(717)	
	(1,933)	Amounts of Non Current Assets written off on disposal or sale as part of the gains / loss on disposal to the Comprehensive Income and Expenditure Statement;	(1,449)	
(10,903)				(12,334)
359		Adjusting amounts written out of the Revaluation Reserve		600
(10,544)		Net written out amount of the cost of Non Current Assets consumed in the year		**(11,734)**
		Capital financing applied in the year:		
	562	Use of Capital Receipts Reserve to finance new capital expenditure;	8,198	
	3,554	Use of Major Repairs Reserve to finance new capital expenditure;	4,998	
	1,273	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing;	7,116	
	58	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - Minimum Revenue Provision;	57	
	3,871	Capital expenditure charged against the General Fund and HRA Balances.	3,716	
9,318				**24,085**
396		Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement.		**73**
102,952		**Balance at 31st March 2019**		**115,376**

c) Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £000	**Pensions Reserve**	**2018/19 £000**
(43,479)	**Balance at 1st April 2018**	**(43,692)**
2,070	Remeasurement of the Net Defined Benefit Liability / (asset)	(5,676)
(4,329)	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,946)
2,046	Employer's contributions and direct payments to pensioners payable in the year	2,474
(43,692)	**Balance at 31st March 2019**	**(51,840)**

The accounts include £1.0m relating to the advance payment of the pension lump sum for 2019/20 – following the triennial review in March 2016. This has been accounted for, following technical advice, by reducing the charge to the Comprehensive Income and Expenditure Account offset in the Pensions Reserve. It should be noted that results in a difference between the pension liability and the pension reserve balances.

d) Deferred Capital Receipts Reserve

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

2017/18 £000	Deferred Capital Receipts Reserve	2018/19 £000
28,420	**Balance at 1st April 2018**	**20,403**
(8,017)	Transfer to Capital Receipts Reserve upon receipt of cash	(7,702)
20,403	**Balance at 31st March 2019**	**12,701**

e) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March 2019. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £000		Accumulated Absences Account	2018/19 £000	
(257)		**Balance at 1st April 2018**		**(240)**
	257	Settlement or cancellation of accrual made at the end of the preceding year	240	
	(240)	Amounts accrued at the end of the current year	(221)	
17		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		19
(240)		**Balance at 31st March 2019**		**(221)**

f) Collection Fund Adjustment Account

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

2017/18 £000	Collection Fund Adjustment Account	2018/19 £000
472	**Balance at 1st April 2018**	**429**
(43)	Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	639
429	**Balance at 31st March 2019**	**1,068**

24. Cash Flow Statement – Operating Activities

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

2017/18 £000	Cash Flow Statement - Operating Activities	2018/19 £000
	The cash flows for operating activities include the following items	
(1,429)	Interest received	(1,649)
2,677	Interest paid	2,755
1,248		**1,106**
152	Net Surplus or (Deficit) on the Provision of Services	**3,777**
	Adjusted for non cash movements	
7,659	Depreciation	8,563
594	Impairment and Downward Valuations	1,463
76	Amortisation	93
(124)	Increase / Decrease in Creditors	1,083
(542)	Increase / Decrease in Debtors	(202)
(4)	Increase / Decrease in Inventories	(13)
464	Movement in Pension Liability	3,312
1,932	Carrying amount of Non Current Assets and Non Current Assets Held for Sale, sold or de-recognised	1,449
(757)	Other non cash items charged to the Net (Surplus) or Deficit on the Provision of Services	197
9,298		**15,945**
	Adjusted for items that are Investing or Financing Activities	
-	Proceeds from Short-Term (Not Considered to be Cash Equivalents) and Long-Term investments (Includes Investments in Associates, Joint Ventures and Subsidiaries)	134
(2,680)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,068)
(1,273)	Any other items for which the cash effects are Investing or Financing Activities cash flows	(7,116)
(3,953)		**(9,050)**
5,497	**Net Cash Flows from Operating Activities Surplus/(Deficit)**	**10,118**

25. Cash Flow Statement – Investing Activities

2017/18 £000	Cash Flow Statement - Investing Activities	2018/19 £000
7,995	Purchase of Property, Plant and Equipment; Investment Property and Intangible Assets	19,740
7,942	Purchase of Short Term and Long Term Investments	12,861
(10,824)	Proceeds from the sale of Property, Plant and Equipment; Investment Property and Intangible Assets	(9,760)
-	Proceeds from Short Term and Long Term Investments	134
(734)	Other receipts from Investing Activities	(7,116)
4,379	**Net Cash Flows from Investing Activities**	**15,859**

26. Cash Flow Statement – Financing Activities

2017/18 £000	Cash Flow Statement - Financing Activities	2018/19 £000
(6)	Other payments for Financing Activities	(1,289)
(94)	Other receipts from Financing Activities	(77)
(100)	**Net Cash Flows from Financing Activities**	**(1,366)**

27. Acquisitions & Discontinued Operations

Acquired operations

There were no acquired operations during 2018/19.

Discontinued Operations

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

There were no discontinued operations during 2018/19.

28. Trading Operations

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

2017/18 Expenditure £000	2017/18 Income £000	2017/18 (Surplus)/ Deficit £000	Trading Operations	2018/19 Expenditure £000	2018/19 Income £000	2018/19 (Surplus)/ Deficit £000
6	(10)	**(4)**	Markets	8	(10)	**(2)**
(35)	(831)	**(866)**	Industrial Estates	(7)	(845)	**(852)**
(77)	(722)	**(799)**	Other Land and Property	202	(735)	**(533)**
(106)	**(1,563)**	**(1,669)**	**Total**	**203**	**(1,590)**	**(1,387)**

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

29. Members' Allowances

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

2017/18 £000	Members Allowances	2018/19 £000
160	Basic Allowance	160
92	Special Responsibility	93
4	Other Allowances/Expenses	4
1	Travel/Mileage	1
257	**Total**	**258**

30. Officers' Remuneration

Benefits Payable During Employment

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

The remuneration paid to the Authority's Senior Employees is as follows:

Officers Remuneration	Year	Salary, Fees and Allowances £	Expenses Allowances £	Pension Contribution £	Compensation for loss of office	Total £
Chief Executive*1,*2	2018/19	-	-	-	-	-
	2017/18	67,943	736	10,160	-	78,839
Executive Director Corporate Services*1	2018/19	54,000	488	15,408	129,929	199,825
	2017/18	89,393	1,356	15,394	-	106,143
Chief Executive *4 *1	2018/19	93,719	894	15,464	-	110,077
	2017/18	-	-	-	-	-
Chief Operating Officer *4	2018/19	19,254	201	3,177	-	22,632
	2017/18	55,017	577	9,078	-	64,672
Director of Assets & Environment *4	2018/19	-	-	-	-	-
	2017/18	40,559	503	6,692	-	47,754
Director of Transformation & Corporate Change *3	2018/19	-	-	-	-	-
	2017/18	34,818	503	5,745	-	41,066
Head of Paid Service *3	2018/19	16,236	201	2,679	-	19,115
	2017/18	46,672	577	7,701	-	54,950
Executive Director Organisation *3	2018/19	75,133	894	12,397	-	88,424
	2017/18	-	-	-	-	-
Director of Housing & Health *5	2018/19	-	-	-	-	-
	2017/18	83,556	1,356	13,787	-	98,699
Executive Director Communities *5	2018/19	87,224	1,370	14,392	-	102,986
	2017/18	-	-	-	-	-
Director of Finance *6	2018/19	14,036	251	2,316	-	16,603
	2017/18	75,057	1,356	12,384	-	88,797
Executive Director Finance *6	2018/19	71,050	1,119	11,723	-	83,892
	2017/18	-	-	-	-	-
Solicitor & Monitoring Officer	2018/19	41,974	488	58,511	67,307	168,280
	2017/18	69,561	1,356	11,333	-	82,250
Director of Technology & Corporate Programmes	2018/19	29,192	456	4,817	50,000	84,465
	2017/18	68,687	1,080	11,333	-	81,100

Officers Remuneration	Year	Salary, Fees and Allowances £	Expenses Allowances £	Pension Contribution £	Compensation for loss of office	Total £
Head of Landlord Services *7	2018/19	11,067	251	1,826	-	13,144
	2017/18	61,181	1,329	10,095	-	72,605
Assistant Director Neighbourhoods *7	2018/19	51,450	1,119	8,489	-	61,058
	2017/18	-	-	-	-	-
Head of Planning and Regeneration *8	2018/19	10,641	201	1,756	-	12,598
	2017/18	55,199	1,080	9,107	-	65,386
Assistant Director Growth and Regeneration *8	2018/19	50,225	894	8,287	-	59,406
	2017/18	-	-	-	-	-
Housing Strategy Manager	2018/19	31,191	365	80,334	72,885	184,775
	2017/18	51,560	1,080	8,507	-	61,147
Assistant Director People *12	2018/19	61,848	1,370	10,205	-	73,423
	2017/18	-	-	-	-	-
Assistant Director Partnerships *12	2018/19	57,194	1,094	9,437	-	67,725
	2017/18	-	-	-	-	-
Assistant Director Operations and Leisure *12	2018/19	57,721	1,370	9,524	-	68,615
	2017/18	-	-	-	-	-
Assistant Director Finance *12	2018/19	57,194	1,140	9,437	-	67,771
	2017/18	-	-	-	-	-
Assistant Director Asset Management *12	2018/19	59,116	1,370	8,119	-	68,605
	2017/18	-	-	-	-	-
Head of Audit and Governance *12	2018/19	52,186	1,370	8,350	-	61,906
	2017/18	-	-	-	-	-

During the year the Organisation went through a review and restructure of its Senior Management Team. This review resulted in a some Officers leaving the Authority and new post being created this is reflected in the figures for the year specifically:

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

*2 This post was vacated

*3 These posts were occupied by the same officer following an organisation restructure Executive Director post held with effect from 7th June 2018

*4 These posts were occupied by the same officer following an organisation restructure Chief executive post held with effect from 7th June 2018

*5 These posts were occupied by the same officer following an organisation restructure Executive Director post held with effect from 7th June 2018

*6 These posts were occupied by the same officer following an organisation restructure Executive Director post held with effect from 7th June 2018

*7 These posts were occupied by the same officer following an organisation restructure Assistant Director post held with effect from 7th June 2018

*8 These posts were occupied by the same officer following an organisation restructure Assistant Director post held with effect from 7th June 2018

*9 These post holders ceased employment with the Authority on 6th August 2018

*10 The post holder ceased employment with the Authority on 31st July 2018

*11 The post holder ceased employment with the Authority on 31st August 2018

*12 The officers in these posts were appointed to the Assistant Director post following the Organisational restructure on the 7th June 2018

With regard to the reduction in pension contribution levels - following the triennial review carried out by the Actuary employed by the Pension Fund in March 2017 - indicative *ongoing* annual increases in Employer's contributions for the 3 years commencing 1st April 2017 have been indicated. This now includes an ongoing lump sum (with an annual increase) relating to past liabilities and a set rate for future employer contributions of 16.5% p.a. (This rate has not changed since 2014/15).

The Authority's employees receiving more than £50k remuneration for the year (excluding employer's pension contributions) not including those reported in the Senior Employees table above were paid the following amounts:

Restated 2017/18 Total Number of Employees	Remuneration Band	2018/19 Number of Employees Left During Year	2018/19 Number Employed at 31st March 2019	2018/19 Total Number of Employees
1	£50,000 - £54,999	-	1	1
1	Total	-	1	1

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

Exit Package Cost Band	Number of Departures Agreed 2017/18	Number of Departures Agreed 2018/19
Compulsory		
£0 - £20,000	-	1
£20,001 - £40,000	-	-
£40,001 - £60,000	-	1
Total		**2**
Other departures agreed		
£0 - £20,000	-	3
£20,001 - £40,000	-	-
£40,001 - £60,000	-	3
£60,001 - £80,000	-	1
£80,001 - £100,000	-	-
£100,001 - £150,000	-	4
£150,001 - £200,000	-	1
Total	**-**	**11**

Total number of exit packages by cost band	Number of Departures Agreed 2017/18	Number of Departures Agreed 2018/19	Total Cost of Exit Packages 2017/18 £'000	Total Cost of Exit Packages 2018/19 £'000
£0 - £20,000	-	4	-	27
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	4	-	206
£60,001 - £80,000	-	1	-	64
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	4	-	503
£150,001 - £200,000	-	1	-	150
Total	**-**	**14**	**-**	**950**

31. External Audit Costs

The agreed audit fees paid for 2018/19 were £52k (£56k 2017/18)

2017/18 £000	External Audit Costs	2018/19 £000
42	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the year;	38
14	Fees payable to Grant Thornton for the certification of grants and returns for the year;	14
-	Fees payable in respect of other services provided by Cabinet Office during the year - National Fraud Initiative.	2
56	**Total**	**54**

The indicative fee for certification of grants and returns for 2018/19 is £14k.

32. Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges for this Authority may be used to fund revenue expenditure. No CIL income was received in 2018/19.

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £000	Grant Income	2018/19 £000
	Credited to Taxation and Non Specific Grant Income	
771	Revenue Support Grant	494
13,543	NNDR	13,517
(9,718)	Non Domestic Rates - Tariff	(10,010)
(1,168)	Non Domestic Rates - Levy to GBSLEP	(992)
382	New Homes Bonus	148
107	Discretionary Business Rates Relief	-
656	S31 Grant - Small Business Rate Relief	894
286	Other Grants	52
1,273	Capital Grants and Contributions	7,116
6,132	**Total**	**11,219**

The Authority credited the following grants, contributions and donations to Cost of Services within the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £000	**Credited to Services Government Grant**	**2018/19 £000**
330	DWP Admin Grant	299
91	NNDR Cost of Collection	90
18,459	Benefits	15,717
159	Discretionary Housing Payment	140
4	Nature Reserve	7
102	Safer Stronger Communities/Domestic Abuse	113
38	Electoral Process	26
29	Homelessness Reduction Act	18
106	Domestic Abuse Services	59
33	Arts Council	21
113	Welfare Benefit Reform Changes	138
59	Flexible Homelessness Support	91
-	Homelessness Prevention	21
-	EU Exit	17
-	New Burdens - Brownfields/Custom Build	18
-	ERDF	6
-	Earned Autonomy	30
-	National Community Clean Up	25
19,523	**Total**	**16,836**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

31st March 2018 £000	**Capital Grants Receipts in Advance**	**31st March 2019 £000**
1	DCMS Free Swimming Grant	1
3	Lottery BMX Track	3
2	Elections	-
10	HLF Mercian Trail	10
91	Arts Council	-
27	Other	12
134	**Total**	**26**

33. Related Parties

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

a) Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8. Grant receipts outstanding at 31st March 2019 are shown in Note 32.

b) Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' Allowances paid in 2018/19 is shown in Note 29. During the financial year ended 31st March 2019, there were no material transactions between the Authority and its Members, other than the payment of Member Allowances. Details of all transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

Members are required to disclose information regarding any material transactions between them and any other organisation in which they could exert control. During the financial year ended 31st March 2019, the only such transactions were with regard to the Leader of the Council and the establishment of Solway (Tamworth) Ltd, as detailed in paragraph (d) below.

c) Officers

During the financial year ended 31st March 2019, there were no material transactions between the Authority and its Chief Officers, other than the payment of officer salaries. The total of Senior Officers' Remuneration is shown in Note 30.

Senior Officers are required to disclose information regarding any material transactions between them and any other organisation in which they could exert control. During the financial year ended 31st March 2019, the only such transactions were with regard to the Chief Executive and the Executive Director Finance and the establishment of Solway (Tamworth) Ltd, detailed below.

d) Solway (Tamworth) Ltd

In line with plans set out in the Council's Commercial Investment Strategy, the above trading company was established in 2018. The company is wholly owned by the Council, with the Leader of the Council, Chief Executive, and Executive Director Finance established as Directors of the company. During 2019/20, it is intended that land owned by the Council at Solway Close will be disposed of and purchased by the company for the development of private housing for rent. The cost of approx. £3.6m will be financed via a loan from the Council to the company of £1.7m and equity investment of £1.9m as sole shareholder.

It is projected that the Council will earn a return to the General Fund from the company from the following sources:-

Debt interest charged to the company on the planned loan from the Council at a market interest rate; A return on equity invested through dividends; and repayment of the loan over approx. 30 years.

e) Staffordshire County Council, OPCC and Fire Authority Precepts.

Staffordshire County Council and OPCC Staffordshire, and Stoke on Trent and Staffordshire Fire and Rescue Authority, issue precepts on the Authority, as follows:

31st March 2018 £000	Precepts	31st March 2019 £000
24,100	Staffordshire County Council	25,951
3,821	Staffordshire Police Authority	4,128
1,509	Staffordshire Commissioner Fire and Rescue Authority	1,576
29,430	**Total**	**31,655**

During the year, there were 3 Councillors who were both a Member of the Council and Staffordshire County Council.

f) Staffordshire County Council

Under the Recycling Credit Scheme, the Authority also receives recycling credits from Staffordshire County Council. These are then paid over to the Joint Waste Unit under arrangements with Lichfield District Council.

31st March 2018 £000	Recycling Credit Scheme	31st March 2019 £000
(693)	Recycling Credits	(611)
(693)	**Total**	**(611)**

g) Joint Waste Management Services

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

The parties have an agreement in place for funding this operation with contributions to the agreed budget of **57.8%** from Lichfield District Council and **42.2%** from Tamworth Borough Council. The same proportions are used to meet any deficit or share any surplus arising on the operation's budget at the end of each financial year.

The revenue outturn of the Joint Waste Service for the year ended 31st March 2019 is as follows:

2017/18 £000	**Joint Waste Arrangement Income / Expenditure**	**2018/19 £000**
	Funding Provided to the Operation	
(1,275)	Contribution from Tamworth Borough Council	(863)
(1,750)	Contribution from Lichfield District Council	(1,187)
(3,025)	**Total Funding Provided to the Operation**	**(2,050)**
	Expenditure	
2,577	Employee Costs	2,618
4	Premises Related Expenses	2
1,229	Transport Costs	1,243
1,345	Supplies and Services	1,410
369	Central Support Costs	369
5,524	**Total Expenditure**	**5,642**
	Income	
(1,812)	Recycling Credits	(1,620)
(231)	Green Waste Service	(1,495)
(562)	Other Income	(479)
(2,605)	**Total Income Received**	**(3,594)**
2,919	**Total Net Expenditure**	**2,048**
(106)	**Net (Surplus)/Deficit arising on the pooled budget during the year**	**(2)**
42.16%	**Tamworth Borough Council's share of Service**	**42.16%**
(45)	**Tamworth Borough Council's share of Net (Surplus)/Deficit**	**(1)**

Lichfield District Council are the lead Authority for this arrangement, with the Tamworth Borough Council reimbursing Lichfield for services on the basis of a proportion of actual spend. For 2018/19, the cost of the arrangement to the Authority was £0.86m.

34. Capital Expenditure & Financing

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

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

2017/18 £000	**Capital Expenditure and Financing**	**2018/19 £000**
68,983	**Opening Capital Financing Requirement**	68,925
	Capital Investment	
8,487	Property, Plant and Equipment	22,971
18	Heritage Assets	195
-	Investment Properties	6
114	Intangible Assets	139
641	Revenue Expenditure Funded from Capital under Statute	717
	Sources of Finance	
(562)	Capital receipts	(8,198)
(809)	Government grants and other contributions	(6,563)
(7,425)	Sums set aside from revenue - Direct Revenue Contributions	(8,714)
(58)	Sums set aside from revenue - Minimum Revenue Provision	(57)
(464)	Grants - Revenue Expenditure Funded from Capital Under Statute	(553)
68,925	**Closing Capital Financing Requirement**	**68,868**
	Explanation of movements in year:	
	Increase in underlying need to borrow:	
(58)	Sums set aside from revenue - Minimum Revenue Provision	(57)
(58)	**Increase/(Decrease) in Capital Financing Requirement**	**(57)**

35. Leases

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

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

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

a) Authority as Lessee

Operating Leases

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

The Authority currently uses vehicles, plant and equipment financed under terms of an operating lease. The amount paid under these arrangements in 2018/19 was £273k (£329k – 2017/18). These leases have options for annual extensions beyond the original lease term, a number of these options are currently being taken up.

2017/18 £000	Minimum Lease Payments	2018/19 £000
329	Minimum lease payments	273
329	**Total Minimum Lease Payments**	**273**

The Authority was committed at 31st March 2019 to making payments of £775k under operating leases, comprising the following elements:

31st March 2018 £000	Operating Leases	31st March 2019 £000
256	Not later than one year	291
555	Later than one year not later than five years	484
811	**Total Operating Leases**	**775**

b) Authority as Lessor

i. Finance Leases

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

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

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

Lease rentals receivable are apportioned between:

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

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

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

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

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

The Authority has leased out property at the Ankerside Shopping Centre including car park, on a finance lease with a remaining term of 70 years.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the Long Term Debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding.

The gross investment is made up of the following amounts:

31st March 2018 £000	Assets Held for Leases (Lessor)	31st March 2019 £000
	Finance lease debtor (NPV of minimum lease payments)	
12,603	Non current	12,594
46,959	Unearned finance income	46,117
12	Unguaranteed residual value of property	12
59,574	**Gross Investment in the Lease**	**58,723**

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

Minimum Lease Payments 31st March 2018 £000	Gross Investment in the Lease 31st March 2018 £000	Minimum Lease Payments	Minimum Lease Payments 31st March 2019 £000	Gross Investment in the Lease 31st March 2019 £000
851	851	Not later than one year	851	851
3,404	3,404	Later than one year not later than five years	3,404	3,404
55,307	55,319	Later than five years	54,456	54,468
59,562	**59,574**	**Total**	**58,711**	**58,723**

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

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

ii. Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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

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

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

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

31st March 2018 £000	Future Minimum Lease Payments	31st March 2019 £000
	Operating Leases	
1,096	Not later than one year	1,111
4,120	Later than one year not later than five years	4,235
54,609	Later than five years	52,476
59,825	**Total**	**57,822**

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

The minimum lease payments do not include cancellable rents received during the period, these amounted to £526k in 2018/19 (£441k – 2017/18). There were 12 void units at the 31st March 2019 (22 voids at the 31st March 2018).

36. Impairment Losses

Charges for impairment of £5.2m have been made during 2018/19. This amount reflects the expenditure on capital assets which has not produced a similar increase in the value of the assets.

Total HRA Capital Expenditure was £13.5m of which £4.2m related to improvements to bathrooms, kitchens, central heating, electrical upgrades and disabled adaptations; £1.6m related to the acquisition of 24 new properties to be used within the general need stock; with £6.6m spent on the regeneration of the Tinkers Green and Kerria sites. The impairment has been recognised as the advice of the Authority's internal valuer is that such improvements have not increased the overall value of the asset.

37. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

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

There were 13 terminations of employee contracts during 2018/19.

38. Defined Benefit Pension Schemes

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

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2013:

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

ii. Liabilities are discounted to their value at current prices, using a discount rate of 2.7%.

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

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

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

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

Service Cost Comprising:

- **Current Service Cost:** The increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

- **Past Service Cost:** The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- **Net Interest Cost:** net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

Expected Return on Plan Assets: excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure:

- **Actuarial Gains and Losses:** changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

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

In relation to retirement benefits, statutory provisions require the General Fund and the Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

a) Participation in Pension Schemes

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

The authority participates in two post employment schemes:

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

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

b) Transactions Relating to Post-employment Benefits

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

Comprehensive Income and Expenditure Statement

Local Government Pension Scheme 2017/18 £000	Discretionary Benefit Arrangements 2017/18 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2018/19 £000	Discretionary Benefit Arrangements 2018/19 £000
		Comprehensive Income and Expenditure Statement:		
		Service Cost Comprising:		
3,191	66	Current service costs	3,069	69
17	-	Past service costs	718	-
		Financing and Investment Income and Expenditure		
3,219	-	Interest costs	3,388	-
(2,098)	-	Expected return on scheme assets	(2,229)	-
4,329	**66**	**Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services**	**4,946**	**69**
		Remeasurement of the Net Defined Benefit Liability Comprising:		
206	34	Return on plan assets (excluding amounts included in net interest expense)	(4,527)	91
(2,320)	-	Actuarial gains and losses on changes in financial assumptions	10,066	-
10	-	Other	46	-
2,225	**100**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**10,531**	**160**

Movement in Reserves Statement

Local Government Pension Scheme 2017/18 £000	Discretionary Benefit Arrangements 2017/18 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2018/19 £000	Discretionary Benefit Arrangements 2018/19 £000
		Movement in Reserves Statement:		
(2,225)	(100)	Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services for post employment benefits in accordance with the code	(10,531)	(160)
		Actual amount charged against the General Fund Balance for pensions in the year:		
2,046	-	Employers' contributions payable to the scheme	2,474	-
-	66	Retirement benefits payable to pensioners	-	69
(179)	**(34)**	**Total Movement in Reserves Statement**	**(8,057)**	**(91)**

Under the Housing Repairs contract, a separate pension scheme is operated for staff transferred as part of a TUPE arrangement.

c) Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Government Pension Scheme 2017/18 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme 2018/19 £000
125,028	Present Value of the Defined Benefit Obligation	139,623
(83,155)	Fair Value of Plan Assets	(88,762)
41,873	**Net Liability Arising From Defined Benefit Obligation**	**50,861**

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

Local Government Pension Scheme 2017/18 £000	Reconciliation of Fair Value of Scheme Assets	Local Government Pension Scheme 2018/19 £000
80,208	**Balance at 1st April 2018**	**83,155**
2,098	Interest Income on Plan Assets	2,229
(240)	Return on Assets excluding amounts included in net interest	4,436
3,865	Employer contributions	1,634
544	Contributions by scheme participants	538
(3,320)	Benefits paid	(3,230)
66	Contributions in respect of unfunded benefits	69
(66)	Unfunded benefits paid	(69)
83,155	**Balance at 31st March 2019**	**88,762**

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

Local Government Pension Scheme 2017/18 £000	Discretionary Benefit Arrangements 2017/18 £000	Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)	Local Government Pension Scheme 2018/19 £000	Discretionary Benefit Arrangements 2018/19 £000
122,547	**1,140**	**Balance at 1st April 2018**	**123,920**	**1,108**
3,257	-	Current service costs	3,138	-
3,219	-	Interest Cost on Defined Benefit Obligation	3,388	-
544	-	Plan Participants Contributions	538	-
(2,354)	34	Changes in Financial Assumptions	9,975	91
10	-	Other Experience	46	-
(3,320)	(66)	Benefits paid	(3,230)	(69)
17	-	Past service costs	718	-
123,920	**1,108**	**Balance at 31st March 2019**	**138,493**	**1,130**

f) Local Government Pension Scheme Assets Comprised:

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

As at 31st March 2018					As at 31st March 2019			
Quoted Prices in Active Markets £000	**Quoted Prices Not in Active Markets £000**	**Total £000**	**Percentage of Total Assets %**	**Fair Value of Employers Assets**	**Quoted Prices in Active Markets £000**	**Quoted Prices Not in Active Markets £000**	**Total £000**	**Percentage of Total Assets %**
				Equity Securities				
3,603.9	-	3,603.9	4.3	Consumer	4,041.7	-	4,041.7	4.5
3,472.8	-	3,472.8	4.2	Manufacturing	3,180.9	-	3,180.9	3.5
1,018.2	-	1,018.2	1.2	Energy & Utilities	1,317.3	-	1,317.3	1.5
3,375.0	-	3,375.0	4.1	Financial Institutions	3,212.5	-	3,212.5	3.6
2,461.7	-	2,461.7	3.0	Health Care	2,917.9	-	2,917.9	3.3
2,355.7	-	2,355.7	2.8	Information Technology	2,483.2	-	2,483.2	2.8
90.2	-	90.2	0.1	Other	82.8	-	82.8	0.1
				Debt Securities				
6,309.4	-	6,309.4	7.6	Corporate Bonds (Investment Grade)	6,900.0	-	6,900.0	7.7
				Private Equities				
-	2,428.0	2,428.0	2.9	All	-	3,172.6	3,172.6	3.5
				Real Estate				
-	6,432.8	6,432.8	7.7	UK Property	-	8,172.6	8,172.6	9.1
				Investment Funds & Unit Trusts				
39,297.6	-	39,297.6	47.2	Equities	39,403.7	-	39,403.7	44.0
4,893.1	-	4,893.1	5.9	Bonds	6,819.1	-	6,819.1	7.6
-	1,460.0	1,460.0	1.8	Hedge Funds	-	1,633.8	1,633.8	1.8
-	2,145.4	2,145.4	2.6	Other	-	3,516.1	3,516.1	3.9
				Cash & Cash Equivalents				
3,811.2	-	3,811.2	4.6	All	2,809.8	-	2,809.8	3.1
70,688.8	**12,466.2**	**83,155.0**	**100.0**	**Total Assets**	**73,168.9**	**16,495.1**	**89,664.0**	**100.0**

g) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2019.The significant assumptions used by the actuary have been:

Local Government Pension Scheme 2017/18	Discretionary Benefit Arrangements 2017/18	Assumptions	Local Government Pension Scheme 2018/19	Discretionary Benefit Arrangements 2018/19
		Long-term expected rate of return on assets in the scheme:		
2.70%	-	Equity Investments	2.40%	-
2.70%	-	Bonds	2.40%	-
2.70%	-	Property Managed Funds	2.40%	-
2.70%	-	Cash	2.40%	-
2.70%	-	Other	2.40%	-
		Mortality assumptions (in years):		
		Longevity at 65 for current pensioners:		
22.1	22.1	Men	22.1	22.1
24.4	24.4	Women	24.4	24.4
		Longevity at 65 for future pensioners:		
24.1	24.1	Men	24.1	24.1
26.4	26.4	Women	26.4	26.4
2.40%	2.40%	CPI Rate	2.50%	2.50%
2.80%	2.80%	Rate of increase in salaries	2.90%	2.90%
2.40%	2.40%	Rate of increase in pensions	2.50%	2.50%
2.70%	2.70%	Rate for discounting scheme liabilities	2.40%	2.40%
50%/75%	-	Take-up of option to convert annual pension into retirement lump sum	50%/75%	-

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

Impact on the Defined Benefit Obligation in the Scheme			Impact on the Defined Benefit Obligation in the Scheme	
Approx. % Increase to Liability 2017/18 %	**Approx. Monetary Value 2017/18 £000**	**Change in Assumptions at 31st March 2019**	**Approx. % Increase to Liability 2018/19 %**	**Approx. Monetary Value 2018/19 £000**
10.00%	12,071	0.5% Decrease in Real Discount Rate	10.00%	13,855
3.00% to 5.00%	4,947 to 8,245	1 Year in Member Life Expectancy	3.00% to 5.00%	5,466 to 9,110
1.00%	1,649	0.5% Increase in the Salary Increase Rate	1.00%	1,822
8.00%	10,275	0.5% Increase in the Pension Increase Rate	8.00%	11,813

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2020 is £1.3m (£1.4m – 2018/19).

39. Contingent Liabilities

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

Contingent Liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

The Authority has included a provision – detailed in Note 22 – relating to Business Rate appeals outstanding as at 31st March 2019.

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

It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal and the Authority has therefore made provision in the accounts based on professional advice from independent valuers. However, the level of historic appeals together with the average level of success and savings in Rateable Value is shown for the 2005, 2010 and 2017 lists below:

Indicator	2005 List	2010 List	2017 List	Total
A Total of original Rateable Values resolved	£115.98m	£137.08m	£0.64m	£253.70m
B Total original Rateable Value of successful check/challenge/appeal	£52.02m	£41.78m	£	£93.82m
Average success rate (% of RV) **(B/A)**	44.85%	30.48%	2.65%	36.98%
C Total revised Rateable Value of successful check/challenge/appeal	£47.64m	£37.37m	£0.01M	£85.02m
D Total reduction in Rateable Value (C-B)	**£4.39m**	**£4.41m**	**£-**	**£8.80m**
Average % reduction in Rateable Value **(D/B)**	8.43%	10.56%	25.00%	9.38%
E Years the List has been active	5	7	2	-
F Average annual reduction in Rateable Value **(D/E)**	£0.88m	£0.63m	n/a	-
G Standard Business Rate Multiplier in 2019/20	50.4p	50.4p	50.4p	50.4p
H Average annual cost of reduction based on 2019/20 Multiplier (FxG)	**£0.442m**	**£0.318m**	**£0.001M-**	**£0.761m**
District Council Share at 40% (Hx0.4)	**£0.177m**	**£0.127m**	**£-**	**£0.304m**
I Appeals outstanding 31/03/19	£0.08m	£100.38m	£0.95m-	£101.41m
J Provision included	£-	£1.31m	£3.21m	£4.52m
Provision as a % of Appeals outstanding **(J/I)**	4.71%	1.30%	339.21%	4.46%

40. Nature & Extent of Risks Arising from Financial Instruments

Key Risks

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

- **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 requiring 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 such measures as interest rates or stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services and is based on the framework set out in the Local Government Act 2003 and associated regulations.

As directed by the Act, the Authority has formally adopted the CIPFA Treasury Management Code of Practice and complies with the CIPFA Prudential Code. As part of the adoption of the Treasury Management Code, the Authority approves a Treasury Management Strategy before the commencement of the year to which it relates, this strategy sets out the parameters for the management of risks associated with financial instruments.

The Treasury Management Strategy for 2018/19 (including the Annual Investment Strategy) was approved by Full Council on 21st February 2018 and is available on the Authority's website.

The strategy also includes an Annual Investment Strategy for the forthcoming year, setting out it's criteria for both investing and selecting investment counterparties in compliance with Government guidance.

Risk management is carried out by a central treasury team, under policies approved by the Authority in the annual Treasury Management Strategy. The Authority provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash).

a) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which is available on the Authority's website.

Credit Risk management Practices

The authority's credit risk management practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Authority uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and 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

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £65m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31st March 2019 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses

Credit Risk Exposure

The Authority has assessed its short and long term investments and concluded that the expected credit loss is not material therefore no allowances have been made.

A summary of the credit quality of the Council's investments at 31st March 2019 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability.

Credit Risk	Amount at 31st March 2019 £000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31st March 2019 % C	Estimated Maximum Exposure to Default and Uncollectability at 31st March 2019 £000 (A x C)	Estimated Maximum Exposure at 31st March 2018 £000
AA rated counterparties	12,000	-	-	-	-
A rated counterparties	48,003	0.014%	0.014%	7	23
BBB rated counterparties	-	-	-	-	13
Caa rated counterparties	24	18.82%	18.82%	5	6
Trade Debtors	1,877	93.82%	93.82%	1,761	1,802
Total	**61,904**	-	-	**1,773**	**1,844**

The Authority does not generally allow credit for customers, such that £1.9m is past its due date for payment. The past due amount as at 31st March 2019 but not impaired amount can be analysed by age as follows:

31st March 2018 £000	Arrears	31st March 2019 £000
288	Less than six months	245
207	Six months to one year	143
265	More than one year	235
1,257	More than two years	1,254
2,017	**Total**	**1,877**

The Authority initiates a legal charge on property where, for instance, works have to be carried out in default but those responsible cannot afford to pay immediately. The total collateral at 31st March 2019 was £46.3k (£47.2k – 2017/18).

b) Liquidity Risk

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

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

31st March 2018 Average Rate %	31st March 2018 Amount £000	Financial Assets	31st March 2019 Average Rate %	31st March 2019 Amount £000
0.63%	51,128	Less than one year	0.99%	60,216
0.63%	**51,128**	**Total**	**0.99%**	**60,216**

All trade and other payables are due to be paid in less than one year – debtors of £1.9m are not included in the table above.

c) Refinancing and Maturity Risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved Council in the Treasury Management Strategy):

31st March 2018 Average Rate %	Amount £000	Financial Liabilities	Approved Minimum Limits	Approved Minimum Limits	31st March 2019 Average Rate %	Amount £000
4.05%	63,371	PWLB			4.05%	63,371
-	-	Other Lenders			-	-
4.05%	**63,371**	**Total**			**4.05%**	**63,371**
-	311	Less than one year (Interest Due)	0%	20%	-	311
-	-	Less than one year	0%	20%	-	-
-	-	Maturing in 1 - 2 years	0%	20%	-	-
-	-	Maturing in 2 - 5 years	0%	25%	-	-
-	-	Maturing in 5 - 10 years	0%	75%	-	-
4.25%	1,000	Maturing in 10 - 15 years	0%	100%	4.25%	1,000
4.05%	62,060	Maturing in over 15 years	0%	100%	4.05%	62,060
4.05%	**63,371**	**Total** -			**4.05%**	**63,371**

d) Market Risk

i) Interest Rate Risk

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

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

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

- **Investments at fixed rates:** The fair value of the assets will fall (no impact on revenue balances).

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

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

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. As at 31st March 2019, the Authority had no variable rate debt or investments. There would therefore be no material impact if all interest rates had been higher or lower during the year.

ii) Price Risk

The Council holds £3.8m in property funds, and their price varies. However, any movements in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

e) Impairment of Financial Assets – Deposits with Icelandic Banks

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

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

Bank	Date Invested	Maturity Date	Amount Invested £	Interest Rate %	Carrying Amount £	Principal Default %
Glitnir	10/10/2007	09/10/2008	1,000,000	6.28	-	-
Glitnir	31/08/2007	28/08/2009	1,000,000	6.55	-	-
Glitnir	14/12/2007	12/12/2008	1,000,000	6.16	-	-
KSF	31/08/2008	09/08/2010	1,000,000	6.69	8,055	13.5%
KSF	31/10/2007	29/10/2008	1,000,000	6.16	7,934	13.5%
KSF	14/01/2008	14/10/2010	1,000,000	5.90	7,825	13.5%
Heritable	12/09/2008	13/10/2008	500,000	5.38	-	2%
Heritable	15/09/2008	22/10/2008	1,000,000	5.45	-	2%
Total			**7,500,000**	**-**	**23,814**	**-**

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. The Icelandic Supreme Court decision to grant UK local authorities priority status, enabled the winding up board to make a distribution to creditors in a basket of currencies in March 2012.

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

On 27th June 2017, the Authority received repayment of the Icelandic Bank Glitnir deposit held in escrow.

Kaupthing Singer and Friedlander Ltd (KSF)

The current position is as shown in the table above. The Authority has decided to recognise an impairment based on it recovering 86.50p in the £.

Heritable Bank

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7th October 2008. The Authority has calculated the impairment based on recovering 98p in the £.

41. Prior Period Restatement of Service Expenditure and Income

The following table shows how the net expenditure and income for 2017/18 has been restated (within the CIES on page 22) following the Senior Management Restructure..

CIES	Chief Executive	Executive Director Corporate Services	Director of Finance	Solicitor to the Council	Corporate Director Technology and Corporate Programmes	Corporate Director Transformation and Corporate Performance	Director of Communities, Planning and Partnerships	Director of Growth, Assets and Environment (GF)	Director Housing and Health (GF)	Director of Growth, Assets and Environment (HRA)	Director Housing and Health (HRA)	HRA Summary	Housing Repairs	Cost of Services
Chief Executive	118	113	-	133	-	-	-	1,127	-	-	-	-	-	**1,491**
Assistant Director Growth and Regeneration	-	-	-	-	-	-	-	1,143	-	-	-	-	-	**1,143**
Executive Director Organisation (GF)	-	-	-	361	-	86	-	-	-	-	-	-	-	**447**
Assistant Director People	-	-	-	-	863	932	-	-	-	-	-	-	-	**1,795**
Assistant Director Operations and Leisure (GF)	-	-	-	-	-	19	-	2,858	226	-	-	-	-	**3,103**
Executive Director Finance	-	95	-	-	-	-	-	-	-	-	-	-	-	**95**
Assistant Director Finance	-	108	1,151	-	-	-	-	-	-	-	-	-	-	**1,259**
Assistant Director Assets (GF)	-	-	-	-	-	-	-	575	-	-	-	-	-	**575**
Assistant Director Neighbourhoods (GF)	-	-	-	-	25	-	-	581	603	-	-	-	-	**1,209**
Assistant Director Partnerships	-	-	-	41	-	-	1	135	1,578	-	-	-	-	**1,755**
HRA Summary	-	-	-	-	-	-	-	-	-	-	-	(11,002)	-	**(11,002)**
Assistant Director Operations and Leisure (HRA)	-	-	-	-	-	-	-	-	-	-	541	-	-	**541**
Assistant Director Assets (HRA)	-	-	-	-	-	-	-	-	-	(42)	381	-	-	**339**
Assistant Director Neighbourhoods (HRA)	-	-	-	-	-	-	-	-	-	-	3,596	-	-	**3,596**
Housing Repairs	-	-	-	-	-	-	-	-	-	-	-	-	2,698	**2,698**
Net Cost of Services	**118**	**316**	**1,151**	**535**	**888**	**1,037**	**1**	**6,419**	**2,407**	**(42)**	**4,518**	**(11,002)**	**2,698**	**9,044**

Approval of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on 25th July 2019

Signed on behalf of Tamworth Borough Council

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

Dated 25th July 2019

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

Housing Revenue Account

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

2017/18 £000		HRA Comprehensive Income and Expenditure Statement	2018/19 £000	2018/19 £000
		Expenditure:		
	3,079	Repairs and Maintenance	4,119	
	6,311	Supervision and Management	6,870	
	76	Rents, rates, taxes and other charges	46	
	7,069	Depreciation and impairment of Non Current Assets	7,393	
	20	Debt management costs	18	
	152	Movement in the allowance for bad debts	154	
16,707		**Total Expenditure**		**18,600**
		Income:		
	(17,739)	Dwelling rents	(17,581)	
	(371)	Non dwelling rents	(381)	
	(768)	Charges for services and facilities	(797)	
	(1,666)	Contributions towards expenditure	(1,739)	
	-	HRA Subsidy receivable	-	
(20,544)		**Total Income**		**(20,498)**
(3,837)		**Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(1,898)**
9		HRA services' share of Corporate and Democratic Core		14
(3,828)		**Net Expenditure / (Income) for HRA Services**		**(1,884)**
		HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:		
(640)		(Gain) or loss on sale of HRA Non Current Assets		(466)
2,632		Interest payable and similar charges		2,708
(124)		Interest and investment income		(201)
253		Pensions interest cost and expected return on pensions assets		273
(246)		Capital grants and contributions receivable		(4,200)
(1,953)		**(Surplus) or Deficit for the Year on HRA Services**		**(3,770)**

Statement of Movement on the HRA Balance

2017/18 £000		Statement of Movement on the HRA Balance	2018/19 £000	2018/19 £000
6,353		Balance on the HRA at the end of the previous year		6,824
	1,953	Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	3,770	
	(1,379)	Adjustments between accounting basis and funding basis under statute	(4,705)	
	574	**Net Increase or (Decrease) before transfers to or from reserves**	**(935)**	
	(103)	Transfers (to) / from Reserves	(1,404)	
471		Increase or (Decrease) on the HRA		(2,339)
6,824		**Balance on the HRA at 31st March 2019**		**4,485**

Analysis of Adjustments

2017/18 £000	Analysis of Adjustments	2018/19 £000
(13)	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	(8)
(640)	Gain or loss on sale of HRA Non Current Assets	(467)
530	HRA share of contributions to or from the Pensions Reserve	598
(3,569)	Capital expenditure funded by the HRA	(3,540)
(246)	Capital Grants and Contributions Applied;	(4,200)
(4,510)	Transfer to / from the Major Repairs Reserve	(4,482)
7,069	Transfer to / from the Capital Adjustment Account	7,394
(1,379)	**Total Adjustments Between Accounting Basis and Funding Basis Under Statute**	**(4,705)**

NOTES TO THE HRA

HRA1. Number & Type of Dwelling

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

	Houses and Bungalows	High and Medium Rise Flats	Low Rise Flats	Total
Housing Stock as at 1st April 2018	**2,732**	**664**	**873**	**4,269**
Demolitions	-	-	(36)	**(36)**
Sales	(24)	(1)	(3)	**(28)**
Purchases	9	2	8	**19**
Housing Stock as at 31st March 2019	**2,717**	**665**	**842**	**4,224**

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

HRA2. Vacant possession value of dwellings

The Vacant Possession Valuation as at 31st March 2019 is £444.9m (31st March 2018 Vacant Possession Value was £428.2m).

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

Council dwellings are held on the Balance Sheet at Existing Use Value Social Housing (EUV-SH) which for 2018/19, a nationally set adjustment factor for the West Midlands of 40% of vacant possession value has been used (40% - 2017/18).

Existing Use Social Housing Value of Dwellings

Movement in 2018/19	EUV-SH Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Asset Under Construction £000	Total £000
Cost or Valuation					
As at 1st April 2018	**172,392**	**3,798**	**7**	**1,111**	**177,308**
	-				
Additions;	6,659	-	11	6,806	**13,476**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	(7,979)	(10)	-	-	**(7,989)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve;	7,834	10	-	-	**7,844**
Revaluation increases/ (decreases) recognised in the (Surplus) or Deficit on the Provision of Services;	697	-	-	-	**697**
Derecognition - Disposals.	(1,932)	-	-	-	**(1,932)**
Other movements in cost or valuation	308	-	-	(308)	**-**
As at 31st March 2019	**177,979**	**3,798**	**18**	**7,609**	**189,404**
Accumulated Depreciation & Impairment					
As at 1st April 2018	**(621)**	**(1)**	**-**	**-**	**(622)**
Depreciation Charge;	(2,758)	(102)	-	-	**(2,860)**
Accumulated Depreciation and Impairment written off to Gross Carrying Amount;	7,979	10	-	-	**7,989**
Impairment losses/ (reversals) recognised in the (Surplus) or Deficit on the Provision of Services;	(5,231)	-	-	-	**(5,231)**
Derecognition - disposals.	631	-	-	-	**631**
As at 31st March 2019	**-**	**(93)**	**-**	**-**	**(93)**
Net Book Value					
As at 1st April 2018	171,771	3,797	7	1,111	**176,686**
As at 31st March 2019	**177,979**	**3,705**	**18**	**7,609**	**189,311**
Nature of holdings at year end Owned	**177,979**	**3,705**	**18**	**7,609**	**189,311**

HRA3. Movement on the Major Repairs Reserve (MRR)

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

The Capital Expenditure shown was spent on maintaining council dwellings.

2017/18 £000	Major Repairs Reserve	2018/19 £000
2,521	**Balance at 1st April 2018**	**3,477**
4,510	Contributions to the Major Repairs Reserve	4,482
(3,554)	Capital Spending on Dwellings	(4,998)
3,477	**Balance at 31st March 2019**	**2,961**

The contribution in 2018/19 includes depreciation of £2.7m and a further revenue contribution to capital outlay of £1.6m.

HRA4. Capital Expenditure Summary

The following table details how £13.5m Capital Expenditure was financed during the year.

2017/18 £000	Capital Expenditure	2018/19 £000
	Capital Expenditure Type:	
5,528	Dwellings	6,659
-	Land	-
7	Plant, Vehicles and Equipment (PVE)	11
2,128	Assets Under Construction	6,806
7,663	**Total Capital Expenditure**	**13,476**
	Funded by:	
294	Usable capital receipts	738
3,569	Revenue contributions	3,540
246	External grants and contributions	4,200
3,554	Major Repairs Reserve	4,998
7,663	**Total Funding**	**13,476**

HRA5. Capital Receipts

During the year capital receipts totalling £1.8m were received in respect of dwellings sold, of which £0.4m was repaid to DCLG under the pooling regime. The un-pooled element of capital receipts are retained for financing housing capital investment and regeneration works.

2017/18 £000	Capital Receipts	2018/19 £000
2,624	Sale of dwellings under Right to Buy	1,803
(422)	Amounts pooled to Central Government	(418)
2,202	**Net Capital Receipts**	**1,385**

HRA6. Depreciation & Impairment Charges

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

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

Charges for impairment of £5.2m have been made during 2018/19. This amount reflects the expenditure on capital assets which has not produced a similar increase in the value of the assets.

HRA7. HRA Pensions Reserve

2017/18 £000	Pensions	2018/19 £000
667	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	723
727	Interest on share of pensions liability	797
(474)	Expected return on share of assets	(524)
920	**Total**	**996**

HRA8. Rent Arrears

Restated 2017/18 £000	Rent Arrears	2018/19 £000
1,683	Gross arrears	1,838
9.5%	Gross arrears as percentage of gross rent income	10.5%

Of the rent arrears, 50.6% (51.6% - 2017/18) refer to former tenants.

Restated 2017/18 £000	Provision for Bad Debts	2018/19 £000
	Rent Arrears	
1,324	**Balance at 1st April 2018**	**1,370**
152	Contribution from / (to) HRA in year	156
(106)	Written off in year	(40)
1,370	**As at 31st March 2019**	**1,486**
	Sundry Debtors	
28	**Balance at 1st April 2018**	**28**
-	Contribution from / (to) HRA in year	(2)
28	**Balance at 31st March 2019**	**26**
1,398	**Total Provision for Bad Debts**	**1,512**

Collection Fund

The Collection Fund statement shows the transactions of the Authority, as billing authority, in relation to the collection of Council Tax income on behalf of Staffordshire County Council, the OPCC, the Staffordshire Commissioner Fire and Rescue Authority and this Authority's General Fund together with non-domestic rates collected on behalf of the Government, Staffordshire County Council, the Staffordshire Commissioner Fire and Rescue Authority and this Authority's General Fund.

2017/18 Council Tax £000	2017/18 NNDR £000	2017/18 Total £000	Collection Fund Income and Expenditure Statement	2018/19 Council Tax £000	2018/19 NNDR £000	2018/19 Total £000
			INCOME			
(33,921)	-	(33,921)	Income from Council Tax	(36,280)	-	(36,280)
9	-	9	Transfers from General Fund - Council Tax benefits	(1)	-	(1)
-	(33,982)	(33,982)	Income collectable from business ratepayers	-	(35,211)	(35,211)
(33,912)	**(33,982)**	**(67,894)**	**Total Income**	**(36,281)**	**(35,211)**	**(71,492)**
			EXPENDITURE			
			Precepts			
3,517	-	3,517	- Tamworth Borough Council	3,682	-	3,682
3,821	-	3,821	- OPCC Staffordshire	4,128	-	4,128
1,509	-	1,509	- Staffordshire Commissioner Fire and Rescue Authority	1,576	-	1,576
24,100	-	24,100	- Staffordshire County Council	25,951	-	25,951
			Business rates			
-	13,253	13,253	- Tamworth Borough Council	-	13,095	13,095
-	16,567	16,567	- Central Government	-	16,368	16,368
-	331	331	- Staffordshire Commissioner Fire and Rescue Authority	-	327	327
-	2,982	2,982	- Staffordshire County Council	-	2,946	2,946

2017/18 Council Tax £000	2017/18 NNDR £000	2017/18 Total £000	Collection Fund Income and Expenditure Statement	2018/19 Council Tax £000	2018/19 NNDR £000	2018/19 Total £000
-	91	91	**Costs of Collection**	-	90	90
			Bad and Doubtful Debts			
129	59	188	- Provisions	228	189	417
-	(24)	(24)	- Provision for appeals	-	1,140	1,140
			Distribution of previous year's surpluses/deficits			
81	338	419	- Tamworth Borough Council	80	(222)	(142)
89	-	89	- OPCC Staffordshire	87	-	87
35	8	43	- Staffordshire Commissioner Fire and Rescue Authority	35	(6)	29
545	76	621	- Staffordshire County Council	549	(50)	499
-	423	423	- Central Government	-	(278)	(278)
33,826	**34,104**	**67,930**	**Total Expenditure**	**36,316**	**33,599**	**69,915**
(86)	122	36	**(Surplus)/ Deficit for the year**	35	(1,612)	(1,577)
(1,368)	(812)	(2,180)	Fund Balance Brought Forward	(1,454)	(690)	(2,144)
(1,454)	**(690)**	**(2,144)**	**Fund Balance at 31st March 2019**	**(1,419)**	**(2,302)**	**(3,721)**
			Analysis of Fund Balance (Surplus)/ Deficit			
(153)	(276)	(429)	- Tamworth Borough Council	(147)	(921)	(1,068)
(169)	-	(169)	- OPCC Staffordshire	(172)	-	(172)
(66)	(7)	(73)	- Staffordshire Commissioner Fire and Rescue Authority	(63)	(23)	(86)
(1,066)	(62)	(1,128)	- Staffordshire County Council	(1,037)	(207)	(1,244)
-	(345)	(345)	- Central Government	-	(1,151)	(1,151)
(1,454)	**(690)**	**(2,144)**	**Total**	**(1,419)**	**(2,302)**	**(3,721)**

NOTES TO THE COLLECTION FUND

CF 1. NNDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2019 was £81,360,062 (£81,531,830 at 31st March 2018).

The NNDR multiplier for 2018/19 was 49.3p in the pound (47.9p – 2017/18). The qualifying small business multiplier for 2018/19 was 48.0p in the pound (46.6p – 2017/18).

CF 2. Council Tax Base Calculation

The Council base was as follows:

Number of Chargeable Properties 2017/18	Adjusted Property Base (Band D Equivalent) 2017/18	Calculation of Ctax Base	Number of Chargeable Properties 2018/19	Adjusted Property Base (Band D Equivalent) 2018/19
		Valuation Band (Multiplier)		
22	12	**A - Disabled Relief Reduction (5/9)**	**20**	11
8,106	5,404	**A - (6/9)**	**8,137**	5,425
10,628	8,266	**B - (7/9)**	**10,729**	8,345
5,033	4,474	**C - (8/9)**	**5,100**	4,533
3,359	3,359	**D - (9/9)**	**3,455**	3,455
1,665	2,035	**E - (11/9)**	**1,637**	2,001
399	576	**F - (13/9)**	**411**	594
61	102	**G - (15/9)**	**63**	105
2	5	**H - (18/9)**	**2**	4
	(2,688)	**LCTS ADJUSTMENT**		(2,575)
29,275	21,545	**Totals**	**29,554**	**21,898**
	97.90%	**Assumed Collection Rate**		**97.90%**
	21,093	**Total Taxbase**		**21,438**

CF 3. Authorities making precepts or demands on the fund

Council Tax

Precept 2017/18 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2017/18 £	Total Movement on the Collection Fund 2017/18 £	Precepts Analysis	Precept 2018/19 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2018/19 £	Total Movement on the Collection Fund 2018/19 £
3,517,258	**153,485**	**3,670,743**	Tamworth Borough Council	**3,681,977**	**147,220**	**3,829,197**
3,821,217	**169,299**	**3,990,516**	OPCC Staffordshire	**4,128,101**	**172,180**	**4,300,281**
1,509,415	**65,792**	**1,575,207**	Staffordshire Commissioner Fire and Rescue Authority	**1,576,336**	**63,027**	**1,639,363**
24,099,608	**1,066,063**	**25,165,671**	Staffordshire County Council	**25,951,128**	**1,037,429**	**26,988,557**
32,947,498	**1,454,639**	**34,402,137**	**Total**	**35,337,542**	**1,419,856**	**36,757,398**

NNDR

Business Rates 2017/18 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2017/18 £	Total Movement on the Collection Fund 2017/18 £	Precepts Analysis	Business Rates 2018/19 £	Distribution of Previous Years Estimated Surplus/ (Deficit) 2018/19 £	Total Movement on the Collection Fund 2018/19 £
13,253,351	**276,245**	**13,529,596**	Tamworth Borough Council	**13,094,597**	**920,824**	**14,015,421**
331,334	**6,906**	**338,240**	Staffordshire Commissioner Fire and Rescue Authority	**327,365**	**23,020**	**350,385**
2,982,004	**62,156**	**3,044,160**	Staffordshire County Council	**2,946,284**	**207,187**	**3,153,471**
16,566,688	**345,303**	**16,911,991**	Central Government	**16,368,246**	**1,151,027**	**17,519,273**
33,133,377	**690,610**	**33,823,987**	**Total**	**32,736,492**	**2,302,058**	**35,038,550**

CF 4. NNDR credits

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

The amount of £11k has been transferred to the General Fund during 2018/19.

CF 5. Bad and Doubtful Debts

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

2017/18 £000	Provision for Bad Debts	2018/19 £000
	Council Tax	
1,223	**Balance at 1st April 2018**	**1,234**
129	Increase /(decrease) in provision	228
(118)	Written off in year	(233)
1,234	**As at 31st March 2019**	**1,229**
	Business Rates	
1,026	**Balance at 1st April 2018**	**733**
59	Increase /(decrease) in provision	189
(352)	Written off in year	(380)
733	**As at 31st March 2019**	**542**

CF 6. Appeals – Business Rates

The following provisions and settlements were made in the year:

2017/18 £000	Provision for Appeals	2018/19 £000
	Business Rates	
4,742	**Balance at 1st April 2018**	**3,843**
(24)	Increase /(decrease) in provision	1,140
(875)	Resolved in year	(464)
3,843	**As at 31st March 2019**	**4,519**

Annual Governance Statement 2018/19

What is Governance?

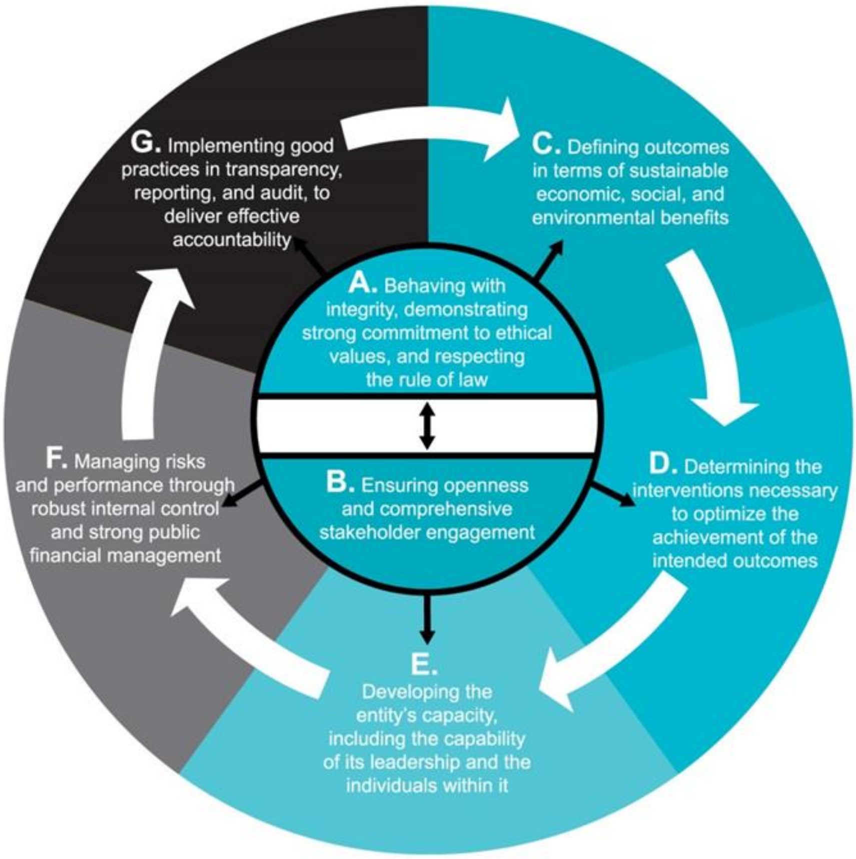
Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

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

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

The Core Principles of Good Governance

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



Responsibility

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

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

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

Our Outcomes

Our desired outcomes for 2017-20 (updated 2018) are detailed in the **Corporate Plan**. The Corporate Plan details our Vision and sets out our Thematic Priorities.

At the start of the 2018/19 financial year our Vision was:

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

Our strategic priorities are:

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

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

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

The Corporate Plan for 2019-22 was adopted by Cabinet on 21st March 2019 and sets out the new vision and priorities of the authority.

TAMWORTH BOROUGH COUNCIL CORPORATE PLAN 2019-2022

TAMWORTH BOROUGH COUNCIL: VISION

To put Tamworth, its people and the local economy at the heart of everything we do

OUR PURPOSE IS TO:

- help tackle causes and effects of poverty and financial hardship
- increase all residents' resilience and access to information
- engage with our residents to promote community involvement and civic pride
- support the development of Tamworth now, and in the future
- help the local economy to grow in a way which benefits our residents and businesses
- utilise Council resources effectively
- help tackle the causes of inequality and increase opportunities for all residents and businesses
- help protect, nurture and celebrate our local heritage
- help prevent homelessness and help people access suitable housing
- help build resilient communities
- help develop and safeguard our environment and open spaces

OUR STRATEGIC PRIORITIES FOR 2019-2022

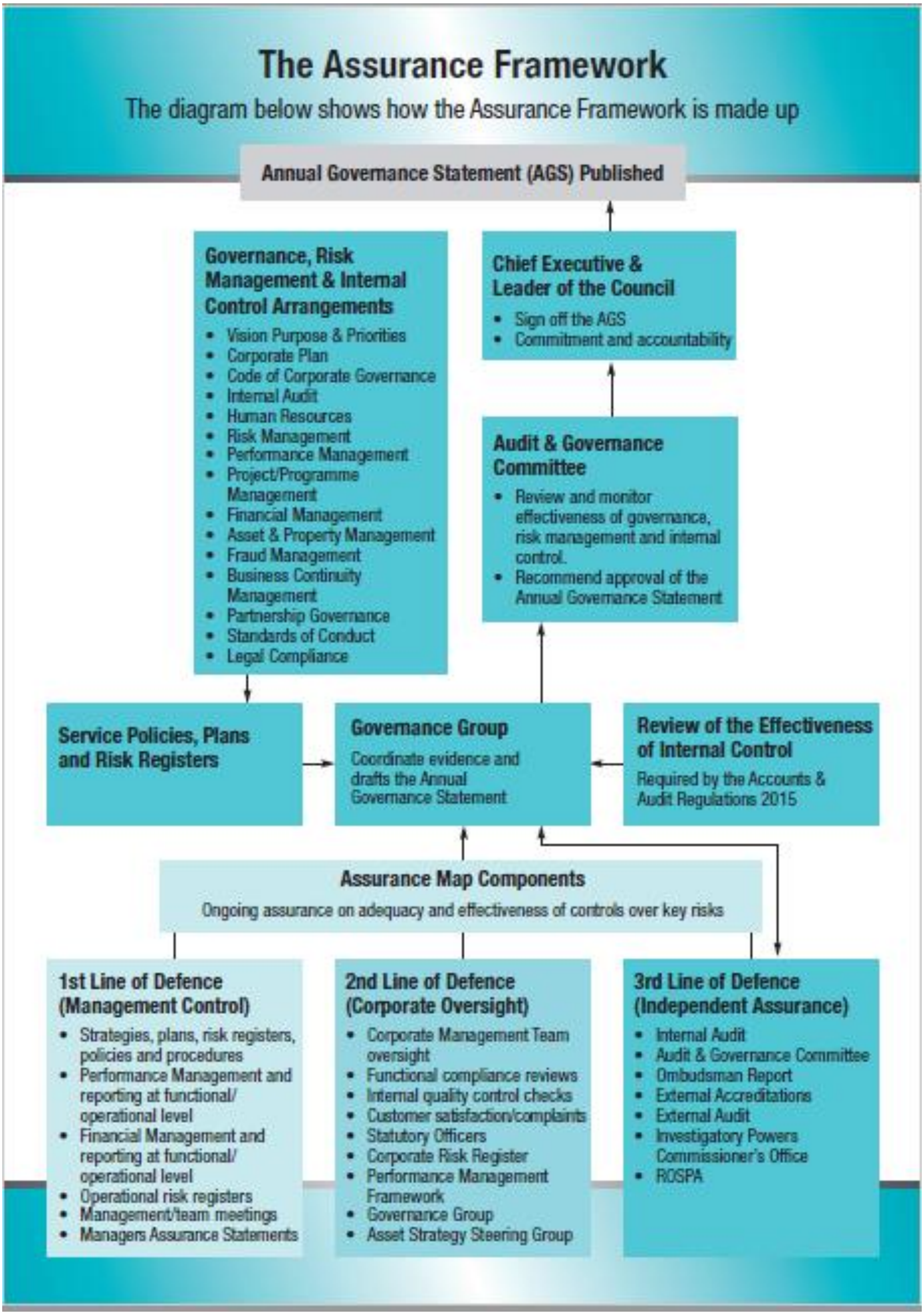
People and Place

- To meet housing needs through a variety of approaches and interventions
- To facilitate sustainable growth and economic prosperity
- To work collaboratively and flexibly to meet the needs of our communities
- To create a new and developing vision for the continued evolution of Tamworth, including a town centre fit for the 21st century

Organisation

- To be financially stable
- To ensure our employees have the right skills and culture to help our residents, visitors and businesses
- To ensure our service delivery is consistent, clear, and focused
- To ensure our decisions are driven by evidence and knowledge

Tamworth Borough Council


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

What have we done to monitor and evaluate the effectiveness of our governance arrangements during 2018/19.

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

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

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

During 2018/19, the following actions have contributed to the evaluation of the effectiveness of the governance arrangements;

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

- Both the CIPFA Statement on the Role of the Chief Finance Officer and the CIPFA Statement on the Role of the Head of Internal Audit were reviewed and updated. Both officers comply with expected roles;

- The Head of Audit & Governance reports to the Audit & Governance Committee on a quarterly basis and provides an opinion on the overall effectiveness of the system of internal control based upon the work completed. The statement for the 2018/19 financial year is as follows:

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

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

- From the 1st April 2013, Internal Audit is required to comply with the Public Sector Internal Audit Standards. As part of this requirement, Internal Audit are required to complete an annual self-assessment against the Standards and produce a Quality Assurance &

Improvement Programme(QAIP) which identifies areas for improvement both to ensure compliance with the Standards and other quality areas. The self-assessment against the standards and the QAIP are reported to the Audit & Governance Committee;

- Our External Auditors report to each Audit & Governance Committee. In their Annual Audit Letter (2017/18), they gave an unqualified opinion on the Statement of Accounts and an unqualified conclusion in respect of the Authority securing economy, efficiency and effectiveness;

- The Ombudsman report on the enquiries and complaints they received in 2017/18 was reported to the Audit & Governance Committee in October 2018;

- Managers Assurance Statements have been completed by Executive Directors and Assistant Directors and have not identified any significant control issues;

- The Corporate Risk Register is owned and reviewed on a quarterly basis by the Corporate Management Team and reported in the Quarterly Healthcheck to Cabinet and also reported in the risk management update to the Audit & Governance Committee. There are no significant risks on the Corporate Risk Register;

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

- The Authority is currently completing the assessment against the Code of Connection to obtain the certification. This includes assessments against governance, service management and information assurance conditions. Compliance with the Code of Connection ensures access to the Public Services Network.

- A quarterly update report is presented to the Audit & Governance Committee on the use of RIPA powers. During 2018/19, no RIPA authorisations were made;

- Financial Regulations, Contract Standing Orders and Financial Guidance are reviewed on a regular basis with the last review being approved by the Audit & Governance Committee in March 2018 and made available to staff. The annual review for 2019 is due to be carried out after the full review of the Constitution;

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

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

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

- A self-assessment of the Audit & Governance Committee's effectiveness was completed on the 28th March 2019;

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

- The Authority complies with the Transparency Code;

- Counter fraud work continues to be completed with the retained expertise of in-house staff to investigate corporate fraud;

- Internal Audit completes an annual assessment of the risk of fraud which is reported to the Audit & Governance Committee. Assessments against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, the Fighting Fraud & Corruption Strategy & Checklist have been completed. Having considered all of the principles, we are satisfied that the Authority has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud;

- The Leader of the Council reported to Full Council on the 22nd May 2018, in compliance with the Local Authorities Executive Arrangements) (Meetings & Access to Information) Regulations 2012, that one urgent executive decision has been made for the period to 30th April 2018;

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

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

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

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

- The Diversity & Equalities Scheme 2015-19 was approved by Cabinet in July 2017;

- The Pay Policy 2018 was approved by Council in May 2018;

- The authority has continued to progress implementation of the organisation's response to the General Data Protection Regulations (GDPR). Following the appointment of a new nominated Data Protection Officer (DPO), the authority has continued to raise its awareness of GDPR across the authority. As part of wider IT Governance work, policies and procedures have been reviewed or are being developed to meet our obligations under the GDPR and to ensure a robust governance framework is in place for our ICT systems and information assets. The Information Security Policy has been rolled out across the authority with this becoming a mandatory requirement for new starters. The authority's Corporate Privacy Notice along with approximately 30+ Fair Processing Notices have been developed with reviews being undertaken annually. Information on our website is being reviewed and updated with guidance to support our customer's rights of access to their data. Work is progressing with suppliers to ensure the security and compliance of personal data held within our software systems. A programme of cyber security training has been completed across the authority with further bite size communications to be issued over the coming months.

- Partnership working arrangements continue to strengthen and further develop with both our statutory and community and voluntary sector partners. We value our community and voluntary sector and the work they do within our community. In 2018/19 we awarded a total of 28 grants through our Community and Voluntary Sector Grant Programme and our Arts Grant Programme; the total value of this funding was £13,720. Through the Staffordshire Commissioner's Office Locality Deal Funding the Community Safety Partnership, 3 organisations were funded with a total of £9,537 to address domestic abuse, hate crime and social isolation. Diversionary holiday schemes also took place and the Summer Space Scheme funded 10 organisations a total of £15,844.

- The Place Based Approach continues to grow and further develop; this is a collaborative partnership approach that uses multi skilled teams, universal services, voluntary sector organisations, and communities at the right time to improve outcomes for children, young people, vulnerable people and our community. As part of this Place Based Approach we have been working in partnership to identify community and voluntary sector organisations that can offer children, families and vulnerable people help and support at the earliest opportunity. Grant funding has been awarded to the value of £30,000 for community projects during 2019/20 and 2020/21.

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

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

- Recruitment freeze – there is a robust challenge / re-justification process in place for all vacant posts with a requirement to investigate alternative options including restructuring to fill vacancies / looking at what we can stop doing;

- Spend freeze – A review of the underspend position has been undertaken with a view to drive out as many savings as possible and has identified annual savings of c.£450k p.a. from 2019/20;

- Alternative investment options arising from the Commercial Investment Strategy (as well as the Treasury Management Investment Strategy) to generate improved returns of c. 4% to 5% p.a. (plus asset growth);

- Review of reserves (including ensuring adequate provision for the funding uncertainties) / creation of fund for transformation costs (if needed);

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

- Review and rationalisation of IT systems.

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

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

- The Authority recognises that it has a responsibility to take a robust approach to slavery and human trafficking. In addition to the Authority's responsibility as an employer, it also acknowledges its duty as a Borough Council to notify the Secretary of State of suspected victims of slavery or human trafficking as introduced by section 52 of the Modern Slavery Act 2015. The Authority is committed to preventing slavery and human trafficking in its corporate activities and to ensuring that its supply chains are free from slavery and human trafficking. The Authority has included modern slavery and human trafficking information within the corporate safeguarding policy and training. The Council will continue to develop and strengthen its approach to modern slavery and trafficking in 2019/20. The Tamworth Vulnerability Partnership continues to meet each morning to ensure that partner organisations are working together to coordinate efforts to support children, young people, families and vulnerable people across Tamworth.

Declaration

We have been advised on the implications of the result of the review of the effectiveness of the Governance Framework by the Audit & Governance Committee and that the arrangements continue to be regarded as fit for purpose. The significant governance issues highlighted in the 2017/18 Annual Governance Statement still remain significant issues during 2018/19 and are detailed at **Annex 1** with actions completed to date to address the issues. No additional governance issues were highlighted during 2018/19. Other minor issues highlighted through the assurance gathering process have been noted with planned actions to address these issues. Monitoring of the completion of all these issues will be completed through reporting to the Audit & Governance Committee.

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

Signed

D Cook	A Barratt
Leader	Chief Executive

Date

On behalf of the Authority

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

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

Annex 1

Significant Governance Issues 2018/19

The significant governance issues identified in relation to the Authority achieving its vision in 2017/18 remain significant issues for 2018/19 and are detailed below:

No	Issue	Action 2017/18	Update 2018/19
1	**Medium Term Financial Strategy (MTFS)** Whilst actions have been taken to ensure that the MTFS remains balanced, this is still a significant risk to the Authority. Revenue Support grant will be removed around 2020. Opportunities and risks associated with the 100% Business Rates Retention will need to be identified. The increasing demands of our customers also need to be considered.	Work is continuing on a number of actions to address the financial position in future years: • Delivering Quality Services Project – the demand management approach to shift demand to more efficient methods of service delivery – online and automation (Interactive Voice Response). A savings target of £100k p.a. has already been included within the MTFS together with reduced CRM costs of £62k p.a. from 2019/20; • Recruitment freeze – where possible, temporary 12 month appointments are now only being made; there is a robust challenge / re-justification	There is a high degree of uncertainty arising from the work progressing with regard to business rates retention (and the associated impact on the Council's business rates income and associated baseline and tariff levels), the 'Fair Funding Review' as well as the planned Business Rates Reset which will also take effect from 2020/21. The Council is responding to these challenges by considering the opportunities to grow our income. We are ambitious with our commercial view and will continue to work hard to identify income streams that enable us to continue to meet the needs of our residents. We continue to invest in our teams, transform our processes and ensure our technology infrastructure is fit for purpose. We have identified a number of opportunities to improve customer access to information and services as well as our engagement with our citizens and the way in which we manage our data and information.

No	Issue	Action 2017/18	Update 2018/19
		process in place for all vacant posts with a requirement to investigate alternative options including restructuring to fill vacancies / looking at what we can stop doing. This means we have the opportunity to increase the vacancy allowance from 5% to 7.5% c. £45k p.a. year on year for the General Fund (£14k p.a. – HRA); It should be noted that staffing in some services e.g. planning, are key to the delivery of the Council's economic growth agenda and have significant demand from the public and local businesses but can also experience severe recruitment difficulties – which may lead to the use of market supplements to attract staff. • Spend freeze – Managers have previously been required to restrict / limit spending to essential spend only (there was a £1.6m underspend in 2016/17 – although the majority was windfall income, c. £0.57m was lower level underspend). Savings of over £150k p.a. have	Linked with this, a major 'Delivering Quality Services' project will incorporate a review of processes and demand, with the aim of re-designing processes to meet changing customer expectations and making the best use of technology to deliver efficient and effective services to the customer, including self-service and digital functionality. Work is continuing on a number of actions to address the financial position in future years: • Recruitment freeze – there is a robust challenge / re-justification process in place for all vacant posts with a requirement to investigate alternative options including restructuring to fill vacancies / looking at what we can stop doing; • Spend freeze –A review of the underspend position has been undertaken with a view to drive out as many savings as possible – and has identified annual savings of c.£450k p.a. from 2019/20. • Alternative investment options arising from the Commercial Investment Strategy (as well as the Treasury Management Investment Strategy) to generate improved returns of c. 4% to 5% p.a. (plus asset growth);

No	Issue	Action 2017/18	Update 2018/19
		been included within the MTFS; • Alternative investment options arising from the Commercial Investment Strategy (as well as the Treasury Management Investment Strategy, including any prudential borrowing opportunities) to generate improved returns of c. 5% p.a. (plus asset growth) including: ○ Set up of trading company to develop new income streams; ○ Local investment options – Lower Gungate / Solway Close development including the potential to drawdown funding from the Local Growth Fund / Local Enterprise Partnerships (GBS and Staffordshire); ○ Investments in a Diversified Property Fund; Note: these would represent long term investments of between 5 – 10 years	• Review of reserves (including ensuring adequate provision for the funding uncertainties) / creation of fund for transformation costs (if needed); • Targeted Savings – to identify potential areas for review in future years; and • Review and rationalisation of IT systems.

No	Issue	Action 2017/18	Update 2018/19
		(minimum) in order to make the necessary returns (after set up costs). • Review of reserves / creation of fund for transformation costs (if needed), and • Targeted Savings – to identify potential areas for review in future years. Uncertainty remains over the work progressing with regard to business rates retention (and the associated impact on the Council's business rates income and associated baseline and tariff levels) – it has recently been announced that Councils will be able to retain 75% of business rates collected from 2020/21 rather than 100% as previously planned. In addition, the Government are also consulting on a review of the distribution methodology, the 'Fair Funding Review' as well as the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed) - both of which will also take effect from 2020/21. **There is a high risk that this will have a**	

No	Issue	Action 2017/18	Update 2018/19
		significant effect on the Council's funding level from 2020/21;	
2	**Regeneration/Capital Projects** The Authority needs to ensure that capital projects are managed effectively to ensure that they are delivered and grant monies are spent appropriately and timely. There is a risk that developers will not develop timely in accordance with the Local Plan need.	Significant re-profiling of capital scheme spend is forecast for 2017/18 into 2018/19 – c.£20m relating mainly to Housing Regeneration Schemes, works to High Rise flats and the works at the Assembly Rooms. The majority of this is beyond the control of the Council and has been forecast with the reasons understood. It is anticipated that this spend will now occur during 2018/19 with firm plans in place for such but the situation will be closely monitored and any potential issues will be highlighted at the earliest opportunity. **Review of Asset Holdings and Asset Management Plan** The Council's Asset Management Plan will be reviewed on an ongoing basis. This will identify any assets held by the Council that are no longer either	Significant re-profiling of capital scheme spend is forecast for 2018/19 into 2019/20 – c.£39m relating mainly to Housing Regeneration Schemes, works to High Rise flats, Commercial Investments and the works at the Assembly Rooms. The majority of this is beyond the control of the Council and has been forecast with the reasons understood. It is anticipated that this spend will now occur during 2019/20 with firm plans in place for such but the situation will be closely monitored and any potential issues will be highlighted at the earliest opportunity. As part of the MTFS, Council in February 2019 approved the Capital Strategy which sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets. Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of these resources –

<table>
<tr><th>No</th><th>Issue</th><th>Action 2017/18</th><th>Update 2018/19</th></tr>
<tr><td></td><td></td><td>required or fit for purpose and appropriate recommendations made regarding retention for alternative use or disposal.

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

<table>
<tr><th>Asset Description</th><th>Value (31/03/15)</th></tr>
<tr><td>Investment Properties</td><td>£14,588,052</td></tr>
<tr><td>Land and Buildings</td><td>£6,537,500</td></tr>
<tr><td>Total</td><td>£21,125,552</td></tr>
</table>
It details an estimated 10 year maintenance cost for each asset (totalling c.£8m) based on the inspections that had been undertaken.

Long Term Strategic Plan

It has been identified that the Council, through the Corporate Capital strategy and through the development of a long term strategic plan, needs to take a longer-term view of the assets required to deliver its Corporate Plan priorities and to support its Medium Term Financial Strategy (MTFS), including</td><td>including the development of a long term strategic plan to address the identified maintenance and repairs backlog for corporate assets.

The Tinkers Green and Kerria regeneration project is progressing in line with an agreed project programme. There will almost certainly be a notional underspend at the end of the project due to the successful Homes England grant funding for the project, there will also be a re-profiling of the overall budget to reflect the actual project programme.

The Business Plan for 2019/20 makes provision for a new Asset Management Strategy linked with the Capital Finance strategy, this is due to be in place for the 3rd quarter of 2019/20 with implementation plans to follow.</td></tr>
</table>

No	Issue	Action 2017/18	Update 2018/19
		spend required (and associated potential funding streams) to address the identified maintenance and repairs backlog for corporate assets.	
3	**Disabled Facilities Grants** There is a risk that the Authority will not be fully funded to deliver the need for Disabled Facilities Grants.	The contract for delivery of the pan-Staffordshire delivery of DFG's has now been tendered, evaluated and the contract awarded for delivery commencing 1st April 2018. The pan Staffordshire Partnership Board has been set up which meets quarterly. The allocation of funding for 2018/19 will follow the same principles as for the previous year while the new contract beds in, and will be reviewed in time for 2019/20.	The Staffordshire wide service delivery model is up and running and has ensured that adaptations have been delivered in a timely manner, additional funding was secured from Central Government to allow more applications to be funded, we have also benefitted from additional funding through those authorities in the partnership whose budgets exceed demand. It is not possible to offer any firm assurances in this area as it is anticipated that demand will continue to exceed the annual budget allocation through Central Government. It is understood that there will be a national review of the DFG programme at some point (delayed by Brexit), the outcome and implications of which will be reported once known and understood.
	Senior Management Review The Authority has commenced the first phase of	The Authority will continue to monitor and assess the capacity to deliver	The organisation has now completed its senior management review and all posts were appointed.

No	Issue	Action 2017/18	Update 2018/19
	the Senior Management Review. This has meant that the most senior managers in the organisation have been offered the option to explore voluntary redundancy. This is because we need to reduce the number of senior managers in order to meet budget deficits. All applications for voluntary redundancy together with the supporting business cases will be considered to see what impact they will have on the organisation which will help to shape a potential new leaner senior management structure. However, we have recognised there is a risk in the capacity to deliver services with a reduction in staffing numbers.	services taking into account Delivering Quality Services.	Since that time a number of vacancies have arisen and as mentioned above a range of solutions to filling said vacancies are currently being explored. In the meantime to ensure capacity is achieved a range of short term solutions are also being explored and / or are already in place
	GDPR Whilst activity has progressed around the implementation of the organisation's response to the General Data Protection Regulations (GDPR), there are still significant risks around potential data loss	A Project Group has been formed to manage the implementation of GDPR. Awareness has been raised through corporate communications, specialist staff have been trained to practitioner level to ensure local knowledge for the implementation and subsequent	The DPO will continue to progress the implementation of GDPR throughout the authority, with regular updates to the Head of Information & Technology and Assistant Director – People. Awareness of the authority's obligations under the GDPR will continue to be communicated through corporate communication channels.

No	Issue	Action 2017/18	Update 2018/19
	resulting in a significant fine and reputational damage.	maintenance. Mandatory training is being developed for all staff.	
	Welfare & Benefit Reform There is a risk of reduced income corporately due to welfare reform changes (including council tax support scheme and Universal Credit with further austerity measures from the Welfare reform Act 2015). As well as the potential for reduced income and an increase in bad debts, there are additional impacts arising from increased needs in services – eg homelessness, requirement for additional support to vulnerable people, increased issues of ASB etc meaning an increase in demand on 3rd sector and statutory agency services.	The Authority will continue to proactively manage and monitor corporate income levels on a monthly basis and report this to CMT. Staff will be trained to deal with the impact and we will be commissioning 3rd sector support as well as providing additional resources in key service areas. In addition, we will provide financial advice and support for vulnerable clients.	The Council has experienced an impact from Welfare Benefit Reform and is able to evidence an increase in rent arrears to the implementation of Universal Credit. A Corporate Working Group has been established to ensure an organisation wide approach and the Council has been pro-active in seeking positive working relationships with DWP. The issue has been the subject of examination by the Council's scrutiny committees. Any impact in relation to homelessness has been less apparent and the Council has been successful in its proactive approach to implementation of the Homelessness Reduction Act and has achieved a significant reduction in the use of bed and breakfast accommodation thereby reducing costs and social harm.

GLOSSARY

Accrual
A sum included in the accounts for income or expenditure in relation to the financial year, but not received or paid as at 31st March.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Collection Fund
A fund administered by the Borough Council into which Business Rates and Council Tax monies are received and paid out to Government and precepting authorities.

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

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

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

Comprehensive Income and Expenditure Statement
This statement shows the total income received and expenditure incurred by the Council during the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

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

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council’s control. Contingent Assets are not recognised in the Balance Sheet but

disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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

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

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

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

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

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

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

Expected Credit Loss Model
The Expected Credit Loss Model was introduced under IFRS 9 Financial Instruments, and applies to financial assets, lease receivables and contract assets.

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

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

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

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

Intangible Assets
Non-financial assets that do not have physical substance but are controlled by the Council as a result of past events or through custody or legal rights (e.g. software licences).

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

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

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

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

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

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

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

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

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

National Non Domestic Rates (NNDR)
The tax paid on non domestic properties, set annually by Government. In previous years, this tax was collected by billing authorities and paid over to the Government, with the Council receiving a share of the national pool as part of its resources used to meet total net expenditure. Under the

new scheme introduced with effect from 1st April 2013, local authorities now retain a proportion of the Business Rates generated in their area.

Non Current Assets Held For Sale
Non Current Assets held for sale are those where the value of the asset will be recovered mainly by selling the asset rather than through its continuing use.

Pension Reserve

This absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

Post Balance Sheet Events
Those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept
This is a demand for payment made by Staffordshire County Council, OPCC Staffordshire and the Stoke-on-Trent and Staffordshire Fire and Rescue Authority as a means of obtaining income. The payment is met from the Council's collection fund and is based on the Council Tax base.

Prior Period Adjustments
Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision
An amount set aside to meet a liability that is likely to be incurred, and a reasonable estimate can be made, charged as an expense to the appropriate service line in the CIES.

Public Works Loans Board (PWLB)
A government agency that provides longer-term loans to local authorities, at interest rates below market rate. It also acts as a lender of last resort (at a higher rate of interest).

Related Party
Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Remuneration
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
This is expenditure that is defined as Capital but where there is no matching asset in the accounts - legislation allows the treatment of some expenditure as capital where it does not result in the creation of a fixed asset. An example of this is where grants are awarded to third parties for capital expenditure.

Revaluation Reserve
This reserve records the net gain from revaluations of the Council’s plant, property and equipment, and Intangible Assets, made after 1st April 2007.

Revenue Expenditure
The day-to-day expenditure incurred by the Council in providing services. It is financed by government grants, non-domestic rates, Council Tax and fees and charges.

Revenue Support Grant (RSG)
A general government grant in support of local authority expenditure.

Specific Grants
Government Grants to local authorities in aid of particular projects or services.

Usable Reserves

The purpose of each usable reserve is detailed below:

General Fund Balance
These funds are available to meet the future running costs for the Council for non-housing services.

Housing Revenue Account
This reserve holds funds that are available to meet future running costs relating to the Council's housing stock.

Capital Receipts Reserve
This reserve holds all of the Council's receipts generated from the disposal of Non Current Assets and although this is in the usable reserves section, this reserve can only be used to finance new capital investment or to repay debt.

Major Repairs Reserve
This reserve is to meet the capital investment requirements of the Council's housing programme.

Capital Grants Unapplied
This reserve is used to hold capital grants without conditions or where conditions have been satisfied, but the grant has yet to be used to finance capital expenditure.

Earmarked Reserves – General Fund / Housing Revenue Account
Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. Further details of the significant reserves within this heading are shown in Note10.

Appendix to Comprehensive Income and Expenditure Statement

Chief Executive

Chief Executive
Electoral Process
Audit & Governance
Joint Waste Arrangement

Assistant Director Growth & Regeneration

Strategic Planning & Development
Environmental Health
Tourism
Tamworth Castle

Executive Director Organisation

Executive Director Organisation
Solicitor to the Council
Democratic Services
Land Charges
Mayoralty

Assistant Director People

Human Resources
Payroll
Customer Services
Communications and Public Relations
Information Technology
Reprographics

Assistant Director Operations & Leisure

Streetscene
Arts & Events
Community Leisure
Business Support
Caretaking & Cleaning
Environmental Management

Executive Director Finance

Executive Director Finance

Assistant Director Finance

Corporate Finance
Financial Operations
Procurement
Revenue Services
Benefits
Corporate Risk

Executive Director Communities
Executive Director Communities

Assistant Director Partnerships
Partnerships
Community Safety
Safeguarding
Private Sector Housing
Strategic Housing

Assistant Director Neighbourhoods – General Fund
Civil Contingencies
Street Wardens
CCTV

Assistant Director Neighbourhoods – HRA
Landlord Services

Assistant Director Assets – General Fund
Commercial Property
Facilities Management

Assistant Director Assets - HRA
Asset Management and Investment

HRA Summary

Housing Repairs

Independent auditor's report to the members of Tamworth Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tamworth Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the HRA Balance, the Collection Fund Income and Expenditure Statement and the notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Accounts, Notes to the HRA, and Notes to the Collection Fund. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts 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, the Executive Director Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 21, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director Finance. The Executive Director Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Tamworth Borough Council 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 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Phil Jones

Phil Jones, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

25 July 2019

This is an electronic copy of the opinion and certificate with an electronic signature.