

# STATEMENT OF ACCOUNTS 2021/22 (SUBJECT TO AUDIT)



Burton Station Street Regeneration

[www.eaststaffsbc.gov.uk](http://www.eaststaffsbc.gov.uk)

## **Audit and Accounts Regulations 2015**

### **Declaration under Regulation 15 (2 a i aa)**

The Accounts set out on the following pages are subject to external audit and therefore may be subject to change.

Information in relation to the outcome of the external audit will be available to the public through the external audit findings report scheduled to be submitted to the Audit Committee in September 2022.

### **Annual Governance Statement – Regulation 6 (1)(b)**

The above Statement in relation to 2021/22 is published alongside the Statement of Accounts. This Statement was formally considered and approved by the Audit Committee on 16<sup>th</sup> June 2022.

**Sal Khan CPFA, MSc  
Chief Finance Officer**



# **Statement of Accounts**

**Year ended 31<sup>st</sup> March 2022  
(Subject to Audit)**

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# STATEMENT OF ACCOUNTS

2021 – 2022

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

## **INTRODUCTION**

I am pleased to introduce the Council's Statement of Accounts for the year ended 31<sup>st</sup> March 2022. These accounts are presented in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy.

The outturn presented to the Council's Cabinet reports a revenue budget under-spend of £1.5m against a budget of £13.4m. When the budget was set in February 2021 it was against a backdrop of uncertainty and volatility due to the impact of Covid-19 and therefore included provision of £1.3m against estimated pressures. This was balanced by taking into account £1.1m from reserves. The success of the vaccine rollout, in terms of re-opening the economy and preventing further restrictions and lockdowns together with windfall income from recycling and savings have resulted in an outturn better than was anticipated. The Outturn report also sets out a significant surplus against the business rates retention scheme of £1.3m with an additional £0.8m estimated to be payable from the business rates pool with other Staffordshire authorities. This scheme is managed across both the General and Collection Funds which creates timing differences in terms of when resources are available; The Council manages this together with the associated risks attached to the scheme through the business rates volatility reserve. Members have considered the outturn position and taken the decision to investment some of this windfall saving in support of their priorities and at the same time setting aside some to mitigate against the emerging risks associated with the current economic conditions.

Overall the outturn is a very pleasing outcome, particularly considering the extent of annual savings that have been built into the budget since 2010 and the uncertainty and impact of the Covid-19 Pandemic. The Government have provided substantial financial support to local authorities throughout the pandemic, nevertheless members and officers across the Council continue to deserve credit for their tight budget management in what continues to be challenging and uncertain circumstances for local authority finances.

During the course of the year the Council provided grants for disabled facilities, replaced the vast majority of the vehicle fleet and facilitated improvements at Shobnall Leisure Complex. The Council has worked with the Towns Board and a range of partner organisations to approve plans amounting to £23.8m for submission to Government in relation to Burton Towns Fund. Spending during the course of the year on capital projects amounted to £4.9m with a further £0.2m accrued against Towns Fund Projects.

The Covid-19 Pandemic continued to impact on both the Council, its residents and businesses during the year. As set out above, there has continued to be significant income losses due to the Pandemic in areas such as car parking and cultural activities. At the start of the year the Government provided local authorities with a package of financial support towards direct Covid-19 pressures. In addition to this a range of substantial funding packages have been allocated to local authorities to administer in order to provide grants and support to residents and businesses that have been impacted by the Pandemic, which is outlined in more detail on page 5.

It is anticipated that there will be an ongoing financial impact from the Pandemic during 2022/23 and beyond. This was factored into the Medium Term Financial Strategy when it was approved in March 2022. There are significant uncertainties in relation to future funding from Central Government to local authorities with large scale reforms planned to take place, however overall the level of our reserves provides a strong foundation of financial resilience. The Council remains well placed to meet the challenges ahead and ensure that the residents of East Staffordshire continue to receive high quality services.

The statements presented within the Council's accounts demonstrate a healthy fiscal position for the Borough Council. Despite significant challenges during the year, we maintained a prudent and sensible approach to financial management and I am grateful for the support of members and officers who continue to endorse such an approach.

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

The Comprehensive Income and Expenditure Statement set out on page 13 of this document shows a surplus on the provision of services of £4.6m. This statement measures the authority's financial performance in terms of the resources consumed and generated over the period and is presented in a similar format to a commercial enterprise. However the authority is required by law to set its budget and raise council tax on a different accounting basis. As a consequence there are a number of statutory adjustments that are made to this figure (set out on pages 42 - 43), in order to determine the movement on the general fund balances, which was neutral as the revenue outturn under-spend has been set aside within earmarked reserves and allocated for commitments in 2022/23.

The general fund balance represents a minimum working balance in order to deal with any unexpected events. As at 31<sup>st</sup> March 2022 the balance, stands at £1.278m. This is an appropriate level for an authority of this size, level of expenditure and risk profile, it is also consistent with the approved medium term financial strategy. In addition, the Council holds a number of other specific earmarked reserves to mitigate against key risks (including the impact of the Business Rates Retention Scheme) but also to allow for projects to take place over a number of years, and to meet future borrowing costs.

The Balance Sheet set out on page 16, shows an increase in the total net worth of £26.6m. The most significant underlying reason for this change relates to a reduction in the estimated pension fund liability from £58.3m to £40.3m. The pension fund liability is calculated by a firm of actuaries and is based on a number of assumptions – it is these assumptions that have changed and resulted in the reduced liability. The pension liability represents the underlying long term commitment that the authority has to pay future retirement benefits. The pension fund is regularly assessed to determine the level of future contributions necessary to ensure that it is funded in the long term and any increase in these contributions must be met from the Council's budget – the approved Medium Term Financial Strategy makes provision for these increases.

The amounts shown within the accounts in relation to non-current assets (primarily Property, Plant and Equipment and Investment Properties) are underpinned by valuations provided by the Council's external valuers, these are measured on a range of valuation bases. The outbreak of Covid-19 impacted global financial markets and a small number of valuations provided for the prior year (i.e. those as at 31<sup>st</sup> March 2021) were provided in circumstances where less weight could be attached to previous market evidence to inform opinions of value. These were therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. However there is no such uncertainty attached to any of the valuations as at 31<sup>st</sup> March 2022. Covid-19 had a significant impact on the valuations of our cash generating assets within operational assets. Our Car parks were significantly impacted by this due to the reduction in income levels, although there has been some reversal of the reduction as at 31<sup>st</sup> March 2022 with Car Park asset values increasing by £1.4m. In addition to which, following the replacement of the vast majority of the Council's vehicle fleet the net book value of Vehicles, Plant and Equipment has increased by £3.4m as at 31<sup>st</sup> March 2022.

Investments and cash and cash equivalents balances as at 31<sup>st</sup> March 2022 are significantly higher than at 31<sup>st</sup> March 2021 largely due to Government Grants received in March 2022 in relation to Energy Rebates (£6.8m) and CARF - Covid Additional Relief Fund Grant (£3.6m) pending administration during 2022/23. In addition to this capital grants held pending planned commitments have increased during the year by £2.3m (including the amount held in Capital Grants Unapplied).

## **GENERAL FUND REVENUE OUTTURN 2021/22**

The table below sets out the position of the General Fund for 2021/2022. When the budget for the year was agreed in February 2021, it assumed total net revenue expenditure of £13.371m and a contribution from reserves of £1.1m.

The outturn position includes some significant financial pressures arising due to the Covid-19 pandemic in relation to service income, particularly the income from our car parking provision and the Brewhouse Theatre and Functions Service. Whilst these pressures are significant the impact has not been as severe as originally anticipated when the budget was set, due to the success of the vaccine rollout in terms of re-opening the economy and preventing further restrictions. Significant funding was provided by the Government to support the ongoing impact of the Pandemic during the course of the year, in addition to which there were windfall savings and income streams from, for example, recycling. Once these are taken into account there was an overall under-spend against the budget of £1.5m and therefore a contribution to reserves of £0.4m.

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	£'000	£'000	£'000
Service Net Expenditure	13,224	13,147	(77)
Corporate Net Expenditure	147	(1,218)	(1,365)
<b>Total Net Expenditure</b>	<b>13,371</b>	<b>11,929</b>	<b>(1,442)</b>
<b>To be met from:</b>			
Retained Business Rates	3,365	3,365	-
Lower Tier Support Grant	615	615	-
Covid-19 Support Grants	931	994	63
			-
Collection Fund			
Demand for Year	7,346	7,346	-
Previous Years' Surplus	36	36	-
<b>Total Revenue Budget Support</b>	<b>12,293</b>	<b>12,356</b>	<b>63</b>
<b>Amount to be Met from/(to) Reserves</b>	<b>1,078</b>	<b>(427)</b>	<b>(1,505)</b>

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

## COLLECTION FUND

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

The Collection Fund shows an in year surplus of £14.5m (£21.9m deficit in 2020/21), this includes a surplus of £1.9m in relation to Council Tax and a £12.6m surplus in relation to Business Rates. This position is after taking into account payments of £0.3m (Council Tax) and receipts of £15.4m (Business Rates) relating to prior year surpluses / deficits. These figures have once again been heavily impacted by the pandemic, with the Government announcing further business rates reliefs for Retail, Hospitality and Nurseries due to the Pandemic after the budget was set. The corresponding compensation in the form of section 31 grants is held within the General fund reserves and will be used to fund the Council's share of the deficit in 2022/23. In addition to which, there is a significant surplus in Council Tax largely due to collection levels and housing growth during the year being higher than anticipated and also lower council tax support costs, all of which reflect the improved conditions following the vaccine rollout.

Overall, after taking into account the balance brought forward from 2020/21, the Collection Fund has a deficit of £0.2m, which will be recovered in 2022/23 and 2023/24, in accordance with the respective legislative requirements.

Further details are given in the Collection Fund Income and Expenditure account and notes on pages 93 onwards.

## CAPITAL EXPENDITURE 2021/2022

During 2021/2022 the Council spent £5.026m on capital projects. A breakdown of the most significant areas of spend and the sources of funds used to finance this expenditure is shown below.

<b>Analysis of Capital Expenditure</b>	<b>£'000</b>	<b>Sources of Finance</b>	<b>£'000</b>
Council Wide Fleet Replacement	3,383	Borrowing	3,334
Disabled Facility Grants *	974	Capital Grants and Contributions (	1,328
Towns Fund Projects* (see note 1 below)	154	Revenue / Earmarked Reserves	238
Shobnall Artificial Turf Pitch Replacement	148	Capital Receipts	126
Washlands Enhancements	103		
ICT - Equipment and Servers	82		
Small Business Fund*	76		
Shobnall Leisure Complex Floodlight Replacement	36		
Other Minor Schemes (less than £30k)*	70		
<b>Total Capital Expenditure</b>	<b>5,026</b>	<b>Total Capital Financing</b>	<b>5,026</b>

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

(1) The Towns Fund Project Grant Expenditure/Income has been recognised as revenue within the CIES (Comprehensive Income and Expenditure Account) in accordance with generally accepted accounting practices. The expenditure includes £0.152m of abortive costs and £0.002m treated as REFCUS and has been funded from Capital Grants.

## BORROWING

At the end of 2021/2022 the total external loan debt of the Council was £11.115m (£11.172m at 31<sup>st</sup> March 2021). The Council's underlying need to borrow increased during the year from £13m to £15.8m, which includes the voluntary set-aside from capital receipts of £0.1m in line with our financial strategy and expenditure funded from prudential borrowing to replace the majority of our fleet following an options appraisal. The Council's Medium Term Financing Strategy makes provision for the voluntary setting aside of resources to reduce the underlying need to borrow which will generate savings to the revenue budget and reduce the burden of existing debt on future taxpayers.

## PENSIONS

For the purposes of International Accounting Standard 19 (Accounting and Reporting by Retirement Benefit plans), the results of the Pension Fund actuary's calculations in respect of the Local Government Pension scheme on behalf of the Council revealed a net liability of £40.3m at 31<sup>st</sup> March 2022. This is shown under long-term liabilities on the Balance Sheet on page 16.

The pension liability of £40.3m represents the underlying long term commitment that the authority has to pay future retirement benefits. This deficit has no direct impact on the budget of the authority or the level of council tax. The fund is regularly assessed to determine the level of future contributions necessary to ensure that it is funded in the long term and any increase in these contributions must be met from the Council's budget.

The overall position shows a net decrease in the pension liability at 31<sup>st</sup> March 2022, due to an increase in scheme assets based on current valuations and a decrease in scheme liabilities. The decrease in scheme liabilities has been affected by the change in mortality assumptions with a decrease in longevity for both current and future pensioners, which means that lower values of pension payments are anticipated as at the 31<sup>st</sup> March 2022. The rate for discounting scheme liabilities has increased by 0.7%, to 2.7% which serves to decrease the employer's obligations on scheme liabilities over the longer term. These actuarial assumptions are reassessed each year and changes in the assumptions can cause significant changes in the values of the net liability.

The most recent triennial review of the fund was undertaken as at 31<sup>st</sup> March 2019 and resulted in an overall increase in contribution rates of 2% per annum for the period 2020/21 to 2022/23. This includes employer contribution rates plus a lump sum payment. The Council has taken the option to pay the annual lump sum amounts for the three years to March 2023 as one advance payment of £4.528m. This was paid in April 2020 and reflects a discount of 4% on the nominal sums. Of this lump sum amount, £1.453m has been charged to the General Fund Balance via the Movement in Reserves Statement relating to 2021/22 with the balance held in the Pension Reserve.

The next triennial review will consider the long term implications and funding requirements, with the intention of ensuring the scheme remains fully funded in the long term.

## **CONTINUED IMPACT OF COVID-19 PANDEMIC**

The Covid-19 Pandemic has continued to have a considerable impact on the Council, its residents and businesses.

Only a small number of Council's services were suspended for periods during the year, in line with national guidance, and administrative staff have continued to work with a mixture of remote-working from home or based at the Burton Town Hall. The Council has been proactive and continued to respond well to the evolving situation, with key features of our activity outlined below:

- The "virtual" decision making process has continued to operate throughout the year with an electronic sign-off process for delegated Executive Decision Records. The Council continues to operate all its meetings using a mix of in-person, virtual and hybrid interaction as appropriate. Formal committee meetings are being safely conducted at the Town Hall, with measures put in place to socially distance attendees and expand the public viewing capacity when necessary. Initial scoping has been undertaken for the broadcasting of public meetings moving forward.
- Elected Members continue to be updated on at least a weekly basis through the Member Briefing which is emailed out to all Councillors. Staff have also been updated on at least a weekly basis through the Staff Briefing which is communicated to all staff.
- Continued to liaise with key contractors, such as our Leisure Operator, to provide support and help facilitate recovery from associated impacts.
- Continued to work in collaboration with partners as part of the Staffordshire Resilience Forum (SRF). This consists of multiple agencies who have worked together to co-ordinate responses as the circumstances evolved throughout the Pandemic. Local testing stations have been identified, case numbers have been subject to regular reviews and hot spot areas targeted, and support has been provided for the communication campaigns in relation to the vaccination roll out.
- The Council's recovery from the Covid-19 pandemic has continued to be the subject of a detailed report which is presented regularly to the Corporate Management Team, Leader and Deputy Leader Meetings, political party group meetings and Cabinet. This report explores on an ongoing basis the activities and opportunities for recovery within the themes of: Local Economy and Business; Infrastructure and the Environment; Physical and Psychological Health of the Community; and Embedding New Best Practice and Supporting Communities to Adapt to New Norms of Behaviour. A wide range of activities have been carried out throughout the year, supporting the Borough and its residents in their recovery from the pandemic contributing to these four themes.
- The Council's Environmental Health Team have provided targeted support with partners to ensure compliance with COVID-19 safety measures and to support the investigation of any outbreaks identified. The team has proactively visited businesses to provide focussed advice and guidance on COVID controls, and worked to ensure that any additional legal requirements, such as the requirement to wear face coverings were being implemented. Officers have also worked closely with the Test and Trace service to ensure that

communications reach anyone that needed to self-isolate but cannot be reached by telephone.

- During the year the Council has administered a significant number of Covid-19 related business grant schemes which totalled approx. £11.4m, allocated Household Support Fund payments of £0.2m to 911 Council Tax payers' accounts and Test and Trace Support payments totalling £0.9m to eligible residents having to self-isolate following a positive Covid test.

## **PERFORMANCE AGAINST THE CORPORATE PLAN**

The Council has approved a Corporate Plan covering the period 2021/22 onwards. This is updated and refreshed on an annual basis and performance monitored throughout the year. For 2021/22 the Council set 129 corporate plan targets, however during the course of the year 7 of those targets have been deferred or deleted. This resulted in 122 live targets of which 92.6% were fully achieved. Overall performance is monitored against our three overarching priorities, as follows:

- Value for Money Council (92% fully achieved)
- Environment and Health & Well Being (85% fully achieved)
- Community Regeneration (100% fully achieved)

Looking ahead to 2022/23, the Council has set a range of development targets, including:

- Deliver transformational regeneration for Burton upon Trent working in partnership with the Burton Town Deal Board.
- Support the regeneration of Uttoxeter through the Uttoxeter Masterplan.
- Continue work to improve the Washlands as a regional attraction.
- Climate Change – Delivery of a climate change strategy and continued monitoring and supporting activities in the approved action plan.
- SMARTER Waste Management and Street Cleaning through a range of targets.
- Markets – Conduct a review on the sustainable use of the Market Hall.
- A range of community, cultural and partnership activities.
- Work in partnership with the other Staffordshire Authorities through the recently established Leaders Board.
- Optimise our services and assets, including an options appraisal of potential shared services and a review of our land and property assets.
- Progression towards to Digital Maturity through a range of targets.

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

## **FINANCIAL STRATEGY FOR 2022/23 ONWARDS**

The Council approved its Medium term Financial Strategy for 2022/23 to 2024/25 in March 2022. This together with the subsequently approved Towns Fund Programme of Capital Expenditure makes provision for significant investment in the Borough. It also highlights some significant risks and uncertainties including the ongoing impact of the Covid-19 Pandemic, those associated with the scheme which localises income from business rates, and the future levels of funding from central government arising from the planned reforms. These could have a significant impact on the resources available and how resources are allocated within the sector in the future. Nevertheless, the Council has set out a strategy which balances the budget for the three year period but at the same time acknowledges that, subject to the planned funding reforms, ongoing savings may be needed in the medium to longer term in order to maintain financially sustainable.

The Council has a robust underlying financial position which provides a strong foundation of financial resilience due to the significant uncertainties facing local authorities and current/emerging economic pressures. Further information in relation to the Medium Term Financial Strategy can be found on our website.

## **AUDIT OF THE ACCOUNTS**

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

## **FURTHER INFORMATION**

The accounts and accompanying statistics in the following pages contain a great deal of information about East Staffordshire Borough Council's finances. I hope you will find it interesting. Further information on the Council's accounts is available from the Financial Management Unit, Town Hall, King Edward Place, Burton upon Trent, DE14 2EB. Or by telephone (01283) 508399 or e-mail to [lisa.turner@eaststaffsbc.gov.uk](mailto:lisa.turner@eaststaffsbc.gov.uk). The public has a statutory right to inspect and, if they wish, object to the accounts prior to the completion of the audit.

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# GUIDE TO THE MAIN FINANCIAL STATEMENTS

The Council's accounts for the year 2021/2022 are set out on the following pages. The accounts comprise:

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

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

## **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxations. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the movement in reserves statement.

## **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The 'Net Increase/Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example capital receipts may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserves), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustment between accounting basis and funding basis under regulations'.

## **Cash Flow Statement**

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

**Collection Fund Account**

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

**Annual Governance Statement**

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

**Glossary of Terms**

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

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## The Responsibilities of the Chief Finance Officer

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code of Practice.

The Chief Finance Officer has also:

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

## Certificate of the Chief Finance Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Borough Council at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Sal Khan CPFA \*  
Chief Finance Officer

Date: 12<sup>th</sup> July 2022

## Member Approval of the Statement of Accounts

The approval of East Staffordshire Borough Council's Statement of Accounts is the responsibility of a meeting of the Audit (Approval of Statement of Accounts) Committee.

The Statement of Accounts are due to be presented for approval to the Audit (Approval of the Statement of Accounts) Committee on 29<sup>th</sup> September 2022.

*\*This is an electronic copy without electronic signatures. The original was signed as dated above and a copy can be obtained from the financial management unit on request.*

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## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### For the year ended 31 March 2022

2020/21				2021/22		
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
769	(61)	708		928	(175)	753
7,342	(961)	6,381		3,843	(2,923)	920
534	(18)	516		580	(18)	562
887	(42)	845		916	(19)	897
72	0	72		103	0	103
4,898	(4,516)	382		571	(342)	229
6,240	(1,771)	4,469		6,295	(2,031)	4,264
1,269	(823)	446		1,648	(1,076)	572
744	(19)	725		864	(36)	828
783	(600)	183		770	(492)	278
371	(9)	362		433	(16)	417
454	(30)	424		438	(29)	409
345	(31)	314		480	(40)	440
1,524	(150)	1,374		723	6	729
460	(252)	208		510	(387)	123
1,029	(954)	75		1,141	(1,049)	92
21,643	(20,688)	955		20,290	(19,409)	881
210	(2)	208		0	0	0
411	(395)	16		1,077	(1,062)	15
<b>49,985</b>	<b>(31,322)</b>	<b>18,663</b>		<b>41,610</b>	<b>(29,098)</b>	<b>12,512</b>
2,562	(1,265)	1,297	10	1,344	(41)	1,303
3,861	(3,155)	706	11	4,133	(3,355)	778
22,260	(40,667)	(18,407)	12	25,287	(44,436)	(19,149)
<b>78,668</b>	<b>(76,409)</b>	<b>2,259</b>	<b>5</b>	<b>72,374</b>	<b>(76,930)</b>	<b>(4,556)</b>
	(2,246)		13		(544)	
	<u>13,540</u>		45		<u>(21,475)</u>	
		<b>11,294</b>				<b>(22,019)</b>
		<b>13,553</b>				<b>(26,575)</b>

**MOVEMENT IN RESERVES STATEMENT**  
For the year ended 31 March 2022

	General Fund		Total General Fund Reserves £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Total Usable Reserves (Note 28) £'000	Unusable Reserves (Note 29) £'000	Total Authority Reserves £'000
	Balance	Earmarked Reserves						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2021 carried forward</b>	<b>1,278</b>	<b>26,500</b>	<b>27,778</b>	<b>0</b>	<b>571</b>	<b>28,349</b>	<b>(39,112)</b>	<b>(10,763)</b>
<b>Movement in reserves during 2021/22</b>								
Surplus/(Deficit) on provision of services	4,556	0	4,556	0	0	4,556	0	4,556
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	22,019	22,019
Total Comprehensive Income and Expenditure	4,556	0	4,556	0	0	4,556	22,019	26,575
Adjustments between accounting basis & funding basis under regulations (note 8)	(5,982)	0	(5,982)	1,035	2	(4,945)	4,945	0
Net Increase before Transfers to Earmarked Reserves	(1,426)	0	(1,426)	1,035	2	(389)	26,964	26,575
Transfers to/from Earmarked Reserves (note 9)	1,426	(1,426)	0	0	0	0	0	0
Increase / (Decrease) in Year	0	(1,426)	(1,426)	1,035	2	(389)	26,964	26,575
<b>Balance at 31 March 2022 carried forward</b>	<b>1,278</b>	<b>25,074</b>	<b>26,352</b>	<b>1,035</b>	<b>573</b>	<b>27,960</b>	<b>(12,148)</b>	<b>15,812</b>

**MOVEMENT IN RESERVES STATEMENT**  
For the year ended 31 March 2021

	General Fund		Total General Fund Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves (Note 28) £'000	Unusable Reserves (Note 29) £'000	Total Authority Reserves £'000
	Balance	Earmarked Reserves					
<b>Balance at 31 March 2020 carried forward</b>	<b>1,278</b>	<b>15,614</b>	<b>16,892</b>	<b>707</b>	<b>17,599</b>	<b>(14,809)</b>	<b>2,790</b>
<b>Movement in reserves during 2020/21</b>							
Surplus/(Deficit) on provision of services	(2,259)	0	(2,259)	0	(2,259)	0	(2,259)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(11,294)	(11,294)
Total Comprehensive Income and Expenditure	(2,259)	0	(2,259)	0	(2,259)	(11,294)	(13,553)
Adjustments between accounting basis & funding basis under regulations (note 8)	13,145	0	13,145	(136)	13,009	(13,009)	0
Net Increase before Transfers to Earmarked Reserves	10,886	0	10,886	(136)	10,750	(24,303)	(13,553)
Transfers to/from Earmarked Reserves (note 9)	(10,886)	10,886	0	0	0	0	0
Increase / (Decrease) in Year	0	10,886	10,886	(136)	10,750	(24,303)	(13,553)
<b>Balance at 31 March 2021 carried forward</b>	<b>1,278</b>	<b>26,500</b>	<b>27,778</b>	<b>571</b>	<b>28,349</b>	<b>(39,112)</b>	<b>(10,763)</b>

**BALANCE SHEET**  
**As at 31<sup>st</sup> March 2022**

<b>31st March 2021</b>		Note	<b>31st March 2022</b>
£'000			£'000
29,950	Property, Plant and Equipment	13	<b>34,487</b>
10,554	Investment Property	14	<b>10,920</b>
1	Intangible Assets	15	<b>0</b>
371	Heritage Assets	16	<b>358</b>
3	Long Term Investments		<b>3</b>
804	Long Term Debtors	17	<b>788</b>
<b>41,683</b>	<b>Long Term Assets</b>		<b>46,556</b>
	<b>Current Assets</b>		
34,007	Short Term Investments	20	<b>43,022</b>
93	Inventories	21	<b>209</b>
12,216	Short Term Debtors	22	<b>6,029</b>
10,777	Cash and Cash Equivalents	23	<b>14,398</b>
<b>57,093</b>	<b>Current Assets</b>		<b>63,658</b>
(565)	Short-Term Borrowing	27	<b>(565)</b>
(30,899)	Short Term Creditors	24	<b>(33,215)</b>
<b>(31,464)</b>	<b>Current Liabilities</b>		<b>(33,780)</b>
(2,770)	Provisions	26	<b>(2,087)</b>
(10,607)	Long Term Borrowing	27	<b>(10,550)</b>
(58,345)	Pension Liability	45	<b>(40,346)</b>
(6,353)	Capital Grants Receipts in Advance	38	<b>(7,639)</b>
<b>(78,075)</b>	<b>Long Term Liabilities</b>		<b>(60,622)</b>
<b>(10,763)</b>	<b>Net Assets</b>		<b>15,812</b>
	<b>Financed by:</b>		
(39,112)	Unusable Reserves	29	<b>(12,148)</b>
28,349	Usable Reserves	28	<b>27,960</b>
<b>(10,763)</b>	<b>Total Net Worth</b>		<b>15,812</b>

**CASH FLOW STATEMENT**  
**For the year ended 31 March 2022**

	Note	2021/22 £'000	2020/21 £'000
Net (surplus) or deficit on the provision of services		(4,556)	2,259
Adjustments to net surplus or deficit on the provision of services for non-cash movements	30	850	(21,924)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30	493	1,478
<b>Net cash flows from operating activities</b>		<b>(3,213)</b>	<b>(18,187)</b>
Investing activities	31	10,234	13,404
Financing activities	32	(10,642)	6,960
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(3,621)</b>	<b>2,177</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(10,777)</b>	<b>(12,954)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(14,398)</b>	<b>(10,777)</b>

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/2022 financial year and its position as at the year-end 31 March 2022. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet. Exceptions to this principle relate to electricity, gas and similar periodic payments, which are charged at the date of meter reading rather than being apportioned between financial years. In addition, housing benefits payments are matched to the subsidy claim which includes 52 weekly payment runs. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable and receivable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Where the exact amount due in respect of accruals has not yet been confirmed, for example grant entitlements from Central Government, the accounts reflect the best estimate and use latest available information. The estimation techniques used have not generally been changed from the previous year.

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

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

collection fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NNDR collected could be less than predicted.

#### Accounting for Council Tax and NNDR

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

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

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

#### **iv. Cash and Cash Equivalents**

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

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

#### **v. Exceptional Items**

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

#### **vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

## **vii. Charges to Revenue for Non-Current Assets**

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

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off; and
- Amortisation of intangible fixed assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation, impairment losses and amortisations are therefore replaced by a contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

## **viii. Employee Benefits**

### Benefits Payable during Employment

Short term employee benefits are those expected to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render the service to the authority. An accrual is made for the cost of the holiday entitlements (or any form of leave, such as time off in lieu) earned by employees but not taken before the year end in which employees can carry forward into the next financial year. The accrual is charged to the surplus or deficit in the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end.

### Post-Employment Benefits

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

## **The Local Government Pension Scheme**

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (2% 2020/21). This rate is equal to the yield available on long-dated, high quality corporate bonds and is commonly referred to as the AA Corporate Bond Rate.

The assets of pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

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

During 2018/19 authority transferred the provision of its leisure services to a third party provider, Sports and Leisure Management Ltd (SLM). As part of the contractual arrangements, all leisure centre staff were transferred to SLM or its subsidiaries via TUPE arrangements. SLM has been admitted to the Staffordshire County Council pension fund and pension arrangements between the three parties are managed using admission agreements. The IAS19 report provided by the actuary excludes the assets and liabilities relating to the transferred staff. As the contractual arrangements mean that Council acts as guarantor for the vast majority of the pension risks associated with the former employees, an annual assessment is carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2021/22, the risk has been assessed at relatively low, no greater than 10% or £0.2m (10% or £0.3m in 2020/21).

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

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

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

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the defined benefit liability – charged to the Pension Reserve as other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is debited to the Pensions Reserve as other Comprehensive Income and Expenditure.
- Contributions paid to Staffordshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities – not accounted for as an expense.

In relation to retirement benefits, statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Movement on Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

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

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

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

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

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

## **x. Financial Instruments**

Financial Assets

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

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

## Financial Assets Measured at Amortised Cost

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

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

## Expected Credit Loss Model

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

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

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

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

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

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

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

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

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

## Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

### **xiii. Heritage Assets**

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

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

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

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

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

### **xiv. Intangible Assets**

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

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

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

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

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

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

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

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

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

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. As a non-financial asset, investment properties are valued at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and for sale proceeds greater than £10,000 the capital receipts reserve.

#### **xviii. Leases**

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

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

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

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

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising from leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjustment transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

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

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

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

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

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

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments. Any significant initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as the rental income.

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

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

### **Recognition**

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

### **Measurement**

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

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

## **Impairment**

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

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

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

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

## **Depreciation**

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

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

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

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

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

## **De Minimis Levels**

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

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

When it becomes probable that the carrying amount of an asset will be recovered principally through the sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. These receipts are appropriated to the Capital Receipts Reserve from the General Fund balance in the Movement in Reserves Statement. These receipts can only be used for new capital investment or set aside to reduce the authority's underlying need to borrow.

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

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

### **Provisions**

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

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

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow or economic benefits or service potential.

### **xxi. Reserves**

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

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

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

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

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

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

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

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

- a) In the principal market for the assets or liability; or

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

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

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

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

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

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

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

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

During the course of 2020/21 and 2021/22 the Council administered a large number of grant schemes announced by Central Government as part of the Covid-19 response. In many cases the eligibility for these schemes was set out within government guidance. For each of these schemes the Council has made an assessment as to whether it was acting as Principal or Agent. The main determining factor being the degree to which control over who receives the funding and associated amounts. For those schemes in which the Council acted as Principal the respective income and expenditure has been included within the Comprehensive Income and Expenditure Statement. For those schemes whereby the Council acted as agent the respective grant income and expenditure amounts are excluded from the Comprehensive Income and expenditure, with the grants awarded and associated Government funding disclosed in a separate note to the accounts.

## 2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- The Council transferred the management of its leisure services to a third party provider on 1 February 2019. As part of the contractual arrangements, all leisure centre staff were transferred via TUPE arrangements. The contractor is an admitted body to the Staffordshire County Council pension fund and pension arrangements between the Council, Staffordshire County Council and the contractor are managed using an admission agreement. The IAS 19 report provided by the actuary excludes the assets and liabilities relating to the transferred staff. As the contractual arrangements mean that Council acts as guarantor for the vast majority of the pension risks associated with the former employees, an annual assessment is carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2021/22, the risk has been assessed at low, no greater than 10% or £0.2m.
- Supported Housing Claims - Following a lengthy process of engagement, a landlord failed to provide the Council with sufficient evidence to support their claims for supported housing and as a result the Council took the decision to cancel the claims. Following the internal review/appeal process, the landlord has decided to dispute this decision and the matter is currently awaiting a tribunal hearing. The Council has a strong case to dispute the case and has made the judgement that this is a contingent liability pending the outcome of the tribunal. It is difficult to assess the potential cost to the Council should the tribunal decide in favour of the landlord due to the fluid nature of individual tenants requiring supported housing, however this could be in the region of £0.9m if it is fully backdated.

## 3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the authority's Balance Sheet as at 31<sup>st</sup> March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual result differs from assumptions
Pensions Liability	Estimation of the net liability to pay pensions (£40.3m as at 31st March 2022) depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, an increase in member life expectancy of 1 year would result in an increase in the pension liability by approx. £6.1m.

<p>Valuation of Plant, Property and Equipment</p>	<p>1. The onset of Covid-19 has impacted on the valuations of our cash generating assets within operational assets.</p> <p>There is uncertainty over the level of future car park income in comparison with past income used within the current car park valuations. The valuations are based on an average 3 year income cycle and therefore incorporate past COVID-19 impacted income streams. This is in line with RICS methodology. The car parks have a total valuation of £2.82m as at 31 March 2022. This is based on income levels over the 3 year period that are 31% lower than prior to the Pandemic.</p> <p>2. Use of estimates The accounts include estimates with regard to the valuations of plant, property and equipment valued at £28.295m. Professional valuers are engaged to provide expert advice in line with the RICS guidance in relation to these valuations. Estimates and assumptions are provided from a number of sources including, for example, relevant market evidence where it is available, rebuild costs and the expected life of the asset.</p>	<p>A return to the pre Covid-19 income levels behind former valuations with all other factors remaining constant would lead to a future increase of £3.28m on the current value shown on the balance sheet.</p> <p>An uplift on the 3 year average income underpinning the valuations at 31<sup>st</sup> March 2022 of 15% with all other factors remaining constant would lead to an increase estimated to be £1.58m on the current value shown on the balance sheet.</p> <p>A +/- 10% change against the assets which have been subject to valuation will result in a £2.83m increase or decrease in the value shown in the balance sheet.</p>
<p>Impairment allowance for doubtful debt</p>	<p>As at 31 March 2022, the Council had an outstanding balance of short-term debtors totalling £9.3m. Against this debtors' balance, there is an impairment allowance of £3.3m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic and subsequent economic conditions has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p>	<p>An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review has been carried out to reflect the uncertainty of the collection rates as a result of Covid-19 and the current economic conditions. If collection rates were to deteriorate by 5% the provision would need to increase by £0.3m</p>
<p>Business Rate Appeals</p>	<p>As at 31<sup>st</sup> March 2022 the Council's share of the estimated appeals and claims against business rates is £1.88m. This is a complex calculation based on past success and claim levels.</p>	<p>A 10% increase in success rate and a 10% increase of RV reductions applied plus 10% increase in claim numbers would increase the provision required for this Council by £1.3m.</p>

<p>Fair Value Measurements</p>	<p>When fair value for financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values including unobservable inputs. These judgements typically include considerations such as uncertainty and risk. However, changes in assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where level 1 inputs are not available the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties the external valuer).</p> <p><u>Investment Properties – Variation to Unobservable Income</u></p> <p>Unobservable inputs such as rents, vacancy levels and discounts have been used in the valuation of £8.5m of our investment properties.</p> <p>The portfolio consists of local commercial/industrial units with no significant holding of shops or other retail space. However the units may be impacted by a lack of demand due to the inflationary pressures being experienced in the wider economy.</p>	<p>The authority uses the discounted cash flow model to measure the fair value of some of its investment properties.</p> <p>Significant unobservable inputs used include management assumptions regarding rent levels, vacancy levels and discount rates.</p> <p>Significant changes in any of these unobservable inputs would result in lower or higher fair value measurement.</p> <p>If lower demand is reflected in yield (slower moving / more vacancies) then a 10% movement would lead to a drop in value of £0.773m.</p> <p>Including a 10% decrease in rents receivable means the drop in value totals £1.545m.</p>
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This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

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

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

#### 4a – Expenditure and Funding Analysis (2021/22)

	<b>2021/22</b>				
	Net Amount Reported as part of Management Outturn	Adjustment to arrive at net amount chargeable to the General fund Balances*	Net Expenditure chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Arts, Brewhouse and Functions	529	0	529	224	753
Community and Open Spaces	1,733	86	1,819	(899)	920
Corporate Management Team	437	0	437	125	562
Corporate and Commercial	837	(39)	798	99	897
Cultural Services - Marketing	90	0	90	13	103
Enterprise	168	18	186	43	229
Environment	3,889	(103)	3,786	478	4,264
Environmental Health	364	79	443	129	572
Financial Services	1,189	322	1,511	(683)	828
Housing	228	(11)	217	61	278
Human Resources, Payments & Pension	1,995	0	1,995	(1,578)	417
IT and Printing	370	(27)	343	66	409
Legal Services And Assets	(366)	64	(302)	742	440
Leisure Services	482	(243)	239	490	729
Licensing and Enforcement	60	(28)	32	91	123
Markets	45	0	45	(45)	0
Planning and Land Charges	(2)	(64)	(66)	158	92
Revenue, Bids' and Customer Contacts	1,099	(593)	506	375	881
Corporate Items	(1,218)	(139)	(1,357)	1,357	0
Non Distributed Costs	0	0	0	0	0
External Funding/Holding Accounts	0	137	137	(122)	15
<b>Cost of Services</b>	<b>11,929</b>	<b>(541)</b>	<b>11,388</b>	<b>1,124</b>	<b>12,512</b>
Other Income and expenditure	(13,434)	3,472	(9,962)	(7,106)	(17,068)
<b>(Surplus) or Deficit</b>	<b>(1,505)</b>	<b>2,931</b>	<b>1,426</b>	<b>(5,982)</b>	<b>(4,556)</b>
<b>Opening General Fund Balance</b>			<b>(27,778)</b>		
Less/Plus (Surplus) or Deficit			<b>1,426</b>		
<b>Closing General Fund Balance at 31st March</b>			<b>(26,352)</b>		
<b>General Fund Working Balance</b>			<b>1,278</b>		
<b>Earmarked Reserves (Note 9)</b>			<b>25,074</b>		
			<b>26,352</b>		

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

<b>2020/21</b>					
	Net Amount Reported as part of Management Outturn	Adjustment to arrive at net amount chargeable to the General fund Balances*	Net Expenditure chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Arts, Brewhouse and Functions	560	0	560	148	708
Community and Open Spaces	2,133	(79)	2,054	4,327	6,381
Corporate Management Team	437	0	437	79	516
Corporate and Commercial	819	(47)	772	73	845
Cultural Services - Marketing	64	0	64	8	72
Enterprise	116	106	222	160	382
Environment	4,084	7	4,091	378	4,469
Environmental Health	443	(74)	369	77	446
Financial Services	1,187	248	1,435	(710)	725
Housing	293	(145)	148	35	183
Human Resources, Payments & Pensions	1,849	0	1,849	(1,487)	362
IT and Printing	387	(35)	352	72	424
Legal Services And Assets	(330)	(25)	(355)	669	314
Leisure Services	901	109	1,010	364	1,374
Licensing and Enforcement	81	64	145	63	208
Markets	113	0	113	(113)	0
Planning and Land Charges	19	(41)	(22)	97	75
Revenue, Bens' and Customer Contacts	1,225	(475)	750	205	955
Corporate Items	(959)	(1,410)	(2,369)	2,369	0
Non Distributed Costs	0	0	0	208	208
External Funding/Holding Accounts	0	526	526	(510)	16
<b>Cost of Services</b>	<b>13,422</b>	<b>(1,271)</b>	<b>12,151</b>	<b>6,512</b>	<b>18,663</b>
Other Income and expenditure	(13,697)	(9,340)	(23,037)	6,633	(16,404)
<b>(Surplus) or Deficit</b>	<b>(275)</b>	<b>(10,611)</b>	<b>(10,886)</b>	<b>13,145</b>	<b>2,259</b>
<b>Opening General Fund Balance</b>			<b>(16,892)</b>		
Less/Plus (Surplus) or Deficit			<b>(10,886)</b>		
<b>Closing General Fund Balance at 31st March</b>			<b>(27,778)</b>		
<b>General Fund Working Balance</b>			<b>1,278</b>		
<b>Earmarked Reserves (Note 9)</b>			<b>26,500</b>		
			<b>27,778</b>		

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

<b>Adjustments between Funding and Accounting Basis 2021/22</b>				
<b>Adjustments from General fund to arrive at the Comprehensive Income and Expenditure Statement amounts.</b>	<b>Adjustments for Capital Purposes (Note 1) £'000</b>	<b>Net Change for the Pensions Adjustments (Note 2) £'000</b>	<b>Other Differences (Note 3) £'000</b>	<b>Total Adjustments £'000</b>
<b>Segment</b>				
Arts, Brewhouse and Functions	103	119	2	224
Community and Open Spaces	(1,108)	212	(3)	(899)
Corporate Management Team	0	127	(2)	125
Corporate and Commercial	0	102	(3)	99
Cultural Services - Marketing	0	13	0	13
Enterprise	(1)	42	2	43
Environment	21	689	(232)	478
Environmental Health	0	136	(7)	129
Financial Services	(497)	120	(306)	(683)
Housing	0	61	0	61
Human Resources, Payments and Pensions	0	(1,573)	(5)	(1,578)
IT and Printing	27	40	(1)	66
Legal Services and Assets	(331)	50	1,023	742
Leisure Services	479	11	0	490
Licensing and Enforcement	6	87	(2)	91
Markets	53	27	(125)	(45)
Planning and Land Charges	0	163	(5)	158
Revenue, Benefits and Customer Contacts	8	367	0	375
Corporate Items	0	0	1,357	1,357
Non Distributed Costs	0	0	0	0
External Funding and Holding Accounts	0	41	(163)	(122)
<b>Net Cost of Services</b>	<b>(1,240)</b>	<b>834</b>	<b>1,530</b>	<b>1,124</b>
Other income and expenditure from the Expenditure and Funding Analysis	(1,149)	1,189	(7,146)	(7,106)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>(2,389)</b>	<b>2,023</b>	<b>(5,616)</b>	<b>(5,982)</b>

<b>Adjustments between Funding and Accounting Basis 2020/21</b>				
<b>Adjustments from General fund to arrive at the Comprehensive Income and Expenditure Statement amounts.</b>	<b>Adjustments for Capital Purposes (Note 1)</b>	<b>Net Change for the Pensions Adjustments (Note 2)</b>	<b>Other Differences (Note 3)</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Segment</b>				
Arts, Brewhouse and Functions	82	60	6	148
Community and Open Spaces	4,219	109	(1)	4,327
Corporate Management Team	0	65	14	79
Corporate and Commercial	0	55	18	73
Cultural Services - Marketing	0	7	1	8
Enterprise	145	16	(1)	160
Environment	324	340	(286)	378
Environmental Health	0	61	16	77
Financial Services	(284)	61	(487)	(710)
Housing	0	31	4	35
Human Resources, Payments and Pensions	0	(1,498)	11	(1,487)
IT and Printing	40	29	3	72
Legal Services and Assets	(212)	33	848	669
Leisure Services	358	5	1	364
Licensing and Enforcement	6	42	15	63
Markets	33	13	(159)	(113)
Planning and Land Charges	0	94	3	97
Revenue, Benefits and Customer Contacts	8	181	16	205
Corporate Items	0	0	2,369	2,369
Non Distributed Costs	208	0	0	208
External Funding and Holding Accounts	0	18	(528)	(510)
<b>Net Cost of Services</b>	<b>4,927</b>	<b>(278)</b>	<b>1,863</b>	<b>6,512</b>
Other income and expenditure from the Expenditure and Funding Analysis	(98)	1,046	5,685	6,633
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>4,829</b>	<b>768</b>	<b>7,548</b>	<b>13,145</b>

### **Explanatory Notes:**

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

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

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

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

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

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

## **Note 3 - Other Differences**

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

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

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

Following the adoption of IFRS 15 (Revenue Recognition from Contracts with Customers) the Council re-assessed its performance obligations under planning fees and charges and identified planning applications where the planning decision had not been made by the Balance Sheet date and where work is outstanding. The value of the fee receivable has been assessed as £100k as at 31<sup>st</sup> March 2022 compared to £153k as at 31<sup>st</sup> March 2021 with no impairment considered likely as all applications are validated initially within the overall planning process and the applicable fees have been received in advance. These have been carried forward on the Balance Sheet as income in advance for future recognition.

<b>(b) Segmental Income: Fees, charges from external customers on a Segmental Basis is Analysed Below</b>		
<b>Segment</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Arts, Brewhouse and Functions	(148)	(2)
Community and Open Spaces	(1,347)	(938)
Corporate Management Team	(18)	(18)
Corporate and Commercial	(5)	(2)
Environment	(1,945)	(1,692)
Environmental Health	(102)	(81)
Financial Services	(15)	(19)
Housing	(86)	(176)
Human Resources, Payments and Pensions	(7)	(7)
IT and Printing	(14)	(14)
Legal Services and Assets	(779)	(774)
Licensing and Enforcement	(363)	(234)
Markets	(132)	(72)
Planning and Land Charges	(1,039)	(946)
Revenue, Benefits and Customer Contacts	(700)	(492)
External Funding and Holding Accounts	(284)	(6)
<b>Total Income from external customers analysed on a segmental basis</b>	<b>(6,984)</b>	<b>(5,473)</b>

## 5. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

<b>Expenditure/Income</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Employees	<b>12,482</b>	10,773
Other service expenses	<b>9,588</b>	9,206
Discretionary Covid-19 Grants and Other Payments	<b>4,601</b>	2,584
REFCUS	<b>1,058</b>	5,332
Depreciation, amortisation, impairment and revaluation	<b>1,123</b>	5,356
Interest Payments, including Pensions	<b>3,765</b>	3,438
Business Rates Transfers	<b>20,610</b>	19,676
Housing Benefits	<b>17,787</b>	19,761
Local Precepts and Grants	<b>1,282</b>	1,302
Book Value on Disposal of Assets	<b>78</b>	1,240
<b>Total Expenditure</b>	<b>72,374</b>	<b>78,668</b>
<b>Income</b>		
Fees, charges and other service income	<b>(6,984)</b>	(5,473)
Other Grants and Contributions	<b>(1,404)</b>	(879)
Interest and investment income, including Pensions	<b>(2,073)</b>	(2,046)
Income from council tax and non-domestic rates	<b>(29,713)</b>	(22,398)
Government Grants (Note 38)	<b>(34,816)</b>	(44,035)
Income on Disposal of Assets/Financial Instruments	<b>(67)</b>	(1,265)
Upward Revaluation of Investment Properties	<b>(1,873)</b>	(313)
<b>Total Income</b>	<b>(76,930)</b>	<b>(76,409)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(4,556)</b>	<b>2,259</b>

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

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

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

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement notes 4 changed standards:
- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
- IAS 37 (Onerous contracts) – clarifies the intention of the standard.
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material.
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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

### Pension Fund Pre-payment

The Council's Pension Fund is subject to triennial reviews by an independent actuary to assess the levels of contributions that will be required. A valuation was undertaken as at 31<sup>st</sup> March 2019 and resulted in an overall increase in contribution rates of 2%. This includes employer contribution rates plus a deficit repair lump sum payment. The Council has taken the option to pay the annual lump sum amounts for the three years to March 2023 as one advance payment of £4.528m. This was paid in April 2020 and reflects a discount of 4% on the nominal sums. Of this lump sum amount, £1.453m has been charged to the General Fund Balance via the Movement in Reserves Statement relating to the 2021/22 with the balance held in the Pension Reserve.

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

	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Movement in Unusable reserves
2021/22	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Amortisation of intangible fixed assets	1	0	0	(1)
Depreciation and impairment of fixed assets	950	0	0	(950)
Revaluation gains on property, plant and equipment	(1,489)	0	0	1,489
Revaluation losses on property, plant and equipment	127	0	0	(127)
Movements in market value of investment properties	(338)	0	0	338
Capital grants and contributions applied	(1,176)	0	0	1,176
Gain or loss associated with financial instruments	0	0	0	0
Gain or loss on disposal of non current assets	20	0	202	(222)
Capital Expenditure charged to General Fund	(238)	0	0	238
Revenue expenditure funded from capital under statute	1,058	0	0	(1,058)
Balance carried forward to next page	(1,085)	0	202	883

	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Movement in Unusable Reserves
<b>2021/22</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance brought forward from last page</b>	<b>(1,085)</b>	<b>0</b>	<b>202</b>	<b>883</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Minimum revenue provision for capital financing	<b>(497)</b>	<b>0</b>	<b>0</b>	<b>497</b>
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied, credited to the CIES	<b>(1,035)</b>	<b>1,035</b>	<b>0</b>	<b>0</b>
<b>Adjustment Primarily involving the Capital Receipts Reserve</b>				
Use of capital receipts to finance new capital	<b>0</b>	<b>0</b>	<b>(126)</b>	<b>126</b>
Repayment of debt from capital receipts	<b>0</b>	<b>0</b>	<b>(100)</b>	<b>100</b>
<b>Adjust primarily involving the Deferred Capital Receipts Reserve</b>				
Gain on disposal where deferred receipt was held	<b>(10)</b>	<b>0</b>	<b>26</b>	<b>(16)</b>
<b>Adjustment primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	<b>(31)</b>	<b>0</b>	<b>0</b>	<b>31</b>
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits	<b>4,683</b>	<b>0</b>	<b>0</b>	<b>(4,683)</b>
Employers pensions contributions and direct payments to pensioners payable in the year	<b>(2,660)</b>	<b>0</b>	<b>0</b>	<b>2,660</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<b>(220)</b>	<b>0</b>	<b>0</b>	<b>220</b>
Amounts by which business rates income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<b>(5,070)</b>	<b>0</b>	<b>0</b>	<b>5,070</b>
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(57)</b>	<b>0</b>	<b>0</b>	<b>57</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(5,982)</b>	<b>1,035</b>	<b>2</b>	<b>4,945</b>

Comparator information for 2020/21 on this note follows.

<b>2020/21</b>	<b>General Fund Balance £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Total Movement in Unusable reserves £'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
Amortisation of intangible fixed assets	5	-	(5)
Depreciation and impairment of fixed assets	1,068	-	(1,068)
Revaluation losses on property, plant and equipment	4,189	-	(4,189)
Movements in market value of investment properties	(219)	-	219
Capital grants and contributions applied	(5,238)	-	5,238
Gain or loss associated with financial instruments	(125)	125	0
Gain on disposal of non current assets	(25)	1,265	(1,240)
Capital expenditure charged to the General Fund	(527)	-	527
Revenue expenditure funded from capital under statute	5,332	-	(5,332)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>			
Minimum revenue provision for capital financing	(602)	-	602
<b>Adjustment Primarily involving the Capital Receipts Reserve</b>			
Use of capital receipts to finance new capital expenditure	-	(151)	151
Repayment of debt from capital receipts	-	(1,375)	1,375
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in the year in accordance with statutory requirements	(31)	-	31
<b>Adjustments involving the Pensions Reserve</b>			
Reversal of items relating to retirement benefits debited or credited to Comprehensive Income and Expenditure (see note 45)	3,303	-	(3,303)
Employers pensions contributions and direct payments to pensioners payable in the year	(2,535)	-	2,535
Balance carried forward to next page	4,595	(136)	(4,459)

<b>2020/21</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance brought forward from last page</b>	<b>4,595</b>	<b>(136)</b>	<b>(4,459)</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>			
Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<b>155</b>	-	<b>(155)</b>
Amounts by which business rates income credited to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in	<b>8,260</b>	-	<b>(8,260)</b>
<b>Adjustment primarily involving the Accumulated Absences Account</b>			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>135</b>	-	<b>(135)</b>
<b>TOTAL ADJUSTMENTS</b>	<b>13,145</b>	<b>(136)</b>	<b>(13,009)</b>

## 9. TRANSFER TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

	Balance at 31st March 2020	Transfers Out 2020/21	In £'000	Balance at 31st March 2021	Transfers Out 2021/22	In £'000	Balance at 31st March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
New Homes Bonus	4,127	0	1,285	5,412	0	0	5,412
Business Rates Retention Scheme	2,441	0	989	3,430	(3,017)	3,440	3,853
S31 Grants Retail and Nursery Reliefs	0	0	8,206	8,206	(8,206)	3,444	3,444
Capital Programme	2,343	(496)	18	1,865	(187)	1,076	2,754
Contingency Fund	1,873	0	426	2,299	(816)	916	2,399
Debt Repayment	1,513	(230)	0	1,283	(283)	500	1,500
Housing Benefit Supported Housing	0	0	350	350	0	550	900
Budget Carry Forward	7	(7)	192	192	(190)	876	878
Local Development Framework (LDF)	265	0	0	265	0	228	493
New Burdens	263	0	245	508	(233)	202	477
Other Reserves *	699	(143)	183	739	(398)	39	380
Housing Benefits	321	0	45	366	0	6	372
Building Control Fee Earning	256	(22)	0	234	0	68	302
Professional Reserve	193	(26)	10	177	(95)	168	250
Leisure Pensions	192	(215)	73	50	0	178	228
Leisure Management	76	0	33	109	0	65	174
Planning Reserve (Ringfenced)	78	(102)	142	118	(97)	139	160
Licensing Income Volatility	197	(85)	20	132	(68)	90	154
IT Equipment	188	(72)	35	151	(37)	28	142
Levelling Up Fund	0	0	0	0	(4)	125	121
Car Park Maintenance	121	0	0	121	(13)	0	108
Housing Options Fund	136	(30)	0	106	0	0	106
Council Elections	0	0	39	39	0	55	94
Local Strategic Partnership	87	0	0	87	0	0	87
Disabled Facilities Discretionary Fund	45	0	7	52	0	18	70
Homelessness Reduction Act	48	(204)	215	59	0	0	59
Staffordshire Waste Partnership	43	0	5	48	0	7	55
Safer & Active Communities	51	0	0	51	0	0	51
Prevention Violent Extremism	51	0	0	51	0	0	51
	15,614	(1,632)	12,518	26,500	(13,644)	12,218	25,074

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

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

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

**Covid-19 Business Rates Reliefs:** Additional reliefs in response to the pandemic were awarded through the Collection Fund in 2021/22. This Section 31 grant funding from Government will be needed to meet the cost to the General Fund in 2022/23.

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

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

**\*Other Reserves (£0.4m):** holds reserves with a balance of less than £50k value as at 31<sup>st</sup> March. This has resulted in an amendment to the comparator figures.

## 10. OTHER OPERATING EXPENDITURE

	<b>2021/22</b>	<b>2020/21</b>
	£'000	£'000
Parish Council Precepts	<b>1,223</b>	1,243
Parish Council Tax Support Grant	<b>59</b>	59
(Gains) / losses on disposal of non current assets	<b>21</b>	(5)
	<b><u>1,303</u></b>	<b><u>1,297</u></b>

## 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	<b>2021/22</b>	<b>2020/21</b>
	£'000	£'000
Interest payable and similar charges	<b>569</b>	572
Interest element of finance leases	<b>0</b>	5
(Gain)/Loss from financial instruments	<b>(10)</b>	(125)
Revised Impairment of financial instruments	<b>(1)</b>	0
Net Pension Interest Expense	<b>1,189</b>	1,046
Interest receivable and similar income	<b>(65)</b>	(105)
Income and expenditure in relation to investment properties and changes in their fair values (note 14)	<b>(1,029)</b>	(846)
(Gain)/Loss on Trading Accounts (note 34)	<b>125</b>	159
	<b><u>778</u></b>	<b><u>706</u></b>

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

	<b>2021/22</b>	<b>2020/21</b>
	£'000	£'000
Council tax income	<b>(8,823)</b>	(8,432)
Non domestic rates income *	<b>(20,890)</b>	(13,966)
Business Rates Tariff	<b>18,913</b>	18,913
Business Rates - Net Amount to the Pool *	<b>1,019</b>	458
Capital Grants	<b>(1,235)</b>	(93)
New Homes Bonus	<b>(1,439)</b>	(2,450)
Small Business Rate Relief	<b>(1,483)</b>	(1,504)
Business Rates Compensation Grant	<b>(3,649)</b>	(8,576)
Lower Tier Services Grant	<b>(615)</b>	0
Covid-19 General Support Grant	<b>(645)</b>	(1,837)
Covid-19 Sales Fees and Charges Support	<b>(168)</b>	(837)
Covid-19 Local Council Tax Support Grant	<b>(134)</b>	0
Covid-19 Council Tax Income Guarantee	<b>0</b>	(83)
Covid-19 Council Tax Hardship Fund	<b>0</b>	(803)
Covid-19 Council Tax Hardship Fund Payments	<b>0</b>	803
Covid-19 Discretionary Grants	<b>(4,677)</b>	(1,781)
Covid-19 Discretionary Grants Awarded	<b>4,677</b>	1,781
	<b><u>(19,149)</u></b>	<b><u>(18,407)</u></b>

\*The comparator figures for 2020/21 have been amended to more clearly identify amounts to the Business Rate Pool with other Staffordshire Authorities, which would otherwise have gone directly to Central Government.

### 13. PROPERTY, PLANT AND EQUIPMENT

<b>Movements in 2021/22</b>	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure £'000</b>	<b>Community Assets £'000</b>	<b>Assets Under Constuction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
1st April 2021	26,726	6,578	4,039	2,190	129	1,275	40,937
Additions	183	3,465	16	-	153	-	3,817
Revaluations recognised in the Revaluation Reserve	446	-	-	-	-	7	453
Revaluations recognised in the Provision of Services	1,362	-	-	-	-	-	1,362
Reclassifications	-	-	-	-	(28)	-	(28)
Disposals to I & E	(49)	(2,666)	-	(175)	-	-	(2,890)
31st March 2022	28,668	7,377	4,055	2,015	254	1,282	43,651
<b>Depreciation and Impairment</b>							
1st April 2021	(721)	(6,012)	(2,440)	(1,814)	-	-	(10,987)
Depreciation charge	(741)	(79)	(111)	(5)	-	-	(936)
Revaluation recognised in the Revaluation reserve	91	-	-	-	-	-	91
Revaluations recognised in the Provision of Services	-	-	-	-	-	-	0
Disposal to I & E	2	2,666	-	-	-	-	2,668
31st March 2022	(1,369)	(3,425)	(2,551)	(1,819)	0	0	(9,164)
<b>Balance Sheet as at 1st April 2021</b>							
	26,005	566	1,599	376	129	1,275	29,950
<b>Balance Sheet as at 31st March 2022</b>							
	27,299	3,952	1,504	196	254	1,282	34,487

Comparator figures for 2020/21 are shown on the following page.

<b>Movements in 2020/21</b>	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure £'000</b>	<b>Community Assets £'000</b>	<b>Assets Under Constuction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
1st April 2020	29,504	6,334	3,838	2,190	23	1,478	<b>43,367</b>
Additions	-	244	201	-	139	-	<b>584</b>
Revaluations recognised in the Revaluation Reserve	1,413	-	-	-	-	5	<b>1,418</b>
Revaluations recognised in the Provision of Services	(4,184)	-	-	-	-	(208)	<b>(4,392)</b>
Reclassifications	-	-	-	-	(33)	-	<b>(33)</b>
Disposals to I & E	(7)	-	-	-	-	-	<b>(7)</b>
31st March 2021	26,726	6,578	4,039	2,190	129	1,275	<b>40,937</b>
<b>Depreciation and Impairment</b>							
1st April 2020	(1,205)	(5,614)	(2,336)	(1,809)	-	-	<b>(10,964)</b>
Depreciation charge	(549)	(398)	(104)	(5)	-	-	<b>(1,056)</b>
Revaluation recognised in the Revaluation reserve	828	-	-	-	-	-	<b>828</b>
Revaluations recognised in the Provision of Services	204	-	-	-	-	-	<b>204</b>
Disposal to I & E	1	-	-	-	-	-	<b>1</b>
31st March 2021	(721)	(6,012)	(2,440)	(1,814)	0	0	<b>(10,987)</b>
<b>Balance Sheet as at 1st April 2020</b>							
	<b>28,299</b>	<b>720</b>	<b>1,502</b>	<b>381</b>	<b>23</b>	<b>1,478</b>	<b>32,403</b>
<b>Balance Sheet as at 31st March 2021</b>							
	<b>26,005</b>	<b>566</b>	<b>1,599</b>	<b>376</b>	<b>129</b>	<b>1,275</b>	<b>29,950</b>

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

	<b>31st March 2022</b>	<b>31st March 2021</b>
	£'000	£'000
<b>Other Land and Buildings:</b>		
Car Parks	<b>2,815</b>	1,454
Cemeteries & Crematorium	<b>280</b>	287
Changing Rooms	<b>49</b>	60
Community Centre	<b>1,034</b>	1,067
Leisure	<b>12,046</b>	12,383
Misc Property	<b>6,986</b>	6,641
Operational Buildings	<b>3,749</b>	3,759
Public Conveniences	<b>340</b>	354
Vehicles, Plant and Equipment	<b>3,952</b>	566
Infrastructure	<b>1,504</b>	1,599
Community Assets	<b>196</b>	376
Assets Under Construction	<b>254</b>	129
Surplus Assets	<b>1,282</b>	1,275
	<b>34,487</b>	29,950

## Depreciation

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

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

## Capital Commitments

The Council has £0.705m in commitments outstanding in relation to capital contracts as at 31<sup>st</sup> March 2022 (2021 £3.138m) of which £0.550m relates to the replacement of the Council's fleet of vehicles.

## Revaluations

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. All valuations have been undertaken by externally appointed valuers, Goodwins Surveyors Limited, with the exception of an element of the surplus asset value in relation to land off High Street, Burton (also known as Bargates) which has been valued by Salloway Property Consultants. The basis for valuation is set out in the accounting policies.

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	TOTAL £'000
Valued at historical cost	286	3,952		<b>4,238</b>
Valued at current value as at 1 April 2019	1,703			<b>1,703</b>
Valued at current value as at 31 December 2020	18,695			<b>18,695</b>
Valued at current value as at 31 December 2021	98		242	<b>340</b>
Valued at current value as at 31 March 2022	6,517		1,040	<b>7,557</b>
<b>Net Book Value at 31 March 2022</b>	<b>27,299</b>	<b>3,952</b>	<b>1,282</b>	<b>32,533</b>
Other Assets (all valued and depreciated, where necessary)				
Infrastructure Assets				<b>1,504</b>
Community Assets				<b>196</b>
Assets Under Construction				<b>254</b>
<b>Net Book Value of Assets at 31 March 2022</b>				<b>34,487</b>

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

There are a range of valuations of current assets that are undertaken using the DRC (Depreciated Replacement Cost) Method. These valuations are underpinned by estimated rebuild costs and the valuer has highlighted that there has been a considerable increase in rebuild costs over the past 12 months reflecting the current wider economic circumstances. The valuer highlighted the likelihood of this continuing in 2022/23 and the corresponding impact on asset valuations.

## 14. INVESTMENT PROPERTIES

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

	<b>2021/22</b>	<b>2020/21</b>
	£'000	£'000
Rental income from investment property	<b>(741)</b>	(748)
Direct operating expenses arising from investment property	<b>50</b>	121
Revaluation Changes	<b>(338)</b>	(219)
<b>Net (Gain) / Loss</b>	<b><u>(1,029)</u></b>	<u>(846)</u>

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

	<b>2021/22</b>	<b>2020/21</b>
	£'000	£'000
Balance at start of year	<b>10,554</b>	10,303
Reclassifications from Assets under Construction	<b>28</b>	32
Net gains/(losses) from fair value adjustments	<b>338</b>	219
<b>Balance at Year end</b>	<b><u>10,920</u></b>	<u>10,554</u>

### Fair value measurement of investment properties

#### Fair Value Hierarchy

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

<b>31st March 2022</b>	<b>Quoted prices in active markets for identical assets</b>	<b>Other significant observable inputs</b>	<b>Other significant Unobservable inputs</b>	<b>Fair Value 31st March 2022</b>
Recurring fair value measurements using:	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	£'000	£'000	£'000	£'000
Residential	0	0	0	0
Office Units	0	0	307	307
Commercial units	0	75	8,077	8,152
Other	0	2,345	116	2,461
<b>Total</b>	<b><u>0</u></b>	<b><u>2,420</u></b>	<b><u>8,500</u></b>	<b><u>10,920</u></b>

<b>31st March 2021</b>	<b>Quoted prices in active markets for identical assets</b>	<b>Other significant observable inputs</b>	<b>Other significant Unobservable inputs</b>	<b>Fair Value 31st March 2021</b>
Recurring fair value measurements using:	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	£'000	£'000	£'000	£'000
Residential	0	0	0	0
Office Units	0	0	321	321
Commercial units	0	75	7,768	7,843
Other	0	2,274	116	2,390
<b>Total</b>	<b>0</b>	<b>2,349</b>	<b>8,205</b>	<b>10,554</b>

### Transfers between levels of the fair value hierarchy

No transfers have taken place between levels of the fair value hierarchy in 2021/22 in line with changes to the available market information and status of the investment properties concerned. (2020/21 – £68k).

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

#### Significant Observable Inputs – Level 2

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

#### Significant Unobservable Inputs – Level 3

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

### Highest and Best Use of Investment Properties

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

### Valuation Techniques and Process

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

The fair value of the authority's investment properties is measured annually (with dates ranging from 31 December 2021 to 31 March 2022) remaining valid at each reporting date. All valuations are carried out by an independent external valuer, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers regarding all valuation matters. Further details with regard to investment property valuations and material uncertainties/ estimations can be found in Note 3.

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

	<b>2021/22</b>	<b>2020/21</b>
	£'000	£'000
<b>Balance at start of year</b>	<b>8,205</b>	8,023
Transfer into/(out) Level 3	<b>0</b>	68
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value.	<b>274</b>	82
Reclassifications from Assets under Construction	<b>21</b>	32
<b>Balance at Year end</b>	<b>8,500</b>	<b>8,205</b>

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

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

	<b>As at 31st March 2022</b>	<b>Valuation Technique used to measure fair value</b>	<b>Unobservable inputs</b>	<b>Range (weighted average used)</b>	<b>Sensitivity</b>
	£'000				
Office Units	307	Income	Future rental income/yield	5% -13% (7.7%)	Significant variations in yield will result in a significantly lower or higher fair value
Commercial units	8,077	Income			
Other	114	Income			
Other	2	Market	No active market	n/a	n/a
<b>Total</b>	<b>8,500</b>				

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

## 15. INTANGIBLE ASSETS

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

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

The carrying amount of these software licences is amortised on a straight line basis. The amortisation of £1k to revenue was charged to the waste management services within the environmental services line in the Net Cost of Services within the Comprehensive Income and Expenditure Statement.

	2021/22 £'000	2020/21 £'000
<b>Balance at start of year</b>		
Gross Carrying amount	403	403
Accumulated amortisation	(402)	(397)
<b>Net Carrying Amount at start of year</b>	<b>1</b>	<b>6</b>
Amortisation for Period	(1)	(5)
<b>Net Carrying Amount at end of year</b>	<b>0</b>	<b>1</b>

## 16. HERITAGE ASSETS

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

	Ceramics £'000	Art Work £'000	Civic Regalia £'000	Other £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>					
1st April 2010	65	176	60	119	420
Additions - 2011/12	0	95	0	0	95
Impairment recognised prior to 2018/19	0	(11)	0	0	(11)
Additions - 2018/19	0	4	0	0	4
Gross Cost/Valuation	65	264	60	119	508
Depreciation b/f	(14)	(84)	(13)	(26)	(137)
Depreciation in Year	(1)	(7)	(1)	(4)	(13)
Cumulative Depreciation	(15)	(91)	(14)	(30)	(150)
Net Book Value 31/3/2021	51	180	47	93	371
<b>Net Book Value 31/3/2022</b>	<b>50</b>	<b>173</b>	<b>46</b>	<b>89</b>	<b>358</b>

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

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

### **Art Collection**

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

### **Civic Regalia**

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

### **Other items**

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

### **Additions**

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

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

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

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

	Balance at 1 April 21 £'000	Accrued in Year £'000	Repaid for year £'000	Balance at 31 March 22 £'000
Housing Advances	<b>21</b>	-	0	<b>21</b>
Kick Start Loan Portfolio	<b>89</b>	-	(16)	<b>73</b>
Plant, Property and Equipment - Finance Leases	<b>694</b>	-	-	<b>694</b>
	<b>804</b>	0	(16)	<b>788</b>

## 18. ASSETS HELD FOR SALE

	2021/22	2020/21
	£'000	£'000
<b>Balance at 1st April</b>	<b>0</b>	1,235
Property Plant and Equipment reclassified as held for sale	<b>0</b>	0
Revaluation	<b>0</b>	0
Disposals	<b>0</b>	(1,235)
<b>Balance at 31st March</b>	<b>0</b>	0

The asset sale in 2020/21 related to surplus land at Dove Way, Uttoxeter.

## 19. FINANCIAL INSTRUMENTS

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

	Long-Term		Short-Term	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
<b>Financial Assets</b>				
at amortised cost				
Investments	<b>3</b>	3	<b>43,022</b>	34,007
Cash and Cash Equivalents	<b>0</b>	0	<b>6,473</b>	3,777
at fair value through profit and loss				
Cash and Cash Equivalents (money market funds)	<b>0</b>	0	<b>7,925</b>	7,000
<b>Total Investments</b>	<b>3</b>	3	<b>57,420</b>	44,784
Financial assets carried at amortised cost				
Debtors	<b>788</b>	804	<b>2,199</b>	3,427
<b>Total Debtors</b>	<b>788</b>	804	<b>2,199</b>	3,427
<b>Total Financial Assets</b>	<b>791</b>	807	<b>59,619</b>	48,211

Excluded from the debtors figure above are Payments in Advance £1.030m (2020/21 £0.097m), HMRC £0.201m (2020/21 £0.112m), Other Government Departments £1.396m (2020/21 £5.875m), Local Authorities £0.264m (2020/21 £1.498m), Collection Fund £2.401m (2020/21 £2.869m), and Collection Fund Bad Debt Provisions -£1.461m (2019/20 -£1.662m).

	Long-Term		Short-Term	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
<b>Financial Liabilities</b>				
at amortised cost				
Creditors	0	0	3,422	4,887
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>3,422</b>	<b>4,887</b>
at amortised cost				
Loans	10,550	10,607	565	565
<b>Total Borrowings</b>	<b>10,550</b>	<b>10,607</b>	<b>565</b>	<b>565</b>
Finance Lease Liabilities	0	0	0	0
<b>Total other Long Term Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>10,550</b>	<b>10,607</b>	<b>3,987</b>	<b>5,452</b>

Excluded from the creditors figure above are Receipts in advance £0.505m (2020/21 £0.701m), HMRC £0.207m (2020/21 £0.165m), Government Grants £24.391m (2020/21 £22.905m), Amounts due to Precept Authorities £0.579m, (2020/21 £0.284m), Other Local Authorities £1.561m (2020/21 £0.910m), and Collection Fund £1.456m (2020/21 £1.047m).

An analysis of financial liabilities is shown in note 27 – Borrowing.

#### Income, expense, gains and losses

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

	Financial Liabilities		Financial Assets		Total
	31st March 2022 £'000	31st March 2021 £'000	31st March 2022 £'000	31st March 2021 £'000	31st March 2022 £'000
Financial Assets/Liabilities measured at amortised cost					
Interest expense	569	572	0	0	569
<b>Total expense in surplus or deficit in the provision of services</b>	<b>569</b>	<b>572</b>	<b>0</b>	<b>0</b>	<b>569</b>
at amortised cost					
Interest income	0	0	(56)	(86)	(56)
Impairment changes	0	0	0	0	0
at fair value through profit and loss					
Interest income (money market funds)	0	0	(9)	(19)	(9)
<b>Total income in surplus or deficit in the provision of services</b>	<b>0</b>	<b>0</b>	<b>(65)</b>	<b>(105)</b>	<b>(65)</b>
<b>Net loss/(gain) for the year</b>	<b>569</b>	<b>572</b>	<b>(65)</b>	<b>(105)</b>	<b>504</b>

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

Financial liabilities and financial assets represented by loans and investments (other than money market fund investments) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following methodology and assumptions:

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

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

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

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

The rates used in the valuation were obtained by Link Assets Services from the market on 31 March 2022, using bid prices where applicable. There has been no change in the valuation techniques used during the financial year for the financial instruments.

The fair values calculated are as follows:

	<b>31 March 2022</b>		<b>31 March 2021</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	£'000	£'000	£'000	£'000
Financial liabilities	<b>11,115</b>	<b>12,738</b>	11,172	13,682*
The fair value is higher than the carrying amount as premia would be payable if loans were prematurely repaid.				

*\*The table above shows the fair value of loan liabilities calculated using the new borrowing rate. By comparison using the premature borrowing rate would give a fair value figure of £13.275m as at 31<sup>st</sup> March 2022 and £14.399m as at 31<sup>st</sup> March 2021.*

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

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

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

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

	<b>31st March 2022</b>	<b>31st March 2021</b>
	<b>Other significant observable inputs (Level 2) £'000</b>	<b>Other significant observable inputs (Level 2) £'000</b>
<u>Financial Liabilities held at amortised cost</u>		
Loans and borrowings	<b>12,738</b>	13,682
	<b>12,738</b>	13,682

**20. FINANCIAL INSTRUMENTS RISKS**

**Nature of Risks**

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

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

**Procedures for Managing Risks**

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

The Council meeting of 22nd February 2021 approved and accepted the Treasury Management Strategy Statement and Annual Investment Strategy 2021/22. Actual performance for 2021/2022 is reported in the Annual Treasury Management Report submitted to Council in June 2022.

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

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers i.e. outstanding debtors. This risk is minimised through the Annual Investment Strategy, which is available on the authority's website. Deposits are not made with banks and financial institutions unless they meet the minimum requirements and do not exceed the limits set in the investment criteria outlined in the Annual Investment Strategy 2021/2022.

The Council uses the creditworthiness service provided by Link Assets Services. This service uses a sophisticated modelling approach with credit ratings from all three agencies – Fitch, Moody's and

Standard Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The strategy recognises only institutions in Countries with an 'AA' sovereignty weighting, with the UK being the only exception, and reviews all ratings on a regular basis, removing those counterparties that no longer meet the criteria.

The table below highlights all short-term investments held at the 31<sup>st</sup> March 2022.

Balance Sheet 31st March 2021 £	Institution / Account	Principal £	Accrued Interest £	Balance Sheet 31st March 2022 £
-	Lloyds	3,500,000	2,885	3,502,885
5,002,320	National Westminster Bank (RFB)	5,000,000	5,955	5,005,955
-	DZ Bank	1,500,000	322	1,500,322
-	Toronto Dominion Bank	1,500,000	2,515	1,502,515
-	Nordea	1,500,000	2,034	1,502,034
-	UK Treasury	5,500,000	-	5,500,000
5,000,127	Powys County Council	-	-	-
2,500,692	Wrexham County Borough Council	-	-	-
5,000,192	Merseyside PCC	5,000,000	1,851	5,001,851
5,000,055	Basildon Borough Council	5,000,000	3,877	5,003,877
2,000,042	UK Debt Management	11,000,000	2,877	11,002,877
3,500,000	Lloyds Notice Account	-	-	-
3,500,000	Santander Notice Account	3,500,000	-	3,500,000
2,500,000	Bank Of Scotland Notice Account	-	-	-
3,946	Icelandic Investments	-	-	-
<b>34,007,374</b>	<b>Total</b>	<b>43,000,000</b>	<b>22,316</b>	<b>43,022,316</b>

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

Balance Sheet 31st March 2021 £	Institution / Account	Principal £	Accrued Interest £	Balance Sheet 31st March 2022 £
43	Barclays	13	-	13
1,186,505	Royal Bank of Scotland	59,597	-	59,597
2,000,023	Derbyshire County Council	-	-	-
1,500,010	Rugby Borough Council	-	-	-
-	Insight Money Market Fund	3,925,000	-	3,925,000
-	Uk Debt Management	8,400,000	747	8,400,747
3,000,000	Federated Money Market Fund	-	-	-
4,000,000	CCLA Money Market Fund	4,000,000	-	4,000,000
<b>11,686,581</b>	<b>Total</b>	<b>16,384,610</b>	<b>747</b>	<b>16,385,357</b>

Further information relating to financial assets that have been impaired (Icelandic Investments) can be found in note 43.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Authority's deposits, and whilst the Covid-19 Pandemic has created heightened volatility in the markets there was no evidence at the 31 March 2022 that this was likely to crystallise.

## Amounts arising from Expected Credit Losses

### Investments – Amortised Cost

The Council's Investments (as set out in the tables above) have been classified as Financial Assets at Amortised Cost. Based on historical loss model the expected credit loss is de minimis as at 31<sup>st</sup> March 2021 and 2022 (i.e. less than £3k).

### Debtors/Trade Receivables

In relation to customers the simplified approach has been adopted to calculating the expected credit losses. This amounts to £0.203m as at 31<sup>st</sup> March 2021 and £0.105m as at 31<sup>st</sup> March 2022 (after excluding allowances for statutory Housing Benefits).

## Credit Risk Exposure

The authority has the following exposure to credit risk at 31<sup>st</sup> March 2022:

### Investments/Cash Equivalents

No significant credit losses are expected in respect of the majority of these assets. The administration process relating to Icelandic Bank Investments was finalised during 2021/22 as detailed in note 43.

<b>Gross Carrying Amount</b>	<b>Credit Risk Rating</b>	<b>Gross Carrying Amount</b>
<b>31st March 2021</b>		<b>31st March 2022</b>
<b>£'000</b>		<b>£'000</b>
30,007	Yellow - Up to 5 Years	37,830
5,277	Blue - Up to 1 year	5,066
-	Orange - Up to 1 Year	4,505
9,500	Red - Up to 6 months	12,007
3	No rating (see note 1 below)	(1,985)
<b>44,787</b>		<b>57,423</b>
	<u>Balance Sheet:</u>	
3	Long Term Investments	3
34,007	Short Term Investments	43,022
10,777	Cash and Cash Equivalents	14,398
<b>44,787</b>		<b>57,423</b>

Note 1 – This includes £1.988m of credits within the Cash and Cash Equivalents figure due to transactions in the clearing process (see note 23), which would not be subject to credit losses.

### Debtors/Trade Receivables

The Council does not generally allow extended credit for customers, but some of the current balance is past its due date for payment. The table below demonstrates the outstanding amounts. The simplified approach to credit losses as been applied in respect of these amounts, with allowance for credit losses amounting to £0.105m (2020/21 £0.203m).

<b>Gross Carrying Amount 31st March 2021 £'000</b>	<b>Credit Risk Rating (based on age)</b>	<b>Gross Carrying Amount 31st March 2022 £'000</b>
8,444	Public Sector	2,820
780	Less than 30 days	602
9	30 - 89 days	24
7	90 - 149 days	2
7	150 - 365 days	16
196	Greater than 1 year	92
<b>9,443</b>		<b>3,556</b>

Non-financial assets that have been excluded above include statutory debtors in relation to the collection fund (Council tax and NNDR) totalling £0.940m (£1.208m at 31st March 2021) and also housing benefits of £1.639m (£1.768m as at 31st March 2021), net of allowances for impairment.

### **Liquidity Risk**

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

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

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

### **Re-financing Risk**

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

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

The maturity analysis of financial liabilities is shown in note 27.

### **Market Risk**

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

According to this assessment strategy, at 31 March 2022, if all interest rates had been 1% higher (with all other variables held constant) this would not have a significant impact upon the accounting statements.

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

## 21. STOCKS / INVENTORIES

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

	Note	31 March 2021	Expenses	Drawn Down	31 March 2022
		£'000	£'000	£'000	£'000
Fuel		27	361	(333)	55
Other Stock Items	a	66	305	(217)	154
		<b>93</b>	<b>666</b>	<b>(550)</b>	<b>209</b>

### Note

- a) Includes increased stock balances for refuse and recycling bins of £50K and paper and cardboard recycling bags of £23K.

## 22. DEBTORS

		<b>31 March 2022</b>	<b>31 March 2021</b>
	Note	£'000	£'000
<b>Amounts falling due in one year -</b>			
HMRC		<b>201</b>	112
Other Government Departments	a	<b>1,396</b>	5,875
Local Authorities	b	<b>263</b>	1,498
Collection Fund	c	<b>2,401</b>	2,869
Other Sundry Debtors		<b>5,014</b>	5,297
		<b>9,275</b>	15,651
Provision for bad debts	d	<b>(3,246)</b>	(3,435)
		<b>6,029</b>	12,216

### Notes

- a) Reflects a reduction in relation to business rates from central government.
- b) This reflects a reduction in the amounts due to precepting authorities in relation to council tax collection.
- c) Collection Fund debtors include the authority's share of Council Tax and Business Rates Arrears.
- d) The provision for bad debts includes £1.785m (£1.773m in 2020/21) relating to general customer accounts and housing benefit overpayments, £0.603m (£0.526m in 2020/21) relating to the authority's share of outstanding Council Tax and £0.858m (£1.136m in 2020/21) relating to the authority's share of outstanding Business Rates.

## 23. CASH AND CASH EQUIVALENTS

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

	<b>31 March 2022</b>	<b>31 March 2021</b>
	£'000	£'000
Bank current accounts	<b>(1,988)</b> *	(910)
Investment deposit accounts	<b>7,985</b>	8,187
Short term deposits of less than one month	<b>8,401</b>	3,500
	<b>14,398</b>	10,777

\*Actual bank current account balances are in credit as at 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2021, the balance relates to items that are in the clearing process.

## 24. CREDITORS

	Note	<b>31 March 2022</b>	<b>31 March 2021</b>
		£'000	£'000
HMRC	a	<b>208</b>	165
Other Government Departments	b	<b>24,391</b>	22,905
Amount due to Precepting Authorities	c	<b>578</b>	284
Other Local Authority Creditors	d	<b>1,561</b>	910
Collection Fund	e	<b>1,456</b>	1,047
Other Sundry Creditors	f	<b>5,021</b>	5,588
		<b>33,215</b>	30,899

## Notes

- a) Amounts due in relation to Income Tax, National Insurance and the Apprentice levy.
- b) Includes balances relating to the Council Tax Rebate Scheme (Energy) for 2021/22 only of £6.779m, COVID Support Grants, s31 Business Rates relief grants and Housing Benefit subsidy due.
- c) Amounts due to precepting authorities have increased in line with the position shown in the Collection Fund.
- d) Local Authority creditors have increased due the Business Rates levy to the Pool.
- e) Reflects the authority's share of business rates and council tax held in advance or owing to rate payers.
- f) Other sundry creditors have reduced as a result of a reduction in COVID Local Restriction Support Grants included as at 31<sup>st</sup> March 2021.

## 25. CONSTRUCTION CONTRACTS

At 31<sup>st</sup> March 2022 the council had £0.150m of construction contracts in progress (£0.183m as at 31<sup>st</sup> March 2021).

## 26. PROVISIONS

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

		31st March	Provisions	Provision	Amounts	31st March
	Note	2021	Made	Reversed	used	2022
		£'000	£'000	£'000	£'000	£'000
West Midlands Pensions	a	15	0	0	(3)	12
Business Rates	b	2,459	0	(153)	(422)	1,884
Leisure Pensions	c	296	0	(105)	0	191
		<u>2,770</u>	<u>0</u>	<u>(258)</u>	<u>(425)</u>	<u>2,087</u>

- a) W M Pensions Liability  
The Council has a liability to contribute towards the pension cessation liability associated with West Midlands Councils.
- b) Business Rates Appeals  
This represents the council's share of a provision for appeals against the individual businesses rateable value that have or it is anticipated will be lodged with the Valuation Office (£1.884m as at 31<sup>st</sup> March 2022). The equivalent figure at 31<sup>st</sup> March 2021 was £2.459m.
- c) Leisure Pension Provision  
The Council transferred the delivery and operation of leisure services to a third party provider in February 2019. Under these arrangements the provider is an admitted body to the Local Government Pension Scheme. The contractual arrangements mean that the Council acts as guarantor for a number of risks associated with the pension liabilities. The level of this risk has been assessed as at the 31<sup>st</sup> March 2022 and a provision has been made.

## 27. BORROWING

	<b>As at 31 March 2022</b>	<b>As at 31 March 2021</b>
	£'000	£'000
<b>Long Term</b>		
<b>Analysis of Loans by Type</b>		
Public Works Loan Board	<b>6,050</b>	6,107
Money Market - LOBOs	<b>4,500</b>	4,500
Total Long Term Borrowing	<b>10,550</b>	10,607
<b>Analysis of Loans by Maturity</b>		
Maturing in 1-2 Years	<b>60</b>	57
Maturing in 2-5 Years	<b>6,727</b>	6,753
Maturing in 5-10 Years	<b>3,746</b>	3,766
Maturing in 10-15 Years	<b>17</b>	31
	<b>10,550</b>	10,607
<b>Short Term</b>		
Public Works Loan Board	<b>153</b>	154
Other Loans	<b>412</b>	411
Total Short Term Borrowing	<b>565</b>	565

## 28. USABLE RESERVES

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

### General Fund Balance

This is a working balance held against unforeseen events and represents approximately 2% of gross expenditure on the cost of services.

### Earmarked Reserves

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

### Capital Receipts

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

## 29. UNUSABLE RESERVES

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

	Note	31 March 2022 £'000	31 March 2021 £'000
Revaluation Reserve	a	<b>8,539</b>	8,383
Capital Adjustment Account	b	<b>22,236</b>	20,241
Financial Instruments Adjustment Account	c	<b>(122)</b>	(153)
Pensions Reserve	d	<b>(42,096)</b>	(61,548)
Deferred Capital Receipts Reserve	e	<b>94</b>	110
Collection Fund Adjustment Account	f	<b>(554)</b>	(5,843)
Accumulated Absences Account	g	<b>(245)</b>	(302)
		<b>(12,148)</b>	<b>(39,112)</b>

### (a) Revaluation Reserve

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

	2021/22 £'000	2020/21 £'000
<b>Balance Brought Forward</b>	<b>8,383</b>	6,290
Revaluation of Fixed Assets	<b>544</b>	2,246
In Year Fixed Asset Disposals	<b>(125)</b>	(5)
Depreciation of Revaluation Gains	<b>(263)</b>	(148)
<b>Balance as at 31st March</b>	<b>8,539</b>	<b>8,383</b>

### (b) Capital Adjustment Account

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

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

	<b>2021/22</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
<b>Balance Brought Forward</b>	<b>20,241</b>	23,810
<u>Capital Financing</u>		
Usable Capital Receipts	<b>126</b>	151
Revenue	<b>238</b>	527
Grants and Contributions	<b>1,177</b>	5,238
Debt repayment from capital receipts	<b>100</b>	1,375
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Depreciation and Impairment of Fixed Assets	<b>(950)</b>	(1,069)
Revaluation Surplus /(Losses) on Plant, Property and Equipment	<b>1,362</b>	(4,188)
Amortisation of Intangible Assets	<b>(1)</b>	(5)
Revenue Expenditure Financed from Capital Under Statute	<b>(1,058)</b>	(5,332)
Minimum Revenue Provision	<b>497</b>	602
Voluntary Set-aside for repayment of debt	<b>0</b>	0
Movements in market value of investment properties	<b>338</b>	219
Gain or loss on Disposal of Fixed Assets	<b>(222)</b>	(1,240)
<u>Other Movements</u>		
Revaluation Reserve - Depreciation	<b>263</b>	148
Revaluation Reserve - Asset Disposal	<b>125</b>	5
<b>Balance as at 31st March</b>	<b>22,236</b>	20,241

### (c) Financial Instrument Adjustment Account

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

	<b>31 March</b> <b>2021</b> <b>£'000</b>	<b>Movements</b>	<b>31 March</b> <b>2022</b> <b>£'000</b>
Deferred Premia	(153)	<b>31</b>	<b>(122)</b>
<b>Total</b>	<b>(153)</b>	<b>31</b>	<b>(122)</b>

#### d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investments returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(61,548)</b>	<b>(47,240)</b>
Actuarial gains and (losses) on pensions assets and liabilities	<b>21,475</b>	<b>(13,540)</b>
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	<b>(4,683)</b>	<b>(3,303)</b>
Employers pension contributions and direct payments to pensioners payable in year	<b>2,660</b>	<b>2,535</b>
<b>Balance at 31st March</b>	<b><u>(42,096)</u></b>	<b><u>(61,548)</u></b>

#### e) Deferred Capital Receipts Reserve

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

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>110</b>	<b>110</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	<b>(16)</b>	<b>0</b>
<b>Balance at 31st March</b>	<b><u>94</u></b>	<b><u>110</u></b>

#### f) Collection Fund Adjustment Account

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

	<b>31 March 2022</b> £'000	<b>31 March 2021</b> £'000
<b>Balance at 1 April</b>	<b>(5,843)</b>	2,572
Amount by which council tax income collected to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	<b>219</b>	(155)
Amount by which business rates income collected to the Comprehensive Income and Expenditure Statement is different from business income calculated for the year in accordance with statutory requirements	<b>5,070</b>	(8,260)
<b>Balance at 31st March</b>	<b>(554)</b>	(5,843)

#### g) Accumulated Absences Account

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

	<b>31 March 2022</b> £'000	<b>31 March 2021</b> £'000
<b>Balance at 1 April</b>	<b>(302)</b>	(167)
Cancellation of accrual made at end of preceding year	<b>(302)</b>	167
Amounts accrued at the end of the current year	<b>(245)</b>	(302)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>57</b>	<b>(135)</b>
<b>Balance at 31st March</b>	<b>(245)</b>	(302)

### 30. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

	31 March 2022	31 March 2021
	£'000	£'000
Depreciation	(950)	(1,068)
Impairment and revaluations changes	1,362	(4,189)
Amortisation	(1)	(5)
Increase/ (decrease) in debtors	(778)	(742)
(Increase)/decrease in creditors	3,776	(16,697)
Increase/(decrease) in inventories	116	(31)
Pension liability	(3,475)	2,435
Carrying amount of non-current assets sold	(222)	(1,242)
(Increase)/decrease in other provisions	683	(604)
Increase/(decrease) in value of investment properties	338	219
Icelandic Interest/impairment	1	0
Other adjustments	0	0
<b>Adjustment for non-cash movements</b>	<b>850</b>	<b>(21,924)</b>
Capital grants credited to income and expenditure account	265	93
Net adjustment from sale of long and short term investments	26	125
Proceeds from sale of Property, plant and equipment	202	1,260
<b>Adjustment for investing and financing activities</b>	<b>493</b>	<b>1,478</b>

The Cash flows for operating activities include the following items:

	31 March 2022	31 March 2021
	£'000	£'000
Interest received	(65)	(105)
Interest paid	569	572
<b>Total</b>	<b>504</b>	<b>467</b>

### 31. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31 March 2022	31 March 2021
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	3,817	832
Purchase of short term and long term investments	164,300	189,500
Proceeds from sale of short term and long term investments	(155,305)	(175,333)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(202)	(1,250)
Other capital receipts	(26)	(10)
Other grants and contributions received	(2,350)	(335)
<b>Total</b>	<b>10,234</b>	<b>13,404</b>

### 32. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	31 March 2022	31 March 2021
	£'000	£'000
Cash payments for the reduction of outstanding liabilities relating to finance leases	0	318
Repayments of short and long term borrowing	56	53
Net (inflow)/outflow from NNDR collected and payable to the authorities	(8,728)	11,416
Net (inflow)/outflow from Council Tax collected and payable to the preceptors	(1,579)	1,022
Net (inflow)/outflow from Covid 19 Grants administered by the Council as agents.	(391)	(5,849)
<b>Total</b>	<b>(10,642)</b>	<b>6,960</b>

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

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

<b>2020/21</b>	<b>1st April 2020 £'000</b>	Repayments £'000	Acquisition £'000	Non Cash Changes £'000	<b>31st March 2021 £'000</b>
Long Term Borrowings	<b>10,662</b>	-	-	(55)	<b>10,607</b>
Short Term Borrowings	<b>565</b>	(53)	-	53	<b>565</b>
Lease Liabilities	<b>318</b>	(318)	-	-	<b>0</b>
<b>Total</b>	<b>11,545</b>	<b>(371)</b>	<b>0</b>	<b>(2)</b>	<b>11,172</b>

#### 34. TRADING ACTIVITIES

The Council operated retail markets in Burton upon Trent during 2021/22, generating rental income from the letting of stalls. Their financial results are set out below:

<b>2020/21</b>				<b>2021/22</b>		
Exp £'000	Income £'000	Deficit £'000		Exp £'000	Income £'000	Deficit £'000
231	(72)	159	Market Undertakings	257	(132)	125
<b>231</b>	<b>(72)</b>	<b>159</b>		<b>257</b>	<b>(132)</b>	<b>125</b>

#### 35. EXTERNAL AUDIT SERVICES

Fees payable to Grant Thornton for external audit and inspection were:

	<b>2021/22 £'000</b>		<b>2020/21 £'000</b>
Code of Practice Audit	<b>62</b>	#	51
Certification of Grant Claims and Returns	<b>16</b>		12
	<b>78</b>		63

In addition, the Council also received a refund of £6k from Public Sector Audit Appointments during the course of 2021/22.

# the 2020/21 figure includes an additional fee of £13.5k for increased audit work on the 2019/20 accounts and the 2021/22 fee includes an additional fee of £21.5k for additional work on the 2020/21 audit. This increased work is due to sector wide issues and the more in depth work required by the regulator. The £16k figure for 2021/22 Certification of Grant Claims and Returns relates to a fee variation in respect of the audit work required in relation to the certification of the 2020/21 Housing Benefits Claims.

The external audit fees are anticipated in 2022/23 in relation to the 2021/22 code of practice audit in the region of £62k, with a further £18k in relation to the certification of grant claims.

### 36. MEMBERS ALLOWANCES

The Council is required to disclose the total of members allowances paid each year. In 2021/2022 a total of £285,867 was paid in allowances. In addition other expenses reimbursed by the Council including travel and subsistence totalled £2,211. Comparative figures for 2020/2021 were £270,619 and £459 respectively.

### 37. OFFICERS' REMUNERATION

The number of employees whose remuneration in the year ended 31 March 2022 was £50,000 or more, excluding employers' pension contributions, in £5,000 bands is set out in the table below.

Since 2010 the authority has undertaken significant management restructuring exercises, which has generated significant on-going savings. As a result of this a number of posts attract salaries above £50,000. The table below includes the Chief Executive and two Heads of Service as well as a number of Senior Managers

<b>Remuneration Band</b>	<b>2021/22</b>	<b>2020/21</b>
	Total Number of Employees	Total Number of Employees
£50,000 - £54,999	<b>6</b>	5
£55,000 - £59,999	<b>3</b>	1
£60,000 - £64,999	-	-
£65,000 - £69,999	<b>1</b>	1
£70,000 - £89,999	-	-
£90,000 - £94,999	-	1
£95,000 - £99,999	<b>1</b>	1
£100,000 - £104,999	<b>1</b>	-
£105,000 - £134,999	-	-
£135,000 - £139,999	<b>1</b>	1
	<b>13</b>	10

Further details in relation to Senior Officers' remuneration are outlined within the following table. This information is in accordance with statutory regulations which came into effect from 31<sup>st</sup> March 2010 and includes comparator information for 2020/21. The definition used to determine Senior Officers has been taken from the Audit and Accounts Regulations which reference the Local Government and Housing Act 1989, and for this authority includes the three Chief Officers, being the Chief Executive and two Heads of Service, alongside two managers who report directly to the Chief Executive (Head of Paid Service).

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

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

<b>Post holder information</b>	<b>Salary (including fees &amp; allowances) 2021/22</b>	<b>Benefits in Kind (see note above)</b>	<b>Total Remuneration excluding pension contributions 2021/22</b>	<b>Pension contributions</b>	<b>Total Remuneration including pension contributions 2021/22</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Current Chief Officer Positions</u></b>					
Chief Executive	132,824	4,988	<b>137,812</b>	20,189	<b>158,001</b>
Head of Service - Sal Khan	95,536	4,989	<b>100,525</b>	14,521	<b>115,046</b>
Head of Service - Mark Rizk	95,536	531	<b>96,067</b>	14,521	<b>110,588</b>
<b><u>Other Non-Chief Officers that meet the Criteria in the Regulations<sup>1</sup></u></b>					
Solicitor to the Council & Monitoring Officer*	33,194	0	<b>33,194</b>	4,590	<b>37,784</b>
Borough Solicitor & Monitoring Officer*	4,259	0	<b>4,259</b>	647	<b>4,906</b>
SSC Manager (HR OD and Payments)	51,646	0	<b>51,646</b>	7,850	<b>59,496</b>

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

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

## Detailed Comparative Information of Senior Officers Remuneration – 2020/21

<b>Post holder information</b>	<b>Salary (including fees &amp; allowances) 2020/21</b>	<b>Benefits in Kind (see note above)</b>	<b>Total Remuneration excluding pension contributions 2020/21</b>	<b>Pension contributions</b>	<b>Total Remuneration including pension contributions 2020/21</b>
<b><u>Current Senior Management Roles</u></b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	130,861	4,620	<b>135,481</b>	19,891	<b>155,372</b>
Head of Service - Sal Khan	94,124	4,411	<b>98,535</b>	14,307	<b>112,842</b>
Head of Service - Mark Rizk	94,124	629	<b>94,753</b>	14,307	<b>109,060</b>
<b><u>Other Non-Chief Officers that meet the Criteria in the Regulations<sup>2</sup></u></b>					
Council Solicitor & Monitoring Officer	56,703	0	<b>56,703</b>	8,619	<b>65,322</b>
SSC Manager (HR OD and Payments)	50,847	0	<b>50,847</b>	7,729	<b>58,576</b>

The disclosure for 2020/21 has been updated to provide comparator information for an additional two manager positions which report to the Chief Executive (head of paid service), meeting the criteria in the regulations.

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

### 38. GRANT INCOME

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

	<b>2021/ 22</b>	<b>2020/ 21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Credited to Taxation and non Specific Grant Income</b>		
Business Rates - Reliefs - Compensation	<b>(3,649)</b>	(8,576)
New Homes Bonus	<b>(1,439)</b>	(2,450)
Small Business Rate Relief	<b>(1,483)</b>	(1,504)
Capital Grants	<b>(1,235)</b>	(93)
Lower Tier Services Grant	<b>(615)</b>	0
Covid 19 General Support Grant	<b>(645)</b>	(1,837)
Covid 19 Sales Fees and Charges Support	<b>(168)</b>	(837)
Covid 10 Local Council Tax Support Grant	<b>(134)</b>	0
Covid 19 Council Tax Income Guarantee	<b>0</b>	(83)
Covid 19 Council Tax Hardship Fund	<b>0</b>	(803)
Covid 19 Discretionary Grants	<b>(4,677)</b>	(1,781)
<b>Credited to Services</b>		
NNDR Collection Grant	<b>(167)</b>	(167)
Housing Benefits Administration Grants	<b>(476)</b>	(490)
Housing and Council Tax Benefits Subsidy	<b>(17,490)</b>	(19,237)
New Burdens Grant	<b>(81)</b>	(39)
New Burdens Grant - Covid 19	<b>(298)</b>	(270)
Disabled Facilities Grant (Capital)	<b>(974)</b>	(741)
Washlands Burton Flood Defences (Capital)	<b>0</b>	(3,000)
Growth Point Grant (Capital)	<b>0</b>	(654)
Towns Fund - Projects (Capital)	<b>(152)</b>	(750)
Homelessness Grants	<b>(463)</b>	(392)
Next Steps Accommodation Programme	<b>(41)</b>	(23)
Stronger Towns Fund	<b>0</b>	(70)
Flood Recovery Framework Grant	<b>(151)</b>	(134)
Independent Electoral Registration Grant	<b>0</b>	(7)
Covid 19 Compliance and Enforcement Funding	<b>(17)</b>	(41)
Covid 19 Re-Opening the High Streets	<b>(155)</b>	(56)
Levelling Up Fund	<b>(125)</b>	0
Contain Outbreak Management Fund	<b>(116)</b>	0
Other Grants	<b>(65)</b>	0
	<b>(34,816)</b>	(44,035)

The authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the giver if these conditions are not met. The balances at year end are as follows:

	<b>31st March 22</b>	<b>31st March 21</b>
	<b>£'000</b>	<b>£'000</b>
Regional Housing Grant	<b>207</b>	207
Section 106 - Developers Deposits	<b>4,490</b>	4,391
Disabled Facilities Grant	<b>1,938</b>	1,751
Environment Agency Contribution	<b>1,000</b>	0
Others	<b>4</b>	4
	<b>7,639</b>	6,353

### **39. RELATED PARTY TRANSACTIONS**

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council, and include members, chief officers and close family members of the same household as these individuals. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

#### **Central Government**

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework, within which the council operates, provides a significant proportion of its funding in the form of grants and prescribes the term of many of the transactions that the authority has with other parties (i.e. council tax bills and housing benefits). Grants received from government departments are largely those set out in note 38 Grant Income and when acting as agent in note 41, with sums due to or from central government set out within the debtors and creditors notes – 22 and 24 respectively.

#### **Members and Officers**

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

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

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

#### **2021/22**

Carver Road Community Centre  
East Staffordshire Sports Council

#### **2020/21**

Carver Road Community Centre  
East Staffordshire Sports Council

Payments to these organisations totalled £0.009m, with the most significant payment being a Sport and Leisure Grant of £0.007m to East Staffordshire Sports Council for 2021/2022, compared to total payments of £0.010m for 2020/2021.

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

#### **2021/2022**

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

#### **2020/21**

Uttoxeter Health Community Centre  
Uttoxeter Leisure & Development Co Ltd

No payments were made to the above bodies in 2021/2022, with receipts being £0.043m. This compares to payments of £0.00m and receipts of £0.036m for 2020/2021.

During 2021/22 payments of £8.039m were made to Trent and Dove Housing Ltd in respect of housing benefit compared to £8.732m for 2020/2021. There was £0.002m receipts in 2021/22 compared to £0.006m receipts in 2020/21.

#### 40. CAPITAL EXPENDITURE AND FINANCING

The table below demonstrates that there has been an increase in the capital financing requirement of £2.72m. The capital financing requirement represents the Council's underlying need to borrow in order to finance capital expenditure that has already been incurred.

	<b>2021/22</b>	2020/21
	<b>£'000</b>	£'000
<b>Opening Capital Financing Requirement</b>	<b>13,070</b>	15,047
<u>Capital Investment:</u>		
Property, Plant and Equipment	<b>3,817</b>	584
Revenue Expenditure Financed from Capital Under Statute	<b>1,058</b>	5,332
<u>Sources of Finance:</u>		
Capital Receipts	<b>(126)</b>	(151)
Capital Grants	<b>(1,177)</b>	(5,238)
Revenue/Reserves	<b>(238)</b>	(527)
Minimum Revenue Provision	<b>(497)</b>	(602)
Debt Repayment from Capital Receipt	<b>(100)</b>	(1,375)
Voluntary Set Aside		-
Increase/(Reduction) in Long-term Debtors	<b>(16)</b>	-
<b>Closing Capital Financing Requirement</b>	<b>15,791</b>	13,070
<b>EXPLANATION OF MOVEMENTS IN YEAR</b>		
In year Debt Repayment	<b>(613)</b>	(1,977)
Increase/(Decrease) in underlying need to borrow	<b>3,334</b>	-
	<b>2,721</b>	(1,977)

#### 41. AUTHORITY ACTING AS AN AGENT – COVID-19 BUSINESS SUPPORT GRANTS

During the course of 2021/22 and 2020/21 the Council administered a large number of grant schemes announced by Central Government as part of the Covid-19 Response. In many cases the eligibility for these grants was set out within government guidance. For each of these schemes the Council has made an assessment as to whether it was acting as Principal or Agent. The main determining factor being the degree to which the Council has control over who receives the funding and associated amounts.

##### Principal

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

##### Agent

For those schemes whereby the Council acted as agent the respective grant income and expenditure amounts are excluded from the Comprehensive Income and Expenditure, with the grants awarded and associated Government funding disclosed in the table below, with the difference being held in the balance sheet as a creditor pending further awards the following year or return to Government or where grants have exceeded the funding paid on account a debtor in respect of monies due from Government.

As shown in the table below a number of the grant schemes are now complete with monies owed back to Government. At the outset, the government issued Section 31 Grant funding to all Local Authorities based on its own formula. Using the guidance issued by government, the Council identified all potentially eligible ratepayers based on its records at the time. The Council published all schemes extensively following government announcements, issued invitations to eligible ratepayers identified from its records as well as accepting applications from ratepayers not identified as eligible. All applications have been processed by the end of each scheme closing date, and grants have been paid to successful applicants that have satisfied the relevant criteria for each grant.

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

Grant Scheme	Note	Grant Payment		Government Funding		Net Debtor/ (Creditor) as at 31st March 2022
		2021/22	2020/21	2021/22	2020/21	
		£'000	£'000	£'000	£'000	
Test and Trace Support (Main)	1	<b>497</b>	243	<b>(239)</b>	(322)	<b>179</b>
Small Business Grants Fund, Retail Hospitality & Leisure Grants Fund	2	<b>0</b>	23,320	<b>0</b>	(23,320)	<b>0</b>
Local Restrictions Support Grant - Christmas Support Package	3	<b>0</b>	62	<b>15</b>	(77)	<b>0</b>
Local Restrictions Support Grant - Closed	4	<b>212</b>	5,826	<b>0</b>	(9,258)	<b>(3,220)</b>
Closed Business Lockdown Grant	5	<b>113</b>	3,842	<b>0</b>	(6,165)	<b>(2,210)</b>
Restart Grants	6	<b>6,353</b>	0	<b>(6,828)</b>	0	<b>(475)</b>
Omicron Hospitality and Leisure Grant	7	<b>643</b>	0	<b>(1,158)</b>	0	<b>(515)</b>
		<b>7,818</b>	33,293	<b>(8,210)</b>	(39,142)	<b>(6,241)</b>

#### Notes

1. A debtor has arisen as the council has made a total of £0.179m more payments to eligible applicants than grant funding received as at 31 March 2022 for this scheme. Reimbursement is expected from government in 2022/23.
2. The scheme was delivered and finalised during 2020/21.
3. The scheme was delivered in full during 2020/21 with a refund of £0.015m made to government in 2021/22.
4. A total of £9.258m grant funding was received during 2020/21, out of which £5.826m of grants were awarded to eligible businesses during 2020/21 and a further £0.212m in 2021/22. The scheme is complete and the outstanding creditor balance resulting of £3.220m is expected to be repaid to government during 2022/23.

5. A total of £6.165m grant funding was received during 2020/21, out of which £3.842m of grants were awarded to eligible businesses during 2020/21 and a further £0.113m in 2021/22. The scheme is complete and the outstanding creditor balance resulting of £2.210m is expected to be repaid to government during 2022/23.
6. There is a creditor balance of £0.475m remaining from the grant funding received of £6,828m during 2021/22. This is expected to be repaid to government during 2022/23 as the scheme is complete.
7. There is a creditor balance of £0.515m remaining from the grant funding received of £1.158m. This is expected to be repaid to government during 2022/23 as the scheme is complete.

## 42. FINANCE AND OPERATING LEASE RENTALS

### Authority as Lessee

#### Finance Lease

There remains one asset acquired under a finance lease which is carried as property, plant and equipment in the Balance Sheet at net NIL. No depreciation has been charged in either 20/21 or 21/22. It is currently continuing to be hired at a daily rate.

#### Operating Leases

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

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

	<b>2021/22</b>	2020/21
	<b>£'000</b>	£'000
Not more than one year	<b>59</b>	175
later than one year and not later than five years	<b>212</b>	221
Later than five years	<b>844</b>	894
	<b><u>1,115</u></b>	<u>1,290</u>

The expenditure is charged directly to the appropriate line within the Comprehensive Income and Expenditure Statement. In 2021/22 this amounted to £232,281 (comparator figure for 2020/21 - £270,758).

### Authority as Lessor

#### Finance Leases

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

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

	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	£'000
Finance lease debtor (net present value of minimum lease payments)	<b>693</b>	693
Unearned finance income	<b>7,554</b>	7,614
<b>Gross investment in the lease</b>	<b>8,247</b>	8,307

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

	<b>Gross Investment in the Lease</b>		<b>Finance Lease Liabilities</b>	
	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Not more than one year	<b>61</b>	61	<b>61</b>	61
later than one year and not later than five years	<b>244</b>	244	<b>244</b>	244
Later than five years	<b>7,942</b>	8,002	<b>7,249</b>	7,309
	<b>8,247</b>	8,307	<b>7,554</b>	7,614

There were no contingent rentals receivable for the period.

### Operating Leases

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

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

	<b>2021/22</b>	<b>2020/21</b>
	£'000	£'000
Not more than one year	<b>237</b>	348
later than one year and not later than five years	<b>402</b>	548
Later than five years	<b>4,703</b>	4,794
	<b>5,342</b>	5,690

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

Income receivable in relation to operating leases was £483,969 in 2021/22 (£507,765 in 2020/21) and this has been included within the Comprehensive Income and Expenditure Statement.

### 43. IMPAIRMENT LOSSES

#### Impairment of Property, Plant and Equipment

There were no impairment losses during 2021/22 or during 2020/21.

#### Impairment of Investments

##### Background

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 went into administration. The authority had £5m deposited across 2 of these institutions, with varying maturity dates and interest rates as follows:

Bank	Deposit Date	Maturity	Amount (£)	Interest
KSF	08/09/2008	08/10/2008	2,000,000	5.41%
Landsbanki	01/09/2008	02/01/2009	1,000,000	5.87%
Landsbanki	01/08/2008	02/02/2009	1,000,000	6.05%
Landsbanki	01/08/2008	02/03/2009	1,000,000	6.00%

The Council sold its Landsbanki claims in 2013/14, recovering £2.8m in total. The administration process in relation to KSF was finalised in 2021/22 and the Council recovered £1.7m or 87.03%, which was broadly in line with estimates made within the accounts at 31<sup>st</sup> March 2021 with a minor impairment adjustment shown in note 11 to the accounts of £1k.

### 44. TERMINATION BENEFITS AND EXIT PACKAGES

There were no termination benefits or exit packages paid in 2021/22 and 2020/21.

### 45. PENSIONS

#### Participation in Pension Schemes

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

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

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Staffordshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee. Further details can be found in the Annual Report published on the Staffordshire County Council Pension Fund website.

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

## Transactions Relating to Post-employment Benefits

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

<b>Comprehensive Income and Expenditure Statement</b>	<b>Local Government Pension Scheme</b>	
	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
<b>Cost of Services</b>		
Current Service Cost	<b>3,494</b>	2,257
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	<b>1,189</b>	1,046
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,683</b>	3,303
<b>Other Post Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
Return on Plan Assets (excluding the amount included in the net interest expense)	<b>(10,193)</b>	(19,626)
Actuarial gains and losses arising on changes in demographic assumptions	<b>(710)</b>	1,836
Actuarial gains and losses arising on changes in financial assumptions	<b>(10,723)</b>	32,531
Other	<b>151</b>	(1,201)
	<b>(21,475)</b>	<b>13,540</b>
<b>Total Post Employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(16,792)</b>	<b>16,843</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(4,683)</b>	(3,303)
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	<b>2,660</b>	2,535
	<b>(2,023)</b>	(768)

## Pension Fund Pre-payment

The Council's Pension Fund is subject to triennial reviews by an independent actuary to assess the levels of contributions that will be required. A valuation was undertaken as at 31<sup>st</sup> March 2019 and resulted in an overall increase in contribution rates of 2%. This includes employer contribution rates

plus a deficit repair lump sum payment. The Council has taken the option to pay the annual lump sum amounts for the three years to March 2023 as one advance payment of £4.528m. This was paid in April 2020 and reflects a discount of 4% on the nominal sums. Of this lump sum amount, £1.453m has been released during 2021/22 (£1.325m in 2020/21) with the balance of £1.750m held in the Pension Reserve to be charged to the general fund during 2022/23.

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	<b>Local Government Pension Scheme</b>	
	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Present value of the defined benefit obligation	<b>151,843</b>	159,890
Fair Value of Plan Assets	<b>(111,497)</b>	(101,545)
Sub total	<b>40,346</b>	58,345
Other Movements in the liability	<b>0</b>	0
<b>Net liability arising from benefit obligation</b>	<b>40,346</b>	58,345

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

	<b>Local Government Pension Scheme</b>	
	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	<b>101,545</b>	77,825
Interest Income	<b>2,007</b>	1,815
Remeasurement gain/(loss):		
The return on plan assets, excluding the the amount included in the net interest	<b>10,193</b>	19,626
Contributions from employer relating to current year	<b>1,207</b>	2,535
Advance Lump Sum Contributions	<b>0</b>	3,203
Contributions from employees	<b>439</b>	426
Benefits Paid	<b>(3,894)</b>	(3,885)
<b>Closing fair value of scheme assets</b>	<b>111,497</b>	<b>101,545</b>

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

	<b>Local Government</b>	
	<b>Pension Scheme</b>	
	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance at 1 April	<b>159,890</b>	125,065
Current Service Cost	<b>3,494</b>	2,257
Interest Cost	<b>3,196</b>	2,861
Contributions from scheme participants	<b>439</b>	426
Remeasurement (gains) and losses:		
Actuarial gains/ losses arising from changes in demographic assumptions	<b>(710)</b>	1,836
Actuarial gains/ losses arising from changes in financial assumptions	<b>(10,723)</b>	32,531
Other	<b>151</b>	(1,201)
Past Service Cost	<b>0</b>	0
Benefits Paid	<b>(3,894)</b>	(3,885)
<b>Closing balance at 31 March</b>	<b>151,843</b>	159,890

**Local Government Pension Scheme assets comprised:**

	<b>Fair Value of Scheme Assets</b>	
	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Cash & Cash Equivalents	<b>4,370</b>	1,655
Equity Securities:		
Consumer	<b>3,754</b>	3,948
Manufacturing	<b>3,063</b>	4,238
Energy & Utilities	<b>841</b>	1,123
Financial Institutions	<b>3,996</b>	3,584
Health & Care	<b>4,219</b>	2,554
Information Technology	<b>4,852</b>	4,345
Other	<b>0</b>	110
<b>Sub total equity</b>	<b>20,725</b>	19,902
Bonds:		
Corporate Bonds	<b>6,550</b>	7,013
Government	<b>0</b>	0
<b>Sub total bonds</b>	<b>6,550</b>	7,013
Property:		
UK Property	<b>8,929</b>	7,778
Overseas Property	<b>0</b>	0
<b>Sub total property</b>	<b>8,929</b>	7,778
Private Equity:		
All	<b>5,524</b>	4,400
<b>Sub total equity</b>	<b>5,524</b>	4,400
Other investment funds and unit trusts:		
Equities	<b>52,966</b>	48,782
Bonds	<b>6,978</b>	6,758
Hedge Funds	<b>41</b>	384
Infrastructure	<b>297</b>	41
Other	<b>5,117</b>	4,832
<b>Sub total investment funds</b>	<b>65,399</b>	60,797
<b>Total Assets</b>	<b>111,497</b>	101,545

**Basis for Estimating Assets & Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Staffordshire County Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2019.

The significant assumptions used by the actuary have been:

	<b>2020/21</b>	<b>2019/20</b>
Duration of liabilities as at date of latest valuation	20 years	20 years
	%	%
Long Term expected rate of return on assets	<b>2.7</b>	2.0
Mortality assumptions		
Longevity at 65 for current pensioners		
Male	<b>21.2</b>	21.4
Female	<b>23.8</b>	24.0
Longevity at 65 for future pensioners		
Male	<b>22.2</b>	22.5
Female	<b>25.5</b>	25.7
Rate of inflation (CPI)	<b>3.20</b>	2.85
Rate of increase in salaries	<b>3.60</b>	3.25
Rate increase in pensions	<b>3.20</b>	2.85
Rate for discounting scheme liabilities	<b>2.70</b>	2.00

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

	<b>Impact on the Defined Obligation in the Scheme</b>	
	<b>Increase in Assumption £000</b>	<b>Decrease in Assumption £000</b>
0.5 decrease in Real Discount Rate		<b>14,650</b>
1 year increase in member life expectancy	<b>6,074</b>	
0.5% increase in the Salary Increase Rate	<b>1,510</b>	
0.5% increase in the Pension Increase Rate	<b>13,030</b>	

### **Impact on the Authority's Cash Flows**

Staffordshire County Council has agreed a strategy with the fund actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The 31<sup>st</sup> March 2019 formal valuations for English and Welsh LGPS Funds were concluded by 31<sup>st</sup> March 2020.

The overall position shows a net decrease in the pension liability at 31<sup>st</sup> March 2022, due to an increase in scheme assets based on current valuations and a decrease in scheme liabilities. The decrease in scheme liabilities has been affected by the change in mortality assumptions with a decrease in longevity for both current and future pensioners, which means that lower values of pension payments are anticipated as at the 31<sup>st</sup> March 2022. The rate for discounting scheme liabilities has increased by 0.7%, to 2.7% which serves to decrease the employer's obligations on scheme liabilities over the longer term.

These actuarial assumptions are reassessed each year and changes in the assumptions can cause significant changes in the values of the net liability. The next triannual review will consider the long term implications and funding requirements, with the intention of ensuring the scheme remains fully funded.

The authority anticipates payment of £1.065m in expected contributions to the scheme in relation to the financial year 2022/23.

### Recent Court Cases

#### Guaranteed Minimum Pension (GMP)

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

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

#### McCloud Judgement

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

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1<sup>st</sup> April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The 'underpin' ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The Government were refused leave to appeal the McCloud and Sargeant Judgements on 27<sup>th</sup> June 2019. Whilst the McCloud and Sargeant Judgements are concerned with the judges and uniformed police and firefighters pension schemes, the Chief Secretary to the Treasury announced on 15<sup>th</sup> July 2019 that the rulings would apply to all public service pension schemes.

In 2019/20 the IAS 19 valuation of post-employment benefit liabilities took account of the impact of the McCloud and Sargeant Judgements and an estimate of the financial implications of the McCloud case was therefore included in the pension figures at 31<sup>st</sup> March 2020. No additional adjustment for McCloud has been added to the current service costs for 2020-21 or 2021-22.

#### Other Court Cases

There are three court cases which may impact LGPS benefits in the future. The current view is that these are unlikely to be significant judgements in terms of impact on the obligations of the fund and as such no allowance has been made in the pension accounts to 31<sup>st</sup> March 2022.

## **46. CONTINGENT LIABILITES**

### **Externally Funded Schemes**

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

### **Municipal Mutual Insurance**

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

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

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

### **Leisure Provision**

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

The staff were transferred by TUPE and SLM are an admitted body to the Staffordshire County Council LGPS Pension Fund. The contractual arrangements mean that the Council is guarantor of pension commitments for these former employees. An assessment has been carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2021/22, the risk has been assessed at relatively low, no greater than 10% or £0.2m.

### **Supported Housing Tribunal**

Following a lengthy process of engagement, a landlord failed to provide the Council with sufficient evidence to support their claims for supported housing and as a result the Council took the decision to cancel the claims. Following the internal review/appeal process, the landlord has decided to dispute this decision and the matter is currently awaiting a tribunal hearing. The Council has a strong case to dispute the claim. It is difficult to assess the potential cost to the Council should the tribunal decide in favour of the landlord due to the fluid nature of individual tenants requiring supported housing, however this could be in the region of £0.9m if it is fully backdated.

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

The unaudited statement of Accounts was authorised for issue on 12th July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31<sup>st</sup> March 2022 as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

**48. DATE FINANCIAL STATEMENTS AUTHORISED FOR ISSUE**

The unaudited accounts were issued on 12<sup>th</sup> July 2022. Events occurring after this date have not been recognised in the financial statements.

**Sal Khan CPFA**  
**Chief Finance Officer**



# **Collection Fund 2021 - 2022**

**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT**  
**For the year ended 31 March 2022**

2020/21 Council Tax £'000	2020/21 Business Rates £'000	2020/21 Total £'000		2021/22 Council Tax £'000	2021/22 Business Rates £'000	2021/22 Total £'000
<b>INCOME</b>						
(70,420)	-	(70,420)	Council Tax Payers	(75,096)	-	(75,096)
-	(37,100)	(37,100)	Income from Business Ratepayers	-	(49,950)	(49,950)
-	-	-	Transfer of Collection Fund Deficit (See Note 1)	-	(15,441)	(15,441)
<b>(70,420)</b>	<b>(37,100)</b>	<b>(107,520)</b>		<b>(75,096)</b>	<b>(65,391)</b>	<b>(140,487)</b>
<b>EXPENDITURE</b>						
Precepts						
49,750	-	49,750	- Staffordshire County Council	51,533	-	51,533
8,641	-	8,641	- Staffordshire PCC	9,036	-	9,036
2,965	-	2,965	- Staffordshire Commissioner Fire and Rescue	2,984	-	2,984
8,501	-	8,501	- East Staffordshire BC	8,568	-	8,568
Business Rates						
-	26,561	26,561	- Payment to Government	-	27,275	27,275
-	4,781	4,781	- Staffordshire County Council	-	4,910	4,910
-	531	531	- Staffordshire Commissioner Fire and Rescue	-	546	546
-	21,248	21,248	- East Staffordshire BC	-	21,820	21,820
-	167	167	- Cost of Collection	-	167	167
Bad and Doubtful Debts						
1,003	1,327	2,330	- Provisions	754	(695)	59
122	253	375	- Write Offs	74	129	203
-	983	983	Change in Provision for Appeals	-	(1,437)	(1,437)
702	1,900	2,602	Transfer of Collection Fund Surplus (See Note 1)	293	-	293
<b>71,684</b>	<b>57,751</b>	<b>129,435</b>		<b>73,242</b>	<b>52,715</b>	<b>125,957</b>
<b>1,264</b>	<b>20,651</b>	<b>21,915</b>	<b>Deficit/(Surplus) for the Year</b>	<b>(1,854)</b>	<b>(12,676)</b>	<b>(14,530)</b>
<u>Collection Fund Balance</u>						
(1,145)	(6,078)	(7,223)	Balance brought forward at 1 April	119	14,573	14,692
1,264	20,651	21,915	Deficit/(Surplus) for Year (as above)	(1,854)	(12,676)	(14,530)
<b>119</b>	<b>14,573</b>	<b>14,692</b>	<b>Balance c/f at 31 March</b>	<b>(1,735)</b>	<b>1,897</b>	<b>162</b>
Allocated to						
14	5,829	5,843	- East Staffordshire Borough Council	(205)	759	554
85	267	352	- Staffordshire County Council	(1,240)	171	(1,069)
15	-	15	- Staffordshire PCC	(218)	-	(218)
5	146	151	- Staffordshire Commissioner Fire and Rescue	(72)	19	(53)
-	8,331	8,331	- Government	-	948	948
<b>119</b>	<b>14,573</b>	<b>14,692</b>		<b>(1,735)</b>	<b>1,897</b>	<b>162</b>

# NOTES TO THE COLLECTION FUND ACCOUNT

## 1. General

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

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

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

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

<b>Council Tax</b>	<b>Business Rates</b>		<b>Council Tax</b>	<b>Business Rates</b>
<b>2020/21</b>	<b>2020/21</b>		<b>2021/22</b>	<b>2021/22</b>
0	475	Central Government	0	(8,765)
499	646	Staffordshire County Council	209	(345)
87	0	Staffordshire PCC	36	0
30	19	Staffordshire Commissioner Fire and Rescue	12	(155)
86	760	East Staffordshire BC	36	(6,176)
<b>702</b>	<b>1,900</b>	<b>Transfer of Collection Fund Surplus / (Deficit)</b>	<b>293</b>	<b>(15,441)</b>

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

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

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

## 2. Council Tax

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

The Council Tax base for 2021/22 was 37,875.0 (38,388.5 in 2020/21). The tax base for 2021/22 was approved at Cabinet on 14<sup>th</sup> December 2020 and was calculated as follows:

<b>Valuation Band</b>		<b>No. of Dwellings after Discounts and Exemptions</b>	<b>Ratio to Band D</b>	<b>Band D Equivalent Dwellings</b>
A	Up to £40,000	15,767	6/9	10,507.1
B	£40,001 to £52,000	10,306	7/9	8,016.1
C	£52,001 to £68,000	8,012	8/9	7,122.0
D	£68,001 to £88,000	5,967	9/9	5,966.6
E	£88,001 to £120,000	4,408	11/9	5,388.0
F	£120,001 to £160,000	2,297	13/9	3,317.8
G	£160,001 to £320,000	1,163	15/9	1,939.0
H	Over £320,000	75	18/9	149.0
		47,995		42,405.6
Less adjustment for council tax support				(3,559.4)
Less adjustment for collection rates and property changes				(971.2)
<b>Council Tax Base for 2021/22</b>				<b>37,875.0</b>

### 3. Income from Business Ratepayers

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

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

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency. As such, authorities are expected to make a provision for these amounts. The total provision at 31<sup>st</sup> March 2022 has been calculated at £4.711m (£6.148m at 31<sup>st</sup> March 2021).

The business rates shares payable to preceptors for 2021/22 were estimated before the start of the financial year and these sums have been paid in 2021/22 and charged to the Collection Fund in year.

The total non-domestic rateable value at 31<sup>st</sup> March 2022 was £139.060m, compared to £138.566m at 31<sup>st</sup> March 2021. The national non-domestic rate multiplier for the year was 51.2p for properties with a rateable value in excess of £51k and 49.9p for properties with a rateable value lower than £51k, this remained the same from the previous year.

The increase in income from Business Ratepayers during 2021/22 reflects the reduction of retail, hospitality and nursery reliefs granted to support business as part of the Government response from the impact of Covid 19 compared to 20/21. The Collection Fund deficit will be recovered in future years, in accordance with the respective legislative requirements.

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

##### Provision for Council Tax Doubtful Debts

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

	<b>2021/22</b>	2020/21
	<b>£'000</b>	£'000
Balance at 1 April	<b>4,322</b>	3,318
Net Increase/(Decrease) in provision	<b>754</b>	1,004
<b>Balance at 31 March</b>	<b>5,076</b>	4,322

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

	<b>2021/22</b>	2020/21
	<b>£'000</b>	£'000
Balance at 1 April	<b>526</b>	408
Net Increase/(Decrease) in provision	<b>77</b>	118
<b>Balance at 31 March</b>	<b>603</b>	526

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

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

	<b>2021/22</b>	2020/21
	<b>£'000</b>	£'000
Balance at 1 April	<b>2,839</b>	1,512
Net Increase/(Decrease) in provision	<b>(695)</b>	1,327
<b>Balance at 31 March</b>	<b>2,144</b>	2,839

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

	<b>2021/22</b>	2020/21
	<b>£'000</b>	£'000
Balance at 1 April	<b>1,136</b>	605
Net Increase/(Decrease) in provision	<b>(278)</b>	531
<b>Balance at 31 March</b>	<b>858</b>	1,136

**NNDR – Provision for Appeals/Reliefs**

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the valuation Office Agency (VOA) not settled as at 31<sup>st</sup> March 2022.

	<b>2021/22</b>	2020/21
	<b>£'000</b>	£'000
Balance at 1 April	<b>6,148</b>	5,165
Net Increase/(Decrease) in provision	<b>(1,437)</b>	983
<b>Balance at 31 March</b>	<b>4,711</b>	6,148

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

	<b>2021/22</b>	2020/21
	<b>£'000</b>	£'000
Balance at 1 April	<b>2,459</b>	2,066
Net Increase/(Decrease) in provision	<b>(575)</b>	393
<b>Balance at 31 March</b>	<b>1,884</b>	2,459



# **Independent Auditors Report**

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# **Glossary of Terms**

# GLOSSARY OF TERMS

## **Accounting Concepts**

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

## **Accounting Policies**

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

## **Accruals**

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

## **Amortisation**

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

## **Asset**

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

## **Audit of Accounts**

An independent examination of the council's financial statements.

## **Balances**

The total level of funds the Council has accumulated over the years.

## **Balance Sheet**

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

## **Billing Authority**

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

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

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

## **Capital Expenditure**

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

## **Capital Receipts**

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

## **Cash Equivalents**

Short term highly liquid investments that are convertible into cash within 24 hours and are subject to insignificant risk of changes in value. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## **CIPFA**

Chartered Institute of Public Finance and Accounting.

## **Collection Fund**

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

## **Community Assets**

Assets which the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

## **Consistency**

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

# GLOSSARY OF TERMS

## **Creditors**

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

## **Debtors**

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

## **Deferred Credits**

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

## **Depreciation**

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

## **Earmarked Reserve**

A sum set aside for a specific purpose.

## **Emoluments**

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

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

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

## **Fair Value**

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

## **Fees and Charges**

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

## **Finance Lease**

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

## **Financial Instrument**

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

## **Financial Year**

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

## **General Fund**

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

## **Government Grants**

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

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

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

## **IAS**

International Accounting Standard

## **IFRS**

International Financial Reporting Standards.

## **Impairment**

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

## **Income and Expenditure Account**

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

## **Infrastructure Assets**

Assets belonging to the Council which cannot be transferred or sold and therefore their cost is only recoverable by continued use of the asset created. Examples are highways and footpaths.

## **Intangible Assets**

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

# GLOSSARY OF TERMS

## **Investments**

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

## **Investment Properties**

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

## **LASAAC**

Local Authority Scotland Accounts Advisory Committee.

## **Liabilities**

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

## **Materiality**

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

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

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

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

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

## **Net Book Value**

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

## **Net Current Replacement Cost**

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

## **Net Expenditure**

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

## **Net Realisable Value**

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

## **Non-Operational Assets**

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

## **Operating Lease**

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

## **Operational Assets**

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

## **Post Balance Sheet Events**

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

## **Precepts**

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

## **Prior Period Adjustments**

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

## **Provisions**

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

## **Prudence**

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

## **GLOSSARY OF TERMS**

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

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

### **Related Party**

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

### **Residual Value**

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

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

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

### **Revenue Expenditure**

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

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

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

### **Stocks**

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

### **Tangible Fixed Assets**

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

### **TUPE**

Transfer of Undertakings (Protection of Employment) Regulations.

### **Useful Life**

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

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# **Annual Governance Statement**

# ANNUAL GOVERNANCE STATEMENT

## 2021/22

### 1. SCOPE OF RESPONSIBILITY

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

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

ESBC has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be found on our website, or can be obtained from the Corporate and Commercial Team. The statement explains how ESBC has complied with the code, and also meets the requirements of The Accounts and Audit Regulations 2015, regulation 6(1)(b), which requires all relevant bodies to prepare an annual governance statement.

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at ESBC for the year ended 31<sup>st</sup> March 2022 and up to the date of approval of the annual report and statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

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

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

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

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

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

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

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

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

In practice, this review of the effectiveness of the system of internal control is an ongoing process incorporating the various elements described above. This review has carried out throughout 2021/22 and encompassed the following:

- The ongoing review of existing corporate policies and production and approval of new or revised policies and procedures in accordance with best practice. This included a refreshed Treasury Management and Annual Investment Strategy, which was reviewed to ensure there was no direct exposure to Russia from our investments, an updated Medium Term Financial Strategy, a new Communications, Engagement and Consultation Strategy, a review of the Council's Emergency and Business Continuity Planning approach.

- The Council undertook a Local Government Association Corporate Peer Challenge in December 2021. The feedback report provided a mainly positive review and the Council is responding to recommendations suggested within the report.
- The ongoing review of the Council's Constitution by Members and Senior Officers of the Council;
- The continued operation of clear policy and decision making through Cabinet and Regulatory Committees and review and challenge through Scrutiny Committees;
- The Scrutiny (Audit & Value For Money Council Services) Committee; and the Scrutiny (Community Regeneration, Environment and Health & Well-being) Committee completed reviews into Leisure Centre Chares, Waste Management Services (both committees) GP access , the impact of Covid-19 on health in East Staffordshire and how local communities were engaged and supported during the Covid-19 pandemic. A number of reviews were initiated which include the Mayoralty Function, Disability Grants and a review of the Council's, ICT infrastructure.
- The Scrutiny (Community Regeneration, Environment and Health & Well-being) Committee also continued to hold regular engagement with the CCG regarding health related services and also received a number of short briefings provided by both external and internal stakeholders, including housing developments and access to GP and the impact of HS2 on the borough.
- Formal reporting mechanisms to members to review and monitor the work of the Internal Audit Service through reports to the Scrutiny (Audit & Value For Money Council Services) Committee, including an annual report containing an opinion statement on the overall adequacy and effectiveness of the Council's internal control environment;
- The development of the authority's chosen internal audit supplier, CW Audit, and implementing advice and guidance;
- The Scrutiny (Audit & Value For Money Council Services) Committee also, as part of its terms of reference, approves and/or recommends changes to the Annual Governance Statement, and reviews its content and effectiveness on an annual basis;
- The Scrutiny (Audit & Value For Money Council Services) Committee has received training and briefing sessions to support with its effectiveness;
- The Standards Committee is responsible for the Council's ethical framework, and works closely with the Monitoring Officer. Issues covered by the Committee's terms of reference include member conduct and ethical standards;
- There have been quarterly formal reports being considered by Cabinet which focus on both Corporate Plan and Financial Performance;
- The Scrutiny (Audit & Value for Money Council Services) Committee received and reviewed the quarterly financial performance reports which cover the revenue budget, capital programme, treasury management and risk management;
- The Scrutiny (Audit & Value for Money Council Services) Committee and the Scrutiny (Community Regeneration, Environment and Health & Well-being) Committee received and reviewed quarterly corporate plan performance reports as well as reviewing all Executive Decision Records that have been taken by the Council's Cabinet Members;
- A comprehensive review of the Council's Committee structures was undertaken during the year and concluded that from May 2022 the Scrutiny (Audit & Value For Money Council Services) Committee; and the Scrutiny (Community Regeneration, Environment and Health & Well-being) Committee were to be concluded and replaced with the following committees:

- Audit Committee
- Scrutiny (Value for Money Services) Committee
- Scrutiny (Community Regeneration Committee
- Scrutiny (Environment and Health and Wellbeing) Committee

This reflected the views of the Centre for Governance and Scrutiny which supported the CIPFA recommendation that the functions of the audit committee and scrutiny committees should not be combined into a single committee.

Other changes to the regulatory committees were also approved.

- The Leisure Operating Contract (LOC) states that a Partnership Board shall be maintained throughout the Contract Period, consisting of five representatives of the Authority comprising the Leader of the Council, Deputy Leader (Leisure, Amenities & Tourism), Chief Executive, Head of Service and Corporate & Commercial Manager on behalf of the Council and the Regional Director, Area Manager and Contract Manager on behalf of the Operator. This is chaired by the Deputy Leader (Leisure, Amenities & Tourism) and supports the partners to work cooperatively with each other to discharge their respective responsibilities under the LOC and to provide strategic direction for the provision of the services and the operation of the Facilities.
- Regarding the Council's leisure services, a significant outsourced contract, the delivery of this partnership has continued to be managed closely on an ongoing basis and detailed performance reports presented quarterly to senior officers and elected Members, including the Scrutiny (Audit & Value for Money Council Services) Committee.
- The Council and its leisure operating partner have continued to work closely to manage the impact of COVID-19 on the facilities, the service and the contract, agreeing appropriate interim arrangements for support utilising appropriate government funding to minimise the impacts of the ongoing restrictions on leisure provision.
- The Council's ICT infrastructure and security arrangements remain robust and the ICT infrastructure remains patched and up to date to current standards, verified and backed up by regular vulnerability scanning and external penetration testing
- In March 2022 the Council submitted the required project documentation to the Department for Levelling Up, Housing and Communities as required by the Heads of Terms for four projects contained within the original Burton upon Trent Town Investment Plan (December 2020).
  - Prior to submission business cases were assessed using a Green Book compliant template based on the "five case model" (Strategic Case; Economic Case; Financial Case; Commercial Case and Management Case) All Business Cases and associated information were reviewed by a team of officers including the Corporate and Commercial Manager, a member of the Programmes and Transformation Team and the Head of Service / Section 151 Officer.
  - A report on the Towns Fund Programme was submitted to the Scrutiny (Audit and Value for Money Council) Committee on 9<sup>th</sup> February 2022 for the Committee to review the programme and provide observations to Cabinet;
  - This resulted in a report being submitted to Cabinet on 14<sup>th</sup> February 2022 where the business cases and programme were reviewed along with the observations of the Scrutiny Committee.
  - A report on the Towns Fund Programme was submitted to Council on 14<sup>th</sup> February 2022 at which the vote to agree the substantive motion was defeated and as such the programme was amended and a revised report was submitted to Council on 21 March 2022 which was approved for submission to Government.
- Internal Audit's review of services and functions based on a risk assessed audit plan, in order to provide an independent opinion on the adequacy and effectiveness of the system of internal control.

- Internal Audit's presence and participation on appropriate Council projects in order to provide additional assurance;
- There are regular review meetings that are held with external auditors and the Council's Chief Finance Officer and Chief Accountant;
- There are regular meetings that are held between the Head of Internal Audit and the Chief Accountant;
- The Council's Project Management approach has been routinely improved during the year and Officers undertook 'Green Book Business Case Training' provided by CIPFA.
- There are regular meetings between the Council's three statutory officers to discuss risk and governance;
- The Council approved its Medium term Financial Strategy for 2022/23 to 2024/25 in March 2022. This highlights some significant risks and uncertainties including the ongoing impact of the Covid-19 Pandemic and the economy, future local government finance reforms, the business rates retention scheme and ongoing increase in supported housing claims. Nevertheless, the Council has set out a strategy which balances the budget for the three year period but at the same time acknowledges that ongoing savings will be needed in the medium term in order to maintain financially sustainable. The Council has a robust underlying financial position which provides a strong foundation of financial resilience during these unprecedented times;
- We had anticipated carrying out a review of the Financial Management Code during 2021/22 however, due to resource constraints within the latter part of 2021/22 we were unable to complete the review and a more detailed evaluation will be undertaken during the course of 2022/23.

## **5. CONTINUED IMPACT OF COVID-19**

- The Covid-19 Pandemic has continued to have a considerable impact on the Council, its residents and businesses.
- Only a small number of Council's services were suspended for periods during the year, in line with national guidance, and administrative staff have continued to work with a mixture of remote-working from home or based at the Burton Town Hall. The Council has been proactive and continued to respond well to the evolving situation, with key features of our activity outlined below:
  - The "virtual" decision making process has continued to operate throughout the year with an electronic sign-off process for delegated Executive Decision Records. The Council continues to operate all its meetings using a mix of in-person, virtual and hybrid interaction as appropriate. Formal committee meetings are being safely conducted at the Town Hall, with measures put in place to socially distance attendees and expand the public viewing capacity when necessary. Initial scoping has been undertaken for the broadcasting of public meetings moving forward.
  - Elected Members continue to be updated on at least a weekly basis through the Member Briefing which is emailed out to all Councillors. Staff have also been updated on at least a weekly basis through the Staff Briefing which is communicated to all staff.
  - Continued to liaise with key contractors, such as our Leisure Operator, to provide support and help facilitate recovery from associated impacts.
  - Continued to work in collaboration with partners as part of the Staffordshire Resilience Forum (SRF). This consists of multiple agencies who have worked together to co-ordinate responses as the circumstances evolved throughout the Pandemic. Local testing stations

have been identified, case numbers have been subject to regular reviews and hot spot areas targeted, and support has been provided for the communication campaigns in relation to the vaccination roll out.

- The Council's recovery from the Covid-19 pandemic has continued to be the subject of a detailed report which is presented regularly to the Corporate Management Team, Leader and Deputy Leader Meetings, political party group meetings and Cabinet. This report explores on an ongoing basis the activities and opportunities for recovery within the themes of: Local Economy and Business; Infrastructure and the Environment; Physical and Psychological Health of the Community; and Embedding New Best Practice and Supporting Communities to Adapt to New Norms of Behaviour. A wide range of activities have been carried out throughout the year, supporting the Borough and its residents in their recovery from the pandemic contributing to these four themes.
- The Council's Environmental Health Team have provided targeted support with partners to ensure compliance with COVID-19 safety measures and to support the investigation of any outbreaks identified. The team has proactively visited businesses to provide focussed advice and guidance on COVID controls, and worked to ensure that any additional legal requirements, such as the requirement to wear face coverings were being implemented. Officers have also worked closely with the Test and Trace service to ensure that communications reach anyone that needed to self-isolate but cannot be reached by telephone.
- During the year the Council has administered a significant number of Covid-19 related business grant schemes which totalled approx. £11.4m, allocated Household Support Fund payments of £0.2m to 911 Council Tax payers' accounts and Test and Trace Support payments totalling £0.9m to eligible residents having to self-isolate following a positive Covid test.

## **6. SIGNIFICANT GOVERNANCE ISSUES**

During the 2021/22 financial year no significant governance issues arose.

However, the challenges brought on by the COVID19 pandemic which were effectively managed throughout 2021/22 along with and the existing and emerging economic situation will continue to be closely monitored and any associated impacts will be responded to appropriately.

We will respond to the recommendations contained within the LGA Corporate Peer Challenge and we will continue to monitor our compliance against the FM Code and take any action necessary.

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

Signed: .....

Leading Member on behalf of East Staffordshire Borough Council

Signed: .....

Chief Executive on behalf of East Staffordshire Borough Council

*This is an electronic copy without electronic signatures. The original was signed as above and a copy can be obtained from the financial management unit on request.*