



City of
Stoke-on-Trent

Statement of Accounts 2016/17



[This page left intentionally blank]

Contents

Note	Title	Page No
	Preface	
1.	Narrative Statement	4
	Statements to the Accounts	
2.	Independent Auditor's Report to the Members of Stoke-on-Trent City Council	18
3.	Statement of Responsibilities for the Statement of Accounts	21
	Core Financial Statements	
4.	Comprehensive Income and Expenditure Statement	22
5.	Balance Sheet	23
6.	Movement in Reserves Statement	24
7.	Cash Flow Statement	25
	Explanatory Notes	
8.	Expenditure and Funding Analysis	26
9.	Accounting Standards that have been issued but not yet Adopted	28
10.	Critical Judgements in Applying Accounting Policies	29
11.	Changes to Accounting Policy and Prior Period Adjustments	30
12.	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	31
13.	Notes to the Accounts	32
	Housing Revenue Account	
14.	Housing Revenue Account Income and Expenditure Account	82
15.	Movement on HRA Statement	83
16.	Notes to the Housing Revenue Account Financial Statements	84
	Collection Fund	
17.	Collection Fund Statement	88
18.	Notes to the Collection Fund	89
	Other Statements	
19.	Statement of Accounting Policies	91
20.	Glossary of Financial Terms	105

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 2017. 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 6,600 (5,300 FTE) staff (including in schools), who deliver a diverse range of services for residents, local business and visitors to the City.



Affectionately known as 'The Potteries', Stoke-on-Trent has a proud industrial heritage but, along with many towns and cities, the industries on which the wealth of the area was built are changing.

Regeneration, both in terms of employment opportunities and physical redevelopment, is recognised as being very important to the future prosperity of the city.

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

Political Structure

Stoke-on-Trent has 37 wards and the Council consists of 44 elected Members. The political make up of the council at the 31 March 2017 is shown in the table below:

	2016/17
Labour Party	20
City Independents	16
Conservative Party	7
UK Independence Party	1

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

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

Management Structure

Supporting the work of the elected Members is the Council's most senior level officers. During 2016/17 the team was as follows:

- City Director
- Director of Place, Prosperity and Growth
- Director of Children and Family Services
- Director of Public Health and Adult Social Care
- Director of Housing and Customer Services
- Section 151 Officer
- Monitoring Officer

Financial Overview

Although the UK economy is showing positive signs of growth, the national picture for local authorities is one of continued financial challenge with reduced funding and additional service pressures, especially in respect of children's and adults' social care. Despite the challenges that are faced, local government, including Stoke-on-Trent City Council, has a proven track record of providing high quality, efficient services that are valued by residents.

Despite funding reductions, the government has provided some certainty around the level of resources available over the medium term by offering a multi-year settlement to 2019/20 which helps medium term planning to be undertaken with more confidence. The city council took advantage of this offer by submitting their four year efficiency plan, which was approved by City Council on 8 September 2016 and subsequently accepted by government. However, after taking account of funding reductions (£27m), inflation for contracts, pay and pensions (£11m), and increased demand for services (£23m) there is a need to reduce expenditure or grow income by £61 million over the period 2017/18 – 2019/20.

Managing the budget - Summary Final Outturn - Revenue

The outturn for the Council is £0.151 million underspent. This has been transferred to an earmarked reserve to support the budget strategy in future years.

2016/17 Final Outturn	Budget (gross) £m	Budget (income) £m	Budget (net) £m	Final Outturn £m	Over/(Under) spend £m
Children and Family Services	140.089	(84.958)	55.131	64.219	9.088
Public Health and Adult Social Care	154.639	(80.159)	74.480	80.078	5.598
Place, Growth and Prosperity	85.434	(42.901)	42.533	39.572	(2.961)
Housing and Customer Services	17.759	(3.581)	14.178	13.195	(0.983)
City Director	22.659	(7.062)	15.597	14.126	(1.471)
Schools	85.656	(85.656)	-	-	-
Civic & Corporate expenses	1.734	(0.347)	1.387	1.343	(0.044)
Benefit Payments	92.793	(93.557)	(0.764)	(0.776)	(0.012)
Non Departmental Costs	37.524	(40.265)	(2.741)	(11.486)	(8.745)
Council Tax Income/Surplus	-	(70.995)	(70.995)	(70.995)	-
Non-Domestic Rates	-	(73.755)	(73.755)	(73.754)	0.001
Non-specific Government Grants	-	(55.051)	(55.051)	(55.673)	(0.622)
General Fund Gross outturn	638.287	(638.287)	-	(0.151)	(0.151)
Transfer to invest to save reserve	-	-	-	0.151	0.151
General Fund Net Outturn	638.287	(638.287)	-	(0.000)	(0.000)
Housing Revenue Account	75.664	(75.664)	-	(0.060)	(0.060)
Total	713.951	(713.951)	-	(0.060)	(0.060)

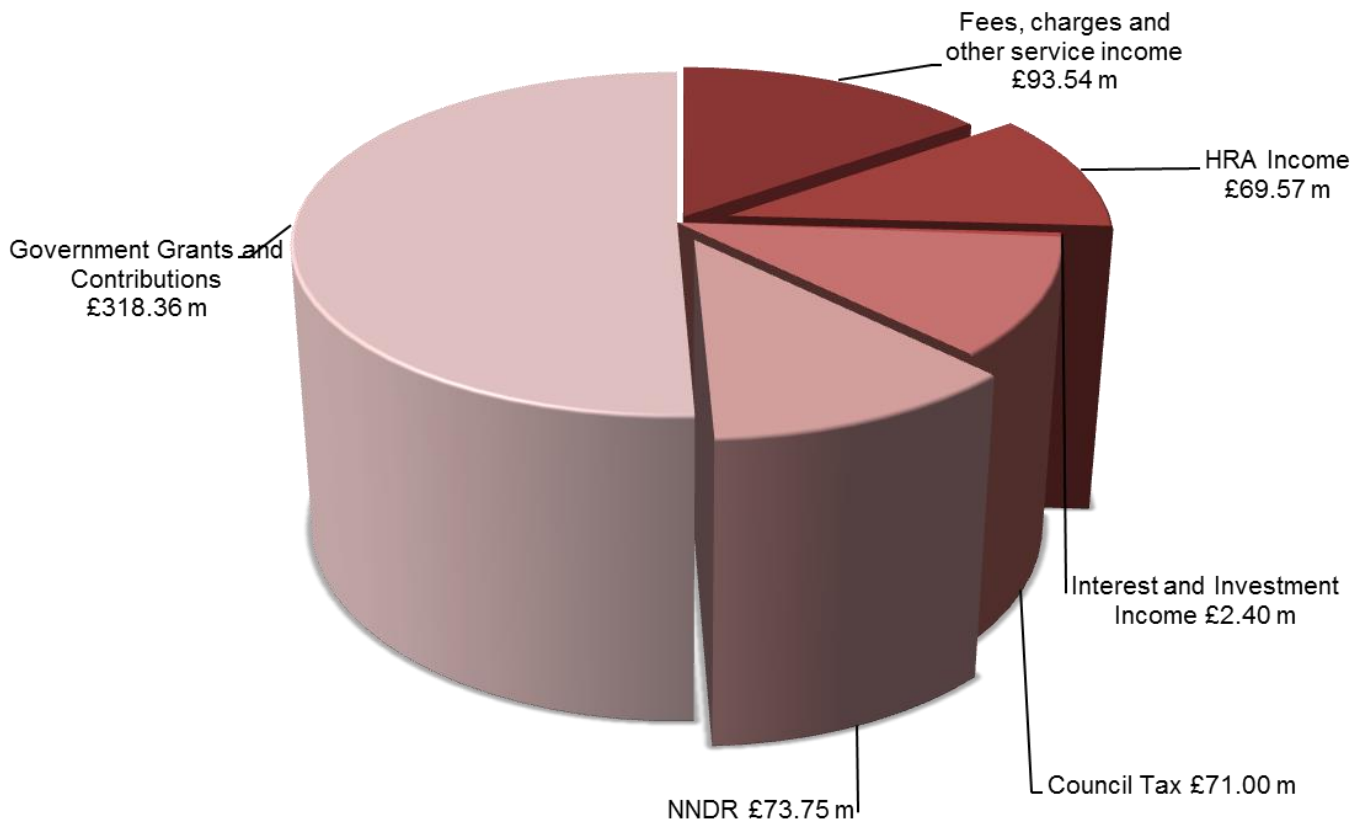
The table below shows the actual outturn and how these figures are reflected in the financial statements.

Reconciliation to CIES	Expenditure £m	Income £m	Net £m
Net Cost of Services (note 4)	568.460	(424.615)	143.845
Other Income and Expenditure (note 4)			(188.029)
(Surplus)/Deficit on Provision of Services (note 4)			(44.184)
Adjustments between funding and accounting basis (note 13.01)			90.656
Transfers to/(from) Earmarked Reserves (13.03)			(46.532)
Movement in General Fund Balance (note 6)			(0.060)

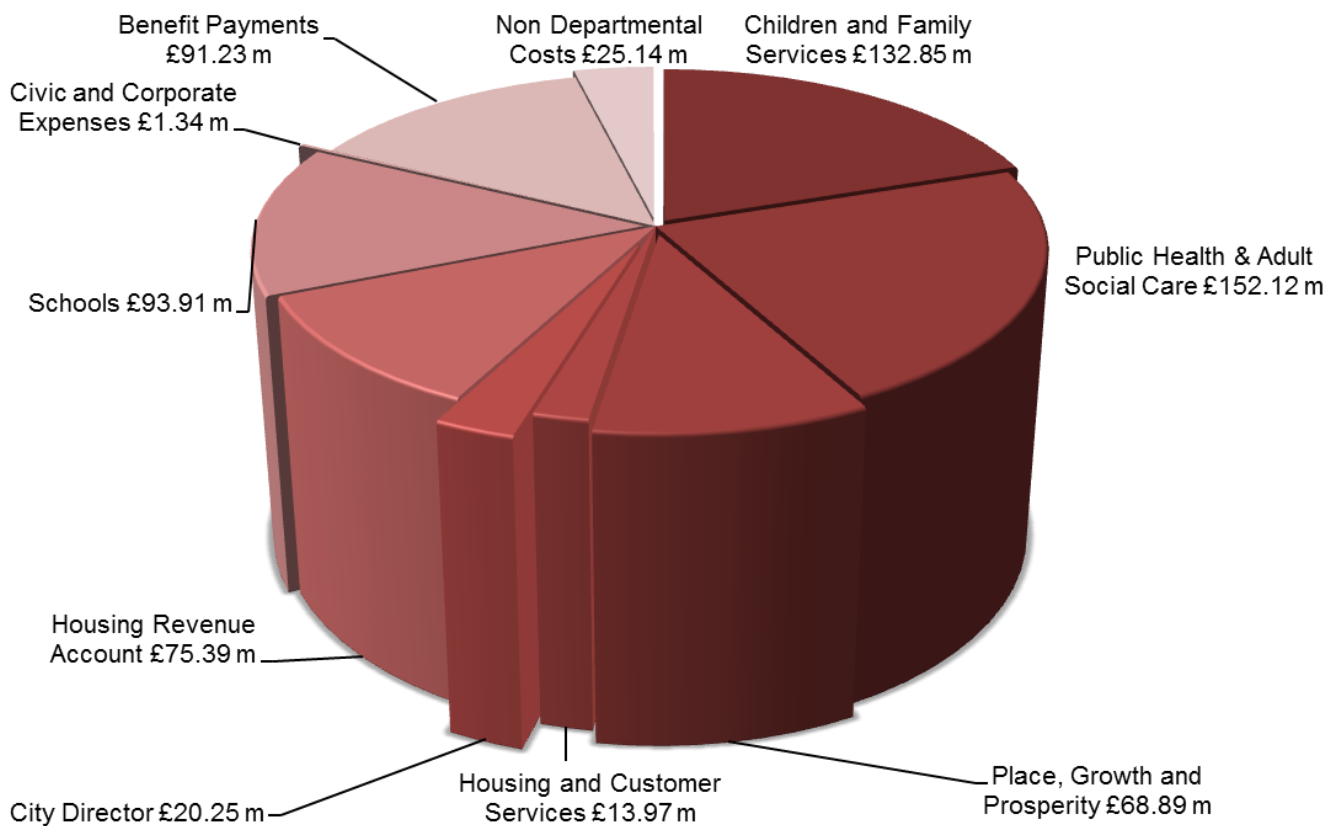
The Council has spent £675.09m to deliver services funded by £628.62m of income in 2016/17. The income comes primarily from central government in the form of grants, from local residents in the form of council tax payments and from local businesses in the form of non-domestic rates.

The following charts shows how the money was funded in 2016/17 and how it was spent.

Revenue Income 2016/17 - £628.62m



Revenue Expenditure 2016/17 - £675.09m



Economy, Efficiency and Effectiveness

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

In May 2016 the City Council approved the Stronger Together Strategic Performance Framework. The Framework is intended to enable and deliver effective performance management by ensuring that the Council's vision and priorities are translated into clear plans and measurable outcomes.

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

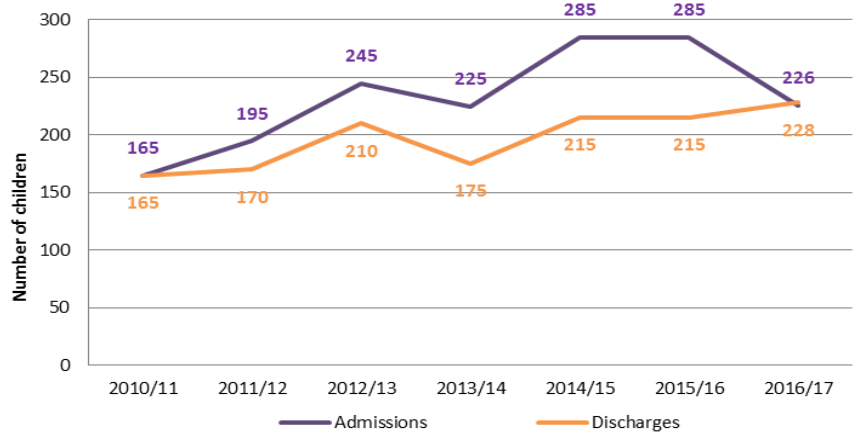
Children and Family Services



The chart below displays the total number of admissions and discharges each year back to 2010/11. If there are more admissions than discharges in the period, then the total number of children in care will increase. Although the difference between admissions and discharges increased year on year 2010/11 – 2014/15, during 2016/17 year this reduced, again demonstrating that the rate of increase in the number of children in care has slowed.

Children leave care for a number of reasons, and it is of note that 43 adoptions have been made since April 2016.

Care Admissions and discharges 2011-2016



The reduction in number of admissions has been positively influenced by our strength based approach to social work by refocusing our ways of working to support families. In 2015 Ofsted reported that there were no children received in to care that should not be in care.

The increase in number of discharges has resulted from focused energies to ensure that those children who don't need to be in care have been discharged, and this includes taking cases back to court to change their legal status where appropriate.

Public Health and Adult Social Care

Re-ablement gives adults the opportunity and confidence to relearn and regain some of the skills they may have lost because of poor health, disability or after a spell in hospital. The line chart shows the percentage of service users who were still at home.

From 2012/13 to 2016/17, Stoke-on-Trent performance improved from 80.2% to 88.8% of older people still being at home after 91 days.

Percentage of over 65s still at home 91 days after discharge from hospital into re-ablement



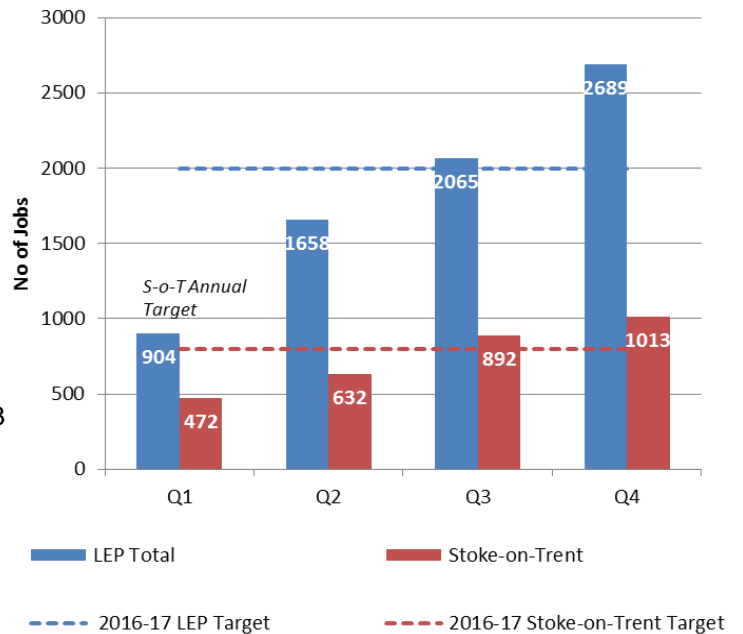
Place, Growth and Prosperity



The overall target for investment in 2016-17 is 2000 new jobs across the entire Local Enterprise Partnership area, with 800 of those specifically in Stoke-on-Trent.

Through both local and inward investment supported by the Make It Investment Service the number of jobs created and safeguarded was 1013 for Stoke-on-Trent.

**Inward Investment Jobs Created & Safeguarded
2016-17 (Cumulative)**



The vast majority of the Stoke-on-Trent jobs were down to 3 very large investments. Expansions by SME's have been significantly fewer partly due to the lack of suitable floorspace. The development of and investment in the Ceramic Valley Enterprise Zone will address this barrier.

Housing and Customer Services

The empty homes team have exceeded the target of bringing back into use 170 properties. A range of techniques are used to bring back some of the most neglected properties in our city into use - such as advice, guidance, motivational techniques and as a last resort a range of enforcement options. Removing these blighted, neglected empty properties has not only improved the conditions of private sector stock but also encouraged a great deal of private investment.

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



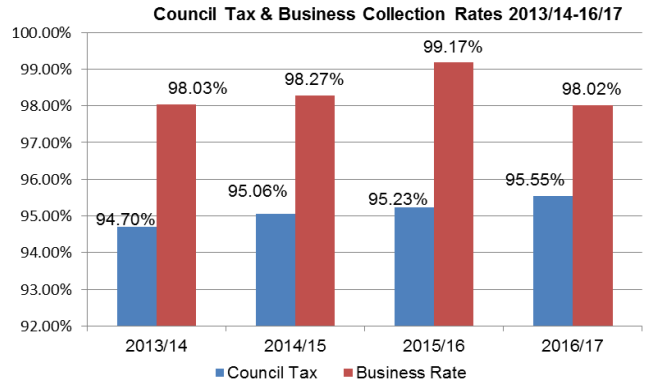
The reconciled financial returns from bringing back into use 182 properties during 2016/17 has encouraged £2.1m of investment into the local economy, providing jobs for businesses and suppliers, aligned to the councils priority of supporting business to thrive and delivering investment in our towns and communities. In addition to this, the landlord accreditation grant has facilitated an increase of 62 units of accommodation through conversions.

2016/17	Number of Empty Homes back into use	Target
Q1	27	25
Q2	49	35
Q3	58	50
Q4	48	60
Total	182	170

City Director

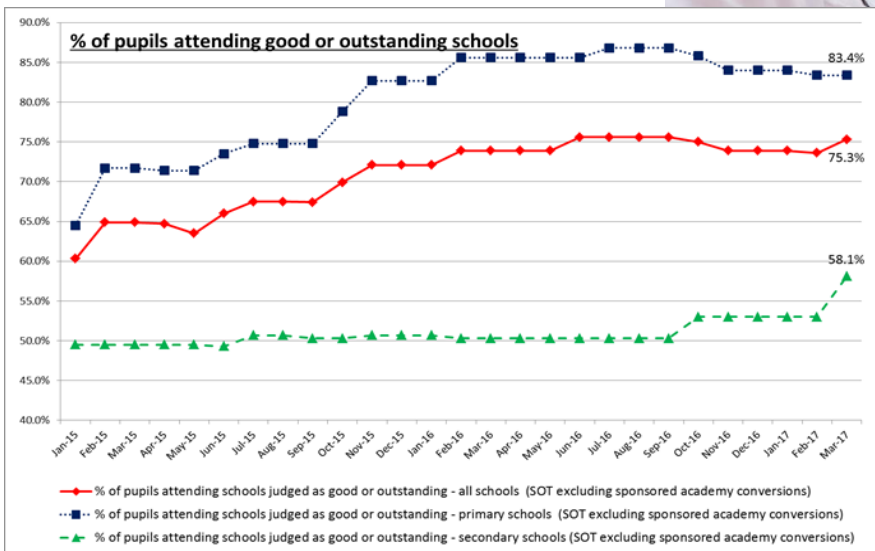
Council Tax collection has continued to improve, with an increase of 0.32% in 2016/17. Business rates collection has seen a slight decrease, returning to 13/14 levels.

The revenues department continue to work with customers and businesses in financial difficulties to set payment arrangements.



Schools

Work continues with Heads and Governors across the City to ensure that more schools become good or outstanding via the implementation of a number of positive strategies including: Stoke Reads, working in partnership with the English Speaking board in years 5, 6 and 7 in schools, a school readiness programme, engagement with the National Literacy trust, work with the Future Leaders organisation to train a second cohort of leaders and the continuation of the work with the University of Worcester to build school to school support and school improvement capacity within local networks.

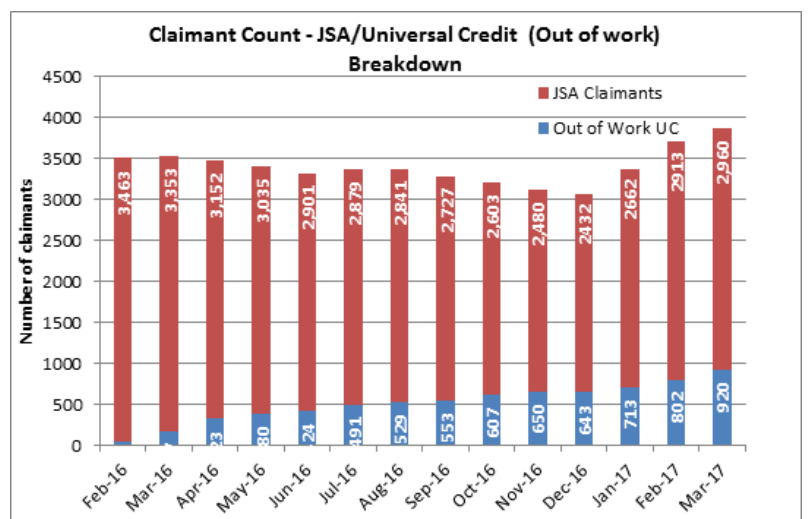


While the percentage of pupils attending primary schools that have been judged as Good or Outstanding has remained around the 85% mark, the percentage of pupils attending secondary schools that have been judged as Good or Outstanding has seen a significant improvement, increasing to 58.1% in 2016/17.

Benefits

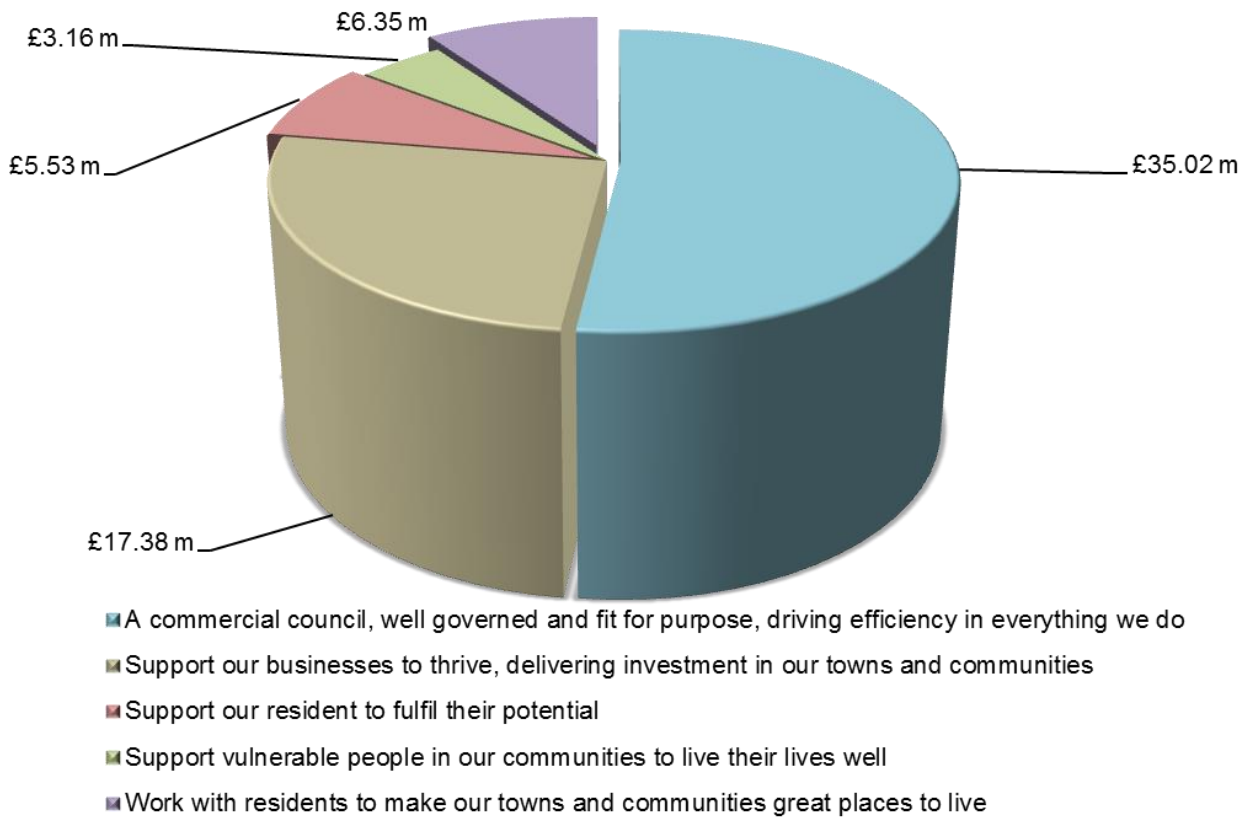
The number of Job Seekers Allowance/Universal credit claimants within the City has remained relatively stable during 2016/17 with seasonality accounting for the majority of the movement.

The new European Social Fund programmes, match-funded by DWP, Big Lottery and Skills Funding Agency, will provide significant support to unemployed residents to upskill, re-skill and move into sustainable work. Ten programmes will be in delivery from early 2017, with more to follow.



Capital Expenditure

As well as delivering day to day services, the City Council continues to be at the heart of investment in the City, improving assets to deliver services, jobs and create a foundation to attract businesses. In 2016/17 we have invested in innovative energy solutions; the Ceramic Valley Enterprise Zone; building new homes; improving the road network; and the city's bid to become the UK City of Culture in 2021. In 2016/17 the City Council invested £67.4m on capital expenditure, which is analysed below against key priorities.



Some 2016/17 Key Achievements

- Ceramic Valley Enterprise Zone** - In 2016/17 the Council approved investment of £4.5m and this commitment continues into the 2017/18 programme. The Enterprise Zone already has 2 occupiers, creating jobs and contributing to the business rates uplift, and will be followed shortly by 2 more.
- Education** - During 2016/17 £4.38 million was spent providing extra classrooms for increased pupil places and small scheme projects at individual schools using capital grants from the Department for Education (DfE) and school contributions. Notable expenditure during 2016/17 was incurred at Blurton Primary, Jackfield Infant School, Holden Lane Primary, Milton Primary, Willows Primary and Newstead Primary
- Spode** - The Council's intentions to deliver a Creative Village on this historically important site took an important step forward with the opening of the Artists' Studios in the summer of 2016. Working jointly with Arts Council England and the Association for Cultural Advancement through Visual Arts, 43 individual studios were provided.
- Smithfield** - Two Grade A office buildings were completed in summer 2015 and provide 220,000 ft² of quality office accommodation in the city. One Smithfield provides a hub for the delivery of public facing council services, the NHS Clinical Commissioning Group and Staffordshire Police who will be taking occupancy shortly bringing the total occupancy to 620. Two Smithfield is for commercial letting and is currently occupied on three floors
- City Centre Public Realm** - The council is investing £10 million in improving the public realm of the city centre retail core which started in 2016/17. These improvements are seen as a positive step towards supporting businesses via increased footfall, increase dwell times and a reduction in the number of vacant units. Investment in the city centre landscape provides an environment where developers are more likely to invest in business growth and encourage supporting services and facilities (such as restaurants and cafes) to expand.
- Public Sector Housing** - £22.58 million has been spent improving the standards and fabric of council housing across all dwelling types. Work undertaken in 2016/17 included more than 3,244 houses and flats. Included in the total spend is the acquisition of 16 bungalows to support demand for older persons accommodation within the Council's housing stock. Plans have also been developed that will see a new 57 home supported housing scheme start on site in November 2017, with a further two extra care developments at the concept design stage, that will provide circa 200 additional homes of supported living.

Financial Health of the Council as at 31st March 2017

Assets

A significant revaluation exercise has taken place during the year to reflect the value to the council in delivering services from its assets. As a result of the exercise assets values have increased while others have decreased resulting in an insignificant movement in overall value. Of significance are upwards revaluations of £190.3m (Including Council Dwellings £106.7m, Surplus Assets £2.6m, Schools £46.5m, Theatres £10.4m and Leisure Centres £7.4m) and downward revaluations of £78.8m (Including Council Dwellings £12.3m, Surplus Assets £1.5m, Hanford Energy from Waste PFI £10.6m, Extracare PFI £37.4m, Car Parks £1.6m, Potteries Museum £1.7m, Libraries & Markets £2.1m and Enterprise Centres £1.6m). These valuations do not represent the market value of the asset rather their continued value in use to the Council.

School property and other assets to the value of £6.2m have been transferred from council ownership to academies under the government's academy and free schools initiative and this trend is expected to continue in the foreseeable future. These assets are transferred at nil consideration in compliance with the government initiative.

Capital Investment and Borrowing

The overall capital investment is financed with the assistance of external support from government and other agencies, as outlined in note 13.11a 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, increased by a net £22.3m standing at £600.9m by the end of the year.

Capital Financing Requirement.	£600.9m
Represented by:	
Existing Borrowing	£349.5m
PFI Liability	£106.4m
Internal Borrowing in the form of:	
Usable reserves	£136.2m
Cash	£8.8m
Total	£600.9m

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.

Future capital investment, as approved by City Council in February 2017, is proposed at £499m over the next five years, £133m of which is investment in the council housing stock and over £92m to develop the transport network. The funding of the capital programme is a mixture of council support, leverage from external bodies, grants and reserves.

	Budget 2017/18 - 2021/22
Capital Programme Funding	£'000
Secured External Funding	85,736
Unsecured External Funding	58,252
Reserves & Ring Fenced Receipts	114,053
Borrowing & General Receipts	241,323
Total Capital Funding	499,364

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 2017 are less favourable than they were at 31st March 2016. This has resulted in a decrease of the pensions liability on the City Council's balance sheet of £77.4m (2015/16 decrease of £132.6m) to £475.6m (2015/16 £398.20m). 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 13.14.

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.

The City Council also holds £73.4m of earmarked reserves, in the main due to the PFI funding arrangements with central government, balances held for self-insurance purposes, school balances and revenue grants, such as Public Health grant, that are ringfenced. The movement during the year is shown in the following table. A further breakdown is shown in note 13.03 of these accounts.

General Fund Reserves	Non-Earmarked Reserve	Earmarked Reserve	Usable Capital Receipts & Capital Grants
	£m	£m	£m
Opening Balance (1 April 2016)	8.567	114.217	32.698
Contribution/(Use) 2016/17	0.000	(40.798)	(15.327)
Closing Balance (31 March 2017)	8.567	73.419	17.371

Housing Revenue

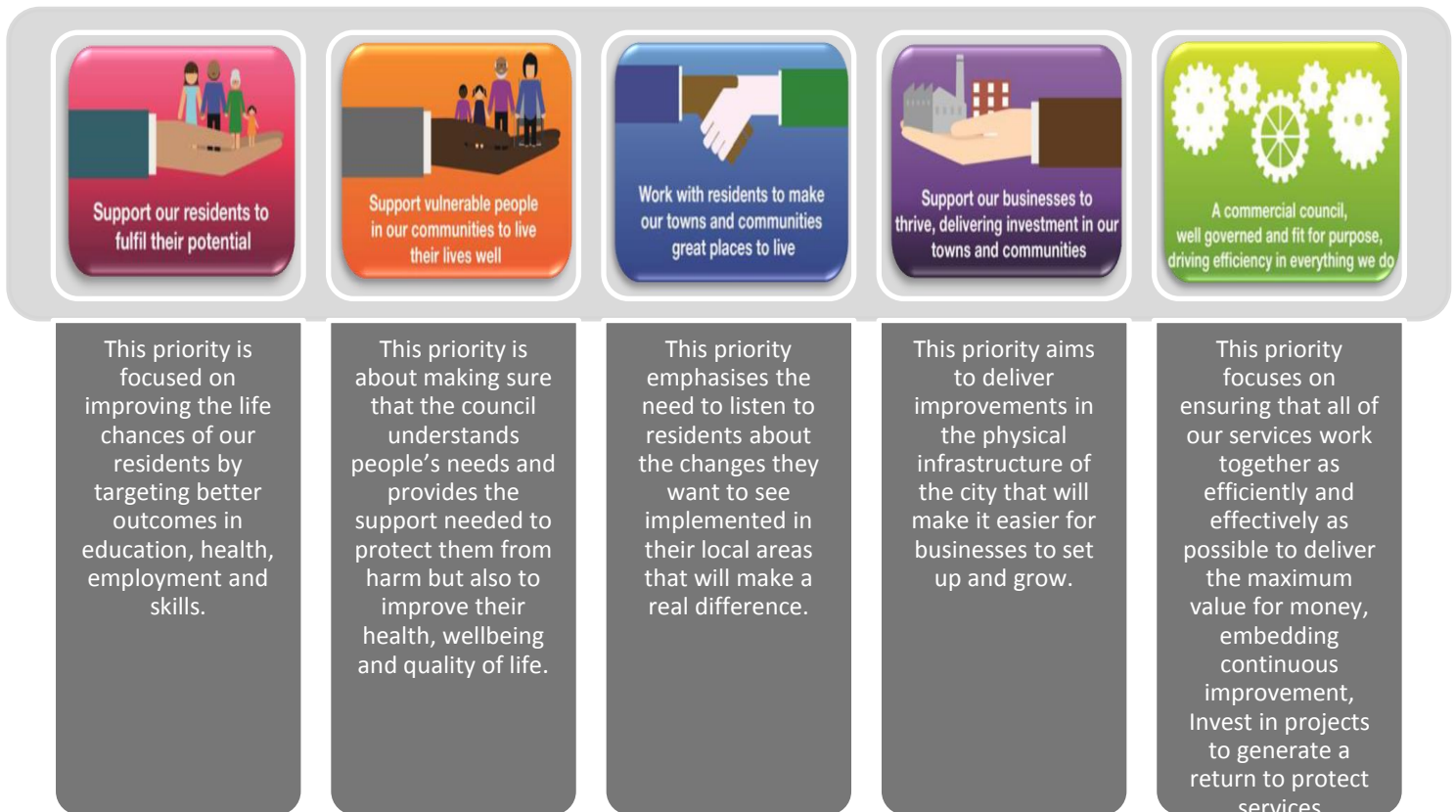
The HRA's financial strategy includes a determination that a prudent level of the HRA reserves is a minimum of circa £4.5m, having regard for the inherent levels of future financial risk and uncertainty. The balance at the start of the year was £7.8m and due to the activity during the year £0.06m was 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 2016)	7.837	25.258	10.547
Contribution/(Use) 2016/17	0.061	(5.734)	(1.078)
Closing Balance (31 March 2017)	7.898	19.524	9.469

Financial Strategy 2017/18 - 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 focus of the medium to long term programme therefore is to provide investment that protects the most vulnerable in our city whilst stimulating growth and economic prosperity.

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

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

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

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

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

The council is keen to build on its success in celebrating what a great city we are, such as the City of Sport that continues to encourage participation on sport, improving healthy living and wellbeing of the community we serve. The council is confident that the City of Culture 2021 bid will be successful and will continue to maintain and develop the cultural heritage of the city and promote that heritage beyond its boundaries.

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

Acknowledgements

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



Nick Edmonds
Assistant Director - Finance (Section 151 Officer)
Section 151 Officer
Date 3rd August 2017

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 3 August 2017. In line with statutory requirements the accounts and supporting documentation were made available for a period of 30 working days commencing 12 June 2017.

Events after the balance sheet have been considered up to 3 August 2017, 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. More detail of the costs

2015/16			2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
645,621	(426,494)	219,127	568,460	(424,615)	143,845
		Net Cost of Services			
		2,108 Other Operating Expenditure			(458)
		54,695 Financing and Investment Income &			39,207
		(263,841) Taxation & Non-Specific Grant Income			(226,778)
		12,089 (Surplus)/Deficit on Provision of Services			(44,184)
		(177,194) Other Comprehensive Income and Expenditure			34,423
		(165,105) Total Comprehensive Income and Expenditure			(9,761)

Balance Sheet

This shows the value of the Council's asset and liabilities at the Balance Sheet date. These are matched by reserves which are split into two categories usable and unusable reserves. Unusable reserves are not available to use support services and are in the main used to hold unrealised gains and losses, where the actual gain or loss will only become available once another event has occurred. More detail shown in Note 5.

31 March 2016 £'000		31 March 2017 £'000
1,109,672	Long Term Assets	1,292,011
132,794	Current Assets	70,100
(88,387)	Current Liabilities	(88,930)
	Long Term Liabilities	
(344,473)	- Long Term Borrowing	(342,849)
(398,190)	- Net Pension Liabilities	(475,628)
(74,128)	- PFI	(100,211)
(28,994)	- Other Long Term Liabilities	(36,438)
308,294	Net Assets	318,055
199,126	Usable Reserves	136,249
109,168	Unusable Reserves	181,806
308,294	Total Reserves	318,055

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. More detail shown in Note 6.

	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Usable Capital Receipts	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
2016/17	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	8,569	114,217	7,837	25,258	10,547	13,522	19,176	199,126	109,168	308,294
Increase/ (Decrease) in Year	(40,798)	(1)	(5,673)	-	(1,078)	(3,315)	(12,012)	(62,877)	72,638	9,761
Transfer to/from Earmarked Reserves	40,798	(40,798)	5,734	(5,734)	-	-	-	-	-	-
Balance at 31 March 2017	8,569	73,418	7,898	19,524	9,469	10,207	7,164	136,249	181,806	318,055

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. Operating activities are a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent cash outflows that have been made for resources which are intended to contribute to the Authority's future service delivery. Financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority. More detail shown in Note 7.

2015/16		2016/17
£000		£000
12,089	Net (surplus) or deficit on the provision of services	(44,184)
(47,404)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	45,832
23,422	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	19,108
(23,982)	Net cash flows from operating activities	64,940
41,726	Net cash flows from investing activities	78,359
(41,442)	Net cash flows from financing activities	(41,612)
(11,609)	Net (increase) or decrease in cash & cash equivalents	57,503
68,051	Cash & cash equivalents at the beginning of the reporting period	79,660
79,660	Cash & cash equivalents at the end of the reporting period	22,157

Supplementary Statements

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax (and rent) payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2015/16			2016/17			
Expenditure chargeable to the GF and HRA balances £000	Adjustments between funding and accounting basis £000	Net expenditure in the CIES £000		Expenditure chargeable to the GF and HRA balances £000	Adjustments between funding and accounting basis £000	Net expenditure in the CIES £000
(645,059)	(43,943)	(689,002)	Income	(628,622)	(25,774)	(654,396)
647,133	53,958	701,091	Expenditure	675,094	(64,882)	610,212
2,074	10,015	12,089	Net Expenditure chargeable to GF and HRA balances	46,472	(90,656)	(44,184)

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. More detail shown in Note 14.

2015/16 £000		2016/17 £000
54,289	Total Expenditure	58,787
(16,872)	HRA reversal of revaluation loss (13.02b)	(94,836)
(70,470)	Total Income	(69,113)
356	HRA services' share of Corporate and Democratic Core	305
(32,697)	Net Cost for HRA Services	(104,857)
4,331	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	5,335
(28,366)	Surplus or (deficit) for the year on HRA services	(99,522)

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.

2015/16			2016/17			
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
87,814	90,272	178,086	Income	91,113	91,549	182,662
(1,945)	2,073	128	Charges to the Collection Fund	(1,254)	837	(417)
89,759	88,199	177,958	Balance due for allocation	92,367	90,712	183,079
(83,243)	(84,204)	(167,447)	Precepts, Demands and Shares	(86,948)	(85,869)	(172,817)
6,516	3,995	10,511	Surplus/(Deficit) for the Year	5,419	4,843	10,262
(5,526)	4,945	(581)	Balance at the Beginning of the Year	2,190	6,104	8,294
1,200	(2,836)	(1,636)	Allocation of Previous Years Surplus	56	(6,721)	(6,665)
2,190	6,104	8,294	Balance at the End of the Year	7,665	4,226	11,891

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 2017 on pages 22 to 104. 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 2016/17.

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 Statement 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 2017 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 2016/17.

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' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Statement 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 its 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 2016, 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 2017.

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.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, City of Stoke-on-Trent Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of City of Stoke-on-Trent Council 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

18 August 2017

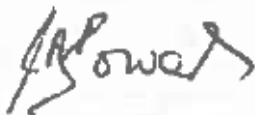
3 Statement of Responsibilities for the Statement of Accounts

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

Following the delegation of responsibility by the City Council to the Section 151 Officer, I confirm that the pre-audit accounts were signed on 12th June 2017



Councillor Jean Bowers
Chair of Audit Committee
Date 3rd August 2017

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 2017, financial performance and cash flow of the City Council for the year ended 31 March 2017.



Nick Edmonds
Assistant Director - Finance (Section 151 Officer)
Section 151 Officer
Date 3rd August 2017

4 Comprehensive Income and Expenditure Statement

Restated 2015/16				2016/17		
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
Continuing Service Areas						
124,505	(68,722)	55,783	Children and Family Services	129,061	(65,119)	63,942
-	-	-	- Change in asset value	13.02b	(28,129)	(28,129)
144,460	(64,730)	79,730	Public Health & Adult Social Care	152,238	(71,927)	80,311
-	-	-	- Change in asset value	13.02b	31,658	31,658
94,773	(28,474)	66,299	Place, Growth & Prosperity	85,170	(28,458)	56,712
18,027	(675)	17,352	Housing and Customer Services	20,605	(1,747)	18,858
19,433	(2,935)	16,498	City Director	22,094	(3,998)	18,096
54,580	(70,406)	(15,826)	Housing Revenue Account	14	59,031	(10,021)
(16,872)	-	(16,872)	HRA reversal of revaluation loss	13.02b	(94,836)	(94,836)
103,900	(96,288)	7,612	Schools	98,566	(92,025)	6,541
1,458	-	1,458	Civic and Corporate Expenses	1,342	-	1,342
92,647	(94,170)	(1,523)	Benefit Payments	91,229	(92,004)	(775)
5,425	(94)	5,331	Non Departmental Costs	431	(285)	146
3,285	-	3,285	- Change in asset value - NDC	-	-	-
645,621	(426,494)	219,127	Net Cost of Services	568,460	(424,615)	143,845
		67	Levies and external contributions			69
		665	Loss/(gain) on disposal of non current assets			(1,857)
		1,376	Payments to the Government housing capital receipts pool			1,330
		2,108	Other Operating Expenditure			(458)
		23,931	Interest payable & similar charges	13.09b		26,482
		17,633	Net interest on the net defined benefit liability	13.14		14,295
		(613)	Interest & investment income			(593)
		1,975	Derecognition of school assets transferred to academies			6,295
		12,225	Income & expenditure in relation to investment properties & changes in fair value	13.02b		(5,587)
		(456)	Other investment income			(1,685)
		54,695	Financing and Investment Income & Expenditure			39,207
		(72,992)	Council tax income			(75,000)
		(69,384)	Non domestic rates			(71,003)
		(83,582)	Non-specific government grants	13.11a		(62,770)
		(37,883)	Capital grants and contributions	13.11a		(18,005)
		(263,841)	Taxation & Non-Specific Grant Income			(226,778)
		12,089	(Surplus)/Deficit on Provision of Services			(44,184)
		(18,300)	(Surplus)/deficit on revaluation of non-current assets	13.05b		(30,052)
		128	Impairment losses on non-current assets charged to the revaluation reserve	13.05b		95
		(1,141)	(Surplus)/deficit on revaluation of available for sale financial assets	13.05f		(601)
		(157,881)	Remeasurements on pension fund (assets) & liabilities	13.05c		64,981
		(177,194)	Other Comprehensive Income and Expenditure			34,423
		(165,105)	Total Comprehensive Income and Expenditure			(9,761)

5 Balance Sheet

31 March 2016 £'000		Note	31 March 2017 £'000
1,019,049	Property Plant & Equipment	13.06a	1,190,560
66,433	Heritage Assets	13.06b	66,172
12,445	Investment Property	13.06f	20,874
2,444	Intangible Assets	13.06f	3,825
6,448	Long Term Investments	13.06c	7,078
2,853	Long Term Debtors	13.16a	3,502
1,109,672	Long Term Assets		1,292,011
13,028	Short Term Investments	13.09a	-
2,378	Assets Held For Sale	13.06f	673
662	Stocks		787
37,066	Short Term Debtors	13.16b	46,483
79,660	Cash & Cash Equivalents	7	22,157
132,794	Current Assets		70,100
(14,058)	Short Term Borrowing	13.09a	(10,995)
(8,552)	Other Short Term Liabilities	13.09a	(9,934)
(56,026)	Short Term Creditors	13.17	(62,164)
(795)	Grants Receipts in Advance - Revenue		(395)
(2,103)	Grants Receipts in Advance - Capital	13.11a	(1,020)
(6,853)	Provisions	13.10	(4,422)
(88,387)	Current Liabilities		(88,930)
(255)	Long Term Creditors	13.09a	-
-	- Grants Receipts in Advance - Revenue		-
(1,341)	Grants Receipts in Advance - Capital	13.11a	-
(4,559)	Provisions	13.10	(3,741)
(344,473)	Long Term Borrowing	13.09a	(342,849)
(96,967)	Other Long Term Liabilities	13.09f	(132,908)
(398,190)	Net Pensions Liabilities	13.14	(475,628)
(845,785)	Long Term Liabilities		(955,126)
308,294	Net Assets		318,055
8,569	General Fund Balance	6	8,569
114,217	Earmarked Reserves - General Fund	13.03	73,418
13,522	Usable Capital Receipts Reserve	13.04a	10,207
7,837	Housing Revenue Account Balance	15	7,898
25,258	Earmarked Reserves - HRA	13.03	19,524
10,547	Major Repair Reserves	16.03	9,469
19,176	Capital Grants Unapplied	13.04b	7,164
199,126	Usable Reserves		136,249
352,660	Capital Adjustment Account	13.05a	471,724
147,162	Revaluation Reserve	13.05b	175,206
6,125	Collection Fund Adjustment Account	17	7,379
(398,190)	Pensions Reserve (Deficit)	13.05c	(475,628)
(7,989)	Accumulated Absences Account		(7,942)
(4,407)	Financial Instruments Adjustment Account	13.05d	(3,148)
6,457	Available for Sale Financial Instruments Reserve	13.05f	7,059
7,350	Deferred Capital Receipts Reserve	13.05e	7,156
109,168	Unusable Reserves		181,806
308,294	Total Reserves		318,055

These financial statements replace the unaudited financial statements certified by Nick Edmonds on 12 June 2017.

6 Movement in Reserves Statement

	2016/17 Note	General Fund Balance £000	General Fund Earmarked Reserves £000	Housing Revenue Account £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016		8,569	114,217	7,837	25,258	10,547	13,522	19,176	199,126	109,168	308,294
Total Comprehensive Expenditure & Income	4	(55,338)	-	99,522	-	-	-	-	44,184	(34,423)	9,761
Adjustments between accounting basis & funding basis under regulations	13.01	14,538	-	(105,194)	-	(1,078)	(3,315)	(12,011)	(107,060)	107,060	-
Rounding's		2	(1)	(1)	-	-	-	(1)	(1)	1	-
Increase/ (Decrease) in Year		(40,798)	(1)	(5,673)	-	(1,078)	(3,315)	(12,012)	(62,877)	72,638	9,761
Transfers to/(from) Earmarked Reserves	13.03	40,798	(40,798)	5,734	(5,734)	-	-	-	-	-	-
Balance at 31 March 2017		8,569	73,418	7,898	19,524	9,469	10,207	7,164	136,249	181,806	318,055

	2015/16 Note	General Fund Balance £000	General Fund Earmarked Reserves £000	Housing Revenue Account £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015		8,569	121,532	7,395	20,459	9,427	7,664	11,828	186,874	(43,681)	143,193
Total Comprehensive Expenditure & Income	4	(40,455)	-	28,366	-	-	-	-	(12,089)	177,194	165,105
Adjustments between accounting basis & funding basis under regulations	13.01	33,140	-	(23,125)	-	1,121	5,858	7,348	24,342	(24,342)	-
Rounding's		-	-	-	-	(1)	-	-	(1)	(3)	(4)
Increase/ (Decrease) in Year		(7,315)	-	5,241	-	1,120	5,858	7,348	12,252	152,849	165,101
Transfers to/(from) Earmarked Reserves	13.03	7,315	(7,315)	(4,799)	4,799	-	-	-	-	-	-
Balance at 31 March 2016		8,569	114,217	7,837	25,258	10,547	13,522	19,176	199,126	109,168	308,294

7 Cash Flow Statement

2015/16		2016/17	
£000	£000	£000	£000
	12,089		(44,184)
	Net (surplus) or deficit on the provision of services		
	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		
(28,729)	Depreciation	(31,309)	
(8,802)	Impairment & Downward Valuations	77,120	
(1,133)	Amortisations	(849)	
(631)	Increase/(decrease) in impairment for provision for bad debts	(971)	
24,964	(Increase)/decrease in creditors	(645)	
13,998	Increase/(decrease) in debtors	17,160	
14	Increase/(decrease) in revaluation of stock (write offs)	11	
(25,277)	Movement in Pension Liability	(12,457)	
(11,198)	Net carrying amount of non-current assets sold	(11,680)	
1,833	Other non-cash items charges to the net Surplus or Deficit on the Provision of Services	4,394	
(12,443)	Change in Fair Value of investment properties	5,058	
	(47,404)		45,832
	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:		
24,248	- Grants/Contributions Applied (see note 13.02)	13,734	
-	- Transfer of deferred capital grants credited as capital grants and contributions to the CIES (see note 13.02)	54	
5,069	- REFCUS Funding	3,344	
8,425	- Grants Unapplied	873	
(506)	- Movement in Capital Debtors	(3,574)	
(21,612)	- Movement in Capital Creditors	(2,678)	
7,798	Proceeds from the sale of property, plant and equipment, investment property & intangible assets	7,355	
	23,422		19,108
	(11,893)		20,756
	Net cash flows from Operating Activities		
	Investing Activities		
61,587	Purchase of property, plant & equipment, investment property & intangible assets	110,065	
13,000	Purchase of short term and long term investments	-	
(7,257)	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(6,979)	
(9,980)	Proceeds from short-term & long-term investments	(13,028)	
(15,624)	Other receipts from investing activities	(11,699)	
	41,726		78,359
	Financing Activities		
(9,383)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(40,682)	
3,003	Repayments of short and long-term borrowing	11,453	
(6,572)	Other receipts from financing activities	(7,383)	
(28,490)	Cash receipts of long-term borrowing	(5,000)	
	(41,442)		(41,612)
	(11,609)		57,503
	Net (increase) or decrease in cash & cash equivalents		
68,051	Cash & cash equivalents at the beginning of the reporting period		79,660
	79,660		22,157
	Cash & cash equivalents at the end of the reporting period		

As the Authority uses the indirect method to produce the cash flow statement, it is a requirement to disclose the following items separately. In 2016/17, the amount of interest received was £487,344 (£613,158 in 2015/16), interest paid £26,482,038 (£23,930,691 in 2015/16) and £1,685,372 dividends were received (£456,319 in 2015/16).

8 Expenditure and Funding Analysis

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

2016/17	Children and Family Services £000	Public Health & Adult Social Care £000	Place, Growth and Prosperity £000	Housing and Customer Services £000	City Director £000	Housing Revenue Account £000	Schools £000	Civic and Corporate Expenses £000	Benefit Payments £000	Non Departmental Costs £000	Other Income and Expenditure £000	Expenditure chargeable to the GF and HRA balances £000	Adjustments between funding and accounting basis £000	Net expenditure in the CIES £000
Income														
Fees, charges and service income	(12,850)	(43,301)	(25,923)	(614)	(3,893)	(69,574)	(6,618)	-	-	(338)	-	(163,111)	(1,833)	(164,944)
Interest and investment income	-	-	-	(144)	-	(122)	-	-	-	(2,133)	-	(2,399)	(1)	(2,400)
Council tax and non domestic rates	-	-	-	-	-	-	-	-	-	-	(144,749)	(144,749)	(1,253)	(146,002)
Government grants and contributions	(55,779)	(28,745)	(3,399)	(18)	(2,232)	(18)	(80,495)	-	(92,004)	-	(55,673)	(318,363)	(22,687)	(341,050)
Expenditure														
Employee benefits expenses	46,666	33,200	27,343	11,033	16,389	14,229	45,076	1,043	-	4,045	-	199,024	45,457	244,481
Other service expenses	106,424	124,874	59,833	5,973	7,729	48,486	17,825	633	91,228	12,531	-	475,536	(84,791)	390,745
Depreciation, amortisation and impairment	-	-	-	-	-	13,945	-	-	-	1,104	-	15,049	(61,150)	(46,101)
Interest payments	1,129	-	-	-	-	578	2	-	-	12,415	-	14,124	5,791	19,915
Precepts and levies	-	-	-	-	-	-	-	-	-	69	-	69	-	69
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-	-	-	1,330	1,330
Gain or loss on disposal of non-current assets	-	-	-	-	-	(1,853)	-	-	-	676	-	(1,177)	5,614	4,437
Internal recharges	(21,371)	(5,950)	(18,284)	(3,034)	(3,866)	2	31,006	(333)	-	(5,701)	-	(27,531)	22,867	(4,664)
Expenditure chargeable to the GF and HRA balances	64,219	80,078	39,570	13,196	14,127	5,673	6,796	1,343	(776)	22,668	(200,422)	46,472	(90,656)	(44,184)
Adjustments between funding and accounting basis	(28,406)	31,891	17,142	5,662	3,969	(110,530)	(255)	(1)	1	(22,522)	12,393	(90,656)	Note 13.02	
(Surplus) or Deficit	35,813	111,969	56,712	18,858	18,096	(104,857)	6,541	1,342	(775)	146	(188,029)	(44,184)		

Note 14

Note 4

Opening General Fund and HRA Balance at 31 March 2016	155,881
Less Deficit on General Fund and HRA Balance in Year	(46,472)
Closing General Fund and HRA Balance at 31 March 2017	109,409

Note 6

2015/16	Children and Family Services £000	Public Health & Adult Social Care £000	Place, Growth and Prosperity £000	Housing and Customer Services £000	City Director £000	Housing Revenue Account £000	Schools £000	Civic and Corporate Expenses £000	Benefit Payments £000	Non Departmental Costs £000	Other Income and Expenditure £000	Expenditure chargeable to the GF and HRA balances £000	Adjustments between funding and accounting basis £000	Net expenditure in the CIES £000
Income														
Fees, charges and service income	(17,572)	(42,949)	(25,417)	(585)	(2,910)	(71,130)	(5,505)	-	-	(94)		(166,162)	1,305	(164,857)
Interest and investment income	-	-	-	(315)	-	(112)	-	-	-	(642)		(1,069)	(219)	(1,288)
Council tax and non domestic rates	-	-	-	-	-	-	-	-	-	-	(137,638)	(137,638)	(4,738)	(142,376)
Government grants and contributions	(62,031)	(23,709)	(4,589)	(219)	(2,416)	(1,220)	(82,069)	-	(94,170)	-	(69,767)	(340,190)	(40,291)	(380,481)
Expenditure														
Employee benefits expenses	45,107	30,374	25,080	9,954	16,404	14,015	43,328	891	44	5,435		190,632	37,144	227,776
Other service expenses	99,943	115,966	58,860	5,906	6,812	34,002	16,189	735	92,596	12,224		443,233	(47,423)	395,810
Depreciation, amortisation and impairment	-	-	-	-	-	8,193	-	-	-	8,151		16,344	36,795	53,139
Interest payments	1,129	-	-	(33)	-	7,718	2	-	-	8,080		16,896	7,034	23,930
Precepts and levies	-	-	-	-	-	-	-	-	-	67		67	-	67
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-		-	1,376	1,376
Gain or loss on disposal of non-current assets	-	-	-	-	-	3,512	-	-	-	(8,017)		(4,505)	7,144	2,639
Internal recharges	(16,099)	(4,860)	(15,137)	(2,652)	(4,149)	(218)	29,736	(397)	-	(1,758)		(15,534)	11,888	(3,646)
Expenditure chargeable to the GF and HRA balances	50,477	74,822	38,797	12,056	13,741	(5,240)	1,681	1,229	(1,530)	23,446	(207,405)	2,074	10,015	12,089
Adjustments between funding and accounting basis	5,304	4,910	27,502	5,296	2,757	(27,458)	5,931	229	7	(14,830)	367	10,015	Note 13.02	
(Surplus) or Deficit	55,781	79,732	66,299	17,352	16,498	(32,698)	7,612	1,458	(1,523)	8,616	(207,038)	12,089		

Note 14

Note 4

Opening General Fund and HRA Balance at 31 March 2015	157,955
Less Deficit on General Fund and HRA Balance in Year	(2,072)
Closing General Fund and HRA Balance at 31 March 2016	155,881

Note 6

9 Accounting Standards that have been Issued but not yet Adopted

The 2016/17 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 2017/18 the following accounting standard changes and their impact on the Council are shown in the table below:

Narrow Scope Amendments to International Financial Reporting Standards	
The narrow scope amendments to ; IAS 7 Statement of Cash Flows (Disclosure Initiative);	Limited impact - Additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
IAS 12 Income Taxes (Recognition of Deferred Taxes for Unrealised Losses).	IAS 12 is not expected to be relevant to an authority's single entity financial statements. Group entities will account for their own tax; however, a consolidation adjustment may be required in the Group Accounts where group entities have accounted for tax under UK GAAP.
Legislative Changes	
Amendments to the Code to take account of legislative changes	<p>Limited impact -</p> <ul style="list-style-type: none"> - The Cities and Local Government Devolution Act 2016 – Combined Authorities – the Act is intended to devolve powers over economic development, transport and social care to larger cities. CIPFA/LASAAC is of the view that there is no specific need to amend the Code for the impact of the legislation. -The Housing and Planning Act 2016 – the mechanism for making payments to the secretary of state under this Act for high value social housing is very similar to that for the payments made by local authorities to the housing capital receipts pool and therefore the payments would be recognised in the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. - Housing Revenue Account (Accounting Practices) Directions 2016 (English Authorities). 2017/18 Code reflects the changes in the statutory disclosure requirements. - Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2017.

10 Critical Judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. The authority reviews its asset base and has judged that this uncertainty is not yet sufficient to provide an indication that material assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision. Where an asset is no longer judged to be required to provide a service it is declared surplus ultimately resulting in its disposal or transfer.
- The authority has judged that it controls the services provided under the outsourced agreements to rebuild, maintain, upgrade and provide services to its schools; to provide street lighting services; to provide and maintain a multi-service district centre on the Devonshire Square site in Bentilee; to provide and maintain a waste to energy plant and associated waste disposal site at Hanford; and to provide extra care housing at sites based at Westcliffe, Abbey Hulton and Blurton.
- The authority has also concluded that it controls the residual value of assets used in these arrangements at the end of the agreements, with the exception of the waste scheme mobile 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.

11 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 2017 for 2016/17 are considered for changes to accounting policy that may result in the amendment to previously reported figures where material.

Overhead and Support Services

For 2016/17 the City Council has changed its accounting policy for Overhead and Support Services. Prior to this the cost of overheads and support services were charged to those that benefit from the supply/service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16.

The new accounting policy is to charge overheads and support services to service segments in accordance with the Authority's arrangements for the operation and management of services and reporting financial performance.

Effect on the Comprehensive Income and Expenditure Statement

The effect on the CIES is to show the organisational structure of the authority instead of SERCOP's Service Expenditure Analysis. The removal of central support recharges has led to an increase in Gross Expenditure and Gross Income of £2.6m. This is due to central support costs recharged out net. Net Expenditure has remained the same.

Net Cost of Services as Previously Stated - 2015/16

	Gross Expenditure	Gross Income	Net Expenditure
Continuing Service Areas			
Central services to the public	4,180	(1,506)	2,674
Cultural and related services	23,466	(6,770)	16,696
Environmental and regulatory services	34,421	(12,494)	21,927
Planning services	26,357	(6,665)	19,692
Education and children's services	250,591	(168,518)	82,073
Highways and transport services	24,842	(6,907)	17,935
General fund housing services	104,272	(95,085)	9,187
Local authority housing	37,353	(70,407)	(33,054)
Adult social care	106,072	(33,246)	72,826
Public health services	21,601	(22,105)	(504)
Corporate and democratic core	6,513	(18)	6,495
Non distributed costs	3,340	(160)	3,180
Net Cost of Services	643,008	(423,881)	219,127

Restated Net Cost of Services - 2015/16

	Gross Expenditure	Gross Income	Net Expenditure
Continuing Service Areas			
Children and Family Services	124,505	(68,722)	55,783
Public Health & Adult Social Care	144,460	(64,730)	79,730
Place, Growth & Prosperity	94,773	(28,474)	66,299
Housing and Customer Services	18,027	(675)	17,352
City Director	19,433	(2,935)	16,498
Housing Revenue Account	37,708	(70,406)	(32,698)
Schools	103,900	(96,288)	7,612
Civic and Corporate Expenses	1,458	-	1,458
Benefit Payments	92,647	(94,170)	(1,523)
Non Departmental Costs	8,710	(94)	8,616
Net Cost of Services	645,621	(426,494)	219,127

12 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 2017 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 £147.842m.

Arrears

At 31 March 2017 the Council had a gross short term debtor's balance of £70.535m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £24.052m 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 £1.202m to the Council.

PFI & Similar Contracts

As at 31 March 2017 the Authority had committed to making unitary payments of £402.033m over the remaining lives of the PFI and similar contracts schemes (see note 13.08). 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 £4.833m 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 £4.693m lower.

Business Rate Appeals

The 2016/17 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 £7.497m 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% (£3.674m). 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 £0.367m.

Property Valuations

The Council revalues 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 are made by qualified valuers but are still based on estimates. A 1% fluctuation in council dwellings and other land and buildings values would amount to a £9m movement in Property Plant and Equipment balance shown on the Balance Sheet.

13 Notes to the Accounts - Index

- 13.01** Adjustments between Accounting basis and funding basis under regulations
- 13.02** Notes to Income and Expenditure
- 13.03** Transfers To/From Earmarked Revenue Reserves
- 13.04** Usable Reserves
- 13.05** Unusable Reserves
- 13.06** Assets
- 13.07** Capital
- 13.08** PFI and Similar Contracts
- 13.09** Financial Instruments
- 13.10** Provisions
- 13.11** Grants
- 13.12** Officers Remuneration
- 13.13** Termination Benefits & Exit Packages
- 13.14** Pensions
- 13.15** Pooled Budgets & Other Arrangements
- 13.16** Debtors
- 13.17** Short-Term Creditors
- 13.18** Trading Operations
- 13.19** Related Party Transactions
- 13.20** Partnership Arrangement
- 13.21** Members Allowances
- 13.22** External Audit Costs
- 13.23** Contingent Assets
- 13.24** Contingent Liabilities
- 13.25** Events after the Balance Sheet Date

13.01 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, against resources that are specified by statutory provision as being available to the Authority, to meet future capital and revenue expenditure.

Adjustments Primarily Involving:	Notes	2016/17 Useable Reserves					Movement in Unusable Reserves
		General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
Capital Adjustment Account							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</i>							
Depreciation of Non-Current Assets	13.06d	(18,646)	(12,663)				31,309
Impairment of Non-Current Assets	13.06d	(3,925)	(657)				4,582
Revaluation (losses)/gains on Property, Plant & Equipment	13.06f	(13,134)	94,836				(81,702)
Revaluation losses on Assets Held for Sale							-
Movement in market value of Investment Properties		5,058					(5,058)
Amortisation of Intangible Assets	13.06d	(849)					849
Revenue Expenditure Funded from Capital Under Statute	13.07b	(4,488)	(540)				5,028
<i>Carrying amount of Non-Current Assets:</i>							
- written off on disposal to the CIES		(649)	(4,471)				5,120
- finance leases written off on disposal to the CIES			(377)				377
- written off on derecognition to the CIES		(6,183)					6,183
Capital grants and contributions applied	13.07b	13,734					(13,734)
Revenue Expenditure Funded from Capital Under Statute - Funding	13.07b	3,344					(3,344)
Service concession deferred income write back	13.05a	1,155					(1,155)
<i>Insertion of items not debited or credited to the CIES</i>							
MRP for capital financing	13.07c	13,658					(13,658)
County council loan principal repayment	13.09f	1,829					(1,829)
HRA repayment of debt	13.05a		3,565				(3,565)
Capital expenditure charged against the general fund	13.05a	3,273	9,817				(13,090)
Capital Grants Unapplied Account							
Capital Grants credited to the CIES which are unapplied	13.04b	873				(873)	-
Transfer from revenue reserve	13.04b	762				(762)	-
Transfer of grants applied to Capital Adjustment Account	13.04b					13,646	(13,646)
Financial Instruments Adjustment Account							
	13.05d	1,260	(1)				(1,259)
Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CIES	13.05c	(40,049)	(2,085)				42,134
Employer's contributions and direct payments made in year to the pension fund	13.05c	28,209	1,468				(29,677)
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	17	(1,558)					1,558
- Business Rates	17	2,811					(2,811)
		120	(74)				(46)
Accumulated Absences Account							
Deferred Capital Receipts Reserve							
Transfer of deferred capital grants credited as capital grants and contributions to the CIES	13.05e	54					(54)
Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES	13.04a	654	6,324	(6,978)			-
Transfer of notional sale proceeds credited as part of gain/loss in disposal to the CIES	13.04a		377	(377)			-
<i>Contribution from Capital Receipts Reserve to</i>							
- disposal costs	13.04a	(2)		2			-
- Government Capital Receipts Pool	13.04a	(1,330)		1,330			-
Repayment from long term debtors	13.04a			(247)			247
Use of capital receipts for transformation	13.04a	(519)		519			-
Use of Capital receipts to finance capital expenditure	13.04a			9,066			(9,066)
Major Repairs Reserve							
Contribution for Depreciation	16.03		12,663		(12,663)		-
Voluntary Contribution	16.03						-
<i>Use of major repairs allowance to finance:</i>							
- voluntary repayment of debt	16.03		(2,988)		2,988		-
- capital expenditure	16.03				10,753		(10,753)
Total Adjustments		(14,538)	105,194	3,315	1,078	12,011	(107,060)

		2015/16 Useable Reserves						Movement in
		General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves	
Adjustments Primarily Involving:	Notes	£000	£000	£000	£000	£000	£000	
Capital Adjustment Account								
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</i>								
Depreciation of Non-Current Assets	13.06d	(18,108)	(10,621)	-	-	-	28,729	
Impairment of Non-Current Assets	13.06d	(2,950)		-	-	-	2,950	
Revaluation losses on Property, Plant & Equipment	13.06f	(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	13.06d	(1,133)		-	-	-	1,133	
Revenue Expenditure Funded from Capital Under Statute	13.07b	(5,085)	(864)	-	-	-	5,949	
Carrying amount of Non-Current Assets:								
- 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	13.07b	23,168	1,080	-	-	-	(24,248)	
Revenue Expenditure Funded from Capital Under Statute - Funding	13.07b	5,069	140	-	-	-	(5,209)	
Service concession deferred income write back	13.05a	570					(570)	
<i>Insertion of items not debited or credited to the CIES</i>								
MRP for capital financing	13.07c	13,454					(13,454)	
County council loan principal repayment	13.09f	1,829					(1,829)	
HRA repayment of debt	13.05a		972				(972)	
Capital expenditure charged against the general fund	13.05a	2,186	4,388				(6,574)	
Capital Grants Unapplied Account								
Capital Grants credited to the CIES which are unapplied	13.04b	8,425				(8,425)	-	
Transfer of grants applied to Capital Adjustment Account	13.04b					1,077	(1,077)	
Financial Instruments Adjustment Account								
	13.05d	145	(12)				(133)	
Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	13.05c	(48,415)	(3,155)				51,570	
Employer's contributions and direct payments made in year to the pension fund	13.05c	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	17	956					(956)	
Business Rates	17	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	13.05e	760					(760)	
Capital Receipts Reserve								
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES		1,583	5,674	(7,257)			-	
Transfer of notional sale proceeds credited as part of gain/loss in disposal to the CIES		25	516	(541)			-	
Contribution from Capital Receipts Reserve to								
- disposal costs		(11)		11			-	
- Government Capital Receipts Pool		(1,376)		1,376			-	
Repayment from long term debtors	13.04a			(272)			272	
Use of Capital receipts to finance capital expenditure				825			(825)	
Major Repairs Reserve								
Contribution for Depreciation	16.03		10,621		(10,621)		-	
Voluntary Contribution	16.03						-	
Use of major repairs allowance to finance:								
- voluntary repayment of debt							-	
- capital expenditure	16.03				9,500		(9,500)	
Total Adjustments		(33,140)	23,125	(5,858)	(1,121)	(7,348)	24,342	

13.02 Notes to income and Expenditure

13.02a Note to the Expenditure and Funding Analysis

Adjustments to the General Fund and HRA to add Expenditure or Income not Chargeable to Taxation or Rents and Remove Items which are only Chargeable under Statute

	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Amounts not Included in Net Cost of Services	Reversal of internal recharges	Total Adjustments
2016/17	£000	£000	£000	£000	£000	£000
Children and Family Services	(25,703)	805	564	(1,712)	(2,360)	(28,406)
Public Health & Adult Social Care	33,386	620	88	(1,045)	(1,158)	31,891
Place, Growth & Prosperity	18,120	516	69	(3,244)	1,681	17,142
Housing and Customer Services	5,960	209	(1,100)	144	449	5,662
City Director	35	302	4	2,214	1,414	3,969
Housing Revenue Account	(105,886)	(90)	74	(4,628)	-	(110,530)
Schools	1,126	1,354	(851)	-	(1,773)	(144)
Civic and Corporate Expenses	-	3	1	-	(5)	(1)
Benefit Payments	-	-	1	-	-	1
Non Departmental Costs	(5,861)	(5,557)	(153)	(12,703)	1,752	(22,522)
Net Cost of Services	(78,823)	(1,838)	(1,303)	(20,974)	-	(102,938)
Other Income and Expenditure	(21,732)	14,295	(1,255)	20,974	-	12,282
	(100,555)	12,457	(2,558)	-	-	(90,656)

Note 8

	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Amounts not Included in Net Cost of Services	Reversal of internal recharges	Total Adjustments
2015/16	£000	£000	£000	£000	£000	£000
Children and Family Services	5,939	2,373	15	3,676	(6,699)	5,304
Public Health & Adult Social Care	1,871	1,774	(14)	1,931	(652)	4,910
Place, Growth & Prosperity	28,117	1,482	56	(3,281)	1,128	27,502
Housing and Customer Services	4,698	148	5	535	(90)	5,296
City Director	119	25	(2)	2,383	232	2,757
Housing Revenue Account	(22,589)	468	78	(5,415)	-	(27,458)
Schools	77	-	2	-	5,852	5,931
Civic and Corporate Expenses	-	-	-	-	229	229
Benefit Payments	-	4	3	-	-	7
Non Departmental Costs	(11,695)	1,370	153	(4,658)	-	(14,830)
Net Cost of Services	6,537	7,644	296	(4,829)	-	9,648
Other Income and Expenditure	(17,356)	17,633	(4,739)	4,829	-	367
	(10,819)	25,277	(4,443)	-	-	10,015

Note 8

Adjustments for Capital purposes includes charges for depreciation and amorisation which are not chargeable to taxation or rents.

Net recharge for pensions represents the difference between the actual employers contribution chargeable to services and the charges made in respect of the IAS 19 actuarial valuation.

Amounts not included in the net cost of service includes interest payments, gains/losses on disposal of assets, non-specific grants etc which are reported below the net cost of services within other income and expenditure

Reversal of internal recharges represent charges made to between directorates to reflect the costs of services provided internally.

13.02b Exceptional Items in Net Cost of Services

HRA Reversal of Revaluation Loss

During 2016/17 the Housing Revenue Account changed the percentage of the Social Housing discount factor applied to the valuation of housing dwellings from 34% to 40% in line with Government requirements. This resulted in a significant revaluation gain to the value of the Housing stock. Under the Accounting Code of Practice any revaluation gain is first used to reverse a previous revaluation loss, adjusted for depreciation. The net gains in 2016/17 of £94.414m have been applied to reverse part of the previous recognised loss charged to the net cost of service.

Summary of Revaluation Loss

	£000
Losses charged	173,225
<i>Reversals</i>	
2014/15	(28,430)
2015/16	(16,872)
2016/17	(94,414)
Balance of loss remaining	33,509

Public Health and Adult Social Care - Revaluation Gain

During 2016/17 three Extra Care sites became operational, adding £66m to the asset register. Revaluation of these sites resulted in £37.3m gross downward revaluation based on the site being valued using the accommodation charges levied by the provider.

Children and Family Services - Revaluation Loss

During 2016/17 the carrying value of Schools has increased by £34.5m as a result of year-on-year building cost increases.

Investment Property - Revaluation Gain

During 2016/17 the carrying value of Smithfield 2 increased by £4.9m, with the latest valuation based on tenant agreement criteria. The gain has reversed part of the £13m revaluation loss recognised in 2015/16.

13.03 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 2016/17.

Balance at 31 March 2015 £000	Transfers From £000	Transfers To £000	Balance at 31 March 2016 £000		Note	Balance at 31 March 2016 £000	Transfers From £000	Transfers To £000	Balance at 31 March 2017 £000
General Fund									
-	-	15,450	15,450	Support 16/17 Budget Strategy		15,450	(15,450)		-
-	-	1,073	1,073	Support 17/18 Budget Strategy		1,073		2,205	3,278
-	(6,424)	16,272	9,848	Support One Off Commitments		9,848	(8,884)	2,217	3,181
3,827	(3,827)	2,498	2,498	Redundancy Reserve		2,498	(2,498)		-
1,526	-	627	2,153	"Our Work Your City" Reserve		2,153	(2,153)		-
1,203	(1,011)	11	203	"What Matters" Reserve		203	(203)		-
942	(942)	-	-	Actuarial Strain Reserve		-			-
4,859	(4,859)	-	-	Transformation Savings - Tranche 1 & 2		-			-
5,564	(7,014)	1,450	-	Change Transformation Reserve		-			-
7,037	(7,037)	186	186	Invest to Save Reserve		186	(186)	213	213
2,800	(2,800)	-	-	Policy Priorities Reserve		-			-
1,284	(1,284)	-	-	External Funding Risk Reserve		-			-
5,694	(1,955)	3,722	7,461	School balances		7,461	(5,483)	3,867	5,845
-	-	196	196	Budget Savings		196			196
36,300	(1,457)	1,135	35,978	PFI		35,978	(142)	95	35,931
15,848	(12,521)	7,211	10,538	Schools DSG		10,538	(9,859)		679
4,350	(99)	357	4,608	Public Health		4,608	(1,063)	880	4,425
-	-	4,577	4,577	Transformation Challenge Award		4,577	(1,399)	100	3,278
1,626	(454)	62	1,234	Social Fund Programme		1,234	(532)		702
198	-	293	491	District Heat Network		491			491
487	(88)	-	399	SEN Reform		399	(262)		137
2,910	(2,572)	-	338	Chatterly Whitfield		338			338
267	(22)	-	245	CWDC - Step up to Social Work		245		77	322
-	-	240	240	HCA Transition		240	(65)		175
-	-	1,416	1,416	Smithfield Occupancy		1,416	(887)		529
2,523	(1,325)	179	1,377	Legal Reserve		1,377	(638)	13	752
101	-	806	907	Care Act Implications		907	(741)		166
103	(103)	468	468	Corporate Reviews and Initiatives		468	(389)		79
1,025	(572)	-	453	Extra Care PFI		453	(143)	2,064	2,374
401	-	-	401	Transport Services		401	(401)		-
-	-	291	291	Communications and Marketing		291	(62)		229
283	-	-	283	Revs and Benefits channel shift		283			283
55	-	157	212	Vehicle Maintenance		212		147	359
201	-	-	201	Licensing & Landlord Accreditation		201			201
563	(27)	-	536	Development Agreements		536	(69)	36	503
6,425	(5,079)	2,841	4,187	Insurances		4,187		224	4,411
1,556	(1,000)	110	666	Joint Venture Pension		666		126	792
565	(68)	-	497	Adult Social Care		497	(406)		91
402	(108)	21	315	Youth Offending Service		315	(83)		232
10,606	(8,010)	1,694	4,290	Other Reserves		4,290	(1,712)	648	3,226
121,531	(70,658)	63,343	114,216	Total General Fund Earmarked Reserves	5	114,216	(53,710)	12,912	73,418
		(7,315)		Net Movement of General Fund Earmarked Reserves				(40,798)	
HRA									
19,775	(4,388)	9,187	24,574	Housing Capital Reserve		24,574	(9,817)	4,083	18,840
684	-	-	684	HRA Equipment		684			684
20,459	(4,388)	9,187	25,258	Total HRA		25,258	(9,817)	4,083	19,524
		4,799		Net Movement of HRA Earmarked Reserves	5			(5,734)	
141,990	(75,046)	72,530	139,474	Total Earmarked Reserves		139,474	(63,527)	16,995	92,942

13.04 Usable Reserves

13.04a Usable Capital Receipts Reserve

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

31 March 2016 £000		Note	31 March 2017 £000
7,798	Amounts receivable in year	13.01	7,356
272	Amount receivable from long term debtors	13.01	247
(11)	Disposal Costs	13.01	(2)
(1,376)	Capital receipts pooling payment to DCLG	13.01	(1,330)
-	Amount applied for revenue transformation.	13.01	(520)
(825)	Amounts applied to finance new capital investment in year	13.07b	(9,066)
5,858	Total increase/(decrease) in reserve during year		(3,315)
7,664	Balance brought forward at 1 April		13,522
13,522	Balance carried forward at 31 March		10,207

13.04b Capital Grants Unapplied Reserve

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

31 March 2016 £000		Note	31 March 2017 £000
8,425	Capital grants received in year which have not been applied	13.01	873
(1,077)	Applied during the year transferred to capital adjustment acc	13.05a	(13,646)
-	Transfer from revenue reserve	13.01	762
7,348	Total increase/(decrease in reserve during year		(12,011)
11,827	Balance brought forward at 1 April		19,175
19,175	Balance carried forward at 31 March		7,164

13.05 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.

13.05a Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

31 March 2016 £000		Note	31 March 2017 £000
352,806	Balance at 1st April		352,660
688	Opening Balance Adjustment		
353,494	Revised Balance at 1st April		352,660
(31,679)	Charges for depreciation & impairment of non current assets	13.01	(35,892)
(5,852)	Revaluation movement on property, plant & equipment & non current assets held for sale	13.01	81,702
(1,133)	Amortisation of intangible assets	13.01	(849)
(5,949)	Revenue expenditure funded from capital under statute	13.01	(5,028)
(9,223)	Amounts of non-current assets written off on disposal or sale as part of gain /loss on disposal	13.01	(5,497)
(1,975)	Amounts of non-current assets written off on derecognition as part of gain/loss on derecognition	13.01	(6,183)
(12,443)	Movement in market value of investment properties	13.06f	5,058
(68,254)			33,311
3,161	Adjusting amounts written out of Revaluation Reserve	13.05b	1,913
(65,093)	Net Written out amount of the cost of non-current assets consumed in the year		35,224
	Capital Financing applied in the year:		
825	Use of Capital Receipts reserve to finance new capital	13.04a	9,066
9,500	Use of Major Repairs reserve to finance new capital	16.03	10,753
-	Use of Major Repairs reserve to finance voluntary repayment of debt	16.03	2,988
972	Use of HRA general fund for capital financing		577
29,458	Capital grants and contributions credited to the CIES applied to capital financing	13.01	17,078
1,077	Applications of grants to capital financing from capital grants unapplied account	13.04b	13,646
15,283	Statutory provision for the financing of capital investment charged against general fund		15,487
570	Service concession deferred income write back	13.01	1,155
	Capital expenditure charged against:	13.01	
2,186	- General Fund	13.01	3,273
4,388	- HRA	13.01	9,817
64,259			83,840
352,660	Balance at 31 March		471,724

13.05b 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 2016 £000		Note	31 March 2017 £000
132,842	Balance at 1st April		147,162
(688)	Opening Balance Adjustment		
132,154	Revised Balance at 1st April		147,162
23,918	Upward revaluation of assets	13.06f	42,484
(5,749)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	13.06f	(12,527)
18,169	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		29,957
(2,159)	Difference between fair value depreciation and historical cost depreciation		(1,619)
(1,002)	Accumulated gains on assets sold or scrapped		(294)
(3,161)	Amount written off to the Capital Adjustment Account	13.05a	(1,913)
147,162	Balance at 31 March		175,206

13.05c 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 2016 £000		Note	31 March 2017 £000
(530,793)	Balance at 1st April		(398,190)
157,880	Remeasurements of the net defined benefit liability/(asset)	13.14	(64,981)
(51,570)	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	13.14	(42,134)
26,293	Employer's pensions contributions and direct payments to pensioners payable in the year	13.14	29,677
(398,190)	Balance at 31 March		(475,628)

13.05d 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 (£1,020 in 2016/17) 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.

The City Council has issued new empty homes loans during 2016/17 to facilitate repairs to long term empty properties in the city. These loans are discounted to fair value with the discount released back to the I&E over the term of the loan.

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. £155,347 was credited to CIES in 2016/17. The authority has also revised it's assumption regarding the repayment of Kickstart loans resulting in a fair value adjustment of £1.113m.

31 March 2016 £000	Note	31 March 2017 £000
(4,541) Balance at 1st April		(4,407)
(11) Proportion of discounts received in previous financial years to be transferred to the HRA in accordance with statutory requirements		(1)
145 Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		155
- Movement in Fair Value during the year relating to Kickstart Loans		1,113
- Discounting of new empty homes loans		(8)
(4,407) Balance at 31 March		(3,148)

13.05e 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 2016 £000	Note	31 March 2017 £000
6,863 Balance at 1st April		7,350
New Deferred Receipts:		
- Empty Homes		46
- Home Improvements		8
760 Deferred sale proceeds on non-current assets		-
Transfers to Useable Capital Receipts Reserve upon receipt of cash		
(273) Repayment of long term debtors		(248)
- Deferred sale proceeds on non-current assets now realised		
7,350 Balance at 31 March		7,156
<i>Of which:</i>		
5,727 Kickstart loans		5,576
830 Cluster loans		733
- Empty Homes		46
- Home Improvements		8
793 Deferred sale proceeds		793
7,350 Balance at 31 March		7,156

13.05f 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 2016 £000	Note	31 March 2017 £000
5,316 Balance at 1st April		6,457
1,113 Upward revaluation of long term investments	13.09b	630
28 Upward revaluation of short term investments	13.09b	-
- Realised gain on short term investments	13.09b	(28)
6,457 Balance at 31st March		7,059

13.06 Assets

13.06a Property, Plant & Equipment

Movement on Balance 2016/17	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	403,649	349,092	55,330	217,651	32,144	38,770	23,779	1,120,415	196,443
Opening Balance									
Adjustments	561	-	(287)	(274)	-	-	-	-	-
Adjusted cost of valuation	404,210	349,092	55,043	217,377	32,144	38,770	23,779	1,120,415	196,443
Additions	19,362	10,341	7,337	14,944	581	1,636	50,270	104,471	51,445
Donations	-	-	-	-	-	-	-	-	-
<i>Revaluation increases/(decreases) recognised in the:</i>									
Revaluation Reserve	-	24,402	-	-	-	503	-	24,905	14,571
Surplus/Deficit on the Provision of Services	82,589	(21,354)	-	-	-	310	-	61,545	(23,804)
<i>Derecognition through disposal and transfer</i>									
Non-schools	(39)	(783)	(4,674)	(7,834)	(12)	(163)	-	(13,505)	(285)
School transfers	-	(6,140)	(805)	(15)	-	-	-	(6,960)	(6,292)
Reclassifications - other	309	65,586	(111)	1,752	(269)	(194)	(67,073)	-	886
Assets reclassified (to)/from Held for Sale	(3,456)	(170)	-	-	-	555	-	(3,071)	-
Other								-	
Balance at 31 March	502,975	420,974	56,790	226,224	32,444	41,417	6,976	1,287,800	232,964
Accumulated Depreciation and Impairment									
Balance at 1 April	(215)	(14,374)	(24,852)	(55,467)	(511)	(4,369)	(1,578)	(101,366)	(16,206)
Opening Balance									
Adjustments	(561)	-	287	274	-	-	-	-	-
Adjusted Opening Balance	(776)	(14,374)	(24,565)	(55,193)	(511)	(4,369)	(1,578)	(101,366)	(16,206)
Depreciation Charge in year	(11,859)	(7,509)	(5,327)	(6,419)	-	(96)	-	(31,210)	(4,722)
<i>Depreciation written out to the:</i>									
Revaluation Reserve	-	5,399	-	-	-	103	-	5,502	1,956
Surplus/Deficit on the Provision of Services	11,826	8,192	-	-	-	145	-	20,163	5,747
<i>Impairment losses/(reversals) recognised in the:</i>									
Revaluation Reserve	-	(92)	-	-	-	(3)	-	(95)	-
Surplus/Deficit on the Provision of Services	-	(765)	(231)	(1,593)	(154)	(1,057)	-	(3,800)	(14)
<i>Derecognition through disposal and transfer</i>									
Non-schools	39	595	4,238	7,834	-	82	-	12,788	285
School transfers	-	447	328	2	-	-	-	777	447
Reclassifications - other	164	1,601	11	(1,623)	2	(259)	103	(1)	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Other	1	-	1	-	-	-	-	2	-
Balance at 31 March	(605)	(6,506)	(25,545)	(56,992)	(663)	(5,454)	(1,475)	(97,240)	(12,507)
Net Book Value									
At 31 March 2017	502,370	414,468	31,245	169,232	31,781	35,963	5,501	1,190,560	220,457
At 31 March 2016	403,434	334,718	30,478	162,184	31,633	34,401	22,201	1,019,049	180,237

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 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 through disposal and transfer</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 through disposal and transfer</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

Also see supplementary disclosure " Consolidated Managed Assets" note at 13.06f

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 13.06a.

Analysis of PPE - Other Land and Buildings by Sub Class

	Net Book Value as at 31/03/16	Net Book Value as at 31/03/17
	£000	£000
Administrative Buildings	31,703	31,981
Bus Station	3,787	3,737
Civic Amenity Sites	19,211	10,142
Car Parks	14,527	13,180
Cemeteries & Crematorium	1,759	1,892
Childrens Centres	6,099	6,219
Community	3,158	3,839
Coroners & Mortuary	931	911
Depots	2,476	3,774
Economic Development	12,436	22,229
Garages	5,211	5,230
Libraries & Museums	19,874	19,983
Local Centres	1,357	1,529
Markets	9,045	8,449
Miscellaneous	763	578
Other Educational Facilities	10,906	6,457
Public Conveniences	1,147	874
Recreation Facilities	43,372	50,847
Schools	115,145	149,631
Shops	4,238	4,081
Social Care Facilities	11,514	41,605
Theatre	14,996	26,450
Travellers Site	490	482
Youth Services	573	368
Total	334,718	414,468

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 2016 £000		31 March 2017 £000
10,002	Strategic regeneration sites	8,416
13,609	Cleared land not currently qualifying as held for sale	15,935
10,169	Vacant Premises	11,478
621	Other surplus assets	134
34,401	Balance at 31 March	35,963

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 2017 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 2016/17 this factor has increased from 34% to 40%.

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

	Council Dwellings £000	Other Land & Buildings £000	Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Cost	-	3,375	31,245	416	35,036
Valued at Fair Value as at:					
31/03/2017	502,370	351,097	-	9,419	862,886
31/03/2016	-	20,464	-	19,763	40,227
31/03/2015	-	17,423	-	6,267	23,690
31/03/2014	-	22,109	-	98	22,207
Total	502,370	414,468	31,245	35,963	984,046

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:

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

The 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.

13.06b 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 2016	4,188	60,643	852	750	66,433
Additions	198	-	-	-	198
Depreciation Charge	(100)	-	-	-	(100)
Upward revaluation	268	-	-	-	268
Downward revaluation	(627)	-	-	-	(627)
At 31 March 2017	3,927	60,643	852	750	66,172
At 1 April 2016	4,257	60,643	852	750	66,502
Additions	30	-	-	-	30
Depreciation Charge	(99)	-	-	-	(99)
At 31 March 2017	4,188	60,643	852	750	66,433

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

13.06c 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.

13.06d Impairment and Depreciation

The Authority recognised depreciation and amortisation charges totalling £32.159m 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 £4.012m to the General Fund. This consisted of an impairment of £2.718m relating to capital expenditure incurred in year that did not have a material effect on the assets fair value, £517,000 in respect of the demolition of old/disused buildings and £777,000 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	13.06a	-	(31,210)	(3,800)
Intangible Assets	13.06f	(849)	-	(212)
Intangible Assets - Academy Schools		-	-	-
Non Current Assets Held for Sale		-	-	-
Investment Properties		-	-	-
Heritage Assets	13.06b	-	(100)	-
Total Depreciation and Impairment charged to Services		(849)	(31,310)	(4,012)

13.06e Maintained Schools

The Council has the following maintained schools

	Community	Voluntary Controlled	Voluntary Aided	Foundation
Number of schools subject to PFI contracts	34	4	5	10
Value of land and buildings at 31st March 2017	£72m	£9m	£13m	£58m

During the financial year five primary schools have converted to academies. One foundation trust school has reverted to a community school.

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 2016/17.

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 2017 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.

13.06f 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 13.06a).

Movement in Balances in 2016/17	Note	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000	Assets Held for Sale £000	Investment Property £000
Cost or Valuation balance b/f		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 b/f		(215)	(14,374)	(24,852)	(55,467)	(511)	(4,369)	(1,578)	(101,366)	(314)	(6,961)	(6)	-
Net Book Value b/f		403,434	334,718	30,478	162,184	31,633	34,401	22,201	1,019,049	66,433	2,444	2,378	12,445
In year transactions which add to the asset value													
Additions/Enhancements through Capital Expenditure	13.07b	19,362	10,341	7,337	14,944	581	1,636	50,270	104,471	198	2,442	4	3,372
Abortive Costs write off	13.07b	-	-	-	-	-	-	-	-	-	-	-	-
Donations		-	-	-	-	-	-	-	-	-	-	-	-
In year transactions which change assets value as a result of formal revaluation													
Upward revaluations recognised in the Revaluation Reserve	13.05b	-	40,543	-	-	-	1,698	-	42,241	243	-	-	-
Downward revaluations recognised in the Revaluation Reserve	13.05b	-	(10,742)	-	-	-	(1,093)	-	(11,835)	(597)	-	-	-
Upward revaluations recognised in the Surplus/ Deficit on the Provision of Services	13.01	106,694	40,493	-	-	-	865	-	148,052	24	-	-	-
Downward revaluations recognised in the Surplus/ Deficit on the Provision of Services	13.01	(12,279)	(53,655)	-	-	-	(409)	-	(66,343)	(30)	-	-	-
Movement in Market Value of Investment Property - Gains	13.01	-	-	-	-	-	-	-	-	-	-	-	5,114
Movement in Market Value of Investment Property - Loss	13.01	-	-	-	-	-	-	-	-	-	-	-	(57)

Note	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000	Assets Held for Sale £000	Investment Property £000	
In year transactions which reduce the assets value due to service usage (or loss thereof)													
Depreciation Charge in Year	13.01	(11,859)	(7,509)	(5,327)	(6,419)	-	(96)	-	(31,210)	(100)	-	-	
Amortisation Charge in Year	13.01	-	-	-	-	-	-	-	-	(849)	-	-	
<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	13.05b	-	(46)	-	-	-	(3)	-	(49)	-	-	-	
Loss in Value due to demolitions, site aggregation, etc	13.05b	-	(46)	-	-	-	-	-	(46)	-	-	-	
<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	13.01	-	(309)	(205)	(1,590)	(154)	(247)	-	(2,505)	-	(212)	-	
Loss in Value due to demolitions, site aggregation, etc	13.01	-	(456)	(26)	(3)	-	(810)	-	(1,295)	-	-	-	
In year transactions which reduce the assets value due to write off, transfer of ownership, closure of service or long term lease													
Disposal of assets in Renewal Areas	13.01	-	-	-	-	-	(71)	-	(71)	-	-	-	
Other Sales (Incl RTBs)	13.01	-	-	(379)	-	(12)	(11)	-	(402)	-	-	(4,780)	
Community Assets Transfers	13.01	-	-	-	-	-	-	-	-	-	-	-	
Other disposal transactions	13.01	-	(36)	(37)	-	-	-	-	(73)	-	-	-	
Transfers to Academies	13.01	-	(5,693)	(478)	(13)	-	-	-	(6,184)	-	-	-	
Derecognition due to asset replacement/write off	13.01	-	(152)	(20)	-	-	-	-	(172)	-	-	-	
Assets transferred to/from other categories in year													
Reclassifications within PPE		473	67,187	(100)	129	(267)	(452)	(66,970)	-	-	-	-	
Reclassifications from IP		-	-	-	-	-	-	-	-	-	-	-	
Reclassifications to Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	
Assets moved to Held for Sale		(3,456)	(170)	-	-	-	555	-	(3,071)	-	-	3,071	
Assets moved from Held for Sale		-	-	-	-	-	-	-	-	-	-	-	
Cost or Valuation balance c/f		502,984	420,974	56,781	226,224	32,444	41,417	6,976	1,287,800	66,356	11,840	679	20,874
Accumulated Depreciation and Impairment balance c/f		(615)	(6,506)	(25,537)	(56,992)	(663)	(5,454)	(1,475)	(97,242)	(185)	(8,015)	(6)	-
Net Book Value c/f		502,369	414,468	31,244	169,232	31,781	35,963	5,501	1,190,558	66,171	3,825	673	20,874

Movement in Balances in 2015/16	Note	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000	Assets Held for Sale £000	Investment Property £000
Cost or Valuation balance b/f		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	13.07b	14,416	5,614	5,295	6,842	212	1,288	24,026	57,693	30	885	17	48
Abortive Costs write off	13.07b	-	-	-	-	-	-	-	-	-	-	-	-
Donations		-	-	-	-	-	-	-	-	-	-	-	-
In year transactions which change assets value as a result of formal revaluation													
Upward revaluations recognised in the Revaluation Reserve	13.05b	-	14,047	-	-	-	9,873	-	23,920	-	-	-	-
Downward revaluations recognised in the Revaluation Reserve	13.05b	-	(2,085)	-	-	-	(3,538)	-	(5,623)	-	-	-	-
Upward revaluations recognised in the Surplus/ Deficit on the Provision of Services	13.01	27,771	2,985	-	-	-	2,407	-	33,163	-	-	-	-
Downward revaluations recognised in the Surplus/ Deficit on the Provision of Services	13.01	(10,906)	(21,846)	-	-	-	(6,263)	-	(39,015)	-	-	-	-
Movement in Market Value of Investment Property - Gains	13.01	-	-	-	-	-	-	-	-	-	-	-	1,168
Movement in Market Value of Investment Property - Loss	13.01	-	-	-	-	-	-	-	-	-	-	-	(13,611)

Note	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000	Assets Held for Sale £000	Investment Property £000	
In year transactions which reduce the assets value due to service usage (or loss thereof)													
Depreciation Charge in Year	13.01	(9,302)	(8,224)	(4,821)	(5,922)	-	(360)	-	(28,629)	(99)	-	-	
Amortisation Charge in Year	13.01	-	-	-	-	-	-	-	-	(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	13.05b	-	(125)	-	-	(1)	(1)	-	(127)	-	-	-	
Loss in Value due to demolitions, site aggregation, etc	13.05b	-	-	-	-	-	-	-	-	-	-	-	
<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	13.01	-	(176)	(27)	(1,134)	(66)	(32)	-	(1,435)	-	(280)	-	
Loss in Value due to demolitions, site aggregation, etc	13.01	-	-	(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	13.01	-	-	-	-	(1,162)	-	(1,162)	-	-	(622)	-	
Other Sales (Incl RTBs)	13.01	-	(548)	(675)	-	-	-	(1,223)	-	-	(3,804)	-	
Community Assets Transfers	13.01	-	-	-	-	-	-	-	-	-	-	-	
Other disposal transactions	13.01	-	-	-	-	-	-	-	-	-	-	-	
Transfers to Academies	13.01	-	(1,769)	(206)	-	-	-	(1,975)	-	-	-	-	
Derecognition due to asset replacement/write off	13.01	-	-	(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

13.07 Capital

13.07a Capital Commitments

At 31 March 2017, the Authority has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £15.7m. Similar commitments at 31 March 2016 were £38.9m. The Housing Stock Maintenance figure of £13.9m represents the amount of planned capital expenditure to be delivered through the contract until 18th February 2018.

Capital Scheme	£m
Housing Stock Maintenance	13.9
City Centre Public Realm	1.2
Public Realm Works	0.6
Capital Scheme	15.7

13.07b 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 2016 £000		Note	31 March 2017 £000
579,560	Opening Capital Financing Requirement		578,508
	- Impairment charge & Revaluation losses for non-dwelling HRA assets chargeable to HRA CIES		570
	Capital Investment		
57,691	Property, Plant & Equipment	13.06a	104,471
30	Heritage Assets	13.06b	198
48	Investment Properties	13.06f	3,372
886	Intangible Assets	13.06f	2,442
17	Assets Held for Sale	13.06f	4
5,949	Revenue Expenditure Funded from Capital under Statute	13.05a	5,028
	Sources of Finance		
(825)	Capital receipts reserve applied to finance capital expenditure	13.04a	(9,066)
(24,248)	Government grants & contributions received in year & applied to fund non current asset expenditure	13.05a	(13,734)
(5,209)	Government grants & contributions received in year & applied to fund REFCUS	13.05a	(3,344)
(1,077)	Government grants & contributions applied from reserves	13.04b	(13,646)
(9,500)	Use of Major Repairs Reserve	16.03	(10,753)
(2,186)	Direct Revenue Contributions - General Fund	13.05a	(3,273)
(4,388)	Contribution from HRA Reserve	13.05a	(9,817)
(13,144)	Minimum Revenue Provision	13.07c	(13,491)
(310)	Amount voluntarily set aside to pay off debt	13.07c	(167)
(3,814)	Deferred Credit - Extra Care PFI	13.09f	(12,886)
(972)	HRA repayment of debt (principal & leasing)	13.05a	(3,565)
578,508	Closing Capital Financing Requirement		600,851
	- Increase in underlying need to borrow (unsupported by government financial assistance)		3,806
(13,454)	Decrease in underlying need to borrow (MRP and Voluntary Debt)	13.07c	(13,658)
(972)	Decrease in underlying need to borrow (HRA Voluntary Debt Repayment)	13.05a	(3,565)
1,904	Assets acquired under Finance Leases	13.09e	-
15,284	Assets acquired under PFI/PPP Contracts	13.08a	48,076
(3,814)	Deferred Credit - Extra Care PFI	13.09f	(12,886)
	- Impairment charge & Revaluation losses for non dwelling HRA assets chargeable to HRA CIES		570
(1,052)	Increase/(decrease) in Capital Financing Requirement		22,343

13.07c 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 2016/17 is:

31 March 2016 £000		Note	31 March 2017 £000
Minimum Revenue Provision			
6,378	Other Services		6,695
Private Finance Initiative			
3,367	• Schools	12.08d	2,831
1,253	• Street Lighting	12.08d	1,331
-	• Extracare	12.08d	215
218	• Bentilee District Centre	12.08d	233
2,238	• Hanford Waste	12.08d	2,353
13,454	Total		13,658

13.08 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

2016/17 was the 16th 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

2016/17 was the 13th 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. Following agreement between the council and the PFI contractor to undertake an LED unit replacement programme and light control system, the energy consumption is expected to reduce generating financial saving and a reduction in carbon emission. 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

2016/17 was the 10th 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

2016/17 was the 22nd 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

2016/17 was the 2nd 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 site based at Blurton was completed in 2015/16. The sites based at Westcliffe and Abbey Hulton, completed in 2016/17, have increased the liability on the balance sheet by £33.958m (13.08b).

13.08a 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 £000	Street Lighting £000	Bentilee District Centre £000	Hanford Waste £000	Extracare Housing £000	Total £000
Value as at 31 March 2016	114,321	26,884	2,948	16,866	19,218	180,237
Additions	2,947	117	2	303	-	3,369
Additions through PFI	-	638	-	594	46,844	48,076
Revaluations	42,785	-	280	(9,107)	(35,500)	(1,542)
Reclassifications	659	-	-	226	-	885
De-recognitions	(5,844)	-	-	-	-	(5,844)
Depreciation/Impairment	(2,741)	(1,079)	(40)	(866)	-	(4,726)
Value as at 31 March 2017	152,127	26,560	3,190	8,016	30,562	220,455

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

13.08b 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 (£8.083m) has been expensed to the CIES in 2016/17.

	Schools £000	Street Lighting £000	Bentilee District Centre £000	Hanford Waste £000	Extracare Housing £000	Total £000
As at 31 March 2016	42,504	12,291	5,801	7,492	10,052	78,140
New loans raised	-	638	-	594	33,958	35,190
Interest added	4,065	1,220	835	453	1,510	8,083
Repayment of interest and liability	(6,896)	(2,551)	(1,067)	(2,806)	(1,725)	(15,045)
As at 31 March 2017	39,673	11,598	5,569	5,733	43,795	106,368
<i>of which</i> Short Term (note 13.09a)						7,867
Long Term (note 13.09a)						98,501
						106,368

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 13.08c 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.

13.08c Future Unitary Payments

Total payments remaining to be paid under each PFI or service concession contract at 31st March 2017 (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	3,921	4,345	7,471	4,086	19,823	3,947	15,876
2 - 5 years	16,070	16,989	32,002	17,607	82,668	16,460	66,208
6 - 10 years	19,682	2,253	30,656	21,553	74,144	14,763	59,381
	39,673	23,587	70,129	43,246	176,635	35,170	141,465

Included in the estimated future unitary payment service charges for the schools PFI is the cost of services and maintenance in respect of schools incorporated into the contract that were built as part of the Building Schools for Future Programme (BSF). We have determined that these schools are service concession assets and accounted for them as such however it is not expected that these assets will produce a liability on the balance sheet. The repayment of the liability and interest in respect of assets replaced by BSF schools are retained as liabilities estimated to be £9.4m 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	564	1,465	847	807	3,683
2 - 5 years	2,942	5,500	3,607	3,412	15,461
6 - 10 years	5,899	5,481	5,063	4,669	21,112
11 - 15 years	2,193	1,240	1,702	1,252	6,387
	11,598	13,686	11,219	10,140	46,643

Bentilee District Centre PFI Scheme

Future Unitary Payments	Repayment of Liability £000	Interest £000	Service Charge £000	Total £000
Within 1 year	264	806	1,010	2,080
2 - 5 years	1,355	2,846	4,425	8,626
6 - 10 years	1,731	2,488	7,380	11,599
11 - 15 years	2,219	948	6,675	9,842
	5,569	7,088	19,490	32,147

Hanford Waste Scheme

Future Unitary Payments	Repayment of Liability £000	Interest £000	Service Charge £000	Lifecycle Costs £000	Total £000
Within 1 year	1,874	1,961	3,845	609	8,289
2 - 5 years	3,859	3,622	8,460	1,263	17,204
	5,733	5,583	12,305	1,872	25,493

Extracare

Future Unitary Payments	Repayment of Liability £000	Interest £000	Service Charge £000	Lifecycle Costs £000	Total £000
Within 1 year	1,244	2,750	1,283	1	5,278
2 - 5 years	5,974	9,989	5,374	443	21,780
6 - 10 years	8,074	9,936	7,506	1,709	27,225
11 - 15 years	9,331	6,297	8,493	3,104	27,225
16 - 20 years	11,896	2,181	9,608	3,539	27,224
21 - 25 years	7,276	(565)	4,725	947	12,383
	43,795	30,588	36,989	9,743	121,115

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	7,867	11,327	14,456	5,503	39,153
2 - 5 years	30,200	38,946	53,868	22,725	145,739
6 - 10 years	35,386	20,158	50,605	27,931	134,080
11 -15 years	13,743	8,485	16,870	4,356	43,454
16 - 20 years	11,896	2,181	9,608	3,539	27,224
21 - 25 years	7,276	(565)	4,725	947	12,383
	106,368	80,532	150,132	65,001	402,033

13.08d Income and Expenditure

Transactions under the schemes during 2016/17 were:

	Schools		Street Lighting		Bentilee District Centre		Hanford Waste		Extracare Housing	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Fair Value of Services	11,861	10,121	2,419	2,465	1,017	988	3,697	3,824	-	409
Finance Cost	4,356	4,065	1,268	1,220	866	835	559	453	-	1,510
Contingent Rent	340	1,330	259	262	(22)	(13)	1,478	1,530	-	222
Revenue Unitary	16,557	15,516	3,946	3,947	1,861	1,810	5,734	5,807	-	2,141
Recharge to Academies	(3,809)	(3,816)	-	-	-	-	-	-	-	-
Other Revenue										
Expenditure	26	358	7	58	-	-	2,679	2,773	-	108
Depreciation	2,883	2,741	872	1,079	21	40	878	866	-	-
Total Expenditure	15,657	14,799	4,825	5,084	1,882	1,850	9,291	9,446	-	2,249
PFI Special Grant	(8,294)	(8,294)	(1,351)	(1,351)	(1,346)	(1,346)	(570)	(568)	-	(4,222)
Other Contributions	(6,612)	(6,472)	(8)	(10)	(742)	(697)	(6,363)	(6,566)	-	(587)
(Surplus)/Deficit in Income & Expenditure	751	33	3,466	3,723	(206)	(193)	2,358	2,312	-	(2,560)
Movement in Reserves										
Depreciation	(2,883)	(2,741)	(872)	(1,079)	(21)	(40)	(878)	(866)	-	-
MRP	3,367	2,831	1,253	1,331	218	233	2,238	2,353	-	215
Transfer to/(from) Earmarked Reserves										
Transfer to PFI Reserve	895	-	105	-	48	41	-	-	-	2,064
Transfer from PFI Reserve	(1,234)	(123)	-	-	(31)	(19)	-	-	-	(143)
Net Charge to the General Fund	896	-	3,952	3,975	8	22	3,718	3,799	-	(424)

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.

13.09 Financial Instruments

13.09a 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 2015/16 £000	Current Assets 2015/16 £000		Long-Term Assets 2016/17 £000	Current Assets 2016/17 £000
Investments				
-	13,028	Loans and receivables	13.09c	-
6,448	-	Available-for-sale financial assets ¹	13.09c	7,078
6,448	13,028	Total investments		7,078
Debtors				
1,826	-	Loans and receivables	13.16a	625
1,027	37,065	Debtors identified on the balance sheet	13.09c	2,877
-	(11,704)	Less: classes of debtor not recognised as financial instruments or held at amortised cost		(13,074)
2,853	25,361	Total Debtors		3,502
Cash and Cash Equivalents				
-	79,660	Cash and Bank Accounts	13.09d	-
-	79,660	Total cash and cash equivalents		22,157

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 2015/16 £000	Current Liabilities 2015/16 £000		Long-Term Liabilities 2016/17 £000	Current Liabilities 2016/17 £000
Borrowings				
344,473	14,058	Financial liabilities at amortised cost ¹	13.09c	342,849
344,473	14,058	Total borrowings		342,849
Other Liabilities				
17,256	1,829	Liability with Staffordshire County	13.09f	15,427
71,849	6,291	PFI liabilities	13.08b	98,501
6,093	-	PFI liabilities - Deferred Service	13.09f	17,824
1,769	432	Finance lease Liabilities	13.09e	1,154
96,967	8,552	Total other liabilities		132,906
Creditors				
255	-	Financial liabilities at amortised cost ²	13.09c	-
-	56,026	Creditors identified on the balance sheet	13.17	62,165
-	(15,134)	Less: classes of creditor not recognised as financial instruments or held at amortised cost		(15,992)
255	40,892	Total creditors		46,173

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.

13.09b Gains and Losses on Financial Instruments

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

2015/16				2016/17			
Liabilities measured at amortised cost	Loan and Receivables	Financial Assets Available for Sale	Total	Liabilities measured at amortised cost	Loan and Receivables	Financial Assets Available for Sale	Total
£000	£000	£000	£000	£000	£000	£000	£000
-	-	-	-	-	-	-	-
(23,931)	-	-	(23,931)	(26,482)	-	-	(26,482)
(23,931)	-	-	(23,931)	(26,482)	-	-	(26,482)
on the Provision of Services							
-	-	456	456	-	28	1,685	1,713
-	613	-	613	-	565	-	565
-	613	456	1,069	-	593	1,685	2,278
the Provision of Services							
-	28	1,113	1,141	-	(28)	630	602
-	28	1,113	1,141	-	(28)	630	602
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure							
(23,931)	641	1,569	(21,721)	(26,482)	565	2,315	(23,602)

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

13.09c 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 2017, 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 bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown 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 2016					31 March 2017				
Carrying Amount		Fair Value			Fair Value Level	Carrying Amount		Fair Value	
Long Term £000	Short Term £000	Long Term £000	Short Term £000			Long Term £000	Short Term £000	Long Term £000	Short Term £000
324,473	9,624	405,225	9,624	PWLB - Maturity	2	322,849	1,624	439,350	1,624
20,000	-	30,472	-	LOBO's	2	20,000	-	35,115	-
-	-	-	-	Short Term Borrowing	2	-	5,000	-	5,000
1,769	432	1,769	432	Finance Leases	2	1,154	238	1,154	238
-	4,434	-	4,434	Other Borrowing	2	-	4,371	-	4,371
77,943	6,291	102,541	12,544	PFI Schemes	2	116,325	7,867	149,069	16,098
17,256	1,829	19,461	2,794	Liability with Staffordshire County	2	15,427	1,829	19,245	2,439
441,441	22,610	559,468	29,828	Financial Liabilities		475,755	20,929	643,933	29,770
255	40,892	253	40,892	Creditors¹		-	46,173	-	46,173

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 2016			Note	31 March 2017		
Carrying Amount	Fair Value			Carrying Amount	Fair Value	
£000	£000			£000	£000	
2,853	2,133	Long-term debtors	13.16a	3,502	3,083	
25,361	25,361	Short-term debtors ¹	13.16b	33,409	33,409	

Short-term debtors exclude amounts receivable of £7.577m 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 2016		Fair Value Level	Note	31 March 2017
£000				£000
	Stoke-on-Trent Regeneration Limited			
5,747	19% Shareholding - 19,000 B ordinary shares of £1 each	3		5,942
	West Midlands Transport Information Services Limited			
-	10 £1 ordinary shares	3		-
	Kier Stoke Limited		13.19	
701	19.9% Shareholding - 199 B ordinary shares of £1 each	3		1,136
	Stoke EnergyCo Limited			
-	100% Shareholding - 1 ordinary share of £1	3		-
	Fortior Homes Limited			
-	100% Shareholding - 100 ordinary share of £1	3		-
	Unitas Stoke-on-Trent Limited			
-	100% Shareholding - 100 ordinary share of £1	3		-
6,448	Total long term investments			7,078
13,028	Short-term investment	1		-
19,476	Total Investments			7,078

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.

13.09d Cash and Cash Equivalents

31 March 2016					31 March 2017	
Carrying Amount	Fair Value		Fair Value	Note	Carrying Amount	Fair Value
£000	£000		Level		£000	£000
21,500	21,500	Money Market Funds	1		3,500	3,500
2,000	2,001	Certificate of Deposits	2		4,000	4,013
23,500	23,501	Financial Assets Held at Amortised Cost			7,500	7,513
7,000	-	- On call Accounts				-
41,121	-	- Term Deposits			7,009	-
87	-	- Cash Held by the Authority			104	-
7,855	-	- Bank Current Accounts			7,526	-
97	-	- Accruals attached to Term Deposits			18	-
56,160	-	Assets for which Fair Value is not Disclosed			14,657	-
79,660	23,501	Total Cash and Cash Equivalents			22,157	7,513

13.09e 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:

- (a) the quarterly reporting of Treasury Management activity to the council's Audit Committee and Resources Overview and Scrutiny Committee;
- (b) use of the Debt Management Office (DMO), the Government's investment vehicle, and the most secure place to invest;
- (c) investments are limited to £8m for the highest rated or government owned institution except in the case of the DMO which has no limit. The use of money market funds to a maximum level as advised by the council's treasury management advisors, calculated as 0.5% of the Money Market Fund size;
- (d) utilising professional advice from external treasury advisers on the credit worthiness of counterparties;
- (e) utilising all market and other 'soft' information which officers research through the financial press and independent advice;
- (f) investing funds only in the UK 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 £18,336,024. 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 2017 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 2017 £000	Amount provided to cover bad debt within the Balance Sheet £000	Net Amount as at 31 March 2017 £000	Historical experience adjusted for market conditions as at 31 March 2017 %	Historical experience of default %
	A	B	C	(B / A)	
0 - 3 months	31,802	-	31,802		
4 - 12 months	9,775	(4,193)	5,582		
More than 1 year	29,832	(22,728)	7,104		
TOTAL	71,409	(26,921)	44,488	37.70	39.76

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 2016 £000	Interest Rates %		Note	Interest Rates %	31 March 2017 £000
Source of Loan					
334,097	4.10	Public Works Loan Board		4.10	324,473
-	-	Short Term Loans - Other Local Authorities	13.09c	0.40	5,000
20,000	3.84	Market Loans	13.09c	3.84	20,000
354,097		Total			349,473
Analysis of Maturity Less Premiums					
9,624		Less than one year			6,624
1,624		Between one and two years			1,624
4,872		Between two and five years			13,872
41,620		Between five and ten years			42,170
296,357		More than ten years			285,183
354,097		Total			349,473

Finance Lease Liabilities

31 March 2016 £000	Interest Rates %	Note	Interest Rates %	31 March 2017 £000
	4.40		4.40	
	Source of Loan			
1,580				2,201
1,904				-
(742)				(432)
(541)				(377)
2,201	Total			1,392
	Analysis of Maturity Less Premiums			
			3.00	
432				238
616				246
756				776
397				132
2,201	Total			1,392

The City Council has 2 current finance leases (principally refuse vehicles) ranging from 3 to 5 years. There were no new finance leases in the year. Repayment of principal (£432k) in the year reduces the Authorities finance lease liability. The release of residual values (£377k) 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.

Interest payable (£96,574) on the outstanding lease liability at the 1st April 2016 (£2.201m) gave an associated interest rate of 4.40%. The interest due for 2017/18 (£41,835) on the outstanding lease liability at the 1st April 2017 (£1.392m) gives an associated interest rate of 3.00%.

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 £7.078m, 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 £7.078m shares are all recognised as 'available for sale', meaning that all movements in price will impact on gains and losses in Other Comprehensive Income and Expenditure.

13.09f Other Long Term Borrowing (PFI & Finance Leases)

The other long term borrowings as at 31 March 2017 are as follows:-

31 March 2016 £000		Note	31 March 2017 £000
17,256	County Council debt		15,429
1,769	Finance Leases		1,154
71,849	Private Finance Initiative - Finance Lease	13.08b	98,501
2,279	Hanford Waste PFI Scheme - Deferred Service		1,710
3,814	Extra Care PFI Scheme - Deferred Credit		16,114
96,967	Total		132,908

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 2016/17 the total payment to the County Council was £2,522,431 (£2,683,107 in 2015/16), of which £693,547 (£854,223 in 2015/16) related to interest and expenses and £1,828,884 to repayment of principal, as in previous years. The total amount paid to the County Council is contained within the Movement in Reserves Statement. Deferred service/credits exists where the operator of the PFI can collect third party income which finances part of the net PFI costs.

13.10 Provisions

	Liability Insurance Claims £000	Business Rates Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2016	4,553	4,778	2,081	11,412
Additional provisions made in 2016/17	1,307	661	76	2,044
Amounts used in 2016/17	(1,340)	(1,765)	(1,077)	(4,182)
Unused amounts reversed in 2016/17	(791)		(320)	(1,111)
Balance at 31 March 2017	3,729	3,674	760	8,163
of which:				
Short Term Liability				4,422
Long Term Liability				3,741
				8,163

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 2016/17 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 2017.

13.11 Grants

13.11a Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

Credited to Taxation and Non Specific Grant Income

Capital 2015/16 £000	Revenue 2015/16 £000		Note	Capital 2016/17 £000	Revenue 2016/17 £000
22,282	74,475	Communities & Local Government		2,434	58,333
-	-	Pathfinder/Regional		-	-
3,916	2,472	Department for Education (DfE)		3,197	2,250
761	4,412	Department of Health (DoH)		540	183
-	1,706	Department of Work & Pensions (DWP)		-	1,505
3,793	-	Private Sector Contributions		12	-
267	-	Public Sector Contributions		5,203	-
4,370	-	Department for Transport (DfT)		5,044	-
-	517	Other Government Grants		3	500
853	-	Homes and Communities Agency		894	-
468	-	Lottery		572	-
112	-	Other Contributions		-	-
181	-	Other Grants		72	-
880	-	European Regional Development Fund (ERDF)		(21)	-
-	-	Kickstart/Cluster/Empty Homes Loans		54	-
37,883	83,582	Total		18,004	62,771

Credited to Net Cost of Service

Service Area	Type of Funding/Grant	Note	2015/16 £000	2016/17 £000
Benefit Payments	Rent Allowances		55,065	54,836
	Rent Rebates		38,310	36,375
	Other		795	792
Children & Family Services	Dedicated Schools Grant		35,919	38,329
	Private Finance Initiative - Schools	13.08d	8,294	8,294
	Other		4,116	5,472
City Director	Other		-	18
Housing and Customer Services	Other		-	18
Housing Revenue Account	Other		-	18
Place, Growth & Prosperity	Private Finance Initiative - Bentilee	13.08d	1,346	1,346
	Private Finance Initiative - Street Lighting	13.08d	1,351	1,351
	Other		972	166
Public Health & Adult Social Care	Public Health Grant		21,599	23,771
	Private Finance Initiative - Extra Care	13.08d	-	4,222
	Other		189	65
Schools	Dedicated Schools Grant		80,198	74,464
	Other		10,862	10,738
Total			259,016	260,275

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 2015/16 £000	Long Term 2015/16 £000		Note	Short Term 2016/17 £000	Long Term 2016/17 £000
588	-	Department for Education (DfE)		465	-
-	-	Department for Communities and Local Government		-	-
108	1,341	Homes and Communities Agency		555	-
-	-	Private Sector Contributions		-	-
1,407	-	Other Government Grants		-	-
2,103	1,341	Total	5	1,020	-

13.11b 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 as issued by the Department in March 2017	28,312	170,825	199,137
Academy figure recouped for 2016/17	-	(86,276)	(86,276)
Total DSG after Academy recouplement for 2016/17	28,312	84,549	112,861
Brought forward from 2015/16	10,497	41	10,538
Transfer from Central Expenditure to ISB	(3,000)	3,000	-
Agreed initial budgeted distribution in 2016/17	35,809	87,590	123,399
In year adjustments	(68)	-	(68)
Final budget distribution for 2016/17	35,741	87,590	123,331
Less Actual central expenditure	(35,062)	-	(35,062)
Less Actual ISB deployed to schools	-	(87,590)	(87,590)
Plus local authority contribution for 2016/17	-	-	-
Carry forward in year to 2017/18	679	-	679
Carry forward to 2017/18 agreed in advance	-	-	-
Carry forward to 2017/18 agreed in advance	679	-	679

13.12 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 greater than £50,000 per year

2015/16							2016/17						
Salary (including fees and allowances)	Expense allowances	Compensation for loss of office	Total remuneration excluding pension contributions	Pension Contributions	Total remuneration including pension contributions	Post title and name	Salary (including fees and allowances)	Expense allowances	Compensation for loss of office	Total remuneration excluding pension contributions	Pension Contributions	Total remuneration including pension contributions	
£	£	£	£	£	£		£	£	£	£	£	£	
Senior employees whose salary is £150,000 or more per year													
6,250	-	-	6,250	1,219	7,469	City Director - David Sidaway ^{1,2}	161,398	593	-	161,991	33,802	195,793	
120,250	1,134	213,894	335,278	23,449	358,727	Chief Executive - J van de Laarschot ³	-	-	-	-	-	-	
Senior employees whose salary is between £50,000 and £150,000 per year													
20,646	485	94,263	115,394	2,145	117,539	Assistant Chief Executive ⁴	-	-	-	-	-	-	
122,570	331	-	122,901	23,901	146,802	Director - Children, Adult & Family Services	-	-	-	-	-	-	
-	-	-	-	-	-	Director - Children & Family Services ⁵	124,000	361	-	124,361	26,288	150,649	
127,246	549	-	127,795	24,375	152,170	Director - Place, Growth & Prosperity ^{6,7}	75,484	176	-	75,660	16,003	91,663	
104,841	-	-	104,841	19,948	124,789	Director - Housing	-	-	-	-	-	-	
-	-	-	-	-	-	Director - Housing & Customer Services ⁸	117,915	195	-	118,110	24,506	142,616	
96,105	168	-	96,273	16,350	112,623	Assistant Director - Governance	86,809	-	-	86,809	18,404	105,213	
132,000	-	-	132,000	25,740	157,740	Director of Resources & Customer Services (& Section 151 Officer) ⁹	46,689	-	33,000	79,689	318,467	398,156	
-	-	-	-	-	-	Assistant Director-Finance (& Section 151 Officer) ¹⁰	61,642	-	-	61,642	13,068	74,710	
130,924	251	-	131,175	17,589	148,764	Director - Public Health	-	-	-	-	-	-	
-	-	-	-	-	-	Director - Public Health & Social Care ¹¹	126,333	595	-	126,928	18,066	144,994	

¹ Held by current post holder on an interim basis until appointed to post on 11/04/16

² Acting up into post (post previously called Chief Executive) from 1st November 2015

³ Post vacated 12th November 2015. In addition to compensation for loss of office, legal and outplacement fees of £15k were incurred

⁴ Post deleted. Post vacated 30/04/15.

⁵ Previously held the post of 'Director - Children, Adult and Family Services' until the management restructure in August 2016.

⁶ Post holder acting up into City Director post from 1st November 2015 and also continued to oversee this post.

⁷ Between 01/04/16 and 15/08/16, when the new incumbent commenced in post, this role remained vacant and was overseen by the City Director. The £91,663 total remuneration shown here relates solely to the interim holder of the post whilst also covering Director of Place.

⁸ Previously held the post of 'Director - Housing' until the management restructure in August 2016.

⁹ Post deleted 30/06/16.

¹⁰ New post created 11/07/16.

¹¹ Previously held the post of 'Director - Public Health' until the management restructure in August 2016.

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:

2015/16					2016/17			
Number of Teaching staff	Number of Employees (non teaching)	Total Number of Employees ¹	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	41	65	4	£50,000-£54,999	27	36	63	6
22	34	56	4	£55,000-£59,999	26	32	58	4
18	13	31	1	£60,000-£64,999	12	21	33	4
8	10	18	5	£65,000-£69,999	8	3	11	3
4	2	6	1	£70,000-£74,999	5	5	10	2
-	2	2	2	£75,000-£79,999	4	4	8	4
4	4	8	-	£80,000-£84,999	2	2	4	1
2	1	3	-	£85,000-£89,999	2	3	5	1
-	1	1	-	£90,000-£94,999	-	2	2	2
-	-	-	-	£95,000-£99,999	-	1	1	-
-	-	-	-	£100,000-£104,999	-	3	3	2
-	1	1	-	£105,000-£109,999	-	-	-	-
-	-	-	-	£110,000-£114,999	-	-	-	-
-	1	1	1	£115,000-£119,999	-	-	-	-
-	-	-	-	£120,000-£124,999	-	1	1	1
-	-	-	-	£125,000-£129,999	-	-	-	-
-	-	-	-	£130,000-£134,999	-	-	-	-
-	-	-	-	£135,000-£139,999	-	-	-	-
-	1	1	1	£140,000-£144,999	-	-	-	-
-	1	1	-	£145,000-£149,999	-	-	-	-
-	-	-	-	£145,000-£149,999	-	-	-	-
-	-	-	-	£150,000-£154,999	-	1	1	-
82	112	194	19	Total	86	114	200	30

¹ Includes 25 (17 - 2015/16) employees in receipt of compensatory payments for redundancy which has moved their remuneration into the >£50k banding.

13.13 Termination Benefits & Exit Packages

The authority terminated the contracts of 249 employees in 2016/17 mainly as a consequence of the ongoing corporate restructuring programme. A total of over £3.7m in compensatory payments was incurred (including redundancy costs and pay in lieu of notice) plus an additional £1.8m will be paid to the pension fund in respect of actuarial strain costs. A further 5 people have signed to leave in 2017/18 and a total of £0.3m has been included in a provision.

2015/16						2016/17				
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		
2	138	140	1,190	£0-£20,000	6	157	163	1,325		
-	43	43	1,210	£20,001-£40,000	1	46	47	1,360		
2	15	17	822	£40,001-£60,000	-	18	18	906		
-	9	9	631	£60,001-£80,000	-	13	13	910		
-	3	3	268	£80,001-£100,000	-	5	5	432		
-	1	1	101	£100,001-£150,000	-	2	2	241		
-	1	1	152	£150,001-£200,000	-	-	-	-		
-	-	-	-	£200,001-£250,000	-	-	-	-		
-	-	-	-	£250,001-£300,000	-	-	-	-		
-	-	-	-	£300,001-£350,000	-	-	-	-		
-	1	1	364	£350,001-£400,000	-	1	1	344		
4	211	215	4,738	Total	7	242	249	5,518		

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.

2015/16				2016/17		
Compensation for Loss of Office £'000	Actuarial Pension Strain £'000	Range	Compensation for Loss of Office £'000	Actuarial Pension Strain £'000		
1,136	54	£0-£20,000	1,252	73		
981	229	£20,001-£40,000	1,055	305		
478	344	£40,001-£60,000	593	313		
288	343	£60,001-£80,000	526	384		
216	52	£80,001-£100,000	164	268		
39	62	£100,001-£150,000	89	152		
55	97	£150,001-£200,000	-	-		
-	-	£200,001-£250,000	-	-		
-	-	£250,001-£300,000	-	-		
-	-	£300,001-£350,000	-	-		
214	150	£350,001-£400,000	33	311		
3,407	1,331	Total	3,712	1,806		

13.14 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 2016/17 the City Council paid employer's contributions to the TPS scheme of £5,496,437 (2015/16 £5,267,207). Employer contributions in respect of the NHS scheme amounted to £147,717 in 2016/17 (2015/16 £127,310). The employer contributions to the TPS was 16.4% of pensionable pay for 2016/17 ((2015/16 rates were 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). Employer contributions to the NHS scheme was 14.0% (2015/16 14.3%) of public health staff pay. Total pensionable pay for the year re the TPS was £33,358,982 (2015/16 £33,964,843) & £1,056,892 (2015/16 £887,843) re the NHS scheme.

Employer's contributions for the year to 31 March 2018 will be approximately £5.5m 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 2018 will be approximately £0.1m re the NHS scheme.

Local Government Pension Scheme

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

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

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

In 2016/17 the City Council paid an employer's contribution based on 21.2% (2015/16 – 19.5%) of employees' pensionable pay. This was made up of 15.6% in respect of current service (ie pension earned within the current year), the remainder being in respect of prior year deficit recovery. Total pensionable pay for the year was £117,640,974 (2015/16 £111,582,997). The Actuary estimates that the Employer's contributions for the year to 31 March 2018 re the LGPS will be approximately £25.8m.

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 38 employees (58 in 2015/16) 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 £326,753 (2015/16 £358,730).

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

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

The principal risks to the City Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated by the statutory requirement to charge to the General Fund and Housing Revenue Account the amounts required by statute that aim to reflect the Actuaries estimate of contributions necessary to balance liabilities & investments.

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

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

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

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

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

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

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.

	Note	Local Government Pension Scheme		Teachers Pension Scheme		Total	
		2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Within Net Cost of Services							
- current service cost		33,693	28,993	-	-	33,693	28,993
- past service costs incl curtailments		714	980	-	-	714	980
- settlements		(470)	(2,134)	-	-	(470)	(2,134)
		33,937	27,839	-	-	33,937	27,839
Within Financing and Investment Income and Expenditure							
- Net Interest Expense	8	16,476	13,207	1,157	1,088	17,633	14,295
		16,476	13,207	1,157	1,088	17,633	14,295
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services							
		50,413	41,046	1,157	1,088	51,570	42,134
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)		18,283	(119,442)	-	-	18,283	(119,442)
- changes in demographic assumptions		-	(5,355)	-	-	-	(5,355)
- changes in financial assumptions		(152,205)	229,794	(3,163)	4,348	(155,368)	234,142
- other expenditure		(20,876)	(44,630)	80	266	(20,796)	(44,364)
Other post employment benefit		(154,798)	60,367	(3,083)	4,614	(157,881)	64,981
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement							
		(104,385)	101,413	(1,926)	5,702	(106,311)	107,115
Movement in Reserves Statement							
- reversal of net charged against the General Fund Balance for the Provision of Services	13.05c	(50,413)	(41,046)	(1,157)	(1,088)	(51,570)	(42,134)
Actual amount charged against the General Fund Balance for cash paid in the year employers' contributions payable to the pension scheme	13.05c	24,245	27,664	2,048	2,013	26,293	29,677
Movement in Pension Reserve		128,630	(73,749)	3,974	(3,689)	132,604	(77,438)

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the City Council's obligation in respect of its defined benefit plans is shown in the table below. As can be seen, the balance sheet has deteriorated from last year. This mainly is a result of an decrease in the real discount rate over the period from 1.4% as at 31st March 2016 to 0.2% this year (a lower discount rate gives a higher liabilities value and vice versa). This change to the financial assumptions has served to increase the liabilities by £77m.

Note	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
<i>Present value of liabilities</i>						
All Pension Schemes	(842,685)	(1,002,993)	(1,078,660)	(1,277,195)	(1,161,054)	(1,385,305)
Discretionary Benefits	(51,682)	(53,165)	(57,644)	(58,745)	(52,382)	(57,255)
	13.14e	(894,367)	(1,056,158)	(1,136,304)	(1,213,436)	(1,442,560)
Fair value of assets in the Local Government Pension Scheme	13.14e	598,659	691,444	701,617	805,146	815,246
Net pension asset/(liability) on the balance sheet	13.05c	(295,708)	(364,714)	(434,687)	(530,794)	(475,628)

There is a net liability on the balance sheet of £475,628,000 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	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Reconciliation of present value of the scheme liabilities (defined benefit)						
Opening balance at 1 April	(1,299,869)	(1,181,339)	(36,071)	(32,097)	(1,335,940)	(1,213,436)
Current service cost	(33,693)	(28,993)	-	-	(33,693)	(28,993)
Interest cost	(43,072)	(42,586)	(1,157)	(1,088)	(44,229)	(43,674)
Contributions by scheme participants	(7,107)	(7,483)	-	-	(7,107)	(7,483)
<i>Remeasurement (gains) and losses:</i>						
- changes in demographic assumptions	-	5,355	-	-	-	5,355
- changes in financial assumptions	152,205	(229,794)	3,163	(4,348)	155,368	(234,142)
- changes in experience	20,876	44,630	(80)	(266)	20,796	44,364
Benefits paid	29,379	31,332	2,048	2,013	31,427	33,345
Past service costs (including curtailments)	(714)	(980)	-	-	(714)	(980)
Settlements	656	3,084	-	-	656	3,084
Closing balance at 31 March	(1,181,339)	(1,406,774)	(32,097)	(35,786)	(1,213,436)	(1,442,560)
Reconciliation of fair value of the scheme (plan)						
Opening balance at 1 April	805,146	815,246	-	-	805,146	815,246
Interest income	26,596	29,379	-	-	26,596	29,379
<i>Remeasurement (gains) and losses:</i>						
- the return on plan assets, excluding the amount included in the net interest	(18,283)	119,442	-	-	(18,283)	119,442
Employer contributions ¹	24,245	27,664	-	-	24,245	27,664
Contributions by scheme participants	7,107	7,483	-	-	7,107	7,483
Benefits paid ¹	(29,379)	(31,332)	-	-	(29,379)	(31,332)
Settlements	(186)	(950)	-	-	(186)	(950)
Closing balance at 31 March	815,246	966,932	-	-	815,246	966,932
Net Pension Asset/(Liability)	(366,093)	(439,842)	(32,097)	(35,786)	(398,190)	(475,628)

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							
	2015/16				2016/17			
	Quoted prices in active markets	Unquoted prices in active markets	Total	Percentage of total assets	Quoted prices in active markets	Unquoted prices in active markets	Total	Percentage of total assets
	£000	£000	£000	%	£000	£000	£000	%
Equity Securities:								
- Consumer	58,094	-	58,094	7%	64,861	-	64,861	7%
- Manufacturing	47,528	-	47,528	6%	55,915	-	55,915	6%
- Energy & Utilities	18,592	-	18,592	2%	23,970	-	23,970	3%
- Financial Institutions	52,574	-	52,574	6%	64,765	-	64,765	7%
- Health & Care	43,797	-	43,797	5%	53,800	-	53,800	6%
- Information Technology	49,651	-	49,651	6%	64,715	-	64,715	7%
- Other	965	-	965	0%	961	-	961	0%
	271,201	-	271,201	32%	328,987	-	328,987	36%
Debt Securities								
- Corporate Bonds (investment grade)	41,023	-	41,023	5%	71,805	-	71,805	7%
- Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
- UK government	-	-	-	0%	-	-	-	0%
- Other	-	-	-	0%	-	-	-	0%
	41,023	-	41,023	5%	71,805	-	71,805	7%
Private Equity	-	25,511	25,511	3%	-	30,695	30,695	3%
Real Estate:								
- UK property	-	72,369	72,369	9%	-	77,839	77,839	8%
- Overseas property	-	-	-	0%	-	-	-	0%
	-	72,369	72,369	9%	-	77,839	77,839	8%
Investment Funds & Unit Trusts:								
- Equities	277,090	-	277,090	34%	322,743	-	322,743	33%
- Bonds	41,635	-	41,635	5%	52,884	-	52,884	5%
- Hedge Funds	-	19,081	19,081	2%	-	18,979	18,979	2%
- Commodities	-	-	-	0%	-	-	-	0%
- Infrastructure	-	-	-	0%	-	-	-	0%
- Other	-	22,812	22,812	3%	-	14,428	14,428	1%
	318,725	41,893	360,618	44%	375,627	33,407	409,034	41%
Derivatives:	-	-	-	0%	-	-	-	0%
Cash & Cash Equivalents	44,524	-	44,524	6%	48,572	-	48,572	5%
Total Assets	675,473	139,773	815,246	99%	824,991	141,941	966,932	100%

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 2017, 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 2016 to 31st December 2016 -17.7% (-1.5% previously)
- Estimated return for the period from 01 April 2016 to 31 March 2017 23.2% (1.0% 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:

	2015/16	2016/17
<i>Mortality assumptions:</i>		
<i>Longevity at 65 for current pensioners:</i>		
- Men	22.1 years	22.1 years
- Women	24.3 years	24.4 years
<i>Longevity at 65 for future pensioners:</i>		
- Men	24.3 years	24.1 years
- Women	26.6 years	26.4 years
Rate of increase in salaries	4.2	2.8
Rate of increase in pensions	2.2	2.4
Rate for discounting scheme liabilities	3.6	2.6
Real discount rate for discounting scheme liabilities	1.4	0.2
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 2017	Approximate % increase to Employer Liability %	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	147,842
0.5% increase in the Salary Increase Rate	2%	23,181
0.5% increase in the Pension Increase Rate	8%	122,489

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

13.15 Pooled Budgets & Other Arrangements

13.15a 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 2016 £000	Note	31 March 2017 £000
- Mental Health Section 75 Pooled Budget		-
(315) Youth Offending Services Pooled Budget		(232)

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.

13.15b 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 2016/17 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 table below does not represent the full costs of support as the council and CCG also incur costs that are outside the pooling arrangement.

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

Scheme	Costs met by Authority £000	CCG Contribution to Adults Social Care £000	Costs Incurred by CCG £000	Total £000
Enhanced Community Care	-	3,582	-	3,582
Integrated Reablement and Intermediate Care Model	-	3,124	799	3,923
Community Support & Activities	-	446	-	446
Collaborative Commissioning of Care Homes	-	374	19,719	20,093
Housing Solutions	1,167	585	-	1,752
Living Made East or Living Independently	-	638	-	638
Carer Support	-	127	-	127
Specialist Support in the Community	-	1,345	305	1,650
Total for 2016/17	1,167	10,221	20,823	32,211

	Overspend c/f from 15/16 £000	Pooled funding provided by Authority £000	Pooled funding provided by the CCG £000	Costs met from the pool £000	(Surplus) / deficit on the pool £000
Integrated Community Equipment Service	10	(372)	(1,074)	1,410	(26)

13.16 Debtors

13.16a 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.

31 March 2016 £000	Other Entities and individuals	Note	31 March 2017 £000
1,069	Kickstart		2,187
745	Cluster Loans		644
12	Other Long Term Debtors		7
	- Home Improvement Loans		8
	- Empty Home Loans		31
2,614	Housing Benefit Overpayment		3,495
(1,587)	Impairment of housing benefit overpayment		(2,870)
2,853	Total		3,502

13.16b Short Term Debtors

31 March 2016 £000		Note	31 March 2017 £000
3,344	Central government bodies		398
2	Academies		262
3,087	Other local authorities		2,491
57	NHS Bodies		156
	- Public Corporations and trading funds		-
53,690	Other entities and individuals ¹		67,228
(23,114)	Impairment of other entities and individuals		(24,052)
37,066	Total		46,483

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

13.17 Short-Term Creditors

31 March 2016 £000		Note	31 March 2017 £000
9,943	Central government bodies		12,707
2,818	Other local authorities		2,258
1,183	NHS Bodies		1,119
42,082	Other entities and individuals		46,080
56,026	Total		62,164

13.18 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:

2015/16			2016/17		
Expenditure £000	Charges £000	(Surplus) / Deficit £000	Expenditure £000	Charges £000	(Surplus) / Deficit £000
1,624	1,624	-	1,433	1,433	-
8,432	8,841	(409)	8,708	8,930	(222)
10,056	10,465	(409)	10,141	10,363	(222)

Cleaning and meals services form part of Children's, Adult and Family Services. The surplus of £222,000 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.

13.19 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 8. A breakdown of grants received by funder in 2016/17 is shown in Note 13.11.

Members

Members of the City Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 13.21. During 2016/17, no members declared interests in related party companies which at 31st March 2017 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 2016/17, no council officers declared interests in related parties.

Other Public Bodies

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

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

The year end balances for all of these arrangements are detailed in Note 13.15.

Interest in Other Companies

The City Council has interests in a number of companies. During 2016/17, 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 30/06/2015, Cllr. A Brown and Cllr. Follows were appointed as observers at the same date.

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 a Director of the board on 18/08/15 and Cllr. Follows was appointed as a substitute at the same time. Various transactions took place in 2016/17 and these are detailed in note 13.20 below.

Entities Controlled or Significantly Influenced by the Authority

Stoke Energyco Limited - This company is wholly owned by Stoke-on-Trent City Council in order to deal with green energy initiatives. In 2016/17, no transactions took place.

Fortior Homes Limited - This company is wholly owned by Stoke-on-Trent City Council in order to deal with housing development. In 2016/17, no transactions took place.

Unitas Stoke-on-Trent Limited - This company is wholly owned by Stoke-on-Trent City Council in order to deal with housing maintenance. In 2016/17, no transactions took place.

13.20 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 2016 and 31 March 2017, Kier Stoke Limited carried out works and services for the City Council at a value of £43.4m (2014/15 £42.4m) net of Value Added Tax for completed works and services.

The City Council raised a total value of invoices against Kier Stoke Limited during 2015/16 of £249k for various services and £37k was outstanding at 31 March 2017.

During 2016/17 the City Council accrued for £116k of dividends from Kier Stoke Limited.

13.21 Members Allowances and Expenses

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

31 March 2016 £000	Note	31 March 2017 £000
754 Allowances		761
23 Expenses		23
777 Total		784

13.22 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 2016 £000	Note	31 March 2017 £000
Fees payable to external auditors with regard to external audit services 186 carried out by the appointed auditor for the year		186
Fees payable to external auditors for the certification of grant claims 15 and returns for the year		15
15 Fees payable to external auditors for other assurance work		7
Fees payable to external auditors in respect of non audit services 5 provided during the year		22
221 Total		230

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

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.

13.23 Contingent Assets

- a. The Council has an outstanding VAT 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.

13.24 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 £897,630. There is no indication at this stage as to whether a further levy will be applied but the scheme administrators have not ruled it out. The Council is uncertain as to whether further monies will be required to be set aside.

- b. The City Council is currently and has previously been involved in a number of schemes where grants are received from external funding agencies – primarily, but not exclusively, the European Commission, National Lottery Funds, Housing Market Renewal and the Regional Growth Fund. There are specific terms and conditions applied to the value of grant offered from these funding organisations. A proportion of these monies could be subject to claw-back if it is deemed that the City Council has not fully complied with all the conditions of each grant award.
- c. Potential liabilities exist regarding liability claims that pre date Local Government Reorganisation in 1974 when a number of services transferred to Staffordshire County Council including Education and Social Services. Potential liabilities also exist for other periods where the City Council does not hold verifiable evidence of insurance cover. Any proven claims arising from these periods would have a financial consequence for the City Council that could exceed any insurance provisions that are currently held. The City Council is unable to estimate the value or timing of any obligations, hence, no amounts are recognised in the accounts in respect of this.
- d. The City Council would be responsible for any pollution arising from closed landfill sites in any restored areas where it holds the relevant licence. Whether any pollution will arise is unknown as is the cost that would arise from such an incident. Hence, no monies have been set aside for such events as the risk is considered to be contingent at this time.
- e. Claims under Part 1 of the Land Compensation Act 1973 may be made in respect of any public works undertaken by the City Council, between 1 year after opening of the works and 6 years after opening. Claims are for any depreciation in the value of an interest in land or property which is attributable to the use of public works. It is not possible in advance of the opening of a highway scheme to value the likely scale or number of such claims.
- f. A contingent liability exists regarding the funding of pension fund deficits arising from a contract entered into with Serco Limited in 2007 for the provision of education services. The West Midlands Councils pensions (WMLGA) has now been wound up and the City Council is responsible for increases in the pensions liability over the next 25 years. It is uncertain what the Council's potential liability is likely to be in respect of this pension fund.
- g. From time to time the City Council is involved in a number of investigations and enquiries on data protection and taxation from Government bodies, such as Information Commissions Offices (ICO) and Her Majesty's Revenue and Customs (HMRC). Where the outcome of such investigations are known, adequate provisions will be made.
- h. The Balance Sheet includes Private Housing Improvement Loans (Kickstart) with a fair value of £2.187m as at 31st March 2017. 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.

13.25 Events after the Balance Sheet Date

School Conversions to Academies

The following schools have a proposed date to convert to an Academy in 2017/18:

School Name	Proposed Conversion Date ¹	NBV of OLB & VPE as at 1st April 2017
Mill Hill Primary School	1st April 2017	£2.927m
Sandon Business & Enterprise College	1st September 2017	£12.584m

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

¹ Source: Department for Education - Open Academies and academy projects in development: June 2017

EU Referendum

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

14 Housing Revenue Account Income & Expenditure Account

This statement 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. The Council charges 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	2015/16 £000	Notes	£000	2016/17 £000
	Expenditure			
25,118	Repairs and maintenance		26,524	
864	Revenue Expenditure Funded from Capital Under Statute		540	
16,399	Supervision and management		18,650	
463	Rent, rates, taxes and other charges		628	
10,624	Depreciation and impairment of non-current assets	16.02	12,751	
(16,872)	Revaluation of Assets	13.02b	(94,836)	
35	Debt management costs		22	
786	Increase in bad debt provision		(328)	
	37,417 Total Expenditure			(36,049)
	Income			
(68,634)	Dwelling rents		(67,105)	
(568)	Non-dwelling rents		(587)	
(1,085)	Charges for services and facilities		(1,200)	
(183)	Contributions towards expenditure		(221)	
	(70,470) Total Income			(69,113)
	(33,053) Net Cost of HRA Services per Comprehensive Income and Expenditure Statement			(105,162)
	356 HRA services' share of Corporate and Democratic Core			305
	(32,697) Net Cost for HRA Services			(104,857)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
6,747	Interest payable and similar charges	16.08		6,602
(112)	HRA Interest and investment income	16.08		(121)
(2,162)	(Loss)/Gain on Disposal of Non Current Assets			(1,853)
1,078	Pensions interest cost and expected return on pensions costs			707
(1,220)	Capital grants and contributions receivable			-
	(28,366) (Surplus) or deficit for the year on HRA services			(99,522)

15 Movement on HRA Statement

31 March 2016 £000		Note	31 March 2017 £000
7,395	Balance on the HRA at the end of the previous year		7,836
28,366	(Surplus) of deficit for the year on the HRA Income and Expenditure Statement	14	(99,522)
(23,125)	Adjustments between accounting basis and funding basis under statute	13.01	105,194
5,241	Net increase or (decrease) before transfers to or from reserves		5,672
(4,799)	Transfers (to) or from reserves	6	5,734
441	Increase or (decrease) in year on the HRA	6	60
7,836	Balance on the HRA at the end of the current year		7,896

16 Notes to the Housing Revenue Account Financial Statements

16.01 Housing Stock

	2015/16	2016/17
18,711 Number of dwellings at the beginning of the year		18,554
1 Purchases		12
(151) Dwellings sold under Right to Buy		(162)
- Other sales		-
(13) Awaiting demolition		(1)
12 Merged conversions		-
(6) Dwellings demolished		-
18,554 Number of dwellings at the end of the year		18,403
<i>Consisting of:</i>		
15,499 Houses/Bungalows		15,362
3,055 Flats		3,041

16.02 Valuation of Housing Assets

	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
Movement on Balance 2016/17									
Cost or Valuation									
Balance at 1 April	403,649	10,501	7,664	11,283	134	652	2,052	435,935	1,637
Opening Balance Adjustment	561	(9)	(287)	(274)	-	-	-	(9)	-
Revised Balance	404,210	10,492	7,377	11,009	134	652	2,052	435,926	1,637
Additions	19,362	1	414	961	-	95	1,198	22,031	5
Donations	-	-	-	-	-	-	-	-	-
<i>Revaluation increases/(decreases) recognised in the:</i>									
Revaluation Reserve	-	25	-	-	-	(10)	-	15	-
Surplus/Deficit on the Provision of Services	82,589	27	-	-	-	390	-	83,006	-
Derecognition - Disposals	(39)	(1)	(2,569)	-	-	-	-	(2,609)	(4,466)
Reclassifications - other	309	-	-	-	-	362	(671)	-	-
Assets reclassified (to)/from Held for Sale	(3,456)	-	-	-	-	-	-	(3,456)	3,456
Other	-	(1,312)	(6)	-	-	(131)	-	(1,449)	-
Balance at 31 March	502,975	9,232	5,216	11,970	134	1,358	2,579	533,464	632
Accumulated Depreciation and Impairment									
Balance at 1 April	(215)	(18)	(4,339)	(2,482)	-	1	(1,472)	(8,525)	(6)
Opening Balance Adjustment	(561)	(1)	287	274	-	-	-	(1)	-
Revised Balance	(776)	(19)	(4,052)	(2,208)	-	1	(1,472)	(8,526)	(6)
Depreciation Charge in year	(11,859)	(151)	(285)	(368)	-	-	-	(12,663)	-
<i>Depreciation written out to the:</i>									
Revaluation Reserve	-	139	-	-	-	-	-	139	-
Surplus/Deficit on the Provision of Services	11,826	4	-	-	-	-	-	11,830	-
<i>Impairment losses/(reversals) recognised in the:</i>									
Revaluation Reserve	-	-	-	-	-	-	-	-	-
Surplus/Deficit on the Provision of Services	-	-	-	-	-	(87)	-	(87)	-
Derecognition - Disposals	39	-	2,189	-	-	-	-	2,228	-
Reclassifications - other	164	-	-	-	-	(164)	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Other	-	15	6	-	-	-	-	21	-
Balance at 31 March	(606)	(12)	(2,142)	(2,576)	-	(250)	(1,472)	(7,058)	(6)
Net Book Value									
At 31 March 2017	502,369	9,220	3,074	9,394	134	1,108	1,107	526,406	626
At 31 March 2016	403,434	10,473	3,325	8,801	134	653	580	427,400	1,631

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

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	10,377	10,960	134	359	1,739	417,234	1,384	887
Opening Balance Adjustment	-	916	-	-	-	-	-	916	(12)	(887)
Revised Balance	385,553	9,028	10,377	10,960	134	359	1,739	418,150	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	7,664	11,283	134	652	2,052	435,935	1,637	-
Accumulated Depreciation and Impairment										
Balance at 1 April	(385)	(860)	(5,857)	(2,125)	-	1	(1,472)	(10,698)	24	-
Opening Balance Adjustment	-	(4)	(179)	-	-	-	-	(183)	(6)	-
Revised Balance	(385)	(864)	(6,036)	(2,125)	-	1	(1,472)	(10,881)	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)	(4,339)	(2,482)	-	1	(1,472)	(8,525)	(6)	-
Net Book Value										
At 31 March 2016	403,434	10,483	3,325	8,801	134	653	580	427,410	1,631	-
At 31 March 2015	385,168	8,164	4,341	8,835	134	360	267	407,269	1,390	-

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.

16.03 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

2015/16 £'000		2016/17 £'000
(9,427)	Balance at beginning of the year	(10,547)
(10,620)	Depreciation on HRA Assets	(12,663)
-	Voluntary Debt Repayment	2,988
9,500	Reserve Applied	10,753
(10,547)	Balance at end of year	(9,469)

16.04 Summary of Capital Expenditure

2015/16 £'000		Note	2016/17 £'000
Expenditure			
15,069	Additions	16.02	22,035
864	REFCUS		540
15,933			22,575
Financed by			
-	Borrowing		-
-	Revenue contributions		-
4,388	Earmarked Reserves		9,817
9,500	Major repairs reserve		10,753
825	Usable capital receipts reserve		2,005
1,220	Grants and contributions		-
15,933			22,575

16.05 Summary of HRA Capital Receipts Reserve

2015/16 £'000		2016/17 £'000
5,390	Balance brought forward	8,379
Value of receipts		
125	Land	-
5,504	Houses	6,308
12	Mortgage repayments	8
33	Repayments of discount	7
516	Notional receipts for end of lease	377
11,580		15,079
Use of receipts		
1,376	Capital receipts pooling payment to DCLG	1,329
825	Usable receipts applied to finance HRA capital expenditure	2,005
1,000	Usable receipts applied to finance regeneration capital expenditure	4,168
-	Funding of disposal costs	-
8,379	Balance carried forward	7,577

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

Included within the HRA balance is £1.4m relating to the current service cost of HRA funded employees who participate in the Local Government Pension Scheme. The total defined benefit cost recognised (£2.084m) 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 (£0.707m) 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 13.14.

16.07 Rent Arrears

2015/16 £'000		2016/17 £'000
Arrears at year end		
1,781	Current Tenants	1,495
2,384	Former Tenants	2,744
4,165	Total Arrears at year end	4,239
(3,432)	Provision in respect of uncollectable debts	(3,144)

16.08 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:

2015/16 £'000		2016/17 £'000
Item 8 Credit included within Income:		
(112)	- Interest Receivable	(122)
(12)	- Discounts Received	(1)
(124)	Total Item 8 Credit	(123)
Item 8 Debit included within Expenditure		
35	- Debt Management Charges and Repayment	22
6,747	- Interest payable and similar charges	6,602
6,782	Total Item 8 Debit	6,624

17 Collection Fund Statement

2015/16			2016/17			
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
Income						
87,814	-	87,814	Business Ratepayers	91,113	-	91,113
-	108,375	108,375	Council Tax	-	109,192	109,192
-	(18,103)	(18,103)	Less Council Tax Local Support	-	(17,643)	(17,643)
87,814	90,272	178,086		91,113	91,549	182,662
Less:						
Charges to the Collection Fund						
774	204	978	Write Offs of Uncollectable Amounts	46	(15)	31
(122)	1,869	1,747	Impairment for Uncollectable Amounts	415	852	1,267
(2,141)	-	(2,141)	Provision for Appeals	1,348	-	1,348
(1,008)	-	(1,008)	Use of Previous Years Provision	(3,601)	-	(3,601)
190	-	190	Disregard Amounts (including reliefs)	172	-	172
362	-	362	Costs of Collection	366	-	366
(1,945)	2,073	128		(1,254)	837	(417)
89,759	88,199	177,958	Balance due for allocation	92,367	90,712	183,079
Precepts, Demands and Shares						
(41,621)	-	(41,621)	Central Government	(43,474)	-	(43,474)
-	(10,458)	(10,458)	The Office of the PCC Staffordshire	-	(10,655)	(10,655)
(833)	(4,061)	(4,894)	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	(869)	(4,219)	(5,088)
(40,789)	(69,685)	(110,474)	Stoke-on-Trent City Council	(42,605)	(70,995)	(113,600)
(83,243)	(84,204)	(167,447)		(86,948)	(85,869)	(172,817)
6,516	3,995	10,511	Surplus/(Deficit) for the Year	5,419	4,843	10,262
Collection Fund Balance						
(5,526)	4,945	(581)	Balance at the Beginning of the Year	2,190	6,104	8,294
Previous Years' Estimated (Surplus)/Deficit paid in Current year						
600	-	600	Central Government	28	-	28
-	(352)	(352)	The Office of the Police and Crime Commissioner (PCC) Staffordshire	-	(834)	(834)
12	(134)	(122)	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	1	(324)	(323)
588	(2,350)	(1,762)	Stoke-on-Trent City Council	27	(5,563)	(5,536)
1,200	(2,836)	(1,636)		56	(6,721)	(6,665)
Allocation of Surplus/(Deficit) in Current Year						
3,258	-	3,258	Central Government	2,583	-	2,583
-	495	495	The Office of the PCC Staffordshire	-	600	600
65	194	259	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	51	238	289
3,193	3,306	6,499	Stoke-on-Trent City Council	2,785	4,005	6,790
6,516	3,995	10,511		5,419	4,843	10,262
2,190	6,104	8,294	Balance at the End of the Year	7,665	4,226	11,891
Allocation of collection fund balance to:						
1,095	-	1,095	Central Government	3,706	-	3,706
-	758	758	The Office of the PCC Staffordshire	-	524	524
22	294	316	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	74	208	282
1,073	5,052	6,125	Stoke-on-Trent City Council	5	3,494	7,379
2,190	6,104	8,294		7,665	4,226	11,891

The Business Rates surplus allocated to Stoke-on-Trent City Council includes Enterprise Zone growth of £253,755 which is 100% retained by the Authority..

18 Notes to the Collection Fund

18.01 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 2016/17 the City Council's share amounted to £42.604m plus a proportion of the year end surplus of £2.785m (see note 17). In addition £25.614m was received as non-domestic rates top up.

2015/16		2016/17
49.3p	Business Rate Multiplier	49.7p
48.0p	Small Business Rate Relief Multiplier	48.4p
£219,093,988	Non-domestic rateable value at year-end	£222,144,508

£000		£000
103,572	NDR Gross Charge	104,951
190	Transitional Relief	172
(9,865)	Mandatory Relief	(10,996)
(1,699)	Discretionary Relief	(613)
(4,384)	Other	(2,401)
87,814		91,113
(774)	Amounts written (off)/on	(46)
87,040		91,067

18.02 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:

2015/16		2016/17
£000		£000
122,002	Council tax gross charge	122,637
(2,737)	Exemptions	(2,676)
(10,797)	Discounts	(10,666)
(93)	Disabled allowances	(102)
108,375		109,193
(204)	Amounts written (off)/on	15
108,171		109,208
(18,103)	Council Tax Local Support	(17,643)
90,068		91,565

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	138	5/9	76.4
A	Up to £40,000	69,012	59,899	6/9	39,932.8
B	£40,000 - £52,000	23,884	21,728	7/9	16,899.4
C	£52,001 - £68,000	15,034	13,805	8/9	12,271.3
D	£68,001 - £88,000	4,659	4,390	1	4,390.3
E	£88,001 - £120,000	1,697	1,611	11/9	1,969.0
F	£120,001 - £160,000	446	426	13/9	615.3
G	£160,001 - £320,000	120	101	15/9	168.3
H	Over £320,000	42	21	18/9	41.5
					76,364.3
Local Council Tax Support Scheme:					
Estimated level of discounts to be awarded					(14,199.1)
					62,165.2
Adjustments for collection rates					(2,175.7)
Council Tax Base for 2016/17					59,989.5

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	2016/17	2015/16
Council Tax Requirement	£70.995m	£69.685m
Tax base	59,989	58,882
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	£70.33	£68.96
Combined Band D Council Tax	£1,431.40	£1,430.03

The level at which Council Tax was set in 2016/17 was:

Valuation Band	Stoke-on-Trent	The Office of the	Stoke-on-Trent	2016/17	2015/16
	City Council	Police and Crime	and		
	£	Commissioner	Staffordshire	£	£
		Staffordshire	Fire and Rescue		
		£	Authority		
			£		
A	788.97	118.41	46.89	954.27	953.35
B	920.47	138.14	54.70	1,113.31	1,112.25
C	1,051.96	157.88	62.52	1,272.36	1,271.14
D	1,183.46	177.61	70.33	1,431.40	1,430.03
E	1,446.45	217.08	85.96	1,749.49	1,747.81
F	1,709.44	256.55	101.59	2,067.58	2,065.60
G	1,972.43	296.02	117.22	2,385.67	2,383.38
H	2,366.92	355.22	140.66	2,862.80	2,860.06

18.03 Precepting Authorities

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

2015/16		2016/17
£		£
69,684,847	Stoke-on-Trent City Council	70,995,174
10,458,085	The Office of the Police and Crime Commissioner Staffordshire	10,654,734
4,060,523	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	4,219,062
84,203,455		85,868,970

19 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 2016/17, supported by International Financial Reporting Standards (IFRS).

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

ACCRUED REVENUE INCOME AND EXPENDITURE

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

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

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

BASIS OF CHARGES FOR CAPITAL

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

CARBON REDUCTION COMMITMENTS

The City Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, 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 (MRP) - by an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the MRP and the depreciation charges.

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

CONTINGENT LIABILITIES AND ASSETS

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

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

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

COUNCIL TAX AND NON-DOMESTIC RATES

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

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

EMPLOYEE BENEFITS

Short-term employee benefits

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

Retirement benefit costs

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

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

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

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

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

Termination Benefits

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

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

Post-employment Benefits

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

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

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

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

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

Discretionary Benefits

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

EVENTS AFTER THE BALANCE SHEET DATE

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

Adjusting Events

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

Non-adjusting Events

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

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

FINANCIAL INSTRUMENTS

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

Financial Assets

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

Loans and Receivables

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

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the 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 registered companies in respect of a Housing Company and Heat Network Company which will be subsidiaries. In 2016/17 the number of transactions associated with those companies are not considered material. The Council has no material interests in companies and other entities that have the nature of associates and jointly controlled entities during the financial year 2016/17. Therefore it is considered there is no requirement to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as available for sale assets and carried at fair value.

INVESTMENT PROPERTY

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

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

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

JOINT OPERATIONS

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

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output 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.

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

NON-CURRENT ASSETS HELD FOR SALE

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

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

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

OVERHEADS AND SUPPORT SERVICES

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

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

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

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

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

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

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

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.

20 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.

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 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.

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.

Curtailement

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

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-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.

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.

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.

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.

