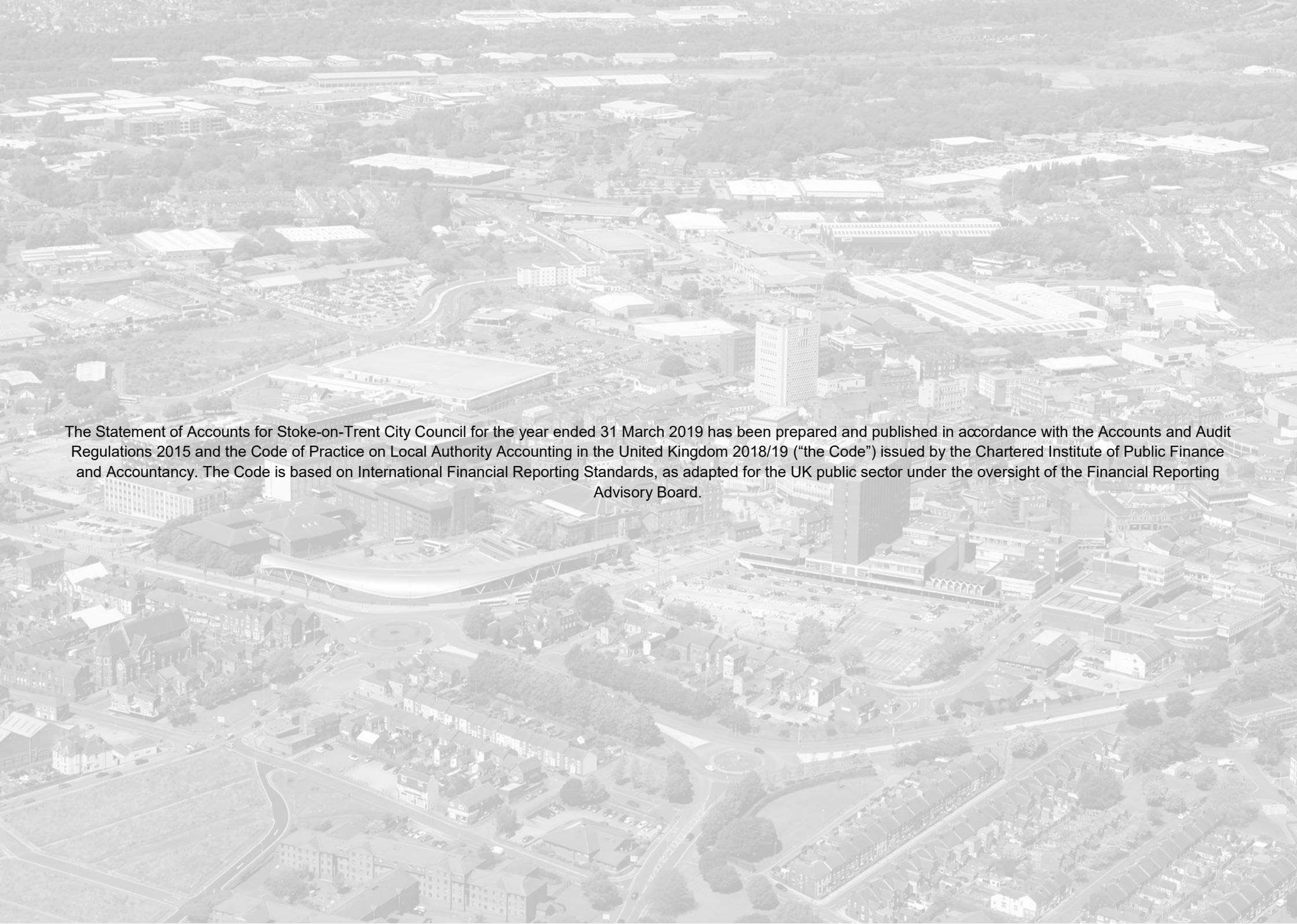




# Statement of Accounts 2018/19

An aerial, grayscale photograph of the city of Stoke-on-Trent, showing a dense urban landscape with numerous buildings, streets, and green spaces. The image is used as a background for the text.

The Statement of Accounts for Stoke-on-Trent City Council for the year ended 31 March 2019 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 2018/19 (“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.

**1.0 Preface**

Narrative Statement 5

**2.0 Statements to the Accounts**

Independent Auditor's Report to the Members of Stoke-on-Trent City Council 22

Statement of Responsibilities for the Statement of Accounts 24

**3.0 Core Financial Statements**

Comprehensive Income and Expenditure Statement 26

Balance Sheet 27

Movement in Reserves Statement 28

Cash Flow Statement 30

**4.0 Explanatory Notes**

Index of Explanatory Notes to the Core Financial Statements 32

Explanatory Notes to the Core Financial Statements 33

**5.0 Housing Revenue Account**

Housing Revenue Account Income and Expenditure 105

Statement of Movement in the Housing Revenue Account 106

Notes to the Housing Revenue Account Financial Statements 107

**6.0 Collection Fund**

Collection Fund Statement 113

Notes to the Collection Fund 114

**7.0 Group Accounts**

Introduction 119

Comprehensive Income and Expenditure Statement 121

Balance Sheet 122

Movement in Reserves Statement 123

Cash Flow Statement 125

Explanatory Notes to the Core Financial Statements 126

**8.0 Other Statements**

Statement of Accounting Policies 133

Glossary of Financial Terms 144

# 1.0 Preface



## 1.1 Narrative Statement

**Welcome to the Statement of Accounts for Stoke-on-Trent City Council for the financial year 2018/19.** 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 2019. The accounts and accompanying documents are subject to an external independent audit by Ernst & Young 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 255,390 residents in over 117,072 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 6,400 (5,000 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 2019 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 2018/19 the team was as follows:

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

## 1.1 Narrative Statement

### Financial Overview

The General Fund Revenue Account for 2018/19 has a net expenditure budget of £208 million (gross expenditure £551 million; gross income £343 million). Risks of £20.1 million were identified and mitigating actions have been instigated resulting in an underspend of £576,000, after planned transfers to and from earmarked reserves. The underspend will be transferred to the General Fund Reserve. Despite the financial challenges faced, risks overall continue to be managed and plans will be monitored to ensure the impact on future years is minimised.

The Housing Revenue Account (HRA) outturn reflects an underspend of £51,000.

2018/19 Final Outturn	Budget (gross) £m	Budget (income) £m	Budget (net) £m	Final Outturn £m	Over/ (under) £m
Children and Family Services	153.082	(98.500)	54.582	62.782	8.200
Social Care, Health Integration and Wellbeing	152.472	(78.414)	74.058	73.944	(0.114)
Place, Growth and Prosperity	84.317	(53.355)	30.962	30.658	(0.304)
Housing Customer Services	27.356	(13.513)	13.843	12.469	(1.374)
City Director	26.224	(10.779)	15.445	12.846	(2.599)
Non Departmental Costs	107.823	(88.821)	19.002	18.405	(0.597)
Funding	-	(206.192)	(206.192)	(207.770)	(1.578)
Capital Receipts		(1.700)	(1.700)	(3.910)	(2.210)
<b>General Fund Net Outturn</b>	<b>551.274</b>	<b>(551.274)</b>	<b>-</b>	<b>(0.576)</b>	<b>(0.576)</b>
Housing Revenue Account	66,399	(66,399)	-	(0.051)	(0.051)
<b>Total Net Outturn</b>	<b>617,673</b>	<b>617,673</b>	<b>-</b>	<b>(0.627)</b>	<b>(0.627)</b>

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

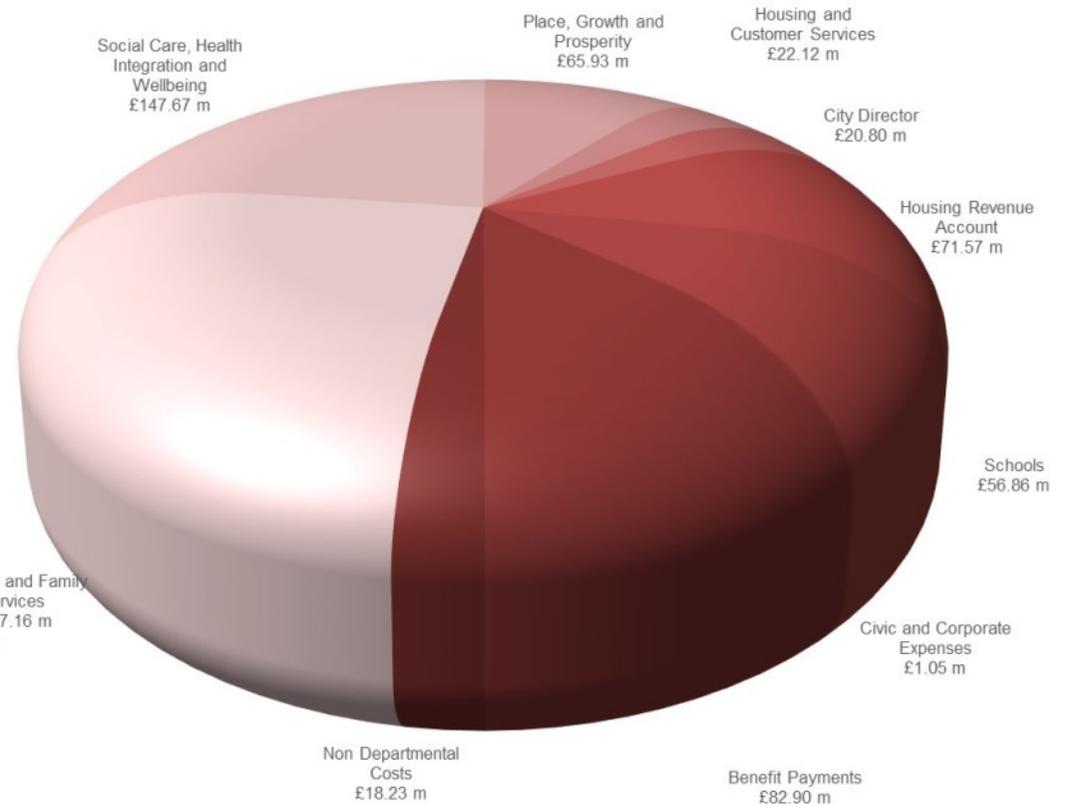
Reconciliation of the final outturn to the Comprehensive Income and Expenditure Statement	Net £m
Total Net Outturn	(0.627)
Transfers (to)/from Earmarked Reserves (note 3.3)	17.677
<b>Expenditure chargeable to HRA and GF balances (note 4.2.5)</b>	<b>17.050</b>
Adjustment for financial instruments (note 3.3)	(1.808)
Adjustments between funding and accounting basis (note 3.3)	4.745
<b>Deficit on the Provision of Services (note 3.1)</b>	<b>19.987</b>

## 1.1 Narrative Statement

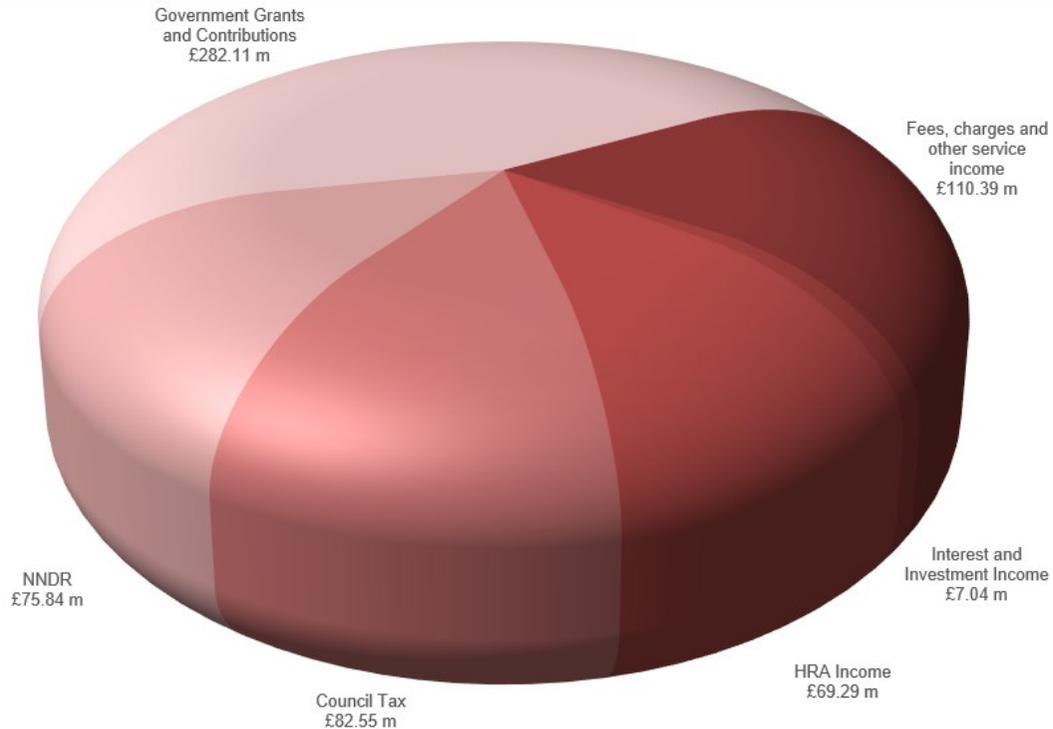
The Council has spent £644.27m to deliver services funded by £627.22m of income in 2018/19. The income comes primarily from central government in the form of grants, from local residents in the form of council tax payments and housing rents and from local businesses in the form of non-domestic rates.

The following charts show how the money was funded in 2018/19 and how it was spent, more detail is provided in section 4.2.5.

## Revenue Expenditure 2018/19 - £644.27m



## Revenue Income 2018/19 - £627.22m



# 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.

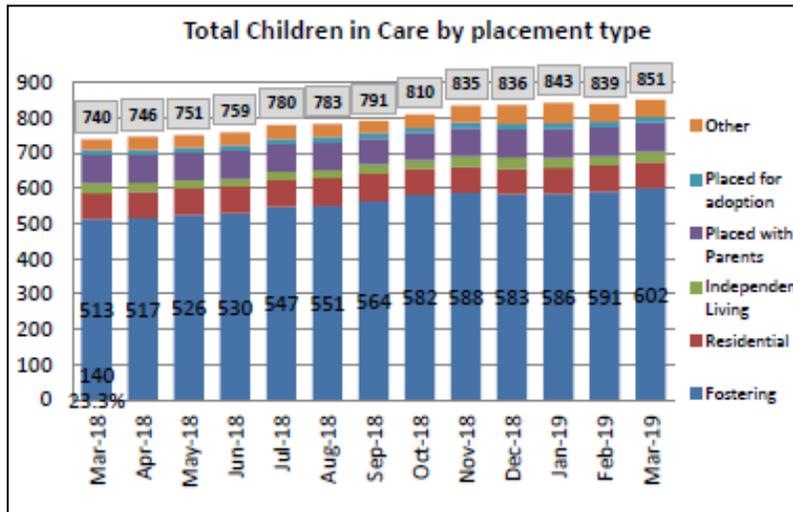
In May 2016 the City Council approved the Stronger Together Strategic Performance Framework. The Framework underpins the Council's vision for Stoke on Trent delivering effective performance management by translating the Council's vision and priorities into clear plans and measurable outcomes.

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 number of children in care has increased by 111 in 2018/19, from 740 children in care at the end of March 2018 to 851 children in care at the end of March 2019. Since 01 April 2018 there have been 256 admissions to care and 129 discharges, compared to 217 admissions and 133 discharges over the same period last year.

The chart below shows the total looked after children in Stoke-on-Trent, by type of placement. Fostering includes our own foster carers, independent foster carers and family and friends carers. In line with the council's policy to house children in a family environment, by the end of March, 71% of our children in care were living within foster placements.



Since 01 April 2018, there have been 25 adoptions and 16 Special Guardianship Orders totalling 41 and accounting for just over a quarter of all discharges. This is lower when compared to the same period in the previous year where there were 39 children adopted from care and 9 Special Guardianship Orders (totalling 48 discharges).

The number of cases closed to Children's Social Care is a new measure for 2018-19 and



is designed to show the number of cases where the risk has been reduced and involvement with statutory services through Children's Social Care is no longer required.

When concerns are raised about the welfare of a child, a decision is taken by the Safeguarding Referral Team as to whether a social work assessment is needed. This

decision is made in line with the Stoke on Trent Safeguarding Children's Board Level of Need Framework. The assessment process will provide support, guidance and services where needed. Sixty four per cent of Social Work Assessments resulted in No Further Action for Children's Social Care in the last quarter.

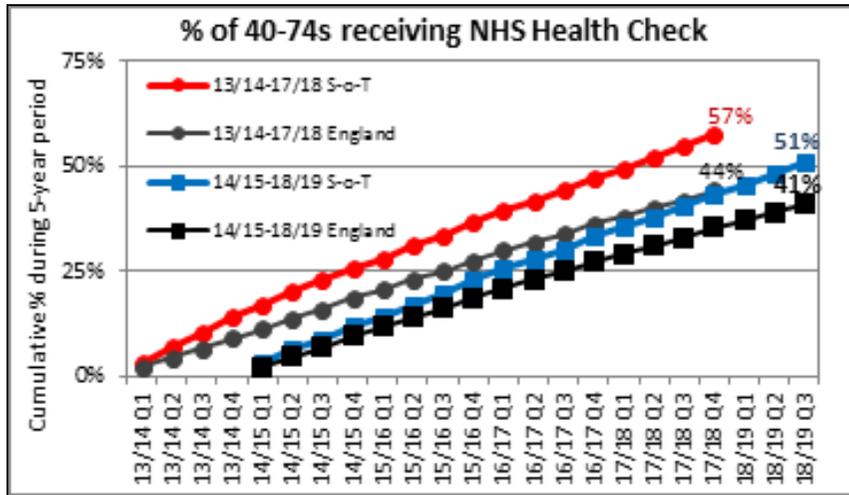
During the last quarter (01 January to 31 March 2019), 1068 children's involvement with Children's Social Care ceased.

In February 2019, OFSTED undertook an inspection of children's social care services. The results of the review were an overall effectiveness score of inadequate. A commissioner has now been appointed to assist the council in making the necessary improvements. The council have established an improvement board chaired by the City Director and supported by the Local Government Association and the Cabinet member for Social Care. This has resulted in an improvement plan and immediate operational changes to areas that required immediate responses during the inspection. The council has also committed to make a multi-million pound investment as part of the Medium Term Financial Strategy to drive the changes that are needed.

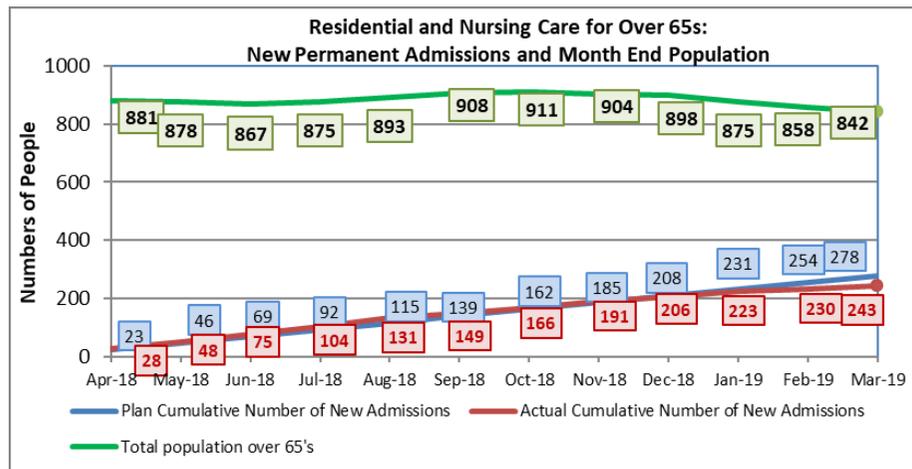
# 1.1 Narrative Statement

## Social Care, Health Integration and Wellbeing

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.



Admissions to care homes have dropped over the last year. Residents have more choice of options available to them which does account for some of the drop in care home use. Homes are also being used increasingly for residents with more complex needs as a choice towards the end of their lives.



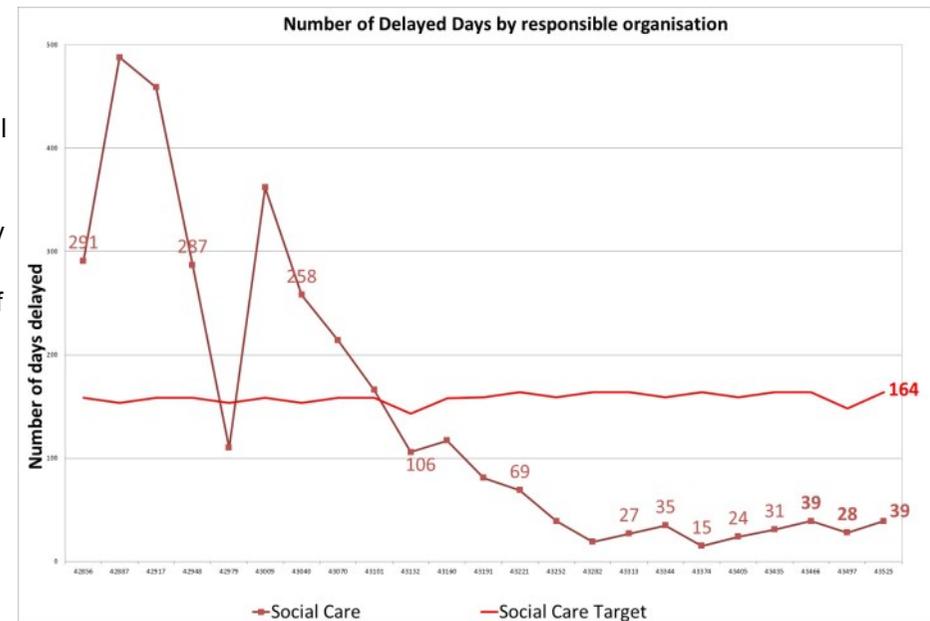
Care Quality Commission ratings for City Council care homes show a significant improvement in the quality of care available to residents.

CQC rating	Numbers of homes within the category	Notes
Outstanding	1	Only one care home is currently subject to a large scale enquiry. This is in the older people care market.
Good	63	
Requires improvement	12	
Inadequate	2	
New registration – not yet inspected	2	

In June 2017, Social Care Delayed Transfers of Cares in the city of Stoke on Trent peaked at 488 delay days (i.e. on the average day 16.3 beds were occupied across acute and non-acute hospitals). This was reflected in the CQC system wide review of services of September 2017 which found that the health and social care system - led by Stoke-on-Trent City Council and Stoke-on-Trent Clinical Commissioning Group – was not working in a joined up way to meet people’s needs.

The CQC returned to complete a system wide review published in January 2019 and concluded that the culture had shifted and system leaders, including elected members, shared the same vision and were supportive of each other. There was greater transparency between leaders meaning they could address issues together. This had helped them to make progress and improve people’s experience of care.

Stoke-on-Trent is the most improved council in the country in respect of Social Care Delayed Transfer of Cares climbing the national ranking from 128th in February 2017 to 22nd out of 140 Local Authorities in March 2019.

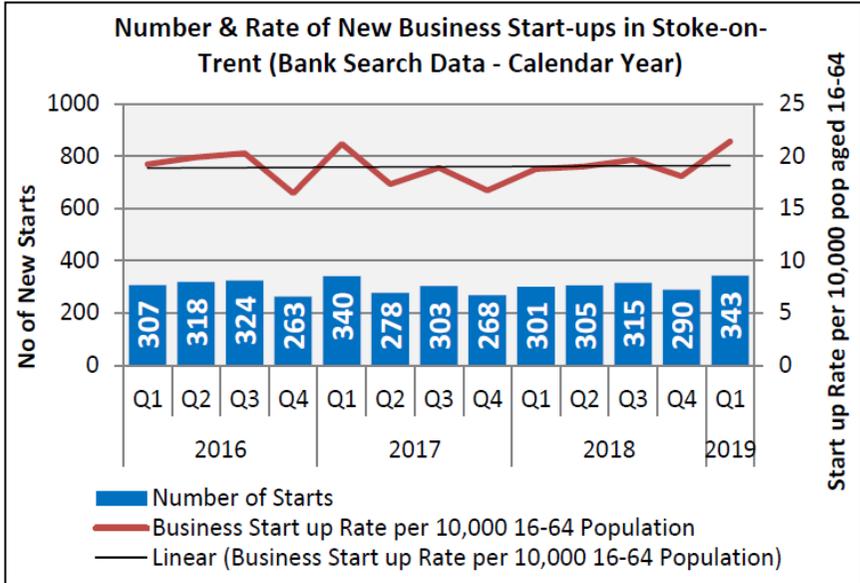


# 1.1 Narrative Statement

## Place Growth and Prosperity

### Business Starts

Stoke-on-Trent has been named as the sixth best city in the UK to start a business following research conducted by card payment solutions provider, Paymentsense. The city has beaten rivalling cosmopolitan cities including London, Manchester, Liverpool and Birmingham.



Latest data from Bank Search is shown in the chart (left). The city had strong performance in 2018, compared to the national average. Whilst the number of start ups has fallen nationally (-8.4%) throughout 2018 compared with the year before, the city's rate has

increased (+1.6%). This growth rate ranks Stoke-on-Trent at 51 out of the 326 English districts.

### Inward Investment

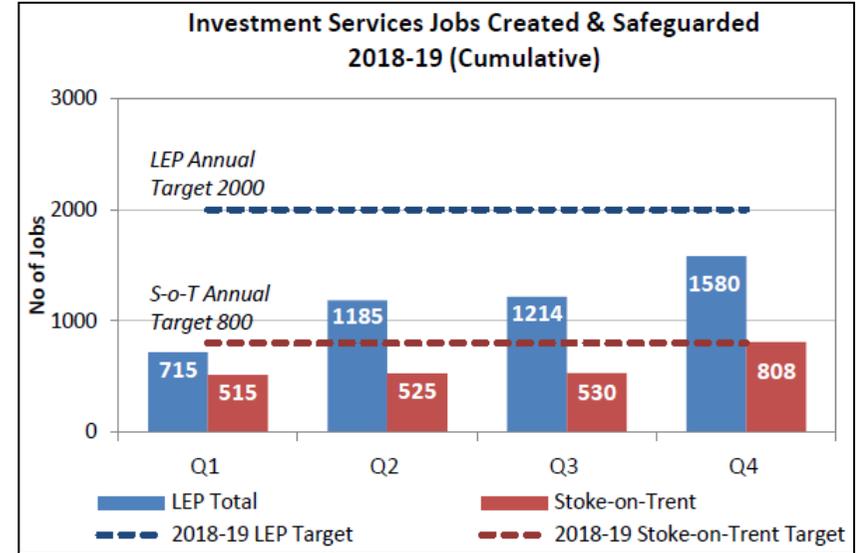
The city is performing in line with the average across the wider economic LEP area and traditionally Quarter 3 is the busiest period for job creation. However, with an economic slowdown and the Christmas period there has been a slowing down of jobs. Nationally there is greater uncertainty in respect of Brexit with the ONS reporting that companies are scaling back on investments.

However, looking forward to Quarter 4 job creation figures will increase following the confirmation of 500 new Civil Service jobs being created in the city. Her Majesty's Court's and Tribunal Service (HMCTS) will be recruiting 100 people each month between January and May 2019 after the city was chosen to house a new Government service centre.

Work is still progressing on a number of significant enquiries including some that have recently started to gather momentum again. All the recorded jobs for this quarter are new jobs. The Ceramic Valley Enterprise Zone (CVEZ) is continuing to gather pace with Phase 1 of Tunstall Arrow (photo below) being nearly full and work progressing to get Phase 2 started. Job growth from these will start to be registered from Q4.

There are also a number of live Department for International Trade (DIT) enquiries that are being processed in addition to national enquiries. There is a significant opportunity to bring forward suitable commercial floor space for SME companies who have an immediate need for growth locally into mid-sized units and we are working with developers to identify and support those opportunities.

In May 2019, UK Powerhouse report stated that 'Stoke-on-Trent is the fourth fastest expanding city in employment growth in Q4 2018 and forecasts that the city will be ranked fourth for employment level in Q4 2020'.



# 1.1 Narrative Statement

## Housing and Customer Services

### Empty Homes

The empty homes team have exceeded the target of bringing back into use 200 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. 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 support from the council in providing technical advice and guidance to overcome various obstacles and ensure properties are renovated to a good quality standard.

Bringing back into use 201 properties during 2018/19 has encouraged 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.

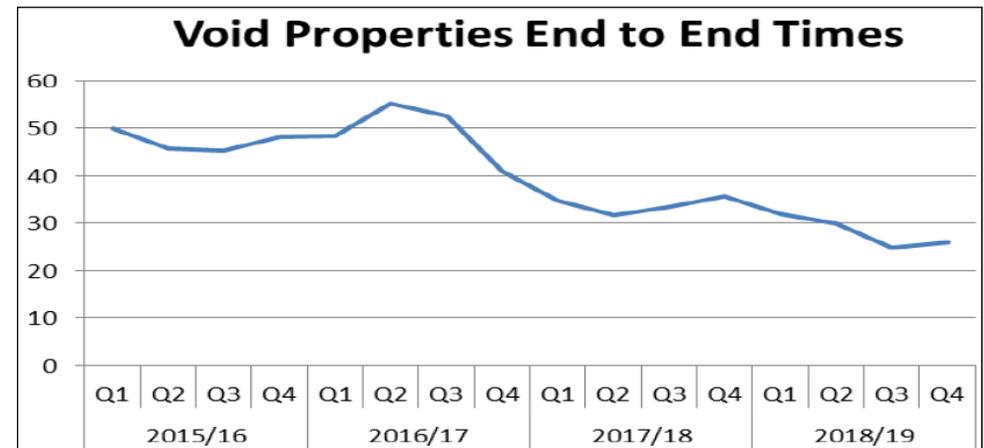


2018/19	Number of Empty Homes back into use	Target
Q1	45	47
Q2	49	47
Q3	52	52
Q4	55	54
	<b>201</b>	<b>200</b>

Bringing these empty properties back into use not only provides a net reduction in the number of neglected empty properties in the city, it also increases the quality and condition of the city's private sector housing stock, making the city safe, strong and vibrant place to live.

### Void Properties

The fundamental service review into the voids processes has resulted in performance improvement. 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 £1,106k 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.



At the end of 2018/19 end to end times have reduced to 25 days from 35 days during 2017/18

## 1.1 Narrative Statement

### Schools

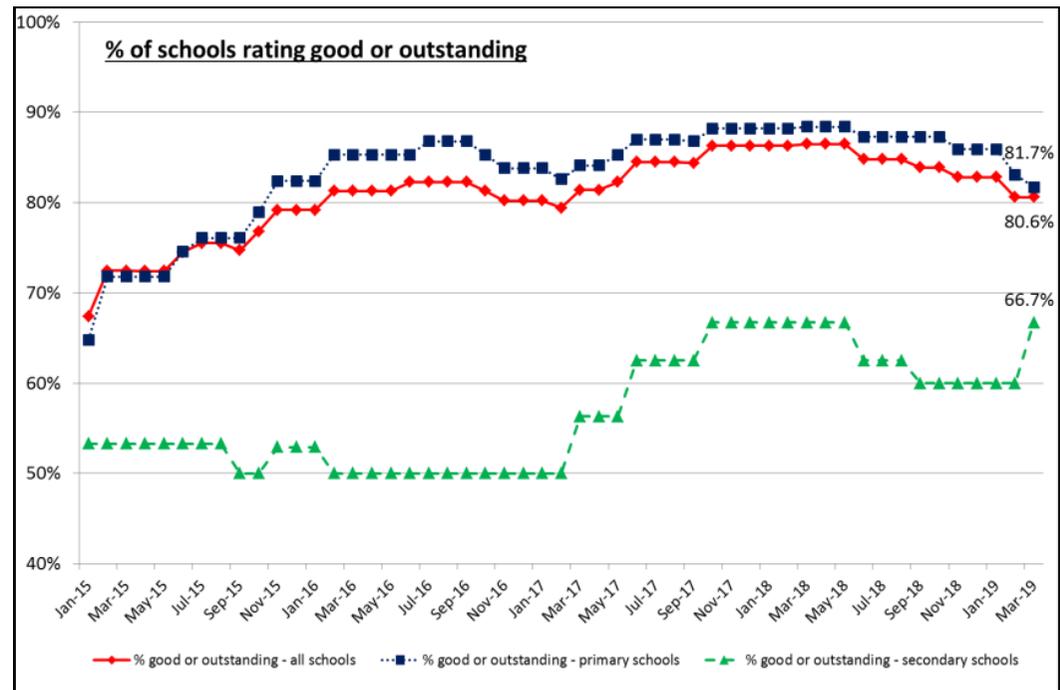
In March the overall quality of schools figures decreased slightly. The percentage of schools that are rated good or better was 80.6% (England 85.3%; West Mids 83.5%) compared to 83.9% in September. The percentage of pupils attending good or better schools was 81.3% in December (England 84.7%; West Mids 82.8%), a slight decrease from 82.4% in September. This equates to 32,017 out of 39,381 pupils attending a school rated good or better. Due to the changes in methodology the figures are not directly comparable to 12 months ago.



Effective strategies across all schools continue to be implemented and developed in order to improve the quality of provision. LA continues to both challenge and support schools through visits, reviews and via the Stoke School Improvement Group (SSIG).

The School Improvement Team is supporting the delivery of the Opportunity Area priorities, which are

1. Improve outcomes in the Early Years Foundation Stage, giving children the best possible start in life and learning.
2. Improve outcomes in English maths and science, building strong foundations for key stage 4 by boosting attainment in primary and supporting transition into



secondary.

3. Improve pupil engagement in learning at all stages, making sure children are happy, resilient and equipped with the skills to learn.
4. Improve the choices young people make from 16, ensuring a pipeline of highly qualified young people in Stoke-on Trent who can contribute to a skilled workforce. Additional focus for the OA board are school attendance and recruitment of teachers. Schools will additionally be supported through Better Together, a joint LA and OA initiative.

The local Mathematics Excellence Partnership continues to work well and leading to improvements in Maths teaching in Secondary Schools in the City. The MEP has now secured further funding from the Denise Coates Foundation to develop maths transition in primary. Maths was identified as an area for improvement in primary from Summer 2017 results and working with Stoke School Improvement Group (SSIG) further funding has been secured through the OA to improve maths in primary in the City.

## 1.1 Narrative Statement

### City Director

The base liability for Council Tax at the end of Q4 is £100.9m. The collection rate for 2018-19 at the end of Q4 has shown a decrease of 0.19% compared to 2017-18 although this is an improvement of 0.39% in the final Quarter of 2018-19. We have also collected £5.2m Council Tax more in 2018-19 compared to 2017-18

The base liability for Business Rates at the end of Q4 was £94.5m. The collection rate at the end of Q4 2018-19 is 98.11% which is an increase of 0.30% compared to 2017-18. We have also collected £2.1m more in 2018-19 compared to 2017-18 as a result of an increase in the Net Collectable. It is important to note that these figures exclude rates relief which are not included in the collection figures and total £16m in 2018/19.

Net Collectable	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Council Tax	90,239	91,579	95,295	100,944
Business Rates	88,637	92,669	92,587	94,532

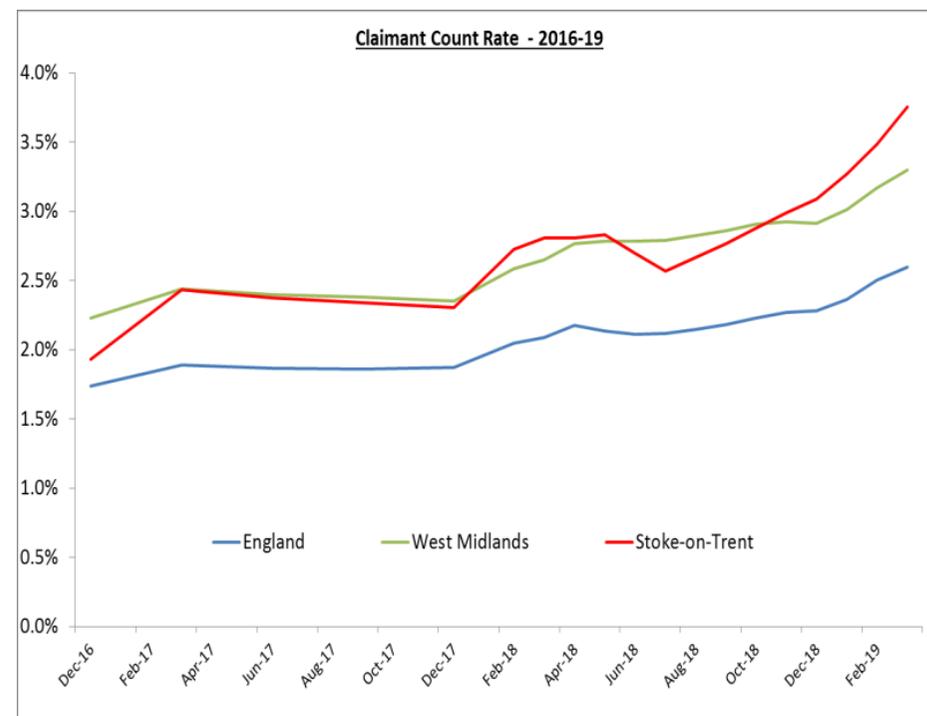
We have new systems in place this year to identify fraudulent reliefs being claimed on accounts. We will also be conducting reviews on all reliefs and exemptions in place which could result in extra revenue.

The council continues to offer support and advice including hardship relief, setting up payment arrangements and signposting to third parties in cases of genuine need. However, the council will continue to pursue the payment of all outstanding debt where people refuse to pay. This includes the use of appropriate enforcement taking cases to the bankruptcy court and carrying out committals where necessary.

### Benefits

The chart (below) shows the claimant count for the city compared to regional and national comparators. There have been a number of changes in legislation over the last 2 years that need to be considered alongside the claimant count figures. These include changes to both school leaving age and retirement age, an increase in the number of people who have received 'sanctions' resulting in loss of benefits and the introduction of Universal Credit.

Latest figures for March 2019 show the city's rate as 3.08% (6,025 claimants) which is



below the West Midlands average of 3.3%. Following a plateau of the rate in 2016 (both nationally and locally) and a period of stability in 2017 we are starting to see an incremental increase in the rate which reflects national and regional performance.

The claimant count figures are likely to continue to increase both locally and nationally as they now include people in the searching for work Universal Credit conditionality group. (i.e. searching for an increase in hours). This means that, with the roll-out of Universal Credit, the level of the Claimant Count series is likely to be higher than it would be otherwise, even if the overall level of unemployment is not. Comparisons with previous years and the rate of increase seen regionally and nationally should be treated with caution due to changes in legislation and the rollout schedule associated with Universal Credit.

## 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 2018/19 the City Council invested £95.0m on capital expenditure, which is analysed across against directorates.

### Some 2018/19 Key Achievements

- Smithfield Apartments (Fortior Homes) - Building work is now well under way on the City Centre Apartment Block with 5 of the 11 storeys now built. The completion of the apartment block is expected late 2019.

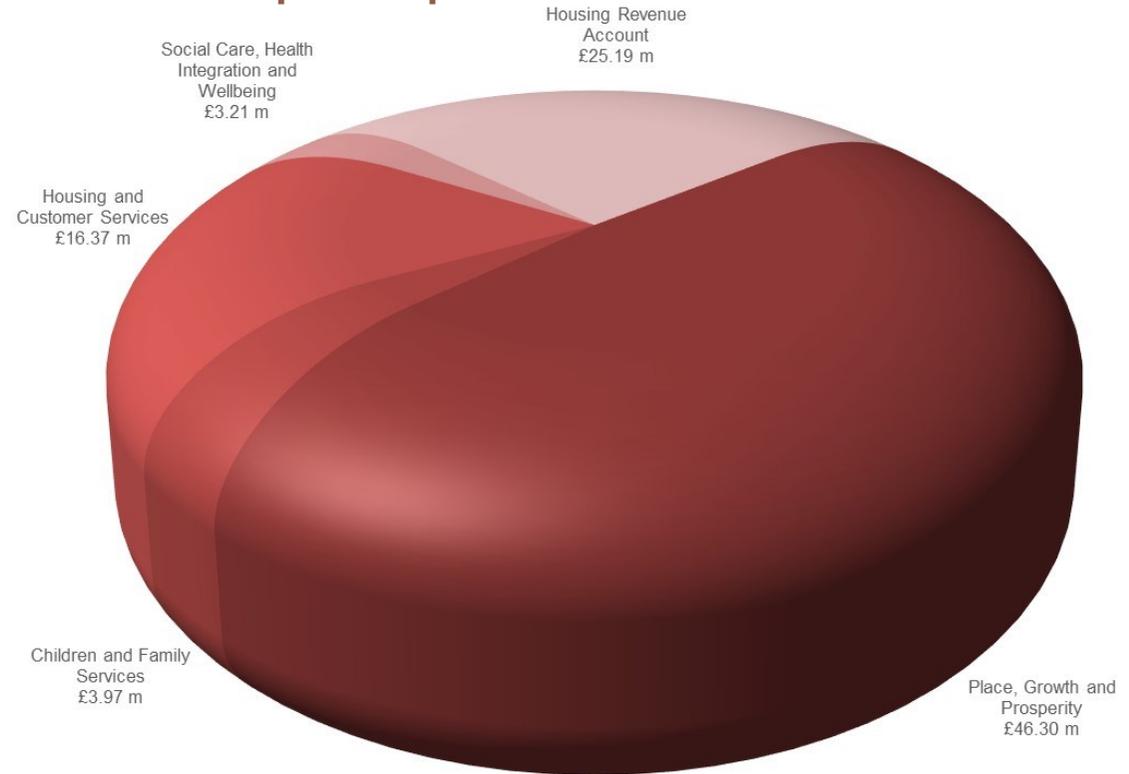


- Street Lighting PFI LED Technology Retro Fit - The scheme is completed with over 27,000 street lighting units have been retrofitted with LED lanterns.

- Legible Stoke (Wayfinding) - Enhanced Signage - The majority of Wayfinding monoliths have been installed as well as a number of Wayfinding finger post-signs throughout the area.

- District Heat Network - Works are nearing completion on the first section of the network with a view to testing and commissioning commencing in January.
- Over 140 projects across the city are benefitting from grants awarded to them from the Community Infrastructure Fund.
- Over 280 households across the City have utilised the Disabled Facilities Grant to have additional facilities installed in their homes to assist them with their day to day living needs.
- The restoration of the pavilion and boat house in Hanley Park is now complete. This work was undertaken using the Heritage Lottery Fund provided for the Regeneration of Hanley Park.

## Capital Expenditure 2018/19 - £95.0m



- Tunstall Park Gym Equipment (see below) - The outdoor gym equipment is now installed



Courtesy of The Sentinel

## 1.1 Narrative Statement

### Financial Health of the Council as at 31st March 2019

#### 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 £63.2m (Including Council Dwellings £42.5m) and downward revaluations of £49.8m (Including Council Dwellings £10.7m). 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 £10.6m 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.

For additional information see note 4.2.11

#### Capital Investment and Borrowing

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 £394.832 million of proposed investment £159.718 million is currently assumed to be funded by borrowing for which the HRA element £37.574 million is to be managed within the overall HRA borrowing headroom limit set by Government.

Capital Financing Requirement	£644.7m
<i>Represented by:</i>	
Existing Borrowing	£466.9m
PFI Liability	£90.2m
<i>Internal Borrowing in the form of:</i>	
Usable reserves	£87.6m
<b>Total</b>	<b>£644.7m</b>

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 £28.3m standing at £644.7m by the end of the year.

Budget 2019/20 - 2022/23	
Capital Programme Funding	£'000
Secured External Funding	17,275
Unsecured External Funding	85,389
Reserves & Ring Fenced Receipts	132,450
Borrowing & General Receipts	159,718
<b>Total Capital Funding</b>	<b>394,832</b>

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.

#### 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 provide an additional return to help 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 increase in its pension liability on the balance sheet since last year. This is because financial assumptions at 31st March 2019 are less favourable than they were at 31st March 2018. This has resulted in a increase of the pensions liability on the City Council's balance sheet of £101.0m (2017/18 decrease of £11m) to £565.7m (2017/18 £464.6m). 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 2019

#### 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 increase the General Fund Reserve over the next few years. In 2018/19 the General Fund Reserve increased to £9.6m and is considered reasonable and fit for purpose for the future.

However the city council must consider emerging risks such as the uncertainty of funding from 2020/21, and other external factors such as the potential impact of Brexit, and internal risks including increased commercial activity, and the challenges faced by all councils relating to increasing demand for services like social care. In light of the additional risks detailed above, the General Reserve will be increased by £1.4 million from its current level of £9.6 million to £11.0 million.

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 £16.9m in usable capital receipts and capital grants to finance future planned capital expenditure.

<b>General Fund Reserves</b>	<b>General Reserve</b>	<b>Earmarked Reserve</b>	<b>Usable Capital Receipts &amp; Capital Grants</b>
	£m	£m	£m
Opening Balance (1 April 2018)	9.082	50.763	15.729
Contributions/(Use) 2018/19	576	(15.473)	1.210
<b>Closing Balance (31 March 2019)</b>	<b>9.658</b>	<b>35.290</b>	<b>16.939</b>

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 £7.7m and due to the activity during the year £0.51m was added to the reserve.

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

#### EU Referendum

<b>HRA General Fund Reserves</b>	<b>General Reserve</b>	<b>Earmarked Reserve</b>	<b>Major Repairs Reserve</b>
	£m	£m	£m
Opening Balance (1 April 2018)	7.740	17.031	9.470
Contributions/(Use) 2018/19	0.051	(2.204)	(0.003)
<b>Closing Balance (31 March 2019)</b>	<b>7.791</b>	<b>14.827</b>	<b>9.467</b>

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.

## 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 whilst striking a balance between supporting people to fulfil their potential, supporting the vulnerable to live their lives well and investing in a future that delivers a prosperous city for all. 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 future of the city continues to be at the centre of the strategy; 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 and it is working. More money is being generated through more new people paying council tax and business rates and the additional income it has generated is being reinvested to support the provision of essential services valued by residents.

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.

### 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.

These accounts, the Annual Governance Statement and other sources of financial information are available on the City Council's website at [stoke.gov.uk](http://stoke.gov.uk).

Comments on these accounts are welcomed and can be made through the website or the contact options shown above.



**Nick Edmonds**

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

**Date 24 October 2019**

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](mailto:finance@stoke.gov.uk)

## 1.1 Narrative Statement

### 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 changes is shown in Note 3.1.

2017/18			2018/19			
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
622,198	(412,505)	209,692		632,041	(423,546)	208,495
		(2,167)	Other Operating Expenditure	4.2.6		399
		85,484	Financing and Investment Income & Expenditure	4.2.6		47,669
		(214,897)	Taxation and Non-Specific Grant Income	4.2.6		(230,476)
		78,112	<i>(Surplus)/Deficit on Provision of Services</i>			26,087
		(33,840)	Other Comprehensive Income and Expenditure			71,162
		44,272	Total Comprehensive Income and Expenditure			97,249

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 2018 Restated		31 March 2019	31 March 2018 Restated		31 March 2019
£000	Note	£000	£000	Note	£000
1,291,211	Long Term Assets	1,325,082	(981,758)	Long Term Liabilities	(1,140,102)
56,475	Current Assets	83,866	273,783	Net Assets	174,726
(92,146)	Current Liabilities	(94,120)	273,783	Total Reserves	174,726

## 1.1 Narrative Statement

### Movement in Reserves Statement

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

2018/19	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 2018		9,082	50,763	7,740	17,031	9,470	10,373	5,355	109,815	163,968	273,783
Increase/ (Decrease) in Year		(14,897)	-	(2,153)	-	(3)	2,082	(871)	(15,842)	(83,215)	(99,057)
Transfers to/(from) Earmarked Reserves	4.2.9	15,473	(15,473)	2,204	(2,204)	-	-	-	-	-	-
Balance at 31 March 2019		9,658	35,290	7,791	14,827	9,467	12,455	4,484	93,973	80,753	174,726

### 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.

2017/18 £000		Note	2018/19 £000
78,112	Net surplus/(deficit) on the provision of services	3.1	19,987
17,904	Net Cash Flows from Operating Activities		(12,937)
41,517	Net Cash Flows from Investing Activities		(33,280)
(40,896)	Net Cash Flows from Financing Activities		60,985
18,524	Net (increase) or decrease in cash and cash equivalents		14,768
22,157	Cash and Cash Equivalents at the beginning of the reporting period	3.2	3,633
3,633	Cash and Cash Equivalents at the end of the reporting period	3.2	18,401

## 1.1 Narrative Statement

### Housing Revenue Account

This shows the in-year economic cost of providing housing services in accordance with 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.

2017/18 £000	2018/19 £000
<b>(63,244) Total Expenditure</b>	<b>(58,252)</b>
8,573 Revaluation of assets	24,952
<b>67,749 Total Income</b>	<b>66,887</b>
(415) HRA services' share of Corporate and Democratic Core	(427)
<b>12,663 Net Cost for HRA Services</b>	<b>33,160</b>
<b>(4,374) HRA share of the operating Income and Expenditure included in the CIES</b>	<b>(2,752)</b>
<b>8,289 Surplus of (deficit) for the year on HRA services</b>	<b>30,408</b>

### 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

2017/18			2018/19		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
90,255	95,167	185,422	92,633	100,715	193,348
(4,262)	(3,110)	(7,372)	(2,321)	2,953	632
<b>85,993</b>	<b>92,057</b>	<b>178,050</b>	<b>90,312</b>	<b>103,668</b>	<b>193,980</b>
(89,222)	(91,235)	(180,457)	(92,917)	(97,362)	(190,279)
<b>(3,229)</b>	<b>822</b>	<b>(2,407)</b>	<b>(2,605)</b>	<b>6,306</b>	<b>3,701</b>
7,665	4,226	11,891	(2,251)	2,173	(78)
(6,686)	(2,874)	(9,560)	(400)	(2,512)	(2,912)
<b>(2,251)</b>	<b>2,173</b>	<b>(78)</b>	<b>(5,257)</b>	<b>5,965</b>	<b>708</b>

# 2.0 Statements to the Accounts



## 2.1 Independent Auditor's Report to the Members of Stoke-on-Trent City Council

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STOKE-ON-TRENT CITY COUNCIL

#### Opinion

We have audited the financial statements of Stoke-on-Trent City Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement.
- Authority and Group Comprehensive Income and Expenditure Statement.
- Authority and Group Balance Sheet.
- Authority and Group Cash Flow Statement.
- the related notes 4.2.1 to 4.2.27 to the Authority accounts and notes 7.6a-7.6e to the Group accounts.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 5.3.1 to 5.3.4.
- Collection Fund and the related notes 6.2.1 to 6.2.3.
- The Statement of Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Stoke-on-Trent City Council and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority/group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

- the Section 151 Officer use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The other information comprises the information included in the Narrative statement set out on pages 5 to 20, other than the financial statements and our auditor's report thereon. The Section 151 Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

##### *Arrangements to secure economy, efficiency and effectiveness in the use of resources*

##### *Basis for Qualified Conclusion*

- OFSTED Inspection of Children's Services

Ofsted undertook an inspection of the Council's Children's Services, with findings being announced in mid-March 2019. The inspection took place over a two-week period in early February and looked at three areas; the impact of leaders on social work practice with children and families, the experiences and progress of children who need help and protection and the experiences and progress of children in care and care leavers. In all three areas inspectors found services to be inadequate and as a result the overall effectiveness was judged to be inadequate.

Actions to address the identified weaknesses, which include the recruitment of a new Director of Children's Services, development of an improvement plan, establishment of Children's Improvement Board and Children's Improvement Operational Group have now commenced but were not complete at the end of 2018/19.

The issue above is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable performance information to support informed decision making and performance management, and managing risks effectively and maintaining a sound system of internal control.

##### *Qualified conclusion*

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Stoke-on-Trent City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or

## 2.1 Independent Auditor's Report to the Members of Stoke-on-Trent City Council

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Responsibility of the Section 151 Officer

As explained more fully in the Statement of the Section 151 Officer's Responsibilities set out on page 25, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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.

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

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

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

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

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 (C&AG) in November 2017, as to whether the Stoke-on-Trent City 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 the Stoke-on-Trent City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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.

### Certificate

We certify that we have completed the audit of the accounts of Stoke-on-Trent City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of Stoke-on-Trent City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Stoke-on-Trent City Council and the Stoke-on-Trent City Council's members as a body, for our audit work, for this report, or for the opinions we have formed.



ERNST & YOUNG LLP

Hassan Rohimun (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Manchester  
25 October 2019

The maintenance and integrity of the Stoke-on-Trent City Council I web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 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

### The Section 151 Officer 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 Officer

I certify that this statement of accounts gives a true and fair view of the financial position as at 31 March 2019, financial performance and cash flow of the City Council for the year ended 31 March 2019.



**Nick Edmonds**

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

**Section 151 Officer**

**Date 24 October 2019**

### Approval of Statement of Accounts

The Statement of Accounts was approved by the Stoke-on-Trent City Council Audit Committee.



**Councillor Stephen Funnell**

**Chair of Audit Committee**

**Date 24 October 2019**

# 3.0 Core Financial Statements



### 3.1 Comprehensive Income and Expenditure Statement

2017/18			2018/19				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	Note	£000	£000	£000	
134,029	(66,264)	67,765	Children and Family Services	153,090	(76,962)	76,128	
(12,568)	-	(12,568)	- change in asset value	4.2.7	2,545	-	2,545
146,837	(76,012)	70,825	Social Care, Health Integration and Wellbeing	144,432	(82,444)	61,988	
77,533	(27,536)	49,997	Place, Growth & Prosperity	87,995	(33,588)	54,407	
28,280	(2,322)	25,957	Housing and Customer Services	33,183	(5,977)	27,206	
23,358	(4,486)	18,872	City Director	24,504	(5,678)	18,826	
63,659	(67,749)	(4,090)	Housing Revenue Account	5	58,625	(66,832)	(8,207)
(8,573)	-	(8,573)	- HRA reversal of revaluation loss	4.2.7	(24,953)	-	(24,953)
87,093	(79,312)	7,781	Schools	67,125	(67,330)	(205)	
1,016	-	1,016	Civic and Corporate Expenses	965	-	965	
87,463	(88,508)	(1,045)	Benefit Payments	82,900	(82,926)	(26)	
(5,929)	(316)	(6,245)	Non Departmental Costs	1,630	(1,809)	(179)	
<b>622,198</b>	<b>(412,505)</b>	<b>209,692</b>	<b>Net Cost of Services</b>	<b>632,041</b>	<b>(423,546)</b>	<b>208,495</b>	
		(2,167)	Other Operating Expenditure	4.2.6b		399	
		85,484	Financing and Investment Income & Expenditure	4.2.6c		47,669	
		(214,897)	Taxation and Non-Specific Grant Income	4.2.6d		(230,476)	
		<b>78,112</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>26,087</b>	
		(5,859)	(Surplus)/deficit on revaluation of non-current assets			4,100	
		41	Impairment losses non-current assets charged to revaluation reserve			136	
		37	(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income	4.2.10f		(7,495)	
		(28,059)	Remeasurements on pension fund (assets) & liabilities	4.2.19		74,421	
		<b>(33,840)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>71,162</b>	
		<b>44,272</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>97,249</b>	

## 3.2 Balance Sheet

31 March 2018  
Restated

31 March 2019

£000	Note	£000
1,176,478	Property, Plant and Equipment	1,196,649
67,233	Heritage Assets	66,284
21,352	Investment Property	20,403
4,086	Intangible Assets	4,456
9,098	Long Term Investments	17,787
3,680	Long Term Debtors	19,503
9,284	Pension Contribution Asset	-
<b>1,291,211</b>	<b>Long Term Assets</b>	<b>1,325,082</b>
8,334	Pension Contribution Asset	9,284
201	Short Term Investments	211
189	Assets Held For Sale	211
661	Stocks	778
43,457	Short Term Debtors	54,981
3,633	Cash and Cash Equivalents	18,401
<b>56,475</b>	<b>Current Assets</b>	<b>83,866</b>
(10,648)	Short Term Borrowing	(12,038)
(10,034)	Other Short Term Liabilities	(10,754)
(60,826)	Short Term Creditors	(60,846)
(5,853)	Grants Receipts in Advance	(5,597)
(4,786)	Provisions	(4,885)
<b>(92,146)</b>	<b>Current Liabilities</b>	<b>(94,120)</b>
(3,852)	Provisions	(5,186)
(391,940)	Long Term Borrowing	(460,030)
(121,379)	Other Long Term Liabilities	(109,202)
(464,587)	Net Pensions Liabilities	(565,684)
<b>(981,758)</b>	<b>Long Term Liabilities</b>	<b>(1,140,102)</b>
<b>273,783</b>	<b>Net Assets</b>	<b>174,726</b>

31 March 2018  
Restated

31 March 2019

Expenditure

£000	Note	£000
9,082	General Fund Balance	9,658
50,763	Earmarked Reserves - General Fund	35,290
10,373	Usable Capital Receipts Reserve	12,455
7,740	Housing Revenue Account Balance	7,791
17,031	Earmarked Reserves - HRA	14,827
9,470	Major Repairs Reserves	9,467
5,356	Capital Grants Unapplied	4,484
<b>109,816</b>	<b>Usable Reserves</b>	<b>93,973</b>
452,358	Capital Adjustment Account	469,003
172,160	Revaluation Reserve	162,121
698	Collection Fund Adjustment Account	2,328
(464,587)	Pensions Reserve (Deficit)	(565,684)
(6,833)	Accumulated Absences Account	(4,522)
(3,096)	Financial Instruments Adjustment Account	(3,133)
7,022	Financial Instruments Revaluation Reserve	14,516
6,245	Deferred Capital Receipts Reserve	6,123
<b>163,967</b>	<b>Unusable Reserves</b>	<b>80,753</b>
<b>273,783</b>	<b>Total Reserves</b>	<b>174,726</b>

These financial statements replace the unaudited financial statements certified by Nick Edmonds on 30 May 2019

### 3.3 Movement in Reserves Statement

2018/19

	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
<b>Balance at 31 March 2018</b>		<b>9,082</b>	<b>50,763</b>	<b>7,740</b>	<b>17,031</b>	<b>9,470</b>	<b>10,373</b>	<b>5,355</b>	<b>109,815</b>	<b>163,968</b>	<b>273,783</b>
Adjustments for the remeasurement of financial instruments	4.2.3	(1,808)	-	-	-	-	-	-	(1,808)	-	(1,808)
Total Comprehensive Expenditure and Income	3.1	(56,495)	-	30,408	-	-	-	-	(26,087)	(71,162)	(97,249)
Adjustments between accounting basis and funding basis under regulations	4.2.8	43,406	-	(32,561)	-	(3)	2,081	(871)	12,052	(12,052)	-
Roundings		-	-	-	-	-	1	-	-	(2)	-
<b>Increase/ (Decrease) in Year</b>		<b>(14,897)</b>	<b>-</b>	<b>(2,153)</b>	<b>-</b>	<b>(3)</b>	<b>2,082</b>	<b>(871)</b>	<b>(15,842)</b>	<b>(83,215)</b>	<b>(99,057)</b>
Transfers to/(from) Earmarked Reserves	4.2.9	15,473	(15,473)	2,204	(2,204)	-	-	-	-	-	-
<b>Balance at 31 March 2019</b>		<b>9,658</b>	<b>35,290</b>	<b>7,791</b>	<b>14,827</b>	<b>9,467</b>	<b>12,455</b>	<b>4,484</b>	<b>93,973</b>	<b>80,753</b>	<b>174,726</b>

### 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
<b>Balance at 31 March 2017</b>		<b>8,569</b>	<b>73,418</b>	<b>7,898</b>	<b>19,524</b>	<b>9,469</b>	<b>10,207</b>	<b>7,164</b>	<b>136,249</b>	<b>181,806</b>	<b>318,055</b>
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)	-
Roundings		1	-	-	-	1	(2)	1	3	(4)	-
<b>Increase/ (Decrease) in Year</b>		<b>(22,143)</b>	<b>-</b>	<b>(2,651)</b>	<b>-</b>	<b>1</b>	<b>166</b>	<b>(1,809)</b>	<b>(26,434)</b>	<b>(17,838)</b>	<b>(44,272)</b>
Transfers to/(from) Earmarked Reserves	4.2.9	22,655	(22,655)	2,493	(2,493)	-	-	-	-	-	-
<b>Balance at 31 March 2018</b>		<b>9,082</b>	<b>50,763</b>	<b>7,740</b>	<b>17,031</b>	<b>9,470</b>	<b>10,373</b>	<b>5,355</b>	<b>109,815</b>	<b>163,967</b>	<b>273,783</b>

### 3.4 Cash Flow Statement

2017/18			2018/19
£000		Note	£000
<b>(78,112)</b>	<b>Net surplus/(deficit) on the provision of services</b>	<b>3.1</b>	<b>(19,987)</b>
<b>83,626</b>	Adjustments to net surplus or deficit on the provision of services for non-cash movements	<b>4.2.25</b>	<b>41,419</b>
<b>(23,418)</b>	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>4.2.25</b>	<b>(34,368)</b>
<b>(17,904)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(12,937)</b>
<b>(41,517)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>4.2.25</b>	<b>(33,281)</b>
<b>40,896</b>	<b>Net Cash Flows from Financing Activities</b>	<b>4.2.25</b>	<b>60,985</b>
<b>(18,524)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>14,768</b>
22,157	Cash and Cash Equivalents at the beginning of the reporting period	3.2	3,633
<b>3,633</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>3.2</b>	<b>18,401</b>

# 4.0 Explanatory Notes



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

<b>Note</b>	<b>Title</b>	<b>Page No</b>	<b>Note</b>	<b>Title</b>	<b>Page No</b>
1	Accounting standards that have been issued but not yet adopted	34	19	Pensions	89
2	Critical judgements in applying accounting policies	35	20	Pooled budgets and other arrangements	96
3	Changes to accounting policy and prior period adjustments	36	21	Debtors and creditors	97
4	Assumptions Made about the future and other major sources of estimation uncertainty	38	22	Trading operations	98
5	Expenditure and funding analysis	39	23	Related party transactions	99
6	Notes to Income and Expenditure	42	24	Members allowances/External Audit Costs	101
7	Exceptional Items in the CIES	43	25	Notes to the Cashflow Statement	102
8	Adjustments between accounting basis and funding basis under regulations	44	26	Contingent assets and liabilities	103
9	Usable reserves	47	27	Events after the balance sheet date	104
10	Unusable reserves	50			
11	Assets	54			
12	Capital	66			
13	PFI and similar contracts	68			
14	Financial instruments	72			
15	Provisions	83			
16	Grants	84			
17	Officers remuneration	86			
18	Termination benefits and exit packages	88			

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

The 2018/19 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code also requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

For adoption in 2019/20 the following accounting standard changes and their impact on the Council are shown in the table below

Narrow Scope Amendments to International Financial Reporting Standards	
<b>IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement</b>	Limited Impact - The amendments require that when a material plan amendment, curtailment or settlement occurs during a reporting period entities use updated actuarial assumptions to determine current service cost and net interest for the remaining annual reporting period.
<b>IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation</b>	Limited Impact - The IASB has amended IFRS 9 to allow financial assets with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income.
<b>IAS 40 Investment Property: Transfers of Investment Property</b>	Limited Impact - The amendment to IAS 40 <i>Investment Property</i> provides clarification on transfers to or from the investment property classification.
<b>IFRIC 22 Foreign Currency Transactions and Advance Consideration</b>	Limited Impact - IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.
<b>IFRIC 23 Uncertainty over Income Tax Treatments</b>	Limited Impact - IFRIC 23 clarifies the accounting treatments for uncertainties in income taxes and may apply to local authority Group Accounts.
<b>Annual Improvements to IFRS Standards 2014 - 2016 Cycle</b>	Limited Impact  IFRS 12 Disclosure of Interests in Other Entities – the amendment clarifies the scope of IFRS 12 with respect to interests in entities within the scope of IFRS 5.  IAS 28 Investments in Associates and Joint Ventures – the amendment clarifies whether the entity is able to choose between applying the equity method, or measuring the investment at fair value for each investment or whether instead the entity applies the same accounting to all of its investments in associates and joint ventures.
<b>Annual Improvements to IFRS Standards 2015 - 17</b>	Limited Impact  IFRS 3 Business Combinations, IFRS 11 Joint Arrangements – the amendments clarify that when a party to a joint arrangement obtains control of the joint arrangement that is a joint operation, the transaction is a business combination achieved in stages.  IAS 12 Income Taxes – the amendment requires the income tax consequences of dividends should be recognised according to where the past transactions or events that generated distributable profits were recognised.  IAS 23 Borrowing Costs – The amendment affects the specification for calculation of borrowing costs which can be capitalised when a ‘weighted average’ borrowing cost is used.
<b>IAS 28 Interest in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures</b>	Limited Impact - The amendments clarify that IFRS 9 applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

## 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 for 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 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 2019 the council has created sub-groups of assets that are subject to either a formal valuation at the year end or a professional valuation assessment. 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 valuer 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 2019 for 2018/19 are considered for changes to accounting policy that may result in the amendment to previously reported figures, where material.

### Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets. The Council has made use of the transitional provisions in IFRS 9 that do not require the restate the prior year's financial statements. The effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

Previous Classifications	New Classifications at 1 April 2018			
	Carrying amount b/f at 1 April 2018	Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss
	£000	£000	£000	
<b>Investments</b>				
Available for sale	9,098	-	*9,098	-
<b>Debtors</b>				
Loans and receivables	30,797	28,559	-	2,238
<b>Cash and Cash Equivalents</b>				
Loans and receivables	3,633	3,633	-	-
<b>Reclassified amounts at 1 April 2018</b>	<b>43,528</b>	<b>32,192</b>	<b>9,098</b>	<b>2,238</b>
Remeasurements at 1 April 2018		**248	-	-
<b>Remeasured carrying amounts at 1 April 2018</b>		<b>32,440</b>	<b>9,098</b>	<b>2,238</b>

Previous Classifications	New Classifications at 1 April 2018		
	Carrying amount b/f at 1 April 2018	Amortised cost	Fair value through profit and loss
	£000	£000	£000
<b>Borrowings</b>			
Amortised cost	(402,588)	(402,588)	-
<b>Other Liabilities</b>			
Amortised cost	(131,413)	(131,413)	-
<b>Creditors</b>			
Amortised Cost	(46,875)	(46,875)	-
<b>Provisions</b>			
Commitments	-	-	-
<b>Reclassified amounts at 1 April 2018</b>	<b>(580,876)</b>	<b>(580,876)</b>	-
Remeasurements at 1 April 2018		*** (2,057)	-
<b>Remeasured carrying amounts at 1 April 2018</b>		<b>(582,933)</b>	-

\*The Council has made an election in relation to equity instruments to post gains/losses to other comprehensive income. Movements will be accumulated in the Financial Instruments Revaluation Reserve until the asset is derecognised.

\*\* The Council's £26.3m provision for doubtful debtors under IAS 39 as at 31st March 2019 has been decreased by £0.29m. The City Council has created an expected credit loss allowance of £0.04m relating to long term loans advanced.

\*\*\* The City Council has a commitment to lend £35.75m to Fortior Homes Ltd. The Commitment falls within the scope of IFRS 9 and therefore a provision has been created for £2m for expected credit losses

### 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 2019 for 2018/19 are considered for changes to accounting policy that may result in the amendment to previously reported figures, where material.

#### Prepaid Pension Deficit Contribution

In the prior years accounts, the deficit contributions arising from the 2016 triennial, which were prepaid in 2017/18 were not explicitly shown on the balance sheet resulting in a difference between the pension reserve and the pension liability. Prior year figures have been amended to show a Pension Contribution Asset within non-current assets and current assets which results in the pension liability and the pension reserve being equal. The changes made can be seen below:

#### Before Restatement

31st March 2018

£'000

Net Pensions Liabilities	(446,969)
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#### After Restatement

31st March 2018

£'000

Long Term Pension Contribution Asset	9,284
Short Term Pension Contribution Asset	8,334
Net Pensions Liabilities	(464,587)

The restatement does not affect the reserves or net asset position. It is simply presentational to show explicitly the pension contribution asset.

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

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

### **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 £175.945m.

### **Arrears**

At the 31 March 2019 the Council has a gross short term debtor's balance of £75.001m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £22.020m 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 £1.101m to the Council.

### **PFI and Similar Contracts**

As at 31 March 2019 the Authority had committed to making unitary payments of £322.441m over the remaining lives of the PFI and similar contracts schemes (see note 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 £2.730m 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 £2.699m lower.

### **Business Rate Appeals**

The 2018/19 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 £8.310m 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% (£4.072m). 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 £0.407m.

### **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 0.5% fluctuation in council dwellings and other land and buildings values would amount to a £4.5m movement in Property, Plant and Equipment balance shown on the balance sheet., this is not however considered material.

## 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.

2018/19	Children and Family Services £000	Social Care, Health Integration and Wellbeing £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
<b>Income</b>														
Fees, charges and service income	(21,835)	(42,345)	(31,121)	(2,727)	(5,647)	(69,289)	(4,834)	-	-	(1,885)	-	(179,683)	(28,998)	(208,681)
Interest and investment income	-	-	-	(5,976)	-	(75)	-	-	-	(988)	-	(7,039)	2,016	(5,023)
Council tax and business rates	-	-	-	-	-	-	-	-	-	-	(158,387)	(158,387)	(1,631)	(160,018)
Government grants and contributions	(58,312)	(41,181)	(3,062)	(1,199)	(1,914)	(49)	(54,863)	-	(82,926)	-	(38,608)	(282,113)	(4,001)	(286,114)
<b>Expenditure</b>														
Employee benefits expenses	46,305	30,590	27,546	14,075	16,607	12,860	21,896	1,010	-	2,988	-	173,877	46,519	220,496
Other service expenses	124,045	121,119	60,435	14,053	7,810	41,935	36,600	495	82,900	5,782	-	495,164	(95,216)	399,948
Depreciation, amortisation and impairment	-	-	-	-	-	19,627	-	-	-	2,314	-	21,941	27,596	49,537
Interest Payments	1,129	-	-	-	-	-	-	-	-	13,507	-	14,636	7,103	21,739
Precepts and levies	-	-	-	-	-	-	-	-	-	73	-	73	-	73
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	1,320	-	1,320	-	1,320
Gain or loss on disposal on non-current assets	-	-	-	-	-	(2,856)	-	-	-	(2,077)	-	(4,933)	3,314	(1,619)
Internal recharges	(14,324)	(4,203)	(22,055)	(5,839)	(3,618)	(1)	(1,637)	(455)	-	(5,673)	-	(57,805)	52,234	(5,571)
<b>Expenditure chargeable to the GF and HRA Balances</b>	<b>77,008</b>	<b>63,980</b>	<b>31,743</b>	<b>12,377</b>	<b>13,238</b>	<b>2,152</b>	<b>(2,838)</b>	<b>1,050</b>	<b>(26)</b>	<b>15,362</b>	<b>(196,995)</b>	<b>17,050</b>	<b>9,036</b>	<b>26,087</b>
Adjustments between funding and accounting basis	1,665	(1,992)	22,664	14,829	5,588	(35,312)	2,633	(85)	-	(15,541)	14,587	9,036	Note 4.2.6	
<b>(Surplus) or Deficit</b>	<b>78,673</b>	<b>61,988</b>	<b>54,407</b>	<b>27,206</b>	<b>18,826</b>	<b>(33,160)</b>	<b>(205)</b>	<b>965</b>	<b>(26)</b>	<b>(179)</b>	<b>(182,408)</b>	<b>26,087</b>		Note 3.1

Opening General Fund and HRA Balance at 31 March 2018	84,616
Less Deficit on General Fund and HRA Balance in Year	(17,050)
<b>Closing General Fund and HRA Balance at 31 March 2019</b>	<b>67,566</b>

## 4.2.5 Expenditure and Funding Analysis

2017/18	Children and Family Services £000	Social Care, Health Integration and Wellbeing £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
<b>Income</b>														
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)
<b>Expenditure</b>														
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	18,510	492	87,463	2,918	-	458,111	(49,428)	408,683
Depreciation, amortisation and impairment	-	-	-	-	-	16,282	-	-	-	5,641	-	21,923	7,432	29,355
Interest Payments	1,129	-	-	-	-	-	-	-	-	12,771	-	13,900	6,589	20,489
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)
<b>Expenditure chargeable to the GF and HRA Balances</b>	<b>69,185</b>	<b>71,596</b>	<b>35,777</b>	<b>15,494</b>	<b>13,503</b>	<b>2,649</b>	<b>(182)</b>	<b>1,091</b>	<b>(1,045)</b>	<b>15,599</b>	<b>(198,874)</b>	<b>24,795</b>	<b>53,317</b>	<b>78,112</b>
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	
<b>(Surplus) or Deficit</b>	<b>55,198</b>	<b>70,825</b>	<b>49,997</b>	<b>25,957</b>	<b>18,873</b>	<b>(12,664)</b>	<b>7,779</b>	<b>1,017</b>	<b>(1,045)</b>	<b>(6,245)</b>	<b>(131,580)</b>	<b>78,112</b>		Note 3.1

Opening General Fund and HRA Balance at 31 March 2017	109,411
Less Deficit on General Fund and HRA Balance in Year	(24,795)
<b>Closing General Fund and HRA Balance at 31 March 2018</b>	<b>84,616</b>

## 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

2017/18						2018/19						
For Capital Purposes £000	Net change for the Pensions £000	Other Differences £000	Amounts not Included in net Cost of Services £000	Reversal of internal recharges £000	Total Adjustments £000		For Capital Purposes £000	Net change for the Pensions £000	Other Differences £000	Amounts not Included in net Cost of Services £000	Reversal of internal recharges £000	Total Adjustments £000
(11,125)	4,629	47	(2,621)	(4,916)	<b>(13,987)</b>	Children and Family Services	3,239	4,284	(148)	(1,019)	(4,691)	<b>1,665</b>
1,462	3,581	(241)	(528)	(5,045)	<b>(771)</b>	Social Care, Health Integration and Wellbeing	469	3,071	(2)	(927)	(4,603)	<b>(1,992)</b>
12,344	3,065	(44)	(2,563)	1,415	<b>14,220</b>	Place, Growth and Prosperity	20,421	2,788	55	(3,184)	2,584	<b>22,664</b>
4,905	1,512	509	139	3,398	<b>10,463</b>	Housing and Customer Services	8,183	1,450	4,183	20	993	<b>14,829</b>
19	1,736	(105)	1,924	1,796	<b>5,370</b>	City Director	17	1,615	(1)	1,826	2,131	<b>5,588</b>
(11,746)	261	(107)	(3,721)	-	<b>(15,313)</b>	Housing Revenue Account	(33,848)	719	(49)	(2,134)	-	<b>(35,312)</b>
3,323	3,618	(480)	(136)	1,636	<b>7,961</b>	Schools	1,027	1,886	(2,218)	-	1,938	<b>2,633</b>
-	18	-	-	(92)	<b>(74)</b>	Civic and Corporate Expenses	-	15	-	-	(100)	<b>(85)</b>
-	-	-	-	-	-	- Benefit Payments	-	-	-	-	-	-
46,847	(13,574)	760	(57,687)	1,808	<b>(21,846)</b>	Non Departmental Costs	6,264	(1,495)	(504)	(21,567)	1,748	<b>(15,554)</b>
<b>46,029</b>	<b>4,846</b>	<b>343</b>	<b>(65,193)</b>	-	<b>(13,977)</b>	<b>Net Cost of Services</b>	<b>5,772</b>	<b>14,333</b>	<b>1,316</b>	<b>(26,985)</b>	-	<b>(5,564)</b>
(15,250)	12,172	5,179	65,193	-	<b>67,294</b>	Other Income and Expenditure	(17,698)	12,343	(7,030)	26,985	-	<b>14,600</b>
<b>30,779</b>	<b>17,018</b>	<b>5,522</b>	-	-	<b>53,317</b>		<b>(11,926)</b>	<b>26,676</b>	<b>(5,714)</b>	-	-	<b>9,036</b>

## 4.2.6 Notes to Income and Expenditure

### b - Other Operating Expenditure

2017/18		2018/19
£000	Notes	£000
669	Levies and external contributions	711
(4,159)	Loss/(gain) on disposal of non current assets	(1,619)
1,323	Payments to the Government housing capital receipts pool	1,320
-	Other (income)/expenditure	(13)
<b>(2,167)</b>		<b>399</b>

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

2017/18		2018/19
£000	Notes	£000
(76,252)	Council tax income	(85,654)
(71,122)	Non domestic rates	(74,364)
(51,667)	Non-specific government grants	(46,504)
(15,857)	Capital grants and contributions	(23,954)
<b>(214,897)</b>		<b>(230,476)</b>

### c - Financing and Investment Income & Expenditure

2017/18		2018/19
£000	Notes	£000
26,923	Interest payable and similar charges	28,857
12,173	Net interest on the net defined benefit liability	12,343
(313)	Interest and investment income	(665)
49,363	Derecognition of school assets transferred to academies <sup>1</sup>	10,559
(1,160)	Income and expenditure in relation to investment properties and changes in fair value	813
(1,502)	Other investment income	(4,239)
<b>85,484</b>		<b>47,669</b>

<sup>1</sup> 5 schools in 2018/19 (16 schools in 2017/18)

## 4.2.7 Exceptional Items in the CIES

### HRA Reversal of Revaluation Loss

During 2016/17 the Housing Revenue Account changed the nationally set 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 a revaluation gain is first used to reverse a previous revaluation loss, adjusted for depreciation. The net gains in 2018/19 of £24.940m have been applied to reverse the remainder of the previous recognised loss charged to the net cost of service.

Summary of Revaluation Loss	£000
Losses charges	<b>173,225</b>
<i>Reversals</i>	
- 2014/15	(28,430)
- 2015/16	(16,872)
- 2016/17	(94,414)
- 2017/18	(8,569)
- 2018/19	(24,940)
<b>Balance of loss remaining</b>	<b>-</b>

### Children and Family Services

The value of school buildings is determined by the valuer using the BCIS cost index. The amounts debited to the CIES in 18/19 of £2.545m, represent a decrease in value. In 17/18 there was an increase in value of £12.568m 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 in 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.

2017/18 Useable Reserves						2018/19 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
<b>Capital Adjustment Account</b>													
<b>Reversal of items debited or credited to the CIES</b>													
(20,719)	(13,749)	-	-	-	34,468	Depreciation of Non-Current Assets	4.2.11f	(21,362)	(14,315)	-	-	-	35,677
(3,951)	(2,776)	-	-	-	6,727	Impairment of Non-Current Assets	4.2.11f	(5,633)	(575)	-	-	-	6,208
13,165	8,573	-	-	-	(21,738)	Revaluation losses on Property, Plant and Equipment	4.2.11f	(7,294)	24,953	-	-	-	(17,659)
426	-	-	-	-	(426)	Movement in market value of Investment Property	4.2.11f	(1,727)	-	-	-	-	1,727
(1,322)	-	-	-	-	1,322	Amortisation of Intangible Assets	4.2.11f	(1,111)	-	-	-	-	1,111
(9,136)	(994)	-	-	-	10,130	Revenue Expenditure Funded from Capital Under Statute		(8,700)	(1,103)	-	-	-	9,803
						Expected credit loss allowance (capital)		(2,112)	-	-	-	-	2,112
<b>Carrying Amount of Non-Current Assets:</b>													
(3,902)	(4,670)	-	-	-	8,572	- written off on disposal to the CIES	4.2.11f	(3,314)	(6,278)	-	-	-	9,592
-	-	-	-	-	-	- finance leases written off on disposal to the CIES		-	-	-	-	-	-
(49,227)	-	-	-	-	49,227	- written off on derecognition to the CIES	4.2.11f	(10,559)	-	-	-	-	10,559
7,883	-	-	-	-	(7,883)	Capital grants and contributions applied		12,772	1,315	-	-	-	(14,087)
6,371	608	-	-	-	(6,979)	Revenue Expenditure Funded from Capital Under Statute—Funding		8,680	39	-	-	-	(8,719)
1,286	-	-	-	-	(1,286)	Service concession deferred income write back		1,287	-	-	-	-	(1,287)

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

2017/18 Useable Reserves							2018/19 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:	£000	£000	£000	£000	£000	£000	
<b>Insertion of items not debited or credited to the CIES</b>													
15,928	-	-	-	-	(15,928)	MRP for capital financing	4.2.12d	15,826	-	-	-	-	(15,826)
1,829	-	-	-	-	(1,829)	County council principal loan repayment		1,829	-	-	-	-	(1,829)
-	-	-	-	-	-	HRA repayment of debt		-	-	-	-	-	-
1,404	4,468	-	-	-	(5,872)	Capital expenditure charged against the general fund		1,962	6,364	-	-	-	(8,326)
<b>Capital Grants Unapplied</b>													
814	-	-	-	(814)	-	Capital grants credited to the CIES which are unapplied		1,064	-	-	-	(1,064)	-
(61)	-	-	-	61	-	Transfer to/from revenue reserve		-	-	-	-	-	-
-	-	-	-	2,563	(2,563)	Transfer of grants applied to Capital Adjustment Account		-	-	-	-	1,935	(1,935)
51	-	-	-	-	(51)	<b>Financial Instruments Adjustment Account</b>	4.2.10e	(37)	-	-	-	-	37
<b>Pensions Reserve</b>													
(43,926)	(2,490)	-	-	-	46,416	Reversal of items relating to retirement benefits debited or credited to the		(53,547)	(2,827)	-	-	-	56,374
27,821	1,577	-	-	-	(29,398)	Employer's contributions and direct payments made in year to the pension fund		28,208	1,489	-	-	-	(29,697)
<b>Collection Fund Adjustment Account - difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to:</b>													
(1,693)	-	-	-	-	1,693	- Council Tax	6.1	(1,473)	-	-	-	-	1,473
(4,987)	-	-	-	-	4,987	- Business Rates	6.1	3,104	-	-	-	-	(3,104)

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

2017/18 Useable Reserves						2018/19 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
1,002	107	-	-	-	(1,109)	<b>Accumulated Absences Account</b>		2,261	50	-	-	-	(2,311)
<b>Deferred Capital Receipts Reserve</b>													
182	-	-	-	-	(182)	Transfer of deferred capital grants credited to the CIES	4.2.10d	85	-	-	-	-	(85)
<b>Capital Receipts Reserve</b>													
6,061	6,600	(13,453)	-	-	792	Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES	4.2.9c	1,857	9,134	(10,991)	-	-	-
70	-	(70)	-	-	-	Transfer of notional sale proceeds credited as part of gain/loss in disposal to the CIES	4.2.9c	220	-	(220)	-	-	-
<b>Contribution from Capital Receipts Reserve to:</b>													
(6)	(4)	10	-	-	-	- disposal costs	4.2.9c	(5)	-	5	-	-	-
(1,323)	-	1,323	-	-	-	- Government Capital Receipts Pool	4.2.9c	(1,320)	-	1,320	-	-	-
-	-	(300)	-	-	300	Repayment from long term debtors	4.2.9c	-	-	(207)	-	-	207
(8,297)	(59)	8,356	-	-	-	Use of capital receipts for transformation	4.2.9c	(4,367)	-	4,367	-	-	-
-	-	3,966	-	-	(3,966)	Use of capital receipts to finance capital expenditure	4.2.9c	-	-	3,645	-	-	(3,645)
<b>Major Repairs Reserve</b>													
-	13,749	-	(13,749)	-	-	Contribution for depreciation		-	14,315	-	(14,315)	-	-
-	-	-	-	-	-	Voluntary contribution		-	-	-	-	-	-
-	-	-	13,749	-	(13,749)	Use of major repairs allowance to finance capital expenditure		-	-	-	14,318	-	(14,318)
<b>(64,257)</b>	<b>10,940</b>	<b>(168)</b>	<b>-</b>	<b>1,810</b>	<b>51,675</b>	<b>Total adjustments</b>		<b>(43,406)</b>	<b>32,561</b>	<b>(2,081)</b>	<b>3</b>	<b>871</b>	<b>12,052</b>

## 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 2018/19.

Balance at 31 March 2017	Transfers From	Transfers To	Balance at 31 March 2018	Notes	Balance at 31 March 2018	Transfers From	Transfers To	Balance at 31 March 2019
£000	£000	£000	£000	General Fund	£000	£000	£000	£000
3,181	(1,373)	-	1,808	Support one off commitments	1,808	(939)	-	869
3,498	(1,470)	500	2,529	Other Departmental Reserves	2,529	(953)	606	2,182
4,411	-	-	4,411	Insurances	4,411	(1)	-	4,410
1,374	(883)	62	552	Partnerships	552	(46)	-	506
529	(529)	-	-	Smithfield Occupancy	-	-	-	-
752	(225)	-	527	Legal Reserve	527	(411)	-	116
3,278	(1,861)	-	1,417	Transformation Challenge Award	1,417	(728)	-	689
2,581	(526)	75	2,130	Other Grants	2,130	(448)	177	1,859
503	(49)	-	453	Development Agreements	453	-	-	453
568	(221)	133	480	Other Reserves and Donations	480	(117)	66	429
5,845	(5,653)	3,962	4,154	School balances	4,154	(1,065)	1,313	4,401
11,339	(615)	88	10,812	PFI	10,812	(1,554)	183	9,441
27,644	(7,825)	214	20,033	Schools PFI/DSG*	20,033	(16,259)	5,226	9,000
4,424	(3,582)	402	1,243	Public Health	1,243	(818)	273	699
213	-	-	213	Invest to Save Reserve	213	(1)	24	236
3,279	(3,279)	-	-	Support 17/18 Budget Strategy	-	-	-	-
<b>73,418</b>	<b>(28,092)</b>	<b>5,436</b>	<b>50,763</b>	<b>Total General Fund Earmarked Reserves</b>	<b>50,763</b>	<b>(23,341)</b>	<b>7,868</b>	<b>35,290</b>

\*Further details of DSG reserve can be seen at note 4.2.16b. Working in collaboration with schools within the city an action plan is currently in place to bring the DSG back into balance within 5 years (subject to Department of Education approval). While the reserve remains in deficit it is being covered by part of the Schools PFI reserve

## 4.2.9 Usable Reserves

### b - Earmarked Reserves - HRA

Balance at 31 March 2017	Transfers From	Transfers To	Balance at 31 March 2018	Notes	Balance at 31 March 2018	Transfers From	Transfers To	Balance at 31 March 2019
£000	£000	£000	£000	HRA	£000	£000	£000	£000
18,840	(4,243)	1,916	16,513	Housing Capital Reserve	16,513	(6,063)	4,160	14,610
684	(166)	-	518	HRA Equipment	518	(301)	-	217
19,524	(4,409)	1,916	17,031	Total HRA Earmarked Reserves	17,031	(6,364)	4,160	14,827

### 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 2018			31 March 2019	
£000		Note	£000	
13,523	Amounts receivable in year		11,211	
300	Amounts receivable from long term debtors	4.2.10d	207	
(10)	Disposal costs		(5)	
(1,323)	Capital receipts pooling payment to DCLG		(1,320)	
(8,356)	Amount applied for revenue transformation		(4,367)	
(3,966)	Amounts applied to finance new capital investment		(3,645)	
<b>168</b>	<b>Total increase/(decrease) in reserve during year</b>		<b>2,081</b>	
10,207	Balance brought forward at 1 April		10,373	
<b>10,375</b>	<b>Balance carried forward at 31 March</b>		<b>12,455</b>	

## 4.2.9 Usable Reserves

### d - Capital Grants Unapplied Reserve

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received 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 2018		31 March 2019
£000	Note	£000
814	Capital grants received in year which have not been applied	1,064
(2,563)	Applied during the year transferred to capital adjustment account	(1,935)
(61)	Transfer (to)/from revenue reserves	-
<b>(1,810)</b>	<b>Total increase/(decrease) in reserve during year</b>	<b>(871)</b>
7,164	Balance brought forward at 1 April	5,356
<b>5,356</b>	<b>Balance carried forward at 31 March</b>	<b>4,484</b>

## 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 2018	£000	Note	31 March 2019
			£000
<b>471,724</b>	<b>Balance at 1st April</b>		<b>452,359</b>
(41,195)	Charges for depreciation and impairment of non current assets		(41,885)
21,738	Revaluation movement on property, plant and equipment & non current assets held for sale		17,660
(1,322)	Amortisation of intangible assets		(1,111)
(10,130)	Revenue expenditure funded from capital under statute		(9,803)
(8,572)	Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal		(9,592)
(49,227)	Amounts of non-current assets written off on derecognition or sale as part of gain/loss on disposal		(10,559)
830	Amounts of non-current assets transferred to Fortior Homes		-
426	Movement in market value of investment properties		(1,727)
-	Expected Credit Allowance		(2,112)
8,865	Adjusting amounts written out of Revaluation Reserve		5,804
<b>(78,588)</b>	<b>Net Written out amount of the cost of non-current assets consumed in the year</b>		<b>(53,325)</b>
	<b>Capital Financing applied in the year:</b>		
3,136	Use of capital receipts reserve to finance new capital		3,645
13,748	Use of major repairs reserve to finance new capital		14,318
-	Use of HRA general fund for capital financing		-
2,563	Capital grants and contributions credited to the CIES applied to capital financing		22,805
14,861	Applications of grants to capital financing from capital grants unapplied account		1,935
17,757	Statutory provisions for the financing of capital investment charged against general fund		17,655
1,286	Service Concession deferred income write back		1,287
1,404	Capital expenditure charged against the General Fund		1,962
4,468	Capital expenditure charged against the HRA		6,364
<b>59,223</b>			<b>69,971</b>
<b>452,359</b>	<b>Balance at 31 March</b>		<b>469,005</b>

## 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 2018	31 March 2019
£000	Note      £000
<b>175,206</b> Balance at 1st April	<b>172,160</b>
19,944 Upwards revaluation of assets	19,965
(14,125) Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(24,200)
<b>5,819</b> Surplus of deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>(4,235)</b>
(2,587) Difference between fair value depreciation and historical cost depreciation	(2,182)
(6,278) Accumulated gains on assets sold or scrapped	(3,622)
(8,865) Amount written off to the Capital Adjustment Account	(5,804)
<b>172,160</b> Balance at 31 March	<b>162,121</b>

### 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 2018	31 March 2019
£000	Note      £000
<b>(475,628)</b> Balance at 1st April	<b>(464,587)</b>
28,059 Remeasurements of the net defined benefit liability/asset	(74,421)
(46,416) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(56,374)
29,398 Employers' pension contributions and direct payments to pensioners payable in the year	29,697
<b>(464,587)</b> Balance at 31 March	<b>(565,685)</b>

## 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 2018	31 March 2019
£000	£000
	Note
<b>7,156</b> Balance at 1st April	<b>6,245</b>
39 New deferred receipts - empty homes	-
142 New deferred receipts - home improvements	85
<i>Transfers to useable capital receipts reserve upon receipt of cash/assets</i>	
(299) Repayment of long term debtors	(207)
(760) Deferred sale proceeds on non-current assets	-
(33) Deferred sale proceeds on non-current assets now realised	-
<b>6,245</b> Balance at 31 March	<b>6,123</b>
<i>Of which:</i>	
5,420 Kickstart loans	5,346
598 Cluster loans	503
77 Empty Homes	65
150 Home Improvements	209
<b>6,245</b> Balance at 31 March	<b>6,123</b>

## 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 2018		31 March 2019
£000	Note	£000
<b>(3,148)</b>	<b>Balance at 1st April</b>	<b>(3,096)</b>
2	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	156
50	Movement in Fair Value	(193)
<b>(3,096)</b>	<b>Balance at 31 March</b>	<b>(3,133)</b>

### f - Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. 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 2018		31 March 2019
£000	Note	£000
<b>7,059</b>	<b>Balance at 1st April</b>	<b>7,022</b>
272	Upwards revaluation of long term investments	9,581
(309)	Downward revaluation of long term investments	(2,087)
<b>7,022</b>	<b>Balance at 31 March</b>	<b>14,516</b>

## 4.2.11 Assets

### a - Property, Plant & Equipment

Movement on Balance 2018/19 Cost or Valuation	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
<b>Balance at 1 April</b>	<b>509,825</b>	<b>389,496</b>	<b>57,554</b>	<b>235,028</b>	<b>34,820</b>	<b>36,533</b>	<b>12,085</b>	<b>1,275,341</b>	<b>200,758</b>
Additions	14,839	6,065	4,016	22,077	1,793	4,226	13,718	<b>66,734</b>	8,125
Donations	-	-	-	-	-	-	-	-	-
<i>Revaluation increases/(decreases) recognised in the:</i>									
Revaluation reserve	6,804	(16,888)	-	-	-	4,091	-	<b>(5,993)</b>	(8,054)
Surplus/Deficit on the Provision of Services	11,607	(8,006)	-	-	-	(4,684)	-	<b>(1,083)</b>	(4,845)
Derecognition through disposal and transfer (Non-schools)	-	(1,754)	(195)	(15,314)	-	(2,942)	(44)	<b>(20,249)</b>	(5,145)
Derecognition through disposal and transfer School transfers	-	(10,432)	(953)	(16)	-	-	-	<b>(11,401)</b>	(10,432)
Reclassifications - other	-	-	-	-	-	-	-	-	(12)
Assets reclassified (to)/from Held for Sale	(6,229)	-	-	-	-	(65)	-	<b>(6,294)</b>	-
Other	2,738	1,362	8	-	(28)	989	(4,994)	<b>75</b>	-
<b>Balance at 31 March</b>	<b>539,584</b>	<b>359,843</b>	<b>60,430</b>	<b>241,775</b>	<b>36,585</b>	<b>38,148</b>	<b>20,765</b>	<b>1,297,130</b>	<b>180,395</b>

## 4.2.11 Assets

### a - Property, Plant & Equipment

Movement on Balance 2018/19	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
<b>Accumulated Depreciation and Impairment</b>									
<b>Balance at 1 April</b>	<b>(744)</b>	<b>(6,415)</b>	<b>(27,757)</b>	<b>(58,776)</b>	<b>(663)</b>	<b>(3,008)</b>	<b>(1,500)</b>	<b>(98,863)</b>	<b>(12,714)</b>
Depreciation charge in year	(13,630)	(8,783)	(5,577)	(7,470)	-	(114)	-	(35,574)	(5,224)
<i>Depreciation written out to the:</i>									
Revaluation Reserve	-	2,855	-	-	-	21	-	2,876	563
Surplus/Deficit on the Provision of Services	13,332	3,787	-	-	-	1,536	-	18,655	1,832
<i>Impairment losses/(reversals) recognised in the:</i>									
Revaluation reserve	-	(84)	-	-	(21)	(29)	-	(134)	-
Surplus/Deficit on the Provision of Services	(575)	(613)	(97)	(2,334)	(210)	(1,341)	(42)	(5,212)	(11)
Derecognition through disposal and transfer: Non-schools	-	30	191	15,312	-	1,353	42	16,928	5,145
Derecognition through disposal and transfer: School transfers	-	263	576	5	-	-	-	844	263
Reclassifications - other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Other	597	(19)	(7)	-	-	(597)	25	(1)	-
<b>Balance at 31 March</b>	<b>(1,020)</b>	<b>(8,979)</b>	<b>(32,671)</b>	<b>(53,263)</b>	<b>(894)</b>	<b>(2,179)</b>	<b>(1,475)</b>	<b>(100,481)</b>	<b>(10,146)</b>
<b>Net Book Value</b>									
<b>At 31 March 2019</b>	<b>538,564</b>	<b>350,864</b>	<b>27,759</b>	<b>188,512</b>	<b>35,691</b>	<b>35,969</b>	<b>19,290</b>	<b>1,196,649</b>	<b>170,249</b>
<b>At 31 March 2018</b>	<b>509,081</b>	<b>383,081</b>	<b>29,797</b>	<b>176,252</b>	<b>34,157</b>	<b>33,525</b>	<b>10,585</b>	<b>1,176,478</b>	<b>188,044</b>

## 4.2.11 Assets

### a - Property, Plant & Equipment

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

## 4.2.11 Assets

### a - Property, Plant & Equipment

Movement on Balance 2017/18	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
<b>Accumulated Depreciation and Impairment</b>									
<b>Balance at 1 April</b>	<b>(605)</b>	<b>(6,506)</b>	<b>(25,545)</b>	<b>(56,992)</b>	<b>(663)</b>	<b>(5,454)</b>	<b>(1,475)</b>	<b>(97,240)</b>	<b>(12,507)</b>
Depreciation charge in year	(13,061)	(9,117)	(5,178)	(6,925)	-	(96)	-	(34,377)	(5,800)
<i>Depreciation written out to the:</i>									
Revaluation Reserve	-	3,627	-	-	-	4	-	3,631	445
Surplus/Deficit on the Provision of Services	12,866	4,932	-	-	-	209	-	18,007	1,962
<i>Impairment losses/(reversals) recognised in the:</i>									
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)	-	-
<b>Balance at 31 March</b>	<b>(744)</b>	<b>(6,415)</b>	<b>(27,757)</b>	<b>(58,776)</b>	<b>(663)</b>	<b>(3,008)</b>	<b>(1,500)</b>	<b>(98,863)</b>	<b>(12,714)</b>
<b>Net Book Value</b>									
<b>At 31 March 2018</b>	<b>509,081</b>	<b>383,081</b>	<b>29,797</b>	<b>176,252</b>	<b>34,157</b>	<b>33,525</b>	<b>10,585</b>	<b>1,176,478</b>	<b>188,044</b>
<b>At 31 March 2017</b>	<b>502,370</b>	<b>414,468</b>	<b>31,245</b>	<b>169,232</b>	<b>31,781</b>	<b>35,963</b>	<b>5,501</b>	<b>1,190,560</b>	<b>220,457</b>

## 4.2.11 Assets

### Other Land and Buildings by Sub Class

	Net Book Value as at	
	31/03/2018	31/03/2019
	£000	£000
Administrative Buildings	33,486	34,173
Bus Station	4,176	4,338
Civic Amenity Sites	8,405	6,768
Car Parks	13,387	11,820
Cemeteries & Crematorium	2,100	1,789
Children's Centres	6,408	6,260
Community	4,129	3,963
Coroners & Mortuary	915	945
Depots	4,311	4,861
Economic Development	23,589	22,846
Garages	5,242	5,479
Libraries & Museums	19,214	14,846
Local Centres	1,514	1,590
Markets	8,306	8,149
Miscellaneous	798	792
Other Educational Facilities	7,176	7,279
Public Conveniences	1,005	952
Recreation Facilities	47,475	43,280
Schools	115,562	96,039
Shops	4,619	5,082
Social Care Facilities	40,912	39,251
Theatre	29,354	29,396
Travellers Site	545	537
Youth Services	454	428
<b>Total</b>	<b>383,082</b>	<b>350,863</b>

### 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

	31/03/2018	31/03/2019
	£000	£000
5,436 Strategic regeneration sites		3,523
16,526 Cleared land not currently qualifying as held for sale		18,942
11,454 Vacant premises		13,368
109 Other surplus assets		136
<b>33,525 Balance at 31 March</b>		<b>35,969</b>

## 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 2019 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 2018/19 there has been no change to this 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 defined 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 £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Value	-	2,616	27,759	777	31,152
Valued at Fair Value as at:					
31/03/2019	538,564	245,902	-	23,215	807,681
31/03/2018	-	40,934	-	6,482	47,416
31/03/2017	-	61,193	-	3,258	64,451
31/03/2016	-	50	-	1,865	1,915
31/03/2015	-	169	-	372	541
<b>Total</b>	<b>538,564</b>	<b>350,864</b>	<b>27,759</b>	<b>35,969</b>	<b>953,156</b>

## 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 £000	Collections £000	Statuary and Horological £000	Spitfire Aircraft £000	Total Assets £000
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)
<b>At 1 April 2018</b>	<b>4,180</b>	<b>61,451</b>	<b>852</b>	<b>750</b>	<b>67,233</b>
Additions	33	-	-	18	51
Depreciation charge	(102)	-	-	-	(102)
Upward revaluation	89	-	-	-	89
Downward revaluation	(986)	-	-	-	(986)
<b>At 31 March 2019</b>	<b>3,214</b>	<b>61,451</b>	<b>852</b>	<b>768</b>	<b>66,285</b>

### 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 £36.787m 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 £5.633m to the General Fund. This consisted of an impairment of £4.374m relating to capital expenditure incurred in year deemed not to add an equivalent value, and impairment losses prior to derecognition of £1.259m in respect of the demolition of old buildings.

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	-	(35,574)	(5,212)
Intangible Assets		(1,111)	-	(996)
Non current assets held for sale		-	-	-
Investment properties		-	-	-
Heritage assets		-	(102)	-
<b>Total depreciation and impairment charged to services</b>		<b>(1,111)</b>	<b>(35,676)</b>	<b>(6,208)</b>

### e - Maintained Schools

The Council has the following maintained schools;

During the financial year twelve community schools have changed their status. Seven primary schools have converted to academies, and five nursery schools have merged with primary schools.

	Community	Voluntary Controlled	Voluntary Aided	Foundation
<b>Number of schools subject to PFI contracts</b>	14	2	4	6
<b>Value of land and buildings at 31st March 2019</b>	£41m	£5m	£8m	£44m

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 are 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 2019 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 2018/19	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
<b>Cost or valuation balance b/f</b>		<b>509,825</b>	<b>389,496</b>	<b>57,554</b>	<b>235,028</b>	<b>34,820</b>	<b>36,533</b>	<b>12,085</b>	<b>1,275,341</b>	<b>67,417</b>	<b>9,545</b>	<b>188</b>	<b>21,352</b>
Accumulated depreciation and impairment balance b/f		(744)	(6,415)	(27,757)	(58,776)	(663)	(3,008)	(1,500)	<b>(98,863)</b>	(183)	(5,458)	-	-
Net book value b/f		<b>509,081</b>	<b>383,081</b>	<b>29,797</b>	<b>176,252</b>	<b>34,157</b>	<b>33,525</b>	<b>10,585</b>	<b>1,176,478</b>	<b>67,234</b>	<b>4,087</b>	<b>188</b>	<b>21,352</b>
Additions/Enhancements through Capital Expenditure		14,839	6,065	4,016	22,077	1,793	4,226	13,718	<b>66,734</b>	50	2,479	-	851
Donations		-	-	-	-	-	-	-	-	-	-	-	-
<b>In year transactions which change assets value as a result of formal revaluation</b>													
<i>Recognised in the Revaluation Reserve</i>													
- Upward revaluations		6,804	7,085	-	-	-	6,076	-	<b>19,965</b>	-	-	-	-
- Downward revaluations		-	(21,118)	-	-	-	(1,964)	-	<b>(23,082)</b>	(986)	-	-	-
<i>Recognised in the Surplus/Deficit on the Provision of Services</i>													
- Upward revaluations		35,688	7,314	-	-	-	275	-	<b>43,277</b>	89	-	-	-
- Downward revaluations		(10,749)	(11,533)	-	-	-	(3,423)	-	<b>(25,705)</b>	(1)	-	-	-
<i>Movement in Market Value of Investment Property</i>													
- Gains		-	-	-	-	-	-	-	-	-	-	-	1,622
- Losses		-	-	-	-	-	-	-	-	-	-	-	(3,349)

## 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
<b>In year transactions which reduce the assets value due to service usage (or loss thereof)</b>												
Depreciation charge in year	(13,630)	(8,783)	(5,577)	(7,470)	-	(114)	-	(35,574)	(102)	-	-	-
Amortisation charge in year	-	-	-	-	-	-	-	-	-	(1,111)	-	-
<i>Impairment recoverable from previous upward revaluations charged to the Revaluation Reserve</i>												
Capital spend deemed not to add an equivalent value	-	(84)	-	-	(21)	1	-	(104)	-	-	-	-
Loss in value due to demolitions/site aggregation, etc..	-	-	-	-	-	(30)	-	(30)	-	-	-	-
<i>Impairment requiring an additional charge to the Net Cost of Service</i>												
Capital spend deemed not to add an equivalent value	-	(602)	(97)	(2,334)	(210)	(93)	(42)	(3,378)	-	(996)	-	-
Loss in value due to demolitions/site aggregation, etc..	(575)	(11)	-	-	-	(1,248)	-	(1,834)	-	-	-	-
<b>In year transactions which reduce the assets value due to write off, transfer of ownership, closure of service or long term lease</b>												
Disposal of assets in renewal areas	-	-	-	-	-	(1,405)	-	(1,405)	-	-	-	-
Other sales (including RTBs)	-	(863)	(4)	(2)	-	(184)	-	(1,053)	-	-	(6,272)	-
Community assets transfers	-	-	-	-	-	-	-	-	-	-	-	-
Other disposal transactions	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to academies	-	(10,169)	(377)	(11)	-	-	-	(10,557)	-	-	-	-
Derecognition due to asset replacement/write off	-	(861)	-	-	-	-	-	(861)	-	(2)	-	-
<b>Assets transferred to/from other categories in year</b>												
Reclassifications within PPE	3,335	1,269	1	-	(28)	392	(4,969)	-	-	-	-	-
Reclassifications from IP	-	74	-	-	-	-	-	74	-	-	-	(74)
Assets moved to Held for Sale	(6,229)	-	-	-	-	(114)	-	(6,343)	-	-	6,343	-
Assets moved from Held for Sale	-	-	-	-	-	49	-	49	-	-	(49)	-
Cost or valuation balance c/f	<b>539,584</b>	<b>359,843</b>	<b>60,430</b>	<b>241,775</b>	<b>36,585</b>	<b>38,148</b>	<b>20,765</b>	<b>1,297,130</b>	<b>66,468</b>	<b>11,476</b>	<b>210</b>	<b>20,402</b>
Accumulated depreciation and impairment balance c/f	(1,020)	(8,979)	(32,671)	(53,263)	(894)	(2,179)	(1,475)	(100,481)	(184)	(7,019)	-	-
<b>Net book value c/f</b>	<b>538,564</b>	<b>350,864</b>	<b>27,759</b>	<b>188,512</b>	<b>35,691</b>	<b>35,969</b>	<b>19,290</b>	<b>1,196,649</b>	<b>66,284</b>	<b>4,457</b>	<b>210</b>	<b>20,402</b>

## 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
<b>Cost or valuation balance b/f</b>		502,975	420,974	56,790	226,224	32,444	41,417	6,976	<b>1,287,800</b>	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)	<b>(97,242)</b>	(185)	(8,015)	(6)	-
Net book value b/f		<b>502,369</b>	<b>414,468</b>	<b>31,244</b>	<b>169,232</b>	<b>31,781</b>	<b>35,963</b>	<b>5,501</b>	<b>1,190,558</b>	<b>66,171</b>	<b>3,825</b>	<b>673</b>	<b>20,874</b>
Additions/Enhancements through Capital Expenditure		16,678	6,516	5,606	17,069	1,714	2,464	6,053	<b>56,100</b>	869	2,340	37	52
Donations		-	172	-	-	-	-	-	<b>172</b>	-	-	-	-
<b>In year transactions which change assets value as a result of formal revaluation</b>													
<i>Recognised in the Revaluation Reserve</i>													
- Upward revaluations		-	18,706	-	-	655	189	-	<b>19,550</b>	394	-	-	-
- Downward revaluations		-	(13,885)	-	-	-	(193)	-	<b>(14,078)</b>	(7)	-	-	-
<i>Recognised in the Surplus/Deficit on the Provision of Services</i>													
- Upward revaluations		21,297	20,446	-	-	-	165	-	<b>41,908</b>	1	-	-	-
- Downward revaluations		(12,728)	(6,625)	-	-	-	(714)	-	<b>(20,067)</b>	(105)	-	-	-
<i>Movement in Market Value of Investment Property</i>													
- Gains		-	-	-	-	-	-	-	-	-	-	-	1,060
- Losses		-	-	-	-	-	-	-	-	-	-	-	(634)

## 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
<b>In year transactions which reduce the assets value due to service usage (or loss thereof)</b>												
Depreciation charge in year	(13,061)	(9,117)	(5,178)	(6,925)	-	(96)	-	(34,377)	(90)	-	-	-
Amortisation charge in year	-	-	-	-	-	-	-	-	-	(1,322)	-	-
<i>Impairment recoverable from previous upward revaluations charged to the Revaluation Reserve</i>												
Capital spend deemed not to add an equivalent value	-	(29)	-	(11)	-	-	-	(40)	-	-	-	-
Loss in value due to demolitions/site aggregation, etc..	-	-	-	-	-	-	-	-	-	-	-	-
<i>Impairment requiring an additional charge to the Net Cost of Service</i>												
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)	-	-	-	-
<b>In year transactions which reduce the assets value due to write off, transfer of ownership, closure of service or long term lease</b>												
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)	-	-
<b>Assets transferred to/from other categories in year</b>												
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	<b>509,825</b>	<b>389,496</b>	<b>57,554</b>	<b>235,028</b>	<b>34,820</b>	<b>36,533</b>	<b>12,085</b>	<b>1,275,341</b>	<b>67,417</b>	<b>9,545</b>	<b>188</b>	<b>21,352</b>
Accumulated depreciation and impairment balance c/f	(744)	(6,415)	(27,757)	(58,776)	(663)	(3,008)	(1,500)	(98,863)	(183)	(5,458)	-	-
<b>Net book value c/f</b>	<b>509,081</b>	<b>383,081</b>	<b>29,797</b>	<b>176,252</b>	<b>34,157</b>	<b>33,525</b>	<b>10,585</b>	<b>1,176,478</b>	<b>67,234</b>	<b>4,087</b>	<b>188</b>	<b>21,352</b>

## 4.2.12 Capital

### a - Capital Commitments

At 31 March 2019, the Authority has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £129.6m. Similar commitments at 31 March 2018 were £131.1m.

Capital Scheme	£m
Housing Stock Maintenance	106.5
Fortior - Smithfield Apartments	15.2
Queen Elizabeth 2 Redevelopment	5.2
Smithfield Hotel, City Centre	1.5
Hanley Park Heritage Works	1.2
<b>Total</b>	<b>129.6</b>

### 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 2018 £000	Note	31 March 2019 £000
<b>600,851</b>		<b>616,417</b>
<b>Opening Capital Financing Requirement</b>		
<b>Capital Investment</b>		
56,101	Property, Plant & Equipment	66,734
869	Heritage Assets	50
52	Investment Properties	851
2,340	Intangible Assets	2,479
37	Assets Held for Sale	-
172	Donated Assets	-
2,057	Fortior Homes Investment	1,195
746	Loans to companies	15,282
10,130	Revenue Expenditure Funded from Capital under Statute	9,803
<b>Sources of Finance</b>		
(3,136)	Capital receipts reserve applied to finance capital expenditure	(3,645)
(14,689)	Government grants and contributions received in year and applied	(22,805)
(2,563)	Government grants and contributions applied from reserves	(1,935)
(13,748)	Use of Major Repairs Reserve	(14,318)
(1,404)	Direct Revenue Contributions - General Fund	(1,962)
(4,468)	Contribution from HRA Reserve	(6,364)
(15,746)	Minimum Revenue Provision	(15,626)
(182)	Amount voluntarily set aside to pay off debt	(200)
(172)	Donated Assets (Notional Income)	-
(830)	Disposal of Assets to Fortior Ltd (Notional Income)	-
-	Deferred Credit - Extra Care PFI	(1,287)
-	HRA Repayment of debt (principal & leasing)	-
<b>616,417</b>	<b>Closing Capital Financing Requirement</b>	<b>644,669</b>

## 4.2.12 Capital

### c - Movement in Capital Financing Requirement

31 March 2018 £000	Note	31 March 2019 £000
30,244	Increase in underlying need to borrow (unsupported by government financial assistance)	44,001
(15,928)	Decrease in underlying need to borrow (MRP and voluntary debt)	(15,826)
-	Decrease in underlying need to borrow (HRA voluntary debt - repayment)	-
1,250	Assets acquired under PFI/PPP contracts	1,364
-	- Deferred credit - Extra Care PFI	(1,287)
<b>15,566</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>28,252</b>

### 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 2018/19 is:

31 March 2018 £000	Note	31 March 2019 £000
6,604	Other Services	6,366
Private Finance Initiative		
3,921	- Schools	3,440
1,411	- Street Lighting	1,483
1,244	- Extra Care	1,505
264	- Bentilee District Centre	404
2,484	- Hanford Waste	2,628
<b>15,928</b>	<b>Total</b>	<b>15,826</b>

## 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

2018/19 was the 18th 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

2018/19 was the 15th 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

2018/19 was the 12th 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

2018/19 was the final 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 services 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. On the 4 January 2019 a contract was agreed to provide services for a further 5 years that will terminate on 31 March 2025. The 2019/20 statement of accounts will reflect the new contract accounting.

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 be demolished. 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

2018/19 was the 4th 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 2018	119,252	29,310	3,136	6,325	30,019	<b>188,042</b>
Additions	2,336	4,418	7	-	-	<b>6,761</b>
Additions through PFI	-	731	-	633	-	<b>1,364</b>
Revaluations	(8,965)	-	-	(1,540)	-	<b>(10,505)</b>
Derecognitions and Reclassifications	(10,181)	-	-	-	-	<b>(10,181)</b>
Depreciation/Impairment	(2,574)	(1,275)	(61)	(729)	(595)	<b>(5,234)</b>
Value as at 31 March 2019	<b>99,868</b>	<b>33,184</b>	<b>3,082</b>	<b>4,689</b>	<b>29,424</b>	<b>170,247</b>

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 (£7.721m) has been expensed to the CIES in 2018/19.

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.

	Schools	Street Lighting	Bentilee District Centre	Hanford Waste	Extra Care Housing	Total
	£000	£000	£000	£000	£000	£000
Value as at 31 March 2018	<b>35,752</b>	<b>10,827</b>	<b>5,305</b>	<b>3,860</b>	<b>42,551</b>	<b>98,294</b>
New loans raised	-	731	-	633	-	<b>1,364</b>
Interest added	3,393	1,108	763	216	2,241	<b>7,721</b>
Repayment of interest and liability	(6,833)	(2,591)	(1,167)	(2,844)	(3,745)	<b>(17,180)</b>
Value as at 31 March 2019	<b>32,313</b>	<b>10,075</b>	<b>4,901</b>	<b>1,864</b>	<b>41,046</b>	<b>90,199</b>
<i>of which:</i>						
	<b>Short Term</b>					<b>8,672</b>
	<b>Long Term</b>					<b>81,527</b>
						<b>90,199</b>

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 2019 (including estimated inflation, contract variations and estimated future capital replacement costs are analysed below in 5 year bandings).

Summary	Repayment of Liability	Interest	Service Charge	Lifecycle Costs	Total
Future Unitary Payments	£000	£000	£000	£000	£000
Within 1 year	8,672	9,433	18,185	4,978	41,268
2 - 5 years	29,440	27,290	48,247	24,411	129,388
6 - 10 years	26,157	11,905	29,304	22,634	90,000
11 - 15 years	11,238	4,993	12,848	3,989	33,068
16 - 20 years	13,646	86	10,244	3,249	27,225
21 - 25 years	1,047	(106)	551	-	1,491
	<b>90,200</b>	<b>53,601</b>	<b>119,379</b>	<b>59,261</b>	<b>322,441</b>

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.

Schools Estate PFI Scheme	Repayment of Liability	Interest	Service Charge	Lifecycle Costs	Total
Future Unitary Payments	£000	£000	£000	£000	£000
Within 1 year	4,105	2,961	10,253	3,453	20,773
2 - 5 years	18,821	10,412	33,631	19,586	82,450
6 - 10 years	9,387	(2,506)	8,330	16,759	31,970
	<b>32,313</b>	<b>10,868</b>	<b>52,214</b>	<b>39,798</b>	<b>135,193</b>

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 £7.6m 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	1,594	2,506	1,344	1	5,445
2 - 5 years	5,851	9,084	5,729	1,115	21,780
6 - 10 years	9,260	8,438	8,003	1,525	27,225
11 - 15 years	9,649	4,533	9,054	3,989	27,225
16 - 20 years	13,646	86	10,244	3,249	27,225
21 - 25 years	1,047	(106)	551	-	1,491
	<b>41,046</b>	<b>24,541</b>	<b>34,925</b>	<b>9,880</b>	<b>110,391</b>

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	438	804	1,010	-	2,251
2 - 5 years	1,263	2,601	5,028	-	8,891
6 - 10 years	1,611	1,571	8,086	-	11,269
11 - 15 years	1,589	460	3,794	-	5,844
	<b>4,901</b>	<b>5,436</b>	<b>17,918</b>	<b>-</b>	<b>28,255</b>

Hanford Waste Scheme	Repayment of Liability	Interest	Service Charge	Lifecycle Costs	Total
Future Unitary Payments	£000	£000	£000	£000	£000
Within 1 year	1,864	1,740	4,675	649	8,928
	<b>1,864</b>	<b>1,740</b>	<b>4,675</b>	<b>649</b>	<b>8,928</b>

Street Lighting PFI Scheme	Repayment of Liability	Interest	Service Charge	Lifecycle Costs	Total
Future Unitary Payments	£000	£000	£000	£000	£000
Within 1 year	671	1,422	903	875	3,872
2 - 5 years	3,505	5,193	3,859	3,710	16,267
6 - 10 years	5,899	4,402	4,885	4,350	19,536
	<b>10,075</b>	<b>11,017</b>	<b>9,647</b>	<b>8,935</b>	<b>39,674</b>

## 4.2.13 PFI & Similar Contracts

### d - Income and Expenditure

Transactions under the schemes during 2018/19 were:

	<u>Schools</u>		<u>Extra Care Housing</u>		<u>Bentilee District Centre</u>		<u>Hanford Waste</u>		<u>Street Lighting</u>	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of services	11,339	12,145	1,258	1,265	829	942	3,785	4,088	2,033	2,181
Finance cost	3,741	3,393	2,312	2,241	801	763	338	216	1,167	1,108
Contingent rent	824	1,776	438	381	6	83	1,630	1,778	289	349
<b>Revenue Unitary Charge</b>	<b>15,904</b>	<b>17,314</b>	<b>4,008</b>	<b>3,887</b>	<b>1,636</b>	<b>1,788</b>	<b>5,753</b>	<b>6,082</b>	<b>3,489</b>	<b>3,638</b>
Recharge to academies	(4,790)	(6,093)	-	-	-	-	-	-	-	-
Other revenue expenditure	67	25	1	6	-	-	3,532	2,508	34	47
Depreciation	3,373	2,574	543	595	54	61	723	729	1,110	1,275
<b>Total Expenditure</b>	<b>14,554</b>	<b>13,820</b>	<b>4,552</b>	<b>4,488</b>	<b>1,690</b>	<b>1,849</b>	<b>10,008</b>	<b>9,319</b>	<b>4,633</b>	<b>4,960</b>
PFI special grant	(8,294)	(8,294)	(4,760)	(4,790)	(1,346)	(1,346)	(570)	(570)	(1,351)	(1,351)
Other contributions	(5,336)	(4,150)	(716)	(716)	(758)	(954)	(7,493)	(7,056)	(258)	(78)
<b>(Surplus)/Deficit in Income and Expenditure</b>	<b>924</b>	<b>1,376</b>	<b>(924)</b>	<b>(1,018)</b>	<b>(414)</b>	<b>(451)</b>	<b>1,945</b>	<b>1,693</b>	<b>3,024</b>	<b>3,531</b>
<b>Movement in Reserves</b>										
Depreciation	(3,373)	(2,574)	(543)	(595)	(54)	(61)	(723)	(729)	(1,110)	(1,275)
MRP	3,921	3,440	1,244	1,505	264	404	2,484	2,628	1,411	1,483
<b>Transfer to/(from Earmarked Reserves</b>										
Transfer to PFI reserve	-	-	-	-	88	119	-	-	-	-
Transfer from PFI reserve	(1,476)	(2,144)	(227)	(182)	(35)	(11)	-	-	(353)	(449)
<b>Net Charge to General Fund</b>	<b>(4)</b>	<b>98</b>	<b>(450)</b>	<b>(290)</b>	<b>(151)</b>	<b>-</b>	<b>3,706</b>	<b>3,593</b>	<b>2,972</b>	<b>3,290</b>

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	Current Assets		Long-Term Assets	Current Assets
2017/18	2017/18		2018/19	2018/19
£000	£000		£000	£000
<b>Investments</b>				
9,098	-	Fair value through other comprehensive income	4.2.14d 17,787	-
<b>9,098</b>	<b>-</b>	<b>Total Investments</b>	<b>17,787</b>	<b>-</b>
<b>Debtors</b>				
2,238	-	Fair value through profit and loss	4.2.14d 7,694	-
1,442	43,457	Amortised cost	4.2.14d 11,810	54,981
(126)	(16,214)	Less: classes of debtor not recognised as financial instruments	(1,129)	(19,101)
<b>3,554</b>	<b>27,243</b>	<b>Total Debtors</b>	<b>18,375</b>	<b>35,880</b>
<b>Cash and Cash Equivalents</b>				
-	-	Fair value through profit and loss	4.2.14e -	6,001
-	3,633	Amortised cost	4.2.14e -	12,400
<b>-</b>	<b>3,633</b>	<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>18,401</b>

### 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	Current Liabilities		Long-Term Liabilities	Current Liabilities
2017/18	2017/18		2018/19	2018/19
£000	£000		£000	£000
<b>Borrowings</b>				
391,940	10,648	Amortised cost	460,030	12,038
<b>391,940</b>	<b>10,648</b>	<b>Total Borrowings</b>	<b>460,030</b>	<b>12,038</b>
<b>Other Liabilities at amortised cost</b>				
13,598	1,829	Liability with Staffordshire County	11,769	1,829
90,335	7,959	PFI liabilities	4.2.13 81,527	8,672
16,538	-	PFI liabilities - deferred credit	4.2.14h 15,251	-
908	246	Finance lease liabilities	4.2.14g 655	253
<b>121,379</b>	<b>10,034</b>	<b>Total Other Liabilities</b>	<b>109,202</b>	<b>10,754</b>
<b>Creditors</b>				
-	60,825	Amortised cost	-	60,846
-	(13,950)	Less: classes of creditor not recognised as financial instruments	-	(24,557)
<b>-</b>	<b>46,876</b>	<b>Total creditors</b>	<b>-</b>	<b>36,289</b>
<b>Provisions</b>				
-	-	Loan commitments	4.2.15 1,478	-
<b>-</b>	<b>-</b>	<b>Included in Provisions</b>	<b>1,478</b>	<b>-</b>

## 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 2018						31 March 2019					
Liabilities measured at amortised cost	Assets measured at amortised cost	Elected to fair value through OCI	Fair Value through profit and loss	Total		Liabilities measured at amortised cost	Assets measured at amortised cost	Elected to fair value through OCI	Fair Value through profit and loss	Total	
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	
-	-	-	-	-	Impairment losses	-	(695)	-	-	(695)	
(26,923)	-	-	-	(26,923)	Interest expense	(28,162)	-	-	-	(28,162)	
<b>(26,923)</b>	-	-	-	<b>(26,923)</b>	<b>Total expenses in surplus or deficit on the provision of services</b>	<b>(28,162)</b>	<b>(695)</b>	-	-	<b>(28,857)</b>	
-	-	1,502	-	1,502	Other investment income	-	-	4,239	-	4,239	
-	573	-	-	573	Impairment loss reversals	-	-	-	-	--	
-	147	-	166	313	Interest income and investment income	-	401	-	264	665	
-	<b>720</b>	<b>1502</b>	<b>166</b>	<b>2,388</b>	<b>Total income in surplus or deficit on the provision of services</b>	-	<b>401</b>	<b>4,239</b>	<b>264</b>	<b>4,904</b>	
-	-	272	-	272	Gains on revaluation	-	-	9,581	-	9,581	
-	-	(309)	-	(309)	Losses on revaluation	-	-	(2,087)	-	(2,087)	
-	-	<b>(37)</b>	-	<b>(37)</b>	<b>Impact on other comprehensive income</b>	-	-	<b>7,494</b>	-	<b>7,494</b>	
<b>(26,923)</b>	<b>720</b>	<b>1,465</b>	<b>166</b>	<b>(25,572)</b>	<b>Net gain/(loss) for the year</b>	<b>(28,162)</b>	<b>(294)</b>	<b>11,733</b>	<b>264</b>	<b>(16,459)</b>	

## 4.2.14 Financial Instruments

### 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 2019, 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 2018					31 March 2019			
<u>Carrying Amount</u>		<u>Fair Value</u>			<u>Carrying Amount</u>		<u>Fair Value</u>	
Long Term	Short Term	Long Term	Short Term		Long Term	Short Term	Long Term	Short Term
£000	£000	£000	£000		£000	£000	£000	£000
371,940	5,910	470,814	5,910	PWLB - maturity				
20,000	-	33,788	-	LOBO's	2	20,000	-	32,634
908	246	908	246	Finance leases	2	655	253	655
-	4,738	-	4,738	Other borrowing	2	-	5,128	-
106,874	7,959	132,963	15,493	PFI schemes	2	96,778	8,672	122,085
13,598	1,829	12,796	2,381	Liability with Staffordshire County	2	11,769	1,829	12,515
<b>513,320</b>	<b>20,682</b>	<b>651,269</b>	<b>28,768</b>	<b>Financial liabilities</b>		<b>569,232</b>	<b>22,792</b>	<b>709,125</b>
-	<b>46,876</b>	-	<b>46,876</b>	<b>Creditors<sup>1</sup></b>		-	<b>36,289</b>	-

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.

<sup>1</sup> The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount

### Financial assets carried at amortised cost

31 March 2018			31 March 2019	
<u>Carrying Amount</u>	<u>Fair Value</u>		<u>Carrying Amount</u>	<u>Fair Value</u>
£000	£000		£000	£000
1,316	1,316	Long-term debtors <sup>1</sup>	10,681	10,681
27,243	27,243	Short-term debtors <sup>2</sup>	35,880	35,880

Short-term debtors exclude amounts receivable of £19.101m from Statutory debtors and Central Government. Long term debtors exclude amounts receivable of £1.129m relating to housing benefits overpayments. These have not arisen from contracts and are therefore not classed as financial instruments and do not fall within the scope of IFRS 9.

<sup>1</sup> Consists of soft loans whose cash flows are not solely payments of principal and interest. Soft loans have been valued by discounting the contractual payments at the estimated market rate of interest for a similar loan. The market rate has been arrived at by taking the Council's cost of borrowing at the date of advance and adding a credit risk premium to cover the risk that the borrower is unable to repay the Council.

<sup>2</sup> 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 through other comprehensive income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

31 March 2018		Fair Value	Note	31 March 2019
£000		Level		£000
<b>Stoke-on-Trent Regeneration Limited</b>				
5,942	19% Shareholding - 19,000 B ordinary shares of £1 each	3		5,119
<b>Kier Stoke Limited<sup>1</sup></b>				
1,265	19.9% Shareholding - 199 B ordinary share of £1 each	3		-
<b>Stoke EnergyCo Limited</b>				
-	100% Shareholding - 1 ordinary share of £1	3		-
<b>7,207</b>	<b>Sub-total (Group long term investments)</b>		<b>7.3</b>	<b>5,119</b>
<b>Fortior Homes Limited</b>				
1,748	100% Shareholding - 1 ordinary share of £1	3		3,226
<b>Unitas Stoke-on-Trent Limited</b>				
143	100% Shareholding - 1 ordinary share of £1	3		9,442
<b>9,098</b>	<b>Total long term investments</b>			<b>17,787</b>

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.

<sup>1</sup> Stoke-on-Trent City Council has a partner agreement with Kier Stoke Limited. The partner agreement ceased on 3 February 2018. During 2018/19 the City Council disposed of its shares pursuant to an agreement dated 3 December 2018 between Kier Services Limited and Stoke-on-Trent City Council.

### Financial assets held at fair value through profit and loss

31 March 2018		Fair Value	Note	31 March 2019
£000		Level		£000
<b>Long Term Debtors</b>				
2,189	Kick start	3		2,114
49	Home Improvement Loans	3		68
-	Genr8 Smithfield Hotel Ltd	3		5,512
<b>2,238</b>				<b>7,694</b>

## 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 2018			31 March 2019		
Carrying Amount	Fair Value			Carrying Amount	Fair Value
£000	£000	Fair Value Level	Note	£000	£000
-	-	1		6,001	6,001
-	-	2			
-	-			<b>6,001</b>	<b>6,001</b>
-	-			-	-
-	-			5,000	-
100	-			86	-
3,533	-	4.2.14f		7,313	-
-	-			1	-
<b>3,633</b>	-			<b>12,400</b>	-
<b>3,633</b>	-			<b>18,401</b>	-

### f – Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

31 March 2018			31 March 2019			
Gross assets (liabilities)	(Liabilities) assets set off	Net position on the balance sheet		Gross assets (liabilities)	(Liabilities) assets set off	Net position on the balance sheet
£000	£000	£000	Note	£000	£000	£000
57,828	(54,295)	3,533	Bank accounts in credit	84,595	(77,282)	7,313
<b>57,828</b>	<b>(54,295)</b>	<b>3,533</b>	<b>Total bank current accounts</b>	<b>84,595</b>	<b>(77,282)</b>	<b>7,313</b>

## 4.2.14 Financial Instruments

### g – 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 £11,000,000. 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 2019 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

### Credit Risk: Treasury Investments

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

31 March 2018		31 March 2019	
Long-term	Short-term	Long-term	Short-term
£000	£000	£000	£000
-	- AAA	-	6,000
-	- Unrated local authorities	-	5,000

*Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.*

### Credit Risk: Trade Receivables

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 Council's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

31 March 2018		31 March 2019	
£000		£000	
23,152	Past due < 3 months	28,383	
3,239	Past due 4 - 12 months	5,447	
8,332	Past due 12+ months	9,323	
<b>34,723</b>	<b>Gross receivables</b>	<b>43,153</b>	
(7,187)	Less: loss allowance	(7,273)	
<b>27,536</b>	<b>Net</b>	<b>35,880</b>	

Loss allowances on trade receivables have been calculated by reference to the Council's historic experience of default. Receivables are collectively assessed for credit risk in the following groupings:

31 March 2018			31 March 2019	
Gross receivable	Loss allowance		Gross receivable	Loss allowance
£000	£000		£000	£000
2,708	(2,367)	Summons & Distress Costs	3,038	(2,577)
16,342	(1,875)	GF Sundry Debt	20,197	(2,163)
3,577	(2,198)	HRA Sundry Debt	2,707	(2,217)
2,587	(747)	Housing Rent Arrears	2,690	(316)
7,777	-	Other debtors	11,934	-
1,732	-	Intercompany debtors	2,587	-
<b>34,723</b>	<b>(7,187)</b>	<b>Sub total (financial assets)</b>	<b>43,153</b>	<b>(7,273)</b>
12,419	(12,443)	Council Tax	13,082	(10,022)
2,726	(1,856)	Business Rates	2,741	(2,563)
6,471	(569)	Housing Benefit Overpayment	4,997	(162)
<b>56,339</b>	<b>(22,055)</b>	<b>Total</b>	<b>63,973</b>	<b>(20,020)</b>

## 4.2.14 Financial Instruments

### Credit Risk: Loans and Loan Commitments

In furtherance of the Council's service objectives, it has lent money to Fortior Homes Ltd and Genr8 Smithfield Hotel Ltd, with a commitment to lend a further £25.15m and £1m, respectively. The City Council also has a number of smaller loans at below market rate.

The amounts recognised on the balance sheet, and the Council's total expected credit loss allowance credit risk for these instruments are:

31 March 2018		31 March 2019	
Balance Sheet	Expected Credit Loss Allowance	Balance Sheet	Expected Credit Loss Allowance
£000	£000	£000	£000
<b>Loans at Market Rates</b>			
751	44	10,850	634
-	-	5,511	-
507	-	415	-
7	-	7	-
<b>Loans below Market Rates</b>			
2,188	-	2,114	-
49	-	68	-
51	-	43	-
<b>Loan Commitment at Market Rates</b>			
-	2,056	-	1,478
-	-	-	-
3,553	2,100	19,008	2,112
<b>Total</b>		<b>Total</b>	

<sup>1</sup> Classified as Financial assets held at fair value through profit and loss.

The Council manages the credit risk inherent in its loans for service purposes and loan commitments in line with its published Investment Strategy.

For loans classified as held at amortised cost, loss allowances have been calculated with consideration of the probability that a default event will take place within the next 12 months. The risk of default will be monitored on an ongoing basis. Where there is evidence of a significant increase in credit risk, lifetime expected losses will be calculated.

A reconciliation of opening to closing loss allowances on loans for service purposes is as follows

	12-month expected credit losses	Simplified approach for receivables	Total loss allowance - service loans
	£000	£000	£000
Opening allowance as at 1st April 2018	44	22,055	22,099
New loans made	590	-	590
Movement in trade debtors impairment	-	(2,035)	(2,035)
<b>Closing allowance as at 31st March 2019</b>	<b>634</b>	<b>20,020</b>	<b>20,654</b>

See 4.2.15 for details for provision for expected credit loss allowance on commitments

## 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 2018 £000	Interest Rates %	Note	Interest Rates %	31 March 2019 £000
<b>Source of loan</b>				
377,849	3.76	Public Works Loan Board	2.89	446,940
20,000	3.84	Market Loans	3.84	20,000
<b>397,849</b>		<b>Total</b>		<b>466,940</b>
<b>Payable as follows:</b>				
5,910		Less than one year		6,910
5,910		Between one and two years		6,910
40,229		Between two and five years		46,230
43,791		Between five and ten years		66,054
302,010		More than ten years		340,836
<b>397,850</b>		<b>Total</b>		<b>466,940</b>

### Finance Lease Liabilities

The City Council has 2 current finance leases ranging from 3 to 5 years. 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 2.95%.

31 March 2018 £000	Interest Rates %	Note	Interest Rates %	31 March 2019 £000
	3.00	<b>Source of loan</b>	2.95	
1,392		Finance leases - Opening Balance		1,154
-		New Finance Leases		-
(238)		Repayment of Principal		(246)
-		Release of Residual Values		-
<b>1,154</b>		<b>Total</b>		<b>908</b>
<b>Payable as follows:</b>				
246		Less than one year		253
253		Between one and two years		258
655		Between two and five years		397
<b>1,154</b>		<b>Total</b>		<b>908</b>

### 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 £17.787m, 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 £17.787m shares are all recognised as 'fair value through other comprehensive income and expenditure, meaning that all movements in price will impact on gains and losses in Other Comprehensive Income and Expenditure.

## 4.2.14 Financial Instruments

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

The other long term borrowings as at 31 March 2019 are as follows:-

31 March 2018		31 March 2019
£000	Note	£000
13,598	County Council debt	11,769
908	Finance leases	655
90,335	Private Finance Initiative - finance lease <b>4.2.13</b>	81,527
1,140	Hanford waste PFI scheme - deferred service	569
15,398	Extra care PFI scheme - deferred credit	14,682
<b>121,379</b>	<b>Total</b>	<b>109,203</b>

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 2018/19 the total payment to the County Council was £2,326,538 (£2,540,278 in 2017/18), of which £513,694 (£711,394 in 2017/18) 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 £000	Business Rates Appeals £000	Expected Credit Loss Allowance £000	Other Provisions £000	Total £000
Balance at 1 April 2018	3,837	4,008	-	792	8,637
Adjustments following the restatement of financial instruments	-	-	2,057		2,057
Additional provisions made in 2018/19	1,355	503	11	466	2,335
Amounts used in 2018/19	(1,499)	(439)	-	(431)	(2,369)
Transferred to non-current assets	-	-	(590)		(590)
<b>Balance at 31 March 2019</b>	<b>3,694</b>	<b>4,072</b>	<b>1,478</b>	<b>827</b>	<b>10,071</b>
Of which:					
- Short term liability	-	4,072	-	813	4,885
- Long term liability	3,694	-	1,478	14	5,186
	<b>3,694</b>	<b>4,072</b>	<b>1,478</b>	<b>827</b>	<b>10,071</b>

### 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 2018/19 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 2019.

### Expected Credit Loss Allowance

The City Council has a contractual commitment to make loans of up to £35.75m to Fortior Homes Ltd, at some point in the future. As at 31st March 2019, £10.6m had been drawn down. Under IFRS 9, a loss allowance is needed to reflect potential defaults if the borrower were to exercise their drawdown rights. The expected credit loss reflects the expectations that the loans will be drawn down in the next year.

## 4.2.16 Grants

### a - Grant Income

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

#### Credited to Net Cost of Services

Service Area	Type of Funding/Grant	Note	2017/18	2018/19
			£000	£000
Benefit Payments	Rent allowances		53,618	50,614
	Rent rebates		33,799	31,364
	Other		1,092	949
Children and Family Services	Dedicated Schools Grant		38,297	40,512
	PFI - Schools		8,294	8,294
	Other		4,145	5,357
City Director	Other		8	87
Housing and Customer Services	Other		4	1,199
Housing Revenue Account	Other		254	-
Place, Growth and Prosperity	PFI - Bentilee		1,346	1,346
	PFI - Street Lighting		1,351	1,351
	Other		190	187
Public Health and Adult Social Care	Public Health Grant		23,185	22,589
	PFI - Extra Care		4,760	4,790
	Other		7,758	12,107
Schools	Dedicated Schools Grant		63,757	51,675
	Other		8,725	7,188
	<b>Total</b>		<b>250,583</b>	<b>239,609</b>

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

Capital	Revenue		Capital	Revenue
2017/18	2017/18		2018/19	2018/19
£000	£000	Note	£000	£000
1,518	47,458	Communities & Local Government	5,208	41,014
2,158	635	Department for Education (DfE)	2,297	2,880
-	1,586	Department of Health (DoH)	-	1,079
-	1,488	Department of Work & Pensions (DWP)	-	1,414
-	-	Private Sector Contributions	300	-
4,709	-	Public Sector Contributions	979	-
5,141	-	Department for Transport (DfT)	11,413	-
-	500	Other Government Grants	-	117
672	-	Homes and Communities Agency	2,014	-
1,440	-	National Lottery	1,636	-
78	-	Other Grants	22	-
(40)	-	European Regional Development Fund	-	-
181	-	Kickstart/Cluster/Empty Homes Loans	85	-
<b>15,857</b>	<b>51,667</b>	<b>Total</b>	<b>23,954</b>	<b>46,504</b>

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 below:

Short Term	Long Term		Short Term	Long Term
2017/18	2017/18		2018/19	2018/19
£000	£000	Note	£000	£000
<b>Capital</b>				
417	-	Department for Education (DfE)	1,251	-
2,081	-	Communities and Local Government	-	-
1,807	-	Homes and Communities Agency	383	-
-	-	Department for Transport	156	-
-	-	Other Government Grants	95	-
1,548	-	<b>Revenue</b>	3,713	-
<b>5,853</b>	<b>-</b>	<b>Total</b>	<b>5,598</b>	<b>-</b>

## 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 (DfE), the Dedicated Schools Grant (DSG). An element of the grant is recouped by the DfE to fund academy schools directly.

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 2018/19 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG as issued by the Department in March 2019	30,101	187,157	217,258
Reduction for reallocation to Academies for 2018/19	-	(125,341)	(125,341)
<b>Remaining DSG for 2018/19</b>	<b>30,101</b>	<b>61,816</b>	<b>91,917</b>
Brought forward from 2017/18	(6,510)	839	(5,671)
Transfer from ISB to Central Expenditure	811	(811)	0
Agreed initial budgeted distribution in 2018/19	<b>24,402</b>	<b>61,844</b>	<b>86,246</b>
In year adjustments	270	0	270
<b>Final budget distribution for 2018/19</b>	<b>24,672</b>	<b>61,844</b>	<b>86,516</b>
Less actual central expenditure	(40,121)	0	(40,121)
Less actual ISB deployed to schools	0	(60,634)	(60,634)
Plus local authority contribution for 2018/19	0	0	0
<b>Carry forward in year to 2018/19</b>	<b>(15,450)</b>	<b>1,210</b>	<b>(14,240)</b>
Carry forward to 2019/20 agreed in advance	0	0	0
<b>Carry forward to 2019/20</b>	<b>(15,450)</b>	<b>1,210</b>	<b>(14,240)</b>

Working in collaboration with schools within the city an action plan is currently in place to bring the DSG back into balance within 5 years (subject to Department of Education approval), see below. While the reserve remains in deficit it is being covered by part of the PFI reserve

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Balance brought forward	14.24	19.49	18.04	11.50	4.19
Movement	5.25	(1.45)	(6.54)	(7.31)	(5.04)
<b>Balance carried forward</b>	<b>19.49</b>	<b>18.04</b>	<b>11.50</b>	<b>4.19</b>	<b>(0.85)</b>
<b>PFI Reserve</b>	<b>30.27</b>	<b>28.09</b>	<b>25.98</b>	<b>24.03</b>	<b>22.08</b>

## 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.

2017/18						2018/19					
Salary, fees and allowances	Expense Allowances	Compensation for loss of office	Pension Contributions	Total	Post title and name	Salary, fees and allowances	Expense Allowances	Compensation for loss of office	Pension Contributions	Total	
£	£	£	£	£		£	£	£	£	£	
<b>Senior employees whose salary is £150,000 or more per year</b>											
162,996	318	-	36,130	<b>199,444</b>	City Director - David Sidaway	167,071	485	-	38,912	<b>206,468</b>	
<b>Senior employees whose salary is between £50,000 and £150,000 per year</b>											
127,732	244	-	28,484	<b>156,460</b>	Director - Children & Family Services <sup>1</sup>	108,670	243	-	25,537	<b>134,450</b>	
92,564	110	-	20,642	<b>113,316</b>	Director - Place, Growth & Prosperity (Acting) <sup>2</sup>	-	-	-	-	-	
51,663	-	-	11,521	<b>63,184</b>	Director - Place, Growth & Prosperity <sup>3</sup>	124,884	47	-	29,344	<b>154,275</b>	
123,212	98	-	27,476	<b>150,786</b>	Director - Housing & Customer Services	129,069	46	-	30,324	<b>159,439</b>	
85,868	-	-	19,148	<b>105,016</b>	Assistant Director - Governance <sup>4</sup>	51,010	5	-	10,989	<b>62,004</b>	
-	-	-	-	-	Assistant Director - Governance—(Acting) <sup>4</sup>	48,057	-	-	11,293	<b>59,350</b>	
90,461	15	-	20,172	<b>110,648</b>	Assistant Director - Finance (& Section 151 Officer)	101,553	28	-	23,865	<b>125,446</b>	
131,836	406	209,546	27,791	<b>369,579</b>	Director - Public Health & Social Care <sup>5</sup>	-	-	-	-	-	
-	-	-	-	-	Director - Social Care, Health Integration & Wellbeing <sup>6</sup>	107,321	690	-	24,231	<b>132,242</b>	

<sup>1</sup> Post holder vacated the Authority on 01/02/19. Post covered from 31/01/19 by an interim consultant at a cost of £45,000.

<sup>2</sup> Post holder vacated the Authority on 31/12/17.

<sup>3</sup> Post occupied by new encumbent from 30/10/17.

<sup>4</sup> Previous post holder left on 13/06/18, post temporarily covered by acting up (14/06/18 to 31/12/18) then filled permanently from 10/12/18.

<sup>5</sup> Post vacated and post deleted (replaced with Assistant Director post) 31/03/18.

<sup>6</sup> New post created 2018/19. New encumbent appointed to post 01/07/18.

## 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

2017/18

2018/19

Teaching staff	Non Teaching	Total Employees	Left in Year	Salary Range	Teaching staff	Non Teaching	Total Employees	Left in Year
20	35	55	9	£50,000 - £54,999	12	32	44	1
14	29	43	4	£55,000 - £59,999	11	25	36	5
7	21	28	6	£60,000 - £64,999	5	15	20	2
9	7	16	4	£65,000 - £69,999	5	13	18	1
2	4	6	3	£70,000 - £74,999	4	1	5	1
1	5	6	4	£75,000 - £79,999	1	3	4	2
3	3	6	3	£80,000 - £84,999	3	3	6	1
1	6	7	1	£85,000 - £89,999	2	2	4	1
-	3	3	2	£90,000 - £94,999	2	4	6	1
-	1	1	1	£95,000 - £99,999	-	1	1	-
-	3	3	2	£100,000 - £104,999	-	-	-	-
-	1	1	1	£105,000 - £109,999	-	-	-	-
-	-	-	-	£110,000 - £114,999	-	-	-	-
-	1	1	1	£115,000 - £119,999	-	1	1	1
-	1	1	1	£120,000 - £124,999	-	1	1	1
-	1	1	1	£125,000 - £129,999	-	-	-	-
-	-	-	-	£130,000 - £134,999	-	-	-	-
-	-	-	-	£135,000 - £139,999	-	1	1	1
-	-	-	-	£140,000 - £144,999	-	-	-	-
-	-	-	-	£145,000 - £149,999	-	-	-	-
-	-	-	-	£150,000 - £154,999	-	-	-	-
-	-	-	-	£155,000 - £159,999	-	-	-	-
-	-	-	-	£160,000 - £164,999	-	-	-	-
-	-	-	-	£165,000 - £169,999	-	-	-	-
-	-	-	-	£170,000 - £174,999	-	-	-	-
-	1	1	1	£175,000 - £179,999	-	-	-	-
-	1	1	-	£180,000 - £184,999	-	-	-	-
-	-	-	-	£185,000 - £189,999	-	-	-	-
-	-	-	-	£190,000 - £194,999	-	-	-	-
-	-	-	-	£195,000 - £199,999	-	-	-	-
-	-	-	-	£200,000 - £204,999	-	2	2	2
<b>57</b>	<b>123</b>	<b>180</b>	<b>44</b>		<b>45</b>	<b>104</b>	<b>149</b>	<b>20</b>

## 4.2.18 Termination Benefits and Exit Packages

The authority terminated the contracts of 68 employees in 2018/19 mainly as a consequence of the ongoing corporate restructuring programme. A total of over £1.7m in compensatory payments was incurred (including redundancy costs and post employment notice pay) plus an additional £0.8m payments to the pension fund in respect of actuarial strain costs. Five people have committed to leave in 2019/20 and a total of £0.3m has been included in a provision.

2017/18					2018/19				
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	
7	83	90	905	£0 - £20,000	4	26	30	223	
-	45	45	1,337	£20,001 - £40,000	-	14	14	377	
1	14	15	734	£40,001 - £60,000	-	7	7	326	
-	11	11	780	£60,001 - £80,000	-	8	8	557	
-	4	4	356	£80,001 - £100,000	-	3	3	268	
-	7	7	771	£100,001 - £150,000	-	4	4	454	
-	5	5	884	£150,001 - £200,000	-	1	1	195	
-	-	-	-	£200,001 - £250,000	-	1	1	203	
<b>8</b>	<b>169</b>	<b>177</b>	<b>5,767</b>	<b>Total</b>	<b>4</b>	<b>64</b>	<b>68</b>	<b>2,603</b>	

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.

2017/18			2018/19		
Compensation for Loss of Office	Actuarial Pension Strain	Range	Compensation for Loss of Office	Actuarial Pension Strain	
£'000	£000		£'000	£000	
859	46	£0 - £20,000	214	9	
1,060	277	£20,001 - £40,000	326	51	
523	211	£40,001 - £60,000	263	63	
455	325	£60,001 - £80,000	264	293	
186	170	£80,001 - £100,000	119	149	
370	401	£100,001 - £150,000	322	132	
556	328	£150,001 - £200,000	195	-	
-	-	£200,001 - £250,000	60	143	
<b>4,009</b>	<b>1,758</b>	<b>Total</b>	<b>1,763</b>	<b>840</b>	

## 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 2018/19 the City Council paid employer's contributions to the TPS of £3,321,978 (2017/18 £4,290,921). Employer contributions in respect of the NHS scheme amounted to £91,630 in 2018/19 (2017/18 £165,314). The employer contributions to the TPS was 16.4% of pensionable pay for 2018/19 (2017/18 16.4%). Employer contributions to the NHS scheme was 15.2% (2017/18 14.2%) of public health staff pay. Total pensionable pay for the year re the TPS, after Academy transfers, was £20,159,462 (2017/18 £26,037,998) & £602,598 (2017/18 £1,160,579) re the NHS scheme.

Employer's contributions for the year to 31 March 2020 will be approximately £4.0m re the TPS before Academy Transfers, which have not yet been formalised. Employer's contributions for the year to 31 March 2020 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 has 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 2018/19 the City Council paid an employer's contribution based on 23.5% (2017/18 – 22.3%) of employees' pensionable pay. This was made up of 15.6% in respect of current service (ie pension earned within the current year), the remainder being in respect of prior years' deficit recovery. Total pensionable pay for the year, after Academy transfers, was £105,316,223 (2017/18 £111,592,631). The Actuary estimates that the Employer's contributions for current service in the year to 31 March 2020 re the LGPS will be approximately £16.5m.

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 2019, the City Council agreed to allow 34 employees (72 in 2017/18) 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 £200,944 (2017/18 £588,726).

## 4.2.19 Pensions

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 who are the Administering Authority for the Staffordshire Pension Fund. 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 Local Government Pension Scheme 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 are representatives of the Scheme Membership, and 3 are 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, The Staffordshire Pension Fund 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 Pension Fund; Derbyshire Pension Fund; Leicestershire Pension Fund; Nottinghamshire Pension Fund; 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		Teachers Pension Scheme		Total	
	Scheme					
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000	£000	£000
<b>Within Net Cost of Services</b>						
- current service cost	43,604	40,855	-	-	43,604	40,855
- past service cost incl curtailments	1,700	6,459	-	-	1,700	6,459
- settlements	(11,061)	(3,283)	-	-	(11,061)	(3,283)
	<b>34,243</b>	<b>44,031</b>	<b>-</b>	<b>-</b>	<b>34,243</b>	<b>44,031</b>
<b>Within Financing and Investment Income and Expenditure</b>						
- net interest expenses	11,268	11,474	905	869	12,173	12,343
	<b>11,268</b>	<b>11,474</b>	<b>905</b>	<b>869</b>	<b>12,173</b>	<b>12,343</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>45,511</b>	<b>55,505</b>	<b>905</b>	<b>869</b>	<b>46,416</b>	<b>56,374</b>
<b>Within Other Comprehensive Income and Expenditure</b>						
Remeasurement of the net defined benefit liability comprising						
- return on plan assets (excluding the amount included in the net interest expense)	2,690	(53,598)	-	-	2,690	(53,598)
- changes in demographic assumptions	-	-	-	-	-	-
- changes in financial assumptions	(28,605)	126,227	(376)	386	(28,981)	126,613
- other experience	(537)	473	(1,231)	933	(1,768)	1,406
<b>Other Post Employment Benefit</b>	<b>(26,452)</b>	<b>73,102</b>	<b>(1,607)</b>	<b>1,319</b>	<b>(28,059)</b>	<b>74,421</b>
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>19,059</b>	<b>128,607</b>	<b>(702)</b>	<b>2,188</b>	<b>18,357</b>	<b>130,795</b>
<b>Movement in Reserves Statement</b>						
- Reversal of net charges against the General Fund balance for the Provision of Services	(45,511)	(55,505)	(905)	(869)	(46,416)	(56,374)
- Employers' contributions payable to the pension scheme	45,077	19,415	1,939	1,948	47,016	21,363
<b>Movement in Pension Reserve</b>	<b>26,018</b>	<b>(109,192)</b>	<b>2,641</b>	<b>(240)</b>	<b>28,659</b>	<b>(109,432)</b>

## 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 deteriorated from last year. Corporate bond yields are lower at 31 March 2019 than 31 March 2018 which serves to increase the value placed on the obligations. The effect of this will have been partially offset by investment returns being greater than the 31 March 2018 discount rate.

	2014/15	2015/16	2016/17	2017/18	2018/19
Note	£000	£000	£000	£000	£000
<i>Present value of liabilities</i>					
All pension schemes	(1,277,195)	(1,161,054)	(1,385,305)	(1,395,968)	(1,577,976)
Discretionary benefits	(58,745)	(52,382)	(57,255)	(53,560)	(53,754)
	<b>(1,335,940)</b>	<b>(1,213,436)</b>	<b>(1,442,560)</b>	<b>(1,449,528)</b>	<b>(1,631,730)</b>
Fair value of assets in the LGPS	805,146	815,246	966,932	1,002,559	1,075,329
<b>Net pension asset/(liability) on the balance sheet</b>	<b>(530,794)</b>	<b>(398,190)</b>	<b>(475,628)</b>	<b>*(446,969)</b>	<b>*(556,401)</b>

\*Figures shown include the Pension contribution asset of £9,284,000 (£17,718,000 - 2017/18). This represents the cash payment made in advance, to be recognised over the next two years.

There is a net liability on the balance sheet of £565,684,000 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		Teachers Pension Scheme		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000	£000	£000
<b>Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)</b>						
Opening balance at 1 April	(1,406,774)	(1,416,383)	(35,786)	(33,145)	(1,442,560)	(1,449,528)
Current service cost	(43,604)	(40,855)	-	-	(43,604)	(40,855)
Interest cost	(36,548)	(38,379)	(905)	(869)	(37,453)	(39,248)
Contributions by scheme participants	(6,992)	(6,803)	-	-	(6,992)	(6,803)
Remeasurements (gains) and losses:						
- changes in demographic assumptions	-	-	-	-	-	-
- changes in financial assumptions	28,605	(126,227)	376	(386)	28,981	(126,613)
- changes in experience	537	(473)	1,231	(933)	1,768	(1,406)
Benefits paid	30,679	30,682	1,939	1,948	32,618	32,630
Past service costs (including curtailments)	(1,700)	(6,459)	-	-	(1,700)	(6,459)
Settlements	19,414	6,552	-	-	19,414	6,552
<b>Closing balance at 31 March</b>	<b>(1,416,383)</b>	<b>(1,598,345)</b>	<b>(33,145)</b>	<b>(33,385)</b>	<b>(1,449,528)</b>	<b>(1,631,730)</b>
<b>Reconciliation of fair value of the scheme (plan) assets</b>						
Opening balance at 1 April	966,932	1,002,559	-	-	966,932	1,002,559
Interest income	25,280	26,905	-	-	25,280	26,905
Remeasurement (gains) and losses						
- the return on plan assets, excluding the amount included in net interest expense	(2,690)	53,598	-	-	(2,690)	53,598
Employer contributions	47,016	21,363	-	-	47,016	21,363
Contributions by scheme participants	6,992	6,803	-	-	6,992	6,803
Benefits paid	(32,618)	(32,630)	-	-	(32,618)	(32,630)
Settlements	(8,353)	(3,269)	-	-	(8,353)	(3,269)
<b>Closing balance at 31 March</b>	<b>1,002,559</b>	<b>1,075,329</b>	<b>-</b>	<b>-</b>	<b>1,002,559</b>	<b>1,075,329</b>
<b>Net pension asset/(liability)</b>	<b>(413,824)</b>	<b>(523,016)</b>	<b>(33,145)</b>	<b>(33,385)</b>	<b>(446,969)</b>	<b>(556,401)</b>

## 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:

	2017/18				2018/19			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets
	£000	£000	£000	%	£000	£000	£000	%
<b>Equity Securities:</b>								
- Consumer	43,450	-	43,450	4%	47,925	-	47,925	4%
- Manufacturing	41,870	-	41,870	4%	41,065	-	41,065	4%
- Energy & Utilities	12,276	-	12,276	1%	17,202	-	17,202	2%
- Financial Institutions	40,691	-	40,691	4%	39,711	-	39,711	4%
- Health & Care	29,679	-	29,679	3%	30,810	-	30,810	3%
- Information Technology	28,402	-	28,402	3%	30,604	-	30,604	3%
- Other	1,088	-	1,088	0%	1,015	-	1,015	-
<b>Debt Securities</b>								
- Corporate Bonds (Investment Grade)	76,069	-	76,069	7%	79,697	-	79,697	7%
Private Equity	-	29,273	29,273	3%	-	38,431	38,431	3%
Real Estate - UK Property	-	77,557	77,557	8%	-	91,262	91,262	8%
<b>Investment Funds and Unit Trusts</b>								
- Equities	473,790	-	473,790	47%	483,235	-	483,235	45%
- Bonds	58,994	-	58,994	6%	81,231	-	81,231	8%
- Hedge Funds	-	17,602	17,602	2%	-	18,754	18,754	2%
- Other	-	25,867	25,867	3%	-	43,219	43,219	4%
Derivatives	-	-	-	0%	-	-	-	-
<b>Cash &amp; Cash Equivalents</b>	45,950	-	45,950	5%	29,388	-	29,388	3%
<b>Total Assets</b>	<b>852,259</b>	<b>150,299</b>	<b>1,002,558</b>	<b>100%</b>	<b>881,883</b>	<b>191,666</b>	<b>1,073,549</b>	<b>100%</b>

As part of the actuarial valuation for the Statement of Accounts, an analysis of investments as shown above is provided. The actual scheme assets at the end of 2018/19 amounted to £1,075,329,000 a difference of £1.780million which is not analysed within the table above.

## 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 2019, 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 2018 to 31st December 2018 - 8.1% (6.1%)
- Estimated return for the period from 1 April 2018 to 31 March 2019 - 8.1% (2.3%)

### 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:

	2017/18	2018/19
<i>Mortality assumptions:</i>		
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	2.9
Rate of increase in pensions	2.4	2.5
Rate for discounting scheme liabilities	2.7	2.4
Real discount rate for discounting scheme liabilities	0.3	(0.1)
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 2019	Approximate % increase to Defined Benefit Obligation	Approximate Monetary Amount
	%	£000
0.5% decrease in Real Discount Rate	11%	176,263
0.5% increase in the Salary Increase Rate	2%	24,896
0.5% increase in the Pension Increase Rate	9%	148,444

The principal demographic assumption is the longevity assumption (i.e. 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 i.e. 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 2018	31 March 2019
£000	£000
- Mental Health Section 75 Pooled Budget	-
(251) Youth offending Services Pooled Budget	(233)

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.

	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	2,813	-	924	2,906	6,643
Ensuring Sustainability of Adult Social Care	10,775	-	7,492	-	18,267
Admission Avoidance / Discharge to Access	-	3,235	-	6,397	9,632
<b>Total for 2018/19</b>	<b>13,588</b>	<b>3,235</b>	<b>8,416</b>	<b>9,303</b>	<b>34,542</b>

	Overspend c/f from 17/18 £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 2018		31 March 2019	
£000	Note	£000	
2,189	Kickstart	2,114	
507	Cluster loans	415	
-	Smithfield Hotel Loan	5,512	
7	Other long term debtors	7	
49	Home improvement loans	68	
51	Empty home loans	43	
4,077	Housing benefit overpayment	5,719	
(3,951)	Impairment of housing benefit overpayment	(4,590)	
<b>2,929</b>	<b>Sub total (Group Long Term Debtors)</b>	<b>9,287</b>	<b>7.3</b>
751	Fortior Homes	10,216	
<b>3,680</b>	<b>Total City Council Long Term Debtors</b>	<b>19,503</b>	

### Short Term Debtors

31 March 2018		31 March 2019	
£000	Note	£000	
6,731	Central government bodies	6,021	
-	Academies	645	
2,388	Other local authorities	1,886	
52	NHS bodies	128	
56,634	Other entities and individuals	66,323	
(22,348)	Impairment of other entities and individuals	(20,020)	
<b>43,457</b>	<b>Total</b>	<b>54,981</b>	

### Short Term Creditors

31 March 2018		31 March 2019	
£000	Note	£000	
7,406	Central government bodies	7,483	
2,053	Other local authorities	4,254	
1,348	NHS bodies	1,099	
50,019	Other entities and individuals	48,010	
<b>60,826</b>	<b>Total</b>	<b>60,846</b>	

## 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.

2017/18			2018/19			
Expenditure	Charges	(Surplus) / Deficit	Expenditure	Charges	(Surplus) / Deficit	
£000	£000	£000	£000	£000	£000	
1,541	1,484	57	Cleaning services	1,574	1,502	72
6,742	6,852	(110)	Meals service	6,775	6,726	49
<b>8,283</b>	<b>8,336</b>	<b>(53)</b>	<b>Total</b>	<b>8,349</b>	<b>8,228</b>	<b>121</b>

Cleaning and meals services form part of Children's, Adult and Family Services. The deficit of £120,642 on the trading account has been partly absorbed by the trading account reserves (£23k), the remaining deficit has been taken as a cost to Children's, Adult and Family Services.

## 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 2018/19 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 2018/19 is shown in Note 4.2.24. During 2018/19, no members declared interests in related party companies which as 31st March 2019 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](http://stoke.gov.uk).

### Officers

During 2018/19, no council officers declared material 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 a minority interest in **Stoke-on-Trent Regeneration Limited**. During 2018/19, the following members were on the board of these companies, and various related party transactions were made to the companies:

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. Abi Brown sits on the board as an observer, as does Cllr. Munday.

## 4.2.23 Related Party Transactions

### Entities Controlled or Significantly Influenced by the Authority

**Fortior Homes Limited** - This company is wholly owned by Stoke-on-Trent City Council in order to deal with housing development. In 2018/19 Fortior Homes Limited issued and allotted shares to the value of £1.195m (£2.057m in 2017/18). Details of shareholdings can be found in note 4.2.14d.



### Transactions and Balances

The City Council raised invoices against Fortior Homes Limited during 2018/19 of £220k (£299k in 2017/18) for charges incurred on behalf of the company during its establishment period and service charges. As at the 31st March 2019 £187k (£nil - 2017/18) was outstanding at the year end.

The City Council also disposed of assets to Fortior Homes Limited during 2018/19 for £787k (£830k in 2017/18).

As at 31 March 2019, included within short term debtors there is an intercompany balance of £2.048m (£374k within short term creditors in 2017/18) which the City Council owes to Fortior Homes Limited.

In 2018/19, the City Council made loans to Fortior Homes Limited of £9.851m (£746k in 2017/18). Interest on the loans for the year is £247k.

### Related Party Officers/Members

For the Financial year of 2018/19, Councillor David Conway was a director of Fortior Homes Limited until May 2018, at which time Councillor Ann James was appointed. Two officers of the Council were also board members: Carl Brazier and Phillip Cresswell.

**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 4.2.14d



### Transactions and Balances

The City Council raised invoices against Unitas Stoke-on-Trent Limited during 2018/19 of £6.68m (£1.36m in 2017/18) for charges incurred on behalf of the company during its establishment period and service charges. As at 31st March 2019 £348k (£351k - 2017/18) was outstanding.

Unitas Stoke-on-Trent Limited raised invoices against the City Council during 2018/19 of £54.27m (£4.65m in 2017/18) for repairs and maintenance of housing stock and public buildings. As at 31st March 2019 £9.079m (£4.826m - 2017/18) was outstanding.

During 2018/19, the City Council also gave Unitas Stoke-on-Trent Limited a grant of £0.4m (£2.4m in 2017/18) to support service transformation, the benefits of which will provide an ongoing revenue return to the City Council.

As at 31 March 2019, included within short term debtors is an intercompany balance of £0.5m (£0.9m within short term creditors 2017/18) which the City Council owes to Unitas Stoke-on-Trent Limited.

### Related Party Officers/Members

For the Financial year of 2018/19, 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 member.

**Stoke Energyco Limited** - This company is wholly owned by Stoke-on-Trent City Council in order to deal with green energy initiatives. In 2018/19 no transactions took place.. Details of shareholdings can be found in note 4.2.14d.

#### 4.2.24 Members Allowances and Expenses/External Audit Costs

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

31 March 2018		31 March 2019
£000	Note	£000
757	Allowances	744
23	Expenses	23
<b>780</b>	<b>Total</b>	<b>767</b>

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 non-audit services provided by the Authority's external auditors.

31 March 2018		31 March 2019
£000	Note	£000
187	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	144
20	Fees payable to external auditors for the certification of grant claims and returns for the year	5
8	Fees payable to external auditors for other assurance work	9
-	Fees payable to external auditors in respect of non audit services provided during the year	-
<b>215</b>	<b>Total</b>	<b>158</b>

## 4.2.25 Notes to the Cash Flow Statement

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

2017/18 £000s	2018/19 £000s
(34,468) Depreciation	(35,677)
15,011 Impairment & Downward Valuations	11,451
(1,322) Amortisations	(1,111)
2,339 Increase/(decrease) in impairment for bad debts	(497)
(6,607) (Increase)/decrease in creditors	(29)
(3,303) Increase/(decrease) in debtors	30,729
(127) Increase/(decrease) in revaluation of stock (write offs)	117
600 Movement in pension liability	(28,911)
(57,799) Net carrying amount of non-current assets sold	(20,151)
1,624 Other non-cash items charges to the net Surplus or Deficit on the Provision of Services	4,386
426 Changes in Fair Value of investment properties	(1,727)
<b>(83,626)</b>	<b>(41,419)</b>

### Financing Activities

2017/18 £000s	2018/19 £000s
8,311 Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	8,341
8,453 Repayments of short and long-term borrowing	7,739
(54,981) Other receipts from financing activities	(2,091)
(2,679) Cash receipts of long-term borrowing	(74,974)
<b>(40,896) Net cash flows from financing activities</b>	<b>(60,985)</b>

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

2017/18 £000s	2018/19 £000s
7,883 Grants/Contributions Applied	14,088
182 Transfer of deferred capital grants credited as capital grants and contributions to the CIES	85
6,979 REFCUS Funding	8,717
814 Grants Unapplied	1,064
(5,221) Movement in Capital debtors	44
121 Movement in Capital creditors	(621)
12,661 Proceeds for the sale of PPE, investment property & intangible assets	10,991
<b>23,418</b>	<b>34,368</b>

### Investing Activities

2017/18 £000s	2018/19 £000s
61,362 Purchase of property, plant & equipment, investment property & intangible assets	69,493
200 Purchase of short term and long term investments	1,196
(7,472) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,035)
- Proceeds from short-term and long-term investments	-
(12,574) Other receipts from investing activities	(26,378)
<b>41,517</b>	<b>33,281</b>

## 4.2.26 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 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. Where the outcome of such investigations are known, adequate provisions will be made.
- g The Balance Sheet includes Private Housing Improvement Loans (Kickstart) with a fair value of £2.114m as at 31st March 2019. 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.
- h Several NHS Trusts have commenced legal proceedings against a number of local authorities, seeking a court declaration that they are entitled mandatory charitable business rates relief and also an order requiring repayment of historic business rates paid over the past 6 years. The affected councils are defending these claims on the grounds that the NHS bodies are not charities, a view which the city council shares. Although the city council has received preliminary letters requesting this relief, and has responded by rejecting the claims, no formal legal proceedings have been commenced against it. If, however, a claim was made against the city council, and if contrary to expectations the claim were to be successful, the cost implications could be material. It is expected that the resolution to this issue may take several years.
- i The City Council has provided a guarantee for the pension liability relating to Unitas Stoke-on-Trent membership of the Local Government Pension Scheme (LGPS) and is responsible for any LGPS deficit relating to the Transferring Employees' membership of the LGPS referable to service up to and including the Relevant Transfer Date and, without limit of time, shall compensate Unitas in full on demand for costs, claims and liabilities of any kind in connection with any amount by which the assets of the LGPS attributable to it are less than the liabilities attributable to it at the Relevant Transfer Date.

## 4.2.27 Events after the Balance Sheet Date

### School Conversions to Academies

The following schools have/are converted to an Academy in 2019/20:

School Name	Proposed Conversion Date <sup>1</sup>	NBV of OLB, VPE and infrastructure as at 1st April 2019
Forest Park Primary	1st May 2019	4,168,242
Abbey Hulton Primary	1st May 2019	1,687,476
Oak Hill Primary	1st May 2019	2,751,644
Watermill School	1st July 2019	9,935,405
Kemball School	1st July 2019	11,498,061

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 2019/20 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.

<sup>1</sup> Source: Department for Education—Open Academies and academy projects in development: May 2018

# 5.0 Housing Revenue Account





## 5.2 Statement of Movement in the Housing Revenue Account

31 March 2018 £000	Notes	31 March 2019 £000
<b>7,898</b> Opening balance		<b>7,740</b>
8,289 Surplus of (deficit) for the year on the HRA Income and Expenditure Statement		30,408
(10,940) Adjustments between accounting basis and funding basis under statute		(32,561)
<b>(2,651)</b> Net increase or (decrease) before transfers to or from reserves		<b>(2,153)</b>
2,493 Transfers (to) or from reserves		2,204
(158) Increase or (decrease) in year on the HRA		51
<b>7,740</b> Closing balance		<b>7,791</b>

### 5.3.1 Valuation of Housing Assets

	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	Intangible Assets £000
<b>2018/19</b>										
<b>Cost or Valuation</b>										
<b>At 1 April</b>	<b>509,826</b>	<b>9,476</b>	<b>5,175</b>	<b>13,474</b>	<b>135</b>	<b>1,587</b>	<b>3,097</b>	<b>542,770</b>	<b>141</b>	<b>-</b>
Additions	14,839	173	-	899	-	15	8,044	23,970	-	113
Revaluation increases/decreases to revaluation reserves	6,804	286	-	-	-	(15)	-	7,075	-	-
Revaluation increases/decreases to Surplus/Deficit on the Provision of Services	11,605	(2)	-	-	-	-	-	11,603	-	-
Derecognition—disposals	-	-	(9)	(2)	-	-	-	(11)	(6,273)	-
Assets reclassified (to)/from Held for Sale	(6,229)	-	-	-	-	-	-	(6,229)	6,229	-
Reclassifications—other	2,738	-	-	-	1	848	(3,586)	1	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>At 31 March</b>	<b>539,583</b>	<b>9,933</b>	<b>5,166</b>	<b>14,371</b>	<b>136</b>	<b>2,435</b>	<b>7,555</b>	<b>579,179</b>	<b>97</b>	<b>113</b>
<b>Accumulated Depreciation and Impairment</b>										
<b>At 1 April</b>	<b>(746)</b>	<b>(57)</b>	<b>(2,266)</b>	<b>(2,940)</b>	<b>-</b>	<b>(701)</b>	<b>(1,472)</b>	<b>(8,182)</b>	<b>-</b>	<b>-</b>
Depreciation charge in year	(13,630)	(161)	(135)	(389)	-	-	-	(14,315)	-	-
Depreciation written out to the revaluation reserve	-	148	-	-	-	-	-	148	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	13,334	15	-	-	-	-	-	13,349	-	-
Impairment losses/(reversals) to the revaluation reserve	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) to the Surplus/Deficit on the Provision of Services	(575)	-	-	-	-	-	-	(575)	-	-
Derecognition—disposals	-	-	4	1	-	-	-	5	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-	-
Reclassifications - other	597	-	-	-	-	(597)	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>At 31 March</b>	<b>(1,020)</b>	<b>(55)</b>	<b>(2,397)</b>	<b>(3,328)</b>	<b>-</b>	<b>(1,298)</b>	<b>(1,472)</b>	<b>(9,570)</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>										
<b>At 31 March 2019</b>	<b>538,563</b>	<b>9,878</b>	<b>2,769</b>	<b>11,043</b>	<b>136</b>	<b>1,137</b>	<b>6,083</b>	<b>569,609</b>	<b>97</b>	<b>113</b>
<b>At 31 March 2018</b>	<b>509,080</b>	<b>9,419</b>	<b>2,909</b>	<b>10,534</b>	<b>135</b>	<b>886</b>	<b>1,625</b>	<b>534,588</b>	<b>141</b>	<b>-</b>

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2019 was £1,325,666,125. 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.

### 5.3.1 Valuation of Housing Assets

	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	Intangible Assets £000
<b>2017/18</b>										
<b>Cost or Valuation</b>										
<b>At 1 April</b>	<b>502,975</b>	<b>9,232</b>	<b>5,216</b>	<b>11,970</b>	<b>134</b>	<b>1,358</b>	<b>2,579</b>	<b>533,464</b>	<b>632</b>	<b>-</b>
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	-	-	-	-	-	-	-	-	-	-
<b>At 31 March</b>	<b>509,826</b>	<b>9,476</b>	<b>5,175</b>	<b>13,474</b>	<b>135</b>	<b>1,587</b>	<b>3,097</b>	<b>542,770</b>	<b>141</b>	<b>-</b>
<b>Accumulated Depreciation and Impairment</b>										
<b>At 1 April</b>	<b>(606)</b>	<b>(12)</b>	<b>(2,142)</b>	<b>(2,576)</b>	<b>-</b>	<b>(250)</b>	<b>(1,472)</b>	<b>(7,058)</b>	<b>(6)</b>	<b>-</b>
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	-	-	-	-	-	-	-	-	-	-
<b>At 31 March</b>	<b>(746)</b>	<b>(57)</b>	<b>(2,266)</b>	<b>(2,940)</b>	<b>-</b>	<b>(701)</b>	<b>(1,472)</b>	<b>(8,182)</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>										
<b>At 31 March 2018</b>	<b>509,080</b>	<b>9,419</b>	<b>2,909</b>	<b>10,534</b>	<b>135</b>	<b>886</b>	<b>1,625</b>	<b>534,588</b>	<b>141</b>	<b>-</b>
<b>At 31 March 2017</b>	<b>502,369</b>	<b>9,220</b>	<b>3,074</b>	<b>9,394</b>	<b>134</b>	<b>1,108</b>	<b>1,107</b>	<b>526,406</b>	<b>626</b>	<b>-</b>

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2018 was £1,263,080,500. 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 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.

2017/18	2018/19
£000	£000
<b>9,469</b> Opening balance	<b>9,470</b>
13,749 Depreciation on HRA assets	14,315
- Voluntary debt repayment	-
(13,749) Reserve applied	(14,318)
<b>9,470</b> Closing balance	<b>9,467</b>

### b - HRA Capital Receipts Reserve

2017/18	2018/19
£000	£000
<b>7,577</b> Opening balance	<b>8,447</b>
<b>Value of Receipts</b>	
46 Land	394
6,522 Houses	8,676
5 Mortgage repayments	-
26 Repayments of discount	64
- Notional Receipts for end of lease	-
<b>Use of receipts</b>	
(1,323) Capital receipts pooling payment to DCLG	(1,320)
(2,192) Usable receipts applied to finance HRA capital expenditure	(2,747)
(2,210) Usable receipts applied to finance regeneration capital expenditure	(2,790)
(4) Funding of disposal costs	-
<b>8,447</b> Closing balance	<b>10,724</b>



### 5.3.4 Other Notes to the HRA

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

Included within the HRA balance is £2.0m relating to the current service cost of HRA funded employees who participate in the Local Government Pension Scheme. The total defined benefit cost recognised (£2.826m) 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 (£0.620m) 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

2017/18		2018/19
£000		£000
<b>Arrears at year end</b>		
1,482	Current Tenants	1,337
2,070	Former Tenants	2,118
<b>3,552</b>	<b>Total arrears at year end</b>	<b>3,455</b>
(2,758)	Provision in respect of uncollectable debts	(2,533)
<b>794</b>	<b>Net arrears at year end</b>	<b>922</b>

#### c - Housing Stock

2017/18		2018/19
<b>18,403</b>	<b>Number of dwellings at the beginning of the year</b>	<b>18,173</b>
14	Purchases	26
(160)	Dwellings sold under Right to Buy	(204)
(2)	Other sales	0
(81)	Awaiting demolition or unavailable for rent	(51)
(1)	Merged conversions	0
-	Dwellings demolished	0
<b>18,173</b>	<b>Number of dwellings at the end of the year</b>	<b>17,944</b>
<i>Consisting of:</i>		
15,216	Houses/bungalows	15,053
2,957	Flats	2,891

# 6.0 Collection Fund



## 6.1 Collection Fund Statement

2017/18				2018/19		
Business Rates £000	Council Tax £000	Total £000	Notes	Business Rates £000	Council Tax £000	Total £000
<b>Income</b>						
90,255	-	<b>90,255</b>	Business ratepayers	92,633	-	<b>92,633</b>
-	112,883	<b>112,883</b>	Council tax	-	118,544	<b>118,544</b>
-	(17,716)	<b>(17,716)</b>	Less council tax local support	-	(17,829)	<b>(17,829)</b>
<b>90,255</b>	<b>95,167</b>	<b>185,422</b>		<b>92,633</b>	<b>100,715</b>	<b>193,348</b>
<b>Charges to the Collection Fund</b>						
(1,304)	(1,686)	<b>(2,990)</b>	Writes offs/(backs) of uncollectable amounts	27	30	<b>57</b>
(28)	(1,424)	<b>(1,452)</b>	Impairment for uncollectable amounts	(1,442)	2,923	<b>1,481</b>
(2,450)	-	<b>(2,450)</b>	Provision for appeals	(1,027)	-	<b>(1,027)</b>
1,768	-	<b>1,768</b>	Use of previous years provision	897	-	<b>897</b>
(1,165)	-	<b>(1,165)</b>	Disregard amounts (Transitional Protection Payments)	80	-	<b>80</b>
(720)	-	<b>(720)</b>	Disregard amounts (Enterprise Zones)	(497)	-	<b>(497)</b>
(362)	-	<b>(362)</b>	Costs of collection	(359)	-	<b>(359)</b>
<b>(4,262)</b>	<b>(3,110)</b>	<b>(7,372)</b>		<b>(2,321)</b>	<b>2,953</b>	<b>632</b>
<b>85,993</b>	<b>92,057</b>	<b>178,050</b>	<b>Balance due for allocation</b>	<b>90,312</b>	<b>103,668</b>	<b>193,980</b>
<b>Precepts, Demands and Shares</b>						
(44,611)	-	<b>(44,611)</b>	Central Government	(46,459)	-	<b>(46,459)</b>
-	(11,231)	<b>(11,231)</b>	The Office of the PCC Staffordshire	-	(12,223)	<b>(12,223)</b>
(892)	(4,436)	<b>(5,328)</b>	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	(929)	(4,667)	<b>(5,596)</b>
(43,719)	(75,568)	<b>(119,287)</b>	Stoke-on-Trent City Council	(45,529)	(80,472)	<b>(126,001)</b>
<b>(89,222)</b>	<b>(91,235)</b>	<b>(180,457)</b>		<b>(92,917)</b>	<b>(97,362)</b>	<b>(190,279)</b>
<b>(3,229)</b>	<b>822</b>	<b>(2,407)</b>	<b>Surplus/(Deficit) for the Year</b>	<b>(2,605)</b>	<b>6,306</b>	<b>3,701</b>

## 6.1 Collection Fund Statement

2017/18			2018/19			
Business Rates £000	Council Tax £000	Total £000	Notes	Business Rates £000	Council Tax £000	Total £000
<b>Collection Fund Balance</b>						
7,664	4,225	11,889	Balance at the beginning of the year	(2,251)	2,173	(78)
<b>Previous year's estimated (surplus)/deficit paid in current year</b>						
(3,343)	-	(3,343)	Central Government	(200)	-	(200)
-	(357)	(357)	The Office of the PCC Staffordshire	-	(309)	(309)
(67)	(141)	(208)	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	(4)	(122)	(126)
(3,276)	(2,376)	(5,652)	Stoke-on-Trent City Council	(196)	(2,080)	(2,276)
<b>(6,686)</b>	<b>(2,874)</b>	<b>(9,560)</b>		<b>(400)</b>	<b>(2,512)</b>	<b>(2,912)</b>
<b>Allocation of Surplus/(Deficit) in Year</b>						
(1,615)	-	(1,615)	Central Government	(1,303)	-	(1,303)
-	100	100	The Office of the PCC Staffordshire	-	822	822
(32)	40	8	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	(26)	301	275
(1,582)	681	(901)	Stoke-on-Trent City Council	(1,277)	5,183	3,906
<b>(3,229)</b>	<b>822</b>	<b>(2,407)</b>		<b>(2,606)</b>	<b>6,306</b>	<b>3,700</b>
<b>(2,251)</b>	<b>2,173</b>	<b>(78)</b>	<b>Balance at the End of the Year</b>	<b>(5,257)</b>	<b>5,965</b>	<b>708</b>
<b>Allocation of collection fund balance to:</b>						
(1,125)	-	(1,125)	Central Government	(2,629)	-	(2,629)
-	267	267	The Office of the PCC Staffordshire	-	780	780
(23)	106	83	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	(53)	284	231
(1,103)	1,800	697	Stoke-on-Trent City Council	(2,576)	4,903	2,327
<b>(2,251)</b>	<b>2,173</b>	<b>(78)</b>		<b>(5,258)</b>	<b>5,967</b>	<b>709</b>

## 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 2018/19 the City Council's share amounted to £45.529m plus a proportion of the year end surplus of £1.277m (**see note 6.1**). In addition £29.683m was received as non-domestic rates top up.

2017/18	2018/19
47.9p Business rate multiplier	49.3p
46.6p Small business rate relief multiplier	48.0p
<b>£235,350,872 Non-domestic rateable value at year-end</b>	<b>£236,413,256</b>

£000	£000
106,460 NDR gross charge	110,960
1,165 Transitional relief	(80)
(13,522) Mandatory relief	(14,938)
(1,299) Discretionary relief	(803)
(2,548) Other	(2,505)
<b>90,255</b>	<b>92,633</b>
(1,304) Amounts written (off)/on	27
<b>88,951</b>	<b>92,660</b>

## 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:

2017/18 £000	2018/19 £000
126,947 Council tax gross charge	133,063
(2,815) Exemptions	(3,174)
(11,153) Discounts	(11,245)
(96) Disabled allowances	(100)
<b>112,883</b>	<b>118,544</b>
(1,686) Amounts written (off)/on	30
<b>111,197</b>	<b>118,574</b>
(17,716) Council tax local support	(17,829)
<b>93,481</b>	<b>100,745</b>

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
<b>A (entitled to Disabled Reduction)</b>		0	<b>136</b>	5/9	75.7
A	Up to £40,000	69,248	<b>60,342</b>	6/9	40,228.2
B	£40,001 - £52,000	24,455	<b>22,165</b>	7/9	17,239.3
C	£52,001 - £68,000	15,194	<b>13,988</b>	8/9	12,434.0
D	£68,001 - £88,000	4,886	<b>4,641</b>	1	4,640.7
E	£88,001 - £120,000	1,747	<b>1,663</b>	11/9	2,031.9
F	£120,001 - £160,000	475	<b>453</b>	13/9	654.3
G	£160,001 - £320,000	145	<b>126</b>	15/9	210.4
H	Over £320,000	42	<b>24</b>	18/9	47.0
					<b>77,561.5</b>
	Local council tax support scheme: Estimated level of discounts to be awarded				<b>(12,193.0)</b>
	Care Leavers				<b>(62.5)</b>
					<b>65,306.0</b>
	Adjustments for collection rates				(1,828.6)
	<b>Council Tax Base for 2018/19</b>				<b>63,477.4</b>

## 6.2.2 Council Tax

The overall Council Tax requirement of £80.471m 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

<b>Derivation of the Band D Council Tax</b>	<b>2018/19</b>	<b>2017/18</b>
Council Tax Requirement	£80.471m	£75.568m
Tax base	63,477	61,994
City Council Band D	£1,267.72	£1,218.96
The Office of the Police and Crime Commissioner Staffordshire	£192.56	£181.16
Stoke-on-Trent and Staffordshire Fire and Rescue Authority	£73.53	£71.56
<b>Combined Band D Council Tax</b>	<b>£1,533.81</b>	<b>£1,471.68</b>

The level at which Council Tax was set in 2018/19 was:

<b>Valuation Band</b>	<b>Stoke-on-Trent City Council</b>	<b>The Office of the Police and Crime Commissioner Staffordshire</b>	<b>Stoke-on-Trent and Staffordshire Fire and Rescue Authority</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>A</b>	845.15	49.02	128.37	<b>1,022.54</b>	981.12
<b>B</b>	986.00	57.19	149.77	<b>1,192.96</b>	1,144.64
<b>C</b>	1,126.87	65.36	171.16	<b>1,363.39</b>	1,308.16
<b>D</b>	1,267.72	73.53	192.56	<b>1,533.81</b>	1,471.68
<b>E</b>	1,549.44	89.87	235.35	<b>1,874.66</b>	1,798.72
<b>F</b>	1,831.15	106.21	278.14	<b>2,215.50</b>	2,125.76
<b>G</b>	2,112.87	122.55	320.93	<b>2,556.35</b>	2,452.80
<b>H</b>	2,535.44	147.06	385.12	<b>3,067.62</b>	2,943.36

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

<b>2017/18</b>	<b>2018/19</b>
<b>£</b>	<b>£</b>
75,568,450 Stoke-on-Trent City Council	80,471,570
11,230,869 The Office of the Police and Crime Commissioner Staffordshire	12,223,208
4,436,305 Stoke-on-Trent and Staffordshire Fire and Rescue Authority	4,667,493
<b>91,235,624</b>	<b>97,362,271</b>

## 6.2.3 Collection Fund Debtors

Age analysis of Collection Fund debt

2017/18			2018/19	
Council Tax	NNDR		Council Tax	NNDR
£000	£000		£000	£000
4,087	1,224	Less than 12 months	3,949	1,628
2,789	1,375	Between 1 - 2 years	2,520	1,042
6,411	1,540	Between 2 – 5 years	5,391	1,958
2,745	848	Greater than 5 years	2,980	1,112
(15,023)	(3,788)	Less impairment	(12,103)	(5,233)
<b>1,009</b>	<b>1,199</b>		<b>2,737</b>	<b>507</b>

# 7.0 Group Accounts



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## 7.1 Introduction

The purpose of the Group Accounts is to provide a picture of Stoke-on-Trent City Council and the group of companies and other entities, which are either controlled or are significantly influenced by the Council. The Group Accounts show the full extent of the Authority's wider assets and liabilities. While the Group Accounts are not primary statements, they provide transparency and enable comparison with other entities that have different corporate entities.

The City Council has interests in a number of companies that are classified as a subsidiary, all of which have been considered for consolidation. Two of these, Fortior Homes Limited and Unitas Stoke-on-Trent Limited are considered to be material to the financial statements.



The Group

Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with, Fortior Homes Limited and Unitas Stoke-on-Trent Limited. Copies of the individual audited accounts are available from Companies House.

The subsidiaries have been consolidated into the Group accounts on a line by line basis, incorporating their income and expenditure fully in the relevant service revenue accounts.

The overall impact of the companies on the financial performance, financial position and

cash flows of the group is relatively low. Compared to the single entity Stoke-on-Trent City Council accounts the overall deficit on the CIES increased by £1.772m (£10.983m - 2017/18), the net assets decreased by £22.782m (£11.147m - 2017/18) and the net increase in cash increased by £0.212m (£0.224m - 2017/18).



The purpose of each of the core statements is explained in the relevant sections of the single entity accounts. No amendments have been necessary to the accounts of the group entities as a result of material differences arising from the variation in accounting policies.

The Group Accounts should be read in conjunction with Stoke City Council single entity accounts on pages 26 to 112. Only notes to the accounts that are materially different from the single entity accounts are produced for the group accounts.

## 7.2 Group Comprehensive Income and Expenditure Statement

2017/18			2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
			<b>Continuing Service Areas</b>			
121,461	(66,264)	55,197	Children and Family Services	155,635	(76,962)	78,673
146,837	(76,012)	70,825	Social Care, Health Integration and Wellbeing	144,433	(82,444)	61,989
77,533	(27,145)	50,388	Place, Growth & Prosperity	87,995	(33,588)	54,407
28,296	(2,024)	26,272	Housing and Customer Services	33,290	(5,864)	27,426
23,358	(4,486)	18,872	City Director	24,504	(5,678)	18,826
56,293	(66,656)	(10,363)	Housing Revenue Account	27,228	(60,775)	(33,547)
10,374	-	10,374	LGPS Transferred Liability	-	-	-
87,093	(79,312)	7,781	Schools	67,125	(67,330)	(205)
1,016	-	1,016	Civic and Corporate Expenses	965	-	965
87,463	(88,508)	(1,045)	Benefit Payments	82,900	(82,926)	(26)
(8,376)	(316)	(8,692)	Non Departmental Costs	1,168	(1,809)	(641)
<b>631,348</b>	<b>(410,723)</b>	<b>220,625</b>	<b>Net Cost of Services</b>	<b>625,705</b>	<b>(417,839)</b>	<b>207,866</b>
		(2,167)	Other Operating Expenditure	4.2.6b		399
		85,534	Financing and Investment Income & Expenditure			50,032
		(214,897)	Taxation and Non-Specific Grant Income	4.2.6d		(230,438)
		<b>89,095</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>27,859</b>
		-	Tax expenses of subsidiary			-
		<b>89,095</b>	<b>Group (Surplus)/Deficit</b>			<b>27,859</b>
		(5,859)	(Surplus)/deficit on revaluation of non-current assets			4,100
		41	Impairment losses non-current assets charged to revaluation reserve			135
		(129)	(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income			2,087
		(27,728)	Remeasurement on pension fund (assets) & liabilities	4.2.19		76,803
		<b>(33,676)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>83,125</b>
		<b>55,419</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>110,984</b>

## 7.3 Group Balance Sheet

31 March 2018		31 March 2019	
£000	Note	£000	
1,178,019	Property, Plant and Equipment	7.6b	1,209,201
67,233	Heritage Assets	4.2.11b	66,284
22,055	Investment Property	7.6c	25,890
4,086	Intangible Assets	4.2.11f	4,456
7,207	Long Term Investments	4.2.14d	5,119
2,929	Long Term Debtors	4.2.21	9,286
9,284	Pension Contribution Asset	4.2.19	-
<b>1,290,813</b>	<b>Long Term Assets</b>		<b>1,320,236</b>
8,334	Pension Contribution Asset	4.2.19	9,284
201	Short Term Investments		211
189	Assets Held For Sale	4.2.11f	211
1,106	Stocks		1,373
40,085	Short Term Debtors	7.6d	49,539
3,857	Cash and Cash Equivalents	4.2.14a	18,613
<b>53,772</b>	<b>Current Assets</b>		<b>79,231</b>
(10,648)	Short Term Borrowing	4.2.14b	(12,038)
(10,034)	Other Short Term Liabilities	4.2.14b	(10,754)
(57,733)	Short Term Creditors	7.6e	(60,132)
(5,853)	Grants Receipts in Advance	4.2.16	(5,597)
(4,786)	Provisions	4.2.15	(4,885)
<b>(89,054)</b>	<b>Current Liabilities</b>		<b>(93,406)</b>
(3,852)	Provisions	4.2.15	(3,708)
(391,940)	Long Term Borrowing	4.2.14b	(460,030)
(121,379)	Other Long Term Liabilities	4.2.14b	(109,202)
(475,724)	Net Pensions Liabilities	4.2.19	(581,177)
<b>(992,895)</b>	<b>Long Term Liabilities</b>		<b>(1,154,117)</b>
<b>262,636</b>	<b>Net Assets</b>		<b>151,944</b>

31 March 2018		31 March 2019	
£000	Note	£000	
9,082	General Fund Balance	7.4	9,556
50,763	Earmarked Reserves - General Fund	4.2.9a	35,290
10,373	Usable Capital Receipts Reserve	4.2.9c	11,705
7,740	Housing Revenue Account Balance	7.4	7,833
17,031	Earmarked Reserves - HRA	4.2.9b	14,827
9,470	Major Repairs Reserves	5.3.3a	9,467
5,356	Capital Grants Unapplied	4.2.9d	4,484
<b>109,816</b>	<b>Usable Reserves</b>		<b>93,162</b>
452,358	Capital Adjustment Account	4.2.10a	471,967
172,160	Revaluation Reserve	4.2.10b	162,121
698	Collection Fund Adjustment Account	6.1	2,329
(464,587)	Pensions Reserve (Deficit)	4.2.10c	(565,684)
(6,833)	Accumulated Absences Account		(4,522)
(3,096)	Financial Instruments Adjustment Account	4.2.10e	(3,133)
7,188	Financial Instruments Revaluation Reserve	4.2.10f	5,100
6,245	Deferred Capital Receipts Reserve	4.2.10d	6,123
<b>164,133</b>	<b>Unusable Reserves</b>		<b>74,301</b>
<b>(11,313)</b>	<b>Share of Subsidiary Reserves</b>	7.4	<b>(15,519)</b>
<b>262,636</b>	<b>Total Reserves</b>		<b>151,944</b>

These financial statements replace the unaudited financial statements certified by Nick Edmonds on 30 May 2019

## 7.4 Group Movement in Reserves Statement

2018/19

	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	Share of Subsidiary Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2018</b>		<b>9,082</b>	<b>50,763</b>	<b>7,740</b>	<b>17,031</b>	<b>9,470</b>	<b>10,373</b>	<b>5,355</b>	<b>109,816</b>	<b>164,133</b>	<b>273,949</b>	<b>(11,313)</b>	<b>262,636</b>
Adjustments for the restatement of financial	4.2.3	293	-	-	-	-	-	-	293	-	293	-	293
Total Comprehensive Expenditure and Income	3.1	(56,485)	-	30,449	-	-	-	-	(26,036)	(80,743)	(106,779)	(4,206)	(110,984)
Adjustments between accounting basis and funding basis under regulations	4.2.8	41,192	-	(32,560)	-	(3)	1,331	(871)	9,089	(9,089)	-	-	-
Rounding's		1	-	-	-	-	1	-	1	(1)	1	-	-
<b>Increase/ (Decrease) in Year</b>		<b>(14,999)</b>	<b>-</b>	<b>(2,111)</b>	<b>-</b>	<b>(3)</b>	<b>1,332</b>	<b>(871)</b>	<b>(16,653)</b>	<b>(89,833)</b>	<b>(106,485)</b>	<b>(4,206)</b>	<b>(110,691)</b>
Transfers to/(from) Earmarked Reserves	4.2.9	15,473	(15,473)	2,204	(2,204)	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2019</b>		<b>9,556</b>	<b>35,290</b>	<b>7,833</b>	<b>14,827</b>	<b>9,467</b>	<b>11,705</b>	<b>4,484</b>	<b>93,162</b>	<b>74,300</b>	<b>167,463</b>	<b>(15,519)</b>	<b>151,944</b>

## 7.4 Group 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	Share of Subsidiary Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2017</b>	<b>8,569</b>	<b>73,418</b>	<b>7,898</b>	<b>19,524</b>	<b>9,469</b>	<b>10,207</b>	<b>7,164</b>	<b>136,249</b>	<b>181,806</b>	<b>318,055</b>	<b>-</b>	<b>318,055</b>
Total Comprehensive Expenditure and Income	(86,401)	-	8,289	-	-	-	-	(78,112)	34,006	(44,106)	(11,313)	(55,419)
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	4	(4)	-	-	-
<b>Increase/ (Decrease) in Year</b>	<b>(22,143)</b>	<b>-</b>	<b>(2,651)</b>	<b>-</b>	<b>1</b>	<b>166</b>	<b>(1,809)</b>	<b>(26,433)</b>	<b>(17,673)</b>	<b>(44,106)</b>	<b>(11,313)</b>	<b>(55,419)</b>
Transfers to/(from) Earmarked Reserves	4.2.9 22,655	(22,655)	2,493	(2,493)	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2018</b>	<b>9,082</b>	<b>50,763</b>	<b>7,740</b>	<b>17,031</b>	<b>9,470</b>	<b>10,373</b>	<b>5,355</b>	<b>109,816</b>	<b>164,133</b>	<b>273,949</b>	<b>(11,313)</b>	<b>262,636</b>

## 7.5 Group Cash Flow Statement

2017/18			2018/19
£000		Note	£000
<b>78,289</b>	<b>Net surplus/(deficit) on the provision of services</b>	<b>3.1</b>	<b>19,786</b>
<b>(84,213)</b>	Adjustments to net surplus or deficit on the provision of services for non-cash movements	<b>4.2.25</b>	<b>(58,108)</b>
<b>23,418</b>	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>4.2.25</b>	<b>34,615</b>
<b>17,494</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(3,707)</b>
<b>41,702</b>	<b>Net Cash Flows from Investing Activities</b>	<b>4.2.25</b>	<b>49,936</b>
<b>(40,896)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>4.2.25</b>	<b>(60,985)</b>
<b>18,300</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>14,756</b>
22,157	Cash and Cash Equivalents at the beginning of the reporting period	3.2	3,857
<b>3,857</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>3.2</b>	<b>18,613</b>

## 7.6 Notes to the Group Accounts

### a - Accounting Policies for the Group

In preparing the Group Accounts the council has aligned the accounting policies of the company with those of the council and made consolidation adjustments where necessary

The Council has consolidated its interests in all the entities over which it exercises control or significant influence. The results of entities have been consolidated on a line by line basis as subsidiaries. Consolidation has been based on:

- For 2018/19 - the draft accounts of Fortior Homes Limited and Unitas Stoke-on-Trent Limited for the period ended 31 March 2019.
- For 2017/18 - the audited accounts of Fortior Homes Limited for the period ended 31 March 2018 and the management accounts of Unitas Stoke-on-Trent Limited for the period ended 31 March 2018.

Where group entities use different accounting policies to the Council, their accounts have been restated to re-align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

Intra-group transactions have been eliminated before consolidation on a line by line basis.

## 7.6 Notes to Group Accounts

### b - Group Property, Plant & Equipment

Movement on Balance 2018/19 Cost or Valuation	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
<b>Balance at 1 April</b>	<b>509,825</b>	<b>389,496</b>	<b>57,565</b>	<b>235,028</b>	<b>34,820</b>	<b>36,533</b>	<b>13,615</b>	<b>1,276,882</b>
Additions	14,839	6,065	4,069	22,077	1,793	4,226	24,677	<b>77,746</b>
Donations	-	-	-	-	-	-	-	-
<i>Revaluation increases/(decreases) recognised in the:</i>								
Revaluation reserve	6,804	(16,888)	-	-	-	4,091	-	<b>(5,993)</b>
Surplus/Deficit on the Provision of Services	11,607	(8,006)	-	-	-	(4,684)	-	<b>(1,083)</b>
Derecognition through disposal and transfer (Non-schools)	-	(1,754)	(195)	(15,314)	-	(2,942)	(44)	<b>(20,249)</b>
Derecognition through disposal and transfer School transfers	-	(10,432)	(953)	(16)	-	-	-	<b>(11,401)</b>
Reclassifications - other	-	-	-	-	-	-	(1)	<b>(1)</b>
Assets reclassified (to)/from Held for Sale	(6,229)	-	-	-	-	(65)	-	<b>(6,294)</b>
Other	2,738	1,362	8	-	(28)	989	(4,994)	<b>75</b>
<b>Balance at 31 March</b>	<b>539,584</b>	<b>359,843</b>	<b>60,494</b>	<b>241,775</b>	<b>36,585</b>	<b>38,148</b>	<b>33,253</b>	<b>1,309,682</b>

## 7.6 Notes to Group Accounts

### b - Group Property, Plant & Equipment

Movement on Balance 2018/19	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
<b>Accumulated Depreciation and Impairment</b>								
<b>Balance at 1 April</b>	(744)	(6,415)	(27,757)	(58,776)	(663)	(3,008)	(1,500)	(98,863)
Depreciation charge in year	(13,630)	(8,783)	(5,577)	(7,470)	-	(114)	-	(35,574)
<i>Depreciation written out to the:</i>								
Revaluation Reserve	-	2,855	-	-	-	21	-	2,876
Surplus/Deficit on the Provision of Services	13,332	3,787	-	-	-	1,536	-	18,655
<i>Impairment losses/(reversals) recognised in the:</i>								
Revaluation reserve	-	(84)	-	-	(21)	(29)	-	(134)
Surplus/Deficit on the Provision of Services	(575)	(613)	(97)	(2,334)	(210)	(1,341)	(42)	(5,212)
Derecognition through disposal and transfer: Non-schools	-	30	191	15,312	-	1,353	42	16,928
Derecognition through disposal and transfer: School transfers	-	263	576	5	-	-	-	844
Reclassifications - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other	597	(19)	(7)	-	-	(597)	25	(1)
<b>Balance at 31 March</b>	<b>(1,020)</b>	<b>(8,979)</b>	<b>(32,671)</b>	<b>(53,263)</b>	<b>(894)</b>	<b>(2,179)</b>	<b>(1,475)</b>	<b>(100,481)</b>
<b>Net Book Value</b>								
<b>At 31 March 2019</b>	<b>538,564</b>	<b>350,864</b>	<b>27,823</b>	<b>188,512</b>	<b>35,691</b>	<b>35,969</b>	<b>31,778</b>	<b>1,209,202</b>
<b>At 31 March 2018</b>	<b>509,081</b>	<b>383,081</b>	<b>29,808</b>	<b>176,252</b>	<b>34,157</b>	<b>33,525</b>	<b>12,115</b>	<b>1,178,019</b>

## 7.6 Notes to the Group Accounts

### b - Group Property, Plant & Equipment

Movement on Balance 2017/18 Cost or Valuation	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
<b>Balance at 1 April</b>	<b>502,975</b>	<b>420,974</b>	<b>56,790</b>	<b>226,224</b>	<b>32,444</b>	<b>41,417</b>	<b>6,976</b>	<b>1,287,800</b>
Additions	16,678	6,516	5,617	17,069	1,714	2,464	7,583	<b>57,641</b>
Donations	-	172	-	-	-	-	-	<b>172</b>
<i>Revaluation increases/(decreases) recognised in the:</i>								
Revaluation reserve	-	1,194	-	-	655	(8)	-	<b>1,841</b>
Surplus/Deficit on the Provision of Services	(4,297)	8,889	-	-	-	(758)	-	<b>3,834</b>
Derecognition through disposal and transfer (Non-schools)	(1,612)	(112)	(710)	(7,169)	-	(7,485)	(71)	<b>(17,159)</b>
Derecognition through disposal and transfer School transfers	-	(48,972)	(4,000)	(42)	-	-	-	<b>(53,014)</b>
Reclassifications - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(4,037)	(185)	-	-	-	(11)	-	<b>(4,233)</b>
Other	118	1,020	(132)	(1,054)	7	914	(873)	-
<b>Balance at 31 March</b>	<b>509,825</b>	<b>389,496</b>	<b>57,565</b>	<b>235,028</b>	<b>34,820</b>	<b>36,533</b>	<b>13,615</b>	<b>1,276,882</b>

## 7.6 Notes to Group Accounts

### b - Group Property, Plant & Equipment

Movement on Balance 2017/18	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
<b>Accumulated Depreciation and Impairment</b>								
<b>Balance at 1 April</b>	<b>(605)</b>	<b>(6,506)</b>	<b>(25,545)</b>	<b>(56,992)</b>	<b>(663)</b>	<b>(5,454)</b>	<b>(1,475)</b>	<b>(97,240)</b>
Depreciation charge in year	(13,061)	(9,117)	(5,178)	(6,925)	-	(96)	-	(34,377)
<i>Depreciation written out to the:</i>								
Revaluation Reserve	-	3,627	-	-	-	4	-	3,631
Surplus/Deficit on the Provision of Services	12,866	4,932	-	-	-	209	-	18,007
<i>Impairment losses/(reversals) recognised in the:</i>								
Revaluation reserve	-	(29)	-	(11)	-	-	-	(40)
Surplus/Deficit on the Provision of Services	(2,254)	(262)	(330)	(1,955)	-	(1,188)	-	(5,989)
Derecognition through disposal and transfer: Non-schools	1,612	112	687	6,738	-	4,206	-	13,355
Derecognition through disposal and transfer: School transfers	-	1,199	2,574	16	-	-	-	3,789
Reclassifications - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(4)	4	-	-	-	1	-	1
Other	702	(375)	35	353	-	(690)	(25)	-
<b>Balance at 31 March</b>	<b>(744)</b>	<b>(6,415)</b>	<b>(27,757)</b>	<b>(58,776)</b>	<b>(663)</b>	<b>(3,008)</b>	<b>(1,500)</b>	<b>(98,863)</b>
<b>Net Book Value</b>								
<b>At 31 March 2018</b>	<b>509,081</b>	<b>383,081</b>	<b>29,808</b>	<b>176,252</b>	<b>34,157</b>	<b>33,525</b>	<b>12,115</b>	<b>1,178,019</b>
<b>At 31 March 2017</b>	<b>502,370</b>	<b>414,468</b>	<b>31,245</b>	<b>169,232</b>	<b>31,781</b>	<b>35,963</b>	<b>5,501</b>	<b>1,190,560</b>

## 7.6 Notes to Group Accounts

### c - Group Investment Property

	City Council	Fortior Homes Ltd	Total Assets
	£000	£000	£000
At 1 April 2017	<b>20,874</b>	-	<b>20,874</b>
Additions	52	702	<b>754</b>
Upward revaluation	1,060	-	<b>1,060</b>
Downward revaluation	(634)	-	<b>(634)</b>
<b>At 1 April 2018</b>	<b>21,352</b>	<b>702</b>	<b>22,054</b>
Additions	851	3988	<b>4,839</b>
Upward revaluation	1622	812	<b>2,434</b>
Downward revaluation	(3,349)	(15)	<b>(3,362)</b>
Reclassification to/(from) Investment Property	(74)	1	<b>(73)</b>
<b>At 31 March 2019</b>	<b>20,402</b>	<b>5,488</b>	<b>25,890</b>

### d - Short Term Debtors

31 March 2018		31 March 2019
£000	Note	£000
6,731	Central government bodies	6,021
-	Academies	645
2,388	Other local authorities	1,886
52	NHS bodies	128
53,262	Other entities and individuals	60,879
(22,348)	Impairment of other entities and individuals	(20,020)
<b>40,085</b>	<b>Total</b>	<b>49,539</b>

### e - Short Term Creditors

31 March 2018		31 March 2019
£000	Note	£000
7,406	Central government bodies	7,483
2,053	Other local authorities	4,254
1,348	NHS bodies	1,099
46,926	Other entities and individuals	47,296
<b>57,733</b>	<b>Total</b>	<b>60,132</b>

## 8.0 Other Statements



## 8.1 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 2018/19, 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

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

### 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 Carbon Reduction Commitment Energy Efficiency Scheme ends on 31 March 2019. The authority is required to purchase allowances and surrender them on the basis of emissions through energy use. As energy is used a liability and an expense are recognised and reported as a net cost of service apportioned on the basis of energy consumption. 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.

### 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.

### Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following to record the service cost of using non-current assets during the year;

- depreciation
- revaluation and impairment losses
- amortisation of intangible assets

For General Fund the Council is not required to raise council tax to finance depreciation, revaluation and impairment losses or amortisation. These are replaced by a Minimum Revenue Provision charged to the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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.

## 8.1 Statement of Accounting Policies

### Contingent Liabilities

A contingent liability is a possible financial obligation that arises from past events which will only crystallise if certain events take place. The obligation cannot be measured sufficiently reliably and is disclosed as such.

### Council Tax and Non-Domestic Rates

The collection of council tax and non-domestic rates is an agency arrangement for the council, as billing authority, other preceptors and central government. The income in respect of the council from council tax and non-domestic rates is included in the Comprehensive Income and Expenditure Statement for the year on an accruals basis. The cash collected belongs proportionately to the City Council, the preceptors and central government. The City Council recognises its share of any outstanding council tax and non-domestic rates arrears, receipts in advance adjusted by an impairment allowance and an allowance for appeals made by non-domestic rates payers in its balance sheet.

Regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. 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.

#### Termination Benefits

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective Service line in the Comprehensive Income and Expenditure Statement. Where those benefits involve the enhancement of pensions the amount payable is charged to the General Fund Balance.

### Post-employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered on behalf of the Department for Education (DfE),
- The National Health Service (NHS) Pension scheme,
- The Local Government Pension Scheme (LGPS).

Each scheme provides defined benefits to members (retirement lump sums and pensions), earned whilst employees are working for the Council. However, the centralised arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits recognised in the Balance Sheet. The Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme and the NHS Pension Scheme in the year.

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and forecasts of projected earnings for current employees). The increase in the liability arising from pensionable service earned during the year is recognised within the net cost of services.

The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value. The change in the net pension liability is analysed into its components:

- Current Service Cost: The increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost; Is 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. The Council also recognise a gain or loss on settlement when the settlement occurs. The settlement is deemed to occur when the authority enters into a transaction which eliminates all further obligations for part or all of the benefits provided under the LGPS defined benefit plan.

## 8.1 Statement of Accounting Policies

- 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.

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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and to replace them with debits for the cash paid to the pension fund and pensioners and any such amounts that are payable but remain 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 figures that are used to account for the scheme are commissioned annually from the Staffordshire County Council Pension Fund actuary.

### *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 which are classified on the basis of the authority's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The three main classes of financial assets are: .

- Amortised Cost
- Fair Value through Profit or Loss (FVPL), and
- Fair Value through Other Comprehensive Income (FVOCI)

## 8.1 Statement of Accounting Policies

### ***Amortised Cost***

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are subsequently 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.

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 and 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.

Any gains and losses that arise on the de-recognition of the asset, are credited / debited to the Comprehensive Income and Expenditure Statement.

### ***Fair Value through Profit or Loss***

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

Values are based on the following principles:

- instruments with quoted market prices - the market price

- other instruments with fixed and determinable payments - discounted cash flow analysis
- equity shares with no quoted market prices – professional estimate

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

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

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

### ***Fair Value through Other Comprehensive Income***

The Council has elected to designate investments in equity instruments to FVOCI where they are not held for trading. Movements in fair value will be accumulated in the Financial Instruments Revaluation Reserve until the asset is derecognised, at which point the net gain or loss would be transferred to the General Fund.

### ***Expected Credit Loss Model***

The authority recognises expected credit losses on all of its financial assets held at amortised cost, and where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables held by the authority.

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

The Council has made a significant number of small loans at less than market rates to individuals. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual basis. It has therefore assessed losses for the portfolio on a collective basis.

Where the authority has a commitment to make loans at some point in the future, this commitment is not reflected in any accounting entries until the lender actually draws down some or all of the facility. A provision might be required to reflect potential defaults of the borrower were to exercise their drawdown rights.

## 8.1 Statement of Accounting Policies

### 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. 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, as amended and include intangible heritage assets. 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.

The City Council's collections of heritage assets are reported in the balance sheet at valuations where the cost of obtaining professional valuations has not been prohibitive.

### Ceramics, Porcelain and Fine Arts

The ceramics and porcelain artefacts and fine art collection, which includes paintings (both oil and watercolour), prints, sculptures and sketches are deemed to have indeterminate useful lives and a high residual value therefore depreciation is not charged.

Acquisitions are initially recognised at cost and donations are recognised using a valuation provided by an external valuer.

### 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 and ephemera from the pottery industry exhibited 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. Where acquisitions take place, these are initially recognised at cost or where bequeathed or donated, at nil consideration.

## 8.1 Statement of Accounting Policies

### 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

### 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.

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.

### 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 subsidiary companies in respect of a Housing Company – Fortior Homes, Housing Repairs Company – Unitas and Heat Network Company. Where transactions are considered material the City Council will prepare group accounts. The Council has no material interests in companies and other entities that have the nature of associates and jointly controlled entities. In order to align group entities accounting policies to those used by the Council and ensure consistency of accounting treatment

across the group, the following principles have been adopted:

- Consolidation of Subsidiaries - Subsidiaries have been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Council and its subsidiaries. To avoid overstating the figures within the group financial statements, all transactions and balances between members of the group (the Council and its subsidiaries) have been eliminated.
- Alignment of accounting framework and policies - Where group organisations use different accounting policies to the Council, their accounts have been restated to align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.
- Unrealised profits from intra-group transactions - Any unrealised profit reflected in the carrying amount of property, plant and equipment and inventory arising from trading between the Council and its group companies will be eliminated to avoid the double counting of gains.
- Company losses Accounting Treatment - The Group Comprehensive Income and Expenditure Account includes the profits / losses arising in each of the wholly owned subsidiary companies. Profits/losses from wholly owned subsidiaries are included in Group Surplus or Deficit on Provision of Services from ordinary trading activities.

### Investment and Surplus Property

Investment property is held solely to earn rentals and / or for capital appreciation and 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. The gains and losses are not permitted by statute to impact on the General Fund Balance so are 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.

Assets identified as 'of indeterminate use' are 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.

## 8.1 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 set aside from its General Fund Revenue Account a regular provision for repayment of debt. There is no longer a separate requirement to set aside a minimum revenue provision from the Housing Revenue Account.

MRP relating 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 apply an additional voluntary contribution, including capital receipts or revenue contributions, to reduce its debt liability. In instances where the Council incurs borrowing in order to lend funds to a third party will treat any advance as "Serviced debt" and therefore no MRP will be set-aside providing there is an agreed repayment date. Annually the Council will undertake a financial assessment of the third parties ability to repay the debt and where any adverse changes are perceived to be occurring then a provision will be created to cover any future potential financial losses.

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

Classified as Non-current assets where 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. The assets is 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.

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. Where the asset no longer meets the criteria it is 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.

## 8.1 Statement of Accounting Policies

### 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). 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.

## 8.1 Statement of Accounting Policies

### Property Plant and Equipment

#### *Recognition*

Classified as assets that have physical substance and provide benefits and are expected to be used during more than one financial year.

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.

The Council has set an administrative capital de minimis levels:

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

This does not preclude expenditure below these levels being recognised 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.

#### *Measurement and 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 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 reflects the fair value at the end of the reporting period. Valuations shall be carried out at intervals of no more than five years.

Revaluation gains or losses arising are taken to the Revaluation Reserve except where the asset has been subject to a previous revaluation or impairment loss in which case all or part of the gain/loss is credited/debited to the Comprehensive Income and Expenditure Statement.

Asset Components are considered for recognition where individual buildings 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.

## 8.1 Statement of Accounting Policies

### **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.

## 8.1 Statement of Accounting Policies

### 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 once a legal agreement has been entered into. 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.

### 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

Schools governing bodies are separate entities to the Council but (with the exception of academies and free schools) are considered to be part of the council and their activities are reported within the Comprehensive Income and Expenditure Statement. Non-current assets are recognised on the balance sheet as they considered to be within the scope of IFRIC 12 PFI and controlled by the Council under that contract.

## 8.2 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.

## 8.2 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 one 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

### Curtailement

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.

Curtailements 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).

## 8.2 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 for 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 degree 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.

## 8.2 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.

## 8.2 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

## 8.2 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.

## 8.2 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.

## 8.2 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

