



City of
Stoke-on-Trent

Statement of Accounts 2015/16

Photo courtesy of Amie Downs



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1 Narrative Statement

Welcome to the Statement of Accounts for Stoke-on-Trent City Council for the financial year

The accounts provide a true and fair view of the financial performance of the City Council in the 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 2016. The accounts and accompanying documents are subject to an external independent review by KPMG LLP and their opinion forms part of this document.

Background

Stoke-on-Trent City Council is a unitary council with no parish councils. The City Council provides key public services to a population of around 251,000 residents in over 114,000 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 8,300 (7,000 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 Corporate Directors Board and officers of the Council.

Political Structure

Stoke-on-Trent has 37 wards and the Council consists of 44 elected Members. The political make up following the local election on 7 May 2015 is shown in the table below:

	2015/16
Labour Party	20
City Independents	15
Conservative Party	7
UK Independence Party	2

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 organisational structure of the Council headed by the Corporate Directors Board. This is made up of the Council's most senior level officers. During 2015/16 the team was as follows:

- Head of Paid Service
- Executive Director of Place
- Executive Director of People
- Director of Public Health
- Chief Operating Officer
- Director of Housing
- Chief Executive - Vacant from November 2015



Financial Overview

The reduction in public spending faced by local authorities has been a continuing challenge for the council. The 2010 Spending Review and subsequent local government settlements have seen extensive reductions in central government funding. The council has made good progress in achieving savings through delivering efficiencies, driving greater value from what we buy, reviewing charges for our services, redesigning services for the better and rationalising the council's buildings and land to get the best returns. In the 5 years from 2011/12 to 2015/16 the City Council has delivered savings of £122 million.

Managing the budget - Summary Final Outturn - Revenue

The outturn for the Council is £1.07 million underspent. This has been transferred to an earmarked reserve to support the budget strategy in future years.

2015/16 Final Outturn	Budget (gross) £m	Budget (income) £m	Budget (net) £m	Final Outturn £m	Over/(Under) spend £m
Children, Adults and Family Services	252.43	(142.84)	109.59	121.26	11.67
Public health	30.39	(28.81)	1.58	1.16	(0.42)
Place, Growth and Prosperity	92.84	(50.17)	42.67	42.26	(0.41)
Resources and Customer Services	30.52	(8.56)	21.96	18.58	(3.38)
City Director	8.13	(0.86)	7.27	6.64	(0.63)
Benefit payments	95.41	(95.34)	0.07	(1.53)	(1.60)
Civic & corporate expenses	1.73	(0.40)	1.33	1.23	(0.10)
Non departmental costs	51.60	(28.75)	22.85	16.73	(6.12)
Council tax income/council tax surplus	-	(72.03)	(72.03)	(72.03)	-
Non-domestic rates	-	(65.60)	(65.60)	(65.60)	-
Non-specific Government grants	-	(69.69)	(69.69)	(69.77)	(0.08)
General Fund Gross outturn	563.05	(563.05)	-	(1.07)	(1.07)
Transfer to budget strategy reserve	-	-	-	1.07	1.07
General Fund Net Outturn	563.05	(563.05)	-	(0.00)	(0.00)
Housing revenue account	70.13	(70.23)	(0.10)	(0.44)	(0.34)
Total	633.18	(633.28)	(0.10)	(0.44)	(0.34)

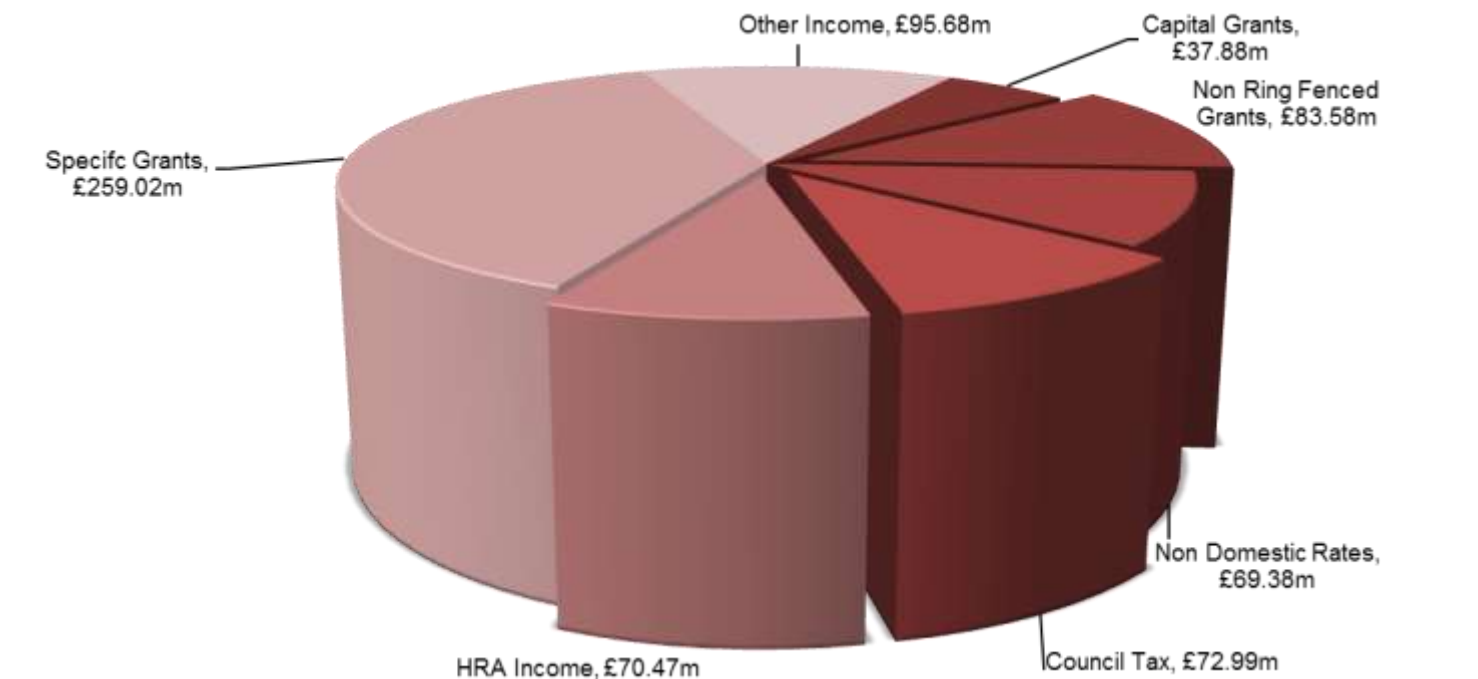
The table below shows the actual outturn and how these figures are reflected in the financial statements.

Reconciliation to CIES	Expenditure £m	Income £m	Net £m
General Fund	572.60	(572.60)	-
Housing Revenue Account	72.02	(72.46)	(0.44)
Actual Outturn (Movement in Balances)	644.62	(645.06)	(0.44)
Reconciliation to financial statements			
Net Cost of Services (note 4)	643.01	(423.88)	219.13
Other Operating Income/Expenditure (note 4)	58.09	(265.13)	(207.04)
(Surplus)/Deficit on Provision of Services (note 4)	701.10	(689.01)	12.09
Adjustment to the CIES under statute (note 6)			(10.01)
Transfers to Earmarked Reserves (note 6)			72.53
Transfers from Earmarked Reserves (note 6)			(75.05)
Movement in Balances (note 6)			(0.44)

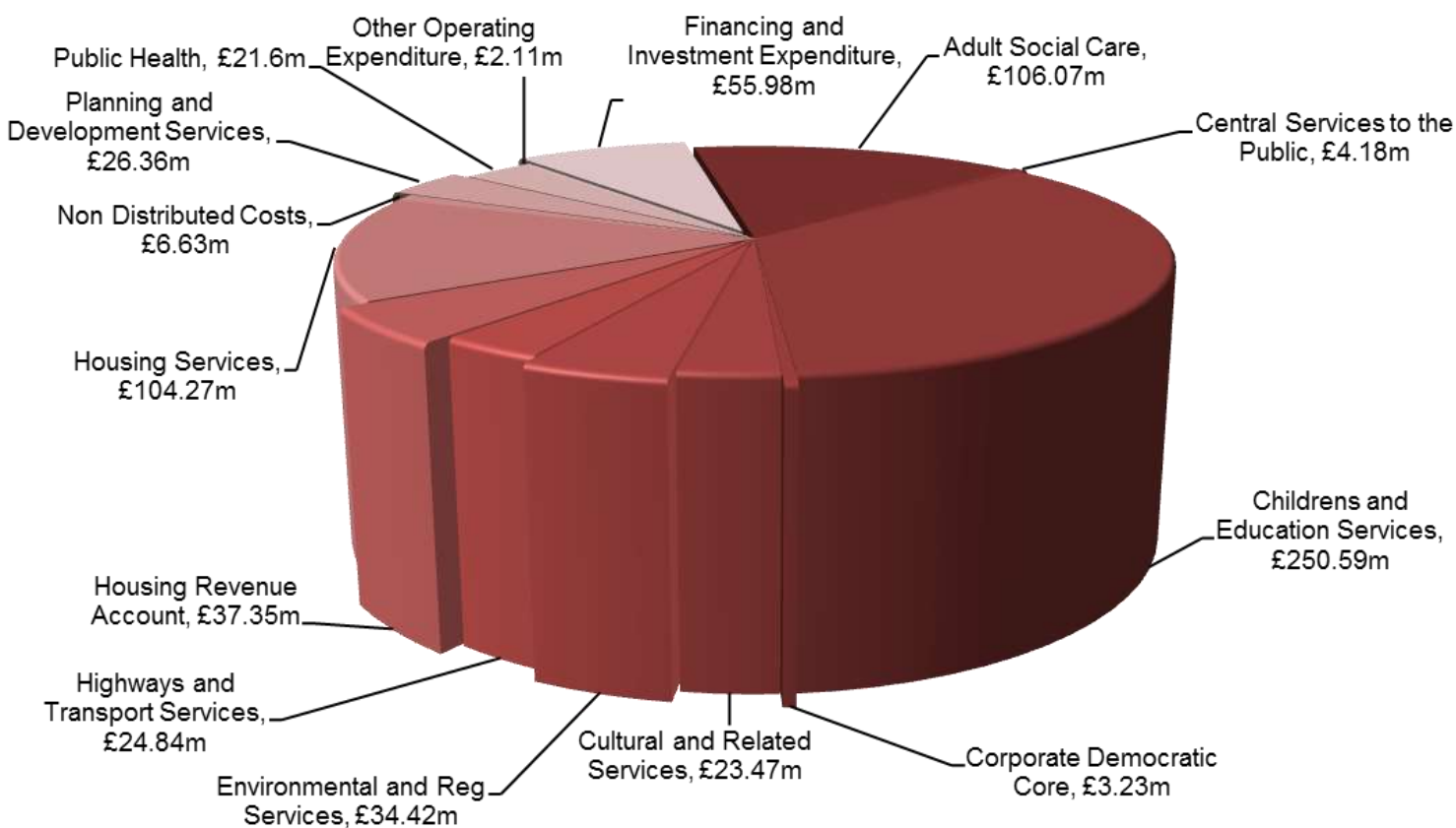
The Council has spent £701.10m to deliver services funded by £689.01m of income in 2015/16. The income comes primarily from central government in the form of grants, from local residents in the form of council tax payments and from local businesses in the form of non-domestic rates.

The following charts shows how the money was funded in 2015/16 and how it was spent.

Revenue Income 2015/16 - £689.01m



Revenue Expenditure 2015/16 - £701.10m



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 the first three quarters of the year the City Council continued with its strategic priorities which informed the budget report approved by Council in February 2015. From January 2016, the City Council adopted the Stronger Together Strategic Plan 2016-20, which set out the strategic priorities which will guide the Council's work over the following four years. In support of the plan the City Council has adopted a number of performance measures reported against the strategic priorities.

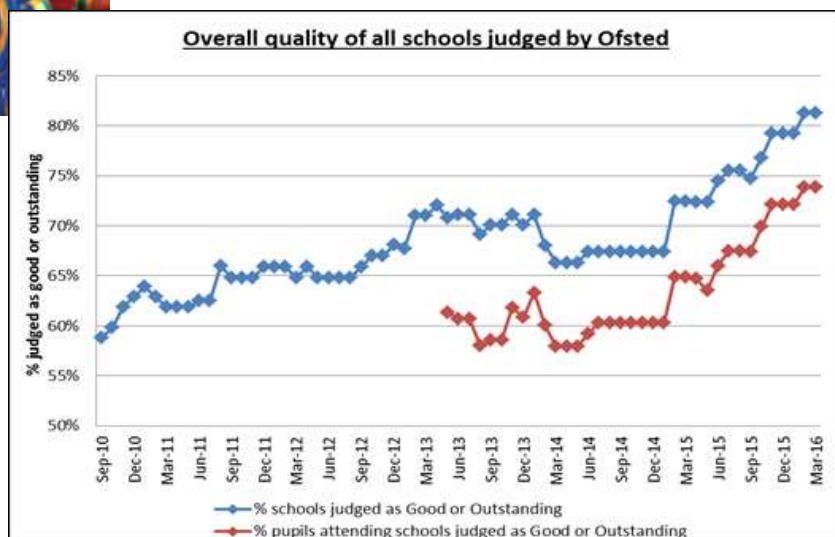
The performance measures below will enable us to track our progress at an operational level as well as providing a means for stakeholders to rigourously assess performance, the need for services, the method of provision, value for money, management of risk and partnership impact.

Education Services



In March 2016 there were 81.3% of schools (Sponsored Academy excluded) being judged as Good or Outstanding at the end of the quarter. This is a significant increase on the previous two financial years (66.3% March 2014, and 72.5% March 2015). The West Midlands average for March 2016 was 79.3%, and England Average was 81.5% (both Sponsored Academy excluded figures).

The number of pupils attending schools judged as Good or Outstanding has also increased to 73.9% in March 2016. This is an increase of 16 percentage points compared to March 2014 (57.9%), and 9 percentage points compared to March 2015 (67.9%). The March 2016 West Midlands and England averages were 77.7%, and 80.9% respectively.



Childrens Services



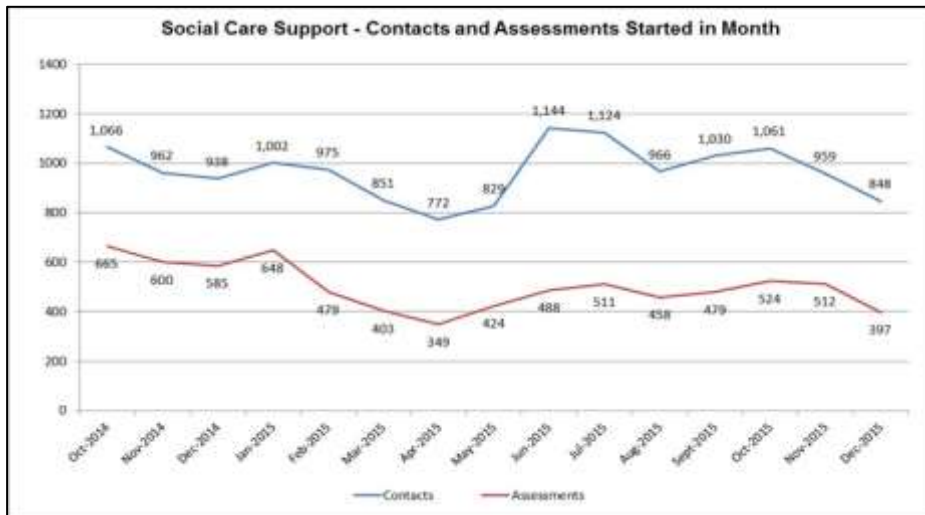
The total number of children open to Children's Social Care was 3,089 at the end of 2015/16. This is an increase of 572 compared to the end of 2014/15.

The number of Children in Care has continued to increase from 609 at the end of 2014/15 to 654 at the end of 2015/16.

Total number of contacts for 2015/16 was 25,489 compared to 21,811 in 2014/15. This is an increase on average of over 300 extra contacts a month.

Adult Social Care

Since April 2015 the new way of working has been implemented and the service changed to meet Care Act requirements. The short initial contact assessment has now been replaced with a more comprehensive First Contact Assessment with more time taken to understand the customer to build their wider support network.



Culture and Heritage



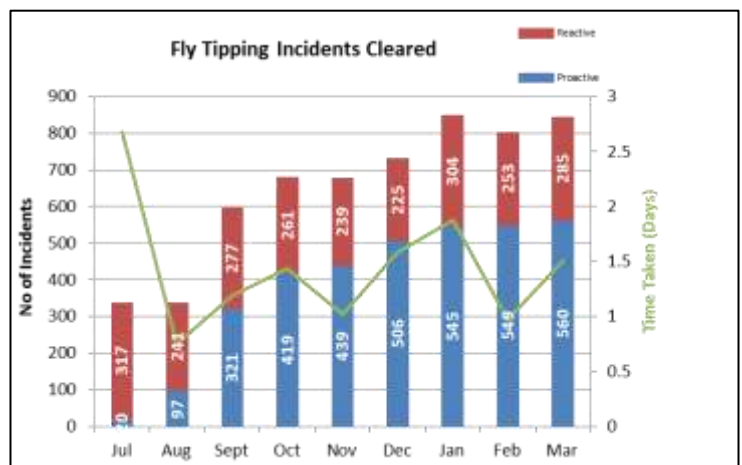
•Gladstone Pottery Museum (GPM) visitor numbers are up 37% overall for Q1-Q3 2015 compared to the same period in 2014 with Q3 alone up 47.5% against the previous year.



•Quarter 3 in 2015/16 saw a marginal 0.5% increase in total facility throughput compared with the same period in 2014/15. However, the year to date position shows a 7.2% increase in facility throughput when compared to the previous year.

Environmental Service

Fly Tipping continues to be the principal issue as can be seen in the chart below. The cleansing team have recently changed their approach to tackling Fly Tipping and now operate on both a pro-active and re-active basis. The teams are now split to provide a re-active service to residents who report incidents as well providing a pro-active service covering all wards in the city on a rolling programme. This approach often means that incidents are dealt with before residents see them and report to the council. It also means that areas of the city where residents are less inclined to report incidents receive the same level of service.



Capital Expenditure

As well as delivering day to day services, the City Council also spends money on capital investment to maintain the levels of support to those services. The authority continues to have a very ambitious agenda over the medium term to revitalise the City through capital investment in education, roads and buildings, housing, regeneration and private sector led projects. In 2015/16 the City Council spent £47.4m on capital expenditure, which is analysed below against key priorities.



The programmes with the most significant spend and major achievements in this financial year include:

- Public Sector Housing – £15.95 million has been spent improving the standards and fabric of council housing across all dwelling types. Work undertaken in 2015/16 included more than 4,900 houses and flats. Payments of the Social Mobility Grant (£140,000) is included in the total spend.
- Education Service Development - £5.66 million was spent providing extra classrooms for increased pupil places and small scheme projects at individual schools utilising capital grants from the Department for Education (DfE) and school contributions. Notable expenditure during 2015/16 was incurred at Holden Lane Primary, Sneyd Green Primary, Etruscan Primary and Burnwood Community Primary.
- Central Business District (Smithfield) – £4.16 million spent to complete the construction and partial fit-out of Buildings A and B, the construction phase has come in under budget saving £1.8million. The remains fit out costs during 2016/17 to allow for alterations to the buildings to facilitate occupancy by 3rd parties.
- Access Links to Etruria Valley - £1.46 million has been spent so far in preparation for the development of access to the site.



New Build Housing – Overall spend in this area is £2.38 million. The programme has invested in a number of key housing regeneration projects over 2015/16 to deliver a range of new homes for a mix of tenures and households including new build housing schemes in City Waterside. Other significant investment was the demolition of 1-75 Travers Street to enable the provision of gardens to the rear of Port Street and Burgess Street.



Highways improvement works - £5.28 million have been spent maintaining and improving the highways network, including resurfacing or rehabilitating 38 kilometres of carriageway and 59 kilometres of footway, improving 5 junctions (City Road / Glebedale Road; Berwick Road / Milton Road; Weston Road / New Kingsway; Arbourfield Drive / Dividy Road and City Road / Christchurch Street); investing in 11 road safety and sustainable transport schemes, and delivering 3 bridge structural maintenance schemes across the city over the last 12 months.

Also completed was a transport corridor improvement along Stoke Road between Station Road and Avenue Road, improving traffic flow and widely benefitting the local businesses and local community in the area.



Spode Development Site – £950,000 has been spent, the majority of which has been used on shell repairs to the upper China Halls with funding assistance from the Arts Council to create 44 artists' studios. This represents the first phase of the Creative Village planned for Spode Works. In addition, repairs have been carried out to the listed buildings on the Church Street frontage supported by funding from Historic England.

Town Centres Infrastructure £1.45 million – improvements to various buildings in Burslem and Longton, including the Wedgwood Institute and Burslem Town Hall, have been undertaken during the year as part of the town centre conservation schemes.



Vehicle & Plant Replacement - £960,000 the authority has purchased a total of 18 new vehicles, 49 new items of plant and various items of equipment.

Adult Social Care – £1.24 million this year has seen major refurbishment of two residential care homes - the Meadows and Marrow House.

Financial Health of the Council as at 31st March 2016

Assets

A significant revaluation exercise has taken place during the year to reflect the value to the council in providing services from the assets owned. Some assets values have increased while others have decreased resulting in an insignificant movement in overall value. Of significance are upwards revaluations of £58.2m (Including Council Dwellings £27.8m, Surplus Assets £12.0m, Libraries £2.8m, Leisure services £4.0m and schools £3.8m) and downward revaluations of £58.2m (Including Council Dwellings £10.9m, Surplus Assets £9.8m, Smithfield £25.8m, Bus Station £2.4m, Leisure services £0.6m and schools £5.1m). These valuations do not represent the market value of the asset rather their

School property and other assets to the value of £1.9m have been transferred from council ownership to academies under the government's academy and free schools initiative and this trend is expected to continue in the foreseeable future. These assets are transferred at nil consideration in compliance with the government initiative.

Capital Investment and Borrowing

The overall capital investment is financed with the assistance of external support from government and other agencies, as outlines in note 12.11a 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, decreased by a net £1.1m standing at £578.5m by the end of the year.

Capital Financing Requirement.	£578.5m
Represented by:	
Existing Borrowing	£354.1m
PFI Reserves	£35.4m
Major Repairs Reserve	£9.5m
Capital Receipts	£13.5m
Capital Grants	£19.2m
Internal Borrowing in the form of:	
Remaining cash backed reserves	£121.6m
Cash	£25.2m
Total	£578.5m

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. During 2015/16 the council took out additional borrowing of £28.5m.

Future capital investment as approved by City Council in February 2016 is proposed at £473m over the next five years, £124m of which is investment in the council housing stock and over £125m is targeted to attract new and retain existing business to the city over the next 10 years financed by a mixture of council borrowing, capital receipts, grants and external support.

	Budget 2015 - 2020
Capital Programme Funding	£'000
Prudential Borrowing	20,708
General Capital Receipts	7,350
Renew Capital Receipts	2,399
Capital grants, reserves and contributions	116,221
Private Sector Housing Company	55,000
Housing HRA funding	119,079
RTB Capital Receipts	5,000
Net Capital Funding	325,757
Over-programming	147,730
Gross Capital Funding	473,487

Pensions

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

The fund has seen a decrease in its pension liability on the balance sheet since last year. This is because financial assumptions at 31st March 2016 are more favourable than they were at 31st March 2015. This has resulted in a decrease of the pensions liability on the City Council's balance sheet of £132.6m (2014/15 increase of £96.0m) to £398.2m (2014/15 £530.8m). 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 12.14.

Reserves

The City Council's reserves consist of usable and unusable reserves. The Movement in Reserves Statement (section 6 of the accounts) shows the split and movement of those reserves during the year.

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

The City Council's financial strategy is to maintain a General Fund Reserve of around £8m - £9m. In 2015/16 the General Fund Reserve remained at £8.5m and is considered reasonable and fit for purpose for the future. £15.4m of reserves have been set aside to support the 2016/17 budget to develop and deliver long term budget savings.

The City Council also holds £114.2m of earmarked reserves, in the main due to the schools' PFI funding arrangements with central government and balances held for self-insurance purposes. The movement during the year is shown in the following table. A further breakdown is shown in note 12.03 of these accounts.

General Fund Reserves	Non-Earmarked Reserve	Earmarked Reserve	Usable Capital Receipts & Capital Grants
	£m	£m	£m
Opening Balance (1 April 2015)	8.567	121.531	19.492
Contribution/(Use) 2015/16	0.000	(7.315)	13.206
Closing Balance (31 March 2016)	8.567	114.216	32.698

Housing Revenue

The HRA's financial strategy includes a determination that a prudent level of the HRA reserves is a minimum of circa £4.0m, having regard for the inherent levels of future financial risk and uncertainty. The balance at the start of the year was £7.4m and due to the activity during the year £0.4m 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.

Housing Reserves	Housing General Reserve	Earmarked Reserve	Major Repairs Reserve
	£m	£m	£m
Opening Balance (1 April 2015)	7.395	20.459	9.427
Contribution/(Use) 2015/16	0.442	4.799	1.120
Closing Balance (31 March 2016)	7.837	25.258	10.547

Financial Strategy 2016/17 - 2019/20

The Stoke-on-Trent City Council Strategic Plan was approved by Council in January 2016, setting out the organisation's strategic priorities for 2016-20. Sitting underneath the council's vision, 'Stronger Together - Working together to create a stronger city we can all be proud of', are five strategic objectives.



The council has already made good progress in achieving savings, however further reductions in funding mean that in 2016/17 we will need to make £27million in additional savings. The strategic plan ensures the council will continue with its positive approach to tackle challenges head on and not simply cut services. It is clear that we will have to change what we do and how we do it to maintain services over the coming years.

The capital investment programme has been prioritised to ensure that each scheme will create a stronger city we can all be proud of. Emphasis continues to be given to job creation, economic prosperity and promoting inward investment that provides a return to the City to protect services and increase the overall wealth and wellbeing of the City and surrounding areas and help us to continue to support vulnerable people in our communities to live their lives well.

The programme provides opportunities to foster enterprise and entrepreneurship to support new and existing businesses to expand and train people in new skills to increase the number of people moving back into work. Investments to transport infrastructure are planned in order to reduce congestion, increase visitor numbers and support growth in our city. Increases to the number of new houses, prioritising development on brownfield sites. This positive investment maintains the delivery of sustainable improvement and growth and supporting our 'Stronger Together' vision.

The vision will in part be delivered directly by the council but on other areas our priorities will be achieved through working in partnership with other to deliver the best we can for Stoke-on-Trent. Underpinning the delivery of all our priorities and objectives are strong working relationships with residents, leaders in the public, voluntary and faith sectors as well as business, industry and national government.

Working with other is at the heart of everything we do and we believe that everyone has a role to play in the continued success of the city.

EU Referendum

On 23 June, 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, under the new Prime Minister, 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.

Acknowledgements

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



Nick Edmonds
Interim Assistant Director - Finance (Section 151 Officer)
Section 151 Officer
Date 15 September 2016

Further information about the accounts is available from:

Stoke-on-Trent City Council
Resources and Customer Services Directorate
Financial Services Division
Civic Centre, Glebe Street
Stoke-on-Trent
ST4 1HH
Telephone: (01782) 236877
E-mail: finance@stoke.gov.uk

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

Authorisation of Accounts for Issue

This Statement of Accounts was approved and signed by the Section 151 Officer and the Chair of the Audit Committee on 15 September 2016. In line with statutory requirements the accounts and supporting documentation were made available for a period of 30 working days commencing 1 July 2016.

Events after the balance sheet have been considered up to 15 September 2016, in preparing the accounts.

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 notional charges for items such as depreciation, impairment, capital grants and capital charges.

2014/15			2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
631,110	(432,551)	198,559	643,008	(423,881)	219,127
Net Cost of Services					
		4,246			2,108
		Other Operating Expenditure			
		47,559			54,695
		Financing and Investment Income &			
		(247,222)			(263,841)
		Taxation & Non-Specific Grant Income			
		3,142			12,089
		(Surplus)/Deficit on Provision of Services			
		62,980			(177,194)
		Other Comprehensive Income and Expenditure			
		66,122			(165,105)
		Total Comprehensive Income and Expenditure			

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.

31 March £'000		31 March £'000
1,092,913	Long Term Assets	1,108,645
112,267	Current Assets	133,821
(105,865)	Current Liabilities	(88,387)
	Long Term Liabilities	
(326,771)	- Long Term Borrowing	(344,473)
(530,794)	- Net Pension Liabilities	(398,190)
(70,870)	- PFI	(74,128)
(27,689)	- Other Long Term Liabilities	(28,994)
143,191	Net Assets	308,294
186,872	Usable Reserves	199,126
(43,681)	Unusable Reserves	109,168
143,191	Total Reserves	308,294

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.

2015/16	General Fund Balance £000	General Fund Earmarked Reserves £000	Usable Capital Receipts Housing Revenue Account £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	
Balance at 31 March 2015	8,569	121,532	7,664	7,395	20,459	9,427	11,828	186,874	(43,681)	143,193
Increase/ (Decrease) in Year	-	(7,315)	5,858	442	4,799	1,120	7,348	12,252	152,849	165,101
Balance at 31 March 2016	8,569	114,217	13,522	7,837	25,258	10,547	19,176	199,126	109,168	308,294

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.

2014/15 £000		2015/16 £000
3,142	Net (surplus) or deficit on the provision of services	12,089
(92,817)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(47,404)
45,427	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23,422
37,738	Net cash flows from investing activities	41,726
(26,034)	Net cash flows from financing activities	(41,442)
(32,544)	Net (increase) or decrease in cash & cash equivalents	(11,609)
35,507	Cash & cash equivalents at the beginning of the reporting period	68,051
68,051	Cash & cash equivalents at the end of the reporting period	79,660

Supplementary Statements

Housing Revenue Account

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

2014/15 £000		2015/16 £000
(22,772)	Total Expenditure	(37,417)
69,523	Total Income	70,470
(342)	HRA services' share of Corporate and Democratic Core	(356)
46,409	Net Cost for HRA Services	32,697
(5,431)	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	(4,331)
40,978	Surplus or (deficit) for the year on HRA services	28,366

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 non-domestic rates. Monies paid into this fund include Council Tax and Non-Domestic Rates (NDR). 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.

2014/15				2015/16			
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000	
84,505	87,510	172,015	Income	87,814	90,272	178,086	
1	1,324	1,325	Expenditure	(1,200)	2,836	1,636	
8,428	494	8,922	Charges to the Collection Fund	(1,945)	2,073	128	
76,076	85,692	161,768	Balance due for allocation	90,959	85,363	176,322	
81,681	82,104	163,785	Precepts, Demands and Shares	83,243	84,204	167,447	
(5,605)	3,588	(2,017)	Surplus/(Deficit) for the Year	7,716	1,159	8,875	
79	1,357	1,436	Balance at the Beginning of the Year	(5,526)	4,945	(581)	
(5,526)	4,945	(581)	Balance at the End of the Year	2,190	6,104	8,294	

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



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

We have audited the financial statements of City of Stoke-on-Trent Council for the year ended 31 March 2016 on pages 22 to 105. 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 2015/16.

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

Respective responsibilities of the Section 151 Officer and auditor

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, 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, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Section 151 Officer and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

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

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the Narrative Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on City of Stoke-on-Trent Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

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 Comptroller and Auditor General (C&AG) 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.

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 C&AG in November 2015, as to whether City of Stoke-on-Trent Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether City of Stoke-on-Trent Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, City of Stoke-on-Trent Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



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

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2016 issued on 29 September 2016 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Issue of value for money conclusion

In our audit report for the year ended 31 March 2016 issued on 29 September 2016 we reported that, in our opinion, in all significant respects, City of Stoke-on-Trent Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

In our report dated 29 September 2016, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We have now completed this work. No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and unqualified value for money conclusion.

We certify that we have completed the audit of the accounts of City of Stoke-on-Trent Council for the year ended 31 March 2016 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Andrew Bostock

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

20 October 2016


3 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
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts

Following the delegation of responsibility by the City Council to the Section 151 Officer, I confirm that the accounts were approved by the Audit Committee on 15th September 2016



Councillor Jean Bowers
Chair of the Audit Committee
Date 15 September 2016

The Section 151 Officers' Responsibilities

The Section 151 Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied the consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Section 151 Officer has also:

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

Certificate of Section 151 Officers

I certify that this statement of accounts gives a true and fair view of the financial position as at 31 March 2016, financial performance and cash flow of the City Council for the year ended 31 March 2016.



Nick Edmonds
Interim Assistant Director - Finance (Section 151 Officer)
Section 151 Officer
Date 15 September 2016

4 Comprehensive Income and Expenditure Statement

2014/15				2015/16			
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	
			Continuing Service Areas				
6,620	(3,184)	3,436	Central services to the Public	4,180	(1,506)	2,674	
27,727	(7,849)	19,878	Cultural and related services	23,466	(6,770)	16,696	
33,194	(12,896)	20,298	Environmental and regulatory services	34,421	(12,494)	21,927	
19,101	(8,646)	10,455	Planning services	13,915	(6,665)	7,250	
-	-	-	Property Revaluation Impairment	12,442	-	12,442	12.02c
247,386	(168,642)	78,744	Education and children's services	250,591	(168,518)	82,073	
29,239	(10,640)	18,599	Highways and transport services	24,842	(6,907)	17,935	
4,502	-	4,502	Infrastructure impairment	-	-	-	
110,572	(95,812)	14,760	General fund housing services	104,272	(95,085)	9,187	
51,205	(69,523)	(18,318)	Local authority housing	54,225	(70,407)	(16,182)	13
(28,430)	-	(28,430)	HRA reversal of revaluation loss	(16,872)	-	(16,872)	12.02c
105,504	(34,745)	70,759	Adult social care	106,072	(33,246)	72,826	
19,330	(20,483)	(1,153)	Public health services	21,601	(22,105)	(504)	
3,733	(16)	3,717	Corporate and democratic core	3,228	(18)	3,210	
1,427	(115)	1,312	Non distributed costs	3,340	(160)	3,180	
-	-	-	Change in asset value - NDC	3,285	-	3,285	
631,110	(432,551)	198,559	Net Cost of Services	643,008	(423,881)	219,127	
			67 Levies and external contributions				67
			2,533 Loss/(gain) on disposal of non current assets				665
			1,646 Payments to the Government housing capital receipts pool				1,376
			4,246 Other Operating Expenditure				2,108
			24,371 Interest payable & similar charges	12.09b			23,931
			18,688 Net interest on the net defined benefit liability	12.14			17,633
			(378) Interest & investment income				(613)
			5,368 Derecognition of school assets transferred to academies				1,975
			(363) Income & expenditure in relation to investment properties & changes in fair value	12.02c			12,225
			(127) Other investment income				(456)
			47,559 Financing and Investment Income & Expenditure				54,695
			(72,079) Council tax income				(72,992)
			(62,204) Non domestic rates				(69,384)
			(95,113) Non-specific government grants	12.11a			(83,582)
			(17,826) Capital grants and contributions	12.11a			(37,883)
			(247,222) Taxation & Non-Specific Grant Income				(263,841)
			3,142 (Surplus)/Deficit on Provision of Services				12,089
			(7,559) (Surplus)/deficit on revaluation of non-current assets	12.05b			(18,300)
			222 Impairment losses on non-current assets charged to the revaluation reserve	12.05b			128
			(5,316) (Surplus)/deficit on revaluation of available for sale financial assets	12.05f			(1,141)
			75,633 Remeasurements on pension fund (assets) & liabilities	12.05c			(157,881)
			62,980 Other Comprehensive Income and Expenditure				(177,194)
			66,122 Total Comprehensive Income and Expenditure				(165,105)

5 Balance Sheet

31 March 2015 £'000		Note	31 March 2016 £'000
1,008,247	Property Plant & Equipment	12.06a	1,019,049
66,502	Heritage Assets	12.06b	66,433
7,899	Investment Property	12.06f	12,445
2,970	Intangible Assets	12.06f	2,444
5,335	Long Term Investments	12.09c	6,448
1,960	Long Term Debtors	12.16a	1,826
1,092,913	Long Term Assets		1,108,645
9,980	Short Term Investments	12.09a	13,028
2,592	Assets Held For Sale	12.06f	2,378
628	Stocks		662
31,016	Short Term Debtors	12.16b	38,093
68,051	Cash & Cash Equivalents	7	79,660
112,267	Current Assets		133,821
(4,326)	Short Term Borrowing	12.09a	(14,058)
(8,041)	Other Short Term Liabilities	12.09a	(8,552)
(63,118)	Short Term Creditors	12.17	(56,026)
(80)	Grants Receipts in Advance - Revenue		(795)
(22,830)	Grants Receipts in Advance - Capital	12.11a	(2,103)
(7,470)	Provisions	12.10	(6,853)
(105,865)	Current Liabilities		(88,387)
(259)	Long Term Creditors	12.09a	(255)
-	- Grants Receipts in Advance - Revenue		-
(2,222)	Grants Receipts in Advance - Capital	12.11a	(1,341)
(5,030)	Provisions	12.10	(4,559)
(326,771)	Long Term Borrowing	12.09a	(344,473)
(91,048)	Other Long Term Liabilities	12.09f	(96,967)
(530,794)	Net Pensions Liabilities	12.14	(398,190)
(956,124)	Long Term Liabilities		(845,785)
143,191	Net Assets		308,294
8,569	General Fund Balance	6	8,569
121,531	Earmarked Reserves - General Fund	12.03	114,217
7,664	Usable Capital Receipts Reserve	12.04a	13,522
7,395	Housing Revenue Account Balance	14	7,837
20,459	Earmarked Reserves - HRA	12.03	25,258
9,427	Major Repair Reserves	15.03	10,547
11,827	Capital Grants Unapplied	12.04b	19,176
186,872	Usable Reserves		199,126
352,806	Capital Adjustment Account	12.05a	352,660
132,842	Revaluation Reserve	12.05b	147,162
1,388	Collection Fund Adjustment Account	16	6,125
(530,793)	Pensions Reserve (Deficit)	12.05c	(398,190)
(7,562)	Accumulated Absences Account		(7,989)
(4,541)	Financial Instruments Adjustment Account	12.05d	(4,407)
5,316	Available for Sale Financial Instruments Reserve	12.05f	6,457
6,863	Deferred Capital Receipts Reserve	12.05e	7,350
(43,681)	Unusable Reserves		109,168
143,191	Total Reserves		308,294

These financial statements replace the unaudited financial statements certified by Laura Rowley on 30 June 2016.

6 Movement in Reserves Statement

	2015/16 Note	General Fund Balance £000	General Fund Earmarked Reserves £000	Usable Capital Receipts £000	Housing Revenue Account HRA £000	Earmarked Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015		8,569	121,532	7,664	7,395	20,459	9,427	11,828	186,874	(43,681)	143,193
Movement in Reserves During 2015/16											
Surplus or (deficit) on provision of services accounting basis	4	(40,455)	-	-	28,366	-	-	-	(12,089)	-	(12,089)
Other Comprehensive Expenditure & Income	4	-	-	-	-	-	-	-	-	177,194	177,194
Total Comprehensive Expenditure & Income	4	(40,455)	-	-	28,366	-	-	-	(12,089)	177,194	165,105
Adjustments between accounting basis & funding basis under regulations	12.01	33,140	-	5,858	(23,125)	-	1,121	7,348	24,342	(24,342)	-
Net Increase/ (Decrease) before Earmarked Reserves Transfers		(7,315)	-	5,858	5,241	-	1,121	7,348	12,253	152,852	165,105
Rounding's		-	-	-	-	-	(1)	-	(1)	(3)	(4)
Transfers (from) General Fund to Earmarked Reserves	12.03	(63,343)	63,343	-	(9,187)	9,187	-	-	-	-	-
Transfers to General Fund (from) Earmarked Reserves	12.03	70,658	(70,658)	-	4,388	(4,388)	-	-	-	-	-
Increase/ (Decrease) in Year		-	(7,315)	5,858	442	4,799	1,120	7,348	12,252	152,849	165,101
Balance at 31 March 2016		8,569	114,217	13,522	7,837	25,258	10,547	19,176	199,126	109,168	308,294

Note 6 cont'd

	2014/15 Note	General Fund Balance £000	General Fund Earmarked Reserves £000	Usable Capital Receipts £000	Housing Revenue Account HRA £000	Earmarked Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014		12,253	109,638	5,180	6,876	20,098	3,851	14,819	172,715	36,602	209,317
Movement in Reserves During 2014/15											
Surplus or (deficit) on provision of services accounting basis	4	(44,120)	-	-	40,978	-	-	-	(3,142)	-	(3,142)
Other Comprehensive Expenditure & Income	4	-	-	-	-	-	-	-	-	(62,980)	(62,980)
Total Comprehensive Expenditure & Income	4	(44,120)	-	-	40,978	-	-	-	(3,142)	(62,980)	(66,122)
Adjustments between accounting basis & funding basis under regulations	12.01	52,332	-	2,484	(40,095)	-	5,575	(2,996)	17,300	(17,300)	-
Net Increase/ (Decrease) before Earmarked Reserves Transfers		8,212	-	2,484	883	-	5,575	(2,996)	14,158	(80,280)	(66,122)
Rounding's		2	-	-	(3)	-	-	-	(1)	(3)	(4)
Transfers (from) General Fund to Earmarked Reserves	12.03	(38,944)	38,944	-	(9,216)	9,216	-	-	-	-	-
Transfers to General Fund (from) Earmarked Reserves	12.03	27,046	(27,050)	-	8,855	(8,855)	-	4	-	-	-
Increase/ (Decrease) in Year		(3,684)	11,894	2,484	519	361	5,575	(2,992)	14,157	(80,283)	(66,126)
Balance at 31 March 2015		8,569	121,532	7,664	7,395	20,459	9,426	11,827	186,872	(43,681)	143,191

7 Cash Flow Statement

2014/15		2015/16	
£000	£000	£000	£000
3,142	Net (surplus) or deficit on the provision of services		12,089
	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		
(29,995)	Depreciation	(28,729)	
(1,120)	Impairment & Downward Valuations	(8,802)	
(1,464)	Amortisations	(1,133)	
(2,401)	Increase/(decrease) in impairment for provision for bad debts	(631)	
(19,289)	(Increase)/decrease in creditors	24,964	
(1,129)	Increase/(decrease) in debtors	13,998	
23	Increase/(decrease) in revaluation of stock (write offs)	14	
(20,473)	Movement in Pension Liability	(25,277)	
(15,417)	Net carrying amount of non-current assets sold	(11,198)	
(1,552)	Other non-cash items charges to the net Surplus or Deficit on the Provision of Services	1,833	
-	Change in Fair Value of investment properties	(12,443)	
(92,817)			(47,404)
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
	Other receipts from investing activities:		
8,544	- Grants/Contributions Applied (see note 12.01)	24,248	
987	- Transfer of deferred capital grants credited as part of gain/loss in disposal to the CIES (see note 12.01)	-	
4,185	- REFCUS Funding	5,069	
4,110	- Grants Unapplied	8,425	
765	- Movement in Capital Debtors	(506)	
19,318	- Movement in Capital Creditors	(21,612)	
7,518	Proceeds from the sale of property, plant and equipment, investment property & intangible assets	7,798	
45,427			23,422
(44,248)	Net cash flows from Operating Activities		(11,893)
	Investing Activities		
72,777	Purchase of property, plant & equipment, investment property & intangible assets	61,587	
9,980	Purchase of short term and long term investments	13,000	
(7,110)	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(7,257)	
-	Proceeds from short-term & long-term investments	(9,980)	
(37,909)	Other receipts from investing activities	(15,624)	
37,738	Net cash flows from investing activities		41,726
	Financing Activities		
4,682	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(9,383)	
1,829	Repayments of short and long-term borrowing	3,003	
(5,555)	Other receipts from financing activities	(6,572)	
(26,990)	Cash receipts of long-term borrowing	(28,490)	
(26,034)	Net cash flows from financing activities		(41,442)
(32,544)	Net (increase) or decrease in cash & cash equivalents		(11,609)
35,507	Cash & cash equivalents at the beginning of the reporting period		68,051
68,051	Cash & cash equivalents at the end of the reporting period		79,660

As the Authority uses the indirect method to produce the cash flow statement, it is a requirement to disclose the following items separately. In 2015/16, the amount of interest received was £613,158 (£378,055 in 2014/15), interest paid £23,930,691 (£24,371,266 in 2014/15) and £456,319 dividends were received (£127,202 in 2014/15).

8 Accounting Standards that have been Issued but not yet Adopted

The 2015/16 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information 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 2016/17 the following accounting standard changes and their impact on the Council are shown in the table below:

- **IFRS 3 Business Combinations**

It is contingent consideration of an acquirer in a business combination to which IFRS 3 Business Combinations applies to the conditions for a financial asset or financial liability at fair value through profit or loss. It is expected that this standard would have a very limited impact on the accounts.

- **IFRS 8 Aggregating Operating Segments**

This is a narrow scope amendment to require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. The aggregation of operating segments should normally be self-evident from the internal management reports of the authority and therefore this disclosure of management's judgements should not be onerous. It is not considered that these improvements will have a material impact on the accounts nor materially amend accounting policies.

- **IFRS 13 Fair Value measurement of short term creditors and debtors**

Valuing short term debtors and creditors at fair value – the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is presumed that short term debtors and creditors the fair value is current value. It is not considered that this change will have a material impact on the accounts nor materially amend accounting policies.

- **IAS 16 Property, Plant and Equipment regarding the treatment of accumulated depreciation and impairment property**

The 2015/16 Code included the option of proportionately restating any accumulated depreciation and impairment at the date of valuation. This amendment clarifies the treatment as it is the IASB's view that the restatement of the accumulated depreciation is not always proportionate to the change in the gross carrying amount. The amendment sets out that the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. This has led to CIPFA/LASAAC making its own changes for local authority circumstances in line with the current normal approach used by local authorities therefore it is anticipated that this change will have a limited impact.

- **IAS 38 Intangible Assets**

As per IAS 16 changes – limited impact as Intangible Assets are mainly held at depreciated historic cost as a proxy for fair value.

- **IAS 24 Related Party Disclosures**

Disclosure where any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity – this will be included in the related party disclosure requirements.

- **IAS 19 Employee Benefits**

This is applicable to pension funds only.

- **IFRS 11 Joint Arrangements**

Accounting for Interests in Joint Arrangements - a technical change that an acquirer of an interest that meets the definition of a business is required to apply all of the principles of business combinations in IFRS 3 (with the exception of the principles that conflict with guidance in IFRS 11) – this will have a limited impact as the Council does not currently have any joint arrangements per the definition.

- **Amendment to IAS 1**

Following the results of the Telling the Story consultation the Comprehensive Income and Expenditure Statement will report expenditure and income on the basis of the Council's organisational structure. This revised funding analysis will not amend the figures reported in the 2015/16 accounts.

- **Annual Improvements to IFRS 2012-2014 Cycle**

It is not considered that these improvements will have a material impact on the accounts nor materially amend accounting policies.

- **Transport Infrastructure Code**

From 1 April 2016, transport infrastructure assets will be measured using a depreciated replacement cost (DRC) basis rather than at historical cost. This requires a change to accounting policy however following an adaptation to IAS 1 for the transition for the move there is no requirement to restate the preceding year information. The change shall therefore be accounted for as an adjustment to opening balances as at 1 April 2016. It is estimated that the change in valuation method will cause an increase in the net book value of

- **Augmentation following the issue of the IPSASB conceptual Framework for General Purpose Financial Reporting by Public Sector Entities**

Changes to improvements to the objectives of the local authority financial statements

- further provisions on the users of local authority financial statements ie that the primary users are service recipients and resource providers, and
- further commentary for the public sector context that clarifies that information should not be excluded because it is complex.

Where applicable amendments will be made to the statements.

9 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; and to provide and maintain a waste to energy plant and associated waste disposal site at Hanford.
- 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 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 has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' In order to be satisfied that the value of assets in the balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2016 the council has created sub-groups of assets that are subject to formal valuation at the year end and been provided with a professional valuation assessment of the remaining assets. For assets not valued in the year, the council has judged that their value has not altered materially at the balance sheet date. This judgement is supported by a year-end market review provided by the Council's qualified valuers that provides assurance that valuations are materially correct at the balance sheet date.
- In assessing the changes to group accounts standards applicable from 1 April 2015, the Council has reviewed its relationship and interest with external organisations and concludes that it does not have any interests in subsidiaries, associated companies and joint ventures that are material both individually and in aggregate, and therefore there is no requirement to produce a set of Group Accounts.

10 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 ie on or before 1 January 2016 for 2015/16 are considered for changes to accounting policy that may result in the amendment to previously reported figures where material.

There have been no accounting standard changes for 2015/16 that result in a change to accounting policy.

The City Council has reviewed its investment properties and concluded that some assets held as investment properties were incorrectly classified. These assets are principally shops in the towns (excluding Hanley – City which currently remain as Investment Property) which are held to maintain a retail presence reflecting the Council's desire to reduce the blight on the high street of empty properties rather than for the purposes of providing full commercial rental or capital appreciation. The principal effect on the accounts in reversing the original decision of placing them in investment properties is the restoration of the revaluation reserve amounting to £816,961 taken from the capital adjustment account.

In addition, while implementing the revaluations for 15/16 a small number of downward revaluations correctly charged to I&E mainly during 2007/08 and 2008-09 on 23 properties were not reversed following upward revaluations in 2012/13, the revaluation increase being credited in full to the revaluation reserve for that year. This means that the revaluation reserve is overstated with the corresponding entry in the Capital Adjustment Account (CAA). The charges for depreciation in the intervening years have been correct as the carrying value of the asset is not affected by the error, the only error being the interaction between the CAA and Revaluation reserve. On this the revaluation reserve should be decreased by £1,505,462.

The net effect on the revaluation reserve for both issues is a reduction (debit) of £688,501 with the corresponding entry to the CAA.

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

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

The items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Pensions Asset/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 £134.351m.

Arrears

At 31 March 2016 the Council had a gross short term debtor's balance of £62.80m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £24.70m has been set aside in the accounts. This impairment allowance is 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 Comprehensive Income and Expenditure Statement. This cost may ultimately fall to the General Fund, HRA Balance or 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 £1.91m to the Council.

PFI & Similar Contracts

As at 31 March 2016 the Authority had committed to making unitary payments of £447.216m over the remaining lives of the PFI and similar contracts schemes (see note 12.08). 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 £6.365m 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 £5.836m lower.

Business Rate Appeals

The 2015/16 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 £9.751m 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% (£4.778m). 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 charged to the taxation and non-specific grant income line of the Comprehensive Income and Expenditure Statement. 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 costs from appeals would reduce net income by £0.5m.

Property Valuations

The Council revalue its assets with sufficient regularity to ensure the value at the balance sheet date is materially correct but no more than over a five year period. It is possible that property values could fluctuate considerably within this five year timeframe and where there is evidence of such movements further valuations will be undertaken. The Council bases its valuations on assumptions of asset conditions, useful lives, residual values and market conditions. These judgements are underpinned by the best available information and made by qualified valuers but are still based on estimates. A 1% fluctuation in council dwellings and other land and buildings values would amount to a £7m movement in Property Plant and Equipment balance shown on the Balance Sheet.

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12.01 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.

		2015/16 Useable Reserves						Movement in Unusable Reserves £000
		General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000		
Adjustments Primarily Involving:	Notes							
Capital Adjustment Account								
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</i>								
Depreciation of Non-Current Assets	12.06d	(18,108)	(10,621)	-	-	-	28,729	
Impairment of Non-Current Assets	12.06d	(2,950)		-	-	-	2,950	
Revaluation losses on Property, Plant & Equipment	12.06f	(22,725)	16,873	-	-	-	5,852	
Revaluation losses on Assets Held for Sale				-	-	-	-	
Movement in market value of Investment Properties		(12,443)		-	-	-	12,443	
Amortisation of Intangible Assets	12.06d	(1,133)		-	-	-	1,133	
Revenue Expenditure Funded from Capital Under Statute	12.07b	(5,085)	(864)	-	-	-	5,949	
<i>Carrying amount of Non-Current Assets:</i>								
- written off on disposal to the CIES		(5,170)	(3,512)	-	-	-	8,682	
- finance leases written off on disposal to the CIES		(25)	(516)	-	-	-	541	
- written off on derecognition to the CIES		(1,975)		-	-	-	1,975	
Capital grants and contributions applied	12.07b	23,168	1,080	-	-	-	(24,248)	
Revenue Expenditure Funded from Capital Under Statute - Funding	12.07b	5,069	140	-	-	-	(5,209)	
<i>Insertion of items not debited or credited to the CIES</i>								
MRP for capital financing	12.07c	13,454					(13,454)	
County council loan principal repayment	12.09f	1,829					(1,829)	
HRA repayment of debt	12.05a		972				(972)	
Service concession deferred income write back	12.05a	570					(570)	
Capital expenditure charged against the general fund	12.05a	2,186	4,388				(6,574)	
Capital Grants Unapplied Account								
Capital Grants credited to the CIES which are unapplied	12.04b	8,425				(8,425)	-	
Transfer of grants applied to Capital Adjustment Account	12.04b					1,077	(1,077)	
Financial Instruments Adjustment Account	12.05d	145	(12)				(133)	
Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	12.05c	(48,415)	(3,155)				51,570	
Employer's contributions and direct payments made in year to the pension fund	12.05c	24,685	1,608				(26,293)	
Collection Fund Adjustment Account								
<i>Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to:</i>								
- Council Tax	16	956					(956)	
- Business Rates	16	3,781					(3,781)	
Accumulated Absences Account		(360)	(67)				427	
Deferred Capital Receipts Reserve								
Transfer of deferred capital grants credited as capital grants and contributions to the CIES	12.05e	760					(760)	
Capital Receipts Reserve								
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES	12.04a	1,583	5,674	(7,257)			-	
Transfer of notional sale proceeds credited as part of gain/loss in disposal to the CIES	12.04a	25	516	(541)			-	
<i>Contribution from Capital Receipts Reserve to</i>								
- disposal costs	12.04a	(11)		11			-	
- Government Capital Receipts Pool	12.04a	(1,376)		1,376			-	
Repayment from long term debtors	12.04a			(272)			272	
Use of Capital receipts to finance new capital expenditure	12.04a			825			(825)	
Major Repairs Reserve								
Contribution for Depreciation	15.03		10,621		(10,621)		-	
Voluntary Contribution	15.03						-	
<i>Use of major repairs allowance to finance:</i>								
- voluntary repayment of debt							-	
- new capital expenditure	15.03				9,500		(9,500)	
Total Adjustments		(33,140)	23,125	(5,858)	(1,121)	(7,348)	24,342	

		2014/15 Useable Reserves						Movement in Unusable Reserves £000
		General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000		
Adjustments Primarily Involving:	Notes							
Capital Adjustment Account								
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</i>								
Depreciation of Non-Current Assets	12.06d	(20,472)	(9,523)	-	-	-	29,995	
Impairment of Non-Current Assets	12.06d	(3,299)	15,922	-	-	-	(12,623)	
Revaluation losses on Property, Plant & Equipment	12.06f	(26,023)	12,280	-	-	-	13,743	
Revaluation losses on Assets Held for Sale		-	-	-	-	-	-	
Movement in market value of Investment Properties		-	-	-	-	-	-	
Amortisation of Intangible Assets	12.06d	(1,464)	-	-	-	-	1,464	
Revenue Expenditure Funded from Capital Under Statute	12.07b	(8,364)	-	-	-	-	8,364	
Carrying amount of Non-Current Assets:								
- written off on disposal to the CIES		(3,825)	(2,926)	-	-	-	6,751	
- finance leases written off on disposal to the CIES		(57)	(351)	-	-	-	408	
- written off on derecognition to the CIES		(8,259)	-	-	-	-	8,259	
Capital grants and contributions applied	12.07b	8,185	359	-	-	-	(8,544)	
Revenue Expenditure Funded from Capital Under Statute - Funding	12.07b	4,185	-	-	-	-	(4,185)	
<i>Insertion of items not debited or credited to the CIES</i>								
MRP for capital financing	12.07c	18,136	-	-	-	-	(18,136)	
County council loan principal repayment	12.09f	1,829	-	-	-	-	(1,829)	
HRA repayment of debt	12.05a	-	960	-	-	-	(960)	
Service concession deferred income write back	12.05a	570	-	-	-	-	(570)	
Capital expenditure charged against the general fund	12.05a	1,575	4,240	-	-	-	(5,815)	
Capital Grants Unapplied Account								
Capital Grants credited to the CIES which are unapplied	12.04b	4,110	-	-	-	(4,110)		
Transfer of grants applied to Capital Adjustment Account	12.04b	-	-	-	-	7,106	(7,106)	
Financial Instruments Adjustment Account	12.05d	136	(14)	-	-	-	(122)	
Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	12.05c	(42,186)	(2,338)	-	-	-	44,524	
Employer's contributions and direct payments made in year to the pension fund	12.05c	22,788	1,263	-	-	-	(24,051)	
Collection Fund Adjustment Account								
<i>Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to:</i>								
Council Tax	16	2,973	-	-	-	-	(2,973)	
Business Rates	16	(2,746)	-	-	-	-	2,746	
Accumulated Absences Account		(1,785)	(31)	-	-	-	1,816	
Deferred Capital Receipts Reserve								
Transfer of deferred capital grants credited as capital grants and contributions to the CIES	12.05e	987	-	-	-	-	(987)	
Capital Receipts Reserve								
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES		2,282	4,828	(7,140)	-	-	30	
Transfer of notional sale proceeds credited as part of gain/loss in disposal to the CIES		57	351	(408)	-	-	-	
Contribution from Capital Receipts Reserve to								
- disposal costs		(19)	-	19	-	-	-	
- Government Capital Receipts Pool		(1,646)	-	1,646	-	-	-	
Repayment from long term debtors	12.04a	-	-	(262)	-	-	262	
Use of Capital receipts to finance new capital expenditure		-	-	3,661	-	-	(3,661)	
Major Repairs Reserve								
Contribution for Depreciation	15.03	-	9,523	-	(9,523)	-	-	
Voluntary Contribution	15.03	-	5,552	-	(5,552)	-	-	
Use of major repairs allowance to finance:								
- voluntary repayment of debt		-	-	-	-	-	-	
- new capital expenditure	15.03	-	-	-	9,500	-	(9,500)	
Total Adjustments		(52,332)	40,095	(2,484)	(5,575)	2,996	17,300	

12.02 Amounts Reported for Management Account Purposes

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are charged to services in the CIES).
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

12.02a Directorate Analysis

	Children, Adult & Family Services £000	Public Health £000	Place, Growth & Prosperity £000	Resources & Customer Services £000	City Director £000	Benefit Payments £000	Schools £000	Housing Revenue Account £000	Non Departmental Costs £000	Total £000
2015/16										
Fees, Charges & Other Service Income	(51,211)	(4,950)	(30,168)	(2,620)	(490)	-	(5,505)	(71,130)	(94)	(166,168)
Interest & Investment Income	(315)	-	-	-	-	-	-	(112)	(642)	(1,069)
Income from Council Tax	-	-	-	-	-	-	-	-	(72,035)	(72,035)
Income from NDR	-	-	-	-	-	-	-	-	(65,603)	(65,603)
Government Grants & Contributions	(64,104)	(21,635)	(4,808)	(2,383)	(33)	(94,170)	(82,069)	(1,220)	(69,767)	(340,189)
Total Income	(115,630)	(26,585)	(34,976)	(5,003)	(523)	(94,170)	(87,574)	(72,462)	(208,141)	(645,064)
Employee Expenses	66,889	5,886	29,305	19,277	5,563	44	43,328	12,936	6,325	189,553
Pension Interest Cost	-	-	-	-	-	-	-	1,079	-	1,079
Other Operating Expenses	16,139	1,896	20,312	851	97	-	9,086	5,359	(7,938)	45,802
Supplies & Services	44,947	4,584	27,580	8,850	2,298	385	6,137	16,325	10,413	121,519
Third Party Payment	116,964	16,827	15,543	1	-	1	2,012	17,117	2,119	170,584
Transfer Payment	10,603	-	-	-	-	92,211	-	-	-	102,814
Depreciation, Amortisation & Impairment	-	-	-	-	-	-	-	8,193	8,151	16,344
Interest Payments	1,096	-	-	-	-	-	2	7,718	8,080	16,896
Precepts & Levies	-	-	-	-	-	-	-	-	67	67
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	-	3,512	(8,017)	(4,505)
Recharges	(19,746)	(1,450)	(15,508)	(5,396)	(797)	-	29,740	(218)	(2,155)	(15,530)
Total Expenditure	236,892	27,743	77,232	23,583	7,161	92,641	90,305	72,021	17,045	644,623
Net Expenditure	121,262	1,158	42,256	18,580	6,638	(1,529)	2,731	(441)	(191,096)	(441)

2014/15	People (incl Schools) £000	Public Health £000	Place £000	Corporate Services £000	Benefit Payments £000	Housing Revenue Account £000	Non Departmental Costs £000	Total £000
Fees, Charges & Other Service Income	(65,541)	(5,937)	(47,589)	(9,678)	-	(69,725)	17,864	(180,606)
Interest & Investment Income	-	-	-	-	-	(102)	(276)	(378)
Income from Council Tax	-	-	-	-	-	-	(1,097)	(1,097)
Income from NDR	-	-	-	-	-	-	(64,950)	(64,950)
Government Grants & Contributions	(58,291)	(20,242)	(6,777)	(3,603)	(95,235)	(359)	(172,755)	(357,262)
Total Income	(123,832)	(26,179)	(54,366)	(13,281)	(95,235)	(70,186)	(221,214)	(604,293)
Employee Expenses	69,288	5,482	28,696	27,748	-	6,926	49,820	187,960
Pension Interest Cost	-	-	-	-	-	981	-	981
Other Operating Expenses	13,812	1,911	20,001	1,097	-	8,422	35,695	80,938
Supplies & Services	40,762	3,766	32,095	13,689	391	13,040	8,888	112,631
Third Party Payment	111,189	15,300	15,128	27	-	17,089	2,478	161,211
Transfer Payment	5,315	-	-	-	93,146	-	-	98,461
Depreciation, Amortisation & Impairment	-	3	-	-	-	13,469	8,075	21,547
Interest Payments	-	-	-	-	-	6,813	7,395	14,208
Precepts & Levies	-	-	-	-	-	-	67	67
Payments to Housing Capital Receipts	-	-	-	-	-	-	1,646	1,646
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	2,926	(7,110)	(4,184)
Total Expenditure	240,366	26,462	95,920	42,561	93,537	69,666	106,954	675,466
Net Expenditure	116,534	283	41,554	29,280	(1,698)	(520)	(114,260)	71,173

12.02b Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure in note 2a reconcile to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the CIES.

2015/16	Service Analysis £000	Adjustments not part of Service Analysis £000	Amounts not included in net cost of services £000	CIES - Net Cost of Services £000	Other Expenditure, Taxation & Income £000	Total £000
Fees, Charges & Other Service Income	(166,168)	1,031	274	(164,863)	-	(164,863)
Interest & Investment Income	(1,069)	-	1,069	-	(1,288)	(1,288)
Income from Council Tax	(72,035)	(957)	72,992	-	(72,992)	(72,992)
Income from NDR	(65,603)	(3,781)	69,384	-	(69,384)	(69,384)
Government Grants & Contributions	(340,189)	(40,291)	121,464	(259,016)	(121,464)	(380,480)
Total Income	(645,064)	(43,998)	265,183	(423,879)	(265,128)	(689,007)
Employee Expenses	189,553	37,144	(16,554)	210,143	-	210,143
Pension Interest Cost	1,079	-	(1,079)	-	17,633	17,633
Other Operating Expenses	45,802	15,250	(56)	60,996	-	60,996
Supplies & Services	121,519	(45,964)	-	75,555	-	75,555
Third Party Payment	170,584	(9,611)	(1,376)	159,597	-	159,597
Transfer Payment	102,814	(3,152)	-	99,662	-	99,662
Depreciation, Amortisation & Impairment	16,344	38,770	(14,419)	40,695	12,443	53,138
Interest Payments	16,896	7,035	(23,931)	-	23,931	23,931
Precepts & Levies	67	-	(67)	-	67	67
Payments to Housing Capital Receipts Pool	-	-	-	-	1,376	1,376
Gain or Loss on Disposal of Fixed	(4,505)	5,170	(665)	-	2,640	2,640
Recharges	(15,530)	11,888	-	(3,642)	-	(3,642)
Total Expenditure	644,623	56,530	(58,147)	643,006	58,090	701,096
Surplus or Deficit	(441)	12,532	207,036	219,127	(207,038)	12,089

	Service Analysis £000	Adjustments not part of Service Analysis £000	Amounts included in the Service Analysis not included in the net cost £000	CIES - Net Cost of Services £000	Other Expenditure, Taxation & Income £000	Total £000
2014/15						
Fees, Charges & Other Service Income	(180,606)	4,815	-	(175,791)	-	(175,791)
Interest & Investment Income	(378)	-	378	-	(741)	(741)
Income from Council Tax	(1,097)	-	1,097	-	(72,079)	(72,079)
Income from NDR	(64,950)	-	64,950	-	(62,204)	(62,204)
Government Grants & Contributions - Revenue	(355,916)	4,034	95,122	(256,760)	(95,113)	(351,873)
Government Grants & Contributions - Capital	(1,346)	-	1,346	-	(17,826)	(17,826)
Total Income	(604,293)	8,849	162,893	(432,551)	(247,963)	(680,514)
Employee Expenses	187,960	20,068	-	208,028	-	208,028
Pension Interest Cost	981	-	(981)	-	18,688	18,688
Other Operating Expenses	80,938	6,351	(29,394)	57,895	(127)	57,768
Supplies & Services	112,631	(80,160)	-	32,471	-	32,471
Third Party Payment	161,211	36,907	-	198,118	-	198,118
Transfer Payment	98,461	-	-	98,461	-	98,461
Depreciation, Amortisation & Impairment	21,547	54,812	(40,222)	36,137	-	36,137
Interest Payments	14,208	-	(14,208)	-	24,371	24,371
Precepts & Levies	67	-	(67)	-	67	67
Payments to Housing Capital Receipts Pool	1,646	-	(1,646)	-	1,646	1,646
Gain or Loss on Disposal of Fixed	(4,184)	-	4,184	-	7,901	7,901
Total Expenditure	675,466	37,978	(82,334)	631,110	52,546	683,656
Surplus or Deficit	71,173	46,827	80,559	198,559	(195,417)	3,142

12.02c Exceptional Items in Net Cost of Services

HRA Reversal of Revaluation Loss

During 2010/11 the Housing Revenue Account (HRA) changed the percentage of the Social Housing discount factor applied to the valuation of housing dwellings from 49% to 34% in line with Government requirements. This resulted in a significant impairment charge to the HRA of £173.2m. Under the Accounting Code of Practice any revaluation gain is first used to reverse a previous revaluation loss, adjusted for depreciation. The net gains in 2015/16 of £16.9m has been applied to reverse part of that previous recognised loss charged to the net cost of service.

Summary of Revaluation Loss

	£000
Losses charged	173,225
Reversals:	
2014/15	28,430
2015/16	16,872
Balance of Loss Remaining	127,923

Investment Properties

Under financing and investment income and expenditure, Smithfield 2 has transferred from Assets under Construction to Investment Property and has been revalued to fair value resulting in a revaluation loss.

Property Revaluation Loss

Within Planning Services, Smithfield 1 has transferred from Assets Under Construction and has been revalued to existing use value resulting in a revaluation loss charged to the service.

12.03 Transfers to/from Earmarked Revenue Reserves

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 2015/16.

Balance at 31 March 2014 £000	Transfers From £000	Transfers To £000	Balance at 31 March 2015 £000		Note	Balance at 31 March 2015 £000	Transfers From £000	Transfers To £000	Balance at 31 March 2016 £000
General Fund									
-	-	-	-	Support 16/17 Budget Strategy		-	-	15,450	15,450
-	-	-	-	Support 17/18 Budget Strategy		-	-	1,073	1,073
-	-	-	-	Support One Off Commitments		-	(6,424)	16,272	9,848
1,758	(1,758)	3,827	3,827	Redundancy Reserve		3,827	(3,827)	2,498	2,498
-	-	1,526	1,526	"Our Work Your City" Reserve		1,526	-	627	2,153
1,680	(477)	-	1,203	"What Matters" Reserve		1,203	(1,011)	11	203
544	(544)	942	942	Actuarial Strain Reserve		942	(942)	-	-
-	-	4,859	4,859	Transformation Savings - Tranche 1 & 2		4,859	(4,859)	-	-
6,049	(485)	-	5,564	Change Transformation Reserve		5,564	(7,014)	1,450	-
7,000	(56)	93	7,037	Invest to Save Reserve		7,037	(7,037)	186	186
-	-	2,800	2,800	Policy Priorities Reserve		2,800	(2,800)	-	-
1,284	-	-	1,284	External Funding Risk Reserve		1,284	(1,284)	-	-
6,489	(2,465)	1,670	5,694	School balances		5,694	(1,955)	3,722	7,461
-	-	-	-	Budget Savings		-	-	196	196
36,439	(1,376)	1,237	36,300	PFI		36,300	(1,457)	1,135	35,978
9,466	(5,733)	12,115	15,848	Schools DSG		15,848	(12,521)	7,211	10,538
2,905	-	1,445	4,350	Public Health		4,350	(99)	357	4,608
-	-	-	-	Transformation Challenge Award		-	-	4,577	4,577
951	-	675	1,626	Social Fund Programme		1,626	(454)	62	1,234
-	-	198	198	District Heat Network		198	-	293	491
68	-	419	487	SEN Reform		487	(88)	-	399
2,910	-	-	2,910	Chatterly Whitfield		2,910	(2,572)	-	338
777	(510)	-	267	CWDC - Step up to Social Work		267	(22)	-	245
-	-	-	-	HCA Transition		-	-	240	240
-	-	-	-	Smithfield Occupancy		-	-	1,416	1,416
2,550	(27)	-	2,523	Legal Reserve		2,523	(1,325)	179	1,377
-	-	101	101	Care Act Implications		101	-	806	907
-	-	103	103	Corporate Reviews and Initiatives		103	(103)	468	468
1,025	-	-	1,025	Extra Care PFI		1,025	(572)	-	453
401	-	-	401	Transport Services		401	-	-	401
-	-	-	-	Communications and Marketing		-	-	291	291
-	-	283	283	Revs and Benefits channel shift		283	-	-	283
-	-	55	55	Vehicle Maintenance		55	-	157	212
-	-	201	201	Licensing & Landlord Accreditation		201	-	-	201
524	(29)	68	563	Development Agreements		563	(27)	-	536
8,072	(4,258)	2,611	6,425	Insurances		6,425	(5,079)	2,841	4,187
1,433	-	123	1,556	Joint Venture Pension		1,556	(1,000)	110	666
450	-	115	565	Adult Social Care		565	(68)	-	497
462	(120)	60	402	Youth Offending Service		402	(108)	21	315
16,400	(9,212)	3,418	10,606	Other Reserves		10,606	(8,010)	1,694	4,290
109,637	(27,050)	38,944	121,531	Total General Fund Earmarked	5	121,531	(70,658)	63,343	114,216
		11,894		Net Movement of General Fund Earmarked				(7,315)	
HRA									
19,414	(8,855)	9,216	19,775	Housing Capital Reserve		19,775	(4,388)	9,187	24,574
684	-	-	684	HRA Equipment		684	-	-	684
20,098	(8,855)	9,216	20,459	Total HRA	5	20,459	(4,388)	9,187	25,258
		361		Net Movement of HRA Earmarked Reserves				4,799	
129,735	(35,905)	48,160	141,990	Total Earmarked Reserves		141,990	(75,046)	72,530	139,474

12.04 Usable Reserves

A summary of the purpose and balance of usable reserves can be found in the Glossary (section 19)

12.04a Usable Capital Receipts Reserve

31 March 2015 £000		Note	31 March 2016 £000
7,548	Amounts receivable in year	12.01	7,798
262	Amount receivable from long term debtors	12.01	272
(19)	Disposal Costs	12.01	(11)
(1,646)	Capital receipts pooling payment to DCLG	12.01	(1,376)
-	Amount voluntary set aside to pay off debt	12.01	-
(3,661)	Amounts applied to finance new capital investment in year	12.07b	(825)
2,484	Total increase/(decrease) in reserve during year		5,858
5,180	Balance brought forward at 1 April		7,664
7,664	Balance carried forward at 31 March		13,522

12.04b Capital Grants Unapplied Reserve

31 March 2015 £000		Note	31 March 2016 £000
4,110	Capital grants received in year which have not been applied	12.01	8,425
(7,106)	Applied during the year transferred to capital adjustment acc	12.05a	(1,077)
4	Transfer between capital and revenue reserve	6	-
(2,992)	Total increase/(decrease) in reserve during year		7,348
14,819	Balance brought forward at 1 April		11,827
11,827	Balance carried forward at 31 March		19,175

12.05 Unusable Reserves

Unusable reserves are unrealised gains and losses and adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

12.05a Capital Adjustment Account

31 March 2015 £000		Note	31 March 2016 £000
345,455	Balance at 1st April		352,806
-	Opening Balance Adjustment		688
345,455	Revised Balance at 1st April		353,494
(17,372)	Charges for depreciation & impairment of non current assets	12.01	(31,679)
(13,743)	Revaluation movement on property, plant & equipment & non current assets held for sale	12.01	(5,852)
(1,465)	Amortisation of intangible assets	12.01	(1,133)
(8,364)	Revenue expenditure funded from capital under statute	12.01	(5,949)
(7,159)	Amounts of non-current assets written off on disposal or sale as part of gain /loss on disposal	12.01	(9,223)
(8,259)	Amounts of non-current assets written off on derecognition as part of gain/loss on derecognition	12.01	(1,975)
-	Movement in market value of investment properties	12.06f	(12,443)
(56,362)			(68,254)
3,407	Adjusting amounts written out of Revaluation Reserve	12.05b	3,161
(52,955)	Net Written out amount of the cost of non-current assets consumed in the year		(65,093)
	Capital Financing applied in the year:		
3,661	Use of Capital Receipts reserve to finance new capital	12.04a	825
9,500	Use of Major Repairs reserve to finance new capital	15.03	9,500
-	Use of Major Repairs reserve to finance voluntary repayment of debt	15.03	-
12,729	Capital grants and contributions credited to the CIES applied to capital financing	12.01	29,458
7,106	Applications of grants to capital financing from capital grants unapplied account	12.04b	1,077
19,965	Statutory provision for the financing of capital investment charged against:		15,283
960	- General Fund		972
570	- HRA		570
	Service concession deferred income write back	12.01	570
	Capital expenditure charged against:	12.01	
1,575	- General Fund	12.01	2,186
4,240	- HRA	12.01	4,388
60,306			64,259
352,806	Balance at 31 March		352,660

12.05b 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 2015 £000		Note	31 March 2016 £000
128,912	Balance at 1st April		132,842
-	Opening Balance Adjustment		(688)
128,912	Revised Balance at 1st April		132,154
24,299	Upward revaluation of assets	12.06f	23,918
(16,962)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	12.06f	(5,749)
7,337	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		18,169
(2,895)	Difference between fair value depreciation and historical cost depreciation		(2,159)
(512)	Accumulated gains on assets sold or scrapped		(1,002)
(3,407)	Amount written off to the Capital Adjustment Account	12.05a	(3,161)
132,842	Balance at 31 March		147,162

12.05c Pensions Reserve

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

31 March 2015 £000		Note	31 March 2016 £000
(434,687)	Balance at 1st April		(530,793)
(75,633)	Remeasurements of the net defined benefit liability/(asset)	12.14	157,880
(44,524)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12.14	(51,570)
24,051	Employer's pensions contributions and direct payments to pensioners payable in the year	12.14	26,293
(530,793)	Balance at 31 March		(398,190)

12.05d 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 benefiting from gains per statutory provisions.

The difference between effective interest credited or charged to the Comprehensive Income and Expenditure Statement 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 loans. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Housing Revenue Account to the Account in the Movement in Reserves Statement. Over time, the income (£11,636 in 2015/16) is posted back to the Housing Revenue Account in accordance with statutory arrangements. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2016 will be paid to the Housing Revenue Account until 2016/17.

The Authority also has an adjustment for the effective interest rates relating to the Kickstart loans. This is purely an accounting entry to write back the full amount of the loans to the balance sheet when they mature. £145,320 was credited to CIES in 2015/16. A net movement on the account of £133,684.

31 March 2015 £000	Note	31 March 2016 £000
(4,663) Balance at 1st April		(4,541)
(14) Proportion of discounts received in previous financial years to be transferred to the HRA in accordance with statutory requirements		(11)
136 Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		145
(4,541) Balance at 31 March		(4,407)

12.05e 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 2015 £000	Note	31 March 2016 £000
6,168 Balance at 1st April		6,863
New Deferred Receipts:		
982 Cluster loans	12.16a	-
5 Kickstart loans	12.16a	-
33 Deferred sale proceeds on non-current assets		760
Transfers to Useable Capital Receipts Reserve upon receipt of cash		
(262) Repayment of long term debtors	12.16a	(273)
(63) Deferred sale proceeds on non-current assets now realised		-
6,863 Balance at 31 March		7,350
<i>Of which:</i>		
5,900 Kickstart loans	12.16a	5,727
930 Cluster loans	12.16a	830
33 Deferred sale proceeds		793
6,863 Balance at 31 March		7,350

12.05f Available for Sale Financial Instruments Reserve

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

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

31 March 2015 £000	Note	31 March 2016 £000
- Balance at 1st April		5,316
5,316 Upward revaluation of long term investments	12.09b	1,113
Upward revaluation of short term investments	12.09b	28
5,316 Balance at 31st March		6,457

12.06 Assets

12.06a Property, Plant & Equipment

Movement on Balance 2015/16	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 included in Property, Plant & Equipment ¹ £000
Cost or Valuation									
Balance at 1 April	385,553	333,928	54,744	208,080	31,932	41,546	62,130	1,117,913	181,183
Opening Balance									
Adjustment	-	3,598	-	-	-	-	-	3,598	-
Revised Opening Balance	385,553	337,526	54,744	208,080	31,932	41,546	62,130	1,121,511	181,183
Additions	14,416	5,614	5,295	6,842	212	1,288	24,026	57,693	17,702
Donations	-	-	-	-	-	-	-	-	-
<i>Revaluation increases/(decreases) recognised in the:</i>									
Revaluation Reserve	-	5,933	-	-	-	5,738	-	11,671	1,542
Surplus/Deficit on the Provision of Services	7,394	(22,704)	-	-	-	(5,342)	-	(20,652)	(4,680)
<i>Derecognition</i>									
Non-schools	-	(617)	(5,409)	(3,909)	-	(4,564)	(8,469)	(22,968)	(338)
School transfers	-	(1,853)	(269)	-	-	-	-	(2,122)	(1,853)
Reclassifications - other	-	25,311	969	6,638	-	474	(53,908)	(20,516)	2,887
Assets reclassified (to)/from Held for Sale	(3,714)	(118)	-	-	-	(370)	-	(4,202)	-
Other	-	-	-	-	-	-	-	-	-
Balance at 31 March	403,649	349,092	55,330	217,651	32,144	38,770	23,779	1,120,415	196,443
Accumulated Depreciation and Impairment									
Balance at 1 April	(384)	(15,851)	(24,489)	(49,906)	(444)	(8,545)	(10,047)	(109,666)	(14,835)
Opening Balance									
Adjustment	-	(23)	-	-	-	-	-	(23)	-
Revised Opening Balance	(384)	(15,874)	(24,489)	(49,906)	(444)	(8,545)	(10,047)	(109,689)	(14,835)
Depreciation Charge in year	(9,302)	(8,224)	(4,821)	(5,922)	-	(360)	-	(28,629)	(4,483)
<i>Depreciation written out to the:</i>									
Revaluation Reserve	-	6,029	-	-	-	597	-	6,626	356
Surplus/Deficit on the Provision of Services	9,471	3,843	-	-	-	1,486	-	14,800	2,607
<i>Impairment losses/(reversals) recognised in the:</i>									
Revaluation Reserve	-	(125)	-	-	(1)	(1)	-	(127)	(42)
Surplus/Deficit on the Provision of Services	-	(176)	(339)	(1,134)	(66)	(955)	-	(2,670)	(128)
<i>Derecognition</i>									
Non-schools	-	69	4,734	1,495	-	3,402	8,469	18,169	235
School transfers	-	84	63	-	-	-	-	147	84
Reclassifications - other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	7	-	7	-
Other	-	-	-	-	-	-	-	-	-
Balance at 31 March	(215)	(14,374)	(24,852)	(55,467)	(511)	(4,369)	(1,578)	(101,366)	(16,206)
Net Book Value									
At 31 March 2016	403,434	334,718	30,478	162,184	31,633	34,401	22,201	1,019,049	180,237
At 31 March 2015	385,169	318,077	30,255	158,174	31,488	33,001	52,083	1,008,247	166,348

¹The memorandum column in respect of the non-current asset value that relates to PFI schools includes all additions incurred for that school. In previous years expenditure incurred by the school through, for example, use of devolved formula capital grant has not been included in the memorandum column.

Movement on Balance 2014/15	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 included in Property, Plant & Equipment £000
Cost or Valuation									
Balance at 1 April	416,362	365,960	56,215	194,617	32,831	67,795	38,147	1,171,927	186,004
Additions	10,961	8,481	6,481	14,280	123	1,177	33,472	74,975	7,550
Donations	-	-	-	-	-	-	-	-	-
<i>Revaluation increases/(decreases) recognised in the:</i>									
Revaluation Reserve	-	(1,619)	-	-	(11)	(1,959)	-	(3,589)	1,018
Surplus/Deficit on the Provision of Services	(38,864)	(26,120)	-	-	(43)	(29,194)	-	(94,221)	(9,251)
<i>Derecognition</i>									
Non-schools	-	(647)	(8,054)	(4,995)	(90)	(7,805)	-	(21,591)	-
School transfers	-	(5,688)	(555)	-	-	-	-	(6,243)	(4,586)
Reclassifications - other	(109)	(5,971)	657	4,178	(878)	11,584	(9,489)	(28)	493
Assets reclassified (to)/from Held for Sale	(2,797)	(468)	-	-	-	(52)	-	(3,317)	(45)
Other	-	-	-	-	-	-	-	-	-
Balance at 31 March	385,553	333,928	54,744	208,080	31,932	41,546	62,130	1,117,913	181,183
Accumulated Depreciation and Impairment									
Balance at 1 April	(59,480)	(20,919)	(27,596)	(45,078)	(529)	(32,767)	(11,792)	(198,161)	(19,233)
Depreciation Charge in year	(8,160)	(11,088)	(4,417)	(5,667)	-	(532)	-	(29,864)	(4,585)
<i>Depreciation written out to the:</i>									
Revaluation Reserve	-	7,609	-	-	-	1,673	-	9,282	238
Surplus/Deficit on the Provision of Services	51,372	2,787	-	-	-	26,321	-	80,480	1,020
<i>Impairment losses/(reversals) recognised in the:</i>									
Revaluation Reserve	-	(190)	-	-	(9)	(23)	-	(222)	(121)
Surplus/Deficit on the Provision of Services	15,922	(1,163)	(186)	(1,231)	(21)	(542)	-	12,779	(500)
<i>Derecognition</i>									
Non-schools	-	607	7,613	2,103	-	6,034	-	16,357	-
School transfers	-	659	108	-	-	-	-	767	659
Reclassifications - other	2	5,939	(11)	(33)	115	(7,759)	1,745	(2)	7,687
Assets reclassified (to)/from Held for Sale	(40)	(92)	-	-	-	(950)	-	(1,082)	-
Other	-	-	-	-	-	-	-	-	-
Balance at 31 March	(384)	(15,851)	(24,489)	(49,906)	(444)	(8,545)	(10,047)	(109,666)	(14,835)
Net Book Value									
At 31 March 2015	385,169	318,077	30,255	158,174	31,488	33,001	52,083	1,008,247	166,348
At 31 March 2014	356,882	345,041	28,619	149,539	32,302	35,028	26,355	973,766	166,771

Also see supplementary disclosure " Consolidated Managed Assets" note at 12.06f

In order to comply with IAS 16 non-current assets, asset groups have been created to ensure that revaluations of each group are made with sufficient regularity so that the carrying amount does not differ materially from that which would have been determined at the end of the reporting period. The items within each group are revalued within a short period to avoid selective revaluation of assets and consequent mixture of values at different dates. The groups of assets are detailed below with their opening and closing balances, the movement in year is consolidated and shown in note 12.06a.

Analysis of PPE - Other Land and Buildings by Sub Class

	Net Book Value as at 31/03/15 £000	Net Book Value as at 31/03/16 £000
Administrative Buildings	25,071	31,703
Bus Station	6,116	3,787
Civic Amenity Sites	19,586	19,211
Car Parks	14,590	14,527
Cemeteries & Crematorium	1,731	1,759
Childrens Centres	5,990	6,099
Community	3,172	3,158
Coroners & Mortuary	588	931
Depots	1,494	2,476
Economic Development	12,680	12,436
Garages	2,565	5,211
Libraries & Museums	17,476	19,874
Local Centres	1,602	1,357
Markets	9,187	9,045
Miscellaneous	880	763
Other Educational Facilities	10,711	10,906
Public Conveniences	1,173	1,147
Recreation Facilities	40,395	43,372
Schools	114,025	115,145
Shops	2,279	4,238
Social Care Facilities	9,943	11,514
Theatre	15,346	14,996
Travellers Site	498	490
Youth Services	979	573
Total	318,077	334,718

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 March 2015 £000		31 March 2016 £000
	Note	
10,176	Strategic regeneration sites	10,002
5,672	Cleared land not currently qualifying as held for sale	13,609
16,504	Vacant Premises	10,169
649	Other surplus assets	621
33,001	Balance at 31 March	34,401

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 2016 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 Royal Institution of Chartered Surveyors 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 2015/16 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 (EUV) 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 (DRC) 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 (RUL) 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 IFRS13. Fair value is defined by IFRS13 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 & Equipment with short useful lives and/or low values are valued at depreciated historic cost as a proxy for fair value.

The table below reflects the carrying value of non current assets shown against their valuation date.

	Council Dwellings £000	Other Land & Buildings vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000	
Carried at Historical Cost	-	1,981	30,043	129	32,153
Valued at Fair Value as at:					
31/03/2016	403,434	76,818	-	21,921	502,173
31/03/2015	-	85,134	-	6,200	91,334
31/03/2014	-	170,294	-	1,620	171,914
31/03/2013	-	95	-	1,873	1,968
31/03/2012	-	396	435	2,658	3,489
Total	403,434	334,718	30,478	34,401	803,031

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

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

Level 3 – unobservable inputs for the asset or liability.

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 Used to Determine Level 2 Fair Values for Investment Property and Surplus

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.

12.06b Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Authority

	Buildings £000	Collections £000	Statuary and Horological £000	Spitfire Aircraft £000	Total Assets £000
At 1 April 2015	4,257	60,643	852	750	66,502
Additions	30	-	-	-	30
Depreciation Charge	(99)	-	-	-	(99)
At 31 March 2016	4,188	60,643	852	750	66,433
At 1 April 2014	2,521	60,643	852	750	64,766
<i>Revaluation increases/(decreases) recognised in the:</i>					
- Revaluation Reserve	1,866	-	-	-	1,866
Depreciation Charge	(130)	-	-	-	(130)
At 31 March 2015	4,257	60,643	852	750	66,502

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

12.06c 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.

12.06d Impairment and Depreciation

The Authority recognised depreciation and amortisation charges totalling £29.861m 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 £2.950m to the General Fund. This consisted of an impairment of £1.715m relating to capital expenditure incurred in year deemed not to add an equivalent value, and impairment losses prior to derecognition of £613,000 relating to the demolition of domestic properties acquired through regeneration programmes. £310,000 in respect of the demolition of old school buildings and £312,000 for equipment no longer providing a functional service.

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	12.06a	-	(28,629)	(2,670)
Intangible Assets	12.06f	(1,133)	-	(280)
Intangible Assets - Academy Schools		-	-	-
Non Current Assets Held for Sale		-	-	-
Investment Properties		-	-	-
Heritage Assets	12.06b	-	(99)	-
Total Depreciation and Impairment charged to Services		(1,133)	(28,728)	(2,950)

12.06e Maintained Schools

The Council has the following maintained schools

	Community	Voluntary Controlled	Voluntary Aided	Foundation
Number of schools subject to PFI contracts	38	4	5	11
Value of land and buildings at 31st March 2016	£54m	£6m	£8m	£46m

During the financial year eight community schools have changed their status. One primary school has converted to an academy, and three primary schools and four special schools have become foundation trust.

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 Comprehensive Income and Expenditure Statement within Education and Children's Services as "REFCUS" (Revenue Expenditure Funded from Capital Under Statute).

Dedicated Schools Grant (DSG) is credited to Education and Children's Services within the Comprehensive Income and Expenditure Statement, based on amounts due from the Department for Education for 2015/16.

The DSG is allocated between central expenditure and to individual schools (delegated school budgets) and is charged to the Comprehensive Income and Expenditure Statement within Education and Children's Services.

Individual schools' balances at 31st March 2016 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 with the related liability. The PFI liabilities in respect of all PFI schools remains 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.

12.06f 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 the effect 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 balances (note 12.06a).

Movement in Balances in 2015/16	Note	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Furniture £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000	Assets Held for Sale £000	Investment Property £000
Cost or Valuation balance b/f		385,553	333,928	54,744	208,080	31,932	41,546	62,130	1,117,913	66,717	12,314	2,609	7,922
Accumulated Depreciation and Impairment balance b/f		(384)	(15,851)	(24,489)	(49,906)	(444)	(8,545)	(10,047)	(109,666)	(215)	(9,342)	(17)	(23)
Net Book Value b/f		385,169	318,077	30,255	158,174	31,488	33,001	52,083	1,008,247	66,502	2,972	2,592	7,899
Opening Balance Adjustment		-	3,575	-	-	-	-	-	3,575	-	-	-	(3,575)
Revised Net Book Value b/f		385,169	321,652	30,255	158,174	31,488	33,001	52,083	1,011,822	66,502	2,972	2,592	4,324
In year transactions which add to the asset value													
Additions/ Enhancements through Capital Expenditure	12.07b	14,416	5,614	5,295	6,842	212	1,288	24,026	57,693	30	885	17	48
Abortive Costs write off	12.07b	-	-	-	-	-	-	-	-	-	-	-	-
Donations		-	-	-	-	-	-	-	-	-	-	-	-
In year transactions which change assets value as a result of formal revaluation													
Upward revaluations recognised in the Revaluation Reserve	12.05b	-	14,047	-	-	-	9,873	-	23,920	-	-	-	-
Downward revaluations recognised in the Revaluation Reserve	12.05b	-	(2,085)	-	-	-	(3,538)	-	(5,623)	-	-	-	-
Upward revaluations recognised in the Surplus/ Deficit on the Provision of Services	12.01	27,771	2,985	-	-	-	2,407	-	33,163	-	-	-	-
Downward revaluations recognised in the Surplus/ Deficit on the Provision of Services	12.01	(10,906)	(21,846)	-	-	-	(6,263)	-	(39,015)	-	-	-	-
Movement in Market Value of Investment Property - Gains	12.01	-	-	-	-	-	-	-	-	-	-	-	1,168
Movement in Market Value of Investment Property - Loss	12.01	-	-	-	-	-	-	-	-	-	-	-	(13,611)

	Note	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Furniture £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000	Assets Held for Sale £000	Investment Property £000
In year transactions which reduce the assets value due to service usage (or loss thereof)													
Depreciation Charge in Year	12.01	(9,302)	(8,224)	(4,821)	(5,922)	-	(360)	-	(28,629)	(99)	-	-	-
Amortisation Charge in Year	12.01	-	-	-	-	-	-	-	-	-	(1,133)	-	-
<i>Impairment recoverable from previous upward revaluations charged to the Revaluation Reserve</i>													
Capital spend which has been deemed not to add an equivalent value	12.05b	-	(125)	-	-	(1)	(1)	-	(127)	-	-	-	-
Loss in Value due to demolitions, site aggregation, etc	12.05b	-	-	-	-	-	-	-	-	-	-	-	-
<i>Impairment requiring an additional charge to the Net Cost of Service</i>													
Capital spend which has been deemed not to add an equivalent value	12.01	-	(176)	(27)	(1,134)	(66)	(32)	-	(1,435)	-	(280)	-	-
Loss in Value due to demolitions, site aggregation, etc	12.01	-	-	(312)	-	-	(923)	-	(1,235)	-	-	-	-
In year transactions which reduce the assets value due to write off, transfer of ownership, closure of service or long term lease													
Disposal of assets in Renewal Areas	12.01	-	-	-	-	-	(1,162)	-	(1,162)	-	-	(622)	-
Other Sales (Incl RTBs)	12.01	-	(548)	(675)	-	-	-	-	(1,223)	-	-	(3,804)	-
Community Assets Transfers	12.01	-	-	-	-	-	-	-	-	-	-	-	-
Other disposal transactions	12.01	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to Academies	12.01	-	(1,769)	(206)	-	-	-	-	(1,975)	-	-	-	-
Derecognition due to asset replacement/write off	12.01	-	-	-	(2,414)	-	-	-	(2,414)	-	-	-	-
Assets transferred to/from other categories in year													
Reclassifications within PPE		-	25,311	969	6,638	-	474	(33,392)	-	-	-	-	-
Reclassifications from IP		-	-	-	-	-	-	(20,516)	(20,516)	-	-	-	20,516
Reclassifications to Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-
Assets moved to Held for Sale		(3,714)	(261)	-	-	-	(481)	-	(4,456)	-	-	4,456	-
Assets moved from Held for Sale		-	143	-	-	-	118	-	261	-	-	(261)	-
Cost or Valuation balance c/f		403,649	349,092	55,330	217,651	32,144	38,770	23,779	1,120,415	66,747	9,405	2,384	12,445
Accumulated Depreciation and Impairment balance c/f		(215)	(14,374)	(24,852)	(55,467)	(511)	(4,369)	(1,578)	(101,366)	(314)	(6,961)	(6)	-
Net Book Value c/f		403,434	334,718	30,478	162,184	31,633	34,401	22,201	1,019,049	66,433	2,444	2,378	12,445

Restated Movement in Balances in 2014/15	Note	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Furnishment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000	Assets Held for Sale £000	Investment Property £000
Cost or Valuation balance b/f		416,362	365,960	56,215	194,617	32,831	67,795	38,147	1,171,927	65,284	11,106	3,986	7,896
Accumulated Depreciation and Impairment balance b/f		(59,480)	(20,919)	(27,596)	(45,078)	(529)	(32,767)	(11,792)	(198,161)	(518)	(7,822)	(1,117)	(23)
Net Book Value b/f		356,882	345,041	28,619	149,539	32,302	35,028	26,355	973,766	64,766	3,284	2,869	7,873
In year transactions which add to the asset value													
Additions/ Enhancements through Capital Expenditure	12.07b	10,961	8,481	6,481	14,280	123	1,177	33,491	74,994	-	1,334	7	-
Abortive Costs write off	12.07b	-	-	-	-	-	-	(19)	(19)	-	-	-	-
Donations		-	-	-	-	-	-	-	-	-	-	-	-
In year transactions which change assets value as a result of formal revaluation													
Upward revaluations recognised in the Revaluation Reserve	12.05b	-	21,548	-	-	-	885	-	22,433	1,866	-	-	-
Downward revaluations recognised in the Revaluation Reserve	12.05b	-	(15,558)	-	-	(11)	(1,171)	-	(16,740)	-	-	-	-
Upward revaluations recognised in the Surplus/ Deficit on the Provision of Services	12.01	51,826	5,641	-	-	-	639	-	58,106	-	-	-	-
Downward revaluations recognised in the Surplus/ Deficit on the Provision of Services	12.01	(23,233)	(28,974)	-	-	(43)	(3,512)	-	(55,762)	-	-	-	-
Movement in Market Value of Investment Property - Gains	12.01	-	-	-	-	-	-	-	-	-	-	-	-
Movement in Market Value of Investment Property - Loss	12.01	-	-	-	-	-	-	-	-	-	-	-	-

	Note	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Furnishment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000	Assets Held for Sale £000	Investment Property £000
In year transactions which reduce the assets value due to service usage (or loss thereof)													
Depreciation Charge in Year	12.01	(8,160)	(11,088)	(4,417)	(5,667)	-	(532)	-	(29,864)	(130)	-	-	-
Amortisation Charge in Year	12.01	-	-	-	-	-	-	-	-	-	(1,464)	-	-
<i>Impairment recoverable from previous upward revaluations charged to the Revaluation Reserve</i>													
Capital spend which has been deemed not to add an equivalent value	12.05b	-	(173)	-	-	(9)	(23)	-	(205)	-	-	-	-
Loss in Value due to demolitions, site aggregation, etc	12.05b	-	(17)	-	-	-	-	-	(17)	-	-	-	-
<i>Impairment requiring an additional charge to the Net Cost of Service</i>													
Capital spend which has been deemed not to add an equivalent value	12.01	-	(307)	(186)	(661)	(22)	(119)	-	(1,295)	-	(156)	-	-
Loss in Value due to demolitions, site aggregation, etc	12.01	(164)	(856)	-	(570)	-	(423)	-	(2,013)	-	-	-	-
In year transactions which reduce the assets value due to write off, transfer of ownership, closure of service or long term lease													
Disposal of assets in Renewal Areas	12.01	-	-	-	-	-	(1,633)	-	(1,633)	-	-	(742)	-
Other Sales (Incl RTBs)	12.01	-	-	(8)	(1)	(90)	(27)	-	(126)	-	-	(3,941)	-
Community Assets Transfers	12.01	-	-	-	-	-	-	-	-	-	-	-	-
Other disposal transactions	12.01	-	-	(433)	-	-	(112)	-	(545)	-	-	-	-
Transfers to Academies	12.01	-	(4,918)	(447)	-	-	-	-	(5,365)	-	(3)	-	-
Derecognition due to asset replacement/write off	12.01	-	(151)	-	(2,891)	-	-	-	(3,042)	-	(24)	-	-
Assets transferred to/from other categories in year													
Reclassifications within PPE		(106)	(7)	646	4,145	(762)	3,826	(7,742)	-	-	-	-	-
Reclassifications from IP		-	(25)	-	-	-	-	-	(25)	-	-	-	25
Reclassifications to Intangible Assets		-	-	-	-	-	-	(2)	(2)	-	2	-	-
Assets moved to Held for Sale		(3,172)	(777)	-	-	-	(1,058)	-	(5,007)	-	-	5,007	-
Assets moved from Held for Sale		334	217	-	-	-	56	-	607	-	-	(607)	-
Cost or Valuation balance c/f		385,553	333,928	54,744	208,080	31,932	41,546	62,130	1,117,913	66,717	12,314	2,609	7,922
Accumulated Depreciation and Impairment balance c/f		(384)	(15,851)	(24,489)	(49,906)	(444)	(8,545)	(10,047)	(109,666)	(215)	(9,342)	(17)	(23)
Net Book Value c/f		385,169	318,077	30,255	158,174	31,488	33,001	52,083	1,008,247	66,502	2,972	2,592	7,899

12.07 Capital

12.07a Capital Commitments

At 31 March 2016, the Authority has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £38.9m. Similar commitments at 31 March 2015 were £87.4m. The Housing Stock Maintenance figure of £38.9m represents the amount of planned capital expenditure to be delivered through the contract until 18th February 2018.

Capital Scheme	£m
Housing Stock Maintenance	38.9
Capital Scheme	38.9

12.07b Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (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. The CFR is analysed in the second part of this note.

31 March 2015 £000		Note	31 March 2016 £000
552,788	Opening Capital Financing Requirement		579,560
	Capital Investment		
74,974	Property, Plant & Equipment	12.06a	57,691
-	- Heritage Assets	12.06b	30
-	- Investment Properties	12.06f	48
1,334	Intangible Assets	12.06f	886
7	Assets Held for Sale	12.06f	17
8,364	Revenue Expenditure Funded from Capital under Statute	12.05a	5,949
	Sources of Finance		
(3,661)	Capital receipts reserve applied to finance capital expenditure	12.04a	(825)
(8,544)	Government grants & contributions received in year & applied to fund non current asset expenditure	12.05a	(24,248)
(4,185)	Government grants & contributions received in year & applied to fund REFCUS	12.05a	(5,209)
(7,106)	Government grants & contributions applied from reserves	12.04b	(1,077)
(9,500)	Use of Major Repairs Reserve	15.03	(9,500)
(1,575)	Direct Revenue Contributions - General Fund	12.05a	(2,186)
(4,240)	Contribution from HRA Reserve	12.05a	(4,388)
(18,056)	Minimum Revenue Provision	12.07c	(13,144)
(80)	Amount voluntarily set aside to pay off debt	12.07c	(310)
-	- Deferred Credit - Extra Care PFI	12.09f	(3,814)
(960)	HRA repayment of debt (principal & leasing)	12.05a	(972)
579,560	Closing Capital Financing Requirement		578,508
43,433	Increase in underlying need to borrow (unsupported by government financial assistance)		-
(18,136)	Decrease in underlying need to borrow (MRP and Voluntary Debt)	12.07c	(13,454)
(960)	Decrease in underlying need to borrow (HRA Voluntary Debt Repayment)	12.05a	(972)
-	- Assets acquired under Finance Leases	12.09e	1,904
2,435	Assets acquired under PFI/PPP Contracts	12.08a	15,284
-	- Deferred Credit - Extra Care PFI	12.09f	(3,814)
-	- Impairment charge & Revaluation losses for non dwelling HRA assets chargeable to HRA CIES		-
26,772	Increase/(decrease) in Capital Financing Requirement		(1,052)

12.07c 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 the agreement.

The minimum revenue provision and voluntary repayment of debt provision for 2015/16 is:

31 March 2015 £000		Note	31 March 2016 £000
Minimum Revenue Provision			
11,655	Other Services		6,378
	Private Finance Initiative		
2,864	• Schools	12.08d	3,367
1,181	• Street Lighting	12.08d	1,253
312	• Bentilee District Centre	12.08d	218
2,123	• Hanford Waste	12.08d	2,238
18,135	Total		13,454

12.08 PFI & Similar Contracts

The Authority makes an agreed payment each year, which is adjusted year by year by 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 rentals
- Payments estimated to fund capital lifecycle replacements (to ensure asset continues to meet standard required over life of contract)

Schools Estate PFI Scheme

2015/16 was the 15th year of a 25 year PFI contract with Transform Schools (Stoke) Limited for rebuilding, maintaining, upgrading and providing services to its schools. Services provided under the contract include utilities (such as electricity, gas and water, sewerage and drainage) window cleaning, legislative safety testing, buildings maintenance and pest control. The scheme is provided under the Private Finance Initiative (PFI) and will benefit from government grants of around £83m 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 Transform Schools (Stoke) Limited subject to a period of notice and payment of compensation.

Street Lighting PFI Scheme

2015/16 was the 12th year of a 25 year PFI contract with Tay Valley Lighting (TVL) for prioritised replacement, operation and maintenance of all of 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. The contract will terminate on 31 August 2028.

Legal ownership of all 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. Unless itself in contractual default, 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

2015/16 was the ninth 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

2015/16 was the 21st year of a 25 year contract with Hanford Waste Services Limited 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. Hanford Waste Services 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 tonnes, beyond which additional payment is due from the City Council.

Legal ownership of the site is held by the City Council and at the end of the contract period the waste to energy plant will transfer to the City Council at nil cost, with an option to purchase mobile plant and equipment at open market value. Termination in advance of the contract expiry date is available to the City Council, in agreement with Staffordshire County Council, at a refund sum equivalent to the written down value of the waste to energy plant, which is based on a build cost of £38m written down over the 25 years of the contract on a straight line basis. Hanford Waste Services 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.

Extra Care Housing PFI

2015/16 was the 1st year of a 25 year contract with Sapphire Extra Care Limited 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. Sapphire Extra Care Limited shall ensure that the landlord does not charge rents in excess of the agreed rent.

The sites are based at Westcliffe, Abbey Hulton and Blurton. Legal ownership of the apartment blocks is held by Sapphire Extra Care Limited. 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.

The sites based at Blurton was completed in 2015/16. The sites based at Westcliffe and Abbey Hulton are due to be completed in 2016/17. The completion of these sites will increase the liability on the balance sheet by £33.958m.

12.08a 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	Bentilee	Hanford	Extracare	Total
	£000	Lighting	District	Waste	Housing	£000
	£000	£000	Centre	£000	£000	£000
Value as at 31 March 2015	113,880	27,028	2,969	17,120	5,351	166,348
Additions	2,380	-	-	38	-	2,418
Additions through PFI	-	831	-	586	13,867	15,284
Revaluations	(175)	-	-	-	-	(175)
Reclassifications	2,887	-	-	-	-	2,887
De-recognitions	(1,768)	(104)	-	-	-	(1,872)
Depreciation/Impairment	(2,883)	(871)	(21)	(878)	-	(4,653)
Value as at 31 March 2016	114,321	26,884	2,948	16,866	19,218	180,237

35 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 schools assets and therefore such assets have been derecognised from the Council's Balance Sheet.

12.08b 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 (£7.049m) has been expensed to the CIES in 2015/16.

	Schools	Street	Bentilee	Hanford	Extracare	Total
	£000	Lighting	District	Waste	Housing	£000
	£000	£000	Centre	£000	£000	£000
As at 31 March 2015	45,871	12,713	6,020	9,143	-	73,747
New loans raised	-	831	-	586	10,052	11,469
Interest added	4,356	1,268	866	559	-	7,049
Repayment of interest and liability	(7,723)	(2,521)	(1,085)	(2,796)	-	(14,125)
As at 31 March 2016	42,504	12,291	5,801	7,492	10,052	78,140
<i>of which</i> Short Term (note 12.09a)						6,291
Long Term (note 12.09a)						71,849
						78,140

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

The element of the outstanding liability that is due to be paid within the next 12 months (see note 12.08c below) 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.

12.08c Future Unitary Payments

Total payments remaining to be paid under each PFI or service concession contract at 31st March 2016 (including estimated inflation, contract variations and estimated future capital replacement costs are analysed below in 5 year bandings).

Schools Estate PFI Scheme

Future Unitary Payments	Repayment of Liability £000	Interest £000	Service Charge £000	Lifecycle Costs £000	Total £000	Academy Payments £000	Net £000
Within 1 year	2,831	5,819	7,733	3,175	19,558	3,933	15,625
2 - 5 years	15,794	17,471	33,536	18,600	85,401	17,053	68,348
6 - 10 years	23,879	8,529	41,533	24,748	98,689	22,003	76,686
	42,504	31,819	82,802	46,523	203,648	42,989	160,659

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 assessed these schools to be 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 £10.1m and will be repaid over the period of the remaining contract.

Street Lighting PFI Scheme

Future Unitary Payments	Repayment of Liability £000	Interest £000	Service Charge £000	Lifecycle Costs £000	Total £000
Within 1 year	539	1,485	823	757	3,604
2 - 5 years	2,762	5,639	3,504	3,221	15,126
6 - 10 years	5,379	5,843	4,923	4,501	20,646
11 - 15 years	3,611	2,149	2,756	2,236	10,752
	12,291	15,116	12,006	10,715	50,128

Bentilee District Centre PFI Scheme

Future Unitary Payments	Repayment of Liability £000	Interest £000	Service Charge £000	Total £000
Within 1 year	233	822	992	2,047
2 - 5 years	1,401	3,091	4,137	8,629
6 - 10 years	1,789	2,917	6,810	11,516
11 - 15 years	1,853	1,023	7,432	10,308
16 - 20 years	525	55	1,117	1,697
	5,801	7,908	20,488	34,197

Hanford Waste Scheme

Future Unitary Payments	Repayment of Liability £000	Interest £000	Service Charge £000	Lifecycle Costs £000	Total £000
Within 1 year	1,759	2,022	3,795	600	8,176
2 - 5 years	5,733	5,706	12,449	1,893	25,781
	7,492	7,728	16,244	2,493	33,957

Extracare

Future Unitary Payments	Repayment of Liability £000	Interest £000	Service Charge £000	Lifecycle Costs £000	Total £000
Within 1 year	929	2,691	386	-	4,006
2 - 5 years	4,847	12,817	3,797	319	21,780
6 - 10 years	6,881	13,513	5,289	1,541	27,224
11 - 15 years	8,794	9,782	5,984	2,664	27,224
16 - 20 years	11,370	5,252	6,771	3,832	27,225
21 - 25 years	11,188	409	4,878	1,352	17,827
	44,009	44,464	27,105	9,708	125,286

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

Summary

Future Unitary Payments	Repayment of Liability £000	Interest £000	Service Charge £000	Lifecycle Costs £000	Total £000
Within 1 year	6,291	12,839	13,729	4,532	37,391
2 - 5 years	30,537	44,724	57,423	24,033	156,717
6 - 10 years	37,928	30,802	58,555	30,790	158,075
11 -15 years	14,258	12,954	16,172	4,900	48,284
16 - 20 years	11,895	5,307	7,888	3,832	28,922
21 - 25 years	11,188	409	4,878	1,352	17,827
	112,097	107,035	158,645	69,439	447,216

12.08d Income and Expenditure

Transactions under the schemes during 2015/16 were:

	Schools		Street Lighting		Bentilee District Centre		Hanford Waste		Extracare Housing
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2015/16 £000
Fair Value of Services	10,770	11,861	2,399	2,419	901	1,017	3,747	3,697	-
Finance Cost	4,650	4,356	1,312	1,268	911	866	660	559	-
Contingent Rent	967	340	251	259	21	(22)	1,390	1,478	-
Revenue Unitary Payments	16,387	16,557	3,962	3,946	1,833	1,861	5,797	5,734	-
Recharge to Academies	(4,111)	(3,809)	-	-	-	-	-	-	-
Other Revenue Expenditure	135	26	21	7	-	-	2,744	2,679	-
Depreciation	2,877	2,883	825	872	21	21	756	878	-
Total Expenditure	15,288	15,657	4,808	4,825	1,854	1,882	9,297	9,291	-
PFI Special Grant	(8,294)	(8,294)	(1,351)	(1,351)	(1,346)	(1,346)	(570)	(570)	-
Other Contributions	(3,945)	(6,612)	(8)	(8)	(837)	(742)	(6,448)	(6,363)	-
(Surplus)/Deficit in Income & Expenditure Account	3,049	751	3,449	3,466	(329)	(206)	2,279	2,358	-
Movement in Reserves									
Depreciation	(2,877)	(2,883)	(825)	(872)	(21)	(21)	(756)	(878)	-
MRP	2,864	3,367	1,181	1,253	312	218	2,123	2,238	-
Transfer to/(from)									
Earmarked Reserves									
Transfer (from) DSG Reserve	(2,032)	-	-	-	-	-	-	-	-
Transfer to PFI Reserve	895	895	20	105	38	9	-	-	-
Transfer from PFI Reserve	(1,005)	(1,234)	-	-	-	-	-	-	-
Net Charge to the General	894	896	3,825	3,952	-	-	3,646	3,718	-

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.

12.09 Financial Instruments

12.09a 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.

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 assets.

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

Long-Term Assets 2014/15 £000	Current Assets 2014/15 £000			Long-Term Assets 2015/16 £000	Current Assets 2015/16 £000
Investments					
-	9,980	Loans and receivables	12.09c	-	13,028
5,335	-	Available-for-sale financial assets ¹	12.09c	6,448	-
5,335	9,980	Total investments		6,448	13,028
Debtors					
1,960	-	Loans and receivables	12.16a	1,826	-
-	31,015	Debtors identified on the balance sheet	12.09c	-	38,092
-	(10,259)	Less: classes of debtor not recognised as financial instruments or held at amortised cost		-	(11,704)
1,960	20,756	Total Debtors		1,826	26,388
Cash and Cash Equivalents					
-	68,051	Cash and Bank Accounts	12.09d	-	79,660
-	68,051	Total cash and cash equivalents		-	79,660

¹There is no active market for the Unquoted Equity Shares. Fair value is assessed by use of valuation technique.

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 2014/15 £000	Current Liabilities 2014/15 £000			Long-Term Liabilities 2015/16 £000	Current Liabilities 2015/16 £000
Borrowings					
326,771	4,326	Financial liabilities at amortised cost ¹	12.09c	344,473	14,058
326,771	4,326	Total borrowings		344,473	14,058
Other Liabilities					
19,085	1,829	Liability with Staffordshire County	12.09f	17,256	1,829
68,022	5,725	PFI liabilities	12.08b	71,849	6,291
2,848	-	PFI liabilities - Deferred Service	12.09f	6,093	-
1,093	487	Finance lease Liabilities	12.09e	1,769	432
91,048	8,041	Total other liabilities		96,967	8,552
Creditors					
259	-	Financial liabilities at amortised cost ²	12.09c	255	-
-	63,118	Creditors identified on the balance sheet	12.17	-	56,026
-	(18,142)	Less: classes of creditor not recognised as financial instruments or held at amortised cost		-	(15,134)
259	44,976	Total creditors		255	40,892

¹Market loans (LOBOs) of £20m and £74m HRA Self Financing Loans are included in long term borrowing.

²Financial liabilities at amortised cost represents long term creditor in respect of retentions due to completed capital schemes.

12.09b Gains and Losses on Financial Instruments

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

2014/15				2015/16			
Liabilities measured at amortised cost £000	Loan and Receivables £000	Financial Assets Available for Sale £000	Total £000	Liabilities measured at amortised cost £000	Loan and Receivables £000	Financial Assets Available for Sale £000	Total £000
-	-	-	-	-	-	-	-
(24,371)	-	-	(24,371)	(23,931)	-	-	(23,931)
(24,371)	-	-	(24,371)	(23,931)	-	-	(23,931)
on the Provision of Services							
-	-	127	127	-	-	456	456
-	378	-	378	-	613	-	613
-	378	127	505	-	613	456	1,069
the Provision of Services							
-	-	5,316	5,316	-	28	1,113	1,141
-	-	5,316	5,316	-	28	1,113	1,141
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure							
(24,371)	378	5,443	(18,550)	(23,931)	641	1,569	(21,721)
Net gain/(loss) for the year							

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

12.09c Fair Value of Assets and Liabilities

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

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 loans 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 2016, 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 the 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
- 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 in the tables below, 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

Financial liabilities carried at amortised cost

31 March 2015				31 March 2016				
Carrying Amount		Fair Value		Fair Value Level	Carrying Amount		Fair Value	
Long Term	Short Term	Long Term	Short Term		Long Term	Short Term	Long Term	Short Term
£000	£000	£000	£000		£000	£000	£000	£000
306,771	-	427,769	-	2	324,473	9,624	405,225	9,624
20,000	-	30,254	-	2	20,000	-	30,472	-
1,093	487	1,093	487	2	1,769	432	1,769	432
-	4,326	-	4,326	2	-	4,434	-	4,434
70,870	5,725	97,644	12,735	2	77,943	6,291	96,448	12,544
19,085	1,829	21,699	2,665	2	17,256	1,829	19,461	2,794
417,819	12,367	578,459	20,213		441,441	22,610	553,375	29,828
259	44,976	259	44,976		255	40,892	253	40,892
Creditors¹								

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.

¹The 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 2015			31 March 2016		
Carrying Amount	Fair Value	Note	Carrying Amount	Fair Value	
£000	£000		£000	£000	
1,959	1,415	12.16a	1,825	1,323	
20,756	20,756	12.16b	26,388	26,388	
Long-term debtors					
Short-term debtors¹					

Short-term debtors exclude amounts receivable of £6.667m from Statutory debtors and Central Government as they do not arise from contracts and therefore, fall outside the scope of the accounting provisions.

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

Financial assets held at fair value

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

31 March 2015		Fair Value Level	Note	31 March 2016
£000				£000
Stoke-on-Trent Regeneration Limited				
4,653	19% Shareholding - 19,000 B ordinary shares of £1 each	3		5,747
West Midlands Transport Information Services Limited				
-	10 £1 ordinary shares			-
Kier Stoke Limited				
682	19.9% Shareholding - 199 B ordinary shares of £1 each	3	12.19	701
Stoke EnergyCo Limited				
-	100% Shareholding - 1 ordinary share of £1			-
5,335	Total long term investments			6,448
9,980	Short-term investment	1		13,028
15,315	Total Investments			19,476

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.

12.09d Cash and Cash Equivalents

31 March 2015				31 March 2016			
Carrying Amount £000	Fair Value £000		Fair Value Level	Note	Carrying Amount £000	Fair Value £000	
4,000	4,000	Money Market Funds	1		21,500	21,500	
-	-	Certificate of Deposits	2		2,000	2,001	
4,000	4,000	Financial Assets Held at Amortised Cost			23,500	23,501	
16,002	-	On call Accounts			7,000	-	
36,747	-	Term Deposits			41,121	-	
87	-	Cash Held by the Authority			87	-	
11,172	-	Bank Current Accounts			7,855	-	
43	-	Accruals attached to Term Deposits			97	-	
64,051	-	Assets for which Fair Value is not Disclosed			56,160	-	
68,051	4,000	Total Cash and Cash Equivalents			79,660	23,501	

12.09e 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.
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- 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.

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 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:

- the quarterly reporting of Treasury Management activity to the council's Audit Committee and Resources Overview and Scrutiny Committee;
- use of the Debt Management Office (DMO), the Government's investment vehicle, and the most secure place to invest;
- 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;
- utilising professional advice from external treasury advisers on the credit worthiness of counterparties;
- utilising all market and other 'soft' information which officers research through the financial press and independent advice;
- investing funds only in the UK for durations below 12 months until it is safe to do otherwise (in accordance with the Council's Treasury Management Strategy).

The Authority's maximum exposure to credit risk in relation to funds held as investments by the council at the Balance Sheet date is £87,049,163. 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 2016 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.

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

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

	Gross Amount as at 31 March 2016 £000	Amount provided to cover bad debt within the Balance Sheet £000	Net Amount as at 31 March 2016 £000	Historical experience adjusted for market conditions as at 31 March 2016 %	Historical experience of default %
	A	B	C	(B / A)	
0 - 3 months	22,991	-	22,991		
4 - 12 months	12,353	(5,097)	7,256		
More than 1 year	24,238	(19,604)	4,634		
TOTAL	59,582	(24,701)	34,881	41.46	33.71

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 2015 £000	Interest Rates %		Note	Interest Rates %	31 March 2016 £000
Source of Loan					
306,771	4.41	Public Works Loan Board		4.10	334,097
20,000	3.84	Market Loans	12.09c	3.84	20,000
326,771		Total			354,097
Analysis of Maturity Less Premiums					
-		Less than one year			9,624
8,000		Between one and two years			1,624
-		Between two and five years			4,872
25,500		Between five and ten years			41,620
293,271		More than ten years			296,357
326,771		Total			354,097

Finance Lease Liabilities

31 March 2015 £000	Interest Rates %		Note	Interest Rates %	31 March 2016 £000
	7.80	Source of Loan		7.80	
2,624		Finance Leases - Opening Balance			1,580
-		New Finance Leases			1,904
(637)		Repayment of Principal			(742)
(407)		Release of Residual Values			(541)
1,580		Total			2,201
		Analysis of Maturity Less Premiums		4.40	
487		Less than one year			432
716		Between one and two years			616
377		Between two and five years			756
		Between five and ten years			397
1,580		Total			2,201

The City Council has 16 current finance leases ranging from 1 to 7 years. New finance leases (£1.904m) in the year for the procurement of refuse vehicles. Repayment of principal (£742k) in the year reduces the Authorities finance lease liability. The release of residual values (£541k) relates to finance leases that have expired in year. The residual value is treated as a capital receipt in year and transferred to the usable capital receipts reserve.

Market Risk - Price 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 £6.448m, which have arisen through joint working arrangements. 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 prices of the shares.

The £6.448m shares are all recognised as 'available for sale', meaning that all movements in price will impact on gains and losses in Other Comprehensive Income and Expenditure.

12.09f Other Long Term Borrowing (PFI & Finance Leases)

The other long term borrowings as at 31 March 2016 are as follows:-

31 March 2015 £000		Note	31 March 2016 £000
19,085	County Council debt		17,256
1,093	Finance Leases		1,769
68,022	Private Finance Initiative - Finance Lease	12.08b	71,849
2,848	Hanford Waste PFI Scheme - Deferred Service		2,279
-	Extra Care PFI Scheme - Deferred Credit		3,814
91,048	Total		96,967

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 2015/16 the total payment to the County Council was £2,683,107 (£2,723,709 in 2014/15), of which £854,223 (£894,825 in 2014/15) 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.

12.10 Provisions

	Liability Insurance Claims £000	Business Rates Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2015	5,025	6,321	1,154	12,500
Additional provisions made in 2015/16	951	-	1,202	2,153
Amounts used in 2015/16	(1,423)	(494)	(230)	(2,147)
Unused amounts reversed in 2015/16	-	(1,049)	(45)	(1,094)
Balance at 31 March 2016	4,553	4,778	2,081	11,412
of which:				
Short Term Liability				6,853
Long Term Liability				4,559
				11,412

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 2015/16 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 2016.

12.11 Grants

12.11a Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

Credited to Taxation and Non Specific Grant Income

Capital 2014/15 £000	Revenue 2014/15 £000		Note	Capital 2015/16 £000	Revenue 2015/16 £000
1,176	87,686	Communities & Local Government		22,282	74,475
-		Pathfinder/Regional		-	-
4,996	3,718	Department for Education (DfE)		3,916	2,472
-	231	Department of Health (DoH)		761	4,412
-	2,905	Department of Work & Pensions (DWP)		-	1,706
41		Private Sector Contributions		3,793	-
-		Public Sector Contributions		267	-
5,756		Department for Transport (DfT)		4,370	-
88	573	Other Government Grants		-	517
1,862		Homes and Communities Agency		853	-
231		Lottery		468	-
872		Other Contributions		112	-
280		Other Grants		181	-
1,537		European Regional Development Fund (ERDF)		880	-
987	-	Kickstart/Cluster Loans		-	-
17,826	95,113	Total		37,883	83,582

Credited to Net Cost of Service

Service Area	Type of Funding/Grant	Note	2014/15 £000	2015/16 £000
Central Services to the Public	Council Tax Benefits		-	-
	Other Grants		304	-
Cultural and Related	Other Grants		47	28
Environmental and Regulatory	Other Grants		465	256
Planning and Development	Other Grants		1,499	717
Education and Children's	Dedicated Schools Grant		115,656	116,117
	Private Finance Initiative - Schools	12.08d	8,294	8,294
	Private Finance Initiative - Bentilee	12.08d	1,346	1,346
	Other Grants		11,460	14,502
Highways and Transport	Private Finance Initiative - Street Lighting	12.08d	1,351	1,351
	Other Grants		1,555	120
General Fund Housing	Rent Allowances		53,417	55,065
	Rent Rebates		39,837	38,310
	Other Grants		1,138	857
Local Authority Housing	Other Grants		-	-
Adult Social Care	Other Grants		149	418
Public Health	Other Grants		20,242	21,635
	Total		256,760	259,016

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

Short Term 2014/15 £000	Long Term 2014/15 £000	Capital Grants Receipts in Advance	Note	Short Term 2015/16 £000	Long Term 2015/16 £000
1,351	-	Department for Education (DfE)		588	-
19,750	-	Department for Communities and Local Government		-	-
-	2,222	Homes and Communities Agency		108	1,341
-	-	Private Sector Contributions		-	-
1,729	-	Other Government Grants		1,407	-
22,830	2,222	Total	5	2,103	1,341

12.11b Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2015/16 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2015/16 before Academy recoupment	29,146	166,457	195,603
Academy figure recouped for 2015/16	-	(79,695)	(79,695)
Total DSG after Academy recoupment for 2015/16	29,146	86,762	115,908
Brought forward from 2014/15	15,759	89	15,848
Carry forward to 2016/17 agreed in advance	(3,327)	-	(3,327)
Agreed initial budgeted distribution in 2015/16	41,578	86,851	128,429
In year adjustments	89	120	209
Final budget distribution for 2015/16	41,667	86,971	128,638
Less Actual central expenditure	(34,497)	-	(34,497)
Less Actual ISB deployed to schools	-	(86,930)	(86,930)
Plus local authority contribution for 2015/16	-	-	-
Carry forward in year to 2016/17	7,170	41	7,211
Carry forward to 2016/17 agreed in advance	3,327	-	3,327
Carry forward to 2016/17 agreed in advance	10,497	41	10,538

12.12 Officers Remuneration

Disclosure of senior employees remuneration

A senior employee means an employee whose salary is £150,000 or more per year, or an employee whose salary is £50,000 or more per year, pro rata if part time, who falls within at least one of the following categories:

- (a) a person employed by a relevant authority to which section 2 (politically restricted posts) of the Local Government and Housing Act 1989 Act applies who:
 - (i) has been designated as head of paid service under section 4(1)(a) of that Act;
 - (ii) is a statutory chief officer within the meaning of section 2(6)(e) of that Act; or
 - (iii) is a non-statutory chief officer within the meaning of section 2(7) of that Act;
- (b) a person who is the head of staff for any relevant authority to which section 4 of the 1989 Act does not apply; or
- (c) a person who has responsibility for the management of the relevant authority to the extent that the person has power to direct or control the major activities of the authority (in particular activities involving the expenditure of money), whether solely or collectively with other persons.

The following table shows the senior employees whose salary is £150,000 or more per year.

Post title and name	Year	Salary (including fees and allowances) £	Expense allowances £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension Contributions £	Total remuneration including pension contributions £
City Director - David Sidaway ¹	2015/16	6,250	-	-	6,250	1,219	7,469
Chief Executive - J van de Laarschot ²	2015/16	120,250	1,134	213,894	335,278	23,449	358,727
Chief Executive - J van de Laarschot	2014/15	195,000	1,144	-	196,144	36,075	232,219

¹ Acting up into post (post previously called Chief Executive) from 1st November 2015

² Post vacated 12th November 2015. In addition to compensation for loss of office, legal and outplacement fees of £15k were incurred.

The following table shows the senior employees whose salary is between £50,000 and £150,000 per year.

Post title and name	Year	Salary (including fees and allowances) £	Expense allowances £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension Contributions £	Total remuneration including pension contributions £
Assistant Chief Executive ¹	2015/16	20,646	485	94,263	115,394	2,145	117,539
Assistant Chief Executive	2014/15	132,344	1,546	-	133,890	24,469	158,359
Director - Children, Adult & Family Services	2015/16	122,570	331	-	122,901	23,901	146,802
Director - Children, Adult & Family Services ²	2014/15	162,629	1,748	-	164,377	27,970	192,347
Director - Place, Growth & Prosperity ³	2015/16	127,246	549	-	127,795	24,375	152,170
Director - Place, Growth & Prosperity ⁴	2014/15	12,649	-	-	12,649	2,340	14,989
Director - Housing	2015/16	104,841	-	-	104,841	19,948	124,789
Director - Housing ⁵	2014/15	22,103	-	-	22,103	4,019	26,122
Assistant Director - Governance	2015/16	96,105	168	-	96,273	16,350	112,623
Assistant Director - Legal Services ⁶	2014/15	14,665	25	-	14,690	2,713	17,403
Director of Resources & Customer Services (& Section 151 Officer)	2015/16	132,000	-	-	132,000	25,740	157,740
Director of Resources & Customer Services (& Section 151 Officer) ⁷	2014/15	31,581	-	-	31,581	5,842	37,423
Director - Public Health	2015/16	130,924	251	-	131,175	17,589	148,764
Director - Public Health ⁸	2014/15	140,028	2,770	-	142,798	18,239	161,037

¹ Post deleted. Post vacated 30/04/15.

² Post previously called 'Director - People'. New acting post holder commenced 23/02/15. Previous post holder left 29/03/15. Acting post holder appointed permanently to post of Director - Children, Adult & Family Services 10/08/15.

³ Post holder acting up into City Director post from 1st November 2015.

⁴ Post previously called 'Director - Place'. Post holder commenced 23/02/15. Post covered for the rest of the year by an interim. Amount invoiced in 2014/15 was £225,664 (2013/14 - £249,949).

⁵ New post of Director - Housing for 2014/15. Post holder commenced in post 15/01/15.

⁶ Covered by interim for the period 12/06/14 to 31/03/15. Amount invoiced in 2014/15 was £90,201.

⁷ Post previously called 'Chief Operating Officer'. Post holder commenced in post 05/01/15.

⁸ New post holder commenced in post 20/10/14. Acting post holder covered for the period 01/04/2014 to 19/10/2014.

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:

2014/15					2015/16				
Number of Teaching staff	Number of Employees (non teaching)	Total Number of Employees	Number of Employees Left in Year	Range	Number of Teaching staff	Number of Employees (non teaching)	Total Number of Employees ¹	Number of Employees Left in Year	
24	48	72	10	£50,000-£54,999	24	41	65	4	
21	20	41	2	£55,000-£59,999	22	34	56	4	
16	14	30	5	£60,000-£64,999	18	13	31	1	
11	5	16	2	£65,000-£69,999	8	10	18	5	
5	6	11	4	£70,000-£74,999	4	2	6	1	
-	1	1	-	£75,000-£79,999	-	2	2	2	
4	6	10	3	£80,000-£84,999	4	4	8	-	
-	2	2	1	£85,000-£89,999	2	1	3	-	
1	1	2	-	£90,000-£94,999	-	1	1	-	
-	-	-	-	£95,000-£99,999	-	2	2	-	
1	1	2	-	£100,000-£104,999	-	1	1	-	
-	-	-	-	£105,000-£109,999	-	1	1	-	
-	-	-	-	£110,000-£114,999	-	-	-	-	
-	-	-	-	£115,000-£119,999	-	1	1	1	
-	-	-	-	£120,000-£124,999	-	1	1	-	
-	-	-	-	£125,000-£129,999	-	1	1	1	
-	1	1	-	£130,000-£134,999	-	2	2	-	
-	-	-	-	£135,000-£139,999	-	-	-	-	
-	1	1	1	£140,000-£144,999	-	1	1	1	
-	-	-	-	£145,000-£149,999	-	1	1	-	
-	-	-	-	£150,000-£154,999	-	-	-	-	
-	-	-	-	£155,000-£159,999	-	-	-	-	
-	-	-	-	£160,000-£164,999	-	-	-	-	
-	-	-	-	£165,000-£169,999	-	-	-	-	
-	-	-	-	£170,000-£174,999	-	-	-	-	
-	-	-	-	£175,000-£179,999	-	-	-	-	
-	-	-	-	£180,000-£184,999	-	-	-	-	
-	-	-	-	£185,000-£189,999	-	-	-	-	
-	-	-	-	£190,000-£194,999	-	-	-	-	
-	1	1	-	£195,000-£199,999	-	-	-	-	
-	-	-	-	£200,000-£204,999	-	-	-	-	
-	-	-	-	£205,000-£209,999	-	-	-	-	
-	-	-	-	£210,000-£214,999	-	-	-	-	
-	-	-	-	£215,000-£219,999	-	-	-	-	
-	-	-	-	£220,000-£224,999	-	-	-	-	
-	-	-	-	£225,000-£229,999	-	-	-	-	
-	-	-	-	£230,000-£234,999	-	-	-	-	
-	-	-	-	£235,000-£239,999	-	-	-	-	
-	-	-	-	£240,000-£244,999	-	-	-	-	
-	-	-	-	£245,000-£249,999	-	-	-	-	
-	-	-	-	£250,000-£254,999	-	-	-	-	
-	-	-	-	£255,000-£259,999	-	-	-	-	
-	-	-	-	£260,000-£264,999	-	-	-	-	
-	-	-	-	£265,000-£269,999	-	-	-	-	
-	-	-	-	£270,000-£274,999	-	-	-	-	
-	-	-	-	£275,000-£279,999	-	-	-	-	
-	-	-	-	£280,000-£284,999	-	-	-	-	
-	-	-	-	£285,000-£289,999	-	-	-	-	
-	-	-	-	£290,000-£294,999	-	-	-	-	
-	-	-	-	£295,000-£299,999	-	-	-	-	
-	-	-	-	£300,000-£304,999	-	-	-	-	
-	-	-	-	£305,000-£309,999	-	-	-	-	
-	-	-	-	£310,000-£314,999	-	-	-	-	
-	-	-	-	£315,000-£319,999	-	-	-	-	
-	-	-	-	£320,000-£324,999 ²	-	1	1	1	
83	107	190	28	Total	82	120	202	21	

¹ Includes 17 employees in receipt of compensatory payments for redundancy which has moved their remuneration into the >£50k banding.

² Includes £213,894 compensation for loss of office in respect of the former Chief Executive.

12.13 Termination Benefits & Exit Packages

The authority terminated the contracts of 215 employees in 2015/16 mainly as a consequence of the ongoing corporate restructuring programme. A total of over £3.4m in compensatory payments was incurred (including redundancy costs and pay in lieu of notice) plus an additional £1.3m will be paid to the pension fund in respect of actuarial strain costs. A further 10 people have signed to leave in 2016/17 and a total of £0.5m has been included in a provision. £1.9m for compensatory payments and £0.6m for actuarial strain has been included as a reserve on the balance sheet for further costs expected in 2016/17. The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

2014/15						2015/16				
Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages	Total Cost of Exit Packages £'000	Range		Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages	Total Cost of Exit Packages £'000	
12	197	209	1,263	£0-£20,000		2	138	140	1,190	
-	50	50	1,370	£20,001-£40,000		-	43	43	1,210	
-	8	8	381	£40,001-£60,000		2	15	17	822	
-	9	9	623	£60,001-£80,000		-	9	9	631	
-	1	1	97	£80,001-£100,000		-	3	3	268	
-	2	2	257	£100,001-£150,000		-	1	1	101	
-	-	-	-	£150,001-£200,000		-	1	1	152	
-	-	-	-	£200,001-£250,000		-	-	-	-	
-	-	-	-	£250,001-£300,000		-	-	-	-	
-	-	-	-	£300,001-£350,000		-	-	-	-	
-	-	-	-	£350,001-£400,000		-	1	1	364	
12	267	279	3,991	Total		4	211	215	4,738	

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.

2014/15			2015/16		
Compensation for Loss of Office £'000	Actuarial Pension Strain £'000	Range		Compensation for Loss of Office £'000	Actuarial Pension Strain £'000
1,150	114	£0-£20,000		1,136	54
1,207	163	£20,001-£40,000		981	229
283	97	£40,001-£60,000		478	344
368	256	£60,001-£80,000		288	343
40	57	£80,001-£100,000		215	53
97	159	£100,001-£150,000		39	62
-	-	£150,001-£200,000		54	97
-	-	£200,001-£250,000		-	-
-	-	£250,001-£300,000		-	-
-	-	£300,001-£350,000		-	-
-	-	£350,001-£400,000		214	150
3,145	846	Total		3,405	1,332

12.14 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 Pensions Agency (TPA). Public Health staff, who transferred from the NHS on 1st April 2013, 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 2015/16 the City Council paid employer's contributions to the TPS scheme of £5,267,207 (2014/15 £4,767,307). Employer contributions in respect of the NHS scheme amounted to £127,310 in 2015/16 (2014/15 £133,592). The employer contributions to the TPS was 14.1% of pensionable pay for the period 1st April 2015 to 31st August 2015 and 16.4% for the period 1st September 2015 to 31st March 2016 (2014/15 14.1%). Employer contributions to the NHS scheme was 14.3% (2014/15 14.0%) of public health staff pay. Total pensionable pay for the year re the TPS was £33,964,843 (2014/15 £33,804,450) & £887,661 (2014/15 £1,028,369) re the NHS scheme. Added years' lump sum payments awarded by the authority in respect of the TPS amounted to £47,842 for 5 teachers (2014/15 £9,041 - 1 teacher).

Employer's contributions for the year to 31 March 2017 will be approximately £5.6m re the TPS (an increase due to the increase in the statutory contribution rate from September 2015 to 16.4%) before Academy Transfers which have not yet been formalised. Employer's contributions for the year to 31 March 2017 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 becomes based on 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 2013.

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council have agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2016.

In 2015/16 the City Council paid an employer's contribution based on 19.5% (2014/15 – 18.5%) of employees' pensionable pay, a total of £21,694,469. 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 year deficit recovery. Total pensionable pay for the year was £111,582,997 (2014/15 £109,704,676). The Actuary estimates that the Employer's contributions for the year to 31 March 2017 re the LGPS will be approximately £23.5m.

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 2016, the City Council agreed to allow 58 employees (60 in 2014/15) 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 £358,730 (2014/15 £372,622).

The Staffordshire Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Staffordshire County Council. The Pensions Committee (consisting of 9 elected members & 5 non-voting representatives of the Consultative Forum) is responsible for: setting overall strategy; monitoring performance; administering the scheme and; approving policy. Policy is determined in accordance with the Pensions Fund Regulations. The Pensions Panel (consisting of 5 elected members), which reports to the Pensions Committee, is responsible for appointing investment managers; monitoring performance and; recommending strategy to the Pensions Committee. In addition, following the new regulations which came into force in April 2015, there is now a Pensions Board (consists of a maximum of 7 members, 2 of which will be representatives of the Scheme Membership, one of these seats being a nominated trade union representative & one from the membership of the pension fund) which will scrutinise the decisions made by the Pensions Committee & the Pension Panel.

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 24.8 years.

Comprehensive Income and Expenditure Statement & Movement on Reserves Statement

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

		Local Government Pension Scheme		Teachers Pension Scheme		Total	
		2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	Note	£000	£000	£000	£000	£000	£000
Within Net Cost of Services							
- current service cost		26,542	33,693	-	-	26,542	33,693
- past service costs incl curtailments		717	714	-	-	717	714
- settlements		(1,423)	(470)	-	-	(1,423)	(470)
		25,836	33,937	-	-	25,836	33,937
Within Financing and Investment Income and Expenditure							
- Net Interest Expense	12.02	17,224	16,476	1,464	1,157	18,688	17,633
		17,224	16,476	1,464	1,157	18,688	17,633
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services							
		43,060	50,413	1,464	1,157	44,524	51,570
Within Other Comprehensive Income and Expenditure							
Remeasurement of the net defined benefit liability comprising							
- return on plan assets (excluding the amount included in the net interest expense)		(74,881)	18,283	-	-	(74,881)	18,283
- changes in demographic assumptions		-	-	-	-	-	-
- changes in financial assumptions		159,174	(152,205)	1,362	(3,163)	160,536	(155,368)
- other expenditure		(10,285)	(20,876)	263	80	(10,022)	(20,796)
Other post employment benefit		74,008	(154,798)	1,625	(3,083)	75,633	(157,881)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement							
		117,068	(104,385)	3,089	(1,926)	120,157	(106,311)
Movement in Reserves Statement							
- reversal of net charged against the General Fund Balance for cash paid in the year	12.05c	(43,060)	(50,413)	(1,464)	(1,157)	(44,524)	(51,570)
Actual amount charged against the General Fund Balance for cash paid in the year:							
- employers' contributions payable to the pension scheme	12.05c	21,928	24,245	2,123	2,048	24,051	26,293
Movement in Pension Reserve		(95,140)	128,630	(966)	3,974	(96,106)	132,604

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the City Council's obligation in respect of its defined benefit plans is shown in the table below. As can be seen, the balance sheet has improved from last year. This mainly is a result of an increase in the real discount rate over the period from 0.8% as at 31st March 2015 to 1.4% this year. This change to the financial assumptions has served to reduce the liabilities by £158m.

Note	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Present value of liabilities						
All Pension Schemes	(761,588)	(842,685)	(1,002,993)	(1,078,660)	(1,277,195)	(1,161,054)
Discretionary Benefits	(45,961)	(51,682)	(53,165)	(57,644)	(58,745)	(52,382)
	12.14e	(807,549)	(894,367)	(1,056,158)	(1,335,940)	(1,213,436)
Fair value of assets in the Local Government Pension Scheme	12.14e	569,115	598,659	691,444	701,617	805,146
Net pension asset/(liability) on the balance sheet	12.05c	(238,434)	(295,708)	(364,714)	(434,687)	(398,190)

There is a net liability on the balance sheet of £398,190,000 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 the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

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.

Note	Local Government Pension Scheme		Teachers Pension Scheme		Total	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Reconciliation of present value of the scheme liabilities (defined benefit)						
Opening balance at 1 April	(1,101,199)	(1,299,869)	(35,105)	(36,071)	(1,136,304)	(1,335,940)
Current service cost	(26,542)	(33,693)	-	-	(26,542)	(33,693)
Interest cost	(47,326)	(43,072)	(1,464)	(1,157)	(48,790)	(44,229)
Contributions by scheme participants	(6,904)	(7,107)	-	-	(6,904)	(7,107)
Remeasurement (gains) and losses:						
- changes in demographic assumptions	-	-	-	-	-	-
- changes in financial assumptions	(159,174)	152,205	(1,362)	3,163	(160,536)	155,368
- changes in experience	10,285	20,876	(263)	(80)	10,022	20,796
Benefits paid	29,480	29,379	2,123	2,048	31,603	31,427
Past service costs (including curtailments)	(717)	(714)	-	-	(717)	(714)
Settlements	2,228	656	-	-	2,228	656
Closing balance at 31 March	(1,299,869)	(1,181,339)	(36,071)	(32,097)	(1,335,940)	(1,213,436)
Reconciliation of fair value of the scheme (plan)						
Opening balance at 1 April	701,617	805,146	-	-	701,617	805,146
Interest income	30,102	26,596	-	-	30,102	26,596
Remeasurement (gains) and losses:						
- the return on plan assets, excluding the amount included in the net interest	74,881	(18,283)	-	-	74,881	(18,283)
Employer contributions ¹	21,928	24,245	-	-	21,928	24,245
Contributions by scheme participants	6,904	7,107	-	-	6,904	7,107
Benefits paid ¹	(29,481)	(29,379)	-	-	(29,481)	(29,379)
Settlements	(805)	(186)	-	-	(805)	(186)
Closing balance at 31 March	805,146	815,246	-	-	805,146	815,246
Net Pension Asset/(Liability)	(494,723)	(366,093)	(36,071)	(32,097)	(530,794)	(398,190)

¹Within the Benefits Paid there is an Employers Contribution and corresponding payment out of £2,048k (£2,123k 2014/15) with a net balance of zero. This is a cashflow item only and not shown on the above table as the Authority holds no assets in the TPS.

Local Government Pension Scheme Assets

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

	Fair value of scheme assets 2014/15				2015/16			
	Quoted prices in active markets £000	Unquoted prices in active markets £000	Total £000	Percentage of total assets %	Quoted prices in active markets £000	Unquoted prices in active markets £000	Total £000	Percentage of total assets %
Equity Securities:								
- Consumer	69,047	-	69,047	9%	58,094	-	58,094	7%
- Manufacturing	-	-	-	0%	47,528	-	47,528	6%
- Energy & Utilities	20,933	-	20,933	3%	18,592	-	18,592	2%
- Financial Institutions	51,387	-	51,387	6%	52,574	-	52,574	6%
- Health & Care	33,791	-	33,791	4%	43,797	-	43,797	5%
- Information Technology	31,232	-	31,232	4%	49,651	-	49,651	6%
- Other	61,895	-	61,895	8%	965	-	965	0%
	268,285	-	268,285	33%	271,201	-	271,201	32%
Debt Securities								
- Corporate Bonds (investment grade)	61,118	-	61,118	8%	41,023	-	41,023	5%
- Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
- UK government	-	-	-	0%	-	-	-	0%
- Other	-	-	-	0%	-	-	-	0%
	61,118	-	61,118	8%	41,023	-	41,023	5%
Private Equity	-	25,580	25,580	3%	-	25,511	25,511	3%
Real Estate:								
- UK property	-	65,529	65,529	8%	-	72,369	72,369	9%
- Overseas property	-	-	-	0%	-	-	-	0%
	-	65,529	65,529	8%	-	72,369	72,369	9%
Investment Funds & Unit Trusts:								
- Equities	266,820	-	266,820	33%	277,090	-	277,090	34%
- Bonds	43,042	-	43,042	5%	41,635	-	41,635	5%
- Hedge Funds	-	19,246	19,246	2%	-	19,081	19,081	2%
- Commodities	-	-	-	0%	-	-	-	0%
- Infrastructure	-	-	-	0%	-	-	-	0%
- Other	-	23,713	23,713	3%	-	22,812	22,812	3%
	309,862	42,959	352,821	44%	318,725	41,893	360,618	44%
Derivatives:								
- Inflation	-	-	-	0%	-	-	-	-
- Interest Rate	-	-	-	0%	-	-	-	-
- Foreign Exchange	-	-	-	0%	-	-	-	-
- Other	-	-	-	0%	-	-	-	-
	-	-	-	-	-	-	-	0%
Cash & Cash Equivalents	31,813	-	31,813	4%	44,524	-	44,524	6%
Total Assets	671,078	134,068	805,146	100%	675,473	139,773	815,246	99%

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 2016, estimated based on actual Fund returns as provided by the Actuary and index returns where necessary, is:

- Actual return for the period from 01 April 2015 to 31st December 2015 -1.5% (7.8% previously)
- Estimated return for the period from 01 April 2015 to 31 March 2016 1.0% (15.0% previously)

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:

	2014/15	2015/16
<i>Mortality assumptions:</i>		
<i>Longevity at 65 for current pensioners:</i>		
- Men	22.1 years	22.1 years
- Women	24.3 years	24.3 years
<i>Longevity at 65 for future pensioners:</i>		
- Men	24.3 years	24.3 years
- Women	26.6 years	26.6 years
Rate of increase in salaries	4.4	4.2
Rate of increase in pensions	2.5	2.2
Rate for discounting scheme liabilities	3.3	3.6
Real discount rate for discounting scheme liabilities	0.8	1.4
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 2016	Approximate % increase to Employer Liability %	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	11%	134,351
1 year increase in member life expectancy	3%	36,403
0.5% increase in the Salary Increase Rate	3%	39,489
0.5% increase in the Pension Increase Rate	8%	92,910

12.15 Pooled Budgets & Other Arrangements

12.15a 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 2015 £000	Note	31 March 2016 £000
121 Mental Health Section 75 Pooled Budget		-
(402) Youth Offending Services Pooled Budget		(315)

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.

12.15b 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 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 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.

Scheme	Costs met by the Authority £000	Costs met by the CCG £000	Total Costs of Better Care Fund £000	CCG Contribution to City £000
Integrated Reablement and Integrated Care	3,040	1,921	4,961	3,124
Co-ordinated and Personalised Support in Community	14,008	11,640	25,648	3,311
Joint commissioning of care home placements	19,249	16,988	36,237	374
Extra Care	1,339	-	1,339	377
Supporting Home Environment (including ICES)	4,023	-	4,023	1,853
Carers	506	-	506	127
Dementia Re-design	1,663	199	1,862	1,195
Protection of Adult Social Care Funding	-	-	-	4,033
Contribution to Care Act Implementation (National Requirement)	-	-	-	722
Total	43,828	30,748	74,576	15,116

	Underspend c/f from 14/15 £000	Pooled funding provided by the Council £000	Pooled funding provided by the CCG £000	Costs met from the pool £000	(Surplus) / deficit on the pool £000
Integrated Community Equipment Service	(34)	(372)	(906)	1,550	238

12.16 Debtors

12.16a 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 loan 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 the £1 empty home scheme. These loans are repayable monthly with a charge on the property in the case of default.

	Balance at 01/04/15 £000	New Long Term Debtors £000	Repayments £000	Transfer from FIAA £000	Balance at 31/03/16 £000
Kickstart	1,096	4	(176)	145	1,069
Cluster Loans	843	-	(98)	-	745
Other Long Term Debtors	21	-	(9)	-	12
Total	1,960	4	(283)	145	1,826

12.16b Short Term Debtors

31 March 2015 £000		Note	31 March 2016 £000
5,349	Central government bodies		3,344
187	Academies		2
907	Other local authorities		3,087
274	NHS Bodies		57
-	Public Corporations and trading funds		-
46,787	Other entities and individuals ¹		56,304
(22,488)	Impairment of other entities and individuals		(24,701)
31,016	Total		38,093

¹ Other entities and individuals includes £2.1m re: charges on property

12.17 Short-Term Creditors

31 March 2015 £000		Note	31 March 2016 £000
14,045	Central government bodies		9,943
3,646	Other local authorities		2,818
1,636	NHS Bodies		1,183
43,791	Other entities and individuals		42,082
63,118	Total		56,026

12.18 Trading Operations

The City Council provides cleaning and meals services to council maintained 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:

Service	Expenditure £000	Charges £000	(Surplus) / Deficit* £000
Cleaning Services	1,516	1,624	(108)
Meals Service	8,270	8,841	(571)
Total	9,786	10,465	(679)

Cleaning and meals services form part of Children's, Adult and Family Services. The surplus of £679,000 on the trading account supports the provision of the authority's own services. To avoid overstating the total cost of Children's, Adult and Family, the surplus is repatriated to the service.

* The (Surplus) / Deficit excludes the internal recharge of overheads of £108,000 within cleaning services and £162,000 within the meals service.

12.19 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 12.02 on Amounts Reported for Management Account Purposes. A breakdown of grants received by funder in 2015/16 is shown in Note 12.11.

Members

Members of the City Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 12.21. During 2015/16, no members declared interests in related party companies which at 31st March 2016 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-on-Line.

Officers

During 2015/16, the partner of the Acting Head of Economic Development, Culture and Sport is one of up to 6 members of the evaluation committee of ACES Europe (European Capitals and Cities of Sport Federation) who select and appoint City of Sport status.

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 12.15.

Interest in Other Companies

The City Council has interests in a number of companies. During 2015/16, the following members were on the board of these companies, and various related party transactions were made to the companies:

Stoke-on-Trent Regeneration Limited - Stoke-on-Trent City Council has a 19.0% share in Stoke-on-Trent Regeneration Limited and holds 19,000 B Ordinary Shares of £1 each. In order to represent that share holding, several council members sit on the board of the company. Cllr. Brereton was appointed as director on 28/05/2015, Cllr. A Brown and Cllr. Follows were appointed as observers at the same date.

West Midlands Transport Information Services Limited - The City Council has a 1% share holding in West Midlands Transport Information Services Limited, and holds 10 £1 ordinary shares. During 2015/16, contributions of £5,858 were made in respect of the travel information service provided by the company. In the year under review, the company has ceased to directly contract with a call centre operation as a new national call centre has been established to take over this function. In addition, the company's obligations in respect of the website, data management and generic requirements are due to end in September 2016. It is expected that the company will cease to trade with effect from this date, for this reason, the financial statements for this financial year have been prepared on a break-up basis.

Kier Stoke Limited - Stoke-on-Trent City Council has a partner agreement with Kier Stoke Limited. The authority has a 19.9% share holding in the company and holds 199 B Ordinary Shares of £1 each. As city council representatives on the board, Cllr. Conteh was appointed as an Executive member of the board on 28/05/15 and Cllr. Follows was appointed as a substitute at the same time. Various transactions took place in 2015/16 and these are detailed in note 12.20 below.

Centre of Refurbishment Excellence (CoRE) - During 2015/16 the City Council had a 24.9% ownership of CoRE Limited, a company limited by guarantee. Councillor Jack Brereton and David Sidaway, City Director, were Directors of CoRE Limited. On 26th November 2015 a decision was taken by the Board to place the company into insolvent liquidation and at the time of producing the accounts, this process was still ongoing. The City Council has an estimated claim of £215,000 against the company.

Entities Controlled or Significantly Influenced by the Authority

Stoke Energyco Limited - This company is wholly set up and owned by Stoke-on-Trent City Council in order to deal with green energy initiatives. In 2015/16, no transactions took place.

12.20 Partnership Arrangement

Background

Kier Stoke Limited was established as a partner agreement between the City Council and Kier Group to deliver the housing and public building maintenance and housing programmed works for the City Council. The City Council maintains a non-controlling 19.9% minority interest holding in Kier Stoke Limited as a long term investment.

Service Contract and Agreements

Kier Stoke Limited was incorporated on 5 October 2007, and commenced a ten year contract on 4 February 2008.

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

Transactions and Balances

Between 1 April 2015 and 31 March 2016, Kier Stoke Limited charged the City Council for £42.4m (2014/15 £40.6m) net of Value Added Tax for completed works and services, and advised that the value of uncompleted works as at 31st March 2016 was £2.9m (2014/15 £2.6m) for all work streams.

The City Council raised a total value of invoices against Kier Stoke Limited during 2015/16 of £219k for various services and £32k was outstanding at 31 March 2016.

During 2015/16, the City Council received £315k of dividends from Kier Stoke Limited. £176k related to earnings in 2014/15 in line with contract arrangements and a further amount of £139k was received as an extra-ordinary dividend paid from company reserves.

12.21 Members Allowances and Expenses

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

31 March 2015 £000	Note	31 March 2016 £000
770 Allowances		754
23 Expenses		23
793 Total		777

12.22 External Audit Costs

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

31 March 2015 £000	Note	31 March 2016 £000
Fees payable to external auditors with regard to external audit services		
249 carried out by the appointed auditor for the year		193
Fees payable to external auditors for the certification of grant claims		
15 and returns for the year		23
Fees payable to external auditors in relation to financial advisory		
37 services with respect to the Housing PFI scheme		-
Fees payable to external auditors in respect of non audit services		
5 provided during the year		5
(21) Audit commission rebate		-
285 Total		221

The table above includes fees payable to external auditors with regards to external audit services and for the certification of grants and returns of £6k and £12k relating to prior year external audit services provided by the previous auditor

A contingent asset/liability is where an event has taken place that gives the authority a possible asset/obligation, whose existence will only be confirmed by uncertain future events not wholly within the City Council's control. These asset/liabilities are not recognised in the accounting statements as the timing and value is uncertain.

12.23 Contingent Assets

- a. The Council has some outstanding VAT claims, most of which relate to the 'Fleming case'. 'Fleming claims' are claims for under-declared or overpaid VAT, potentially going back as far as the inception of VAT in 1973. These claims are regarding compound interest and are headed by the Littlewood's Case; these cases are awaiting the outcome of HMRC's application to the Supreme Court to appeal. There is also a claim awaiting a decision by the European Courts of Justice relating to standard rated leisure services which the Council is claiming should all be exempt, in line with EU VAT law.

12.24 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 £885,024. There is no indication at this stage as to whether a further levy will be applied but the scheme administrators have not ruled it out. The Council is uncertain as to whether further monies will be required to be set aside.

- b. The City Council is currently and has previously been involved in a number of schemes where grants are received from external funding agencies – primarily, but not exclusively, the European Commission, National Lottery Funds, Housing Market Renewal and the Regional Growth Fund. There are specific terms and conditions applied to the value of grant offered from these funding organisations. A proportion of these monies could be subject to claw-back if it is deemed that the City Council has not fully complied with all the conditions of each grant award.
- c. Potential liabilities exist regarding liability claims that pre date Local Government Reorganisation in 1974 when a number of services transferred to Staffordshire County Council including Education and Social Services. Potential liabilities also exist for other periods where the City Council does not hold verifiable evidence of insurance cover. Any proven claims arising from these periods would have a financial consequence for the City Council that could exceed any insurance provisions that are currently held. The City Council is unable to estimate the value or timing of any obligations, hence, no amounts are recognised in the accounts in respect of this.
- d. The City Council would be responsible for any pollution arising from closed landfill sites in any restored areas where it holds the relevant licence. Whether any pollution will arise is unknown as is the cost that would arise from such an incident. Hence, no monies have been set aside for such events as the risk is considered to be contingent at this time.
- e. Claims under Part 1 of the Land Compensation Act 1973 may be made in respect of any public works undertaken by the City Council, between 1 year after opening of the works and 6 years after opening. Claims are for any depreciation in the value of an interest in land or property which is attributable to the use of public works. It is not possible in advance of the opening of a highway scheme to value the likely scale or number of such claims.
- f. A contingent liability exists regarding the funding of pension fund deficits arising from a contract entered into with Serco Limited in 2007 for the provision of education services. The West Midlands Councils pensions (WMLGA) has now been wound up and the City Council is responsible for increases in the pensions liability over the next 25 years. It is uncertain what the Council's potential liability is likely to be in respect of this pension fund.
- g. From time to time the City Council is involved in a number of investigations and enquiries on data protection and taxation from Government bodies, such as Information Commissions Offices (ICO) and Her Majesty's Revenue and Customs (HMRC). Where the outcome of such investigations are known, adequate provisions will be made.
- h. The Balance Sheet includes Private Housing Improvement Loans (Kickstart) with a fair value of £1.069m as at 31st March 2016. 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.

12.25 Events after the Balance Sheet Date

School Conversions to Academies

Since the Balance Sheet date, the following schools have converted to Academy Schools:

School Name	Proposed Conversion Date ¹	NBV of OLB & VPE as at 1st April 2016
Mill Hill Primary School	1st September 2016	£1.920m
Sandon Business & Enterprise College	1st September 2016	£7.560m
Birches Head High School	1st September 2016	£7.120m

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 2016/17 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 the Financing and Investment Income and Expenditure line on the CIES.

¹ Source: Department for Education - Open Academies and academy projects in development: July 2016

EU Referendum

On 23 June, 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, under the new Prime Minister, 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.

13 Housing Revenue Account Income & Expenditure Account

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

£000	2014/15 £000	Notes	2015/16 £000
	Expenditure		
(25,569)	Repairs and maintenance	15.04	(25,118)
-	Revenue Expenditure Funded from Capital Under Statute		(864)
(15,310)	Supervision and management		(16,399)
(494)	Rent, rates, taxes and other charges		(463)
(15,240)	Depreciation and impairment of non-current assets	15.02	(10,624)
33,919	Revaluation of Assets		16,872
(35)	Debt management costs		(35)
(43)	Increase in bad debt provision		(786)
	(22,772) Total Expenditure		(37,417)
	Income		
67,563	Dwelling rents		68,634
775	Non-dwelling rents		568
1,018	Charges for services and facilities		1,085
167	Contributions towards expenditure		183
	69,523 Total Income		70,470
	46,751 Net Cost of HRA Services per Comprehensive Income and Expenditure Statement		33,053
	(342) HRA services' share of Corporate and Democratic Core		(356)
	46,409 Net Cost for HRA Services		32,697
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(6,813)	Interest payable and similar charges	15.09	(6,747)
102	HRA Interest and investment income	15.09	112
1,902	(Loss)/Gain on Disposal of Non Current Assets		2,162
-	Income and expenditure in relation to investment properties and changes in their fair value		-
(981)	Pensions interest cost and expected return on pensions costs		(1,078)
359	Capital grants and contributions receivable		1,220
	40,978 Surplus or (deficit) for the year on HRA services		28,366

14 Movement on HRA Statement

31 March 2015 £000		Note	31 March 2016 £000
6,873	Balance on the HRA at the end of the previous year		7,395
40,978	Surplus of (deficit) for the year on the HRA Income and Expenditure Statement	13	28,366
(40,095)	Adjustments between accounting basis and funding basis under statute	12.01	(23,125)
883	Net increase or (decrease) before transfers to or from reserves		5,241
(361)	Transfers (to) or from reserves	6	(4,799)
522	Increase or (decrease) in year on the HRA	6	441
7,395	Balance on the HRA at the end of the current year		7,836

15 Notes to the Housing Revenue Account Financial Statements

15.01 Housing Stock

2014/15	2015/16
18,916 Number of dwellings at the beginning of the year	18,711
- Purchases	1
(132) Dwellings sold under Right to Buy	(151)
- Other sales	-
(78) Awaiting demolition	(13)
8 Merged conversions	12
(3) Dwellings demolished	(6)
18,711 Number of dwellings at the end of the year	18,554
<i>Consisting of:</i>	
15,641 Houses/Bungalows	15,499
3,070 Flats	3,055

15.02 Valuation of Housing Assets

Movement on Balance 2015/16	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	Assets Held for Sale £000	Investment Properties £000
Cost or Valuation										
Balance at 1 April	385,553	8,112	10,351	10,960	134	359	1,739	417,208	1,384	887
Opening Balance Adjustment	-	916	-	-	-	-	-	916	(12)	(887)
Revised Balance	385,553	9,028	10,351	10,960	134	359	1,739	418,124	1,372	-
Additions	14,416	1	-	323	-	-	313	15,053	17	-
Donations	-	-	-	-	-	-	-	-	-	-
<i>Revaluation increases/(decreases) recognised in the:</i>										
Revaluation Reserve	-	1,542	-	-	-	275	-	1,817	-	-
Surplus/Deficit on the Provision of Services	7,394	(49)	-	-	-	18	-	7,363	-	-
Derecognition - Disposals	-	(116)	(2,713)	-	-	-	-	(2,829)	(3,371)	-
Reclassifications - other	-	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(3,714)	95	-	-	-	-	-	(3,619)	3,619	-
Other	-	-	-	-	-	-	-	-	-	-
Balance at 31 March	403,649	10,501	7,638	11,283	134	652	2,052	435,909	1,637	-
Accumulated Depreciation and Impairment										
Balance at 1 April	(385)	(860)	(5,833)	(2,125)	-	1	(1,472)	(10,674)	24	-
Opening Balance Adjustment	-	(4)	(179)	-	-	-	-	(183)	(6)	-
Revised Balance	(385)	(864)	(6,012)	(2,125)	-	1	(1,472)	(10,857)	18	-
Depreciation Charge in year	(9,301)	(470)	(493)	(357)	-	-	-	(10,621)	-	-
<i>Depreciation written out to the:</i>										
Revaluation Reserve	-	1,271	-	-	-	-	-	1,271	-	-
Surplus/Deficit on the Provision of Services	9,471	39	-	-	-	-	-	9,510	-	-
<i>Impairment losses/(reversals) recognised in the:</i>										
Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	6	2,190	-	-	-	-	2,196	(24)	-
Reclassifications - other	-	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Balance at 31 March	(215)	(18)	(4,315)	(2,482)	-	1	(1,472)	(8,501)	(6)	-
Net Book Value										
At 31 March 2016	403,434	10,483	3,323	8,801	134	653	580	427,408	1,631	-
At 31 March 2015	385,168	8,164	4,339	8,835	134	360	267	407,267	1,390	-

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2015 was £1,193,979,750. 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.

Movement on Balance 2014/15	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	Assets Held for Sale £000	Investment Properties £000
Cost or Valuation										
Balance at 1 April	416,362	8,673	12,384	6,785	118	607	1,756	446,685	1,446	887
Additions	10,961	-	-	4,154	-	-	(17)	15,098	-	-
Donations	-	-	-	-	-	-	-	-	-	-
<i>Revaluation increases/(decreases) recognised in the:</i>										
Revaluation Reserve	-	(356)	-	-	(11)	47	-	(320)	-	-
Surplus/Deficit on the Provision of Services	(38,864)	(245)	-	-	(43)	(9)	-	(39,161)	-	-
Derecognition - Disposals	-	(28)	(2,033)	(2)	-	(123)	-	(2,186)	(2,941)	-
Reclassifications - other	(109)	156	-	23	70	(169)	-	(29)	-	-
Assets reclassified (to)/from Held for Sale	(2,797)	(88)	-	-	-	6	-	(2,879)	2,879	-
Other	-	-	-	-	-	-	-	-	-	-
Balance at 31 March	385,553	8,112	10,351	10,960	134	359	1,739	417,208	1,384	887
Accumulated Depreciation and Impairment										
Balance at 1 April	(59,481)	(528)	(6,874)	(1,855)	-	(54)	(1,472)	(70,264)	(135)	-
Depreciation Charge in year	(8,160)	(464)	(631)	(269)	-	-	-	(9,524)	-	-
<i>Depreciation written out to the:</i>										
Revaluation Reserve	-	70	-	-	-	6	-	76	-	-
Surplus/Deficit on the Provision of Services	51,372	66	-	-	-	5	-	51,443	-	-
<i>Impairment losses/(reversals) recognised in the:</i>										
Revaluation Reserve	-	(17)	-	-	-	-	-	(17)	-	-
Surplus/Deficit on the Provision of Services	15,922	-	-	-	-	-	-	15,922	-	-
Derecognition - Disposals	-	20	1,672	1	-	37	-	1,730	119	-
Reclassifications - other	2	(7)	-	(2)	-	7	-	-	-	-
Assets reclassified (to)/from Held for Sale	(40)	-	-	-	-	-	-	(40)	40	-
Other	-	-	-	-	-	-	-	-	-	-
Balance at 31 March	(385)	(860)	(5,833)	(2,125)	-	1	(1,472)	(10,674)	24	-
Net Book Value										
At 31 March 2015	385,168	7,252	4,518	8,835	134	360	267	406,534	1,408	887
At 31 March 2014	356,881	8,145	5,510	4,930	118	553	284	376,421	1,311	887

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2014 was £1,138,167,250. 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.

15.03 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

2014/15 £'000	2015/16 £'000
(3,852) Balance at beginning of the year	(9,427)
(9,523) Depreciation on HRA Assets	(10,620)
(5,552) Voluntary contribution	-
9,500 Capital expenditure on houses within the HRA	9,500
(9,427) Balance at end of year	(10,547)

15.04 Housing Repairs Account

The Housing Repairs Account is funded by annual contributions from the Housing Revenue Account. This separate fund exists as the demands on resources for housing repairs fluctuate within any given financial year. The fund operates within the same 'ring-fence' which applies to the Housing Revenue Account preventing General Fund financing of housing repairs

2014/15 £'000	2015/16 £'000
Expenditure	
25,569 Repairs and maintenance	25,118
Income	
(25,569) Contribution from Housing Revenue Account	(25,118)
- Surplus/(deficit) for the year	-
- Balance at beginning of year	-
- Balance at end of year	-

15.05 Summary of Capital Expenditure

2014/15 £'000	2015/16 £'000
Expenditure	
15,099 Dwellings	15,933
- Other Land & Buildings	-
- Other property	-
15,099	15,933
Income	
- Borrowing	-
- Revenue contributions	-
4,240 Earmarked Reserves	4,388
9,500 Major repairs reserve	9,500
1,000 Usable capital receipts reserve	825
359 Grants and contributions	1,220
15,099	15,933

15.06 Summary of HRA Capital Receipts Reserve

2014/15 £'000	2015/16 £'000
2,857 Balance brought forward	5,390
Value of receipts	
60 Land	125
4,749 Houses	5,504
19 Mortgage repayments	12
- Repayments of discount	33
351 Notional receipts for end of lease	516
8,036	11,580
Use of receipts	
1,646 Capital receipts pooling payment to DCLG	1,376
1,000 Usable receipts applied to finance HRA capital expenditure	825
- Transfer to general fund	1,000
- Funding of disposal costs	-
5,390 Balance carried forward	8,379

15.07 Explanation of HRA Share of Contributions to/from Pension Reserve

Included within the HRA balance is £2.1m relating to the current service cost of HRA funded employees who participate in the Local Government Pension Scheme. The current service cost (£3.155m) 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 IAS19 (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 (£1.078m) 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 12.14.

15.08 Rent Arrears

2014/15 £'000	2015/16 £'000
Arrears at year end	
1,235 Current Tenants	1,781
1,512 Former Tenants	2,384
2,747 Total Arrears at year end	4,165
2,671 Provision in respect of uncollectable debts	3,432

15.09 Capital Asset Charges and Adjustments

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

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

2014/15 £'000	2015/16 £'000
Item 8 Credit	
(102) Interest Receivable	(112)
(14) Discounts Received	(12)
(116) Total Item 8 Credit	(124)
Item 8 Debit	
35 Debt Management Charges and Repayment	35
6,813 Capital Asset Charges Adjustment	6,747
6,848 Total Item 8 Debit	6,782

16 Collection Fund Statement

2014/15				2015/16			
Business Rates £000	Council Tax £000	Total £000		Notes	Business Rates £000	Council Tax £000	Total £000
Income							
84,505	-	84,505	Business Ratepayers		87,814	-	87,814
-	106,351	106,351	Council Tax	17.02	-	108,375	108,375
-	(18,841)	(18,841)	Less Council Tax Local Support	17.02	-	(18,103)	(18,103)
84,505	87,510	172,015			87,814	90,272	178,086
Expenditure							
Previous Years' Estimated (Surplus)/Deficit paid in year							
1	-	1	Central Government		(600)	-	(600)
-	164	164	The Office of the Police and Crime Commissioner (PCC) Staffordshire		-	352	352
-	63	63	Stoke-on-Trent and Staffordshire Fire and Rescue Authority		(12)	134	122
-	1,097	1,097	Stoke-on-Trent City Council		(588)	2,350	1,762
1	1,324	1,325			(1,200)	2,836	1,636
Charges to the Collection Fund							
729	(429)	300	Write Offs of Uncollectable Amounts	17.02	774	204	978
860	923	1,783	Provision for Uncollectable Amounts		(122)	1,869	1,747
11,639	-	11,639	Provision for Appeals		(2,141)	-	(2,141)
(7,039)	-	(7,039)	Use of Previous Years Provision		(1,008)	-	(1,008)
1,874	-	1,874	Disregard Amounts (including reliefs)		190	-	190
365	-	365	Costs of Collection		362	-	362
8,428	494	8,922			(1,945)	2,073	128
76,076	85,692	161,768	Balance due for allocation		90,959	85,363	176,322
Precepts, Demands and Shares							
40,840	-	40,840	Central Government		41,621	-	41,621
-	10,207	10,207	The Office of the PCC Staffordshire	17.03	-	10,458	10,458
817	3,887	4,704	Stoke-on-Trent and Staffordshire Fire and Rescue Authority		833	4,061	4,894
40,024	68,010	108,034	Stoke-on-Trent City Council	17.03	40,789	69,685	110,474
81,681	82,104	163,785			83,243	84,204	167,447
(5,605)	3,588	(2,017)	Surplus/(Deficit) for the Year		7,716	1,159	8,875
Collection Fund Balance							
Allocation of Surplus/(Deficit) in Year							
(2,803)	-	(2,803)	Central Government		3,858	-	3,858
-	446	446	The Office of the PCC Staffordshire		-	144	144
(56)	170	114	Stoke-on-Trent and Staffordshire Fire and Rescue Authority		77	58	135
(2,746)	2,972	226	Stoke-on-Trent City Council	12.01	3,781	957	4,738
(5,605)	3,588	(2,017)			7,716	1,159	8,875
79	1,357	1,436	Balance at the Beginning of the Year		(5,526)	4,945	(581)
(5,526)	4,945	(581)	Balance at the End of the Year		2,190	6,104	8,294
Allocation of collection fund balance to:							
(2,763)	-	(2,763)	Central Government		1,095	-	1,095
-	615	615	The Office of the PCC Staffordshire		-	758	758
(55)	234	179	Stoke-on-Trent and Staffordshire Fire and Rescue Authority		22	294	316
(2,708)	4,096	1,388	Stoke-on-Trent City Council	7	1,073	5,052	6,125
(5,526)	4,945	(581)			2,190	6,104	8,294

17 Notes to the Collection Fund

17.01 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 2015/16 the City Council's share amounted to £40.789m plus a proportion of the year end surplus of £3.781m (**see note 16**). In addition £25.402m was received as non-domestic rates top up.

2014/15		2015/16
48.2p	Business Rate Multiplier	49.3p
47.1p	Small Business Rate Relief Multiplier	48.0p
£214,128,966	Non-domestic rateable value at year-end	£219,093,988

17.02 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:

2014/15 £000		2015/16 £000
120,286	Council tax gross charge	122,002
(2,055)	Exemptions	(2,737)
(11,783)	Discounts	(10,797)
(97)	Disabled allowances	(93)
106,351		108,375
429	Amounts written (off)/on	(204)
106,780		108,171
(18,841)	Council Tax Local Support	(18,103)
87,939		90,068

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

Valuation Band	Value Range	Number of Dwellings	Dwellings after discounts & exemptions	Ratio to Band D	Band D Equivalents
A (entitled to Disabled Reduction)		0	149	5/9	82.8
A	Up to £40,000	69,097	59,603	6/9	39,735.2
B	£40,000 - £52,000	23,546	21,419	7/9	16,659.4
C	£52,001 - £68,000	14,741	13,525	8/9	12,021.8
D	£68,001 - £88,000	4,606	4,353	1	4,352.5
E	£88,001 - £120,000	1,692	1,604	11/9	1,960.4
F	£120,001 - £160,000	442	421	13/9	608.1
G	£160,001 - £320,000	105	84	15/9	140.8
H	Over £320,000	43	20	18/9	40.0
					75,601.0
Local Council Tax Support Scheme:					
Estimated level of discounts to be awarded					(14,583.1)
					61,017.9
Adjustments for collection rates					(2,135.6)
Council Tax Base for 2015/16					58,882.3

The overall Council Tax requirement of £69.685m 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 Authority.

Derivation of the Band D Council Tax	2015/16	2014/15
Council Tax Requirement	£69.685m	£68.010m
Tax base	58,882	57,467
City Council Band D	£1,183.46	£1,183.46
The Office of the Police and Crime Commissioner Staffordshire	£177.61	£177.61
Stoke-on-Trent and Staffordshire Fire and Rescue Authority	£68.96	£67.64
Combined Band D Council Tax	£1,430.03	£1,428.71

The level at which Council Tax was set in 2015/16 was:

	Stoke-on-Trent City Council	The Office of the Police and Crime Commissioner Staffordshire	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	2015/16	2014/15
Valuation Band	£	£	£	£	£
A	788.97	118.41	45.97	953.35	952.47
B	920.47	138.14	53.64	1,112.25	1,111.22
C	1,051.96	157.88	61.30	1,271.14	1,269.96
D	1,183.46	177.61	68.96	1,430.03	1,428.71
E	1,446.45	217.08	84.28	1,747.81	1,746.20
F	1,709.44	256.55	99.61	2,065.60	2,063.69
G	1,972.43	296.02	114.93	2,383.38	2,381.18
H	2,366.92	355.22	137.92	2,860.06	2,857.42

17.03 Precepting Authorities

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

2014/15		2015/16
£		£
68,009,540	Stoke-on-Trent City Council	69,684,847
10,206,661	The Office of the Police and Crime Commissioner Staffordshire	10,458,085
3,887,048	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	4,060,523
82,103,249		84,203,455

18 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 2015/16 and the Service Reporting Code of Practice (SeRCOP) 2015/16, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis; that is that there is the assumption that the functions of the Council will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council.

ACCRUED REVENUE INCOME AND EXPENDITURE

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

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

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

BASIS OF CHARGES FOR CAPITAL

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

CARBON REDUCTION COMMITMENTS

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

CASH AND CASH EQUIVALENTS

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

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

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

For General Fund the Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement - Minimum Revenue Provision - by an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the 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. In compliance with the DCLG Item 8 Determinations non dwelling impairment is a charge to the HRA I&E with no statutory override to transfer this amount to the Capital Adjustment Account.

CONTINGENT LIABILITIES AND ASSETS

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

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

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

COUNCIL TAX AND NON-DOMESTIC RATES

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

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included in the Movement in Reserves statement.

EMPLOYEE BENEFITS

Short-term employee benefits

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

Retirement benefit costs

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

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

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

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-employment Benefits

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

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

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

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

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

Discretionary Benefits

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

EVENTS AFTER THE BALANCE SHEET DATE

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

Adjusting Events

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

Non-adjusting Events

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

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

FINANCIAL INSTRUMENTS

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

Financial Assets

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

Loans and Receivables

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

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

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

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

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

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

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

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

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

Financial Liabilities

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

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

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

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

GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

HERITAGE ASSETS

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

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

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

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

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

Ceramics and Porcelain

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

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

Fine Arts Collection

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

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

Machinery, Equipment and other Artefacts from the Pottery Industry

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

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

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

Archaeology

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

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

Property

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

Heritage Assets - General

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

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

HOUSING MARKET RENEWAL

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

INTANGIBLE ASSETS

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

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

INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities during the financial year 2015/16, therefore it has no requirement to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as available for sale assets and carried at fair value.

INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value. Investment Properties are not depreciated but are revalued annually. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement but are not permitted by statute to impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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

JOINT OPERATIONS

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

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

LEASES

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

Finance Leases

The City Council as lessee:

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

The City Council as lessor:

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. Amounts due from lessees under finance leases are recorded as receivables at the amount of the City Council's net investment in the leases. Where income received under leases qualifies under the definition of capital receipts, the element of finance lease payments relating to the write-down of the debtor's obligation will be treated as a capital receipt applied to accounting periods, so to reflect a constant periodic rate of return on the City Council's net investment outstanding in respect of the leases.

Operating Leases

The City Council as lessee:

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

The City Council as lessor:

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

MINIMUM REVENUE PROVISION

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

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

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

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

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Net Cost of Service.

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

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

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

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

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

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

PROPERTY PLANT AND EQUIPMENT

Recognition

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

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

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

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

The Council has set capital de minimis levels for administrative purposes:

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

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

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

Valuation

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

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

Current value is assessed as:

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

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

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

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

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

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

Depreciation

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

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

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

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

Impairment

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

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

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

Disposals and asset derecognition

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

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

Revaluation on Disposal of Housing Assets

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

PROVISIONS

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

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

RESERVES

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

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

SCHOOLS - FOUNDATION SCHOOLS AND ACADEMIES

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

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

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

STOCK (INVENTORIES) AND WORK IN PROGRESS

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

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

VAT

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

VOLUNTARY AIDED AND VOLUNTARY CONTROLLED (FAITH) SCHOOLS

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

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

19 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 Right to Buy (RTB) a substantial proportion of the receipt is surrendered to HM Treasury. Stoke-on-Trent City Council entered into an agreement to enable some of these receipts to be retained in full, providing it is spent on affordable housing or regeneration. These receipts can only be used to fund 30% of any housing project.

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 Local Authority.

Accounting Policies

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

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 & 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. Under this concept therefore inclusion or exclusion of an item of income or expenditure will depend on the period to which it relates, not the period in which it was received or performed.

Acquired Operations

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 the Income and Expenditure Account over the term of the instrument.

Balance Sheet

This shows a summary of the overall financial position of the City Council at the end of the financial year.

Business Rates Pool

A contractual mechanism by which authorities 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 any '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 (for example Land and Property).

Capital Adjustment Account

The balance on this account principally represents amounts set aside from revenue accounts, capital receipts used to finance capital expenditure and the excess of depreciation over the Minimum Revenue Provision.

Capital expenditure charged against the General fund.

Funding of capital expenditure from the general fund.

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.

Capitalisation Direction

The use of statutory powers by central government, to allow councils to capitalise expenditure that would normally be charged to a revenue account, in accordance with proper accounting practice.

Charge on Property

A Charge on Property is 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). This is the professional organisation for accountants working in the public services.

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 an authority's actions where:

- a. 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
- b. 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 contingent asset is 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.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would have been incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Current Service Cost

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.

Curtailment

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

Curtailments include:

- a. termination of employees' services earlier than expected, for example, as a result of closing a factory or discontinuing a segment of a business; and
- b. 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' budget 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).

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:

- a. 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;
- b. the activities related to the operation have ceased permanently;

- c. 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 operations;
- d. the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying these conditions are classified as continuing.

Discretionary Benefits

Retirement benefits which the employer 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, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Estimation Techniques

The methods adopted by an entity 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 fair value of an asset is the price at which it 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 provision of services.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument 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 and trade payables 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 & ending 31 March of the subsequent year.

Formula Spending Share

Replaced the Standard Spending Assessment (SSA) methodology for allocating resources to local authorities according to their relative circumstances.

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 other 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:

- a. ceramics, porcelain work and figurines
- b. art collections
- c. pottery machinery and ephemera
- d. 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 fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are highways and footpaths.

Intangible Asset

This is 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 International Financial Reporting Standards (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.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be qualified as current assets.

Investment Properties

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

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:

- a. Finance Lease - a lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee, from 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.
- b. Operational Leases - a lease other than a finance lease. The leasing company owns the asset and the yearly rental is charged directly to the Comprehensive Income and Expenditure account.

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 Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

Lender option/Borrower option (LOBOs)

Loans which have a fixed primary period at a relatively beneficial interest rate followed by a higher rate for the remaining period 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 and every six months thereafter, 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 periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to an authority'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 existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net 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 (NB also referred to as fixed assets). The classes of non current assets required to be included in the accounting statements are:

- a. Property, Plant and Equipment
- b. Investment Property
- c. Intangible Assets
- d. Assets held for Sale
- e. Heritage Assets

Non Current Assets Held for Sale

The following conditions must be met for an asset to be classified as held for sale:

- a. management is committed to a plan to sell
- b. the asset is available for immediate sale
- c. an active programme to locate a buyer is initiated
- d. the sale is highly probable, within 12 months of classification as held for sale
- e. the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- f. actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

Non-Distributed Costs

These are overheads that are not apportioned to services to accord with CIPFA's Service Reporting Code of Practice.

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/losses 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.

Other Surplus Sites

Small areas of land not providing operational services but not yet marked for disposal/redevelopment.

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.

Precept

Demands made upon the Collection Fund by other authorities (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 the 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. An accrued benefits valuation method in which scheme liabilities at the valuation date relate to:

- a. 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
- b. The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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 CIPFA 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:

- a. actuarial gains & losses
- b. 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 the 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:

- a. an employer's decision to terminate an employee's employment before the normal retirement date;
- b. 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.

Revaluation Reserve

The reserve containing net accumulating revaluation gains for PPE & Heritage assets from 1st April 2007.

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 (RSG)

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.

Service Reporting Code of Practice (SeRCOP)

Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) establishes proper practices with regard to consistent financial reporting for services. It is an official CIPFA statement - all local authorities in the United Kingdom are expected to adopt its mandatory requirements and detailed recommendations. It is also expected that CIPFA members will comply with all the discretionary requirements of SeRCOP as it defines best practice in terms of financial reporting.

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. a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- b. the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- c. 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 of 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:

- a. Consumable Stores;
- b. Maintenance Materials;
- c. Client Services Work in Progress
- d. Goods Acquired for Resale

Strategic Regeneration Sites

Assets acquired or earmarked to provide strategic development opportunities.

Supported Capital Expenditure (Capital) (SCE(C))

Assets acquired or earmarked to provide strategic development opportunities.

Supported Capital Expenditure (Revenue) (SCE(R))

Indicates the amount of revenue support given by central government to a local authority to meet financing costs as a result of borrowing for capital investment purposes.

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or brought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads which need to be apportioned in accordance with CIPFA's Service Reporting Code of Practice.

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:

- a. for active members, benefits to which they would unconditionally be entitled on leaving scheme;
- b. for deferred pensioners, their preserved benefits;
- c. 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 cashflows in respect of pension plans.

Whole of Government Accounts

Whole of Government Accounts (WGA) are full accounts covering the whole public sector and audited by the National Audit Office. WGA is a consolidation of the accounts of about 3800 bodies (including 2800 academies) from central government, devolved administrations, the health service, local government and public corporations.

