City of
Stoke-on-Trent

# Statement of Accounts
# 2017/18

The Statement of Accounts for Stoke-on-Trent City Council for the year ended 31 March 2018 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (“the Code”) issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Board.

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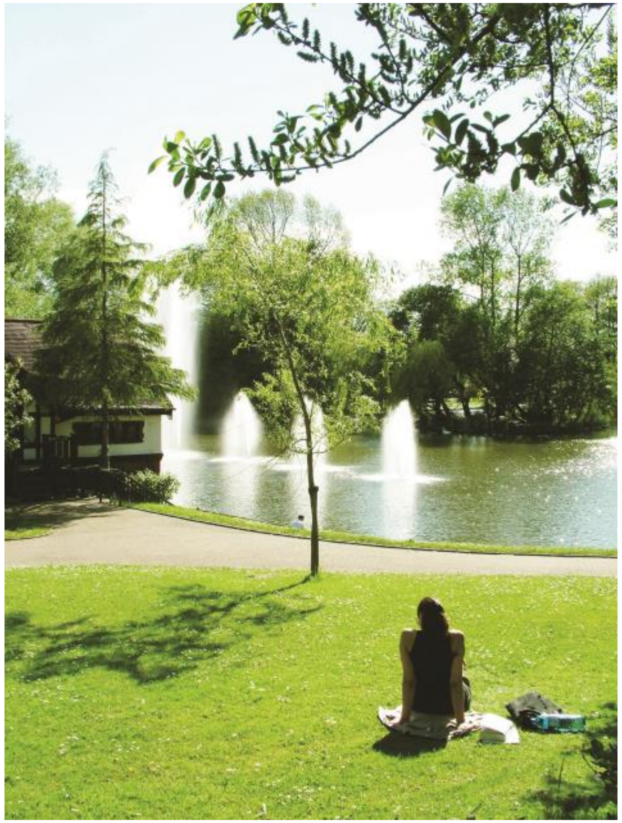
# 1.0 Preface

## 1.1 Narrative Statement

**Welcome to the Statement of Accounts for Stoke-on-Trent City Council for the financial year 2017/18.** The accounts provide a true and fair view of the financial performance of the City Council in delivery of services to the citizens of Stoke-on-Trent. It also summarises the overall financial position of the City Council for the year ended 31 March 2018. The accounts and accompanying documents are subject to an external independent review by KPMG LLP and their opinion forms part of this document.

### Background



Stoke-on-Trent City Council is a unitary council with no parish councils. The City Council provides key public services to a population of around 253,200 residents in over 115,491 households and geographically covers an area of 36 square miles. This is made up of residential, industrial, commercial land and property. Unusually for a mainly urban area there is a significant amount of green space. The City Council has 44 elected members and employs circa 6,600 (5,300 FTE) staff (including in schools), who deliver a diverse range of services for residents, local business and visitors to the City.

Affectionately known as 'The Potteries' , Stoke-on-Trent has a proud industrial heritage but along with many towns and cities, the industries on which the wealth of the area was built are changing. Regeneration, both in terms of employment opportunities and physical redevelopment, is recognised as being very important to the future prosperity of the city.

Stoke-on-Trent City Council is a multifunctional and complex organisation. Its policies are directed by the Political Leadership and implemented by the officers of the Council.

### Political Structure

Stoke-on-Trent has 37 wards and the Council consists of 44 elected members. The political make up of the council at the 31 March 2018 is shown in the table below:

| | |
|---|---|
| Labour Party | 20 |
| City Independents | 15 |
| Conservative Party | 7 |
| UK Independence Party | 1 |
| Non aligned | 1 |

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

The Cabinet is the part of the Council which is responsible for decisions made within the constitution approved by Full Council. The Cabinet is made up of the Leader and up to 9 other members appointed by the Leader.

### Management Structure

Supporting the work of the elected Members is the Council's most senior level officers. During 2017/18 the team was as follows:

- City Director
- Director of Place, Prosperity and Growth
- Director of Children and Family Services
- Director of Public Health and Adult Social Care
- Director of Housing and Customer Services
- Assistant Director - Finance
- Assistant Director - Governance

## 1.1 Narrative Statement

### Financial Overview

The General Fund Revenue Account for 2017/18 has a net expenditure budget of £208 million (gross expenditure £634 million; gross income £426 million). For the year 2017/18, the outturn is showing an underspend £513,000, compared with a forecast overspend of £564,000 at the end of quarter three (end of December 2017) an improvement of over £1.0 million. This underspend is to be transferred to the Strategic Transformation Reserve. Directorate savings of £22,803 million were included in the budget, the majority of which have been delivered or alternatives found.

The Housing Revenue Account (HRA) outturn reflects an overspend of £158,000 for 2017/18. This is mainly due to accelerated fire safety programme which will reduce future budget requirement in subsequent years.

| 2017/18 Final Outturn | Budget (gross) £m | Budget (income) £m | Budget (net) £m | Final Outturn £m | Over/ (under) £m |
|---|---|---|---|---|---|
| Children and Family Services | 147.687 | (83.988) | 63.699 | 69.003 | 5.304 |
| Public Health and Adult Social Care | 156.840 | (83.107) | 73.733 | 71.596 | (2.137) |
| Place, Growth and Prosperity | 81.569 | (45.315) | 36.254 | 35.777 | (0.477) |
| Housing Customer Services | 25.991 | (9.585) | 16.406 | 15.494 | (0.912) |
| City Director | 23.556 | (8.902) | 14.654 | 13.503 | (1.151) |
| Non Departmental Costs | 119.937 | (117.160) | 2.777 | 4.564 | 1.787 |
| General Fund Funding | - | (204.244) | (204.244) | (207.171) | (2.927) |
| **General Fund Gross Outturn** | **555.580** | **(552.301)** | **3.279** | **2.766** | **(0.513)** |
| Budgeted Contribution from Reserves | - | (3.279) | (3.279) | (3.279) | - |
| **General Fund Net Outturn** | **555.580** | **(555.580)** | **-** | **(0.513)** | **(0.513)** |
| Housing Revenue Account | 67.946 | (67.946) | - | 0.158 | 0.158 |
| **Total Net Outturn** | **623.526** | **(623.526)** | **-** | **(0.355)** | **(0.355)** |

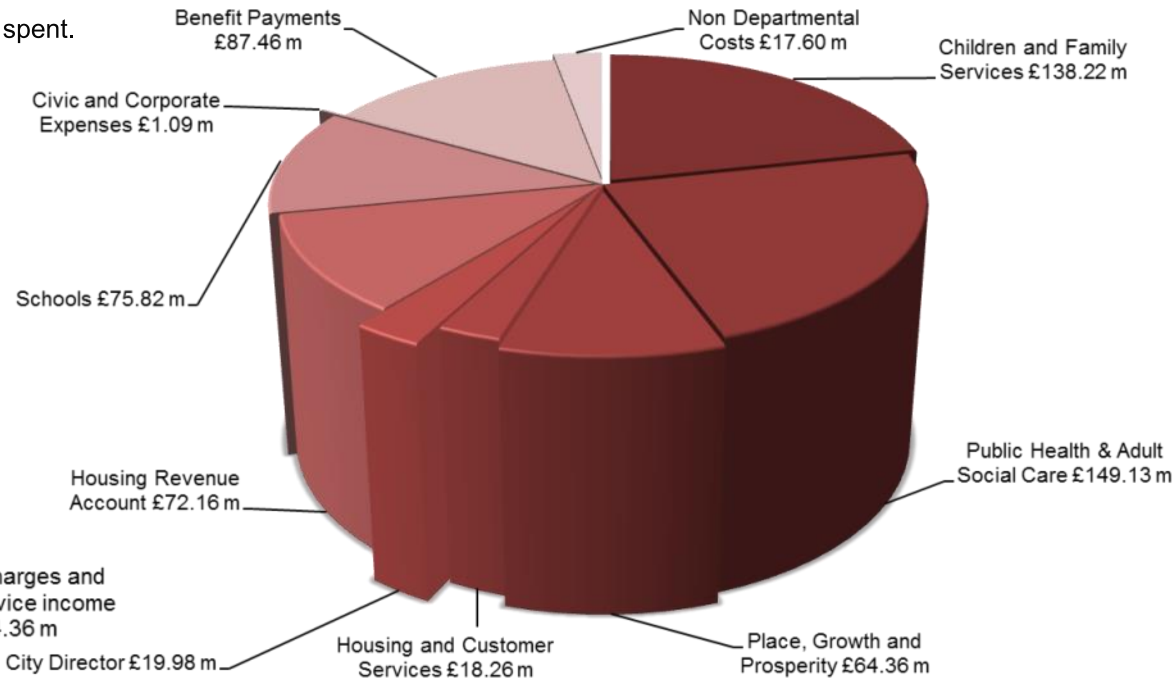
The table below shows the actual outturn and how these figures are reflected in the financial statements

| Reconciliation of the final outturn to the Comprehensive Income and Expenditure Statement | Expenditure £m | Income £m | Net £m |
|---|---|---|---|
| Total Net Outturn | | | (0.355) |
| Transfers (to)/from Earmarked Reserves (note 4.2.9) | | | 25.150 |
| **Expenditure chargeable to HRA and GF balances (note 4.2.5)** | | | **24.795** |
| | | | |
| Adjustments between funding and accounting basis (note 4.2.8) | | | 53.317 |
| **Deficit on the Provision of Services (note 3.1)** | | | **78.112** |

## 1.1 Narrative Statement

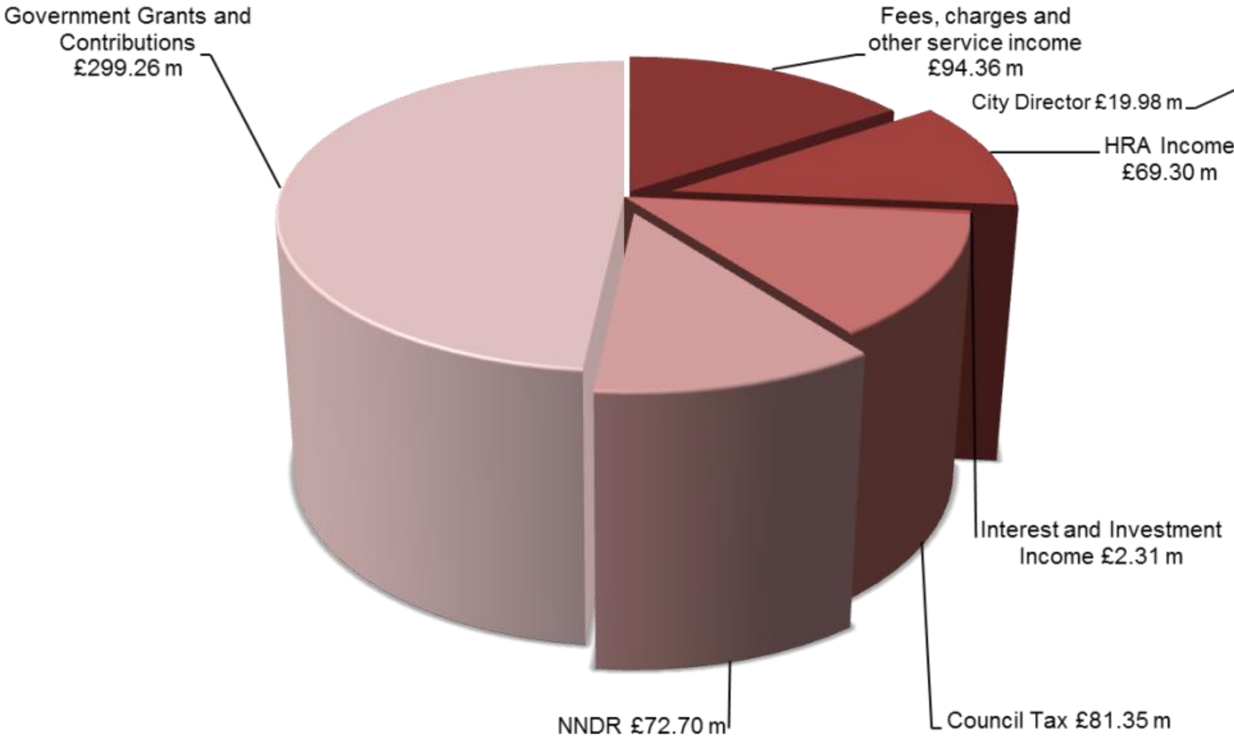
The Council has spent £644.07m to deliver services funded by £619.28m of income in 2017 18. The income comes primarily from central government in the form of grants, from local residents in the form of council tax payments and housing rents and from local businesses in the form of non-domestic rates.

The following charts show how the money was funded in 2017/18 and how it was spent.




**Revenue Expenditure 2017/18 - £644.07m**

**Revenue Income 2017/18 - £619.28m**



## 1.1 Narrative Statement

### Economy, Efficiency and Effectiveness

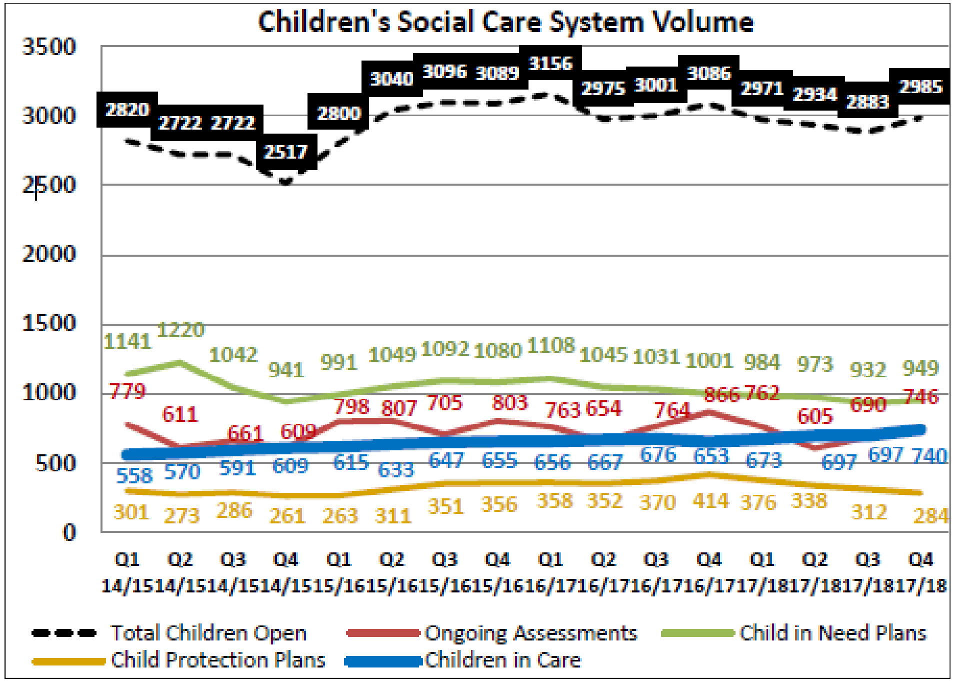
The City Council has a strong commitment to ensuring services deliver value for money, which is reflected in the business plan and in-service delivery plans.

In May 2016 the City Council approved the Stronger Together Strategic Performance Framework. The Framework underpins the Councils vision for Stoke on Trent delivering effective performance management by translating the Council's vision and priorities into clear plans and measurable outcomes.

Using the performance measures below we track our progress at an operational level as well as providing a means for stakeholders to rigorously assess and challenge performance, the need for services, the method of provision, value for money, management of risk and partnership impact.

### Children and Family Services

The total number of children open to Children's Social Care was 2,985 at the end of March, an increase of 102 on Q3 and a decrease of 101 children compared to the same point last year. The figure has fluctuated around 3,000 children for the past 2 years. The number of children with a Child in Need Plan was 949 at the end of the March, which is slightly below the normal range of around 1,000 - 1,100 children and an increase from 932 at the end of Q3. The number of children with a Child Protection Plan has continued to decrease to 284 at the end of March, from a high of 414 children at the end of March 17. The average number for the last 12 months was 338 children with a child protection plan.



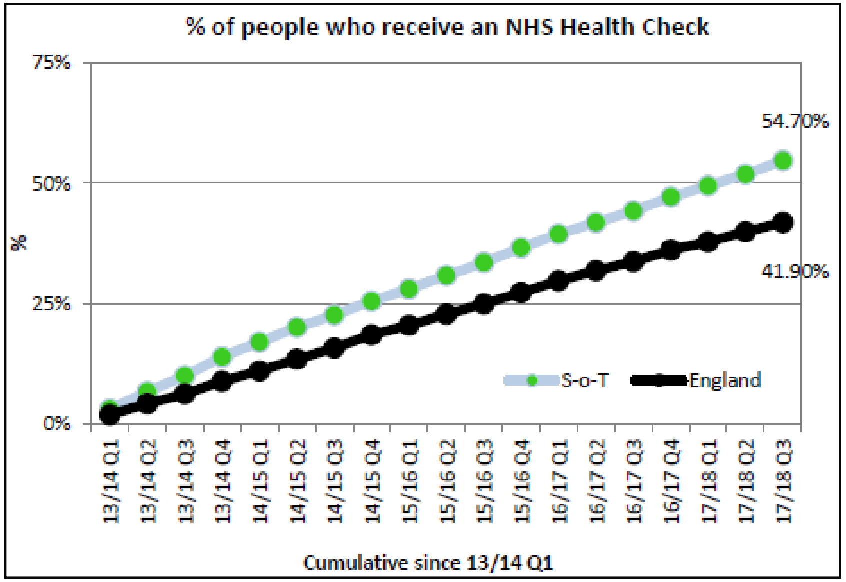

Over the year there have been 217 admissions to care, this is 9 fewer than in the previous year. However, there have been 133 discharges from care compared to 228 the previous year, so 95 fewer discharges have taken place. There has been no difference in the approach to the work and both admissions and discharges experience the same due diligence and scrutiny.

In 2017-18, there have been 39 adoptions and 9 Special Guardianship Orders, accounting for just over a third of all discharges. These figures are comparable to the previous year (43 adoptions and 8 Special Guardianship Orders).

## 1.1 Narrative Statement

### Public Health and Adult Social Care

The delivery of NHS Health Checks aims to prevent heart disease, stroke, diabetes and kidney disease and raise awareness of dementia both across the population and within high risk and vulnerable groups; reducing avoidable premature mortality is a local priority. In Stoke-on-Trent circulatory disease is the second biggest killer of local people (behind cancer). Of the 2,469 people who died from all causes in 2013, 566 died from circulatory disease.




Stoke-on-Trent continues to perform above the national average for the delivery of NHS Health Checks. 54.7% of the eligible population aged 40 – 74 years have received an NHS Health Check between 1 April 2013 and 30 December 2017. This is above the average for England (41.9%). This strong performance is the result of continued dialogue between the Council and local GPs to ensure that the programme is prioritised in Primary Care; this includes facilitating workshops to GP staff delivering NHS Health Checks, and working closely with low and high performing practices.

The new Physical Activity Strategy, Stoke-on-Trent – An Active City (2018-2021) has been approved with the ambition of making Stoke-on-Trent a more Active City by 2021, where more local people of all ages, communities and the city benefit from physical activity.

The supporting action plan for the strategy will focus on implementing strategies to increase physical activity levels across the population as well as reducing physical inactivity in priority groups; females, over 55's and residents working in semi-routine and routine occupations and long term unemployed or those who have never worked.

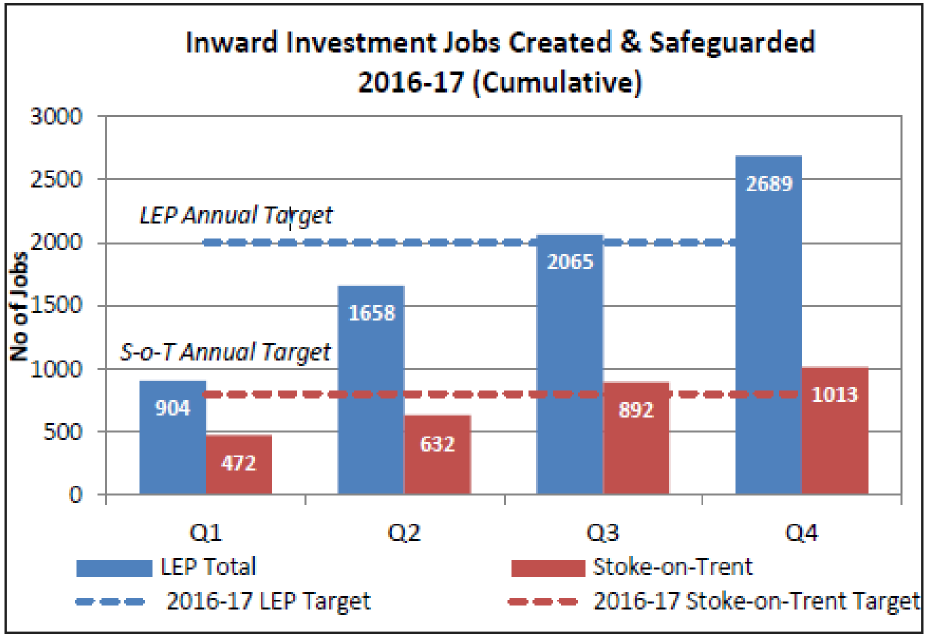
The Park Lives programme, which offers free physical activities in 11 parks across the city, reported a 35% increase on the number of attendances in 2017 (when compared to 2016). Furthermore, following a mystery shopper assessment, Stoke-on-Trent was recognised as the best performing area in the country based on session leader standards, engagement with participants and the quality of the parks that sessions are delivered in (e.g. in terms of litter, safety). The Park Lives programme for 2018 has commenced with a variety of activities for all ages including Tai Chi, Zumba, led walks and Walking football.

The Get Out Get Active programme (GOGA) continues to engage with primary care to promote and encourage uptake of physical activity with 8 chair based exercise sessions currently held at GP surgeries. 224 participants have attended GOGA sessions from Jan – March 2018 participating in variety of activities .

## 1.1 Narrative Statement

### Place Growth and Prosperity

The Make It Investment Service had a significant boost in job numbers in Q4 predominantly attributed to the announcement of over 900 safeguarded jobs in the area. Looking forward to next year, there are a number of office enquiries that the team are working on both in Stoke-on-Trent and the wider LEP area with the potential to bring in significant new jobs to the area. These enquiries include new Foreign Direct Investment (FDI) opportunities and the recent announcement from the Davies Group relating to their move to 2 Smithfield, both retaining and generating new jobs in the area. The Ceramic Valley Enterprise Zone (CVEZ) is continuing to gather pace.




Enquiries continue to be buoyant, however there remains a lack of suitable commercial floor space for SME companies who have an immediate need for growth locally. The team are also finding that compared with previous years the number of projects is higher but with smaller job numbers per project.

It has been noted by the Department for International Trade (DIT) that FDI is down on previous years not only across the UK as a whole but internationally as well. With this in mind the team has noticed a significant number of FDI enquiries being sent to us by DIT in Q4. Any successes from these enquiries could take up to 18 months or more to come to fruition due to the size and complexity of these types of enquiries.

Business Starts

The top three industries account for 53% of start ups, namely 'Real estate & Professional Services', 'Transport, Storage & Communication' and 'Wholesale & Retail Trade'. Whilst the number of start ups has fallen nationally by 13.8% in the first three months of 2018 - locally the number of new businesses has only fallen by 11.5%. This growth rate ranks Stoke-on-Trent 126 out of the 326 English districts nationally.

The Office for National Statistics released their 'Business Demography' update in November 2017 which includes data on survival rates, business births and deaths. The table opposite shows the survival rates of businesses from their inception year to 2016. S-o-T businesses fare well in surviving their first year when compared to regional and national averages. In year two survival rates are marginally lower than national and regional averages with years 3-5 showing a more significant gap. In terms of new business births, the latest annual data shows that the number of new businesses in Stoke-on-Trent increased from 925 (2015) to 965 (2016) an increase of 4.3%.

Our activity is focused on increasing business survival rates through a Business Growth programme. To the end of March 2018 the total number of businesses supported by the Business Growth team was 107. This comprises of support with Search Engine Optimisation, Social Media and Business Intelligence.

## 1.1 Narrative Statement

### Housing and Customer Services

Empty Homes

The empty homes team have exceeded the target of bringing back into use 170 properties. A range of techniques are used to bring back some of the most neglected properties in our city into use - such as advice, guidance, motivational techniques and as a last resort a range of enforcement options. However, the sheer determination; tenacity and skills of the officers are the main reason for the successful outcomes of the Empty Homes Team. The expert guidance, negotiation and advice given by officers yield the highest returns. Removing these blighted, neglected empty properties has not only improved the conditions of private sector stock but also encouraged a great deal of private investment.

The majority of properties were repaired by the owner with the Empty Homes Team providing technical advice and guidance to overcome various obstacles and ensure properties are renovated to a good quality standard.

| 2017/18 | Number of Empty Homes back into use | Target |
|---|---|---|
| Q1 | 65 | 43 |
| Q2 | 62 | 42 |
| Q3 | 58 | 42 |
| Q4 | 49 | 43 |
| | **234** | **170** |

The reconciled financial returns from bringing back into use 234 properties during 2016/17 has encouraged £3.1m of investment into the local economy, providing jobs for businesses and suppliers, aligned to the councils priority of supporting business to thrive and delivering investment in our towns and communities. In addition to this, the landlord accreditation grant has facilitated an increase of 64 units of accommodation through conversions.

Void Properties

The fundamental service review into the voids processes has resulted in a step change in performance improvement. Void end to end performance continues to see good performance. The new joined up approach is fully implemented for all voids and new arrangements with Unitas Stoke-on-Trent Ltd will ensure these improvements are embedded and built upon. This significant performance improvement has resulted in a £287k annual saving improvement in terms of void rent loss compared to the previous year, whilst returning empty properties to use more quickly, ensuring social housing supply is maintained.

**Void Properties End to End Times**


At the end of 2017/18 end to end times have reduced to 35.73 days from 54.24 days during 2016/17.

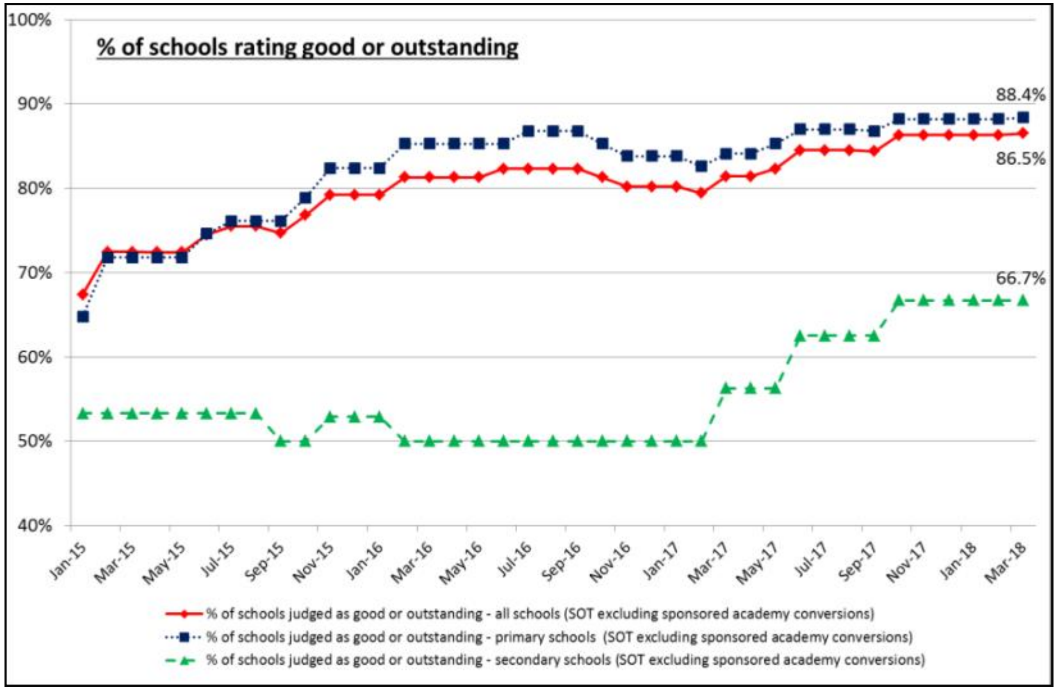
## 1.1 Narrative Statement

### Schools

In March, the published overall quality of schools figures was 86.5% (England 88.9%; West Mids 87.5%). This is a slight increase from 86.3% at the end of December and an increase of 5% points from 81.4% 12 months previous. In Stoke-on-Trent, there are no schools in an OfSTED category of concern, i.e. judged by Ofsted to be inadequate (having Serious Weakness or are requiring Special Measures).

The percentage of pupils attending good or better schools is 84.3% (England 87.0%; West Mids 85.6%), this is a static position from December 2017 and an increase of 8% points compared to 76.3% 12 months ago. This equates to 30,933 out of 36,700 pupils attending a school rated good or better.

The largest increase in our figures has been in secondary phase: in the last 12 months there has been a 10% point increase in secondary schools judged as good or outstanding and a 14% point increase in pupils attending good or better secondary schools.

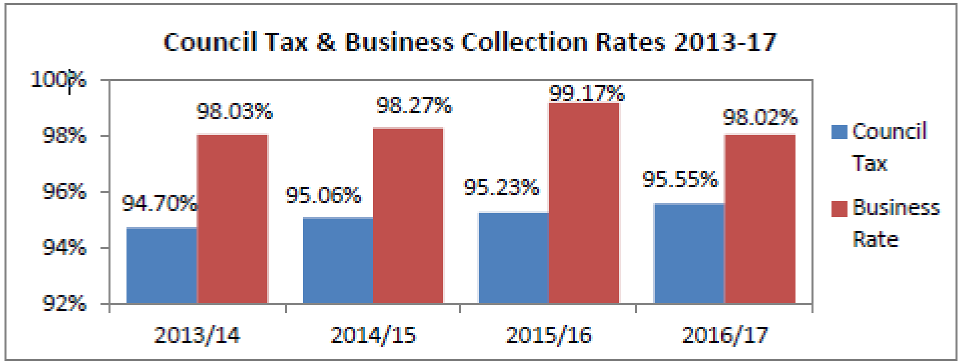


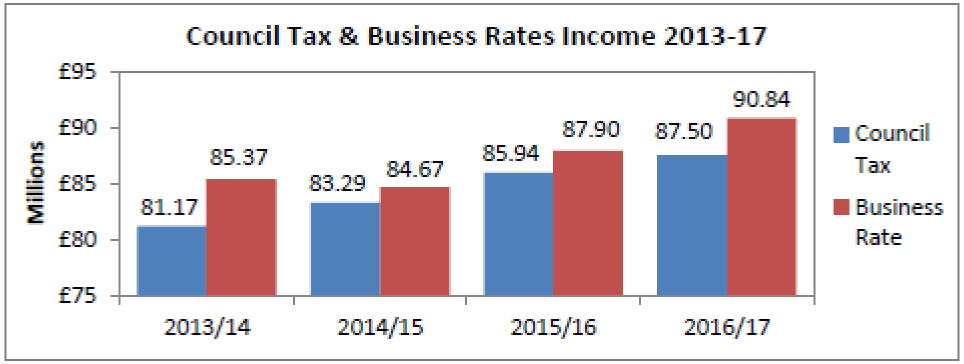

Effective strategies across all schools continue to be implemented and developed in order to improve the quality of provision. Networks of schools, both formal and informal continue to build their capacity in order to deliver effective school to school support.

Work continues with Heads and Governors across the City to ensure that more schools become good or outstanding via the implementation of a number of positive strategies including: Stoke Reads, working in partnership with the English Speaking board in years 5 - 7 in schools, a school readiness programme, engagement with the National Literacy trust, work with the Future Leaders organisation to train a second cohort of leaders and the continuation of the work with the University of Worcester to build school to school support and school improvement capacity within local networks all continue to be delivered.

### City Director

The base liability for Council Tax for 2017-2018 was £95.3m compared to £91.6m in 2016-2017, resulting in £3.7m more income being collected in 2017-2018. The year-end collection rate for Council Tax in 2017-2018 was 95.71% which was an increase of 0.16% from 2016-2017.

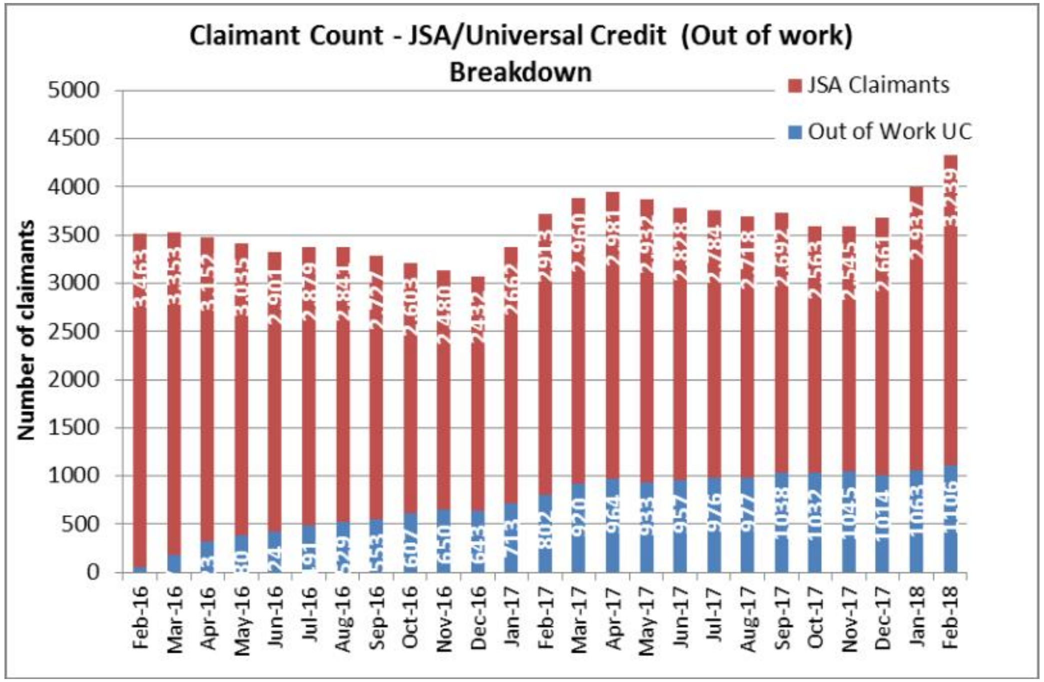



The base liability for Business Rates for 2017-2018 was £92.6m compared to £92.7m in 2016-2017. It is important to note that these figures exclude rates relief which are not included in the collection figures. During 2017-18 three new reliefs (Supporting Small Business Relief, Discretionary Scheme Relief and Pub Relief) were introduced which resulted in an increase in the relief awarded from £13.8m to £16.2m. The year-end collection rate for Business Rates for 2017-2018 was 97.81% which was a reduction of 0.21% from 2016-2017. This slight reduction in the collection rate relates in part due to a liability adjustment that took place at the end of the financial year.

### Benefits

Universal Credit 'Live Service' was rolled-out across the city from 1st February 2016 for single individuals making new claims for JSA, full service rollout will commence in June 2018 following the release of a revised rollout schedule in November 17.




The chart shows the breakdown of the claimant count numbers by JSA and those recipients of Universal Credit who are not in employment. From December 2017 onwards the Live Service will no longer take any new claims. If not living in a Full Service area, claimants will be asked to claim legacy benefits or tax credits.

The first quarter of any year usually has a rise in claimants as the seasonal jobs available in the run up to Christmas have ended.

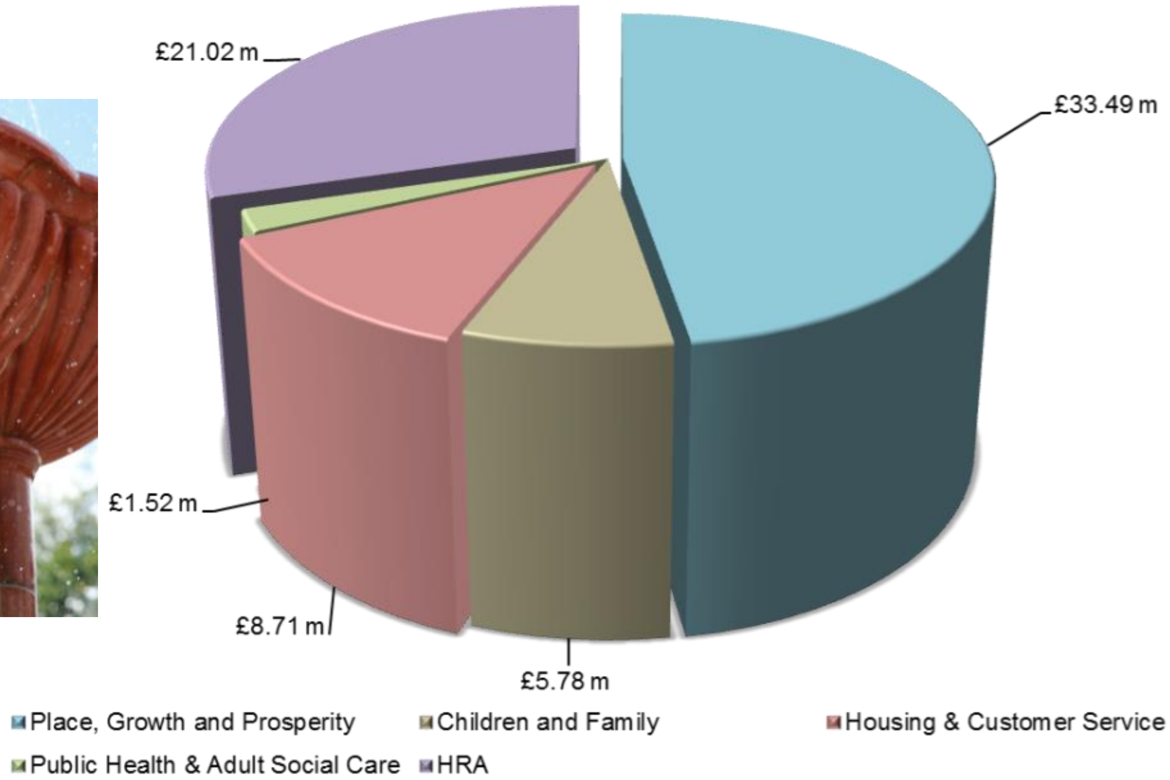
This rise in JSA partly reflects DWP moving customers from ESA to JSA, and suggests a mismatch between the vacancies available and the skills set of the jobseekers.

The current ESF employment and skills programmes are specifically targeted to support unemployed people into work, and upskill those in work, helping them to sustain employment. As at the end of December 2017, 3,705 city residents (all ages) had started on a programme, which represented 45% of all participants, and of these 1,318 have already progressed into work, further training or education.

## 1.1 Narrative Statement

### Capital Expenditure

As well as delivering day to day services, the City Council continues to be at the heart of investment in the City, improving assets to deliver services, jobs and create a foundation to attract businesses. In 2017/18 the City Council invested £70.5m on capital expenditure, which is analysed below against key priorities.




### Some 2017/18 Key Achievements

- Hanley Park - The restoration of the Hammersley fountain (front cover) in the Cauldon Grounds is now complete. With extensive terracotta repairs and the addition of new dragons and gargoyles, the fountain is once again flowing for the first time in at least 80 years.
- Housing Zones – The Wellington Road development (Lyme Gardens) is well under construction with 49 units completed to date, and work has now commenced at the former Churchill Factory Site on Waterloo Road (Alexander Gate) which will see 193 new homes being built.

- Spode - a new bigger entrance from the Rose Garden has been constructed to allow better public access to the China Halls. This was completed in time for the opening of the hugely successful British Ceramics Biennial (BCB) event.
- Queens Theatre – The repairs to the water damaged roof and installation of new guttering have been completed making the theatre watertight, enabling the removal of the scaffolding and hoarding which was erected several years ago.
- Sports & Leisure Centre Improvements – the refurbishment at the Wallace Centre has been completed and there are more than 300 additional members of the gym since the beginning of the works. The installation of a Costa Coffee machine at Fenton Manor has proved popular with the guests
- Disabled Facilities Grant – instructions totalling more than £1.1m have been issued to contractors for essential adaptations to properties to give individuals access into and around their home and access essential facilities.  Types of work include ramping, door widening, installing stair-lifts and installation of level access showers.

## Financial Health of the Council as at 31st March 2018

### Assets

A significant revaluation exercise has taken place during the year to reflect the value to the council in delivering services from its assets. As a result of the exercise asset values have increased while others have decreased resulting in an insignificant movement in overall value. The movements include upward revaluations of £61.5m (Including Council Dwellings £21.3m) and downward revaluations of £34.1m (Including Council Dwellings £12.7m). These valuations do not represent the market value of the asset rather their continued value in use to the Council.

School property and other assets to the value of £49.2m have been transferred from council ownership to academies under the government's academy and free schools initiative and this trend is expected to continue in the foreseeable future. These assets are transferred at nil consideration in compliance with the government initiative.

### Capital Investment and Borrowing

The overall capital investment is financed with the assistance of external support from government and other agencies, as outlined in note 4.2.12b of these accounts. The City Council provides funding by use of one off revenue contributions, section 106 developer contributions and borrowing. The underlying need to borrow for capital purposes, the capital financing requirement, increased by a net £14.8m standing at £615.7m by the end of the year.

| **Capital Financing Requirement** | **£615.7m** |
|---|---|
| *Represented by:* | |
| Existing Borrowing | £397.9m |
| PFI Liability | £98.3m |
| *Internal Borrowing in the form of:* | |
| Usable reserves | £109.8m |
| Cash | £9.7m |
| **Total** | **£615.7m** |

Internal borrowing represents the unborrowed element of past capital investment. Actual borrowing is predicated on the cash position of the Council at any time. The management of cash held by the council determines the optimum time, duration and level of borrowing required.

The funding of the capital programme is a mixture of council support, leverage from external bodies, grants and reserves. The funding of the programme separates those funding streams to show how that funding is applied to both the HRA and the general fund. Of the total £471.096 million of proposed investment £274.352 million is directly supported through existing and new grants, receipts and reserves. The balance £196.744 million is currently assumed to be funded by borrowing for which the HRA element £32.392 million is to be managed within the overall HRA borrowing headroom limit set by Government.

| | **Budget 2018//19—2022/23** |
|---|---|
| **Capital Programme Funding** | **£'000** |
| Secured External Funding | 78,871 |
| Unsecured External Funding | 75,677 |
| Reserves & Ring Fenced Receipts | 119,804 |
| Borrowing & General Receipts | 196,744 |
| **Total Capital Funding** | **471,096** |

### Pensions

The Council makes contributions on behalf of its employees to the Staffordshire Local Government Pension Scheme in addition to those made by individual employees. The scheme is funded, which means that money is invested to cover both the current and future costs of the scheme. The level of contribution made by the council is determined by the extent to which the current and future costs can be met by these investments.

The fund has seen a decrease in its pension liability on the balance sheet since last year. This is because financial assumptions at 31st March 2018 are more favourable than they were at 31st March 2017. This has resulted in a decrease of the pensions liability on the City Council's balance sheet of £28.7m (2016/17 decrease of £77.4m) to £447.0m (2016/17 £475.6.m). This amount is also reported in the Comprehensive Income and Expenditure Account but, as per statutory guidelines, does not impact on the calculation of the Council Tax charged to tax payers. For additional information see note 4.2.19.

## 1.1 Narrative Statement

### Financial Health of the Council as at 31st March 2018

#### Reserves

The City Council's reserves consist of usable and unusable reserves. The Movement in Reserves Statement (note 3.3 of the accounts) shows the split and movement of those reserves during the year.

The City Council maintains a level of balances and reserves in order to meet any future unforeseen expenditure that may arise and for any planned future expenditure. These balances are held in the form of a general contingency, such as the General Fund reserve, or for a specific purpose in the form of an earmarked reserve.

The City Council's financial strategy is to maintain a General Fund Reserve of around £8m - £9m. In 2017/18 the General Fund Reserve increased to £9.1m and is considered reasonable and fit for purpose for the future.

The City Council also holds £50.7m of earmarked reserves, in the main due to the PFI funding arrangements with central government, balances held for self-insurance purposes, school balances and revenue grants, such as Public Health grant, that are ringfenced. The movement during the year is shown in the following table. A further breakdown is shown in note 4.2.9 of these accounts.

The City Council also holds £15.7m in usable capital receipts and capital grants to finance future planned capital expenditure.

| General Fund Reserves | General Reserve | Earmarked Reserve | Usable Capital Receipts & Capital Grants |
|---|---|---|---|
| | £m | £m | £m |
| Opening Balance (1 April 2017) | 8.569 | 73.418 | 17.371 |
| Contributions/(Use) 2017/18 | 513 | (22,655) | (1,642) |
| **Closing Balance (31 March 2018)** | **9.082** | **50,763** | **15,729** |

The HRA's financial strategy includes a determination that a prudent level of the HRA reserves is a minimum of circa £4.5m, having regard for the inherent levels of future financial risk and uncertainty. The balance at the start of the year was £7.8m and due to the activity during the year £0.16m was drawn from the reserve.

The HRA holds significant earmarked reserves, mainly to cover the cost of the planned major capital investment programme and debt repayment.

| HRA General Fund Reserves | General Reserve | Earmarked Reserve | Major Repairs Reserve |
|---|---|---|---|
| | £m | £m | £m |
| Opening Balance (1 April 2017) | 7.898 | 19.524 | 9.469 |
| Contributions/(Use) 2016/17 | (158) | (2,493) | 1 |
| **Closing Balance (31 March 2018)** | **7,740** | **17,031** | **9,470** |

# 1.1 Narrative Statement

## Financial Strategy 2017/18—2019/20

The strategy is based on the Stronger Together principles which sets out an ambition for the city to be the best it can be for all the people who live, work, visit and do business here. The financial strategy underpinning this, aims to strike the right balance between supporting residents to fulfil their potential, supporting the vulnerable to live their lives well, and investing in a future that delivers a prosperous city for all. It is being delivered in partnership with local residents, communities, businesses, public and voluntary organisations, working together towards a financially sustainable future.

Growing the economy and investing in the area to attract jobs, businesses, residents and visitors and making the city a huge success is a priority; the additional income generated can be reinvested in supporting the provision of services valued by residents. Current growth performance in numbers of houses and more commercial property forecasts an additional £3.5 million business rates and £2.5 million council tax will be received by 2019/20. This is over £2 million more than our original projections.

The future of the city continues to be at the centre of the strategy, with investment in services and assets. Being shortlisted for City of Culture 2021 has raised the profile of the city and many cultural initiatives will continue. Recent announcements include a £4 million endorsement in the area's cultural quality through National Portfolio Organisations investment from Arts Council England, as well as £300,000 through its Cultural Destinations programme. £43 million of capital investment in the city is committed to improving a number of cultural attractions and the public realm.

*The focus of the medium to long term programme therefore is to provide investment that protects the most vulnerable in our city whilst stimulating growth and economic prosperity.*

Vulnerable people in Stoke-on-Trent are already benefiting from the opening of two new extra-care housing units, the refurbishment of the Meadows Centre to support people with learning disabilities, the development of a new approach to preventing homelessness and the introduction of a new model of dementia care. Other improvements for next year include a new partnership approach to helping people affected by mental health issues; a new programme of support for young people with additional needs, and a new strategy to prevent children being harmed through neglect.

*Despite the challenges that are faced, the City Council has a proven track record of providing high quality, efficient services that are valued by residents.*

The proactive approach to this role will see growth in jobs and employment; growth in business; and growth in housing which in turn will bring income from council tax and business rates to pay for essential services and support the future financial sustainability of the city council.

Taking advantage of the opportunities offered by the Government's announcement of its intention to change the way in which local government is funded via the local retention of 100% of Business Rates by 2019/20 and the reduction in Revenue Support Grant provides a focus on business growth and the infrastructure that supports this as a key to the future income streams needed to support and maintain the services of the council.

## 1.1 Narrative Statement

### Financial Strategy 2017/18—2019/20

City Council has a legal requirement to set a balanced budget by 11 March each year. The proposals build on last year's strategy which covered the three years 2017/18 – 2019/20, and closed a gap of £61 million. The strategy is based on the Stronger Together principles which sets out an ambition for the city to be the best it can be for all the people who live, work, visit and do business here. The financial strategy underpinning this, aims to strike the right balance between supporting residents to fulfil their potential, supporting the vulnerable to live their lives well, and investing in a future that delivers a prosperous city for all. It is being delivered in partnership with local residents, communities, businesses, public and voluntary organisations, working together towards a financially sustainable future.

The ambitious capital investment programme supports the delivery of the growth and efficiency agenda. Over the medium term this programme looks to preserve the unique history and heritage of Stoke-on-Trent whilst confirming a commitment to improving the lives of residents, enhancing the quality of the city, and helping the city's economy. This investment reflects confidence in the local economy and is about both encouraging further private investment as well as generating additional income for the public purse.

*The vision will, in part, be delivered directly by the city council but in other areas the priorities will be achieved through working in partnership to deliver improvements for the city. Being a trusted partner and an organisation that is both outward looking and good to work with is fundamental in turning the vision into reality.*

### Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptional hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues who have assisted in the preparation of this document. I would also like to thank them for all their support and expertise during the financial year.

**Nick Edmonds**

**Assistant Director - Finance (Section 151 Officer)**

**Date 26 July 2018**

Further information about the accounts is available from:

Stoke-on-Trent City Council

Resources and Customer Services Directorate

Financial Services Division

Civic Centre, Glebe Street

Stoke-on-Trent

ST4 1HH

Telephone: (01782) 236877

E-mail: finance@stoke.gov.uk

These accounts, the Annual Governance Statement and other sources of financial information are available on the City Council's website at stoke.gov.uk. Comments on these accounts are welcomed and can be made through the website or the contact options shown above.

### Explanation of the Financial Statements

The Accounts and Audit (England) Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These Statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The statements contain a number of different elements which are explained below.

### Comprehensive Income and Expenditure Statement

This statement reflects the sum of all income, expenditure, gains and losses incurred by the Council in the last 12 months and explains how the balance sheet position has changed between the two financial years. This statement shows the Council's financial position in accordance with accounting practice which means that the costs include unbudgeted notional charges for items such as depreciation, impairment, capital grants and capital charges. More detail of the costs is shown in Note 3.1.

| | | **2016/17** | | | | | **2017/18** |
|---|---|---|---|---|---|---|---|
| **Gross Expenditure** | **Gross Income** | **Net Expenditure** | | **Note** | **Gross Expenditure** | **Gross Income** | **Net Expenditure** |
| **568,460** | **(424,615)** | **143,845** | ***Net Cost of Services*** | | **622,198** | **(412,505)** | **209,692** |
| | | (458) | Other Operating Expenditure | **4.2.6** | | | (2,167) |
| | | 39,207 | Financing and Investment Income & Expenditure | **4.2.6** | | | 85,484 |
| | | (226,778) | Taxation and Non-Specific Grant Income | **4.2.6** | | | (214,897) |
| | | **(44,184)** | ***(Surplus)/Deficit on Provision of Services*** | | | | **78,112** |
| | | **34,423** | **Other Comprehensive Income and Expenditure** | | | | **(33,840)** |
| | | **(9,761)** | **Total Comprehensive Income and Expenditure** | | | | **44,272** |

*A reconciliation between the CIES and the final outturn can be found on page 6*

### Balance Sheet

This shows the value of the Council's asset and liabilities at the Balance Sheet date. These are matched by reserves which are split into two categories usable and unusable reserves. Unusable reserves are not available to use support services and are in the main used to hold unrealised gains and losses, where the actual gain or loss will only become available once another event has occurred. More detail shown in Note 3.2.

| **31 March 2017** | | | **31 March 2018** |
|---|---|---|---|
| **£000** | | ***Note*** | **£000** |
| **1,292,011** | **Long Term Assets** | | **1,281,927** |
| **70,100** | **Current Assets** | | **48,141** |
| **(88,930)** | ***Current Liabilities*** | | **(92,146)** |

| **31 March 2017** | | | **31 March 2018** |
|---|---|---|---|
| **£000** | | ***Note*** | **£000** |
| **(955,126)** | **Long Term Liabilities** | | **(964,139)** |
| **318,055** | **Net Assets** | | **273,783** |
| **318,055** | **Total Reserves** | | **273,783** |

## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. More detail shown in Note 3.3.

| 2017/18 | Note | General Fund Balance | General Fund Earmarked Reserves | Housing Revenue Account | HRA Earmarked Reserves | Major Repairs Reserve | Usable Capital Receipts | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2017** | | **8,569** | **73,418** | **7,898** | **19,524** | **9,469** | **10,207** | **7,164** | **136,249** | **181,806** | **318,055** |
| **Increase/ (Decrease) in Year** | | **(22,143)** | **-** | **(2,651)** | **-** | **1** | **166** | **(1,809)** | **(26,434)** | **(17,838)** | **(44,272)** |
| Transfers to/(from) Earmarked Reserves | 4.2.9 | 22,655 | (22,655) | 2,493 | (2,493) | - | - | - | - | - | - |
| **Balance at 31 March 2018** | | **9,082** | **50,763** | **7,740** | **17,031** | **9,470** | **10,373** | **5,355** | **109,815** | **163,968** | **273,783** |

## 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. Operating activities are a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent cash outflows that have been made for resources which are intended to contribute to the Authority's future service delivery. Financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority. More detail shown in Note 3.4.

| 2016/17 £000 | | Note | 2017/18 £000 |
|---|---|---|---|
| **(44,184)** | **Net surplus/(deficit) on the provision of services** | 3.1 | **(78,112)** |
| **20,756** | **Net Cash Flows from Operating Activities** | | **17,904** |
| **78,360** | **Net Cash Flows from Investing Activities** | | **41,517** |
| **(41,612)** | **Net Cash Flows from Financing Activities** | | **(40,896)** |
| **57,503** | **Net (increase) or decrease in cash and cash equivalents** | | **18,524** |
| 79,660 | Cash and Cash Equivalents at the beginning of the reporting period | 3.2 | 22,157 |
| **22,157** | **Cash and Cash Equivalents at the end of the reporting period** | 3.2 | **3,633** |

## 1.1 Narrative Statement

### Housing Revenue Account

This shows the in-year economic cost of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement. More detail shown in Note 5.1.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| **(58,787)** | **Total Expenditure** | **(63,244)** |
| 94,836 | Revaluation of assets | 8,573 |
| **69,113** | **Total Income** | **67,749** |
| (305) | HRA services' share of Corporate and Democratic Core | (415) |
| **104,857** | **Net Cost for HRA Services** | **12,663** |
| (5,335) | **HRA share of the operating Income and Expenditure included in the CIES** | (4,374) |
| **99,522** | **Surplus of (deficit) for the year on HRA services** | **8,289** |

### Collection Fund

The Local Government Finance Act 1988 required the establishment of a Collection Fund from 1st April 1990. The Collection Fund 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 business rates. Monies paid into this fund include Council Tax and Business Rates. Payments from the Fund include the General Fund demands of the City Council, demands from precepting authorities and the transfer of the locally collected business rates to Central Government. More detail shown in note 6.1

| | | 2016/17 | | | | 2017/18 |
|---|---|---|---|---|---|---|
| Business Rates £000 | Council Tax £000 | Total £000 | | Business Rates £000 | Council Tax £000 | Total £000 |
| 91,113 | 91,549 | 182,662 | Income | 90,255 | 95,167 | 185,422 |
| 1,254 | (837) | 417 | Charges to the Collection Fund | (4,262) | (3,110) | (7,372) |
| **92,367** | **90,712** | **183,079** | **Balance due for allocation** | **85,993** | **92,057** | **178,050** |
| (86,948) | (85,869) | (172,817) | Precepts, Demands and Shares | (89,222) | (91,235) | **(180,457)** |
| **5,419** | **4,843** | **10,262** | **Surplus/(Deficit) for the Year** | **(3,229)** | **822** | **(2,407)** |
| 2,190 | 6,104 | 8,294 | Balance at the Beginning of the Year | 7,665 | 4,226 | 11,891 |
| 56 | (6,721) | (6,665) | Allocation of Previous Years Surplus | (6,686) | (2,874) | (9,560) |
| **7,665** | **4,226** | **11,891** | **Balance at the End of the Year** | **(2,251)** | **2,173** | **(78)** |

# 2.0 Statements to the Accounts

## Independent auditor's report to the members of City of Stoke-on-Trent Council

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of City of Stoke-on-Trent Council ('the Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Income and Expenditure Account, Statement of Movement on the Housing Revenue Account, Collection Fund and the related notes, including the accounting policies in note 7.

In our opinion the financial statements:

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

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### Other information published with the financial statements

Other information published with the financial statements

The Assistant Director -Finance (Sectfon 151) is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the · financial statements.

#### Assistant Director –Finance (Section 151)'s responsibilities

As explained more fully in the statement set out on page 24, the Assistant Director – Finance (Section 151) is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017 /18. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

#### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org. uk/auditorsresponsibilities

## REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

### Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, City of Stoke-on-Trent Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in A/ovember 2017, as to whether City of Stoke–on–Trent Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether City of Stoke–on–Trent Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 AAarch 2018.

### Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

## DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

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

Andrew Bostock
for and on behalf of KPMG LLP, (Statutory Auditor)
Chartered Accountants
1 Snowhill Queensway,
Birmingham,
B4 6GH

30 July 2018

## 2.2 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 Section 151 Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts

Following the delegation of responsibility by the City Council to the Section 151 Officer, I confirm that the pre-audit accounts were signed on 30th May 2018.

**Councillor Jean Bowers**

**Chair of Audit Committee**

**Date 26 July 2018**

**The Section 151 Officers' Responsibilities**

The Section 151 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 Section 151 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.

The Section 151 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 Section 151 Officers**

I certify that this statement of accounts gives a true and fair view of the financial position as at 31 March 2018, financial performance and cash flow of the City Council for the year ended 31 March 2018.

**Nick Edmonds**

**Assistant Director—Finance (Section 151 Officer)**

**Section 151 Officer**

**Date 26 July 2018**

# 3.0 Core Financial Statements

## 3.1 Comprehensive Income and Expenditure Statement

| 2016/17 Gross Expenditure | 2016/17 Gross Income | 2016/17 Net Expenditure | | | 2017/18 Gross Expenditure | 2017/18 Gross Income | 2017/18 Net Expenditure |
|---|---|---|---|---|---|---|---|
| **£000** | **£000** | **£000** | ***Continuing Service Areas*** | ***Note*** | **£000** | **£000** | **£000** |
| 129,061 | (65,119) | 63,942 | Children and Family Services | | 134,029 | (66,264) | 67,765 |
| (28,129) | - | (28,129) | - Change in asset value | 4.2.7 | (12,568) | - | (12,568) |
| 152,238 | (71,927) | 80,311 | Public Health & Adult Social Care | | 148,175 | (76,012) | 72,163 |
| 31,658 | - | 31,658 | - Change in asset value | 4.2.7 | (1,338) | - | (1,338) |
| 85,170 | (28,458) | 56,712 | Place, Growth & Prosperity | | 77,533 | (27,536) | 49,997 |
| 20,605 | (1,747) | 18,858 | Housing and Customer Services | | 28,280 | (2,322) | 25,957 |
| 22,094 | (3,998) | 18,096 | City Director | | 23,358 | (4,486) | 18,872 |
| 59,031 | (69,052) | (10,021) | Housing Revenue Account | 5 | 63,659 | (67,749) | (4,090) |
| (94,836) | - | (94,836) | HRA reversal of revaluation loss | 4.2.7 | (8,573) | - | (8,573) |
| 98,566 | (92,025) | 6,541 | Schools | | 87,093 | (79,312) | 7,781 |
| 1,342 | - | 1,342 | Civic and Corporate Expenses | | 1,016 | - | 1,016 |
| 91,229 | (92,004) | (775) | Benefit Payments | | 87,463 | (88,508) | (1,045) |
| 431 | (285) | 146 | Non Departmental Costs | | (5,929) | (316) | (6,245) |
| **568,460** | **(424,615)** | **143,845** | ***Net Cost of Services*** | | **622,198** | **(412,505)** | **209,692** |
| | | (458) | Other Operating Expenditure | 4.2.6b | | | (2,167) |
| | | 39,207 | Financing and Investment Income & Expenditure | 4.2.6c | | | 85,484 |
| | | (226,778) | Taxation and Non-Specific Grant Income | 4.2.6d | | | (214,897) |
| | | **(44,184)** | ***(Surplus)/Deficit on Provision of Services*** | | | | **78,112** |
| | | (30,052) | (Surplus)/deficit on revaluation of non-current assets | 4.2.11f | | | (5,859) |
| | | 95 | Impairment losses non-current assets charged to revaluation reserve | | | | 41 |
| | | (601) | (Surplus)/deficit on revaluation of available-for-sale financial assets | 4.2.10f | | | 37 |
| | | 64,981 | Remeasurements on pension fund (assets) & liabilities | 4.2.19 | | | (28,059) |
| | | **34,423** | **Other Comprehensive Income and Expenditure** | | | | **(33,840)** |
| | | **(9,761)** | **Total Comprehensive Income and Expenditure** | | | | **44,272** |

## 3.2 Balance Sheet

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| 1,190,560 | Property, Plant and Equipment | 4.2.11a | 1,176,478 |
| 66,172 | Heritage Assets | 4.2.11b | 67,233 |
| 20,874 | Investment Property | 4.2.11f | 21,352 |
| 3,825 | Intangible Assets | 4.2.11f | 4,086 |
| 7,078 | Long Term Investments | 4.2.11d | 9,098 |
| 3,502 | Long Term Debtors | | 3,680 |
| **1,292,011** | **Long Term Assets** | | **1,281,927** |
| | | | |
| - | Short Term Investments | 4.2.14a | 201 |
| 673 | Assets Held For Sale | 4.2.11f | 189 |
| 787 | Stocks | | 661 |
| 46,483 | Short Term Debtors | 4.2.14a | 43,457 |
| 22,157 | Cash and Cash Equivalents | 4.2.14a | 3,633 |
| **70,100** | **Current Assets** | | **48,141** |
| | | | |
| (10,995) | Short Term Borrowing | 4.2.14b | (10,648) |
| (9,934) | Other Short Term Liabilities | 4.2.14b | (10,034) |
| (62,164) | Short Term Creditors | 4.2.14b | (60,826) |
| (1,415) | Grants Receipts in Advance | 4.2.16 | (5,853) |
| (4,422) | Provisions | 4.2.15 | (4,786) |
| **(88,930)** | **Current Liabilities** | | **(92,146)** |
| | | | |
| (3,741) | Provisions | 4.2.15 | (3,852) |
| (342,849) | Long Term Borrowing | 4.2.14b | (391,940) |
| (132,908) | Other Long Term Liabilities | 4.2.14b | (121,379) |
| (475,628) | Net Pensions Liabilities | 4.2.19 | (446,969) |
| **(955,126)** | **Long Term Liabilities** | | **(964,139)** |
| | | | |
| **318,055** | **Net Assets** | | **273,783** |

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| 8,569 | General Fund Balance | 3.3 | 9,082 |
| 73,418 | Earmarked Reserves - General Fund | 4.2.9a | 50,763 |
| 10,207 | Usable Capital Receipts Reserve | 4.2.9c | 10,373 |
| 7,898 | Housing Revenue Account Balance | 3.3 | 7,740 |
| 19,524 | Earmarked Reserves - HRA | 4.2.9b | 17,031 |
| 9,469 | Major Repairs Reserves | 5.3.3a | 9,470 |
| 7,164 | Capital Grants Unapplied | 4.2.9d | 5,356 |
| **136,249** | **Usable Reserves** | | **109,816** |
| | | | |
| 471,724 | Capital Adjustment Account | 4.2.10a | 452,358 |
| 175,206 | Revaluation Reserve | 4.2.10b | 172,160 |
| 7,379 | Collection Fund Adjustment Account | 6.1 | 698 |
| (475,628) | Pensions Reserve (Deficit) | 4.2.10c | (464,587) |
| (7,942) | Accumulated Absences Account | | (6,833) |
| (3,148) | Financial Instruments Adjustment Account | 4.2.10e | (3,096) |
| 7,059 | Available for Sale Financial Instruments Reserve | 4.2.10f | 7,022 |
| 7,156 | Deferred Capital Receipts Reserve | 4.2.10d | 6,245 |
| **181,806** | **Unusable Reserves** | | **163,967** |
| | | | |
| **318,055** | **Total Reserves** | | **273,783** |

These financial statements replace the unaudited financial statements certified by Nick Edmonds on 30 May 2018

## 3.3 Movement in Reserves Statement

**2017/18**

| | Note | General Fund Balance £000 | General Fund Earmarked Reserves £000 | Housing Revenue Account £000 | HRA Earmarked Reserves £000 | Major Repairs Reserve £000 | Usable Capital Receipts £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2017** | | **8,569** | **73,418** | **7,898** | **19,524** | **9,469** | **10,207** | **7,164** | **136,249** | **181,806** | **318,055** |
| Total Comprehensive Expenditure and Income | **3.1** | (86,401) | - | 8,289 | - | - | - | - | **(78,112)** | 33,840 | **(44,272)** |
| Adjustments between accounting basis and funding basis under regulations | **4.2.8** | 64,257 | - | (10,940) | - | - | 168 | (1,810) | **51,675** | (51,675) | **-** |
| Rounding's | | 1 | - | - | - | 1 | (2) | 1 | **3** | (4) | **-** |
| **Increase/ (Decrease) in Year** | | **(22,143)** | **-** | **(2,651)** | **-** | **1** | **166** | **(1,809)** | **(26,434)** | **(17,838)** | **(44,272)** |
| Transfers to/(from) Earmarked Reserves | **4.2.9** | 22,655 | (22,655) | 2,493 | (2,493) | - | - | - | **-** | - | **-** |
| **Balance at 31 March 2018** | | **9,082** | **50,763** | **7,740** | **17,031** | **9,470** | **10,373** | **5,355** | **109,815** | **163,967** | **273,783** |

## 3.3 Movement in Reserves Statement

**2016/17**

| | Note | General Fund Balance £000 | General Fund Earmarked Reserves £000 | Housing Revenue Account £000 | HRA Earmarked Reserves £000 | Major Repairs Reserve £000 | Usable Capital Receipts £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2016** | | **8,569** | **114,217** | **7,837** | **25,258** | **10,547** | **13,522** | **19,176** | **199,126** | **109,168** | **308,294** |
| Total Comprehensive Expenditure and Income | **3.1** | (55,338) | - | 99,522 | - | - | - | - | **44,184** | (34,423) | **9,761** |
| Adjustments between accounting basis and funding basis under regulations | **4.2.8** | 14,538 | - | (105,194) | - | (1,078) | (3,315) | (12,011) | **(107,060)** | 107,060 | **-** |
| Rounding's | | 2 | (1) | (1) | - | 1 | - | - | **1** | - | **1** |
| **Increase/ (Decrease) in Year** | | **(40,798)** | **(1)** | **(5,673)** | **-** | **(1,077)** | **(3,315)** | **(12,011)** | **(62,875)** | **72,637** | **9,762** |
| Transfers to/(from) Earmarked Reserves | **4.2.9** | 40,798 | (40,798) | 5,734 | (5,734) | - | - | - | **-** | - | **-** |
| **Balance at 31 March 2017** | | **8,569** | **73,418** | **7,898** | **19,524** | **9,470** | **10,207** | **7,165** | **136,251** | **181,805** | **318,056** |

## **3.4** Cash Flow Statement

| 2016/17 £000 | | Note | 2017/18 £000 |
|---|---|---|---|
| **(44,184)** | **Net surplus/(deficit) on the provision of services** | 3.1 | **78,112** |
| 45,832 | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 4.2.27 | **(83,626)** |
| 19,108 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 4.2.27 | **23,418** |
| **20,756** | **Net Cash Flows from Operating Activities** | | **17,904** |
| | | | |
| **78,359** | **Net Cash Flows from Investing Activities** | 4.2.27 | **41,517** |
| **(41,612)** | **Net Cash Flows from Financing Activities** | 4.2.27 | **(40,896)** |
| **57,503** | **Net (increase) or decrease in cash and cash equivalents** | | **18,524** |
| | | | |
| 79,660 | Cash and Cash Equivalents at the beginning of the reporting period | 3.2 | 22,157 |
| **22,157** | **Cash and Cash Equivalents at the end of the reporting period** | 3.2 | **3,633** |

# 4.0 Explanatory Notes

## **4.1** Index of Explanatory Notes to the Core Financial Statements

## 4.2.1 Accounting Standards that have been Issued but not yet Adopted

The 2017/18 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information to disclose information relating to the impact of an accounting change that will be required by an new standard that has been issued but not yet adopted by the Code for the relevant financial year.

For adoption in 2018/19 the following accounting standard changes and their impact on the Council are shown in the table below

| **New Accounting Standards** | |
|---|---|
| **IFRS 9 Financial Instruments**<br><br>Introduces<br>- A single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed<br>- A forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39<br>-New provisions on hedge accounting | This new forward looking approach is likely to result in an increase in the allowances required as at 1 April 2018.<br><br>However the impact is considered to be small for the City Council.<br><br>Future transactions could potentially have a greater impact. These will be reviewed and considered in line with the new accounting standard. |
| **IFRS 15 Revenue from Contracts with Customers**<br><br>The core principle in IFRS 15 is that entities should recognise revenue to depict the transfer of promising goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. | Limited Impact -<br>This should not have a substantial effect for the City Council with the majority of income streams being relatively predictable. IFRS 15 does require increased disclosures on revenue to allow an understanding of the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers and includes the disaggregation of revenue, information on the performance objectives the significant judgements made and contract balances. |
| **Narrow Scope Amendments to International Financial Reporting Standards** | |
| **IAS 7 Statement of Cash Flows** | Limited Impact -<br>Amendments will require City Council to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities. |
| **IAS 12 Income Taxes** | Limited Impact -<br>Amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. |
| **IAS 40 Investment Property** | Limited Impact -<br>Provides clarification on transfers to or from the investment property classification. |
| **IFRIC 22 Foreign Currency Transactions And Advance Consideration** | Limited Impact -<br>Provides requirements for which exchange rate to use in reporting foreign currency when payment is made or received in advance. |
| **Annual Improvements to IFRS Standards 2014-2016 Cycle** | Limited Impact -The amendment to IFRS 12 clarifies the scope of IFRS 12 with respect to interests in entities within the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Although this amendment does not relate to common transactions for local authorities. |

## **4.2.2** Critical Judgements in applying Accounting Policies

In applying the accounting policies, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. Some of the key critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. The authority reviews its asset base and has judged that this uncertainty is not yet sufficient to provide an indication that material assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision. Where an asset is no longer judged to be required to provide a service it is declared surplus ultimately resulting in its disposal or transfer.

- The authority has judged that it controls the services provided under the outsourced agreements to rebuild, maintain, upgrade and provide services to its schools; to provide street lighting services; to provide and maintain a multi-service district centre on the Devonshire Square site in Bentilee; to provide and maintain a waste to energy plant and associated waste disposal site at Hanford; and to provide extra care housing at sites based at Westcliffe, Abbey Hulton and Blurton

- The authority has also concluded that it controls the residual value of assets used in these arrangements at the end of the agreements, with the exception of the waste scheme mobile scheme mobile plant and equipment, which may be purchased by the authority at the end of the contract period at open market value. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the assets are recognised as Property, Plant and Equipment on the authority's balance sheet.

- IFRS 10 control criteria in respect of local authority maintained schools specifies that '*the balance of control lies with local authorities fro all maintained schools'.* For Voluntary Aided/Controlled schools the authority conducts an annual assessment to ensure that material transactions are recognised and consolidated into the Council's Single Entity Primary Statement of Accounts

- The City Council's schools are run under a number of arrangements including Local Authority, Foundation schools and Church Schools. For Foundation and Church Schools as they form part of the PFI contract for which the City Council controls the delivery of services provided; in applying IFRIC 12 Service Concession Arrangements the City Council has judged that assets are used to provide public services in the service concession arrangement and are consequently recognised on the balance sheet.

- For Academy Schools it is the City Council's judgement that the Council has no control over Academy schools, therefore the assets and liabilities are not consolidated into the City Council's balance sheet. At the point of the Academy transfer notification the non-current assets are derecognised. Where the City Council is the owner, the land, being on a short term lease is retained on the City Council's balance sheet.

- The 2014/15 Code of Practice has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period'. In order to be satisfied that the value of assets in the balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2018 the council has created sub-groups of assets that are subject to formal valuation at the year end and been provided with a professional valuation assessment of the remaining assets. For assets not valued in the year, the council has judged that their value has not altered materially at the balance sheet date. This judgement is supported by a year-end market review provided by the Council's qualified valuers that provides assurance that valuation are materially correct at the balance sheet date.

### **4.2.3** Changes to Accounting Policy and Prior Period Adjustments

This section details revisions to previous years reported figures as a result of a change to accounting policy, the city council changing their accounting method or changes required as a result of International Financial Reporting Standards (IFRS) regulatory changes.

Accounting Standards that come into effect for financial years commencing on or before 1 January of the financial year i.e. on or before 1 January 2018 for 2017/18 are considered for changes to accounting policy that may result in the amendment to previously reported figures where material.

## **4.2.4** Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant facts.

The items in the Authority's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

**Pensions Assets/Liability**

Estimation of the net asset/liability of pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The transactions in the accounts represent the best estimate of pension assets and liabilities reflecting the uncertainty inherent in the estimations and are determined by a firm of professional actuaries engaged to provide the Authority with this information.

The effect of the net pensions liability of changes in individual assumptions can be measured. For instance, all other factors remaining equal, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £151.523m

**Arrears**

At the 31 March 2018 the Council has a gross short term debtor's balance of £83.423m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £22.348m has been set aside in the accounts. This impairment allowance based on past patterns and future assumptions of collection. Should economic factors mean the impairment allowance is insufficient then any excess debt that proves uncollectable will result in a charge to the CIES. This cost may ultimately fall to the General Fund, HRA Balance of the Collection Fund Adjustment Account, depending on the nature of the debt. Should an additional 5% of debts prove to be uncollectable (above the amount set aside) there would be a cost of £1.117m to the Council.

**PFI and Similar Contracts**

As at 31 March 2018 the Authority had committed to making unitary payments of £361.527m over the remaining lives of the PFI and similar contracts schemes (see not 4.2.10) . The contract payments are subject to inflationary increases, based on factors such as energy prices and various other contract variations that may arise after this date. In the current economic climate particularly with respect to energy prices, the value of future unitary payments may be higher than currently anticipated.

If inflationary factors were to increase by 0.5% on all PFI schemes, an additional £3.584m would need to be set aside to meet future commitments. If inflationary factors were to decrease by 0.5% on all PFI schemes, future commitments would be £3.975m lower.

**Business Rate Appeals**

The 2017/18 Accounts include estimates of the potential costs that may arise as a result of appeals lodged against non-domestic rate charges by local organisations. A gross provision of £8.180m has been set aside based on details of outstanding claims provided by the valuation office agency, analysis of historical trends in appeal outcomes and local knowledge. The City Council share of this provision is 49% (£4.008m). Should the actual outcomes from these appeals result in higher or lower costs then there would be a corresponding increase or decrease in the collection fund deficit charges to the taxation and non-specific grant income lines of the CIES. This deterioration would be recorded against the Collection Fund Adjustment Account for one year before being transferred to the General Fund the next. A 10% increase in cost from appeals would reduce net income by £0.401m

**Property Valuations**

The Council revalues its assets with sufficient regularity to ensure the value at the balance sheet date is materially correct. Where there is evidence of such movements, further valuations will be undertaken. The Council bases its valuation on assumptions of asset conditions, useful lives, residual values and market conditions. These judgements are underpinned by the best available information and are made by qualified valuers but are still based on estimates. A 1% fluctuation in council dwellings and other land and buildings values would amount to a £9m movement in Property, Planet and Equipment balance shown on the balance sheet.

## **4.2.5** Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax (and rent) payers how the funding available to the authority (i.e. government grants, rents, council tax, and business rates) for the year has been used in providing services in comparison with those resources consumed.

| 2017/18 | Children and Family Services £000 | Public Health and Adult Social Care £000 | Place, Growth and Prosperity £000 | Housing and Customer Services £000 | City Director £000 | Housing Revenue Account £000 | Schools £000 | Civic and Corporate Expenses £000 | Benefit Payments £000 | Non Departmental Costs £000 | Other Income and Expenditure £000 | Expenditure Chargeable to the GF and HRA Balances £000 | Adjustments between funding and accounting basis £000 | Net Expenditure in the CIES £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | | | | | | | |
| Fees, charges and service income | (16,151) | (39,607) | (25,177) | (1,772) | (4,482) | (69,300) | (6,783) | - | - | (384) | - | **(163,656)** | (14,697) | **(178,353)** |
| Interest and investment income | - | - | - | (625) | - | (74) | - | - | - | (1,613) | - | **(2,312)** | (2) | **(2,314)** |
| Council tax and business rates | - | - | - | - | - | - | - | - | - | - | (154,055) | **(154,055)** | 6,681 | **(147,374)** |
| Government grants and contributions | (52,889) | (37,925) | (3,402) | (366) | (1,994) | (137) | (69,217) | - | (88,508) | - | (44,819) | **(299,257)** | (2,999) | **(302,256)** |
| **Expenditure** | | | | | | | | | | | | | | |
| Employee benefits expenses | 44,056 | 32,500 | 27,453 | 13,197 | 15,577 | 13,880 | 38,045 | 1,039 | - | 5,248 | - | **190,995** | 18,199 | **209,194** |
| Other service expenses | 108,355 | 120,093 | 55,629 | 12,324 | 8,096 | 44,231 | 18,357 | 492 | 87,463 | 2,918 | - | **457,958** | (49,428) | **408,530** |
| Depreciation, amortisation and impairment | - | - | - | - | - | 16,282 | 136 | - | - | 5,641 | - | **22,059** | 7,432 | **29,491** |
| Interest Payments | 1,129 | - | - | - | - | - | 17 | - | - | 12,771 | - | **13,917** | 6,589 | **20,506** |
| Precepts and levies | - | - | - | - | - | - | - | - | - | 590 | - | **590** | 79 | **669** |
| Payments to Housing Capital Receipts Pool | - | - | - | - | - | - | - | - | - | 1,323 | - | **1,323** | - | **1,323** |
| Gain or loss on disposal on non-current assets | - | - | - | - | - | (1,930) | - | - | - | (5,301) | - | **(7,231)** | 52,436 | **45,205** |
| Internal recharges | (15,315) | (3,465) | (18,726) | (7,264) | (3,694) | (303) | 19,263 | (440) | - | (5,592) | - | **(35,536)** | 29,027 | **(6,509)** |
| **Expenditure chargeable to the GF and HRA Balances** | **69,185** | **71,596** | **35,777** | **15,494** | **13,503** | **2,649** | **(182)** | **1,091** | **(1,045)** | **15,599** | **(198,874)** | **24,795** | **53,317** | **78,112** |
| Adjustments between funding and accounting basis | (13,987) | (771) | 14,220 | 10,463 | 5,370 | (15,313) | 7,961 | (74) | - | (21,846) | 67,294 | **53,317** | **Note 4.2.6** | |
| **(Surplus) or Deficit** | **55,198** | **70,825** | **49,997** | **25,957** | **18,978** | **(12,664)** | **7,779** | **1,017** | **(1,045)** | **(6,245)** | **(131,580)** | **78,112** | | **Note 3.1** |

| | |
|---|---|
| Opening General Fund and HRA Balance at 31 March 2017 | 109,409 |
| Less Deficit on General Fund and HRA Balance in Year | (24,795) |
| **Closing General Fund and HRA Balance at 31 March 2018** | **84,614** |

## **4.2.5** Expenditure and Funding Analysis

| 2016/17 | Children and Family Services £000 | Public Health and Adult Social Care £000 | Place, Growth and Prosperity £000 | Housing and Customer Services £000 | City Director £000 | Housing Revenue Account £000 | Schools £000 | Civic and Corporate Expenses £000 | Benefit Payments £000 | Non Departmental Costs £000 | Other Income and Expenditure £000 | Expenditure Chargeable to the GF and HRA Balances £000 | Adjustments between funding and accounting basis £000 | Net Expenditure in the CIES £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | | | | | | | |
| Fees, charges and service income | (12,850) | (43,301) | (25,923) | (614) | (3,893) | (69,574) | (6,618) | - | - | (338) | - | **(163,111)** | (1,833) | **(164,944)** |
| Interest and investment income | - | - | - | (144) | - | (122) | - | - | - | (2,133) | - | **(2,399)** | (1) | **(2,400)** |
| Council tax and business rates | - | - | - | - | - | - | - | - | - | - | (144,749) | **(144,749)** | (1,253) | **(146,002)** |
| Government grants and contributions | (55,779) | (28,745) | (3,399) | (18) | (2,232) | (18) | (80,495) | - | (92,004) | - | (55,673) | **(318,363)** | (22,687) | **(341,050)** |
| **Expenditure** | | | | | | | | | | | | | | |
| Employee benefits expenses | 46,666 | 33,200 | 27,343 | 11,033 | 16,389 | 14,229 | 45,076 | 1,043 | - | 4,045 | - | **199,024** | 45,457 | **244,481** |
| Other service expenses | 106,424 | 124,874 | 59,833 | 5,973 | 7,729 | 48,486 | 17,825 | 633 | 91,228 | 12,531 | - | **475,536** | (84,791) | **390,745** |
| Depreciation, amortisation and impairment | - | - | - | - | - | 13,945 | - | - | - | 1,104 | - | **15,049** | (61,150) | **(46,101)** |
| Interest Payments | 1,129 | - | - | - | - | 578 | 2 | - | - | 12,415 | - | **14,124** | 5,791 | **19,915** |
| Precepts and levies | - | - | - | - | - | - | - | - | - | 69 | - | **69** | - | **69** |
| Payments to Housing Capital Receipts Pool | - | - | - | - | - | - | - | - | - | - | - | **-** | 1,330 | **1,330** |
| Gain or loss on disposal on non-current assets | - | - | - | - | - | (1,853) | - | - | - | 676 | - | **(1,177)** | 5,614 | **4,437** |
| Internal recharges | (21,371) | (5,950) | (18,284) | (3,034) | (3,866) | 2 | 31,006 | (333) | - | (5,701) | - | **(27,531)** | 22,867 | **(4,664)** |
| **Expenditure chargeable to the GF and HRA Balances** | **64,219** | **80,078** | **39,570** | **13,196** | **14,127** | **5,673** | **6,796** | **1,343** | **(776)** | **22,668** | **(200,422)** | **46,472** | **(90,656)** | **(44,184)** |
| Adjustments between funding and accounting basis | (28,406) | 31,891 | 17,142 | 5,662 | 3,969 | (110,530) | (255) | (1) | 1 | (22,522) | 12,393 | **(90,656)** | **Note 4.2.6** | |
| **(Surplus) or Deficit** | **35,813** | **111,969** | **56,712** | **18,858** | **18,096** | **(104,857)** | **6,541** | **1,342** | **(775)** | **146** | **(188,029)** | **(44,184)** | | **Note 3.1** |

| | |
|---|---|
| Opening General Fund and HRA Balance at 31 March 2017 | 155,881 |
| Less Deficit on General Fund and HRA Balance in Year | (46,472) |
| **Closing General Fund and HRA Balance at 31 March 2018** | **109,409** |

## 4.2.6 Notes to Income and Expenditure

### a - Note to the Expenditure and Funding Analysis

Breakdown of Adjustments between funding and accounting basis for the General Fund and HRA to add Expenditure or Income not chargeable to Taxation or Rents and remove Items which are only Chargeable under Statute

| 2016/17 For Capital Purposes £000 | 2016/17 Net change for the Pensions £000 | 2016/17 Other Differences £000 | 2016/17 Amounts not Included in net Cost of Services £000 | 2016/17 Reversal of internal recharges £000 | 2016/17 Total Adjustments £000 | | 2017/18 For Capital Purposes £000 | 2017/18 Net change for the Pensions £000 | 2017/18 Other Differences £000 | 2017/18 Amounts not Included in net Cost of Services £000 | 2017/18 Reversal of internal recharges £000 | 2017/18 Total Adjustments £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (25,703) | 805 | 564 | (1,712) | (2,360) | **(28,406)** | Children and Family Services | (11,125) | 4,629 | 47 | (2,621) | (4,916) | **(13,987)** |
| 33,386 | 620 | 88 | (1,045) | (1,158) | **31,891** | Public Health and Adult Social Care | 1,462 | 3,581 | (241) | (528) | (5,045) | **(771)** |
| 18,120 | 516 | 69 | (3,244) | 1,681 | **17,142** | Place, Growth and Prosperity | 12,344 | 3,065 | (44) | (2,563) | 1,415 | **14,220** |
| 5,960 | 209 | (1,100) | 144 | 449 | **5,662** | Housing and Customer Services | 4,905 | 1,512 | 509 | 139 | 3,398 | **10,463** |
| 35 | 302 | 4 | 2,214 | 1,414 | **3,969** | City Director | 19 | 1,736 | (105) | 1,924 | 1,796 | **5,370** |
| (105,886) | (90) | 74 | (4,628) | - | **(110,530)** | Housing Revenue Account | (11,746) | 261 | (107) | (3,721) | - | **(15,313)** |
| 1,126 | 1,354 | (851) | - | (1,773) | **(144)** | Schools | 3,323 | 3,618 | (480) | (136) | 1,636 | **7,961** |
| - | 3 | 1 | - | (5) | **(1)** | Civic and Corporate Expenses | - | 18 | - | - | (92) | **(74)** |
| - | - | 1 | - | - | **1** | Benefit Payments | - | - | - | - | - | **-** |
| (5,861) | (5,557) | (153) | (12,703) | 1,752 | **(22,522)** | Non Departmental Costs | 46,847 | (13,574) | 760 | (57,687) | 1,808 | **(21,846)** |
| **(78,823)** | **(1,838)** | **(1,303)** | **(20,974)** | **-** | **(102,938)** | **Net Cost of Services** | **46,029** | **4,846** | **343** | **(65,193)** | **-** | **(13,977)** |
| (21,732) | 14,295 | (1,255) | 20,974 | - | **12,282** | Other Income and Expenditure | (15,250) | 12,172 | 5,179 | 65,193 | - | **67,294** |
| **(100,555)** | **12,457** | **(2,558)** | **-** | **-** | **(90,656)** | | **30,779** | **17,018** | **5,522** | **-** | **-** | **53,317** |

## 4.2.6 Notes to Income and Expenditure

### b - Other Operating Expenditure

| 2016/17 £000 | | Notes | 2017/18 £000 |
|---|---|---|---|
| 69 | Levies and external contributions | | 669 |
| (1,857) | Loss/(gain) on disposal of non current assets | | (4,159) |
| 1,330 | Payments to the Government housing capital receipts pool | | 1,323 |
| **(458)** | | | **(2,167)** |

### c - Financing and Investment Income & Expenditure

| 2016/17 £000 | | Notes | 2017/18 £000 |
|---|---|---|---|
| 26,482 | Interest payable and similar charges | 4.2.14c | 26,923 |
| 14,295 | Net interest on the net defined benefit liability | 4.2.19 | 12,173 |
| (593) | Interest and investment income | 4.2.14c | (313) |
| 6,295 | Derecognition of school assets transferred to academies[1] | 4.2.11 | 49,363 |
| (5,587) | Income and expenditure in relation to investment properties and changes in fair value | | (1,160) |
| (1,685) | Other investment income | 4.2.14c | (1,502) |
| **39,207** | | | **85,484** |

*[1] 16 schools in 2017/18 (5 schools in 2016/17)*

### d - Taxation and Non-Specific Grant Income

| 2016/17 £000 | | Notes | 2017/18 £000 |
|---|---|---|---|
| (75,000) | Council tax income | 6.1 | (76,252) |
| (71,003) | Non domestic rates | 6.1 | (71,122) |
| (62,770) | Non-specific government grants | 4.2.16a | (51,667) |
| (18,005) | Capital grants and contributions | 4.2.16b | (15,857) |
| **(226,778)** | | | **(214,897)** |

## **4.2.7** Exceptional Items in the CIES

<u>HRA Reversal of Revaluation Loss</u>

During 2016/17 the Housing Revenue Account changed the percentage of the Social Housing discount factor applied to the valuation of housing dwellings from 34% to 40% in line with Government requirements. This resulted in a significant revaluation gain to the value of the housing stock.

Under the Accounting Code of Practice and revaluation gain is first used to reverse a previous revaluation loss, adjusted for depreciation. The net gains in 2017/18 of £8.569m have been applied to reverse part of the previous recognised loss charged to the net cost of service.

| Summary of Revaluation Loss | **£000** |
|---|---|
| Losses charges | **173,225** |
| *Reversals* | |
| - 2014/15 | (28,430) |
| - 2015/16 | (16,872) |
| - 2016/17 | (94,414) |
| - 2017/18 | (8,569) |
| **Balance of loss remaining** | **24,940** |

<u>Children and Family Services - Reversal of Revaluation Loss</u>

The value of school buildings is determined by the valuer using the BCIS cost index which has increased by 10% over the last financial year. The amounts credited to the CIES, of £12.568m, represent the increase in value that reverses previous valuation losses against these assets.

## **4.2.8** Adjustments between Accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement (CIES), recognised by the Authority n the year, in accordance with proper accounting practice to the resources that are specified by statutory provision as being available to the Authority, to meet future capital and revenue expenditure.

| 2016/17 Useable Reserves | | | | | | | | 2017/18 Useable Reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General Fund | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves | | | General Fund | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| £000 | £000 | £000 | £000 | £000 | £000 | **Adjustments Primarily Involving:** | **Notes** | £000 | £000 | £000 | £000 | £000 | £000 |
| | | | | | | **Capital Adjustment Account** | | | | | | | |
| | | | | | | ***Reversal of items debited or credited to the CIES*** | | | | | | | |
| (18,646) | (12,663) | - | - | - | 31,309 | Depreciation of Non-Current Assets | 4.2.11f | (20,719) | (13,749) | - | - | - | 34,468 |
| (3,925) | (657) | - | - | - | 4,582 | Impairment of Non-Current Assets | 4.2.11f | (3,951) | (2,776) | - | - | - | 6,727 |
| (13,134) | 94,836 | - | - | - | (81,702) | Revaluation losses on Property, Plant and Equipment | 4.2.11f | 13,165 | 8,573 | - | - | - | (21,738) |
| 5,058 | - | - | - | - | (5,058) | Movement in market value of Investment Property | 4.2.11f | 426 | - | - | - | - | (426) |
| (849) | - | - | - | - | 849 | Amortisation of Intangible Assets | 4.2.11f | (1,322) | - | - | - | - | 1,322 |
| (4,488) | (540) | - | - | - | 5,028 | Revenue Expenditure Funded from Capital Under Statute | | (9,136) | (994) | - | - | - | 10,130 |
| | | | | | | ***Carrying Amount of Non-Current Assets:*** | | | | | | | |
| (649) | (4,471) | - | - | - | 5,120 | - written off on disposal to the CIES | 4.2.11f | (3,902) | (4,670) | - | - | - | 8,572 |
| - | (377) | - | - | - | 377 | - finance leases written off on disposal to the CIES | | - | - | - | - | - | - |
| (6,183) | - | - | - | - | 6,183 | - written off on derecognition to the CIES | 4.2.11f | (49,227) | - | - | - | - | 49,227 |
| 13,734 | - | - | - | - | (13,734) | Capital grants and contributions applied | | 7,883 | - | - | - | - | (7,883) |
| 3,344 | - | - | - | - | (3,344) | Revenue Expenditure Funded from Capital Under Statute—Funding | | 6,371 | 608 | - | - | - | (6,979) |
| 1,155 | - | - | - | - | (1,155) | Service concession deferred income write back | | 1,286 | - | - | - | - | (1,286) |

## 4.2.8 Adjustments between Accounting basis and funding basis under regulations

| 2016/17 Useable Reserves | | | | | | | | 2017/18 Useable Reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General Fund £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 | **Adjustments Primarily Involving:** | **Notes** | General Fund £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
| | | | | | | ***Insertion of items not debited or credited to the CIES*** | | | | | | | |
| 13,658 | - | - | - | - | (13,658) | MRP for capital financing | 4.2.12d | 15,928 | - | - | - | - | (15,928) |
| 1,829 | - | - | - | - | (1,829) | County council principal loan repayment | | 1,829 | - | - | - | - | (1,829) |
| - | 3,565 | - | - | - | (3,565) | HRA repayment of debt | | - | - | - | - | - | - |
| 3,273 | 9,817 | - | - | - | (13,090) | Capital expenditure charged against the general fund | | 1,404 | 4,468 | - | - | - | (5,872) |
| | | | | | | **Capital Grants Unapplied** | | | | | | | |
| 873 | - | - | - | (873) | - | Capital grants credited to the CIES which are unapplied | | 814 | - | - | - | (814) | - |
| 762 | - | - | - | (762) | - | Transfer to/from revenue reserve | | (61) | - | - | - | 61 | - |
| - | - | - | - | 13,646 | (13,646) | Transfer of grants applied to Capital Adjustment Account | | - | - | - | - | 2,563 | (2,563) |
| 1,260 | (1) | - | - | - | (1,259) | **Financial Instruments Adjustment Account** | | 51 | - | - | - | - | (51) |
| | | | | | | **Pensions Reserve** | | | | | | | |
| (40,049) | (2,085) | - | - | - | 42,134 | Reversal of items relating to retirement benefits debited or credited to the | | (43,926) | (2,490) | - | - | - | 46,416 |
| 28.209 | 1,468 | - | - | - | (29,677) | Employer's contributions and direct payments made in year to the pension fund | | 27,821 | 1,577 | - | - | - | (29,398) |
| | | | | | | **Collection Fund Adjustment Account -** *difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to:* | | | | | | | |
| (1,558) | - | - | - | - | 1,558 | - Council Tax | 6.1 | (1,693) | - | - | - | - | 1,693 |
| 2,811 | - | - | - | - | (2,811) | - Business Rates | 6.1 | (4,987) | - | - | - | - | 4,987 |

## **4.2.8** Adjustments between Accounting basis and funding basis under regulations

| 2016/17 Useable Reserves | | | | | | | | 2017/18 Useable Reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General Fund | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves | | | General Fund | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **Adjustments Primarily Involving:** | **Notes** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| 120 | (74) | - | - | - | (46) | **Accumulated Absences Account** | | 1,002 | 107 | - | - | - | (1,109) |
| | | | | | | **Deferred Capital Receipts Reserve** | | | | | | | |
| 54 | - | - | - | - | (54) | Transfer of deferred capital grants credited as capital grants and contributions to the CIES | | 182 | - | - | - | - | (182) |
| | | | | | | **Capital Receipts Reserve** | | | | | | | |
| 654 | 6,324 | (6,978) | - | - | - | Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES | | 6,061 | 6,600 | (13,453) | | - | 792 |
| - | 377 | (377) | - | - | - | Transfer of notional sale proceeds credited as part of gain/loss in disposal to the CIES | | 70 | - | (70) | - | - | - |
| | | | | | | ***Contribution from Capital Receipts Reserve to:*** | | | | | | | |
| (2) | - | 2 | - | - | - | - disposal costs | | (6) | (4) | 10 | - | - | - |
| (1,330) | - | 1,330 | - | - | - | - Government Capital Receipts Pool | | (1,323) | - | 1,323 | - | - | - |
| - | - | (247) | - | - | 247 | Repayment from long term debtors | | - | - | (300) | - | - | 300 |
| (519) | - | 519 | - | - | - | Use of capital receipts for transformation | | (8,297) | (59) | 8,356 | - | - | - |
| - | - | 9,066 | - | - | (9,066) | Use of capital receipts to finance capital expenditure | | - | - | 3,966 | - | - | (3,966) |
| | | | | | | **Major Repairs Reserve** | | | | | | | |
| - | 12,663 | - | (12,663) | - | - | Contribution for depreciation | | - | 13,749 | - | (13,749) | - | - |
| - | - | - | - | - | - | Voluntary contribution | | - | - | - | - | - | - |
| | | | | | | Use of major repairs allowance to finance: | | | | | | | |
| - | (2,988) | - | 2,988 | - | - | - voluntary repayment of debt | | - | - | - | - | - | - |
| - | - | - | 10,753 | - | (10,753) | - capital expenditure | | - | - | - | 13,749 | - | (13,749) |
| **(14,538)** | **105,194** | **3,315** | **1,078** | **12,011** | **(107,060)** | **Total adjustments** | | **(64,257)** | **10,940** | **(168)** | **-** | **1,810** | **51,675** |

## 4.2.9 Usable Reserves

### a - Earmarked Reserves - General Fund

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2017/18.

| Balance at 31 March 2016 £000 | Transfers From £000 | Transfers To £000 | Balance at 31 March 2017 £000 | General Fund | Notes | Balance at 31 March 2017 £000 | Transfers From £000 | Transfers To £000 | Balance at 31 March 2018 £000 |
|---|---|---|---|---|---|---|---|---|---|
| **9,848** | (8,884) | 2,217 | **3,181** | Support one off commitments | | **3,181** | (1,373) | - | **1,808** |
| **5,748** | (2,971) | 722 | **3,498** | Other Departmental Reserves | | **3,498** | (1,470) | 500 | **2,529** |
| **4,187** | - | 224 | **4,411** | Insurances | | **4,411** | - | - | **4,411** |
| **1,762** | (568) | 180 | **1,374** | Partnerships | | **1,374** | (883) | 62 | **552** |
| **1,416** | (887) | - | **529** | Smithfield Occupancy | | **529** | (529) | - | **-** |
| **1,377** | (638) | 13 | **752** | Legal Reserve | | **752** | (225) | - | **527** |
| **4,577** | (1,399) | 100 | **3,278** | Transformation Challenge Award | | **3,278** | (1,861) | - | **1,417** |
| **3,364** | (871) | 88 | **2,581** | Other Grants | | **2,581** | (526) | 75 | **2,130** |
| **536** | (69) | 36 | **503** | Development Agreements | | **503** | (49) | - | **453** |
| **802** | (242) | 8 | **568** | Other Reserves and Donations | | **568** | (221) | 133 | **480** |
| **7,461** | (5,483) | 3,867 | **5,845** | School balances | | **5,845** | (5,653) | 3,962 | **4,154** |
| **36,431** | (284) | 2,158 | **38,305** | PFI | | **38,305** | (2,091) | 302 | **36,515** |
| **10,538** | (9,859) | - | **678** | Schools DSG | | **678** | (6,349) | - | **(5,670)** |
| **4,608** | (1,063) | 880 | **4,424** | Public Health | | **4,424** | (3,582) | 402 | **1,243** |
| **186** | (186) | 213 | **213** | Invest to Save Reserve | | **213** | - | - | **213** |
| **1,073** | - | 2,205 | **3,279** | Support 17/18 Budget Strategy | | **3,279** | (3,279) | - | **-** |
| **15,450** | (15,450) | - | **-** | Support 16/17 Budget Strategy | | **-** | - | - | **-** |
| **2,153** | (2,153) | - | **-** | “Our Work Your City” Reserve | | **-** | - | - | **-** |
| **203** | (203) | - | **-** | “What Matters” Reserve | | **-** | - | - | **-** |
| **2,498** | (2,498) | - | **-** | Redundancy Reserve | | **-** | - | - | **-** |
| **114,217** | **(53,710)** | **12,911** | **73,418** | Total General Fund Earmarked Reserves | | **73,418** | (28,092) | 5,436 | **50,763** |

## 4.2.9 Usable Reserves

### b - Earmarked Reserves - HRA

| Balance at 31 March 2016 | Transfers From | Transfers To | Balance at 31 March 2017 | | Notes | Balance at 31 March 2017 | Transfers From | Transfers To | Balance at 31 March 2018 |
|---|---|---|---|---|---|---|---|---|---|
| £000 | £000 | £000 | £000 | HRA | | £000 | £000 | £000 | £000 |
| **24,574** | (9,817) | 4,083 | **18,840** | Housing Capital Reserve | | **18,840** | (4,243) | 1,916 | **16,513** |
| **684** | - | - | **684** | HRA Equipment | | **684** | (166) | - | **518** |
| **25,258** | **(9,817)** | **4,083** | **19,524** | Total HRA Earmarked Reserves | | **19,524** | (4,409) | 1,915 | **17,031** |

### c - Usable Capital Receipts Reserve

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

| 31 March 2017 | | | 31 March 2018 |
|---|---|---|---|
| £000 | | Note | £000 |
| 7,356 | Amounts receivable in year | | 13,523 |
| 247 | Amounts receivable from long term debtors | | 300 |
| (2) | Disposal costs | | (10) |
| (1,330) | Capital receipts pooling payment to DCLG | | (1,323) |
| (520) | Amount applied for revenue transformation | | (8,356) |
| (9,066) | Amounts applied to finance new capital investment | | (3,966) |
| **(3,315)** | **Total increase/(decrease) in reserve during year** | | **168** |
| | | | |
| 13,522 | Balance brought forward at 1 April | | 10,207 |
| **10,207** | **Balance carried forward at 31 March** | | **10,375** |

## 4.2.9 Usable Reserves

### d - Capital Grants Unapplied Reserve

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards in advance of the capital projects to which it relates. The grant is not assumed to have any conditions attached to it that would trigger its repayment to the original provider. The terms of the grant may restrict how the grant is applied for example, to a particular scheme and/or the financial year which this can take place

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| 873 | Capital grants received in yearn which have not been applied | | 814 |
| (13,646) | Applied during the year transferred to capital adjustment account | | (2,563) |
| 762 | Transfer (to)/from revenue reserve | | (61) |
| **(12,011)** | **Total increase/(decrease) in reserve during year** | | **(1,810)** |
| | | | |
| 19,175 | Balance brought forward at 1 April | | 7,164 |
| **7,164** | **Balance carried forward at 31 March** | | **5,356** |

## 4.2.10 Unusable Reserves

### a - 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

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

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---:|---|---|---:|
| **352,660** | **Balance at 1st April** | | **471,724** |
| (35,892) | Charges for depreciation and impairment of non current assets | | (41,195) |
| 81,702 | Revaluation movement on property, plant and equipment & non current assets held for sale | | 21,738 |
| (849) | Amortisation of intangible assets | | (1,322) |
| (5,028) | Revenue expenditure funded from capital under statute | | (10,130) |
| (5,497) | Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal | | (8,572) |
| (6,183) | Amounts of non-current assets written off on derecognition or sale as part of gain/loss on disposal | | (49,227) |
| - | Amounts of non-current assets transferred to Fortior Homes | | 830 |
| 5,058 | Movement in market value of investment properties | | 426 |
| 1,913 | Adjusting amounts written out of Revaluation Reserve | | 8,865 |
| **35,224** | **Net Written out amount of the cost of non-current assets consumed in the year** | | **(78,588)** |
| | ***Capital Financing applied in the year:*** | | |
| 9,066 | Use of capital receipts reserve to finance new capital | | 3,136 |
| 10,753 | Use of major repairs reserve to finance new capital | | 13,748 |
| 2,988 | Use of major repairs reserve to finance voluntary repayment of debt | | - |
| 577 | Use of HRA general fund for capital financing | | - |
| 17,078 | Capital grants and contributions credited to the CIES applied to capital financing | | 2,563 |
| 13,646 | Applications of grants to capital financing from capital grants unapplied account | | 14,861 |
| 15,487 | Statutory provisions for the financing of capital investment charged against general fund | | 17,757 |
| 1,155 | Service Concession deferred income write back | | 1,286 |
| 3,273 | Capital expenditure charged against the General Fund | | 1,404 |
| 9,817 | Capital expenditure charged against the HRA | | 4,468 |
| **83,840** | | | **59,223** |
| **471,724** | **Balance at 31 March** | | **452,359** |

## 4.2.10 Unusable Reserves

### b - Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| **147,162** | **Balance at 1st April** | | **175,206** |
| 42,484 | Upwards revaluation of assets | | 19,944 |
| (12,527) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | | (14,125) |
| **29,957** | **Surplus of deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services** | | **5,819** |
| (1,619) | Difference between fair value depreciation and historical cost depreciation | | (2,587) |
| (294) | Accumulated gains on assets sold or scrapped | | (6,278) |
| **(1,913)** | Amount written off to the Capital Adjustment Account | | (8,865) |
| **175,206** | **Balance at 31 March** | | **172,160** |

### c - 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 CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as the Authority makes employer’s contributions to pension funds or eventually pays and pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| **(398,190)** | **Balance at 1st April** | | **(475,628)** |
| (64,981) | Remeasurements of the net defined benefit liability/asset | | 28,059 |
| (42,134) | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | | (46,416) |
| 29,677 | Employers’ pension contributions and direct payments to pensioners payable in the year | | 29,398 |
| **(475,628)** | **Balance at 31 March** | | (464,587) |

## 4.2.10 Unusable Reserves

### d - Deferred Capital Receipts Reserve

The Deferred Capital Receipt Reserve holds gains recognised but for which the cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as useable capital receipts until the cash settlement is due. When the deferred cash settlement becomes due, amounts are transferred to the Useable Capital Receipts Reserve.

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| **7,350** | **Balance at 1st April** | | **7,156** |
| 46 | New deferred receipts - empty homes | | 39 |
| 8 | New deferred receipts - home improvements | | 142 |
| | *Transfers to useable capital receipts reserve upon receipt of cash/assets* | | |
| (248) | Repayment of long term debtors | | (299) |
| - | Deferred sale proceeds on non-current assets | | (760) |
| - | Deferred sale proceeds on non-current assets now realised | | (33) |
| **7,156** | **Balance at 31 March** | | **6,245** |
| | *Of which:* | | |
| 5,576 | Kickstart loans | | 5,420 |
| 733 | Cluster loans | | 598 |
| 46 | Empty Homes | | 77 |
| 8 | Home Improvements | | 150 |
| 793 | Deferred sales proceeds | | - |
| **7,156** | **Balance at 31 March** | | **6,245** |

## 4.2.10 Unusable Reserves

### e - Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

The difference between effective interest credited or charged to the CIES per accounting requirements and the actual interest received or paid per statutory requirements is managed as a transfer to/from the FIAA.

The Authority uses the Account to manage discount received on the early redemption of a number of loans. Discounts are credited to the CIES when they are incurred, but reversed out of the HRA to the FIAA in the Movement in Reserves Statement.

| 31 March 2017 | | | 31 March 2018 |
|---|---|---|---|
| £000 | | Note | £000 |
| **(4,407)** | **Balance at 1st April** | | **(3,148)** |
| (1) | Proportion of discounts received in previous financial years to be transferred to the HRA in accordance with statutory requirements | | - |
| 155 | Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | | 2 |
| 1,113 | Movement in Fair Value | | 50 |
| (8) | Discounting of new loans | | - |
| **(3,148)** | **Balance at 31 March** | | **(3,096)** |

### f - Available for Sale Financial Instruments Reserve

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

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

| 31 March 2017 | | | 31 March 2018 |
|---|---|---|---|
| £000 | | Note | £000 |
| **6,457** | **Balance at 1st April** | | **7,059** |
| 630 | Upwards revaluation of long term investments | | 272 |
| - | Downward revaluation of short term investments | | (309) |
| (28) | Realised gain on short term investments | | -. |
| **7,059** | **Balance at 31 March** | | **7,022** |

## 4.2.11 Assets

### a - Property, Plant & Equipment

| Movement on Balance 2017/18 | Council Dwellings | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets within Property Plant & Equipment |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Balance at 1 April** | **502,975** | **420,974** | **56,790** | **226,224** | **32,444** | **41,417** | **6,976** | **1,287,800** | **232,964** |
| Additions | 16,678 | 6,516 | 5,606 | 17,069 | 1,714 | 2,464 | 6,053 | **56,100** | 6,725 |
| Donations | - | 172 | - | - | - | - | - | **172** | - |
| *Revaluation increases/(decreases) recognised in the:* | | | | | | | | | |
| Revaluation reserve | - | 1,194 | - | - | 655 | (8) | - | **1,841** | 2,606 |
| Surplus/Deficit on the Provision of Services | (4,297) | 8,889 | - | - | - | (758) | - | **3,834** | 9,289 |
| Derecognition through disposal and transfer (Non-schools) | (1,612) | (112) | (710) | (7,169) | - | (7,485) | (71) | **(17,159)** | (2,009) |
| Derecognition through disposal and transfer School transfers | - | (48,972) | (4,000) | (42) | - | - | - | **(53,014)** | (48,817) |
| Reclassifications - other | - | - | - | - | - | - | - | **-** | - |
| Assets reclassified (to)/from Held for Sale | (4,037) | (185) | - | - | - | (11) | - | **(4,233)** | - |
| Other | 118 | 1,020 | (132) | (1,054) | 7 | 914 | (873) | **-** | - |
| **Balance at 31 March** | **509,825** | **389,496** | **57,554** | **235,028** | **34,820** | **36,533** | **12,085** | **1,275,341** | **200,758** |

## 4.2.11 Assets

### a - Property, Plant & Equipment

| Movement on Balance 2017/18<br>Accumulated Depreciation and Impairment | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 | PFI Assets within Property Plant & Equipment £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 April** | **(605)** | **(6,506)** | **(25,545)** | **(56,992)** | **(663)** | **(5,454)** | **(1,475)** | **(97,240)** | **(12,507)** |
| Depreciation charge in year | (13,061) | (9,117) | (5,178) | (6,925) | - | (96) | - | **(34,377)** | (5,800) |
| *Depreciation written out to the:* | | | | | | | | | |
| Revaluation Reserve | - | 3,627 | **-** | **-** | **-** | **4** | **-** | **3,631** | 445 |
| Surplus/Deficit on the Provision of Services | 12,866 | 4,932 | **-** | **-** | **-** | **209** | **-** | **18,007** | 1,962 |
| *Impairment losses/(reversals) recognised in the:* | | | | | | | | | |
| Revaluation reserve | - | (29) | - | (11) | - | - | - | **(40)** | - |
| Surplus/Deficit on the Provision of Services | (2,254) | (262) | (330) | (1,955) | - | (1,188) | - | **(5,989)** | (11) |
| Derecognition through disposal and transfer: Non-schools | 1,612 | 112 | 687 | 6,738 | - | 4,206 | - | **13,355** | 2,009 |
| Derecognition through disposal and transfer: School transfers | - | 1,199 | 2,574 | 16 | - | - | - | **3,789** | 1,188 |
| Reclassifications - other | - | - | - | - | - | - | - | **-** | - |
| Assets reclassified (to)/from Held for Sale | (4) | 4 | - | - | - | 1 | - | **1** | - |
| Other | 702 | (375) | 35 | 353 | - | (690) | (25) | **-** | - |
| **Balance at 31 March** | **(744)** | **(6,415)** | **(27,757)** | **(58,776)** | **(663)** | **(3,008)** | **(1,500)** | **(98,863)** | **(12,714)** |
| | | | | | | | | | |
| **Net Book Value** | | | | | | | | | |
| **At 31 March 2018** | **509,081** | **383,081** | **29,797** | **176,252** | **34,157** | **33,525** | **10,585** | **1,176,478** | **188,044** |
| **At 31 March 2017** | **502,370** | **414,468** | **31,245** | **169,232** | **31,781** | **35,963** | **5,501** | **1,190,560** | **220,457** |

## 4.2.11 Assets

### a - Property, Plant & Equipment

| Movement on Balance 2016/17 | Council Dwellings | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets within Property Plant & |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Balance at 1 April** | **404,210** | **349,092** | **55,043** | **217,651** | **32,144** | **38,770** | **23,779** | **1,120,415** | **196,443** |
| Additions | 19,362 | 10,341 | 7,337 | 14,944 | 581 | 1,636 | 50,270 | **104,471** | 51,445 |
| Donations | - | - | - | - | - | - | - | **-** | - |
| *Revaluation increases/(decreases) recognised in the:* | | | | | | | | | |
| Revaluation reserve | - | 24,402 | - | - | - | 503 | - | **24,905** | 14,571 |
| Surplus/Deficit on the Provision of Services | 82,589 | (21,354) | - | - | - | 310 | - | **61,545** | (23,804) |
| Derecognition through disposal and transfer (Non-schools) | (39) | (783) | (4,674) | (7,834) | (12) | (163) | - | **(13,505)** | (285) |
| Derecognition through disposal and transfer School transfers | - | (6,140) | (805) | (15) | - | - | - | **(6,960)** | (6,292) |
| Reclassifications - other | 309 | 65,586 | (111) | 1,752 | (269) | (194) | (67,073) | **-** | 886 |
| Assets reclassified (to)/from Held for Sale | (3,456) | (170) | - | - | - | 555 | - | **(3,071)** | - |
| Other | | | | | | | | **-** | |
| **Balance at 31 March** | **502,975** | **420,974** | **56,790** | **226,224** | **32,444** | **41,417** | **6,976** | **1,287,800** | **232,964** |

## 4.2.11 Assets

### a - Property, Plant & Equipment

| Movement on Balance 2016/17<br>**Accumulated Depreciation and Impairment** | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets Under Construction<br>£000 | Total Property, Plant and Equipment<br>£000 | PFI Assets within Property Plant & Equipment<br>£000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 April** | **(776)** | **(14,374)** | **(24,565)** | **(55,193)** | **(511)** | **(4,369)** | **(1,578)** | **(101,366)** | **(16,206)** |
| Depreciation charge in year | (11,859) | (7,509) | (5,327) | (6,419) | - | (96) | - | **(31,210)** | (4,722) |
| *Depreciation written out to the:* | | | | | | | | | |
| Revaluation Reserve | - | 5.399 | - | - | - | 103 | - | **5,502** | 1,956 |
| Surplus/Deficit on the Provision of Services | 11,826 | 8,192 | - | - | - | 145 | - | **20,163** | 5,747 |
| *Impairment losses/(reversals) recognised in the:* | | | | | | | | | |
| Revaluation reserve | - | (92) | - | - | - | (3) | - | **(95)** | - |
| Surplus/Deficit on the Provision of Services | - | (765) | (231) | (1,593) | (154) | (1,057) | - | **(3,800)** | (14) |
| Derecognition through disposal and transfer: Non-schools | 39 | 595 | 4,238 | 7,834 | - | 82 | - | **12,788** | 285 |
| Derecognition through disposal and transfer: School transfers | - | 447 | 328 | 2 | - | - | - | **777** | 447 |
| Reclassifications - other | 164 | 1,601 | 11 | (1,623) | 2 | (259) | 103 | **(1)** | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | **-** | - |
| Other | 1 | - | 1 | - | - | - | - | **2** | - |
| **Balance at 31 March** | **(605)** | **(6,506)** | **(25,545)** | **(56,992)** | **(663)** | **(5,454)** | **(1,475)** | **(97,240)** | **(12,507)** |
| | | | | | | | | | |
| **Net Book Value** | | | | | | | | | |
| **At 31 March 2017** | **502,370** | **414,468** | **31,245** | **169,232** | **31,781** | **35,963** | **5,501** | **1,190,560** | **220,457** |
| **At 31 March 2016** | **403,434** | **334,718** | **30,478** | **162,184** | **31,633** | **34,401** | **22,201** | **1,019,049** | **180,237** |

## 4.2.11 Assets

### Other Land and Buildings by Sub Class

| | Net Book Value as at | |
|---|---|---|
| | 31/03/2017 | 31/03/2018 |
| | £000 | £000 |
| Administrative Buildings | 31,981 | 33,486 |
| Bus Station | 3,737 | 4,176 |
| Civic Amenity Sites | 10,142 | 8,405 |
| Car Parks | 13,180 | 13,387 |
| Cemeteries & Crematorium | 1,892 | 2,100 |
| Children's Centres | 6,219 | 6,408 |
| Community | 3,839 | 4,129 |
| Coroners & Mortuary | 911 | 915 |
| Depots | 3,774 | 4,311 |
| Economic Development | 22,229 | 23,589 |
| Garages | 5,230 | 5,242 |
| Libraries & Museums | 19,983 | 19,214 |
| Local Centres | 1,529 | 1,514 |
| Markets | 8,449 | 8,306 |
| Miscellaneous | 578 | 798 |
| Other Educational Facilities | 6,457 | 7,176 |
| Public Conveniences | 874 | 1,005 |
| Recreation Facilities | 50,847 | 47,475 |
| Schools | 149,631 | 115,562 |
| Shops | 4,081 | 4,619 |
| Social Care Facilities | 41,605 | 40,912 |
| Theatre | 26,450 | 29,354 |
| Travellers Site | 482 | 545 |
| Youth Services | 368 | 454 |
| **Total** | **414,468** | **383,082** |

### Surplus Assets

Surplus Assets are properties that do not directly support the provisions of services. Within this category are a mixture of assets that are earmarked for strategic regeneration or are held for indeterminate use.

Analysis of Surplus Asset by type

| 31/03/2017 | | 31/03/2018 |
|---|---|---|
| £000 | | £000 |
| 8,416 | Strategic regeneration sites | 5,436 |
| 15,935 | Cleared land not currently qualifying as held for sale | 16,526 |
| 11,478 | Vacant premises | 11,454 |
| 134 | Other surplus assets | 109 |
| **35,963** | **Balance at 31 March** | **33,525** |

## 4.2.11 Assets

### Revaluation of Property, Plant & Equipment

The Authority carries out a revaluation programme that ensures all items of Property, Plant and Equipment are revalued at least every 5 years. Where any assets incur a significant level of capital enhancement or where the construction of an asset is completed within the reporting period, these assets are revalued. The effective revaluation date is 31st March.

All formal valuations for the reporting period to 31 March 2018 were completed by external valuers in accordance with the professional standards of the Royal Institute of Chartered Surveyors (RICS) with due regard to IFRS requirements for asset classification and measurement bases.

Operational housing property subject to secure tenancy should be valued on the basis of Existing Use Value for Social Housing (EUV-SH) as defined by the RICS Appraisal and Valuation Standards.

To date EUV-SH has been based on the vacant possession value of the properties, adjusted to reflect the continuing occupation by a secure tenant (Vacant Possession adjustment factor) (The Beacon approach). EUV-SH thus reflects a valuation for a property if it were sold with sitting tenants paying rents at less than market value and tenants' rights including RTB. For 2017/18 there has been no change in the factor.

Buildings and Land used in the delivery of services are carried at a fair value in relation to their Existing Use Value based on the services provided to the Council. Properties for which there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, have had their fair value estimated on a depreciated replacement cost basis.

For individual buildings that are revalued to a fair value that is greater than £1m, the building valuation is analysed into significant components and each component's remaining useful life is measured to ensure that the carrying value of the asset reflects the economic consumption of the asset's use.

Surplus assets are properties that are surplus to service needs but do not fully meet the IFRS criteria for Investments or Held for Sale assets. Surplus Assets are carried at a fair value under IFRS 13. Fair value is defined by IFRS 13 as '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.'

Items of Vehicles, Plant, Furniture and Equipment with short useful lives and/or low values are valued at depreciated historic cost as a proxy for fair value.

The table below shows the last valuations date year and the assets net carrying value against each year. The purpose is to ensure that assets are valued within a reasonable time scale to reflect a reasonable fair value at the balance sheet.

| | Council Dwellings | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Surplus Assets | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Carried at Historical Value | - | 4,081 | 29,797 | 584 | **34,462** |
| Valued at Fair Value as at: | | | | | |
| 31/03/2018 | 509,081 | 285,598 | - | 6,245 | **800,924** |
| 31/03/2017 | - | 73,067 | - | 9,062 | **82,129** |
| 31/03/2016 | - | 16,370 | - | 17,458 | **33,829** |
| 31/03/2015 | - | 3,092 | - | 80 | **3,172** |
| 31/03/2014 | - | 872 | - | 96 | **968** |
| **Total** | **509,081** | **383,081** | **29,797** | **33,525** | **955,485** |

## 4.2.11 Assets

### Fair Value Measurement

The Council measures Investment Properties and Surplus Assets at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

**Level 1** - Quoted price (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

**Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

**Level 3** - Unobservable inputs for the asset or liability

### Fair Value Hierarchy

All the Council's Investment Properties and Surplus Assets have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

### Valuation Techniques Use to Determine Level 2 Fair Values for Investment Property and Surplus Assets

The fair value of Land, Office, Industrial and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the Fair Value Hierarchy

### b - Heritage Assets

The City Council's Heritage Assets are at various locations throughout the City but principally at the four main museums.

| | Buildings | Collections | Statuary and Horological | Spitfire Aircraft | Total Assets |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2016 | 4,188 | 60,643 | 852 | 750 | **66,433** |
| Additions | 198 | - | - | - | **198** |
| Depreciation charge | (100) | - | - | - | **(100)** |
| Upward revaluation | 268 | - | - | - | **268** |
| Downward revaluation | (627) | - | - | - | **(627)** |
| **At 1 April 2017** | **3,927** | **60,643** | **852** | **750** | **66,172** |
| Additions | 62 | 808 | - | - | **870** |
| Depreciation charge | (90) | - | - | - | **(90)** |
| Upward revaluation | 394 | - | - | - | **394** |
| Downward revaluation | (113) | - | - | - | **(113)** |
| **At 31 March 2018** | **4,180** | **61,451** | **852** | **750** | **67,233** |

### c - Shared Assets

The Staffordshire Hoard is owned and cared for jointly by Stoke-on-Trent City Council and Birmingham City Council on behalf of the nation. The Hoard was acquired by both Councils for the value of £3.285m, 50% of the value is now included in Heritage Assets on the balance sheet of the City Council at a value of £1.642m.

## 4.2.11 Assets

### d - Impairment and Depreciation

The Authority recognised depreciation and amortisation charges totalling £35.789m representing an estimate of the value of fixed assets consumed during the financial year for the provision of services.

The Authority also recognised impairment losses resulting in a total charge of £3.951m to the General Fund. This consisted of an impairment of £3.438m relating to capital expenditure incurred in year deemed not to add an equivalent value, impairment losses prior to derecognition of £325,000 in respect of the demolition of old school buildings, £153,000 for equipment no longer providing a functional service, and £35,000 impairment of derelict properties.

Summary of Depreciation and Impairment charged to Comprehensive Income and Expenditure

The amounts below represents the impairments and depreciation charges to services in the net cost of services.

| | Note | Amortisation £000 | Depreciation £000 | Impairment £000 |
|---|---|---|---|---|
| Property, Plant & Equipment | 4.2.11 | - | (34,377) | (5,988) |
| Intangible Assets | | (1,322) | - | (739) |
| Intangible Assets - Academy Schools | | - | - | - |
| Non current assets held for sale | | - | - | - |
| Investment properties | | - | - | - |
| Heritage assets | | - | (90) | - |
| **Total depreciation and impairment charged to services** | | **(1,322)** | **(34,467)** | **(6,727)** |

### e - Maintained Schools

The Council has the following maintained schools

| | Community | Voluntary Controlled | Voluntary Aided | Foundation |
|---|---|---|---|---|
| **Number of schools subject to PFI contracts** | 26 | 3 | 3 | 5 |
| **Value of land and buildings at 31st March 2018** | £60m | £7m | £9m | £40m |

During the financial year eighteen community schools have changed their status. Fourteen primary schools and two secondary schools have converted to academies, and two primary schools have transferred from foundation trust back to community schools.

The treatment of land and buildings is based on the legal framework underlying each type of school. The Council controls the management and running of community and voluntary controlled schools. The land and buildings of voluntary aided and foundation schools are owned by the trustees of the schools or the foundation body. However, as all schools are part of the PFI contract, the buildings a re all retained on the Council's Balance Sheet. Land assets relating to Foundation schools are written out once the legal agreement has been entered into.

Capital expenditure on community and voluntary controlled schools is added to the balances for those schools as reported in Property, Plant and Equipment.

Capital expenditure on voluntary aided schools is charged to the CIES within Children and Family services as "REFCUS".

Dedicated Schools Grant (DSG) is credited to Schools and Children & Family services within the CIES, based on amounts due from the Department for Education for 2017/18.

Individual schools' balance as 31st March 2018 are included in the Balance Sheet of the Council under the heading Earmarked Reserves—General Fund.

### PFI Schemes

All maintained schools are subject to PFI contracts. All schools buildings are shown on the Council's Balance Sheet as the Council is the party to the contract with the PFI Operator.

The PFI liability is retained on the Council's Balance Sheet and the income from the Academy school is recognised to reduce the overall charge in the year.

## 4.2.11 Assets

**f - Consolidated Managed Assets Note**

This note is not a requirement of the Accounting Standards but is provided as additional explanation of the changes to asset carrying values during the year. The consolidated asset note provides details of the elements of changes to asset classes as result of investment, depreciation and revaluation and their effect on the surplus/deficit on the provision of services and unusable reserves. The note also links to the amounts shown in other notes to the accounts and the movement on balance (note 4.2.11a)

| Movement in Balances in 2017/18 | Notes | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 | Heritage Assets £000 | Intangible Assets £000 | Assets Held for Sale £000 | Investment Property £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation balance b/f** | | 502,975 | 420,974 | 56,790 | 226,224 | 32,444 | 41,417 | 6,976 | **1,287,800** | 66,356 | 11,840 | 679 | 20,874 |
| Accumulated depreciation and impairment balance b/f | | (605) | (6,506) | (25,545) | (56,992) | (663) | (5,454) | (1,475) | **(97,242)** | (185) | (8,015) | (6) | - |
| Net book value b/f | | **502,369** | **414,468** | **31,244** | **169,232** | **31,781** | **35,963** | **5,501** | **1,190,558** | **66,171** | **3,825** | **673** | **20,874** |
| | | | | | | | | | | | | | |
| Additions/Enhancements through Capital Expenditure | | 16,678 | 6,516 | 5,606 | 17,069 | 1,714 | 2,464 | 6,053 | **56,100** | 869 | 2,340 | 37 | 52 |
| Donations | | - | 172 | - | - | - | - | - | **172** | - | - | - | - |
| **In year transactions which change assets value as a result of formal revaluation** | | | | | | | | | | | | | |
| *Recognised in the Revaluation Reserve* | | | | | | | | | | | | | |
| - Upward revaluations | | - | 18,706 | - | - | 655 | 189 | - | **19,550** | 394 | - | - | - |
| - Downward revaluations | | - | (13,885) | - | - | - | (193) | - | **(14,078)** | (7) | - | - | - |
| *Recognised in the Surplus/Deficit on the Provision of Services* | | | | | | | | | | | | | |
| - Upward revaluations | | 21,297 | 20,446 | - | - | - | 165 | - | **41,908** | 1 | - | - | - |
| - Downward revaluations | | (12,728) | (6,625) | - | - | - | (714) | - | **(20,067)** | (105) | - | - | - |
| *Movement in Market Value of Investment Property* | | | | | | | | | | | | | |
| - Gains | | - | - | - | - | - | - | - | **-** | - | - | - | 1,060 |
| - Losses | | - | - | - | - | - | - | - | **-** | - | - | - | (634) |

## **4.2.11** Assets

### f - Consolidated Managed Assets Note

| | Notes | Council Dwellings | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant & Equipment | Heritage Assets | Intangible Assets | Assets Held for Sale | Investment Property |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **In year transactions which reduce the assets value due to service usage (or loss thereof)** | | | | | | | | | | | | | |
| Depreciation charge in year | | (13,061) | (9,117) | (5,178) | (6,925) | - | (96) | - | **(34,377)** | (90) | - | - | - |
| Amortisation charge in year | | - | - | - | - | - | - | - | - | - | **(1,322)** | - | - |
| *Impairment recoverable from previous upward revaluations charged to the Revaluation Reserve* | | | | | | | | | | | | | |
| Capital spend deemed not to add an equivalent value | | - | (29) | - | (11) | - | - | - | **(40)** | - | - | - | - |
| Loss in value due to demolitions/site aggregation, etc.. | | - | - | - | - | - | - | - | - | - | - | - | - |
| *Impairment requiring an additional charge to the Net Cost of Service* | | | | | | | | | | | | | |
| Capital spend deemed not to add an equivalent value | | - | (160) | (280) | (1,955) | - | (305) | - | **(2,700)** | - | (739) | - | - |
| Loss in value due to demolitions/site aggregation, etc.. | | (2,254) | (102) | (50) | - | - | (883) | - | **(3,289)** | - | - | - | - |
| **In year transactions which reduce the assets value due to write off, transfer of ownership, closure of service or long term lease** | | | | | | | | | | | | | |
| Disposal of assets in renewal areas | | - | - | - | - | - | (2,577) | - | **(2,577)** | - | - | - | - |
| Other sales (including RTBs) | | - | - | (2) | - | - | (702) | - | **(704)** | - | - | (4,753) | - |
| Community assets transfers | | - | - | - | - | - | - | - | - | - | - | - | - |
| Other disposal transactions | | - | - | - | - | - | - | (71) | **(71)** | - | - | - | - |
| Transfers to academies | | - | (47,773) | (1,426) | - | - | - | - | **(49,199)** | - | - | - | - |
| Derecognition due to asset replacement/write off | | - | - | (21) | (457) | - | - | - | **(478)** | - | (17) | - | - |
| **Assets transferred to/from other categories in year** | | | | | | | | | | | | | |
| Reclassifications within PPE | | 820 | 645 | (97) | (701) | 7 | 224 | (898) | - | - | - | - | - |
| Reclassifications from IP | | - | - | - | - | - | - | - | - | - | - | - | - |
| Assets moved to Held for Sale | | (4,443) | (181) | - | - | - | (10) | - | **(4,634)** | - | - | 4,232 | - |
| Assets moved from Held for Sale | | 402 | - | - | - | - | - | - | **402** | - | - | - | - |
| Cost or valuation balance c/f | | **509,825** | **389,496** | **57,554** | **235,028** | **34,820** | **36,533** | **12,085** | **1,275,341** | **67,417** | **9,545** | **188** | **21,352** |
| Accumulated depreciation and impairment balance c/f | | (744) | (6,415) | (27,757) | (58,776) | (663) | (3,008) | (1,500) | **(98,863)** | (183) | (5,458) | - | - |
| **Net book value c/f** | | **509,081** | **383,081** | **29,797** | **176,252** | **34,157** | **33,525** | **10,585** | **1,176,478** | **67,234** | **4,087** | **188** | **21,352** |

## 4.2.11 Assets

### f - Consolidated Managed Assets Note

This note is not a requirement of the Accounting Standards but is provided as additional explanation of the changes to asset carrying values during the year. The consolidated asset note provides details of the elements of changes to asset classes as result of investment, depreciation and revaluation and their effect on the surplus/deficit on the provision of services and unusable reserves. The note also links to the amounts shown in other notes to the accounts and the movement on balance (note 4.2.11a)

| Movement in Balances in 2016/17 | Notes | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 | Heritage Assets £000 | Intangible Assets £000 | Assets Held for Sale £000 | Investment Property £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation balance b/f** | | 404,210 | 349,092 | 55,043 | 217,377 | 32,144 | 38,770 | 23,779 | **1,120,415** | 66,747 | 9,405 | 2,384 | 12,445 |
| Accumulated depreciation and impairment balance b/f | | (776) | (14,374) | (24,565) | (55,193) | (511) | (4,369) | (1,578) | **(101,366)** | (314) | (6,961) | (6) | - |
| Net book value b/f | | **403,434** | **334,718** | **30,478** | **162,184** | **31,633** | **34,401** | **22,201** | **1,019,049** | **66,433** | **2,444** | **2,378** | **12,445** |
| | | | | | | | | | | | | | |
| Additions/Enhancements through Capital Expenditure | | 19,362 | 10,341 | 7,337 | 14,944 | 581 | 1,636 | 50,270 | **104,471** | 198 | 2,442 | 4 | 3,372 |
| Donations | | - | - | - | - | - | - | - | **-** | - | - | - | - |
| **In year transactions which change assets value as a result of formal revaluation** | | | | | | | | | | | | | |
| *Recognised in the Revaluation Reserve* | | | | | | | | | | | | | |
| - Upward revaluations | | - | 40,543 | - | - | - | 1,698 | - | **42,241** | 243 | - | - | - |
| - Downward revaluations | | - | (10,742) | - | - | - | (1,093) | - | **(11,835)** | (597) | - | - | - |
| *Recognised in the Surplus/Deficit on the Provision of Services* | | | | | | | | | | | | | |
| - Upward revaluations | | 106,694 | 40,493 | - | - | - | 865 | - | **148,052** | 24 | - | - | - |
| - Downward revaluations | | (12,279) | (53,655) | - | - | - | (409) | - | **(66,343)** | (30) | - | - | - |
| *Movement in Market Value of Investment Property* | | | | | | | | | | | | | |
| - Gains | | - | - | - | - | - | - | - | **-** | - | - | - | 5,114 |
| - Losses | | - | - | - | - | - | - | - | **-** | - | - | - | (57) |

## 4.2.11 Assets

### f - Consolidated Managed Assets Note

| | Notes | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 | Heritage Assets £000 | Intangible Assets £000 | Assets Held for Sale £000 | Investment Property £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **In year transactions which reduce the assets value due to service usage (or loss thereof)** | | | | | | | | | | | | | |
| Depreciation charge in year | | (11,859) | (7,509) | (5,327) | (6,419) | - | (96) | - | **(31,210)** | (100) | - | - | - |
| Amortisation charge in year | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | (849) | - | **-** |
| *Impairment recoverable from previous upward revaluations charged to the Revaluation Reserve* | | | | | | | | | | | | | |
| Capital spend deemed not to add an equivalent value | | - | (46) | - | - | - | (3) | - | **(49)** | - | - | - | - |
| Loss in value due to demolitions/site aggregation, etc.. | | - | (46) | - | - | - | - | - | **(46)** | - | - | - | - |
| *Impairment requiring an additional charge to the Net Cost of Service* | | | | | | | | | | | | | |
| Capital spend deemed not to add an equivalent value | | - | (309) | (205) | (1,590) | (154) | (247) | - | **(2,505)** | - | (212) | - | - |
| Loss in value due to demolitions/site aggregation, etc.. | | - | (456) | (26) | (3) | - | (810) | - | **(1,295)** | - | - | - | - |
| **In year transactions which reduce the assets value due to write off, transfer of ownership, closure of service or long term lease** | | | | | | | | | | | | | |
| Disposal of assets in renewal areas | | - | - | - | - | - | (71) | - | **(71)** | - | - | - | - |
| Other sales (including RTBs) | | - | - | (379) | - | (12) | (11) | - | **(402)** | - | - | (4,780) | - |
| Community assets transfers | | - | - | - | - | - | - | - | **-** | - | - | - | - |
| Other disposal transactions | | - | (36) | (37) | - | - | - | - | **(73)** | - | - | - | - |
| Transfers to academies | | - | (5,693) | (478) | (13) | - | - | - | **(6,184)** | - | - | - | - |
| Derecognition due to asset replacement/write off | | - | (152) | (20) | - | - | - | - | **(172)** | - | - | - | - |
| **Assets transferred to/from other categories in year** | | | | | | | | | | | | | |
| Reclassifications within PPE | | 473 | 67,187 | (100) | 129 | (267) | (452) | (66,970) | **-** | - | - | - | - |
| Reclassifications from IP | | - | - | - | - | - | - | - | **-** | - | - | - | - |
| Assets moved to Held for Sale | | (3,456) | (170) | - | - | - | 555 | - | **(3,071)** | - | - | 3,071 | - |
| Assets moved from Held for Sale | | - | - | - | - | - | - | - | **-** | - | - | - | - |
| Cost or valuation balance c/f | | 502,975 | 420,974 | 56,790 | 226,224 | 32,444 | 41,417 | 6,976 | **1,287,800** | 66,356 | 11,840 | 679 | 20,874 |
| Accumulated depreciation and impairment balance c/f | | (605) | (6,506) | (25,545) | (56,992) | (663) | (5,454) | (1,475) | **(97,240)** | (185) | (8,015) | (6) | - |
| **Net book value c/f** | | **502,370** | **414,468** | **31,245** | **169,232** | **31,781** | **35,963** | **5,501** | **1,190,560** | **66,171** | **3,825** | **673** | **20,874** |

## 4.2.12 Capital

### a - Capital Commitments

At 31 March 2018, the Authority has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £131.1m. Similar commitments at 31 March 2017 were £38.9m.

| Capital Scheme | £m |
|---|---|
| Housing Stock Maintenance | 88.7 |
| Fortior - Smithfield Apartments | 22.6 |
| Hanley Park Heritage Works | 2.5 |
| District Heat Network | 1.1 |
| Queen Elizabeth 2 Redevelopment | 7.6 |
| Smithfield Hotel, City Centre | 6.6 |
| Abbotts House Redevelopment | 2.0 |
| **Total** | **131.1** |

### b - Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table across (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| **578,508** | **Opening Capital Financing Requirement** | | **600,851** |
| 570 | Impairment charge & reval losses for non-dwelling HRA assets etc | | - |
| | **Capital Investment** | | |
| 104,471 | Property, Plant & Equipment | | 56,101 |
| 198 | Heritage Assets | | 869 |
| 3,372 | Investment Properties | | 52 |
| 2,442 | Intangible Assets | | 2,340 |
| 4 | Assets Held for Sale | | 37 |
| - | Donated Assets | | 172 |
| - | Fortior Homes Investment | | 2,057 |
| 5,028 | Revenue Expenditure Funded from Capital under Statute | | 10,130 |
| | | | |
| | **Sources of Finance** | | |
| (9,066) | Capital receipts reserve applied to finance capital expenditure | | (3,136) |
| (17,078) | Government grants and contributions received in year and applied | | (14,689) |
| (13,646) | Government grants and contributions applied from reserves | | (2,563) |
| (10,753) | Use of Major Repairs Reserve | | (13,748) |
| (3,273) | Direct Revenue Contributions - General Fund | | (1,404) |
| (9,817) | Contribution from HRA Reserve | | (4,468) |
| (13,491) | Minimum Revenue Provision | | (15,746) |
| (167) | Amount voluntarily set aside to pay off debt | | (182) |
| - | Donated Assets (Notional Income) | | (172) |
| - | Disposal of Assets to Fortior Ltd (Notional Income) | | (830) |
| (12,886) | Deferred Credit - Extra Care PFI | | - |
| (3,565) | HRA Repayment of debt (principal & leasing) | | - |
| **600,851** | **Closing Capital Financing Requirement** | | **615,671** |

## 4.2.12 Capital

### c - Movement in Capital Financing Requirement

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| 3,806 | Increase in underlying need to borrow (unsupported by government financial assistance | | 29,498 |
| (13,658) | Decrease in underlying need to borrow (MRP and voluntary debt) | | (15,928) |
| (3,565) | Decrease in underlying need to borrow (HRA voluntary debt repayment) | | - |
| 48,076 | Assets acquired under PFI/PPP contracts | | 1,250 |
| (12,886) | Deferred credit - Extra Care PFI | | - |
| 570 | Impairment charge and revaluation losses for non dwelling HRA assets chargeable to HRA CIES | | - |
| **22,343** | **Increase/(decrease) in Capital Financing Requirement** | | **14,820** |

### d - Minimum Revenue Provision

MRP which relates to pre 2008 debt liability will be charged at the rate of 2% straight line (previously 4% reducing balance). Post 2008 MRP reflected within the debt liability at the end of the financial year will be subject to MRP based on Asset Life charged over a period which is reasonably commensurate with the estimated useful life of the asset (or group of assets) as determined by professional judgement. Where the underlying borrowing is by way of a finance lease or service concession arrangement (PFI Scheme), additional revenue provision may be set aside on the capital repayment plan of this agreement.

The minimum revenue provision and voluntary repayment of debt provision for 2017/18 is:

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| 6,695 | Other Services | | 6,604 |
| | Private Finance Initiative | | |
| 2,831 | - Schools | **4.2.13d** | 3,921 |
| 1,331 | - Street Lighting | **4.2.13d** | 1,411 |
| 215 | - Extra Care | **4.2.13d** | 1,244 |
| 233 | - Bentilee District Centre | **4.2.13d** | 264 |
| 2,353 | - Hanford Waste | **4.2.13d** | 2,484 |
| **13,658** | **Total** | | **15,928** |

## **4.2.13** PFI & Similar Contracts

The Authority makes an agreed payment each year, which is adjusted year by year for inflation, variations to the contract and any compensation for failure to meet agreed performance targets. Payments made to the contractor are described as Unitary Payments, they have been calculated to compensate the contractor for the following:

- Fair value of service provided to the authority
- Capital expenditure incurred
- Interest payable on capital expenditure yet to be reimbursed
- Contingent rent
- Payments estimated to fund capital lifecycle replacements

### Schools Estate PFI Scheme

2017/18 was the 17th year of a 25 year PFI contract with Transform Schools (Stoke) Limited (TSSL) for rebuilding, maintaining, upgrading and providing services to its schools. Services provided under the contract include utilities, window cleaning, legislative safety testing, buildings maintenance and pest control. The scheme is provided under the Private Finance Initiative and will benefit from government grants of around £62m over its remaining lifetime.

Legal ownership of the assets involved in the scheme is retained by the City Council throughout the contract period and these assets will be returned to the City Council at nil cost at the end of the contract period. The City Council may terminate the contract with TSSL subject to a period of notice and payment of compensation.

### Street Lighting PFI Scheme

2017/18 was the 14th year of a 25 year PFI contract with Tay Valley Lighting (TVL) for prioritised replacement, operation and maintenance of all the City's street lights, illuminated signs and bollards, giving illumination of designated public areas to contractually specified performance standards. Changes in energy supply costs passed on to the City Council via the contract are subject to separate provisions for market testing. Following agreement between the council and the PFI contractor to undertake an LED unit replacement programme and light control system, the energy consumption is expected to reduce, generating financial savings and a reduction in carbon emission. The contract will terminate on 31 August 2028.

Legal ownership of the assets involved in the scheme is retained by the City Council throughout the contract period and these assets will be returned to the City Council at nil cost at the end of the contract period. The City Council may terminate the contract at any time , with not less than six and not more than twelve months notice to TVL, subject to payment of compensation.

### Bentilee District Centre PFI Scheme

2017/18 was the 11th year of a 25 year PFI contract with Bentilee HUB (Project Company) Limited (BHUB) for the provision and maintenance of a multi-service district centre on the Devonshire Square site in Bentilee. Clinical and community services accessed by the public at the district centre include GP, library, youth and advice services, as well as retail units.

Legal ownership of all assets involved in the scheme is retained by the City Council throughout the contract period and all scheme assets will be passed to the City Council at nil cost at the end of the contract period. The City Council may terminate the contract following the provision of six months notice to BHUB, subject to payment of compensation.

### Hanford Waste Scheme

2017/18 was the 23rd year of a 25 year contract with Hanford Waste Services Limited (HWS) for the provision and maintenance of a waste to energy plant, and associated waste disposal site at Hanford. The waste disposal site is used for disposal of waste and its conversion into electricity on behalf of the City Council. HWS accepts delivery from Staffordshire districts and Stoke, disposing of waste in the waste to energy plant and transporting non-incinerated waste to a suitable place of disposal. Payment for these service is based on the quantity of waste delivered to the site within the standard contractual ranges of 170,000 to 185,000, beyond which additional payment is due from the City Council.

Legal ownership of the site is held by the City Council and at the end of the contract period the waste to energy plant will transfer to the City Council at nil cost, with an option to purchase mobile plant and equipment at open market value. Termination in advance of the contract expiry date is available to the City Council, in agreement with Staffordshire County Council, at a refund sum equivalent to the written down value of the waste to energy plant, which is based on a build cost of £38m written down over the 25 years of the contract on a straight line basis. HWS are obliged to ensure that the plant is capable of operating at maximum contractual capacity while meeting all applicable legal standards up to the date of contract termination.

## 4.2.13 PFI & Similar Contracts

### Extra Care Housing PFI

2017/18 was the 3rd year of a 25 year contract with Sapphire Extra Care Limited (SEC) to carry out and provide extra care housing. Extra care housing combines housing and care support for older people who have access to high quality accommodation with their own front door, with the security of a 24-hour care provider on site to provide reliable and responsive support as needed. The landlord is entitled to charge and retain rents from tenants. SEC shall ensure that the landlord does not charge rents in excess of the agreed rent.

The sites are based as Westcliffe, Abbey Hulton and Blurton. Legal ownership of the apartment blocks is held by SEC. At the end of the contract period the City Council have an option to purchase all the apartment blocks at market value. Termination in advance of the contract expiry date is available to the City Council, subject to payment of compensation.

### a - Assets Resulting from PFI arrangements

In accordance with the accounting requirements, all PFI assets are shown on the Council's Balance Sheet. The following table shows the value of assets recognised under PFI arrangements and analyses the movement in the value of the assets during the year.

| | Schools | Street Lighting | Bentilee District Centre | Hanford Waste | Extra Care Housing | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Value as at 31 March 2017 | 152,127 | 26,560 | 3,190 | 8,016 | 30,562 | **220,455** |
| Additions | 2,244 | 3,228 | - | - | - | **5,472** |
| Additions through PFI | - | 640 | - | 614 | - | **1,254** |
| Revaluations | 15,884 | - | - | (1,582) | - | **14,302** |
| Reclassifications | - | - | - | - | - | **-** |
| De-recognitions | (47,629) | - | - | - | - | **(47,629)** |
| Depreciation/Impairment | (3,373) | (1,118) | (54) | (723) | (543) | **(5,811)** |
| Value as at 31 March 2018 | **119,252** | **29,310** | **3,136** | **6,325** | **30,019** | **188,042** |

44 of the schools have converted to academy status. It is deemed that such schools bear a significant part of the risks and rewards of ownership of the school assets and therefore such assets have been derecognised from the Council's Balance Sheet.

### b - Liabilities resulting from PFI arrangements

The following table shows the value of liabilities resulting from PFI arrangements and analyses the movement in the year. The interest shown in the table (£8.630m) has been expenses to the CIES in 2017/18.

| | Schools | Street Lighting | Bentilee District Centre | Hanford Waste | Extra Care Housing | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Value as at 31 March 2017 | 39,673 | 11,598 | 5,569 | 5,733 | 43,795 | **106,368** |
| New loans raised | - | 640 | - | 610 | - | **1,250** |
| Interest added | 3,741 | 1,167 | 801 | 338 | 2,313 | **8,360** |
| Repayment of interest and liability | (7,662) | (2,578) | (1,065) | (2,822) | (3,557) | **(17,684)** |
| Value as at 31 March 2018 | **35,752** | **10,827** | **5,305** | **3,860** | **42,551** | **98,294** |
| | | | | | | |
| *of which:* | **Short Term** | | | | | **7,959** |
| | **Long Term** | | | | | **90,335** |
| | | | | | | **98,294** |

The amount included on the Balance Sheet as other long term liabilities does not include any future capital replacement cost as such liabilities are only recognised as the capital replacement expenditure is incurred.

The element of the outstanding liability that is due the paid within the next 12 months is shown within "Short Term Creditors"; the remainder forms part of the balance of "Other Long Term Liabilities".

The PFI liabilities in respect of all PFI schools remain on the Council's balance sheet as the Council is party to the contract with the PFI operator.

## 4.2.13 PFI & Similar Contracts

### c - Future Unitary Payments

Total payments remaining to be paid under each PFI service concession contract as 31st March 2018 (including estimated inflation, contract variations and estimated future capital replacement costs are analysed below in 5 year bandings).

| Schools Estate PFI Scheme | Repayment of Liability | Interest | Service Charge | Lifecycle Costs | Total |
|---|---|---|---|---|---|
| **Future Unitary Payments** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Within 1 year | 3,440 | 5,523 | 7,516 | 3,436 | **19,915** |
| 2 - 5 years | 17,303 | 13,418 | 31,477 | 19,409 | **81,607** |
| 6 - 10 years | 15,009 | 201 | 21,460 | 16,451 | **53,121** |
| | **35,752** | **19,142** | **60,453** | **39,296** | **154,643** |

Included in the estimated future unitary payment service charges for the schools PFI is the cost of services and maintenance in respect of schools incorporated into the contract that were built as part of the Building Schools for Future Programme (BSF). We have determined that these schools are service concession assets and accounted for them as such however it is not expected that these assets will produce a liability on the balance sheet. The repayment of the liability and interest in respect of assets replaced by BSF schools are retained as liabilities estimated to be £8.4m and will be repaid over the period of the remaining contract.

| Extra Care PFI Scheme | Repayment of Liability | Interest | Service Charge | Lifecycle Costs | Total |
|---|---|---|---|---|---|
| **Future Unitary Payments** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Within 1 year | 1,505 | 2,622 | 1,311 | 7 | **5,445** |
| 2 - 5 years | 6,094 | 9,475 | 5,590 | 621 | **21,780** |
| 6 - 10 years | 8,366 | 9,156 | 7,808 | 1,894 | **27,224** |
| 11 - 15 years | 9,669 | 5,349 | 8,834 | 3,373 | **27,225** |
| 16 - 20 years | 12,856 | 1,100 | 9,995 | 3,274 | **27,225** |
| 21 - 25 years | 4,061 | (542) | 2,699 | 718 | **6,936** |
| | **42,551** | **27,160** | **36,237** | **9,887** | **115,835** |

| Bentilee District Centre PFI Scheme | Repayment of Liability | Interest | Service Charge | Lifecycle Costs | Total |
|---|---|---|---|---|---|
| **Future Unitary Payments** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Within 1 year | 404 | 846 | 944 | - | **2,194** |
| 2 - 5 years | 1,210 | 2,626 | 4,857 | - | **8,693** |
| 6 - 10 years | 1,603 | 1,948 | 7,987 | - | **11,538** |
| 11 - 15 years | 2,088 | 868 | 4,960 | - | **7,916** |
| | **5,305** | **6,288** | **18,748** | **-** | **30,341** |
| **Hanford Waste Scheme** | | | | | |
| Within 1 year | 1,996 | 1,942 | 3,949 | 625 | **8,512** |
| 2 - 5 years | 1,864 | 1,693 | 4,527 | 641 | **8,725** |
| | **3,860** | **3,635** | **8,476** | **1,266** | **17,237** |
| **Street Lighting PFI Scheme** | | | | | |
| Within 1 year | 614 | 1,457 | 879 | 846 | **3,796** |
| 2 - 5 years | 3,202 | 5,407 | 3,760 | 3,582 | **15,951** |
| 6 - 10 years | 6,426 | 5,163 | 5,271 | 4,936 | **21,796** |
| 11 - 15 years | 585 | 447 | 617 | 279 | **1,928** |
| | **10,827** | **12,474** | **10,527** | **9,643** | **43,471** |

The predicted future PFI payments include assumptions around contractual indexation the Council will be prepared to pay. The effects of these assumptions will be monitored closely over the remaining life of the contract and mitigated through reduced energy consumption, contract negotiations and/or increased revenue contributions.

| Summary | Repayment of Liability | Interest | Service Charge | Lifecycle Costs | Total |
|---|---|---|---|---|---|
| **Future Unitary Payments** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Within 1 year | 7,959 | 12,390 | 14,599 | 4,914 | **39,862** |
| 2 - 5 years | 29,673 | 32,619 | 50,211 | 24,253 | **136,756** |
| 6 - 10 years | 31,404 | 16,468 | 42,526 | 23,281 | **113,679** |
| 11 - 15 years | 12,342 | 6,664 | 14,411 | 3,652 | **37,069** |
| 16 - 20 years | 12,856 | 1,100 | 9,995 | 3,274 | **27,225** |
| 21 - 25 years | 4,061 | (542) | 2,699 | 718 | **6,936** |
| | **98,295** | **68,699** | **134,441** | **60,092** | **361,527** |

## 4.2.13 PFI & Similar Contracts

### d - Income and Expenditure

Transactions under the schemes during 2017/18 were:

| | Schools | | Extra Care Housing | | Bentilee District Centre | | Hanford Waste | | Street Lighting | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fair value of services | 10,121 | 11,339 | 409 | 1,258 | 988 | 829 | 3,824 | 3,785 | 2,465 | 2,033 |
| Finance cost | 4,065 | 3,741 | 1,510 | 2,312 | 835 | 801 | 453 | 338 | 1,220 | 1,167 |
| Contingent rent | 1,330 | 824 | 222 | 438 | (13) | 6 | 1,530 | 1,630 | 262 | 289 |
| **Revenue Unitary Charge** | **15,516** | **15,904** | **2,141** | **4,008** | **1,810** | **1,636** | **5,807** | **5,753** | **3,947** | **3,489** |
| Recharge to academies | (3,816) | (4,790) | - | - | - | - | - | - | - | - |
| Other revenue expenditure | 358 | 67 | 108 | 1 | - | - | 2,773 | 3,532 | 58 | 34 |
| Depreciation | 2,741 | 3,373 | - | 543 | 40 | 54 | 866 | 723 | 1,079 | 1,110 |
| **Total Expenditure** | **14,799** | **14,554** | **2,249** | **4,552** | **1,850** | **1,690** | **9,446** | **10,008** | **5,084** | **4,633** |
| PFI special grant | (8,294) | (8,294) | (4,222) | (4,760) | (1,346) | (1,346) | (568) | (570) | (1,351) | (1,351) |
| Other contributions | (6,472) | (5,336) | (587) | (716) | (697) | (758) | (6,566) | (7,493) | (10) | (258) |
| **(Surplus)/Deficit in Income and Expenditure** | **33** | **924** | **(2,560)** | **(924)** | **(193)** | **(414)** | **2,312** | **1,945** | **3,723** | **3,024** |
| | | | | | | | | | | |
| **Movement in Reserves** | | | | | | | | | | |
| Depreciation | (2,741) | (3,373) | - | (543) | (40) | (54) | (866) | (723) | (1,079) | (1,110) |
| MRP | 2,831 | 3,921 | 215 | 1,244 | 233 | 264 | 2,353 | 2,484 | 1,331 | 1,411 |
| | | | | | | | | | | |
| **Transfer to/(from Earmarked Reserves** | | | | | | | | | | |
| Transfer to PFI reserve | - | | 2,064 | - | 41 | 88 | - | - | - | - |
| Transfer from PFI reserve | (123) | (1,476) | (143) | (227) | (19) | (35) | - | - | - | (353) |
| **Net Charge to General Fund** | **-** | **(4)** | **(424)** | **(450)** | **22** | **(151)** | **3,799** | **3,706** | **3,975** | **2,972** |

A number of schools have converted to Academy status and entered into a contractual arrangement with the Council in respect of properties under the PFI scheme. The Council recharges the Unitary Charges on such properties to the schools.

## 4.2.14 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

### a - Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The financial assets disclosed in the Balance Sheet are analysed below across the following categories:

| Long-Term Assets 2016/17 £000 | Current Assets 2016/17 £000 | | Long-Term Assets 2017/18 £000 | Current Assets 2017/18 £000 |
|---|---|---|---|---|
| | | **Investments** | | |
| - | - | Loans and receivables | - | 201 |
| 7,078 | - | Available-for-sale financial assets[1] | 9,098 | - |
| **7,078** | **-** | **Total Investments** | **9,098** | **201** |
| | | **Debtors** | | |
| 625 | | Loans and receivables | 125 | - |
| 2,877 | 46,483 | Debtors identified on the balance sheet | 3,555 | 43,457 |
| | (13,074) | Less: classes of debtor not recognised as financial instruments or held at amortised cost | - | (12,168) |
| **3,502** | **33,409** | **Total Debtors** | **3,680** | **31,289** |
| | | **Cash and Cash Equivalents** | | |
| - | 22,157 | Cash and bank accounts | - | 3,633 |
| **-** | **22,157** | **Total Cash and Cash Equivalents** | **-** | **3,633** |

[1]*There is not active market for Unquoted Equity Shares. Fair value is assessed by use of valuation technique*

### b - Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

| Long-Term Liabilities 2016/17 £000 | Current Liabilities 2016/17 £000 | | | Long-Term Liabilities 2017/18 £000 | Current Liabilities 2017/18 £000 |
|---|---|---|---|---|---|
| | | **Borrowings** | | | |
| 342,849 | 10,995 | Financial liabilities at amortised cost[1] | | 391,940 | 10,648 |
| **342,849** | **10,995** | **Total Borrowings** | | **391,940** | **10,648** |
| | | **Other Liabilities** | | | |
| 15,427 | 1,829 | Liability with Staffordshire County | | 13,598 | 1,829 |
| 98,501 | 7,867 | PFI liabilities | **4.2.13** | 90,335 | 7,959 |
| 17,824 | - | PFI liabilities - deferred credit | **4.2.14e** | 16,538 | - |
| 1,154 | 238 | Finance lease liabilities | | 908 | 246 |
| **132,906** | **9,934** | **Total Other Liabilities** | | **121,379** | **10,034** |
| | | **Creditors** | | | |
| - | 62,165 | Creditors identified on the balance sheet | | - | 60,825 |
| - | (15,992) | Less: classes of creditor not recognised as financial instruments or held at amortised cost | | - | (13,950) |
| **-** | **46,173** | **Total creditors** | | **-** | **46,876** |

[1]*Market loans (LOBOs) of £20m and £74m HRA self financing loans are included in long term borrowing.*

## 4.2.14 Financial Instruments

### c - Gains and Losses on Financial Instruments

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

| 31 March 2017 | | | | | 31 March 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| Liabilities measured at amortised cost | Loans and receivables | Financial assets available for sale | Total | | Liabilities measured at amortised cost | Loans and receivables | Financial assets available for sale | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| - | - | - | - | Impairment losses | - | - | - | - |
| (26,482) | - | - | (26,482) | Interest expense | (26,923) | - | - | (26,923) |
| **(26,482)** | **-** | **-** | **(26,482)** | **Total Expenses in Surplus or Deficit on the Provision of Services** | **(26,923)** | **-** | **-** | **(26,923)** |
| - | 28 | 1,685 | 1,713 | Other investment income | - | 24 | 1,502 | 1,526 |
| - | 565 | - | 565 | Interest income | - | 289 | - | 289 |
| **-** | **593** | **1,685** | **2,278** | **Total Income in Surplus or Deficit on the Provision of Services** | **-** | **313** | **1,502** | **1,815** |
| - | (28) | 630 | 602 | Gains on revaluation | - | - | (37) | (37) |
| **-** | **(28)** | **630** | **602** | **Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure** | **-** | **-** | **(37)** | **(37)** |
| **(26,482)** | **565** | **2,315** | **(23,602)** | **Net gain/(loss) for the year** | **(26,923)** | **313** | **1,465** | **(25,145)** |

The City Council has no ‘fair value through profit and loss’ assets.

### d - Fair Value of Assets and Liabilities

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

Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. Where applicable, the fair values of other instruments have been estimated using the following methods and assumptions:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity;
- Shares in unlisted companies have been valued from the company's balance sheet net assets.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2018, using the following methods and assumptions:

- Loans from the PWLB have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity at 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown split by their level in the fair value hierarchy, as prescribed in IFRS 13:

- Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities
- Level 2 - fair values are calculated from inputs other than quoted prices that are observable for the asset or liability
- Level 3 - fair values are determined using unobservable inputs

## 4.2.14 Financial Instruments

### Financial liabilities carried at amortised cost

| 31 March 2017 | | | | | | 31 March 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Carrying Amount | | Fair Value | | | | Carrying Amount | | Fair Value | |
| Long Term | Short Term | Long Term | Short Term | | Fair Value Level | Long Term | Short Term | Long Term | Short Term |
| £000 | £000 | £000 | £000 | | | £000 | £000 | £000 | £000 |
| 322,849 | 1,624 | 439,350 | 1,624 | PWLB - maturity | 2 | 371,940 | 5,910 | 470,814 | 5,910 |
| 20,000 | - | 35,115 | - | LOBO's | 2 | 20,000 | - | 33,788 | - |
| - | 5,000 | - | 5,000 | Short term borrowing | 2 | - | - | - | - |
| 1,154 | 238 | 1,154 | 238 | Finance leases | 2 | 908 | 246 | 908 | 246 |
| - | 4,371 | - | 4,371 | Other borrowing | 2 | - | 4,738 | - | 4,738 |
| 116,325 | 7,867 | 149,069 | 16,098 | PFI schemes | 2 | 106,874 | 7,959 | 132,963 | 15,493 |
| 15,427 | 1,829 | 19,245 | 2,439 | Liability with Staffordshire County | 2 | 13,598 | 1,829 | 12,796 | 2,381 |
| **475,755** | **20,929** | **643,933** | **29,770** | **Financial liabilities** | | **513,320** | **20,682** | **651,269** | **28,768** |
| **-** | **46,173** | **-** | **46,173** | **Creditors[1]** | | **-** | **46,876** | **-** | **46,876** |

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

[1] *The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount*

### Financial liabilities carried at amortised cost

| 31 March 2017 | | | 31 March 2018 | |
|---|---|---|---|---|
| Carrying Amount | Fair Value | | Carrying Amount | Fair Value |
| £000 | £000 | | £000 | £000 |
| 3,502 | 3,083 | **Long-term debtors** | 3,680 | 3,280 |
| 33,409 | 33,409 | **Short-term debtors[1]** | 31,289 | 31,289 |

Short-term debtors exclude amounts receivable of £12.168m from Statutory debtors and Central Government as they do not arise from contracts and therefore, fall outside the scope of the accounting

[1] *The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount*

## **4.2.14** Financial Instruments

### Financial assets held at fair value

The Council has the following financial instruments that are classed as available for sale

| 31 March 2017 £000 | | Fair Value Level | Note | 31 March 2018 £000 |
|---|---|---|---|---|
| | **Stoke-on-Trent Regeneration Limited** | | | |
| 5,942 | 19% Shareholding - 19,000 B ordinary shares of £1 each | **3** | | 5,942 |
| | **Kier Stoke Limited** | | | |
| 1,136 | 19.9% Shareholding - 199 B ordinary share of £1 each | **3** | | 1,265 |
| | **Stoke EnergyCo Limited** | | | |
| - | 100% Shareholding—1 ordinary share of £1 | **3** | | - |
| | **Fortior Homes Limited** | | | |
| - | 100% Shareholding—1 ordinary share of £1 | **3** | | 1,748 |
| | **Unitas Stoke-on-Trent Limited** | | | |
| - | 100% Shareholding—1 ordinary share of £1 | **3** | | 143 |
| **7,078** | **Total long term investments** | | | **9,098** |
| | | | | |
| - | Short term investments | | | 201 |
| **7,078** | **Total investments** | | | **9,299** |

The City Council's share holdings were valued using the adjusted net asset value in the company's latest balance sheet. Changing unobservable inputs in the measurement of the fair value of level 3 financial assets to reasonably possible alternative assumptions would not have a significant impact on profit for the year or total assets.

## 4.2.14 Financial Instruments

### e – Cash and Cash Equivalents

Reflects the level of cash and cash equivalents held at the balance sheet date

| 31 March 2017 | | | | | 31 March 2018 | |
|---|---|---|---|---|---|---|
| **Carrying Amount** | **Fair Value** | | **Fair Value Level** | **Note** | **Carrying Amount** | **Fair Value** |
| **£000** | **£000** | | | | **£000** | **£000** |
| 3,500 | 3,500 | Money market funds | **1** | | - | - |
| 4,000 | 4,013 | Certificate of deposits | **2** | | - | - |
| **7,500** | **7,513** | **Financial Assets Held at Amortised Cost** | | | **-** | |
| | | | | | | |
| - | - | On call accounts | | | - | - |
| 7,009 | - | Term deposits | | | - | - |
| 104 | - | Cash held by the authority | | | 100 | - |
| 7,526 | - | Bank current accounts | | | 3,533 | - |
| 18 | - | Accruals attached to term deposits | | | - | - |
| **14,657** | - | **Assets for which Fair Value is not Disclosed** | | | **3,633** | **-** |
| | | | | | | - |
| **22,157** | **7,513** | **Total Cash and Cash Equivalents** | | | **3,633** | **-** |

### f – Nature and Extent of Risks Arising from Financial Instruments

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the city council in the annual Treasury Management Strategy Statement. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by credit ratings services. Deposit risk is also managed by limiting the level of investments placed with counterparties, but subject to regular review.

The council has made significant efforts to further protect the capital of the Authority and mitigate against this risk in line with its Treasury Management Strategy Statement, including:

(a) the quarterly reporting of Treasury Management activity to the council's Audit Committee and Resources Overview and Scrutiny Committee;

(b) Use of the Debt Management Office (DMO), the Government's investment vehicle, and the most secure place to invest;

(c) Investments are limited to £8m for the highest rated or government owned institution except in the case of the DMO which has no limit. The use of money market funds to a maximum level as advised by the council's treasury management advisors, calculated as 0.5% of the Money Market Fund size;

(d) Utilising professional advice from external treasury advisers on the credit worthiness of counterparties;

(e) Utilising all market and other 'soft' information which officers research through the financial press and independent advice;

(f) Investing funds only in the UK durations below 12 months until it is safe to do otherwise (in accordance with the Council's Treasury Management Strategy).

The Authority's maximum possible exposure to credit risk in relation to funds held as investments by the council at the Balance Sheet date is -£2,091,941. As the deposits rest with several financial institutions the risk of any single institution failing to make interest payments or repay the principle sum will be specific to each individual institution. It is not expected for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise. The figure does not include balances held by Cheque Book Schools.

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

## 4.2.14 Financial Instruments

The City Council operates a Corporate Debt Management Policy which endeavours to keep outstanding debt at a minimum. The policy provides the framework for a consistent and sensitive approach to collecting debt whilst at the same time ensuring the council continues to maximise collection performance. Wherever possible the council will try to distinguish between those who cannot pay with those who will not pay.

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

| | Gross Amount as at 31 March 2018 | Amount provided to cover bad debt within the Balance Sheet | Net Amount as at 31 March 2018 | Historical experience adjusted for market conditions as at 31 March 2018 | Historical experience of default |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | % | % |
| | A | B | C | (B/A) | |
| 0 - 3 months | 28,320 | - | 28,320 | - | - |
| 4 - 12 months | 9,212 | (5,158) | 4,055 | - | - |
| More than 1 year | 28,922 | (21,143) | 7,779 | - | - |
| **Total** | **66,454** | **(26,300)** | **40,154** | **39.58** | **41.26** |

### Market Risk

The Authority does not generally invest in equity shares for the purposes of treasury management. The Council does have shareholdings to the value of £9.078m, which have arisen through joint working arrangements and new service delivery models. The authority is not in a position to limit its exposure to price movements by diversifying its portfolio and is consequently exposed to losses arising from movements in the price of the shares.

The £9.078m shares are all recognised as 'available for sale', meaning that all movements in price will impact on gains and losses in Other Comprehensive Income and Expenditure.

## 4.2.14 Financial Instruments

### Liquidity Risk

The Authority has a comprehensive cash flow management process that seeks to ensure that cash is available as needed, Should unexpected movements happen, the Authority has ready access to short term funding. There is no significant risk that it will not be able to raise finance to meet its commitments under financial instruments. The City Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future, to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The City Council limits how much it will borrow through its Treasury Management Strategy and Prudential Indicators. Which takes account of whether it is prudent to take new loans out and, where it is economic to do so, make early repayments.

The City Council has the following debt liabilities (excluding sundry debtors) on its balance sheet.

### Outstanding Loans

| 31 March 2017 £000 | Interest Rates % | | Note | Interest Rates % | 31 March 2018 £000 |
|---|---|---|---|---|---|
| | | **Source of loan** | | | |
| 324,473 | 4.10 | Public Works Loan Board | | 3.76 | 377,849 |
| 5,000 | 0.40 | Other Local Authorities | | | - |
| 20,000 | 3.84 | Market Loans | | 3.84 | 20,000 |
| **349,473** | | **Total** | | | **397,849** |
| | | | | | |
| | | **Analysis of Maturity Less Premiums** | | | |
| | | | | | |
| 6,624 | | Less than one year | | | 5,910 |
| 1,624 | | Between one and two years | | | 5,910 |
| 13,872 | | Between two and five years | | | 40,229 |
| 42,170 | | Between five and ten years | | | 43,791 |
| 285,183 | | More than ten years | | | 302,010 |
| **349,473** | | **Total** | | | **397,850** |

### Finance Lease Liabilities

| 31 March 2017 £000 | Interest Rates % | | Note | Interest Rates % | 31 March 2018 £000 |
|---|---|---|---|---|---|
| | 3.00 | **Source of loan** | | 3.00 | |
| 2,201 | | Finance leases—Opening Balance | | | 1,392 |
| - | | New Finance Leases | | | - |
| (432) | | Repayment of Principal | | | (238) |
| (377) | | Release of Residual Values | | | - |
| **1,392** | | **Total** | | | **1,154** |
| | | | | | |
| | | **Analysis of Maturity Less Premiums** | | | |
| | | | | | |
| 238 | | Less than one year | | | 246 |
| 246 | | Between one and two years | | | 253 |
| 776 | | Between two and five years | | | 655 |
| 132 | | Between five and ten years | | | - |
| **1,392** | | **Total** | | | **1,154** |

The City Council has 2 current finance leases ranging from 3 to 5 years. There were no new finance leases in the year. Repayment of principal (£238k) in the year reduces the Authorities finance lease liability. Interest payable (£41,835) on the outstanding lease liability at the 1st April 2017 (£1.392m) gave an associated interest rate of 3.00%. The interest due for 2018/19 (£34,663) on the outstanding lease liability at the 1st April 2018 (£1.154m) gives an associated interest rate of 3.00%.

## **4.2.14** Financial Instruments

### g - Other Long Term Borrowing (PFI and Finance Leases)

The other long term borrowings as at 31 March 2018 are as follows:-

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| 15,429 | County Council debt | | 13,598 |
| 1.154 | Finance leases | | 908 |
| 98,501 | Private Finance Initiative - finance lease | **4.2.13** | 90,335 |
| 1,710 | Hanford waste PFI scheme - deferred service | | 1,140 |
| 16,114 | Extra care PFI scheme - deferred credit | | 15,398 |
| **132,908** | **Total** | | **121,379** |

The balance in respect of County Council debt represents the City Council’s liability for a proportion of debt following local government re-organisation in 1997. In 2017/18 the total payment to the County Council was £2,540,278 (£2,522,431 in 2016/17), of which £711,394 (£693,547 in 2016/17) related to interest and expenses and £1,828,884 to repayment of principal, as in previous years. The total amount paid to the County Council is contained within the Movement in Reserves Statement. Deferred service/credit exists where the operator of the PFI can collect third party income which finances part of the net PFI costs.

## 4.2.15 Provisions

| | Liability Insurance Claim | Business Rates Appeals | Other Provisions | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April 2017 | 3,729 | 3,674 | 760 | 8,163 |
| Additional provisions made in 2017/18 | 1,195 | 1,200 | 241 | 2,636 |
| Amounts used in 2017/18 | (1,087) | (866) | (208) | (2,161) |
| Unused amounts reversed in 2017/18 | - | - | - | |
| **Balance at 31 March 2018** | **3,837,** | **4,008** | **793** | **8,638** |
| Of which: | | | | |
| - Short term liability | | | | 4,786 |
| - Long term liability | | | | 3,852 |
| | | | | **8,638** |

### Liability Insurance Claims

These provisions are for settlement of claims for compensation for personal injury, loss or damage to property due to alleged negligence. All claims are dealt with on a legal liability basis and the provision for each claim is assessed by the Council's insurers or legal advisers based on the information available and experience of the type of claims involved and adjusted individually as further information becomes available until either a settlement is made and the claim is closed or the claim is successfully defended. Provisions include associated legal costs. The Council currently self-funds a £100,000 excess for each and every claim with a "stop loss" amount for each insurance year and the provisions are net of amounts payable by insurers.

### Business Rates Appeals

All business ratepayers could appeal their rateable value on the 2010 valuation list during the 2017/18 financial year. Any successful appeal no matter when it is resolved, made in this financial year, can be backdated back into previous financial years up to the start of the 2010 valuation list (1 April 2010). The provision reflects an estimate of the potential loss of income to Stoke-on-Trent City Council which could arise in future years as a result of those appeals still outstanding at 31 March 2018.

## 4.2.16 Grants

### a - Grant Income

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

**Credited to Net Cost of Services**

| Service Area | Type of Funding/Grant | Note | 2016/17 £000 | 2017/18 £000 |
|---|---|---|---|---|
| Benefit Payments | Rent allowances | | 54,836 | 53,618 |
| | Rent rebates | | 36,375 | 33,799 |
| | Other | | 792 | 1,092 |
| Children and Family Services | Dedicated Schools Grant | | 38,329 | 38,297 |
| | PFI - Schools | | 8,294 | 8,294 |
| | Other | | 5,472 | 4,145 |
| City Director | Other | | 18 | 8 |
| Housing and Customer Services | Other | | 18 | 4 |
| Housing Revenue Account | Other | | 18 | 254 |
| Place, Growth and Prosperity | PFI - Bentilee | | 1,346 | 1,346 |
| | PFI - Street Lighting | | 1,351 | 1,351 |
| | Other | | 166 | 190 |
| Public Health and Adult Social Care | Public Health Grant | | 23,771 | 23,185 |
| | PFI - Extra Care | | 4,222 | 4,760 |
| | Other | | 65 | 7,758 |
| Schools | Dedicated Schools Grant | | 74,464 | 63,757 |
| | Other | | 10,738 | 8,725 |
| | **Total** | | **260,275** | **250,583** |

**Credited to Taxation and Non Specific Grant Income**

| Capital 2016/17 £000 | Revenue 2016/17 £000 | | Note | Capital 2017/18 £000 | Revenue 2017/18 £000 |
|---|---|---|---|---|---|
| 2,434 | 58,333 | Communities & Local Government | | 1,518 | 47,458 |
| 3,197 | 2,250 | Department for Education (DfE) | | 2,158 | 635 |
| 540 | 183 | Department of Health (DoH) | | - | 1,586 |
| - | 1,505 | Department of Work & Pensions (DWP) | | - | 1,488 |
| 12 | - | Private Sector Contributions | | - | - |
| 5,203 | - | Public Sector Contributions | | 4,709 | - |
| 5,044 | - | Department for Transport (DfT) | | 5,141 | - |
| 3 | 500 | Other Government Grants | | - | 500 |
| 894 | - | Homes and Communities Agency | | 672 | - |
| 572 | - | Lottery | | 1,440 | - |
| 72 | - | Other Grants | | 78 | - |
| (21) | - | European Regional Development Fund (ERDF) | | (40) | - |
| 54 | - | Kickstart/Cluster/Empty Homes Loans | | 181 | - |
| **18,004** | **62,771** | **Total** | | **15,857** | **51,667** |

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

| Short Term 2016/17 £000 | Long Term 2016/17 £000 | | Note | Short Term 2017/18 £000 | Long Term 2017/18 £000 |
|---|---|---|---|---|---|
| | | **Capital** | | | |
| 465 | - | Department for Education (DfE) | | 417 | - |
| - | - | Communities and Local Government | | 2,081 | - |
| 555 | - | Homes and Communities Agency | | 1,807 | - |
| 395 | | **Revenue** | | 1,548 | - |
| **1,415** | **-** | **Total** | | **5,853** | **-** |

## **4.2.16** Grants

### b - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the School Finance (England) Regulations 2012. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school..

Details of the deployment of DSG receivable for 2017/18 are as follows:

| | **Central Expenditure** | **ISB** | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Final DSG as issued by the Department in March 2018 | 28,761 | 177,934 | 206,695 |
| Academy figure recouped for 2017/18 | | (104,758) | (104,758) |
| **Total DSG after Academy recoupment for 2017/18** | **28,761** | **73,176** | **101,937** |
| | | | |
| Brought forward from 2016/17 | 679 | - | 679 |
| Agreed initial budgeted distribution in 2017/18 | **29,440** | **73,176** | **102,616** |
| In year adjustments | 117 | - | 117 |
| Final budget distribution for 2017/18 | **29,557** | **73,176** | **102,733** |
| Less actual central expenditure | (36,067) | - | (36,067) |
| Less actual ISB deployed to schools | - | (72,337) | (72,337) |
| Plus local authority contribution for 2017/18 | - | - | - |
| Carry forward in year to 2018/19 | **(6,510)** | **839** | **(5,671)** |
| Carry forward to 2018/19 agreed in advance | - | - | - |
| Carry forward to 2018/19 | **(6,510)** | **839** | **(5,671)** |

## 4.2.17 Officers Remuneration

### Disclosure of senior officers remuneration

The following table shows senior employees whose salary is greater than £50,000 per year.

| 2016/17 Salary, fees and allowances £ | 2016/17 Expense Allowances £ | 2016/17 Compensation for loss of office £ | 2016/17 Pension Contributions £ | 2016/17 Total £ | Post title and name | 2017/18 Salary, fees and allowances £ | 2017/18 Expense Allowances £ | 2017/18 Compensation for loss of office £ | 2017/18 Pension Contributions £ | 2017/18 Total £ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Senior employees whose salary is £150,000 or more per year** | | | | | | | | | | |
| 161,398 | 593 | - | 33,802 | **195,793** | City Director - David Sidaway | 162,996 | 318 | - | 36,130 | **199,444** |
| **Senior employees whose salary is between £50,000 and £150,000 per year** | | | | | | | | | | |
| 124,000 | 361 | - | 26,288 | **150,649** | Director - Children & Family Services | 127,732 | 244 | - | 28,484 | **156,460** |
| 75,484 | 176 | - | 16,003 | **91,663** | Director - Place, Growth & Prosperity (Acting) [1] | 92,564 | 110 | - | 20,642 | **113,316** |
| - | - | - | - | **-** | Director - Place, Growth & Prosperity [2] | 51,663 | - | - | 11,521 | **63,184** |
| 117,915 | 195 | - | 24,506 | **142,616** | Director - Housing & Customer Services | 123,212 | 98 | - | 27,476 | **150,786** |
| 86,809 | - | - | 18,404 | **105,213** | Assistant Director - Governance | 85,868 | - | - | 19,148 | **105,016** |
| 46,689 | - | 33,000 | 318,467 | **398,156** | Director of Resources & Customer Services (& Section 151 Officer) [3] | - | - | - | - | **-** |
| 61,642 | - | - | 13,068 | **74,710** | Assistant Director - Finance (& Section 151 Officer) [4] | 90,461 | 15 | - | 20,172 | **110,648** |
| 126,333 | 595 | - | 18,066 | **144,994** | Director - Public Health & Social Care [5] | 131,836 | 406 | 209,546 | 27,791 | **369,579** |

[1] Held by officer acting into the post from 15/08/16 to 29/10/17. Post holder vacated the Authority on 31/12/17.

[2] Post occupied by new encumbant from 30/10/17.

[3] Post deleted 30/06/16.

[4] Post created 11/07/16.

[5] Post vacated and post deleted (replaced with Assistant Director post) 31/03/18..

## **4.2.17** Officers Remuneration

Number of employees excluding senior employees receiving total remuneration above £50,000 including expense allowances chargeable to income tax and an estimated value of other benefits but excluding employer's pension

| 2016/17 | | | | | 2017/18 | | | |
|---|---|---|---|---|---|---|---|---|
| Number of Teaching staff | Number of Employees (non teaching) | Total Number of Employees[1] | Number of Employees Left in Year | Salary Range | Number of Teaching staff | Number of Employees (non teaching) | Total Number of Employees[1] | Number of Employees Left in Year |
| 27 | 36 | 63 | 6 | £50,000 - £54,999 | 20 | 35 | 55 | 9 |
| 26 | 32 | 58 | 4 | £55,000 - £59,999 | 14 | 29 | 43 | 4 |
| 12 | 21 | 33 | 4 | £60,000 - £64,999 | 7 | 21 | 28 | 6 |
| 8 | 3 | 11 | 3 | £65,000 - £69,999 | 9 | 7 | 16 | 4 |
| 5 | 5 | 10 | 2 | £70,000 - £74,999 | 2 | 4 | 6 | 3 |
| 4 | 4 | 8 | 4 | £75,000 - £79,999 | 1 | 5 | 6 | 4 |
| 2 | 2 | 4 | 1 | £80,000 - £84,999 | 3 | 3 | 6 | 3 |
| 2 | 3 | 5 | 1 | £85,000 - £89,999 | 1 | 6 | 7 | 1 |
| - | 2 | 2 | 2 | £90,000 - £94,999 | - | 3 | 3 | 2 |
| - | 1 | 1 | - | £95,000 - £99,999 | - | 1 | 1 | 1 |
| - | 3 | 3 | 2 | £100,000 - £104,999 | - | 3 | 3 | 2 |
| - | - | - | - | £105,000 - £109,999 | - | 1 | 1 | 1 |
| - | - | - | - | £110,000 - £114,999 | - | - | - | - |
| - | - | - | - | £115,000 - £119,999 | - | 1 | 1 | 1 |
| - | 1 | 1 | 1 | £120,000 - £124,999 | - | 1 | 1 | 1 |
| - | - | - | - | £125,000 - £129,999 | - | 1 | 1 | 1 |
| - | - | - | - | £130,000 - £134,999 | - | - | - | - |
| - | - | - | - | £135,000 - £139,999 | - | - | - | - |
| - | - | - | - | £140,000 - £144,999 | - | - | - | - |
| - | - | - | - | £145,000 - £149,999 | - | - | - | - |
| - | 1 | 1 | 1 | £150,000 - £154,999 | - | - | - | - |
| - | - | - | - | £155,000 - £159,999 | - | - | - | - |
| - | - | - | - | £160,000 - £164,999 | - | - | - | - |
| - | - | - | - | £165,000 - £169,999 | - | - | - | - |
| - | - | - | - | £170,000 - £174,999 | - | - | - | - |
| - | - | - | - | £175,000 - £179,999 | - | 1 | 1 | 1 |
| - | - | - | - | £180,000 - £184,999 | - | 1 | 1 | - |
| **86** | **114** | **200** | **30** | | **57** | **123** | **180** | **44** |

[1] *Includes 38 (25 - 2016/17) employees in receipt of compensatory payments for redundancy which has moved their remuneration into the >£50k banding.*

## 4.2.18 Termination Benefits and Exit Packages

The authority terminated the contracts of 177 employees in 2017/18 mainly as a consequence of the ongoing corporate restructuring programme. A total of over £4.0m in compensatory payments was incurred (including redundancy costs and pay in lieu of notice) plus an additional £1.8m will be paid to the pension fund in respect of actuarial strain costs. One person has signed to leave in 2018/19 and a total of £0.2m has been included in a provision.

| | | | 2016/17 | | | | | 2017/18 |
|---|---|---|---|---|---|---|---|---|
| **Number of Compulsory Redundancies** | **Number of Other Departures Agreed** | **Total Number of Exit Packages Agreed** | **Total Cost of Exit Packages £000** | **Range** | **Number of Compulsory Redundancies** | **Number of Other Departures Agreed** | **Total Number of Exit Packages Agreed** | **Total Cost of Exit Packages £000** |
| 6 | 157 | 163 | 1,325 | £0 - £20,000 | 7 | 83 | 90 | 905 |
| 1 | 46 | 47 | 1,360 | £20,001 - £40,000 | - | 45 | 45 | 1,337 |
| - | 18 | 18 | 906 | £40,001 - £60,000 | 1 | 14 | 15 | 734 |
| - | 13 | 13 | 910 | £60,001 - £80,000 | - | 11 | 11 | 780 |
| - | 5 | 5 | 432 | £80,001 - £100,000 | - | 4 | 4 | 356 |
| - | 2 | 2 | 241 | £100,001 - £150,000 | - | 7 | 7 | 771 |
| - | - | - | - | £150,001 - £200,000 | - | 5 | 5 | 884 |
| - | - | - | - | £200,001 - £250,000 | - | - | - | - |
| - | - | - | - | £250,001 - £300,000 | - | - | - | - |
| - | - | - | - | £300,001 - £350,000 | - | - | - | - |
| - | 1 | 1 | 344 | £350,001 - £400,000 | - | - | - | - |
| **7** | **242** | **249** | **5,518** | **Total** | **8** | **169** | **177** | **5,767** |

## 4.2.18 Termination Benefits and Exit Packages

The table below separates the compensation received by the individual and the actuarial strain costs incurred as a result of the departure, payable to the pension fund.

| 2016/17 | | | 2017/18 | |
|---|---|---|---|---|
| **Compensation for Loss of Office** | **Actuarial Pension Strain** | | **Compensation for Loss of Office** | **Actuarial Pension Strain** |
| **£'000** | **£000** | **Range** | **£'000** | **£000** |
| 1,252 | 73 | £0 - £20,000 | 859 | 46 |
| 1,055 | 305 | £20,001 - £40,000 | 1,060 | 277 |
| 593 | 313 | £40,001 - £60,000 | 523 | 211 |
| 526 | 384 | £60,001 - £80,000 | 455 | 325 |
| 164 | 268 | £80,001 - £100,000 | 186 | 170 |
| 89 | 152 | £100,001 - £150,000 | 370 | 401 |
| - | - | £150,001 - £200,000 | 556 | 328 |
| - | - | £200,001 - £250,000 | - | - |
| - | - | £250,001 - £300,000 | - | - |
| - | - | £300,001 - £350,000 | - | - |
| 33 | 311 | £350,001 - £400,000 | - | - |
| **3,712** | **1,806** | **Total** | **4,009** | **1,758** |

## 4.2.19 Pensions

The City Council offers certain retirement benefits to its employees as part of their terms and conditions of employment and participates in the following three schemes:-

### Teachers Pension Scheme & NHS Pension Scheme

Teachers employed by the City Council are members of the Teachers' Pension Scheme (TPS) administered by the Teachers Pension Agency (TPA). Public Health staff are members of the NHS pension scheme. Both of these schemes provide members with defined benefits on retirement, and the City Council pays towards the cost by making contributions. Although both schemes are unfunded, they use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. It is not possible for the Council to identify a share of the underlying liabilities in these two schemes attributable to its own employees. For the purposes of these accounts, they are therefore accounted for as defined contribution plans.

The City Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the schemes. These benefits are accrued within the pension liability. In 2017/18 the City Council paid employer's contributions to the TPS of £4,290,921 (2016/17 £5,496,437). Employer contributions in respect of the NHS scheme amounted to £165,314 in 2017/18 (2016/17 £147,717). The employer contributions to the TPS was 16.4% of pensionable pay for 2017/18 (2016/17 16.4%). Employer contributions to the NHS scheme was 14.2% (2016/17 14.0%) of public health staff pay. Total pensionable pay for the year re the TPS, after Academy transfers, was £26,037,998 (2016/17 £33,358,982) & £1,160,579 (2016/17 £1,056,892) re the NHS scheme.

Employer's contributions for the year to 31 March 2019 will be approximately £4.3m re the TPS before Academy Transfers, which have not yet been formalised. Employer's contributions for the year to 31 March 2019 will be approximately £0.1m re the NHS scheme.

### Local Government Pension Scheme

The Local Government Pension Scheme, administered locally by Staffordshire County Council and called the Staffordshire Pension Fund, was a funded defined benefit final salary scheme until 31st March 2014 (at which point it became a 'career average'). The City Council and its employees pay contributions into a fund, which provides its members with defined benefits relating to pay and service. Although these benefits will not actually be payable until employees retire, the City Council has a commitment to make the payments (for those benefits) and to account for them at the time that employees earn their future entitlement.

The contributions are based on rates that are determined by Hymans Robertson, the Pension Fund's professionally qualified actuaries, calculated at a level intended to balance the pensions liabilities with investment assets. The contributions are calculated on a triennial basis on full valuations of the fund. The most recent triennial valuation date was at 31 March 2016.

The objectives of the scheme is to remove any deficit. The Pension Fund have agreed a strategy with the scheme's actuary to achieve this within the next 20 years. Funding levels are reviewed on an annual basis. The next triennial valuation is due to be completed on 31st March 2019.

In 2017/18 the City Council paid an employer's contribution based on 22.3% (2016/17 – 21.2%) of employees' pensionable pay. This was made up of 15.6% in respect of current service (i.e. pension earned within the current year), the remainder being in respect of prior year deficit recovery. Total pensionable pay for the year, after Academy transfers, was £111,592,631 (2016/17 £117,640,974). The Actuary estimates that the Employer's contributions for the year to 31 March 2019 re the LGPS will be approximately £17.1m.

## **4.2.19** Pensions

Discretionary retirement benefits awarded constitute an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. Effects of early retirements and unfunded benefits are considered in the Actuarial Assumptions and calculations. However, there are no investment assets built up to meet this type of pension liability and the funds have to be paid by the Council to meet the additional pension payments as they eventually fall due.

During the year ended 31 March 2018, the City Council agreed to allow 72 employees (38 in 2016/17) over the age of 55 to retire prematurely on redundancy grounds. Added years' lump sum payments awarded by the authority in respect of these leavers was £588,726 (2016/17 £326,753).

The Staffordshire Pension Fund 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. The Pensions Committee, which consists of 9 elected members & 6 non-voting representatives (5 from the Consultative Forum and 1 representing retired scheme members), is responsible for : setting overall strategy; monitoring performance; administering the scheme and; approving policy. Policy is determined in accordance with the Pensions Fund Regulations. The Pensions Panel (consisting of 5 elected members), which reports to the Pensions Committee, is responsible for appointing investment managers; monitoring performance and; recommending strategy to the Pensions Committee. In addition, following the new regulations which came into force in April 2015, there is now a Pensions Board consisting of 6 members (of which 3 will be representatives of the Scheme Membership, and 3 will be representatives of the Employers within the Scheme) which will scrutinise the decisions made by the Pensions Committee & the Pension Panel.

In line with the Government's directive for LGPS schemes to pool assets, is now part of a pool known as the LGPS Central Limited. This pool was approved by Central Government in November 2016. LGPS Central Ltd has 9 members, 8 of which have voting rights : Staffordshire Pension Fund; Cheshire Pension fund; Worcestershire County Council; Derbyshire County Council; Leicestershire County Council; Nottinghamshire County Council; Shropshire County Pension Fund &; West Midlands Pension Fund. The 9th member, with no voting rights, is West Midlands ITA which is managed by the West Midlands Pension Fund. There are new Governance structures in place to accommodate this.

The principal risks to the City Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie 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 by the statutory requirement to charge to the General Fund and Housing Revenue Account the amounts required by statute that aim to reflect the Actuaries estimate of contributions necessary to balance liabilities & investments.

In addition, any deficit remaining upon insolvency of any employers within the Staffordshire Pension Fund would fall to the other employers within the scheme. In order to minimise this eventuality, there is a risk assessment of all employers which is regularly monitored & kept up-to-date and action strategies in place for each eventuality. For example, an employer whose risk assessment indicates a less strong covenant will generally be required to pay higher contributions.

Included in Other Comprehensive Income and Expenditure is an analysis of the remeasurements of the scheme identified as movements on the Pensions Reserve. Remeasurements are recognised immediately in the period in which they occur.

Any benefits promised under the formal terms of the scheme have been included in the pension scheme liabilities.

The assets of the scheme have been measured at their fair value, which complies with the Code regulations for IAS 19. Scheme liabilities have been deducted.

Definitions of the elements contained in the tables below are shown in the glossary at the end of these accounts.

The weighted average duration of the defined benefit obligation for LGPS Scheme Members is 19.2 years.

## 4.2.19 Pensions

### Comprehensive Income and Expenditure Statement and Movement in Reserves Statement

The cost of post employment/retirement benefits reported in the net cost of services are recognised when they are earned by employees rather than when the benefits are actually paid as pensions. While charged to the net cost of services, this is not a proper charge to the general fund and is reversed out via the movement in reserves statement to the pensions reserve. The proper charge to the general fund is represented by the cash paid in the year to the superannuation fund representing employer contributions.

| | | Local Government Pension Scheme | | Teachers Pension Scheme | | Total | |
|---|---|---|---|---|---|---|---|
| | | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| | Note | £000 | £000 | £000 | £000 | £000 | £000 |
| **Within Net Cost of Services** | | | | | | | |
| - current service cost | | 28,993 | 43,604 | - | - | 28,993 | 43,604 |
| - past service cost incl curtailments | | 980 | 1,700 | - | - | 980 | 1,700 |
| - settlements | | (2,134) | (11,061) | - | - | (2,134) | (11,061) |
| | | **27,839** | **34,243** | **-** | **-** | **27,839** | **34,243** |
| **Within Financing and Investment Income and Expenditure** | | | | | | | |
| - net interest expenses | | 13,207 | 11,268 | 1,088 | 905 | 14,295 | 12,173 |
| | | **13,207** | **11,268** | **1,088** | **905** | **14,295** | **12,173** |
| **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | | **41,046** | **45,511** | **1,088** | **905** | **42,134** | **46,416** |
| **Within Other Comprehensive Income and Expenditure** | | | | | | | |
| Remeasurement of the net defined benefit liability comprising | | | | | | | |
| - return on plan assets (excluding the amount included in the net interest expense) | | (119,442) | 2,690 | - | - | (119,442) | 2,690 |
| - changes in demographic assumptions | | (5,355) | - | - | - | (5,355) | - |
| - changes in financial assumptions | | 229,794 | (28,605) | 4,348 | (376) | 234,142 | (28,981) |
| - other expenditure | | (44,630) | (537) | 266 | (1,231) | (44,364) | (1,768) |
| **Other Post Employment Benefit** | | **60,367** | **(26,452)** | **4,614** | **(1,607)** | **64,981** | **(28,059)** |
| **Total Post Employment Benefit Charged to the CIES** | | **101,413** | **19,059** | **5,702** | **(702)** | **107,115** | **18,357** |
| | | | | | | | |
| **Movement in Reserves Statement** | | | | | | | |
| - Reversal of net charged against the General Fund balance for the Provision of Services | | (41,046) | (45,511) | (1,088) | (905) | (42,134) | (46,416) |
| Actual amount charged against the general fund balance for cash paid in the year:<br>- Employers' contributions payable to the pension scheme | | 27,664 | 45,077 | 2,013 | 1,939 | 29,677 | 47,016 |
| **Movement in Pension Reserve** | | **(73,749)** | **26,018** | **(3,689)** | **2,641** | **(77,438)** | **28,659** |

## 4.2.19 Pensions

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

The amount included in the balance sheet arising from the City Council's obligation in respect of its defined benefit plans is shown in the table below. As can be seen, the balance sheet has improved slightly from last year. Overall, the default financial assumptions are relatively similar to 31st March 2017 and average LGPS returns over the year have been broadly in line with the 2017 accounting expected return assumption.

| | Note | 2013/14 £000 | 2014/15 £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 |
|---|---|---|---|---|---|---|
| *Present value of liabilities* | | | | | | |
| All pension schemes | | (1,078,660) | (1,277,195) | (1,161,054) | (1,385,305) | (1,395,968) |
| Discretionary benefits | | (57,644) | (58,745) | (52,382) | (57,255) | (53,560) |
| | | **(1,136,304)** | **(1,335,940)** | **(1,213,436)** | **(1,442,560)** | **(1,449,528)** |
| Fair value of assets in the LGPS | | 701,617 | 805,146 | 815,246 | 966,932 | 1,002,559 |
| **Net pension asset/(liability) on the balance sheet** | | **(434,687)** | **(530,794)** | **(398,190)** | **(475,628)** | **(446,969)** |

There is a net liability on the balance sheet of £446,969,000 in respect of post employment (retirement) benefits. This liability has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, the financial position of the Authority remains positive because of statutory arrangements for funding the deficit which permit:

- The deficit on the local government scheme to be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

## 4.2.19 Pensions

### Assets and Liabilities in Relation to Post-employment Benefits

This table shows a reconciliation of the present value of the scheme assets and liabilities and the reason why they have changed from the previous year. In other words, it summarises the effect of all of the factors responsible for the movement in the assets and liabilities over the last year.

| | Local Government Pension Scheme | | Teachers Pension Scheme | | Total | |
|---|---|---|---|---|---|---|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)** | | | | | | |
| Opening balance at 1 April | (1,181,339) | (1,406,774) | (32,097) | (35,786) | (1,213,436) | (1,442,560) |
| Current service cost | (28,993) | (43,604) | - | - | (28,993) | (43,604) |
| Interest cost | (42,586) | (36,548) | (1,088) | (905) | (43,674) | (37,453) |
| Contributions by scheme particpants | (7,483) | (6,992) | - | - | (7,483) | (6,992) |
| Remeasurements (gains) and losses: | | | | | | |
| - changes in demographic assumptions | 5,355 | - | - | - | 5,355 | - |
| - changes in financial assumptions | (229,794) | 28,605 | (4,348) | 376 | (234,142) | 28,981 |
| - changes in experience | 44,630 | 537 | (266) | 1,231 | 44,364 | 1,768 |
| Benefits paid | 31,332 | 30,679 | 2,013 | 1,939 | 33,345 | 32,618 |
| Past service costs (including curtailments) | (980) | (1,700) | - | - | (980) | (1,700) |
| Settlements | 3,084 | 19,414 | - | - | 3,084 | 19,414 |
| **Closing balance at 31 March** | **(1,406,774)** | **(1,416,383)** | **(35,786)** | **(33,145)** | **(1,442,560)** | **(1,449,528)** |
| **Reconciliation of fair value of the scheme (plan)** | | | | | | |
| Opening balance at 1 April | 815,246 | 966,932 | - | - | 815,246 | 966,932 |
| Interest income | 29,379 | 25,280 | - | - | 29,379 | 25,280 |
| Remeasurement (gains) and losses | | | | | | |
| - the return on plan assets, excluding the amount included in net interest | 119,442 | (2,690) | - | - | 119,442 | (2,690) |
| Employer contributions | 27,664 | 47,016 | - | - | 27,664 | 47,016 |
| Contributions by scheme participants | 7,483 | 6,992 | - | - | 7,483 | 6,992 |
| Benefits paid | (31,332) | (32,618) | - | - | (31,332) | (32,618) |
| Settlements | (950) | (8,353) | - | - | (950) | (8,353) |
| **Closing balance at 31 March** | **966,932** | **1,002,559** | **-** | **-** | **966,932** | **1,002,559** |
| **Net pension asset/(liability)** | **(439,842)** | **(413,824)** | **(35,786)** | **(33,145)** | **(475,628)** | **(446,969)** |

## 4.2.19 Pensions

### Local Government Pension Scheme Assets

The Schemes assets consist of the following categories, by proportion and value of the total assets held:

| | 2016/17 | | | | 2017/18 | | | |
|---|---|---|---|---|---|---|---|---|
| | Quoted prices in active markets | Unquoted prices in active markets | Total | Percentage of total assets | Quoted prices in active markets | Unquoted prices in active markets | Total | Percentage of total assets |
| | £000 | £000 | £000 | % | £000 | £000 | £000 | % |
| **Equity Securities:** | | | | | | | | |
| - Consumer | 64,861 | - | 64,861 | 7% | 43,450 | - | 43,450 | 4% |
| - Manufacturing | 55,915 | - | 55,915 | 6% | 41,870 | - | 41,870 | 4% |
| - Energy & Utilities | 23,970 | - | 23,970 | 3% | 12,276 | - | 12,276 | 1% |
| - Financial Institutions | 64,765 | - | 64,765 | 7% | 40,691 | - | 40,691 | 4% |
| - Health & Care | 53,800 | - | 53,800 | 6% | 29,679 | - | 29,679 | 3% |
| - Information Technology | 64,715 | - | 64,715 | 7% | 28,402 | - | 28,402 | 3% |
| - Other | 961 | - | 961 | 0% | 1,088 | - | 1,088 | 0% |
| **Debt Securities** | | | | | | | | |
| - Corporate Bonds (Investment Grade) | 71,805 | - | 71,805 | 7% | 76,069 | - | 76,069 | 7% |
| Private Equity | - | 30,695 | 30,695 | 3% | - | 29,273 | 29,273 | 3% |
| Real Estate - UK Property | - | 77,839 | 77,839 | 8% | - | 77,557 | 77,557 | 8% |
| **Investment Funds and Unit Trusts** | | | | | | | | |
| - Equities | 322,743 | - | 322,743 | 33% | 473,790 | - | 473,790 | 47% |
| - Bonds | 52,884 | - | 52,884 | 5% | 58,994 | - | 58,994 | 6% |
| - Hedge Funds | - | 18,979 | 18,979 | 2% | - | 17,602 | 17,602 | 2% |
| - Other | - | 14,428 | 14,428 | 1% | - | 25,867 | 25,867 | 3% |
| Derivatives | - | - | - | 0% | - | - | - | 0% |
| **Cash & Cash Equivalents** | 48,572 | - | 48,572 | 5% | 45,950 | - | 45,950 | 5% |
| **Total Assets** | **824,991** | **141,941** | **966,932** | **100%** | **852,259** | **150,299** | **1,002,558** | **100%** |

## 4.2.19 Pensions

As is required by the pensions and (where relevant) investment regulations, the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range.

The return on the Fund in market value terms for the year to 31 March 2018, estimated based on actual fund returns as provided by the Actuary and index returns where necessary, is:

- Actual return for the period from 1 April 2017 to 31st December 2017 - 6.1% (17.7%)
- Estimated return for the period from 1 April 2017 to 31 March 2018 - 2.3% (23.2%)

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method of valuation. An estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels etc. The Pension Scheme has been assessed by Hymans Robertson.

The principal assumptions used by the actuary have been:

| | 2016/17 | 2017/18 |
|---|---|---|
| *Mortality assumptions:* | | |
| Longevity at 65 for current pensioners | | |
| - Men | 22.1 years | 22.1 years |
| - Women | 24.4 years | 24.4 years |
| Longevity at 65 for future pensioners | | |
| - Men | 24.1 years | 24.1 years |
| - Women | 26.4 years | 26.4 years |
| Rate of increase in salaries | 2.8 | 2.8 |
| Rate of increase in pensions | 2.4 | 2.4 |
| Rate for discounting scheme liabilities | 2.6 | 2.7 |
| Real discount rate for discounting scheme liabilities | 0.2 | 0.3 |
| Proportion of employees taking up commutation option | | |
| - pre-April 2008 service | 50.0 | 50.0 |
| - post-April 2008 service | 75.0 | 75.0 |

### Sensitivity Analysis

The estimation of the defined benefit liability is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all the other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

The Sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Change in assumptions at year ended 31 Mar 2018 | Approximate % increase to Employer Liability % | Approximate Monetary Amount £000 |
|---|---|---|
| 0.5% decrease in Real Discount Rate | 10% | 151,523 |
| 0.5% increase in the Salary Increase Rate | 2% | 22,455 |
| 0.5% increase in the Pension Increase Rate | 9% | 127,092 |

The principal demographic assumption is the longevity assumption (ie member life expectancy). For sensitivity purposes, it is estimated that a one year increase in life expectancy would approximately increase the employer's defined benefit obligation by around 3 to 5%. In practice, the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumptions ie if improvements to survival rates predominantly apply at younger or older ages.

## 4.2.20 Pooled Budgets and Other Arrangements

### Pooled Budgets

Stoke-on-Trent City Council has pooled budget arrangements with external bodies, as follows:

- Mental Health Section 75 Pooled Budget - For the provision of mental health services for younger adults. Partners with North Staffordshire Combined Healthcare Trust.
- Youth Offending Services Pooled Budget - For the provision of Youth Offending Services. Partners with the Youth Justice Board, the Police, the Probation Service and the Stoke-on-Trent Clinical Commissioning Group (CCG).

At 31st March, the net position arising on each of the pooled budgets was as follows:

| 31 March 2017 £000 | | 31 March 2018 £000 |
|---|---|---|
| - | Mental Health Section 75 Pooled Budget | - |
| (232) | Youth offending Services Pooled Budget | (251) |

Any (surplus)/deficit on the pooled budget for Mental Health Section 75 is managed through a carry forward agreement. The (surplus)/deficit on the Youth Offending Service Pooled Budgets are funded from reserves.

### Better Care Fund

The Better Care Fund (BCF) programme spans both the NHS and local government. The programme has been created to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with 'wraparound' fully integrated health and social care to deliver a better quality of life.

In 2017/18 Stoke on Trent City Council and Stoke on Trent Clinical Commissioning Group (CCG) entered into a Section 75 Framework Agreement of the National Health Service Act 2006 Pooled fund arrangement, known as Better Care Fund. This agreement is for a two year period covering both the 2017/18 and 2018/19 financial years. The table below does not represent the full costs of support as the council and CCG also incur costs that are outside the pooling arrangement.

The agreed approach was that funding was identified to the BCF with the support services delivered by either the Council or CCG as appropriate. These arrangements are judged to lie solely with the respective public body and as such no joint control is exercised with the exception of the funding made available for the Integrated Community Equipment Service (ICES) which is a pooled budget as at the end of each financial year the ICES Board agrees on the use and sharing of any surplus or deficit, it is therefore judged to be a joint operation.

t

| | Costs met by Authority £000 | CCG Funded ASC delivered by NHS £000 | CCG Contribution to Adults Social Care £000 | Cost Incurred by CCG £000 | Total £000 |
|---|---|---|---|---|---|
| Enhanced Primary & Community Support | 3,182 | - | 907 | 3,279 | 7,368 |
| Ensuring Sustainability of Adult Social Care | 7,178 | - | 7,352 | - | 14,530 |
| Admission Avoidance / Discharge to Access | - | 1,847 | 1,327 | 6,206 | 9,380 |
| **Total for 2017/18** | **10,360** | **1,847** | **9,586** | **9,485** | **31,278** |

| | Overspend c/f from 16/17 £000 | Pooled Funding Provided by Authority £000 | Pooled Funding Provided by the CCG £000 | Cost met from the Pool £000 | (Surplus)/ deficit on the pool £000 |
|---|---|---|---|---|---|
| Integrated Community Equipment Service | (26) | (372) | (1,031) | 1,480 | 51 |

## 4.2.21 Debtors and Creditors

### Long Term Debtors

The City Council has a number of Kickstart loans which provided financial assistance in the form of a loan to homeowners who are vulnerable or in receipt of a low income to improve their property. The majority of loans are secured via a legal 'charge' on the property with repayment assumed to be received when the property is disposed of. There are also a number of cluster loans made to homeowners who purchased houses under £1 empty home scheme. These loans are repayable monthly with a charge on the property in case of default.

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| 2,187 | Kickstart | | 2,189 |
| 644 | Cluster loans | | 507 |
| 7 | Other long term debtors | | 7 |
| 8 | Home improvement loans | | 49 |
| 31 | Empty home loans | | 51 |
| - | Fortior Homes | | 751 |
| 3,495 | Housing benefit overpayment | | 4,077 |
| (2,870) | Impairment of housing benefit overpayment | | (3,951) |
| **3,502** | **Total** | | **3,680** |

### Short Term Debtors

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| 398 | Central government bodies | | 6,731 |
| 262 | Academies | | - |
| 2,491 | Other local authorities | | 2,388 |
| 156 | NHS bodies | | 52 |
| 67,228 | Other entities and individuals | | 56,634 |
| (24,052) | Impairment of other entities and individuals | | (22,348) |
| **46,483** | **Total** | | **43,457** |

### Short Term Creditors

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| 12,707 | Central government bodies | | 7,406 |
| 2,258 | Other local authorities | | 2,053 |
| 1,119 | NHS bodies | | 1,348 |
| 46,080 | Other entities and individuals | | 50,019 |
| **62,164** | **Total** | | **68,026** |

## **4.2.22** Trading Operations

The City Council provides cleaning and meals services to council maintained schools and academy schools. The managers of those operations are required to meet the costs of those activities by charging customers (internally and externally) for the services provided which have been identified as trading operations. At the end of the financial year the trading units have the following financial results.

| 2016/17 | | | | 2017/18 | | |
|---|---|---|---|---|---|---|
| Expenditure | Charges | (Surplus) / Deficit | | Expenditure | Charges | (Surplus) / Deficit |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 1,433 | 1,433 | - | Cleaning services | 1,541 | 1,484 | 57 |
| 8,708 | 8,930 | (222) | Meals service | 6,742 | 6,852 | (110) |
| **10,141** | **10,363** | **(222)** | **Total** | **8,283** | **8,336** | **(53)** |

Cleaning and meals services form part of Children’s, Adult and Family Services. The surplus of £53,228 on the trading account supports the provision of the authority’s own services. To avoid overstating the total cost of Children’s, Adult and Family Services, the surplus is repatriated to the service.

## **4.2.23** Related Party Transactions

The Authority is required to disclose material transactions with related parties, in words, bodies or individuals that have the potential to control or influence the City Council or to be controlled or influenced by the City Council. 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, as it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (such as those relating to council tax bills and housing benefits). Grants received from government departments are set out in the subjective analysis in Note 4.2.5. A breakdown of grants received by funder in 2017/18 is shown in Note 4.2.16.

### Members

Members of the City Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 4.2.25. During 2017/18, no members declared interests in related party companies which as 31st March 2018 had outstanding loans with the Authority. Details of all members' interests are available within the Members' Registers of Interest on the City Council website, stoke.gov.uk.

### Officers

During 2017/18, no council officers declared interests in related parties.

### Other Public Bodies

Stoke-on-Trent City Council has a pooled budget arrangement with North Staffordshire Combined Healthcare Trust for the provision of mental health services and with Stoke-on-Trent Clinical Commissioning Group for the provision of Integrated Community Equipment Services (ICES). The Authority has a further pooled budget arrangement for the provision of Youth Offending Services. The other bodies involved in this include the Youth Justice Board, the Probation Service, Stoke-on-Trent Clinical Commissioning Group and Staffordshire Police Authority.

In 2015/16 Stoke on Trent City Council and Stoke on Trent Clinical Commissioning Group (CCG) entered into a Section 75 Framework Agreement of the National Health Service Act 2006 Pooled fund arrangement, known as Better Care Fund.

The year end balances for all of these arrangements are detailed in Note 4.2.20.

### Interest in Other Companies

The City Council has interests in a number of companies. During 2017/18, the following members were on the board of these companies, and various related party transactions were made to the companies:

**Stoke-on-Trent Regeneration Limited** - Stoke-on-Trent City Council has a 19.0% share in Stoke-on-Trent Regeneration Limited and holds 19,000 B Ordinary Shares of £1 each. In order to represent that share holding, several council members sit on the board of the company. Cllr. Jellyman was appointed as director on 21/11/2017, Cllr. Brereton resigned as director on 31/05/2017.

**Kier Stoke Limited** - Stoke-on-Trent City Council had a partner agreement with Kier Stoke Limited. The partner agreement ceased on 3 February 2018. The authority has a 19.9% share holding in the company and holds 199 B Ordinary Shares of £1 each. As city council representative on the board, Cllr. Conteh was appointed as a Director of the board on 18/08/15 and Cllr. Follows was appointed as a substitute at the same time. Various transactions took place in 2017/18 and these are detailed in note 4.2.24.

## 4.2.23 Related Party Transactions

### Entities Controlled or Significantly Influenced by the Authority

**Stoke Energyco Limited** - This company is wholly owned by Stoke-on-Trent City Council in order to deal with green energy initiatives. In 2017/18 no transactions took place.

**Fortior Homes Limited** - This company is wholly owned by Stoke-on-Trent City Council in order to deal with housing development. In 2017/18 Fortior Homes Limited issued and allotted shares to the value of £2.057m.

Transactions and Balances

The City Council raised invoices against Fortior Homes Limited during 2017/18 of £299k for charges incurred on behalf of the company during its establishment period and service charges. There was no income outstanding at the year end.

The City Council also disposed of assets to Fortior Homes Limited during 2017/18 for £830k.

As at 31 March 2018, included within short term creditors there is an intercompany balance of £374k which the City Council owes to Fortior Homes Limited.

In 2017/18, the City Council made loans to Fortior Homes Limited of £746k. Interest on the loan for the year is £4.5k.

Related Party Officers/Members

For the Financial year of 2017/18, Councillor David Conway was a director of Fortior Homes Limited. Three officers of the Council were also board members: Carl Brazier, Phillip Cresswell and Joanne Tyzzer. Joanne Tyzzer resigned on 12 December 2017.

**Unitas Stoke-on-Trent Limited** - This company is wholly owned by Stoke-on-Trent City Council in order to provide housing maintenance. Details of shareholdings can be found in note 4.2.14a

Transactions and Balances

The City Council raised invoices against Unitas Stoke-on-Trent Limited during 2017/18 of £1.36m for charges incurred on behalf of the company during its establishment period and service charges. Unitas Stoke-on-Trent Limited raised invoices against the City Council during 2017/18 of £4.65m for repairs and maintenance of housing stock and public buildings.

During 2017/18, the City Council also gave Unitas Stoke-on-Trent Limited a grant of £2.4m to support service transformation, the benefits of which will provide an ongoing revenue return to the City Council.

As at 31 March 2018, included within short term creditors is an intercompany balance of £0.9m which the City Council owes to Unitas Stoke-on-Trent Limited.

Related Party Officers/Members

For the Financial year of 2017/18, Councillor Randolph Conteh and Councillor Daniel Jellyman were directors of Unitas Stoke-on-Trent Limited Carl Brazier, a Director of the Council was also a board members.

## 4.2.24 Partnership Arrangement

Kier Stoke Limited was established as a partner agreement between the City Council and Kier Group to deliver the housing and public building maintenance and housing programmed works for the City Council.

### Service Contracts and Agreements

Kier Stoke Limited was incorporated on 5 October 2007, and commenced a ten year contract on 4 February 2008 which ceased on 3rd February 2018. The City Council holds a 19.9% minority interest holding in Kier Stoke Limited.

Kier Stoke Limited had admitted body status into the Staffordshire County Local Government Pension Scheme and has satisfied all contribution demands during the year.

### Transactions and Balances

Between 1 April 2017 and 3rd February 2018, Kier Stoke Limited carried out works and services for the City Council at a value of £44.5m (2016/17 £43.4m) net of Value Added Tax for completion of works and services.

The City Council raised a total value of invoices against Kier Stoke Limited during 2017/18 of £409k for various services and £300k was outstanding at 31 March 2018.

During 2017/18 the City Council accrued for £208k of dividends from Kier Stoke Limited.

## **4.2.25** Members Allowances and Expenses

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

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| 761 | Allowances | | 757 |
| 23 | Expenses | | 23 |
| **784** | **Total** | | **780** |

## **4.2.26** External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority’s external auditors.

| **31 March 2017** | | | **31 March 2018** |
|---|---|---|---|
| **£000** | | **Note** | **£000** |
| 186 | Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year | | 187 |
| 15 | Fees payable to external auditors for the certification of grant claims and returns for the year | | 20 |
| 7 | Fees payable to external auditors for other assurance work | | 8 |
| 22 | Fees payable to external auditors in respect of non audit services provided during the year | | - |
| **230** | **Total** | | **215** |

A further amount of £20k has been paid in 2016/17, which relates to previous years.

## **4.2.27** Notes to the Cash Flow Statement

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements

| 2016/17 £000s | | 2017/18 £000s |
|---|---|---|
| (31,309) | Depreciation | (34,468) |
| 77,120 | Impairment & Downward Valuations | 15,011 |
| (849) | Amortisations | (1,322) |
| (971) | Increase/(decrease) in impairment for bad debts | 2,339 |
| (645) | (Increase)/decrease in creditors | (6,607) |
| 17,160 | Increase/(decrease) in debtors | (3,303) |
| 11 | Increase/(decrease) in revaluation of stock (write offs) | (127) |
| (12,457) | Movement in pension liability | 600 |
| (11,680) | Net carrying amount of non-current assets sold | (57,799) |
| 4,394 | Other non-cash items charges to the net Surplus or Deficit on the Provision of Services | 1,624 |
| 5,058 | Changes in Fair Value of investment properties | 426 |
| **45,832** | | **(83,626)** |

### Financing Activities

| 2016/17 £000s | | 2017/18 £000s |
|---|---|---|
| (40,682) | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 8,311 |
| 11,453 | Repayments of short and long-term borrowing | 8,453 |
| (7,383) | Other receipts from financing activities | (54,981) |
| (5,000) | Cash receipts of long-term borrowing | (2,679) |
| **(41,612)** | **Net cash flows from financing activities** | **(40,896)** |

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities.

| 2016/17 £000s | | 2017/18 £000s |
|---|---|---|
| 13,734 | Grants/Contributions Applied | 7,883 |
| 54 | Transfer of deferred capital grants credited as capital grants and contributions to the CIES | 182 |
| 3,344 | REFCUS Funding | 6,979 |
| 873 | Grants Unapplied | 814 |
| (3,574) | Movement in Capital debtors | (5,221) |
| (2,678) | Movement in Capital creditors | 121 |
| 7,355 | Proceeds for the sale of PPE, investment property & intangible assets | 12,661 |
| **19,108** | | **23,418** |

### Investing Activities

| 2016/17 £000s | | 2017/18 £000s |
|---|---|---|
| 110,065 | Purchase of property, plant & equipment, investment property & intangible assets | 61,362 |
| - | Purchase of short term and long term investments | 200 |
| (6,979) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (7,472) |
| (13,028) | Proceeds from short-term and long-term investments | - |
| (11,699) | Other receipts from investing activities | (12,574) |
| **78,359** | | **41,517** |

## **4.2.28** Contingent Assets and Liabilities

### Contingent Assets

a The Council has an outstanding VAT claim with HMRC relating to standard rated leisure service which the Council is claiming should all be exempt, in line with EU VAT law.

### Contingent Liabilities

a In 1992, Municipal Mutual Insurance (MMI) ceased to trade and now exists solely to discharge its responsibilities under policies that it had previously issued. These responsibilities relate mainly to legal liability claims, which will take many years to materialise and finalise. In the event of MMI's insolvency local authority policyholders had agreed to enter into a 'scheme of arrangement' under which there are claw-back provisions on claims payments made by MMI after the implementation of the scheme.

The scheme of administration has been triggered. In response to an initial levy of 15% the City Council has paid £177,005 to MMI from 01/01/2014 to 31/03/2016. In April 2016 the levy increased to 25% incurring a further charge of £118,003 with a maximum liability of £897,630. There is no indication at this stage as to whether a further levy will be applied but the scheme administrators have not ruled it out. The Council is uncertain as to whether further monies will be required to be set aside.

b The City Council is currently and has previously been involved in a number of schemes where grants are received from external funding agencies – primarily, but not exclusively, the European Commission, National Lottery Funds, Housing Market Renewal and the Regional Growth Fund. There are specific terms and conditions applied to the value of grant offered from these funding organisations. A proportion of these monies could be subject to claw-back if it is deemed that the City Council has not fully complied with all the conditions of each grant award.

c Potential liabilities exist regarding liability claims that pre date Local Government Reorganisation in 1974 when a number of services transferred to Staffordshire County Council including Education and Social Services. Potential liabilities also exist for other periods where the City Council does not hold verifiable evidence of Insurance cover. Any proven claims arising from these periods would have a financial consequence for the City Council that could exceed any insurance provisions that are currently held. The City Council is unable to estimate the value or timing of any obligations, hence, no amounts are recognised in the accounts in respect of this.

d The City Council would be responsible for any pollution arising from closed landfill sites in any restored areas where it holds the relevant licence. Whether any pollution will arise is unknown as is the cost that would arise from such an incident. Hence, no monies have been set aside for such events as the risk is considered to be contingent at this time.

e Claims under Part 1 of the Land Compensation Act 1973 may be made in respect of any public works undertaken by the City Council, between 1 year after opening of the works and 6 years after opening. Claims are for any depreciation in the value of an interest in land or property which is attributable to the use of public works. It is not possible in advance of the opening of a highway scheme to value the likely scale or number of such claims.

f A contingent liability exists regarding the funding of pension fund deficits arising from a contract entered into with Serco Limited in 2007 for the provision of education services. The West Midlands Councils pensions (WMLGA) has now been wound up and the City Council is responsible for increases in the pensions liability over the next 25 years. It is uncertain what the Council's potential liability is likely to be in respect of this pension fund.

g From time to time the City Council is involved in a number of investigations and enquiries on data protection and taxation from Government bodies, such as Information Commissions Offices (ICO) and Her Majesty's Revenue and Customs (HMRC). Where the outcome of such investigations are known, adequate provisions will be made.

h The Balance Sheet includes Private Housing Improvement Loans (Kickstart) with a fair value of £2.189m as at 31st March 2018. The repayment of some of these loans are dependant on certain events, principally the sale of the property. It is uncertain when these events will arise and the amount of the loan that will be repaid.

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

### School Conversions to Academies

The following schools have converted to an Academy in 2018/19:

| School Name | Proposed Conversion Date[1] | NBV of OLB,VPE and infrastructure as at 1st April 2018 |
|---|---|---|
| Jackfield Infants School | 1 July 2018 | £1.597m |
| Alexandra Junior School | 1 July 2018 | £1.992m |
| Alexandra County Infants School | 1 July 2018 | £2.050m |
| Moorpark Junior School | 1 July 2018 | £1.411m |

As a result of the above school transfers to academy status, the school as an entity will need to be derecognised in the Council's accounts for 2017/18 by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement (CIES). The gain or loss on transfer will be recognised within then Financing and Investment Income and Expenditure line on the CIES.

[1] *Source: Department for Education—Open Academies and academy projects in development: May 2018*

### EU Referendum

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

# 5.0 Housing Revenue Account

## 5.1 Housing Revenue Account Income & Expenditure Account

| 2016/17 | | | | | 2017/18 |
|---|---|---|---|---|---|
| £000 | £000 | | Notes | £000 | £000 |
| | | **Expenditure** | | | |
| (26,524) | | Repairs and maintenance | | (27,187) | |
| (540) | | Revenue expenditure funded from capital under statute | | (994) | |
| (18,650) | | Supervision and management | | (17,806) | |
| (628) | | Rent, rates, taxes and other charges | | (570) | |
| (12,751) | | Depreciation and impairment of non-current assets | | (16,526) | |
| 94,836 | | Revaluation of assets | | 8,573 | |
| (22) | | Debt management costs | | (18) | |
| 328 | | Increase or (decrease) in bad debt provisions | | (143) | |
| | **36,049** | **Total Expenditure** | | | **(54,671)** |
| | | | | | |
| | | **Income** | | | |
| 67,105 | | Dwellings rents | | 65,853 | |
| 587 | | Non-dwelling rents | | 588 | |
| 1,200 | | Charges for services and facilities | | 1,101 | |
| 221 | | Contributions towards expenditure | | 206 | |
| | **69,113** | **Total Income** | | | **67,748** |
| | | | | | |
| | (305) | HRA services’ share of Corporate and Democratic Core | | | (415) |
| | **104,857** | **Net Cost for HRA Services** | | | **12,662** |
| | | | | | |
| | | **HRA share of the operating Income and Expenditure included in the CIES** | | | |
| | (6,602) | Interest payable and similar charges | | | (6,466) |
| | 121 | HRA interest and investment income | | | 74 |
| | 1,853 | (Loss)/gain on disposal of non current assets | | | 1,930 |
| | (707) | Pensions interest cost and expected return on pensions costs | | | (652) |
| | - | Grants and contributions receivable | | | 741 |
| | **99,522** | **Surplus or (deficit) for the year on HRA services** | | | **8,289** |

## **5.2** Statement of Movement in the Housing Revenue Account

| 31 March 2017 £000 | | Notes | 31 March 2018 £000 |
|---|---|---|---|
| **7,836** | **Opening balance** | | **7,898** |
| | | | |
| 99,522 | Surplus of (deficit) for the year on the HRA Income and Expenditure Statement | | 8,289 |
| (105,194) | Adjustments between accounting basis and funding basis under statute | | (10,940) |
| **(5,672)** | **Net increase or (decrease) before transfers to or from reserves** | | **(2,651)** |
| | | | |
| 5,734 | Transfers (to) or from reserves | | 2,493 |
| 60 | Increase or (decrease) in year on the HRA | | (158) |
| **7,898** | **Closing balance** | | **7,740** |

## **5.3.1** Housing Stock

| 2016/17 | | 2017/18 |
|---:|---|---:|
| **18,554** | **Number of dwellings at the beginning of the year** | **18,403** |
| | | |
| 12 | Purchases | 14 |
| (162) | Dwellings sold under Right to Buy | (160) |
| - | Other sales | (2) |
| (1) | Awaiting demolition or unavailable for rent | (81) |
| - | Merged conversions | (1) |
| - | Dwellings demolished | - |
| **18,403** | **Number of dwellings at the end of the year** | **18,173** |
| | | |
| | *Consisting of:* | |
| 15,362 | *Houses/bungalows* | 15,216 |
| 3,041 | *Flats* | 2,957 |

## 5.3.2 Valuation of Housing Assets

| 2017/18 | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture and Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property Plant and Equipment £000 | Assets Held for Sale £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | |
| **At 1 April** | **502,975** | **9,232** | **5,216** | **11,970** | **134** | **1,358** | **2,579** | **533,464** | **632** |
| Additions | 16,678 | 69 | - | 1,585 | - | 316 | 1,338 | **19,986** | 37 |
| Revaluation increases/decreases to revaluation reserves | - | 175 | - | | - | 17 | - | **192** | - |
| Revaluation increases/decreases to Surplus/Deficit on the Provision of Services | (4,297) | 1 | - | - | - | - | - | **(4,296)** | - |
| Derecognition—disposals | (1,612) | - | (41) | (81) | - | (806) | - | **(2,540)** | (4,564) |
| Assets reclassified (to)/from Held for Sale | (4,036) | - | - | - | - | - | - | **(4,036)** | 4,036 |
| Reclassifications—other | 118 | (1) | - | - | 1 | 702 | (820) | **-** | - |
| Other | - | - | - | - | - | - | - | **-** | - |
| **At 31 March** | **509,826** | **9,476** | **5,175** | **13,474** | **135** | **1,587** | **3,097** | **542,770** | **141** |
| **Accumulated Depreciation and Impairment** | | | | | | | | | |
| **At 1 April** | **(606)** | **(12)** | **(2,142)** | **(2,576)** | **-** | **(250)** | **(1,472)** | **(7,058)** | **(6)** |
| Depreciation charge in year | (13,061) | (154) | (143) | (391) | - | - | - | **(13,749)** | - |
| Depreciation written out to the revaluation reserve | - | 107 | - | - | - | - | - | **107** | - |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 12,866 | 2 | - | - | - | - | - | **12,868** | - |
| Impairment losses/(reversals) to the revaluation reserve | - | - | - | - | - | - | - | **-** | - |
| Impairment losses/(reversals) to the Surplus/Deficit on the Provision of Services | (2,254) | - | - | - | - | (522) | - | **(2,776)** | - |
| Derecognition—disposals | 1,612 | - | 19 | 27 | - | 773 | - | **2,431** | 2 |
| Assets reclassified (to)/from Held for Sale | (4) | - | - | - | - | - | - | **(4)** | 4 |
| Reclassifications - other | 701 | - | - | - | - | (702) | - | **(1)** | - |
| Other | - | - | - | - | - | - | - | **-** | - |
| **At 31 March** | **(746)** | **(57)** | **(2,266)** | **(2,940)** | **-** | **(701)** | **(1,472)** | **(8,182)** | **-** |
| | | | | | | | | | |
| **Net Book Value** | | | | | | | | | |
| **At 31 March 2018** | **509,080** | **9,419** | **2,909** | **10,534** | **135** | **886** | **1,625** | **534,588** | **141** |
| **At 31 March 2017** | **502,369** | **9,220** | **3,074** | **9,394** | **134** | **1,108** | **1,107** | **526,406** | **626** |

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2018 was £1,263,060,500. The balance sheet value of dwellings within the Housing Revenue Account shows the economic cost to Government of providing council housing at less than open market rents.

## **5.3.2** Valuation of Housing Assets

| 2016/17 | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture and Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property Plant and Equipment £000 | Assets Held for Sale £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | |
| **At 1 April** | **404,210** | **10,492** | **7,368** | **11,009** | **134** | **652** | **2,052** | **435,926** | **1,637** |
| Additions | 19,362 | 1 | 414 | 961 | - | 95 | 1,198 | **22,032** | 5 |
| Revaluation increases/decreases to revaluation reserves | - | 25 | - | - | - | (10) | - | **15** | - |
| Revaluation increases/decreases to Surplus/Deficit on the Provision of Services | 82,589 | 27 | - | - | - | 390 | - | **83,006** | - |
| Derecognition—disposals | (39) | (1) | (2,569) | - | - | - | - | **(2,609)** | (4,466) |
| Assets reclassified (to)/from Held for Sale | (3,456) | - | - | - | - | - | - | **(3,456)** | 3456 |
| Reclassifications—other | 309 | - | - | - | - | 362 | (671) | **-** | - |
| Other | - | (1,312) | (6) | - | - | (131) | - | **(1,449)** | - |
| **At 31 March** | **502,975** | **9,232** | **5,216** | **11,970** | **134** | **1,358** | **2,579** | **533,464** | **632** |
| **Accumulated Depreciation and Impairment** | | | | | | | | | |
| **At 1 April** | **(785)** | **(19)** | **(4,043)** | **(2,208)** | **-** | **1** | **(1,472)** | **(8,526)** | **(6)** |
| Depreciation charge in year | (11,859) | (151) | (285) | (368) | - | - | - | **(12,663)** | - |
| Depreciation written out to the revaluation reserve | - | 139 | - | - | - | - | - | **139** | - |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 11,826 | 4 | - | - | - | - | - | **11,830** | - |
| Impairment losses/(reversals) to the revaluation reserve | - | - | - | - | - | - | - | **-** | - |
| Impairment losses/(reversals) to the Surplus/Deficit on the Provision of Services | - | - | - | - | - | (87) | - | **(87)** | - |
| Derecognition—disposals | 39 | - | 2,189 | - | - | - | - | **2,228** | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | **-** | - |
| Reclassifications - other | 164 | - | - | - | - | (164) | - | **-** | - |
| Other | - | 15 | 6 | - | - | - | - | **21** | - |
| **At 31 March** | **(606)** | **(12)** | **(2,142)** | **(2,576)** | **-** | **(250)** | **(1,472)** | **(7,058)** | **(6)** |
| | | | | | | | | | |
| **Net Book Value** | | | | | | | | | |
| **At 31 March 2017** | **502,369** | **9,220** | **3,074** | **9,394** | **134** | **1,108** | **1,107** | **526,406** | **626** |
| **At 31 March 2016** | **403,434** | **10,473** | **3,325** | **8,801** | **134** | **653** | **580** | **427,400** | **1,631** |

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2016 was £1,251,949,625. The balance sheet value of dwellings within the Housing Revenue Account shows the economic  cost to Government of providing council housing at less than open market rents.

## **5.3.3** Usable Reserves

### a - Major Repairs Reserve

The major repairs reserve can only be used to fund capital expenditure on Housing Revenue Account assets. Local authorities have the flexibility to spend the resource outside the financial year in which they are allocated, enabling more efficient planning of works.

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| **10,547** | **Opening balance** | **9,469** |
| 12,663 | Depreciation on HRA assets | 13,749 |
| (2,988) | Voluntary debt repayment | - |
| (10,753) | Reserve applied | (13,749) |
| **9,469** | **Closing balance** | **9,470** |

### b - HRA Capital Receipts Reserve

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| **8,379** | **Opening balance** | **7,577** |
| | **Value of Receipts** | |
| - | Land | 46 |
| 6,308 | Houses | 6,522 |
| 8 | Mortgage repayments | 5 |
| 7 | Repayments of discount | 26 |
| 377 | Notional Receipts for end of lease | - |
| | | |
| | **Use of receipts** | |
| (1,329) | Capital receipts pooling payment to DCLG | (1,323) |
| (2,005) | Usable receipts applied to finance HRA capital expenditure | (2,192) |
| (4,168) | Usable receipts applied to finance regeneration capital expenditure | (2,210) |
| - | Funding of disposal costs | (4) |
| **7,577** | **Closing balance** | **8,447** |

## 5.3.4 Capital

### a - Summary of Capital Expenditure

| 2016/17 £000 | | Notes | 2017/18 £000 |
|---|---|---|---|
| **22,575** | **Expenditure** | | **21,016** |
| 22,035 | Additions | | 20,023 |
| 540 | REFCUS | | 993 |
| **22,575** | | | **21,016** |
| | **Financed by** | | |
| - | Borrowing | | - |
| - | Revenue contributions | | - |
| 9,817 | Earmarked reserves | | 4,468 |
| 10,753 | Major repairs reserve | | 13,748 |
| 2,005 | Usable capital receipts reserve | | 2,192 |
| - | Grants and contributions | | 608 |
| **22,575** | | | **21,016** |

### b - Capital Asset Charges and Adjustments

Capital asset charges are made to the HRA, by was of Item 8 Credit and Debit charges as specified by central government, to reflect the cost of managing the HRA's share of the Authority's debt portfolio.

In addition to the Depreciation and Impairment charges detailed above, the following charges are made:

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| | **Item 8 Credit included within income** | |
| (122) | Interest receivable | (74) |
| (1) | Discounts received | - |
| **(123)** | **Total Item 8 Credit** | **(74)** |
| | **Item 8 Dedit included within expenditure** | |
| 22 | Debt management costs | 18 |
| 6,602 | Interest payable and similar charges | 6,466 |
| **6,624** | **Total Item 8 Debit** | **6,484** |

## 5.3.5 Other Notes to the HRA

### a - Explanation of the HRA Share of Contributions to/from Pension Reserve

Included within the HRA balance is £1.6m relating to the current service cost of HRA funded employees who participate in the Local Government Pension Scheme. The total defined benefit cost recognised (£1.545m) represents the value of pension benefits earned during the year by the relevant employees and is charged to the HRA Income and Expenditure account in place of the value of cash payments made by the Council to the pension fund. This accords with IAS 19 (Retirement Benefits) and ensures that the HRA Income and Expenditure account meets the requirement that benefit retirements should be accounted for when earned even if the actual giving of pension benefits may be in the future.

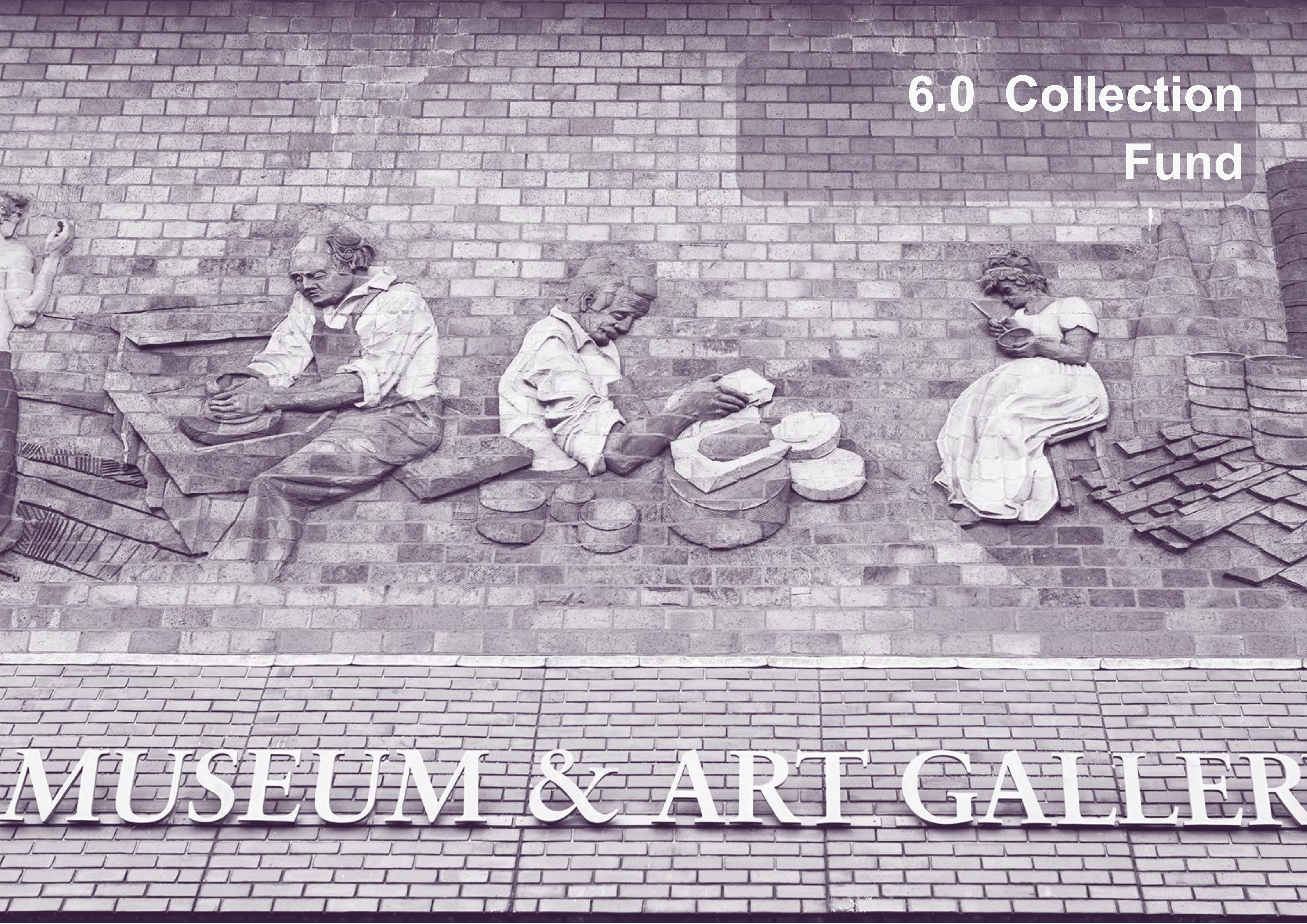
In addition, a proportionate share of the net pension interest cost and expected return on pension assets (£0.652m) is credited to the overall surplus or deficit on HRA services.

Information regarding the City Council's pension position as a contributing employer, for Balance Sheet and disclosure purposes, is supplied on an annual basis by Hymans Robertson for pension fund actuary. More detailed information regarding the overall position of the fund can be found within note 4.2.19.

### b - Rent Arrears

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| | **Arrears at year end** | |
| 1,495 | Current Tenants | 1,482 |
| 2,744 | Former Tenants | 2,070 |
| **4,239** | **Total arrears at year end** | **3,552** |
| (3,144) | Provision in respect of uncollectable debts | (2,758) |
| **1,095** | **Net arrears at year end** | **794** |

# 6.0 Collection Fund



## 6.1 Collection Fund Statement

| 2016/17 Business Rates £000 | 2016/17 Council Tax £000 | 2016/17 Total £000 | | Notes | 2017/18 Business Rates £000 | 2017/18 Council Tax £000 | 2017/18 Total £000 |
|---|---|---|---|---|---|---|---|
| | | | **Income** | | | | |
| 91,113 | - | **91,113** | Business ratepayers | | 90,255 | - | **90,255** |
| - | 109,192 | **109,192** | Council tax | | - | 112,883 | **112,883** |
| - | (17,643) | **(17,643)** | Less council tax local support | | - | (17,716) | **(17,716)** |
| **91,113** | **91,549** | **182,662** | | | **90,255** | **95,167** | **185,422** |
| | | | **Charges to the Collection Fund** | | | | |
| (46) | 15 | **(31)** | Writes offs of uncollectable amounts | | (1,304) | (1,686) | **(2,990)** |
| (415) | (852) | **(1,267)** | Impairment for uncollectable amounts | | (28) | (1,424) | **(1,452)** |
| (1,348) | - | **(1,348)** | Provision for appeals | | (2,450) | - | **(2,450)** |
| 3,601 | - | **3,601** | Use of previous years provision | | 1,768 | - | **1,768** |
| (172) | - | **(172)** | Disregard amounts (Transitional Protection Payments) | | (1,165) | - | **(1,165)** |
| - | - | **-** | Disregard amounts (Enterprise Zones) | | (720) | - | **(720)** |
| (366) | - | **(366)** | Costs of collection | | (362) | - | **(362)** |
| **1,254** | **(837)** | **417** | | | **(4,262)** | **(3,110)** | **(7,372)** |
| **92,367** | **90,712** | **183,079** | **Balance due for allocation** | | **85,993** | **92,057** | **178,050** |
| | | | | | | | |
| | | | **Precepts, Demands and Shares** | | | | |
| (43,474) | - | **(43,474)** | Central Government | | (44,611) | - | **(44,611)** |
| - | (10,655) | **(10,655)** | The Office of the PCC Staffordshire | | - | (11,231) | **(11,231)** |
| (869) | (4,219) | **(5,088)** | Stoke-on-Trent and Staffordshire Fire and Rescue Authority | | (892) | (4,436) | **(5,328)** |
| (42,605) | (70,995) | **(113,600)** | Stoke-on-Trent City Council | | (43,719) | (75,568) | **(119,287)** |
| **(86,948)** | **(85,869)** | **(172,817)** | | | **(89,222)** | **(91.235)** | **(180,457)** |
| **5,419** | **4,843** | **10,262** | **Surplus/(Deficit) for the Year** | | **(3,229)** | **822** | **(2,407)** |

## 6.1 Collection Fund Statement

| 2016/17 Business Rates £000 | 2016/17 Council Tax £000 | 2016/17 Total £000 | | Notes | 2017/18 Business Rates £000 | 2017/18 Council Tax £000 | 2017/18 Total £000 |
|---|---|---|---|---|---|---|---|
| | | | **Collection Fund Balance** | | | | |
| **2,190** | **6,104** | **8,294** | Balance at the beginning of the year | | **7,664** | **4,225** | **11,889** |
| | | | | | | | |
| | | | **Previous year's estimated (surplus)/deficit paid in current year** | | | | |
| 28 | - | **28** | Central Government | | (3,343) | - | **(3,343)** |
| - | (834) | **(834)** | The Office of the PCC Staffordshire | | - | (357) | **(357)** |
| 1 | (324) | **(323)** | Stoke-on-Trent and Staffordshire Fire and Rescue Authority | | (67) | (141) | **(208)** |
| 27 | (5,563) | **(5,536)** | Stoke-on-Trent City Council | | (3,276) | (2,376) | **(5,652)** |
| **56** | **(6,721)** | **(6,665)** | | | **(6,686)** | **(2,874)** | **(9,560)** |
| | | | **Allocation of Surplus/(Deficit) in Year** | | | | |
| 2,583 | - | **2,583** | Central Government | | (1,615) | - | **(1,615)** |
| - | 600 | **600** | The Office of the PCC Staffordshire | | - | 100 | **100** |
| 51 | 238 | **289** | Stoke-on-Trent and Staffordshire Fire and Rescue Authority | | (32) | 40 | **8** |
| 2,785 | 4,005 | **6,790** | Stoke-on-Trent City Council | | (1,582) | 681 | **(901)** |
| 5,419 | 4,843 | **10,262** | | | **(3,229)** | **822** | **(2,407)** |
| | | | | | | | |
| **7,665** | **4,226** | **11,891** | **Balance at the End of the Year** | | **(2,251)** | **2,173** | **(78)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | **Allocation of collection fund balance to:** | | | |
| 3,706 | - | **3,706** | Central Government | (1,125) | - | **(1,125)** |
| - | 524 | **524** | The Office of the PCC Staffordshire | - | 267 | **267** |
| 74 | 208 | **282** | Stoke-on-Trent and Staffordshire Fire and Rescue Authority | (23) | 106 | **83** |
| 3,885 | 3,494 | **7,379** | Stoke-on-Trent City Council | (1,103) | 1,800 | **697** |
| **7,665** | **4,226** | **11,891** | | **(2,251)** | **2,173** | **(78)** |

## **6.2.1** Business Rates

The City Council collects business rates in its area based on non domestic rateable values multiplied by a uniform rate. From 1 April 2005 the Government introduced the small business rate relief scheme, those eligible pay a lesser rate.

From 1 April 2013, the City Council retained 49% of the total amount collected, less certain reliefs and deductions, paying 1% to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and 50% to Government. In 2017/18 the City Council's share amounted to £42.604m plus a proportion of the year end surplus of £2.785m (**see note 6.1).** In addition £25.614m was received as non-domestic rates top up.

| **2016/17** | | **2017/18** |
|---|---|---|
| 49.7p | Business rate multiplier | 47.9p |
| 48.4p | Small business rate relief multiplier | 46.6p |
| **£222,144,508** | **Non-domestic rateable value at year-end** | **£235,350,872** |

| **£000** | | **£000** |
|---|---|---|
| 104,951 | NDR gross charge | 106,460 |
| 172 | Transitional relief | 1,165 |
| (10,996) | Mandatory relief | (13,522) |
| (613) | Discretionary relief | (1,299) |
| (2,401) | Other | (2,548) |
| **91,113** | | **90,255** |
| (46) | Amounts written (off)/on | (1,304) |
| **91,067** | | **88,951** |

## **6.2.2** Council Tax

Council Tax income is derived from charges raised according to the value of the residential properties that have been classified into eight valuation bands for this purpose. The amounts credited to the collection fund are calculated as follows:

| 2016/17 £000 | | 2017/18 £000 |
|---|---|---|
| 122,637 | Council tax gross charge | 126,947 |
| (2,676) | Exemptions | (2,815) |
| (10,666) | Discounts | (11,153) |
| (102) | Disabled allowances | (96) |
| **109,193** | | **112,883** |
| 15 | Amounts written (off)/on | (1,686) |
| **109,208** | | **111,197** |
| (17,643) | Council tax local support | (17,716) |
| **91,565** | | **93,481** |

The Council Tax Base is calculated by considering the number of dwellings in each band (after allowing for discounts) and expressing these in terms of Band D property equivalents. The bands are based on the open market capital values at 1 April 1991.

| Valuation Band | Value Range | Number of Dwellings | Dwellings after discounts & exemptions | Ratio to Band D | Band D Equivalents |
|---|---|---|---|---|---|
| **A (entitled to Disabled Reduction)** | | 0 | **133** | 5/9 | 73.9 |
| A | Up to £40,000 | 69,147 | **60,077** | 6/9 | 40,051.5 |
| B | £40,000 - £52,000 | 24,135 | **21,919** | 7/9 | 17,047.7 |
| C | £52,001 - £68,000 | 15,082 | **13,873** | 8/9 | 12,331.8 |
| D | £68,001 - £88,000 | 4,782 | **4,528** | 1 | 4,528.0 |
| E | £88,001 - £120,000 | 1,720 | **1,636** | 11/9 | 2,000.2 |
| F | £120,001 - £160,000 | 448 | **425** | 13/9 | 613.9 |
| G | £160,001 - £320,000 | 135 | **115** | 15/9 | 191.3 |
| H | Over £320,000 | 42 | **22** | 18/9 | 43.5 |
| | | | | | **76,881.8** |
| | | | | Local council tax support scheme: Estimated level of discounts to be awarded | **(12,550.9)** |
| | | | | Care Leavers | **(87.6)** |
| | | | | | **64,243.3** |
| | | | | Adjustments for collection rates | (2,249.1) |
| | | | | **Council Tax Base for 2017/18** | **61,994.2** |

## **6.2.2** Council Tax

The overall Council Tax requirement of £75.568m then translates into individual Council Tax bills as shown below. The City Council also collects Council Tax on behalf of the Office of the Police and Crime Commissioner Staffordshire and the Stoke-on-Trent and Staffordshire Fire and Rescue

| **Derivation of the Band D Council Tax** | **2017/18** | **2016/17** |
|---|---|---|
| Council Tax Requirement | £75.568m | £70.995m |
| Tax base | 61,994 | 59,989 |
| City Council Band D | £1,218.96 | £1,183.46 |
| The Office of the Police and Crime Commissioner Staffordshire | £181.16 | £177.61 |
| Stoke-on-Trent and Staffordshire Fire and Rescue Authority | £71.56 | £70.33 |
| Combined Band D Council Tax | £1,471.68 | £1,431.40 |

The level at which Council Tax was set in 2017/18 was:

| **Valuation Band** | **Stoke-on-Trent City Council** | **The Office of the Police and Crime Commissioner Staffordshire** | **Stoke-on-Trent and Staffordshire Fire and Rescue Authority** | **2017/18** | **2016/17** |
|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** |
| **A** | 812.64 | 120.77 | 47.71 | **981.12** | 954.27 |
| **B** | 948.08 | 140.90 | 55.66 | **1,144.64** | 1,113.31 |
| **C** | 1,083.52 | 161.03 | 63.61 | **1,308.16** | 1,272.36 |
| **D** | 1,218.96 | 181.16 | 71.56 | **1,471.68** | 1,431.40 |
| **E** | 1,489.84 | 221.42 | 87.46 | **1,798.72** | 1,749.49 |
| **F** | 1,760.72 | 261.68 | 103.36 | **2,125.76** | 2,067.58 |
| **G** | 2,031.60 | 301.93 | 119.27 | **2,452.80** | 2,385.67 |
| **H** | 2,437.92 | 362.32 | 143.12 | **2,943.36** | 2,862.80 |

The following authorities made a demand or precept on the Collection Fund

| **2016/17** | | **2017/18** |
|---|---|---|
| **£** | | **£** |
| 70,995,174 | Stoke-on-Trent City Council | 75,568,450 |
| 10,654,734 | The Office of the Police and Crime Commissioner Staffordshire | 11,230,869 |
| 4,219,062 | Stoke-on-Trent and Staffordshire Fire and Rescue Authority | 4,436,305 |
| **85,868,970** | | **91,235,624** |

# 7.0 Other Statements

## 7.1 Statement of Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the financial year as published and its position at the year-end of 31 March of that financial year. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2014, which require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2017/18, 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. The Statement of Accounts has been prepared on a 'going concern' basis; that is that there is the assumption that the functions of the Council will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council.

### Accrued Revenue Income and Expenditure

The revenue accounts are maintained on an accruals basis. Expenditure is charged to the revenue accounts in the period in which goods and services are received and falls due, similarly, income is credited in the period in which it falls due, regardless of the timing of cash payments or receipts. The exception to the accruals basis is where the amounts involved are not material.

Interest due to or from third parties in relation to loans and investments, is accrued in full at the year-end. Provision is made for the impairment of debts in the General Fund and Housing Revenue Accounts.

Where Income and Expenditure have been recognised but cash has not been received or paid, a Debtor or Creditor for the relevant amount is recognised on the Balance Sheet. Where debts may not be settled and it is likely that collection of such debt is doubtful, the balance of the debt is written down and a charge is made to revenue for the income that may not be collectable.

### Basis of Charges for Capital

All interest charges and expenses arising on loans raised to fund capital expenditure are recharged to the Housing Revenue Account and the General Fund as appropriate.

### Carbon Reduction Commitments

The City Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

### Cash and Cash Equivalents

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

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

## 7.1 Statement of Accounting Policies

### 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 non-current 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
- amortisation of intangible assets attributable to the service

For General Fund the Council 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 - Minimum Revenue Provision (MRP) - by an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the MRP and the depreciation charges.

For the Housing General Fund the Council is not required to charge a Minimum Revenue Provision but instead sets aside resources to finance the principal of any amount borrowed. In compliance with the DCLG Item 8 Determinations non dwelling impairment is a charge to the HRA I&E with no statutory override to transfer this amount to the Capital Adjustment Account.

### Contingent Liabilities and Assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the City Council, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the City Council. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their net present value.

### Council Tax and Non-Domestic Rates

The collection of council tax and non-domestic rates is, as identified in the Code of Practice for Local Authority Accounting, in substance, an agency arrangement for both billing authorities, major preceptors and, in the case of non-domestic rates, central government. The City Council is the billing authority in these arrangements, while the Policing and Crime Commissioner and the Fire Authority are preceptors. Therefore the council tax and non-domestic rates income included in each body's Comprehensive Income and Expenditure Statement for the year is their proportion of accrued income for the year. The cash collected belongs proportionately to the City Council, the preceptors and central government. There is, therefore, a debtor / creditor position between the billing authority and each major preceptor and central government recognised in the balance sheet. The City Council only recognises in its balance sheet the City Council's share of any outstanding council tax and non-domestic rates arrears, receipts in advance, receivables impairment allowance and an allowance for appeals made by non-domestic rates payers.

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 in the Movement in Reserves statement.

### Employee Benefits

#### *Short-term Employee Benefits*

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period. This charge is reversed through the Movement in Reserves Statement to unusable reserves.

## 7.1 Statement of Accounting Policies

### *Retirement Benefit Costs*

The City Council participates in three defined benefit pension schemes; the Staffordshire County Council Pension Fund; the Teachers' Pension Scheme; and the NHS Pension Scheme.

The Teachers' and NHS Pension Schemes are nationally administered unfunded defined benefit schemes. The Schemes are not designed to be run so as to be possible for the City Council to identify its share of the underlying liabilities and, as permitted under IAS 19, it is therefore accounted for as a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The costs charged to the Comprehensive Income and Expenditure Statement (CIES) for these schemes equals the employers contributions payable for the year. For teachers early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme and are accounted for on a defined contribution basis.

The Staffordshire County Council Pension Fund is accounted for as a funded defined benefit pension scheme. In accordance with IAS 19 retirement benefits earned under defined benefits schemes are accounted for as they are earned, even if the actual payment may be made many years in the future. The proportion of the pension fund's assets and liabilities that relate to City Council's scheme members are recognised in the City Council's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within the net cost of services. The net interest is recognised within Financing & Investment Income & Expenditure. The costs included within the CIES therefore reflect the increase in liabilities expected to arise from employees, service in the current year, rather than the actual payments by the employer into the pension fund.  Re-measurement on the fund during the year is recognised in the pensions reserve and reported in Other Comprehensive Income and Expenditure. The figures that are used to account for the scheme are commissioned annually from the Staffordshire County Council Pension Fund actuary, Hymans Robertson, specifically for this purpose.

For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme and are accounted for on a defined benefit basis.

The pension increase assumption applies the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI).

### *Termination Benefits*

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### *Post-employment Benefits*

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

The change in the net pension liability of the Council is analysed into six components:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net 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. These changes are debited to the Pensions Reserve as Other Income and Expenditure.
- Contributions paid to the Staffordshire County Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

### *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 (including teachers) 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.

## Events after the Balance Sheet Date

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

### *Adjusting Events*

Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

### *Non-adjusting Events*

Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts however the S.151 officer will advise the auditor in writing of any material events.

## Financial Instruments

Financial Instruments are defined as any contract that gives rise to a financial asset of one body and a financial liability of another. Many assets and liabilities are collectively financial instruments even where separately identified on the balance sheet.

### *Financial Assets*

The City Council has a number of investments that are financial assets. Financial assets are classified in the accounts as 'loans and receivables' – assets that have fixed or determinable payments but are not quoted in an active market and 'available-for-sale assets' – assets that have a quoted market price and/or do not have fixed or determinable payments. The valuation applied to fixed term cash deposits is their carrying value, as these assets cannot be sold and hence there is no market valuation.

***Loans and Receivables***

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are subsequently measured carried at their amortised cost except for short-term receivables with no stated interest rate which are measured at invoiced cost. Annual credits to the Financing and Investment Income and Expenditure line in Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for that instrument. For most of the loans that the City Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement in the year is the amount receivable for that year identified in the loan agreement.

Where the City Council loans to organisations at less than market rates (soft loans) that are not material they are disclosed in a note to the financial statements, but no entries have been made in the Comprehensive Income and Expenditure Statement. Where a loan is material it has been treated as a soft loan and carried at fair value in the accounts. Any loss is debited to the appropriate service in the Comprehensive Income and Expenditure Statement with the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. The basis for the percentage rate used is a combination of the base rate at the time the loan was granted and an allowance for the risk that the loan may not be repaid.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset, are credited / debited to the Comprehensive Income and Expenditure Statement and reversed out of the General Fund through the Statement of Movement on Reserves, to ensure there is no impact on council tax.

***Available-for-Sale Assets***

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- Instruments with quoted marked prices - the market price
- Other instruments with fixed and determinable payments - discounted cash flow analysis
- Equity shares with no quoted market prices - independent appraisal of company valuations

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Financial instruments Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument These financial liabilities are initially measured at fair value and carried at their amortised cost. Fair value is based on the comparable new borrowing / deposit rate for the same financial instrument from a comparable lender. 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. For most of the borrowings that the City Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable plus accrued interest. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year for that loan agreement.

The City Council may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefits that may accrue to the Council.

One of the mechanisms for managing long term loans is the restructuring of the debt portfolio. This may be carried out in order to achieve a more balanced debt profile, to change the volatility of existing debt, to amend cash flows or to reduce financing costs. Debt rescheduling may give rise to a payment to the lender (a premium) or a payment to the borrower (a discount).

Gains and losses on the re-purchase or early settlement of borrowing are credited / debited to Net Cost of Services in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where re-purchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

### Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant / contribution, and there is reasonable assurance that the monies will be received. Where conditions are outstanding, the amounts are treated as either capital or revenue receipts in advance, forming part of short or long term creditors.

Service specific revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) form part of Taxation and Non-Specific Grant Income at the foot of the Comprehensive Income and Expenditure Statement.

### Heritage Assets

The City Council's heritage assets are situated at various locations throughout the city but principally at the four main museums.

- Potteries Museum and Art Gallery – containing nationally important ceramics, the Staffordshire Hoard; the largest and most valuable Anglo-Saxon treasure ever found and a WWII Spitfire.
- Gladstone Pottery Museum – the only complete Victorian pottery factory from the days when coal-burning ovens made the world's finest bone china.
- Etruria Industrial Museum - the last steam powered potters' mill in Britain.
- Ford Green Hall - a 17th century timber-framed farmhouse furnished with an outstanding collection of textiles, ceramics and furniture.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the City Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below.

A level of £10,000 has been established for assets to be valued. Any assets less than this level are valued in line with the average increase in assets above £10,000.

## **7.1** Statement of Accounting Policies

The City Council's collections of heritage assets are accounted for as follows:

### Ceramics and Porcelain

The ceramics and porcelain artefacts include some of the most nationally important collections in the world with over 5,000 pieces on display. These items are reported in the balance sheet at valuations received in 2012/13 where the cost of obtaining professional valuations has not been prohibitive. Significant pieces will be sampled periodically and reviewed against the relevant antique and ceramic trade press to ensure the continued adequacy of their valuation. The ceramics and porcelain artefacts are deemed to have indeterminate useful lives and a high residual value the City Council therefore does not consider it appropriate to charge depreciation.

Where acquisitions take place they are initially recognised at cost and donations are recognised using a valuation provided by an external valuer in accordance with the City Council's collection management policy.

### Fine Arts Collection

The fine art collection includes paintings (both oil and watercolour), prints, sculptures and sketches and is reported in the balance sheet at valuations received in 2012/13 where the cost of obtaining professional valuations has not been prohibitive. Significant pieces will be sampled periodically and reviewed against the relevant antique trade press to ensure the continued adequacy of their valuation. The assets within the art collection are deemed to have indeterminate useful lives and a high residual value the City Council therefore does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation; acquisitions are initially recognised at cost and donations are recognised at valuation provided by external valuers and with reference to appropriate trade markets for the paintings. The majority of the collection held by the City Council was acquired over 50 years ago.

### Machinery, Equipment and other Artefacts from the Pottery Industry

The City Council considers that obtaining valuations for the vast majority of machinery, equipment and other artefacts from the pottery industry that are principally exhibited within the industrial museum would, due to the diverse nature of the assets held and the lack of comparable values, involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements and consequently the City Council does not specifically recognise this collection of heritage assets on the balance sheet.

The Gladstone Pottery Museum holds a collection of pottery ephemera and equipment which is not specifically recognised on the balance sheet as cost information is not readily available and the City Council believes that the benefits of obtaining the valuation for these items would not justify the cost.

In addition, there is a collection of recordings of both sound and amateur film of later life in the pottery industry. Due to the lack of any comparable market values it is not possible to provide either cost or valuation information for either the intangible or the tangible element of these assets. Consequently, the City Council does not recognise the assets on the balance sheet. Where acquisitions take place, these are initially recognised at cost or where bequeathed or donated, at nil consideration.

### Archaeology

The Council does not consider that reliable cost or valuation information can be obtained for the items held for the majority of its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently the City Council does not recognise these assets on the balance sheet.

The City Council has purchased a joint share of the Staffordshire Hoard with Birmingham City Council; this has been initially recognised on the balance sheet at cost.

### Property

The City Council considers the Gladstone Pottery Museum, Etruria Industrial Museum and Ford Green Hall buildings as heritage assets and are held on the balance sheet in accordance with the City Council's accounting policies on property, plant and equipment.

### Heritage Assets - General

Where there is evidence of impairment the carrying amounts of heritage assets will be reviewed e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The curators of the City Council's museums may occasionally dispose of heritage assets which do not form part of the collection policy, have a doubtful provenance or are unsuitable for public display e.g. due to damage. The proceeds of such items are accounted for in accordance with the City Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for, where applicable, in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

## 7.1 Statement of Accounting Policies

### Housing Market Renewal

Stoke-on-Trent City Council used to be the accountable body of the RENEW North Staffordshire Pathfinder project. In 2010/11, funding for the programme was withdrawn and the partnership arrangement ceased. Transitional funding was, however, put in place to ensure that any outstanding obligations entered into by the partnership programme were met. These obligations continue. It is considered that other parties have an interest in the assets created with the transitional funding, the City Council will ensure that all assets, liabilities, income and expenditure are accounted for appropriately.

### Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the City Council e.g. software licenses, is capitalised when it brings economic or service benefits for more than one year. Intangible fixed assets are initially recognised at cost. Thereafter, where an active market exists for the asset they are carried at fair value, otherwise they are included in the balance sheet at historic cost less any accumulated amortisation and impairment.

Assets of a finite life are amortised on a straight line basis over the life. For assets of an infinite life they are assessed for impairment. The City Council does not amortise assets in the year of acquisition, but a full year's charge is made in the year of disposal.

### Interests in Companies and Other Entities

The Council has registered companies in respect of a Housing Company and Heat Network Company which will be subsidiaries. In 2017/18 the number of transactions associated with those companies are not considered material. The Council has no material interests in companies and other entities that have the nature of associates and jointly controlled entities during the financial year 2017/18. Therefore it is considered there is no requirement to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as available for sale assets and carried at fair value.

### Investment Property

Investment property is property held solely to earn rentals and / or for capital appreciation. The property is accounted for in accordance with the accounting policy set out for property, plant and equipment. In accordance with the Accounting Code of Practice, assets identified as 'of indeterminate use' are to be classified as surplus assets within Property, Plant and Equipment. Housing related assets and assets held to provide economic regeneration are classified as operational properties based on their principal function being service related.

Investment properties are measured initially at cost and subsequently at fair value. Investment Properties are not depreciated but are revalued annually. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement but are not permitted by statute to 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.

Costs and Income received in relation to investment properties is credited to the Financing and Investment Income line and result in a gain/loss to the General Fund Balance.

### Joint Operations

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

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

# 7.1 Statement of Accounting Policies

## Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. Assets held under finance leases are recognised on the City Council's balance sheet. All other leases are classified as operating leases. Where a lease is for land and buildings, and the value is significant, the land and building components are considered separately and the rental apportioned between the two components prior to making an assessment of whether the lease is a finance lease, except where statutory exclusions apply.

### *Finance Leases*

The City Council as lessee:

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to pay the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the surplus / deficit for the year. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rentals are expensed in the period in which they are incurred.

The City Council 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. Amounts due from lessees under finance leases are recorded as receivables at the amount of the City Council's net investment in the leases. Where income received under leases qualifies under the definition of capital receipts, the element of finance lease payments relating to the write-down of the debtor's obligation will be treated as a capital receipt applied to accounting periods, so to reflect a constant periodic rate of return on the City Council's net investment outstanding in respect of the leases.

### *Operating Leases*

The City Council as lessee:

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

The City Council as lessor:

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## Minimum Revenue Provision

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However Local authorities are required to set aside from their General Fund Revenue Account a regular provision for repayment of debt, known as Minimum Revenue Provision (MRP). There is no longer a separate requirement to set aside a minimum revenue provision from the Housing Revenue Account.

MRP which relates to pre 2008 debt liability will be charged at the rate of 2% straight line. Post 2008 MRP reflected within the debt liability at the end of the financial year will be subject to MRP based on Asset Life charged over a period which is reasonably commensurate with the estimated useful life of the asset (or group of assets) as determined by professional judgement. Where the underlying borrowing is by way of a finance lease or service concession arrangement (PFI scheme), additional revenue provision may be set aside based on the capital repayment plan of the agreement.

The City Council may, from time to time, have capital receipts and other capital resources available at the end of a financial year, which it is considered will be used in the following or subsequent financial year to offset what would otherwise be an increase in their debt liability. In anticipation of such use, the City Council may consider capital receipts in assessing debt liability used for MRP purposes.

For loans to wholly owned subsidiaries of the Council MRP will not be provided for on the presumption that the repayment will be covered by repayments by the company and/or the sale of assets or refinancing of those loans at the period the principal is due for repayment back to the Council. In the intervening period it is not expected that MRP will be charged to the General Fund subject to the Council electing to make a voluntarily provision for MRP.

## 7.1 Statement of Accounting Policies

### Non-Current Assets Held for Sale

Non-current assets are classified as held for sale when the sale is highly probable, the asset is available for immediate sale in its present condition and the City Council is committed to and actively marketing the sale and which is normally expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount or fair value less costs to sell. Fair value is open market value including alternative uses. 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 Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

The gain or loss on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in Other Operating Expenditure within the Comprehensive Income and Expenditure Statement.

### Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for the operation and management of services and reporting financial performance.

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

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

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

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

### Private Finance Initiative (PFI) and Similar Contracts

PFI and service concessionary transactions are treated in the City Council's accounts in accordance with the Code, based on IFRIC12 (control of asset). Where the Council is deemed to control or regulate the services provided by the PFI contractor the non-current assets used to deliver those services under the contracts are also deemed to be controlled and are therefore recognised on the balance sheet and revalued and depreciated in the same way as any other property, plant and equipment owned by the City Council. Non-current assets related to these contracts and recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The following PFI schemes are deemed to be controlled and the assets recognised as operational as a consequence:

- Schools - assets transferred to Transform Schools (Stoke) Limited
- Street Lighting - assets transferred to Tay Valley Lighting (Stoke-on-Trent)
- Bentilee District Centre - assets transferred to Bentilee HUB (Project Company)
- Hanford Waste - assets transferred to Hanford Waste Service Limited
- Extra Care Housing - assets transferred to Sapphire Extra Care Limited

The amounts payable to the PFI operators each year (known as the unitary charge) are analysed into five elements:

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost - an interest charge of an agreed % on the outstanding balance sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- payment towards liability - applied to write down the balance sheet liability towards the PFI operator;
- lifecycle replacement costs (regular major planned refurbishments) - recognised as non-current assets on the balance sheet.

## 7.1 Statement of Accounting Policies

### Property Plant and Equipment

#### *Recognition*

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

Expenditure on the acquisition, creation or enhancement of property, plant and equipment has been capitalised on an accruals basis where:

- it is probable that the future economic benefits or service potential associated with the item will flow to the entity, and;
- the cost of the item can be measured reliably.

This excludes routine repairs and maintenance, which is charged directly to the service revenue accounts.

| | |
|---|---|
| • Land and Buildings | £15,000 |
| • Equipment | £5,000 |
| • Schools Capital | £2,000 |

This will not preclude expenditure below de minimis levels being recognised as property, plant and equipment particularly those relating to a number of assets the costs of which are collectively above the de minimis levels e.g. computer equipment.

Where expenditure is determined not to add value to an asset and the asset is held at fair value the expenditure is treated as impairment and charged to the Comprehensive Income and Expenditure Statement in the year incurred.

#### *Valuation*

Property, plant and equipment is initially measured at cost, being costs attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Thereafter the assets are valued, dependent upon their class, as follows:

- Infrastructure and community assets – depreciated historic cost less any impairment loss where applicable;
- assets under construction – historic cost;
- Investment properties and surplus assets – fair value under IFRS 13
- all other classes of asset – current value.

Current value is assessed as:

- Council dwellings – existing use value - social housing (EUV-SH) with an adjustment factor (Vacant Possession Adjustment Factor) applied to the open market value to recognise the continuing occupation of a secure tenant;
- specialised assets for which there is no active market – depreciated replacement cost;
- non-property assets with short useful lives and/or low values – depreciated historic cost as a proxy for fair value;
- other properties - existing use value;

The asset values used in the accounts for property related assets are based upon certificates issued by the City Council’s Valuation Officers and independent external valuers. Revaluations will be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period. The items within a class of property, plant and equipment are revalued over a short period to avoid the reporting of amounts in the financial statements that are a mixture of costs and values at different dates. Valuations shall be carried out at intervals of no more than five years.

Where specialised properties are built on land, the Council's valuer adopts a cost reflective approach to determine the value of the land in existing use. For properties valued under Depreciated Replacement Cost a percentage of the full replacement cost of the property is applied to the land. The valuer asserts that in this approach it provides an appropriate value for accounting purposes as distinct from applying market value in alternative use as a method which may result in an overstatement of value.

Gains arising on the revaluation of assets are taken to the Revaluation Reserve except where the asset has been subject to a previous revaluation or impairment loss in which case the gain is credited to the Comprehensive Income and Expenditure Statement to the extent that the carrying value of the assets returns to that which would have been the case if no previous revaluation loss or impairment had occurred. Any excess gain over this amount is credited to the Revaluation Reserve. Where a loss arises on revaluation this is charged to the Revaluation Reserve to the extent that a credit balance exists in the reserve and thereafter charged to the Comprehensive Income and Expenditure Statement.

## 7.1 Statement of Accounting Policies

With effect from 1 April 2010 the City Council has separately accounted for components of assets. Components are considered for recognition where individual buildings that are revalued to a fair value that is greater than £1m, have different useful lives and / or depreciation bases and the depreciation charges materially affect the statement of accounts.

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

### *Depreciation*

The City Council does not charge depreciation in the year of acquisition, but does charge a full year's depreciation in the year of disposal. The general principle being that the value of assets is allocated to services over the periods expected to benefit from their use.

Property, plant and equipment are depreciated using the straight line method, over the useful economic lives as advised typically:

- Infrastructure 20 - 40 Years
- Buildings 20 - 60 Years
- Vehicles, Plant and Equipment 5 - 20 Years

Land is considered to have an indefinite useful life and is not depreciated but is subject to impairment review

### *Impairment*

The City Council undertakes an annual assessment as to whether any indication of impairment of its assets exists or that any impairment loss previously recognised may have decreased. If there is such an indication the recoverable amount of the asset is estimated to determine whether an impairment charge or reversal should be recognised.

Where an impairment is identified this is accounted for by writing off the impairment charge against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment reversal is identified it is credited to the Comprehensive Income and Expenditure Statement to the extent that the carrying value of the assets returns to that which would have been the case if no previous impairment had occurred. Any excess gain over this amount is treated as a revaluation gain and credited to the Revaluation Reserve.

### *Disposals and Asset Derecognition*

When an asset or significant component of an asset is disposed of, derecognised, replaced or decommissioned the gain or loss on disposal, being the difference between the net disposal proceeds, if any, and the net carrying amount of the asset, is recognised in the Comprehensive Income and Expenditure Statement. Any revaluation gains in the Revaluation Reserve related to the asset or part thereof are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposal is payable to the Government. As a result of changes in legislation, as set out in amendments to the Local Government Act 2003, the City Council also has the option to retain 100% of some receipts (Non Right-to-Buy and 1-4-1 replacement) provided that they are used for the provision of affordable housing, regeneration projects or the repayment of housing debt. The balance of receipts is credited to the Usable Capital Receipts Reserve, and can then only be used to finance new capital investment or reduce the City Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Usable Capital Receipts Reserve via the Movement in Reserves Statement.

### *Revaluation on Disposal of Housing Assets*

HRA assets disposed of under Right to Buy (RTB) legislation continue to be valued as operational assets up to the point of disposal. Once disposal takes place there is no revaluation to the discounted RTB value. This approach is in line with the CLG Guidance on Stock Valuation for Resource Accounting which authorities in England are required to follow.

### Provisions

Provisions are only recognised when the City Council has a present obligation as a result of a past event, where it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made however the timing or the actual amount involved is uncertain. Where the obligation is expected to be settled after more than one year and the effect of the time value of money is material, the amount of a provision reflects the present value of the expenditure expected to be required to settle the obligation.

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

### Reserves

The City Council sets aside specific amounts as reserves for future policy purposes or to cover future events / contingencies. When the expenditure to be financed from reserves is incurred, it is charged to the appropriate service revenue account in that year and included in net cost of services in the Comprehensive Income and Expenditure Statement. The corresponding amount is then transferred from the appropriate reserve account back into the General Fund to ensure that there is no net charge on the council tax for that year. The City Council's usable reserves include both usable earmarked reserves, which are set aside for specific purposes; and the General Reserve, which is set aside for future general use.

The City Council has a number of unusable reserves that are not able to be used to provide services. These represent unrealised gains and losses and adjustments between accounting basis and funding basis under regulation.

### Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the City Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, amounts charged are reversed out of the General Fund Balance as a Movement on Reserves so there is no impact on the level of Council Tax.

### Schools - Foundation Schools and Academies

In accordance with the "Schools Organisation" (Prescribed Alteration to Maintained School) (England) Regulation 2007, the freehold title to land and buildings occupied by any foundation school, is transferred from the City Council to the governing body of the school, together with any contractual obligations and benefits. The City Council currently has several foundation schools. To determine the Balance Sheet treatment of Foundation School assets, the City Council has considered who bears the risk and rewards of ownership. It is the City Council's view that land is foundation school responsibility and is derecognised from the Councils balance sheet. Where the Foundation School building is part of the PFI scheme, the accounting treatment is in line with IFRIC12 and is recognised on the balance sheet for the period of the PFI contract.

The City Council has a number of schools which have or are due to become Academies. It is the City Council's view that the academy schools as an independent entity bear a significant proportion of the risks and rewards relating to the school, hence the assets and liabilities of the academies are not consolidated into the City Council's Balance Sheet.

The City Council derecognises all of the assets and liabilities in the financial year applicable to the date specified in the academy conversion order for the schools to convert. Derecognition is applied in full and charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the financial year in which they were derecognised.

### Stock (Inventories) and Work in Progress

Inventories are included in the accounts on the basis of the latest purchase price. Allowances are made for the loss of the value of obsolescent items. This treatment departs from the terms of IAS 2, but the effect is immaterial.

Work in progress is valued at cost including an allocation of overhead expenses.

### VAT

VAT is included within the accounts only to the extent that it is irrecoverable. The City Council is able to recover VAT on nearly all its expenditure (input tax) and in addition, accounts for VAT on its income (output tax) where applicable.

### Voluntary Aided and Voluntary Controlled (Faith) Schools

Following the publication of updated guidance from CIPFA the Council has reviewed its recognition and treatment of the various types of schools and the assets they operate from. Schools governing bodies are separate entities to the Council but (with the exception of academies and free schools) for the purpose of preparing financial statements they are within the group boundary and their activities must be reported. Despite the fact they are separate bodies, in recognition of the unique nature of the relationship Councils are required to report any material expenditure, income, assets and liabilities of these schools within its primary statements (not just its group statements). Specific consideration has to be given as to whether the assets from which these schools operate meet the necessary criteria (in terms of access to services and control) to be recognised as Council assets under IAS16.

In the City Council's case it has been judged that faith schools (voluntary aided or controlled) non-current assets are recognised as they are within the scope of IFRIC 12 PFI assets and are therefore recognised as it is considered they are controlled by the Council under that contract.

## 7.2 Glossary of Financial Terms

For the purpose of the Statement of Accounts and the interpretation of CIPFA's Code of Practice, where appropriate, the following definitions have been adopted.

**1-4-1 Usable Capital Receipts**

Where a property is sold under the Government's Right to Buy (RTB) policy the receipts are used to fund a replacement new home for affordable rent, on a one for one basis. Local authorities are required to sign up to a "1-4-1 agreement" with the government however, the RTB contribution is limited to 30% of the cost of the replacement homes. The remaining 70% must be found from other resources.

**Academy Schools**

A school that chooses to opt out of Local Authority control and receives its funding direct from the Education Funding Agency.

**Accounting Concepts**

The fundamental accounting principles that are applied to ensure that the Statement of Accounts presents a 'true and fair' view of the financial performance and position of the Council.

**Accounting Policies**

Accounting policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements.

**Accounting Period**

Also referred to as the 'financial year', this is the period for which the books are balanced and the financial statements are prepared. It consists of 12 months commencing 1 April and ending 31 March of the subsequent year.

**Accruals**

The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

**Acquired Operation**

Operations comprise the services and divisions of services that are defined in CIPFA's standard classification of Income and Expenditure. Acquired operations are those operations of the Local Authority that are acquired in the period concerned.

**Amortised Cost**

Some assets and liabilities will be carried at 'amortised cost', where part of their carrying amount in the Balance Sheet will either be written down or written up via Income and Expenditure Account over the term of the instrument.

**Business Rates Pool**

A contractual mechanism by which a group of councils share the risks and rewards of the business rates retention scheme. All member authority levy and safety net payments may be transacted through the pool, with the lead authority taking responsibility for holding and distributing an 'savings' on levies payable which may be created as a result of pool membership.

**Business Rates Retention**

The name for the new way of financing local government which specifies a percentage (set by law according to type of authority) of the business rates income collectible to be retained by local government. The system also designates each authority as either a tariff or top up authority, based upon an assessment of the resulting income to the local authority against an amount considered necessary to provide services. Tariff authorities pay into the system whilst top up authorities receive payments to provide services. The City Council is a top up authority.

**Capital Expenditure**

Expenditure on the acquisition of non-current assets or expenditure which adds to and does not merely maintain existing assets and that we will use or benefit from for more than a year.

**Capital Financing Requirement**

A measure of an authority's underlying need to borrow or finance for a capital purpose. This is derived from the Balance Sheet.

**Capital Receipts**

Income received from the sale of capital assets, controlled by regulation, generally can be used to finance future capital requirements.

**Capitalisation Direction**

The use of statutory powers by central government under section 16(2)(b) of the Local Government Act 2003., to allow councils to use capital resources to finance expenditure that would normally be charged to a revenue account, in accordance with proper accounting practice.

## **7.2** Glossary of Financial Terms

### Charge on Property

A legal charge placed on the sale of the property to secure the Council's debt in relation to a deferred payment agreement. The creditor agrees to have a legal charge put on their property that says their care will be paid for out of the sale of the property.

### CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA). The professional organisation for accountants working in the public services, principally local government.

### Collection Fund

A fund accounting for Council Tax and Non-Domestic Rates received by the City Council, and the payments which are made from the fund, including precepts to other authorities, the City Council's own demand/local share and payments to central government.

### Community Assets

Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal.

### Consistency

The principle that the accounting treatment of like items within an accounting period and from on period to the next, is the same.

### Constructive Obligation

An obligation that derives from a council's actions where:

- By an established pattern of past practice, public policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- As a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### Contingent Asset

A possible asset arising from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Local Authority's control.

### Contingent Liability

Possible future liabilities that will become certain on the occurrence of some future event. Contingent liabilities are not shown in the Balance Sheet, but disclosed in the notes to the accounts.

### Current Service Cost

Current service cost is the increase in the present value of a defined benefit pension obligation resulting from employee's service in the current period

### Curtailment

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

- Termination of employees' services earlier than expected, for example, as a result of closing a factory or discontinuing a segment of a business; and
- Termination of, or amendment to, the terms of a defined scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify for reduced benefits.

### Creditors

Amounts owed by the City Council for goods and services where payments have not been made at the end of the financial year.

### Debtors

Amounts owed to the City Council for goods and services where the income has not been received at the end of the financial year

### Dedicated Schools Grant

Grant monies provided by central government which must, by law, be ring-fenced to meet schools' budgeted expenditure.

### Defined Benefit Pension Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme, Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

## 7.2 Glossary of Financial Terms

### Defined Contribution Pension Scheme

A pension or other retirement scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand fro the goods and services produced by the asset. Depreciation is a so-called 'non-cash' charge in so far as it merely reflects the accounting assessments of the loss in value.

### Derecognition

Derecognition of a component of property, plant and equipment takes place when no future economic benefits are expected from its use (i.e. its service potential is used up) and it is removed from the Balance Sheet. The gain or loss arising from the derecognition of an asset is the difference between the net disposal proceeds (if any) and the carrying amount of the asset; this gain or loss shall be recognised in the Comprehensive Income and Expenditure Statement when the asset is derecognised.

### Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as:

- The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- The activities related to the operation have ceased permanently;
- The termination of the operation has a material effect on the nature and focus of the Local Authority's operation and represents a material reduction in its provision of local services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Local Authority's continuing operation;
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes

### Discretionary Benefits

Retirement benefits which the employee has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

### Estimation Techniques

The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves. Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis the amount will be arrived at using an estimation technique.

### Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

### Expected Rate of Return on Pension Assets

For a funded defined benefit pension scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### Extraordinary Items

Material items, possessing a high decree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items nor do they include any prior period items merely because they relate to a prior period.

### Fair Value

The price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### Fees and Charges

Income arising from the delivery of services provided by the council.

## 7.2 Glossary of Financial Terms

**Financial Instruments**

A financial instrument is any contract that give rise to a ‘financial asset’ of one entity and financial liability of another. The term ‘financial instrument’ covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives and embedded derivatives.

**Financial Year**

Also referred to as the ‘accounting period’, this is the period for which the books are balanced and the financial statements are prepared. It consists of 12 months commencing 1 April and ending 31 March of the subsequent year.

**General Fund Revenue Account**

Account providing details of all City Council services except those shown in the Housing Revenue Account and the Collection Fund.

**Going Concern**

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

**Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**Group Accounts**

Accounts prepared on a group basis where local authorities have interests in certain bodies which are material in aggregate.

**Heritage Assets**

Assets that are held by the Authority principally for their contribution to knowledge or culture whether the collections of assets and artefacts are exhibited to the general public or held storage. Heritage assets may include:

- Ceramics, porcelain work and figurines
- Art collections
- Pottery, machinery and ephemera
- Archaeological collections

**Housing Revenue Account (HRA)**

Account showing the income and expenditure relating to the provision of council housing and related services.

**Impairment**

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet. This may occur for example if an asset no longer provides the level of service expected.

**Infrastructure Assets**

Fixed assets that are inalienable (not subject to being taken away from or given away by the owner), expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are roads and footpaths

**Intangible Assets**

An asset that does not exist in a physical sense but nevertheless has value to the Council and is used on a continuing basis, an example would be software licences.

**Interest Cost**

For a defined benefit pension scheme the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**International Financial Reporting Interpretations Committee (IFRIC)**

The IFRIC reviews, on a timely basis, within the context of current IFRS’s and the IASB Framework, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment.

**International Financial Reporting Interpretations Standards (IFRS)**

International Financial Reporting Standards are a set of ‘principles-based’ standards and interpretations which establish broad rules as well as dictating specific treatments, rather than following a prescriptive accounting code.

capital appreciation or both.

## 7.2 Glossary of Financial Terms

### Investment Properties

Property (land or a building, or part of a building, or both) held solely to earn rentals or for

### Leasing

Method of financing the provision of various capital assets, where we pay a rental charge for a certain period of time. There are two main types of leasing arrangement:

- Finance Lease - a lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee, rather than the lessor. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the assets.
- Operating Lease - a lease other than a finance lease. The leasing company owns the asset and the yearly rental is charged directly to the CIES.

### Lifecycle Cost

Regular planned replacement of individual components, to ensure the condition of the whole asset remains up to standard.

### Liquid Resources

Current investments that are readily disposable by the Council without disrupting its business. These can be either  readily convertible into known amounts of cash that is close to the carrying amount or traded in an active market.

### Lender Option/Borrower Option (LOBO's)

Loans which have a fixed primary period interest rate which can be changed by the lender at agreed intervals. The City Council, as a borrower, would be able to opt to repay the loan at the end of the primary period or at the agreed intervals, but only if the lender chooses to change the quoted rates

### Long Term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or combination of asset or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting years.

### Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the Council's General Fund Revenue Account each year and set aside as a provision to meet the repayment of debt.

### Net Book Value

Amount at which non current 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, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### Net Debt

The Authority's borrowings, less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

### Net Interest Expense

This is the interest income  on the pension plan's assets less the interest on the pension liability

### Net Realisable Value

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

### Non Current Assets

Tangible assets that yield benefits to the Local Authority  and the services it provides for a period of more than one year. The classes of non current assets required to be included in the accounting statements are:

- Property, Plant and Equipment
- Investment Property
- Intangible Assets
- Assets held for Sale
- Heritage Assets

## 7.2 Glossary of Financial Terms

### Non Current Assets Held for Sale

An asset that is has been prepared for disposal (sale). TO be classed as this type of asset the following conditions must be met;

- Management is committed to plan to sell
- The asset is available for immediate sale
- An active programme to locate a buyer is initiated
- The sale is highly probable, within 12 months of classification as held for sale
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- Actions required to complete the plan indicate that is unlikely that plan will be significantly changed or withdrawn

### Non-domestic Rates Challenges (Appeals)

Non-domestic rate payers may challenge the rateable value of the property on which their liability is based. Also commonly referred to as ‘appeals’, successful challenges reduce the business rates income collectible and can be backdated into previous financial years.

### Non-domestic rates levy/safety net

Part of the measures that have been built into the system of local government finance known as the business rates retention scheme to prevent disproportionate gains by local authorities. After the end of the financial year, each local authority's change in income for the financial year is measured and compared to its baseline funding (adjusted annually for RPI). This may lead to a local authority receiving a “safety net” payment, if the area experiences a significant drop in business rates, or being charged a “levy” if it has received a disproportionate benefit from the changes brought in under the rates retention system.

### Non-domestic rates tariff/top-up

Part of the measures that have been built into the system of local government finance known as the business rates retention scheme to prevent disproportionate gains by local authorities. A local authority’s share of the forecasted amount of business rates collected within the local authority area (or business rate baseline) is compared to its baseline funding level. This exercise results in local authorities either being charged the excess as a tariff or being awarded top-up payments.

### Past Service Cost

For a defined benefit pension scheme the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

### Post Balance Sheet Events

Events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer (s151 Officer).

### Precept

Demands made upon the Collection Fund by the Office of the Police and Crime Commissioner Staffordshire and Staffordshire Fire and Rescue Authority for the services that they provide.

### Prior Year Adjustments

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

### Private Finance Initiative (PFI)

PFI are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

### Projected Unit Method

An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings and in which scheme liabilities at the valuation date relate to:

- The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases and;
- The accrued benefits for members in service on the valuation date.

## 7.2 Glossary of Financial Terms

### Provisions

Amounts set aside to meet liabilities or losses which are likely to be incurred but where the amount remains uncertain.

### Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

### Prudential Framework

The Prudential Framework replaced the credit approval mechanism previously used by central government to control borrowing for capital expenditure. Local authorities are now allowed to determine their own capital programmes according to prudent assessments of affordability. Authorities must set their spending plans in accordance with the CIFPA Prudential Code.

### Public Work Loan Board (PWLB)

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

### Remeasurements

Remeasurement of the defined benefits obligation/liability relates to changes to the calculation of the pension liability as a result of:

- Actuarial gains and losses
- The return on plan assets

### Reserves

'Earmarked reserves' are amounts set aside for a specific purpose in one financial year and carried forward to meet spending in future years. 'General reserves' are balances generally available to support revenue or capital spending.

### Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of acquisition (or revaluation) of the asset and do not take account of expected future price changes.

### Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date;
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees

### Revenue Expenditure

Expenditure on the day to day running of the City Council including employee costs, running expenses and capital financing costs.

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

Expenditure which may properly be capitalised but which does not result in the creation of a non-current asset for the council.

### Revenue Support Grant

Grant paid to local authorities by Central Government to help finance its general expenditure. It is determined under the Formula Spending Share (FSS) System

### Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

### Senior Employee

These are typically an authority's Chief Executive (or equivalent), their direct reports (other than administration staff) and statutory chief officers. Potentially any employee having a responsibility of, and power to, direct or control the major activities of the body, in particular activities involving the expenditure of money.

## 7.2 Glossary of Financial Terms

**Settlement**

An irrevocable action that relieves the employer (or defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme

**Soft Loan**

Where a Local Authority makes loan for policy reasons rather than as financial instruments which may be interest-free or at rates below prevailing market rates. The fair value of these loans should be estimated as the present value of all future cash receipts discounted using the prevailing market rate if interest for a similar instrument and for an organisation with a similar credit rating.

**Stocks**

The amount of unused or unconsumed inventory held in the expectation of future use. When use will not arise until a later period it is appropriate to carry forward the amount to be matched to the use of consumption when it arises. Inventory comprises of the following categories:

- Consumable stores
- Maintenance materials
- Client services work in progress
- Goods acquired for resale

**Strategic Regeneration Sites**

Assets acquired or earmarked to provide strategic development opportunities.

**Surplus Assets**

Assets not providing operational services but not yet marked for disposal/redevelopment.

**Useful Life**

Period over which the Local Authority will service benefits from the use of a fixed asset.

**Vacant Premises**

Property assets not providing operational services but not yet marked for disposal/ redevelopment.

**Vested Rights**

In relation to a defined benefit pension scheme, these are:

- For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled

Vested rights include where appropriate the related benefits for spouses or other dependents

**Weighted Average Duration**

The average time until payment of all expected cash flows in respect of pension plans

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