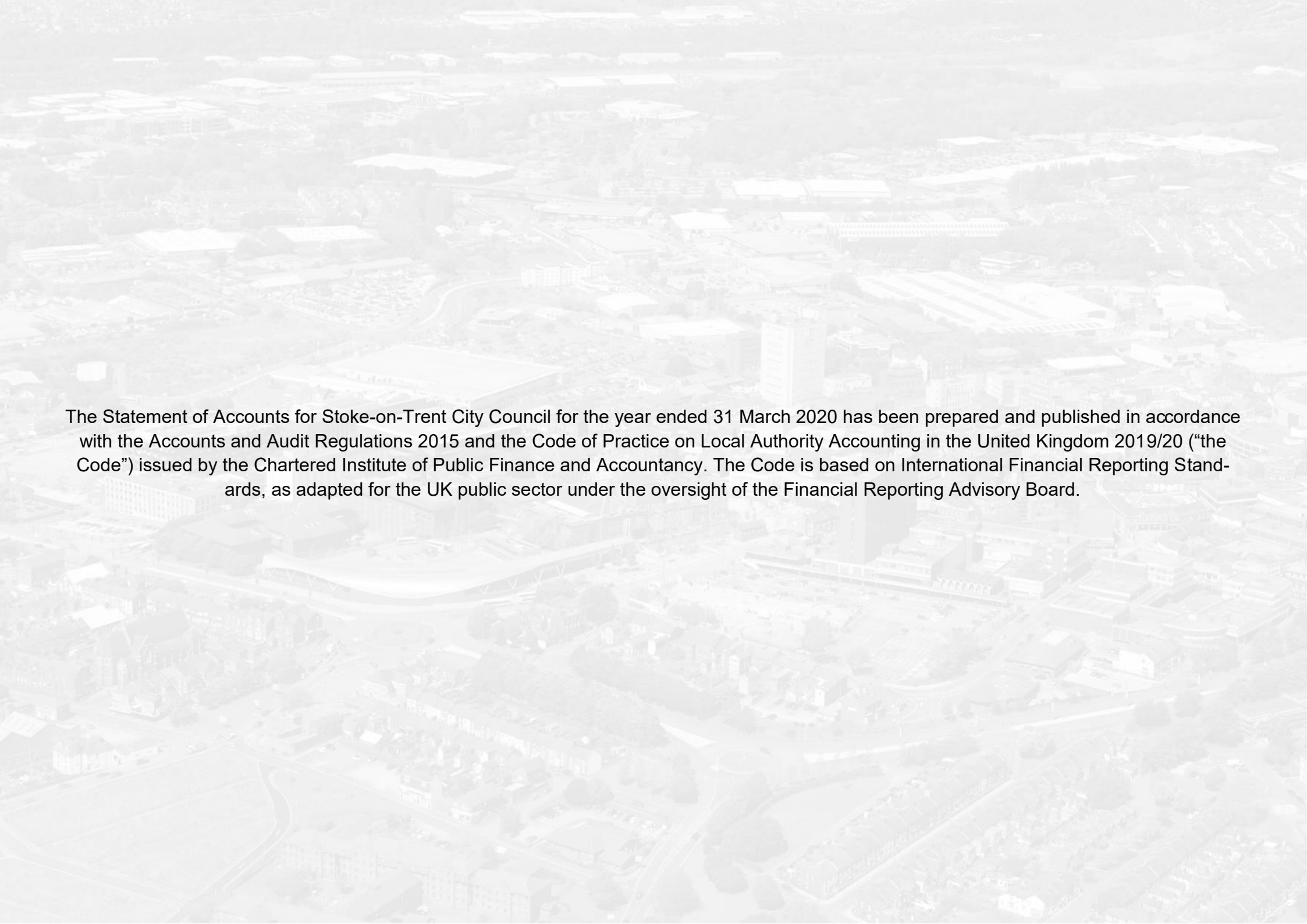




# Statement of Accounts 2019/20

An aerial, high-angle photograph of a city, likely Stoke-on-Trent, showing a dense urban landscape with various buildings, roads, and green spaces. A large, modern stadium with a curved roof is prominent in the lower-left quadrant. The image is overlaid with a semi-transparent white text box.

The Statement of Accounts for Stoke-on-Trent City Council for the year ended 31 March 2020 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (“the Code”) issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Board.

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# 1.0 Preface



## 1.1 Narrative Statement

### Welcome to the Statement of Accounts for Stoke-on-Trent City Council for the financial year 2019/20.

The accounts provide a true and fair view of the financial performance of the City Council in delivery of services to the citizens of **Stoke-on-Trent**. It also summarises the overall financial position of the City Council for the year ended 31 March 2020. The accounts and accompanying documents are subject to an external independent audit by Ernst & Young LLP and their opinion forms part of this document.

#### Background

Stoke-on-Trent is a city and unitary authority area in Staffordshire, England with an area of 36 square miles. The City Council provides key public services to a population of around 256,000 residents (2019 Mid-Year Estimates). Stoke is polycentric, having been formed by the federation of six towns in 1910. It took its name from Stoke-upon-Trent where the main centre of government and the principal railway station in the district were located. **Hanley** is the primary commercial centre. The other four towns are **Burslem, Tunstall, Longton** and **Fenton**. Stoke-on-Trent is made up of residential, industrial, commercial land and property. Unusually for a mainly urban area there is a significant amount of green space.

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 2020 is shown in the table below:

Conservative Party	15
City Independents	12
Labour Party	12
The Labour & Cooperative Party	4
Non aligned	1

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

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

#### Management Structure

Supporting the work of the elected Members is the Council's most senior level officers. During 2019/20 the team was as follows:

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

## 1.1 Narrative Statement (continued)

### Strategic Plan 2020 - 2024

For the last four years, Stronger Together has provided the roadmap for the City Council, building on some great opportunities and ideas to start to make Stoke-on-Trent a city fit for the future. Working more closely with partners has been a golden thread of that journey, and one we continue to build on in this next stage of our vision to make Stoke-on-Trent a city we can all be proud of. The changes we all want to see can only be achieved together.



Some of those changes have become more apparent in recent years - we need to be more ambitious for our young people and their futures, and I have been clear that transforming outcomes for all our children will be our number one priority. Underpinning this has to also be a focus on continuing to grow our local economy. Our success in recent years has been in bringing more jobs, businesses and houses to the city, and we need to build on that strong progress.



The **Stronger Together Strategic Plan 2020-24** sets out the strategic vision and priorities for Stoke-on-Trent City Council and the wider city. The strategic plan has been shaped by the political ambition of the City Council's leadership, as well as the values and aims of the organisation. As such, it is as much a corporate plan for the council's directorates and teams as it is a strategic blueprint for improving Stoke-on-Trent as a city.

This strategic plan delivers a clear vision for the next four years, underpinned by our five Stronger Together priorities, focusing on enabling our residents to **fulfil their potential**, helping businesses thrive, working with communities to make them healthier, safer and more sustainable, leading an **innovative and commercial council**, and supporting vulnerable people to live their lives well.

For our city and its residents to achieve their full potential, we need to focus on the outcomes that we want to change and how we are going to achieve this crucial transformation. This includes continuing to look for better ways to deliver our services, and considering whether some of the things we do might be better done by others. As a City Council, we will continue to work with local, regional and national partners to get the very best for our city, and to make it a **city we can all be proud of**.

## 1.1 Narrative Statement (continued)

### Strategic Plan 2020 - 2024

Our young people are the **future of the city**; we need to ensure they have the best possible start in life as well as access to every opportunity open to them as they grow. We will continue to invest in children, delivering our improvement plan for children's social care, raising educational attainment levels and ensuring our schools enable all of our young people to achieve their potential. We are also focused on creating and sustaining a successful economy, leading on regeneration, investing in diversification of the housing market and creating the conditions for businesses to grow and thrive. This investment will drive employment growth, push wages up and increase prosperity for our residents and communities.

To achieve our vision and priorities and overcome the challenges facing the city, the City Council is committed to building on the progress that has been achieved over the last four years in terms of **financial stability, innovation and commercialisation**. In that time, Stronger Together has helped to transform Stoke-on-Trent into one of the fastest-growing local economies which is outstripping most other areas in terms of job creation. The Ceramic Valley Enterprise Zone is among the most successful nationally; the Smithfield development is delivering high-quality office space, housing and hotel accommodation in the heart of our city; we have transformed adult social care services; our housing services have been recognised as some of the best in the country and we have dramatically reduced the city's skills gap.

The City Council has also undergone significant changes since Stronger Together was introduced. Commercial approaches to service delivery which would once have been viewed as extraordinary are now part of day-to-day business as the organisation strives to deliver greater financial stability and sustainability. New ways of working have already transformed our housing services and the provision of some adult social care services, and we are determined to develop more innovative approaches to ensure that we can maximise the benefits of transformation. The City Council is embracing technological innovation to improve the way we communicate with our customers and we will use the insights we gain to help shape future changes and ensure that we deliver **responsive, joined-up services which are sufficiently outcome-focused** to achieve our strategic priorities.

Stronger Together is about where Stoke-on-Trent needs to get to as a city, and the route this transformative journey will take. This strategic plan describes the destination that we will arrive at by 2024 and will provide a realistic yet ambitious roadmap to take us there. Outcomes are at the centre of our vision and they will define our progress and provide the focus for our combined efforts over the next four years. The City Council will develop a revised suite of performance measures to complement the strategic plan. The strategic measures will provide vital clarity about where we are going as a council and a city. They will demonstrate to our residents, partners and other stakeholders that our city is overcoming its challenges, seizing new opportunities and on the way to becoming **stronger than ever**.

## 1.1 Narrative Statement (continued)

### Strategic Plan 2020 - 2024

In May 2020 the council introduced a clear system of planning in the form of a new operating framework to ensure that all elements of the organisation are able to work more closely to deliver the Stronger Together Strategic Plan, strengthen partnership working and improve outcomes for our residents. This provides a clear golden thread from the vision and priorities through to team and individual plans. Part of this process involves the development of new business planning arrangements to enable more joined-up approaches to service delivery and to improve the focus on outcomes which transcend departmental and organisational structures and boundaries. These arrangements include:

- Annual operational, thematic and team plans
- New assurance system for budget holders
- New appraisal process P.L.A.N (progress, learning, action, nurture)
- New performance framework

The new framework is intended to help the organisation focus more effectively on delivering key priorities, understanding potential risks, allocating resources and measuring progress. The Covid-19 pandemic has forced the council to contemplate new ways of working, thinking, collaborating and delivering and we must ensure that we retain the positive elements from this complex and challenging experience so that we can emerge from this period as a stronger and more capable organisation which can lead and deliver in the changed world in which we will operate. These plans will draw heavily on the realities of our response to and our recovery from the crisis, whilst making progress against crucial priorities.

### Social Value

The Council recognises that its procurement activity can play an important role in delivering the Stronger Together objectives. In 2019/20 we awarded new contracts worth circa £90 million through the procurement process. The City Council is committed to maximise the social value it delivers through its procurement activities. In 2018 Full Council adopted a Social Value User Guide to embed social value in all purchasing, with a particular emphasis on how procurement could give support to the City Council's principal target beneficiary group, namely young people leaving or about to leave the Council's care system. By ensuring that 20% of the value of the tender response was weighted to social value, the Council ensured that nearly half of all contracts were given to local providers, and that all providers committed to giving young people in our care work experience opportunities.



## 1.1 Narrative Statement (continued)

### Financial Overview

#### The General Fund Revenue

**Account** has a net expenditure budget of £222.1 million (gross expenditure £563.6 million; gross income £341.5 million). Risks of £8.9 million were identified and mitigating actions resulting in a contribution to a Covid 19 reserve of £1.7m, after planned transfers to and from earmarked reserves. Despite the financial challenges faced, risks in the main continue to be managed and plans will continue to be monitored to ensure the impact on future years are minimised. However, it must be noted that Children and Families Services are still facing unprecedented pressures and Covid 19 is exacerbating this situation in respect of market costs.

#### The Housing Revenue Account

achieved a balanced budget for 2019/20.

The figures shown in the table above are after transfers from reserves of £19.4m.

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

2019/20 Final Outturn after Movement in Reserves	Budget (gross) £m	Budget (income) £m	Budget (net) £m	Final Outturn £m
Children and Family Services	171.744	(105.079)	66.665	72.475
Social Care, Health Integration and Wellbeing	151.015	(76.492)	74.523	74.992
Place, Growth and Prosperity	87.880	(58.605)	29.275	29.141
Housing Customer Services	25.283	(14.240)	11.043	9.890
City Director	24.528	(10.597)	13.931	13.124
Non Departmental Costs	103.228	(76.480)	26.748	23.474
<b>General Fund Services</b>	<b>563.678</b>	<b>(341.493)</b>	<b>222.185</b>	<b>223.096</b>
General Fund Funding	-	(215.607)	(215.607)	(216.518)
Capital Receipts	-	(6.578)	(6.578)	(6.578)
<b>General Fund Net Outturn</b>	<b>563.678</b>	<b>(563.678)</b>	-	-
Dedicated Schools Grant	81.947	(81.947)	-	-
Housing Revenue Account	66.036	(66.036)	-	-
<b>Total Net Outturn</b>	<b>711.661</b>	<b>(711.661)</b>	-	-

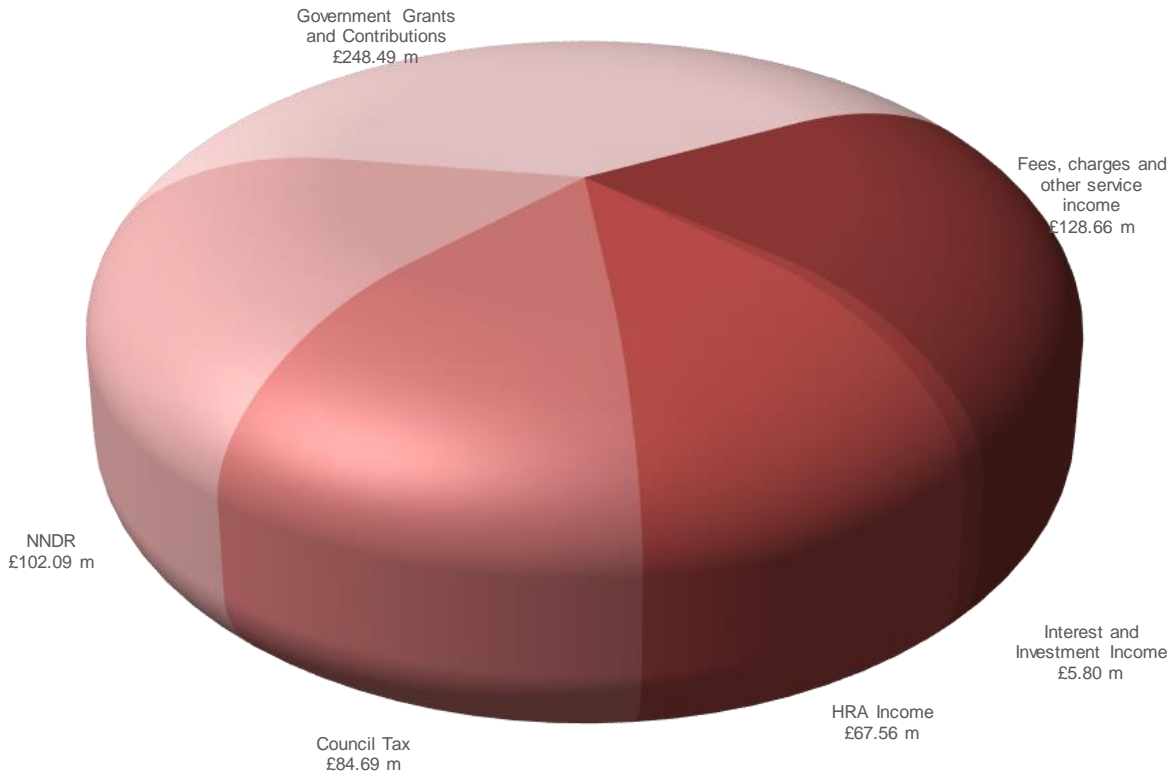
Reconciliation of the final outturn to the Comprehensive Income and Expenditure Statement	Net £m
Total Net Outturn	-
Transfers (to)/from Earmarked Reserves (note 3.3)	22,306
<b>Expenditure chargeable to HRA and GF balances (note 4.2.5)</b>	<b>22,306</b>
Adjustments between funding and accounting basis (note 3.3)	82,811
<b>Deficit on the Provision of Services (note 3.1)</b>	<b>105,117</b>

## 1.1 Narrative Statement (continued)

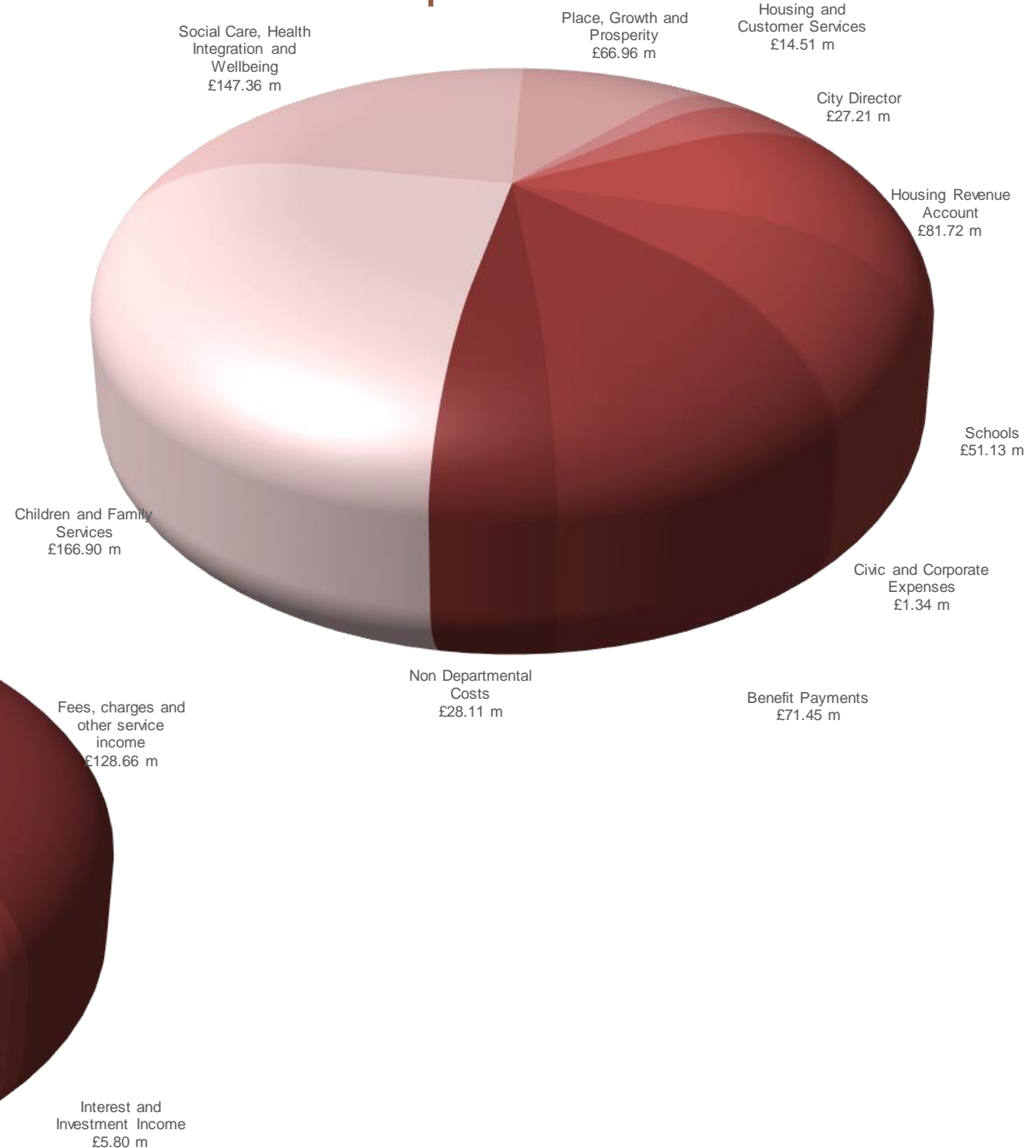
The Council has spent £656.67m to deliver services funded by £637.28m of income in 2019/20. The income comes primarily from central government in the form of grants, from local residents in the form of council tax payments and housing rents and from local businesses in the form of non-domestic rates.

The following charts show how the money was funded in 2019/20 and how it was spent, more detail is provided in section 4.2.5.

### Revenue Income 2019/20 - £637.28m



### Revenue Expenditure 2019/20 - £656.67m



## 1.1 Narrative Statement (continued)

### 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 2019/20 the City Council invested £104.0m on capital expenditure, which is analysed across against directorates.

### Some 2019/20 Key Achievements

#### • Park Hall Visitors Centre

A new Visitor Centre and Park Ranger office has been built on the site of the previous building that was burnt down a number of years earlier. This new building is a great addition to Park Hall and will increase visitor numbers within the area and provide an opportunity for visitors to purchase refreshments.

#### • Hanley Park

The restoration work within the park included stripping out of 5 existing buildings, alteration to the building's layouts with internal walls, new windows, roof and additional upper floor space to enable the building to let out as business opportunity.

#### • Longton Park Café

A café facility within Queen's park Longton had been called for by the local residents' group, city council park officers and elected members for some considerable years.

#### • Longton Town Hall

This project involved the refurbishment of the ground floor of Longton Town Hall and replacement of the tired and dated frontage between the Town Hall and Market was replaced with a striking tiled façade and steel canopy,

#### • Burnwood Nursery Modular Classrooms

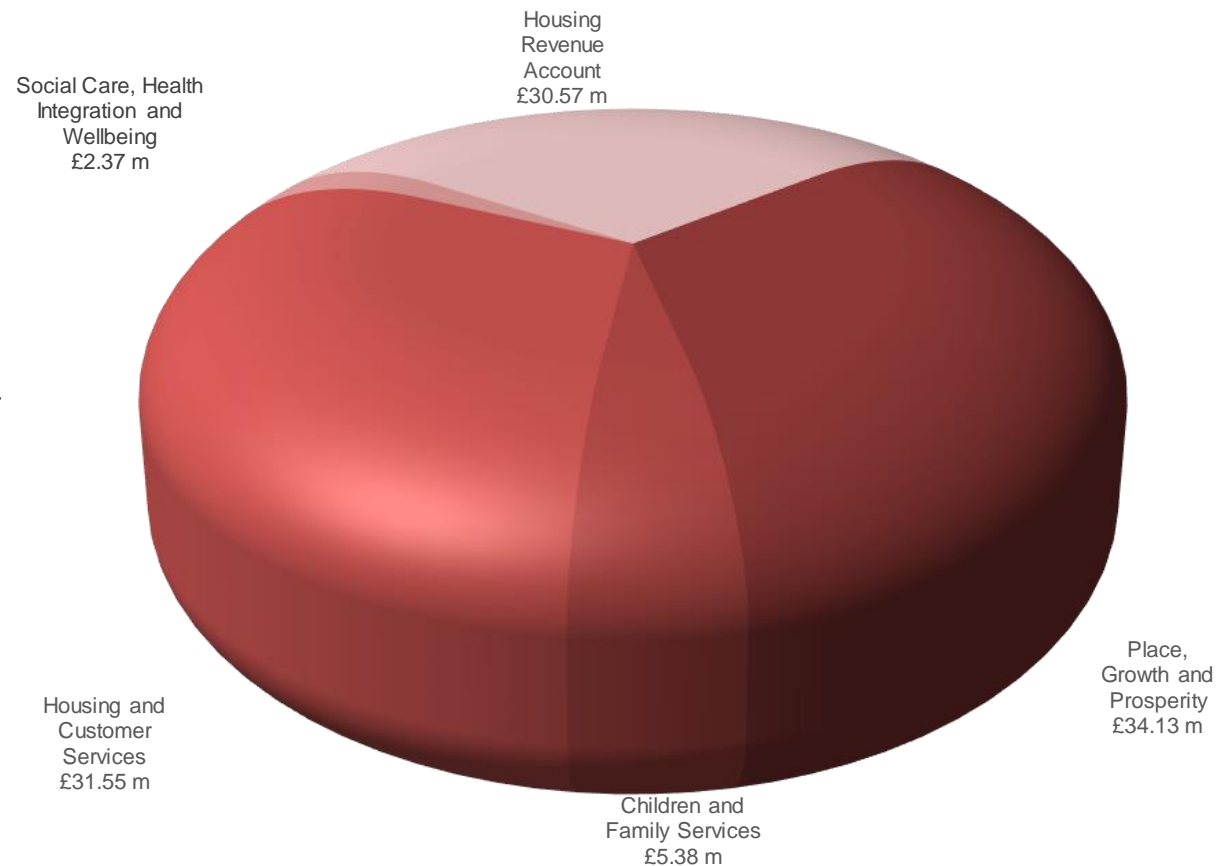
A suitable modular design for a new separate nursery classroom building within the primary school site was completed in November 2019.

#### • Abbots House

The new £2.2M supported housing scheme for adults with learning and physical difficulties was completed in June 2019. This comprises of 14 self-contained 1 bed apartments and communal facilities.

#### • Acquisition of new build dwellings at Crystal Street, Alexander Gate

In June 2019, the HRA acquired ten new build, one bedroom affordable homes at Crystal Street, Hanley.



## 1.1 Narrative Statement (continued)

### Economy, Efficiency and Effectiveness

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

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

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

### Children and Family Services

The number of **children in care** has increased by 67 in 2019/20, from 851 children in care at the end of March 2019 to 918 children in care at the end of March 2020.



The cumulative number of **troubled families** claims submitted up to the end of Q4 is 1004. The in-year budget target for 2019/20 was 917. This has been exceeded. In the life of the programme 2625 claims have been successfully made against a programme target for the city of 2890. 38% of the claims have been made in this financial year representing a significant strengthening of the claims process and good outcomes for families.

**1004** Troubled Families claims (2019/20)  
(Target 917)

Locally and nationally, **apprenticeship** starts continue to be significantly below targets set over 3 years ago. The L4+ apprenticeships buck the trend, and continue to grow. However, Covid-19 is expected to have a significant impact on apprenticeships, not only starts but also completions, with many apprentices being furloughed or made redundant.

During the fourth quarter of 2019/20, 40 Apprenticeships started, bringing the total for 2019/20 to 148 apprentices in learning. Four apprenticeships are due to start April / May. Six apprenticeships are on hold due to Covid-19.



**148** Apprenticeships in the council (2019/20)  
(144 Q3 in 2018/19)

## 1.1 Narrative Statement (continued)

### Social Care, Health, Integration and Wellbeing



**94%**

**Of Adult Social Care users are satisfied with the service received**

There has been a decrease in the percentage of **adult social care** users who are **satisfied** with the service received from 98% in 2018/19 to 94% in 2019/20. However, it is important to note that the overall number of recorded answers has increased, and more is being done to maximise data collection.

During 2019/20 there has been an increase in overall visitor figures for **Museums** of 5% when compared to the year before.

**+5% Museum visitors in 2019/20**



Strong membership sales has brought the total number of **gym members** to 5286. This figure, despite the closure of the gym at Northwood Stadium, is 10% higher than last year, and is the best ever. This demonstrates the benefits of sensible investment in the facilities. The centres have been closed since 20th March due to the Covid-19 outbreak and many staff redeployed into other areas of the business.

There has been a slight increase in the number of people waiting for an **Occupational Therapy assessment** at the year end compared to the end of 2018/19. This is related to outbreak of Covid-19 and the need to make changes to service delivery to minimise any associated risks.



**283**

**Occupational Therapy waiting list**

(+142 from previous quarter)

NHS **Delayed Transfer Of Care** continues the trend of improvement and are under target. In the months leading up to COVID-19 outbreak there were 0 (zero) Social Care DTOCs. National reporting of these figures was paused.

**Delayed Transfer of Care (Social Care)**

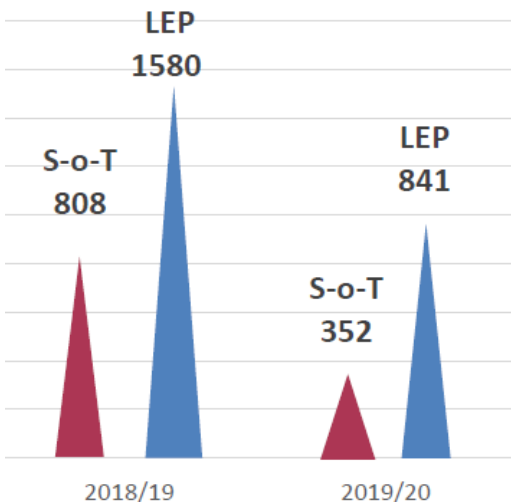


**(Joint 11th out of 150 Local Authorities)**

## 1.1 Narrative Statement (continued)

### Place, Prosperity and Growth

#### Jobs created and safeguarded



There has been a reduction in the number of **Inward Investment jobs created and safeguarded** compared to the previous year. Some anticipated successes for Quarter 4 have been delayed into 2020/21 as well as some pulling out completely. The impact of the current Covid-19 outbreak will likely contribute to a slow start to 2020/21 and could potentially impact the whole year.

The 2019/20 financial year saw a total of 31 miles of **footway and carriageway** treated which exceeds the annual target of 30 miles. Comparisons with previous years should be treated with caution as the length of highway reconditioned depends on both the budget and the condition of the highway. Some will require preventative treatment where as other parts will require reconstruction which is more expensive per linear metre.



**Miles of highway resurfaced (2019/20)**

(74.5 Miles in 2018/19)

Further to a reduction of over 40% in **Bus Passenger journeys** in the past decade, patronage now appears to be stabilising. What is seen from operators' figures is an approximate 20% reduction in patronage from February to March due to the government advice regarding travel. It is suggested that figures from this quarter and Q1 2020/21 should be discounted from any trend analysis. The authority is working with central government to provide financial support to bus operators to ensure they are able to resume full services when suitable. A strategy is being developed to identify how to best increase bus patronage to levels of comparator authorities.

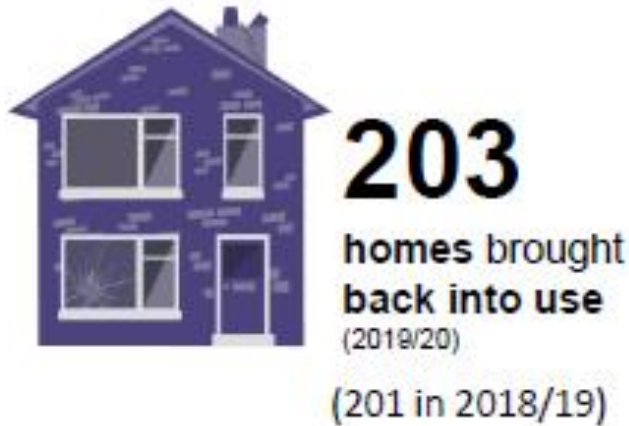


**9.2 million** Bus passenger journeys (2019/20)  
(-2.6% on previous year)

## 1.1 Narrative Statement (continued)


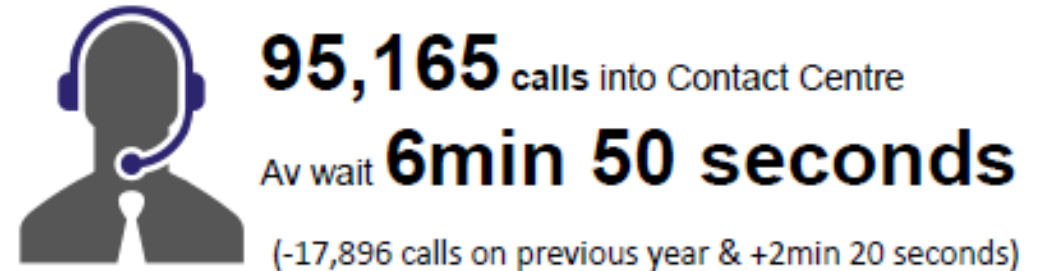
### Housing and Customer Services

The **Empty Homes** Team have once again met the annual target and then exceeded it by three properties, resulting in 203 empty properties brought back into use during 19/20. The team's collective actions through the encouragement of quality renovations have led to an additional £2.7m of private sector investment into the city's private sector housing stock thereby improving the quantity and quality of the city's housing stock.



Fewer calls have been handled by **Contact Centres** compared to 2018/19, there has also been an increase in average customer wait times. In January 2020, the department experienced unprecedented high levels of absence during this period.

(Figures for quarter to March 2020)



**26 days** to turn around  
a council house void  
property

(National Average 29 days)

**6.6 days** to complete a  
repair (National Average 8.8 days)

Performance on **void properties** continues to be strong achieving a 26 day rolling average at the end of March compared to 28 days for the same period in 2019. The yearly target is 25 days which would have been achieved if certain voids since late October were not adversely affected by the community energy scheme. If this adverse impact had not occurred the yearly performance would have been 23.5 days. The number of void properties has increased slightly from 179 end of March 2019 to 202 in 2020. This increase is the effect of a number of held voids, if this number were removed from the total, the number would be 145.

**Housing repairs** are taking on average 6.6 days to complete. There has been an increase of just under one day in the measure in 2019/20 - this is due to the New Dynamic Resourcing Scheduling system which now plots appointments against operative availability.

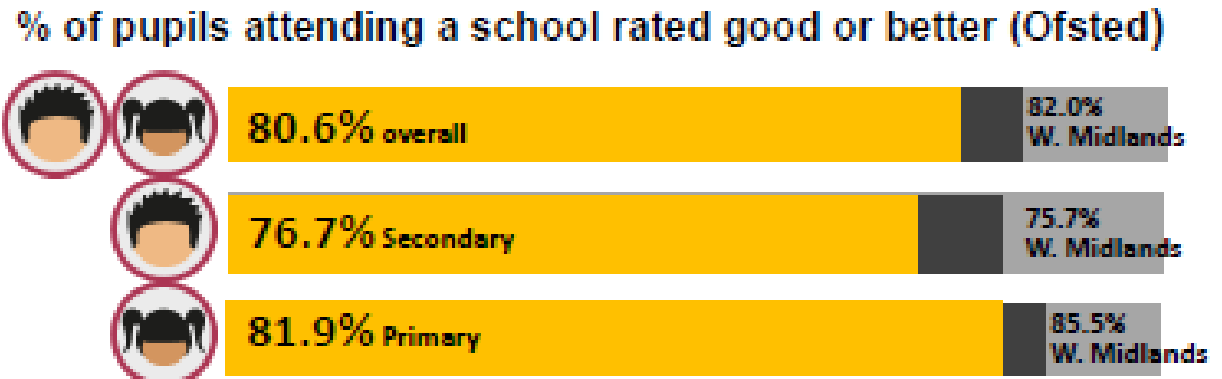
## 1.1 Narrative Statement (continued)

Overall, 80.6% of pupils attend a **good** or **outstanding** school. This is consistent with the percentage in March 2019.

In primary schools, the percentage of pupils attending a good or outstanding school is 81.9%. In secondary settings, the percentage of pupils attending a good or outstanding school is 76.7%. Across both primary and secondary phases figures remain below the regional and national average.

There are 13 primary schools judged as requires improvement (an increase of 1 since Dec19) and 1 judged as inadequate. There are 4 secondary schools judged as requires improvement.

### Schools



In year **collection** is showing an overall decrease of 0.28% for Council Tax and a decrease of 0.41% for Business Rates, when compared to the same period last year. Analysis is being carried out to establish the reasons for the decreases. Initial checking for Council Tax indicates that one company owing £225k for 19/20 went into Administration during the financial year and as such we have been unable to collect the outstanding amount.

Further analysis will be carried out to try to establish other reasons for decrease in collection. The council continues to offer support and advice including hardship relief, setting up payments arrangements and signposting to third parties in cases of genuine need. However, the council continues to pursue the payment of all outstanding debt where people refuse

**Council Tax  
Collection Rate**



**95.24%**  
-0.28%

**Business Rates  
Collection Rate**



**97.70%**  
-0.41%

**Rent Arrears**



**+£284k**

to pay.

There has been an increase of £284k in **rent arrears** on the previous year, attributed to 53 week year and sudden increase in Universal Credit applications due to COVID-19. 3,336 tenants on Universal Credit. 1,091 APAs (direct payment) in place to sustain tenancies. 95% of all tenants have either a clear account or owe less than £500.

79 evictions were carried out in 2019/20 (111 last year), a reduction of 29% and 1,325 people referred to Income Advice team and 508 to CAB for debt advice.

There has been an increase in direct debit take up, 3,788 payers (with 1,610 new DD's 19/20). 29.09% of payments are now by DD compared to 26.37% last year.



## 1.1 Narrative Statement (continued)

### Financial Health of the Council as at 31st March 2020

#### Assets

Every year the Council undertakes a significant revaluation exercise to reflect the value to the council in delivering services from its assets. As a result of the exercise asset values have increased while others have decreased resulting in an insignificant movement in overall value. The movements include upward revaluations of £67.6m (Including Council Dwellings £36.2m) and downward revaluations of £45.7m (Including Council Dwellings £12.2m). 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 £30.5m have been transferred from council ownership to academies under the government's academy and free schools initiative and this trend is expected to continue in the foreseeable future. These assets are transferred at nil consideration in compliance with the government initiative.

For additional information see note 4.2.11

#### Capital Investment and Borrowing

The funding of the capital programme is a mixture of council support, leverage from external bodies, grants and reserves. The funding of the programme separates those funding streams to show how that funding is applied to both the HRA and the general fund.

<b>Capital Financing Requirement</b>	<b>£694.8m</b>
<i>Represented by:</i>	
Existing Borrowing	£545.0m
PFI Liability	£81.3m
<i>Internal Borrowing in the form of:</i>	
Usable reserves	£68.5m
<b>Total</b>	<b>£694.8m</b>

Of the total £620.714 million of proposed investment £365.363 million is currently assumed to be funded by borrowing for which £156.942 is the HRA element.

The overall capital investment is financed with the assistance of external support from government and other agencies, as outlined in note 4.2.12b of these accounts. The City Council provides funding by use of one off revenue contributions, section 106 developer contributions and borrowing. The underlying need to borrow for capital purposes, the capital financing requirement, increased by a net £49.6m standing at £694.8m by the end of the year.

	<b>Budget 2020/21 - 2024/25</b>
<b>Future Capital Programme Funding Requirement</b>	<b>£'000</b>
Secured External Funding	19,225
Unsecured External Funding	112,356
Reserves & Ring Fenced Receipts	123,770
Borrowing & General Receipts	365,363
<b>Total Capital Funding</b>	<b>620,714</b>

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

The capital financing requirement is explained in the glossary in section 8.2.

## 1.1 Narrative Statement (continued)

### Financial Health of the Council as at 31st March 2020

#### Pensions

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

The fund has seen a decrease in its pension liability on the balance sheet since last year. This is because financial assumptions at 31st March 2020 are more favourable than they were at 31st March 2019. This has resulted in a decrease of the pensions liability on the City Council's balance sheet of £179.5m (2018/19 increase of £101.0m) to £386.1m (2018/19 £565.6m). This amount is also reported in the Comprehensive Income and Expenditure Account but, as per statutory guidelines, does not impact on the calculation of the Council Tax charged to tax payers. For additional information see note 4.2.19.

#### Reserves

<b>General Fund Reserves</b>	<b>General Reserve £m</b>	<b>Earmarked Reserve £m</b>	<b>Usable Capital Receipts &amp; Capital Grants £m</b>
Opening Balance (1 April 2019)	9.658	35.290	16.939
Contributions/(Use) 2019/20	-	(5.376)	5.196
<b>Closing Balance (31 March 2020)</b>	<b>9.658</b>	<b>29.914</b>	<b>22.135</b>

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

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

The City Council's financial strategy is to increase the General Fund Reserve over the next few years. In 2019/20 the General Fund Reserve remained at £9.6m and is considered reasonable and fit for purpose for the future.

However, the city council must consider emerging risks such as the uncertainty of funding from 2020/21, and other external factors such as the potential impact of Brexit and ongoing responses and legacy issues arising from Covid-19, and internal risks including increased commercial activity, and the challenges faced by all councils relating to increasing demand for services like social care. In light of the additional risks detailed above, the General Reserve will be increased by £1.4 million from its current level of £9.6 million to £11.0 million.

The City Council also holds £29.9m of earmarked reserves, in the main due to the PFI funding arrangements with central government, balances held for self-insurance purposes, school balances and revenue grants, such as Public Health grant, that are ringfenced. The movement during the year is shown in the following table. A further breakdown is shown in note 4.2.9 of these accounts.

The City Council also holds £22.1m in usable capital receipts and capital grants to finance future planned capital expenditure.

## 1.1 Narrative Statement (continued)

### Financial Health of the Council as at 31st March 2020

#### HRA Reserves

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. In 2019/20 the balance of the HRA general fund reserves remain at £7.8m.

The HRA used the majority of its earmarked reserves during 2019/20, with a balance of £0.8m as at 31st March 2020. HRA reserves are held mainly to cover the cost of the planned major capital investment programme and debt repayment.

<b>HRA General Fund Reserves</b>	<b>General Reserve £m</b>	<b>Earmarked Reserve £m</b>	<b>Major Repairs Reserve £m</b>
Opening Balance (1 April 2019)	7.791	14.827	9.467
Contributions/(Use) 2019/20	-	(14.008)	-
<b>Closing Balance (31 March 2020)</b>	<b>7.791</b>	<b>0.819</b>	<b>9.467</b>

## 1.1 Narrative Statement (continued)

### Financial Health of the Council as at 31st March 2020 - COVID-19

The City Council has been working extremely hard in these unprecedented times to support and deliver key public services during the crisis brought about by the Corona Virus pandemic.

As the council is a category one responder to the crisis it took immediate steps to trigger contingency plans and, in conjunction with government guidelines, quickly assess which services should be suspended, retained and strengthened.

From the outset governance has been key. The council activated its emergency planning arrangement working under Gold and Silver Commands dealing with tactical and operational matters chaired and directed by senior officers. In addition, Members and Senior Officers of the council meet on a frequent basis to constantly review services in support of service delivery and continuity. Media briefings have taken place on a daily basis and this combined with the council's on-line presence has been vital in keeping the residents of the city informed.

The council is working closely with key partners including the police, business sector, schools, voluntary sector, faith sector and other national and local agencies. Work with the local voluntary sector, community groups and volunteers have established a hub portal for individuals and groups to offer and request support. Local businesses have also provided direct support through generous donations of food and supplies for redistribution to those in need.

### Service Areas

#### Support to the vulnerable

The enablement team have worked tirelessly to keep vulnerable adults safe in their homes including the purchase and distribution of essential food supplies as well as continuing to provide personal care.

Adult social care teams have increased their work to up to 15 hours a day, 7 days a week to support hospital discharges and relocations to free up bed space but continue to provide on-going care and support to those that need it. We were aware from the outset that there were particular risks with regard to care homes and Covid-19. We have been pro-active in our work with them to ensure they had measures in place to help prevent the spread of Covid-19 and have access to personal protective equipment. More recently, a specialist support team has helped with infection control and in ensuring that each home is able to meet national requirements

Registered providers have responded positively to requests for assistance with accommodation to deliver homeless provision to support rough sleepers in support of government requests. Working with a range of partners including Concrete, Unitas, Brighter Futures, the Macari Centre and a few key hotel providers we have managed to achieve that. The Council team has shown real innovation, not least in working with The Macari Centre and Unitas to turn a warehouse into a place to live in relative comfort and safety.

## 1.1 Narrative Statement (continued)

### Financial Health of the Council as at 31st March 2020 - COVID-19

#### Children

Schools have maintained a good level of staffing to provide education to the children of key workers in support their activities. Children on free school meals have been able to access vouchers through a national distribution network, where these were late the council provided interim support through the direct provision of food. Vulnerable children continue to be visited at home by social workers so contact was maintained. For parents of disabled children, should a parent fall ill the council has provided full time residential care capacity to provide relief during the recovery period.

#### Public Health

Waste collection was initially constrained to general black bin waste due to depleted teams this has since expanded to reintroduce a limited green waste collection and the controlled reopening of household waste sites.

Public Health, Environmental Health and Trading standards have been working hard to provide continued services and necessary enforcement.

Personal, protective equipment supplies have been obtained through a number of suppliers to provide essential equipment to provide protection to front line staff and support care homes, domiciliary care companies and funeral directors where they have sourcing problems.

#### Housing

Vulnerable tenants have been contacted to ensure they are supported in areas such as food, prescription collection and delivery and care support. Emergency repairs continue to be provided to residents properties. The council is providing council tax relief support for residents who are in financial hardship

#### Business and voluntary sector

The Small Business Grant Fund received from Government to assist small business has been distributed thanks to the dedicated work of the revenues and payments teams. Retail business rates relief for businesses temporarily closed by the government has been provided under government guidance.

In recognition of the excellent support provided by the voluntary sector, the council has provided grants totalling around £125,000 to assist those sectors in continuing to provide support and assistance across the city.

#### Other council services

Where possible staff have been working from home using electronic means to communicate and continue to deliver services.

Some services have been suspended in support of government guidance, including leisure services, grass cutting. For staff in these areas some have been redeployed and retrained to support key front line services such as waste, enablement and bereavement care.

## 1.1 Narrative Statement (continued)

### Financial Health of the Council as at 31st March 2020 - COVID-19

#### Recovery

The city is beginning to enter the recovery phase of this situation. Senior Managers are now putting their minds to consider how services should be reintroduced. A recovery framework is in place that looks at three key workstreams;

I. Business and the economy

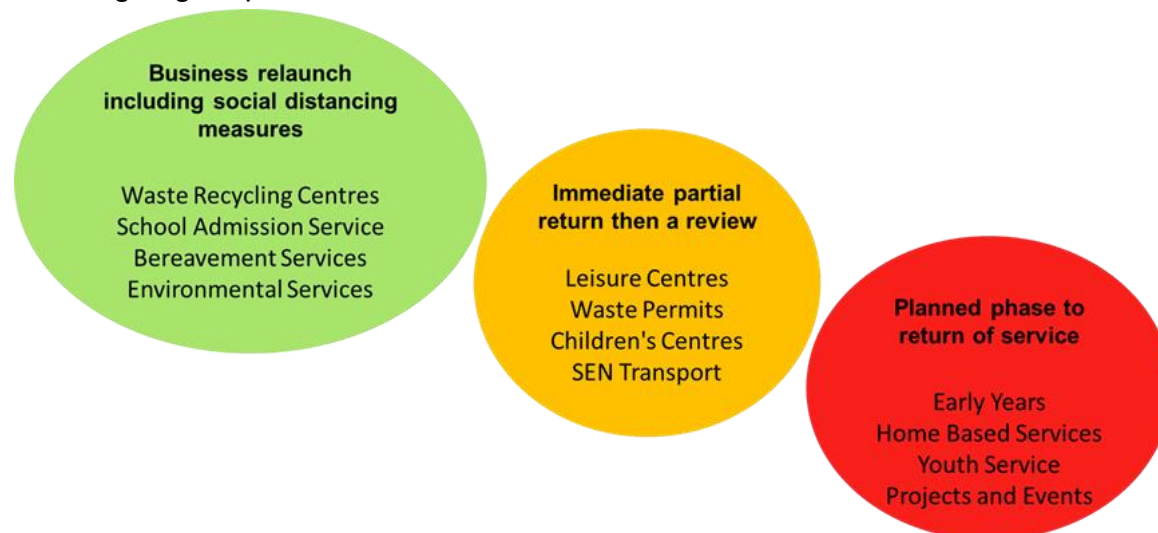
Together with the business community of Stoke-on-Trent to lead the business and economic recovery of the City. To assess the economic implications for the City, ensure the area is “open for business” as soon as is practical and enable businesses affected by the emergency to resume trading as soon as possible, providing assistance where possible/appropriate.

ii. Wellbeing, care and communities

Together with partners, to enable individuals and communities to recover from the impact of the crisis. To coordinate the provision of support and practical assistance to those directly or indirectly affected by the emergency. To bring together the relevant care, welfare and health expertise in a coordinated way.

iii. Council organisation and restoration of services

To manage the re-opening of council services and to ensure all council services are aligned to the recovery objectives. To make adaptations to delivery of council services to reflect changed citizen needs and expectations, changed resource context, new workforce skills and expectations, and enduring limitations from the ongoing response.



## 1.1 Narrative Statement (continued)

### Financial Health of the Council as at 31st March 2020 - COVID-19

#### Financial Resilience

Despite the financial challenges faced, key risks continue to be managed and budget and service plans will continue to be monitored to ensure the financial impact on future years are minimised. However, it must be noted that Children and Families Services continue to face unprecedented pressures. Work in relation to the Children's Improvement Plan, managing demand and an ongoing review of commissioning in placements is expected to deliver sustainable savings over the next 12 to 36 months.

Although the budget management actions have reduced the pressures on the General Fund, risks remain, the largest of which is within Children and Families Directorate as outlined above. The council's financial resilience has been assessed and any risks identified. In 2018/19 and 2019/20, the city council received an 'except for' VFM Conclusion. The auditors recognised weaknesses within children's social care services as a result of the Ofsted inspection in March 2019, but were satisfied in all other significant respects that proper arrangements are in place.

In light of the financial challenges faced by the authority, the council has an on-going action plan to maintain and strengthen financial control across the authority. A 'no purchase order, no payment' has been policy implemented and a review of the processes for the collection of cash and payment options has taken place. The post COVID recovery work is focussing on reverse business cases to assess how this period has changed service delivery and how elements of this could be retained when the council returns to business as usual. This may impact on income collection and ongoing channel shift leading to a reduction in cash payments. A new Joint Commissioning Board is being established looking at commissioning arrangements across the authority and particularly on children's and adults placements. The new operational framework establishes a Financial Review Group which will monitor use of resources across the council. Managers will sign up to accountability commitments which will embed a culture of personal responsibility and accountability, performance management and continuous improvement of services. A new training strategy has been drafted proposing a modular approach to cover all finance related skills at basic and advanced levels and will be administered through Workforce development.

In the Medium Term Financial Strategy (MTFS) presented to the City Council in February 2020, it was assumed that the general reserve would drop below current levels due to the forecast overspend from the challenges faced. The actions and mitigations that were put in place towards the latter half of the year have ensured that the forecast overspend did not materialise and the current level of general reserve has been maintained at £9.7 million. In addition £1.7 million has been set aside in an earmarked reserve to support the response to COVID-19, this is alongside part (£8.4m) of the grant to fund Covid-19 expenditure that was received towards the end of the year. Within the 2020/21 budget there is a plan to increase the general reserve to the planned level of £11m (5%).

## 1.1 Narrative Statement (continued)

### Financial Health of the Council as at 31st March 2020 - COVID-19

The COVID19 pandemic and national emergency is having a significant financial impact and will continue to do so for a considerable period of time. The City Council is modelling the impact of this on our finances to try and establish a clearer understanding of the pressures for example through increased demand for support and loss of income. The position changes on a daily basis as new information emerges and we are continually reviewing this - at this stage it is difficult to forecast with certainty. At present we do not believe the funding will be enough to cover all that we need but it is helping to support the immediate pressures we are facing. The City Council is sharing this financial modelling with the MHCLG and is in regular dialogue over the related challenges.

Based on high level estimates we expect around 65% of any additional forecast costs etc to go towards supporting our Children and Family Services, Adults Social Care Services and Housing Services including the costs of the direct response, lost income from services that have closed and potential recovery costs. Around 16% to support Place services this includes direct response/maintaining key services during the response and recovery phases and lost income across a variety of services etc, and 19% on other services & lost income etc. Examples of key cost pressure areas include:

- Direct expenditure on resources, staffing, equipment to support the response
- Supporting the Adult Social Care Market & frontline staff
- Support for Children Social care placements
- Support for Homelessness provision
- Loss of income from Car Parking, Leisure Services

Covid-19 has placed huge pressures on the council's financial position. Significant modelling and scenario analysis has been undertaken from the outset to establish a range of potential outcomes of the financial impact that Covid-19 may have in respect of the City Council. Current financial modelling indicates a 'Best; Most Likely and Worst Case' scenario of £15m, £24m and £42m respectively, reflecting both additional costs and loss of income. At this stage the government have confirmed additional grant funding allocations of circa £16m. We are grateful for this support but it suggests that there would most likely be a £8m shortfall in funding based on current forecasts but in the worse-case this figure would be more like £26m. This position will continually be reviewed and updated as new information emerges. What we know at present is that Government funding to date is insufficient to cover the financial pressures we face and further support will be required to place the council in a sustainable position.

The council has a significant capital programme aimed at delivering investment and returns to the council. This programme has also been impacted upon by the current events and consequently the council is considering whether to reassess the programme to address any new needs arising from the pandemic in the delivery of services and the current constraints to scheme deliverability such as access to supplies and reductions in building capacity.

The council has two operational wholly owned companies Fortior Homes and Unitas both of which have been affected by the lockdown. Fortior has seen a slowing or cessation of building works which will delay the completion of sites and subsequent occupancy. Unitas has focused on repairs and supporting the vulnerable whilst away from major building works. Both companies will see a fall in their income levels but will continue to trade.



## 1.1 Narrative Statement (continued)

### Explanation of the Financial Statements

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

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

### Comprehensive Income and Expenditure Statement

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

More detail of the changes is shown in Note 3.1.

2018/19 (Restated)							2019/20
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
633,042	(423,194)	209,848	<b>Net Cost of Services</b>		670,520	(404,268)	266,252
		399	Other Operating Expenditure	4.2.6			1,360
		52,680	Financing and Investment Income & Expenditure	4.2.6			79,284
		(230,476)	Taxation and Non-Specific Grant Income	4.2.6			(241,779)
		32,451	<b>(Surplus)/Deficit on Provision of Services</b>				105,117
		84,170	<b>Other Comprehensive Income and Expenditure</b>				(236,914)
		116,621	<b>Total Comprehensive Income and Expenditure</b>				(131,797)

A reconciliation between the CIES and the final outturn can be found on page 9

## 1.1 Narrative Statement (continued)

### 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 is shown in Note 3.2.*

31 March 2019		31 March 2020		31 March 2019		31 March 2020
Restated £000	Note	£000		Restated £000	Note	£000
1,408,080	Long Term Assets	1,416,515		(1,140,102)	Long Term Liabilities	(1,021,253)
83,866	Current Assets	103,255		257,722	Net Assets	389,520
(94,120)	Current Liabilities	(108,997)		257,722	Total Reserves	389,520

### 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 unusable 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 is shown in Note 3.3.*

2019/20	General	General	Housing	HRA	Major	Usable	Capital	Total	Total	Total
	Fund	Fund	Revenue	Earmarked	Repairs	Capital	Grants	Usable	Unusable	Authority
	Balance	Earmarked	Account	Reserves	Reserve	Receipts	Unapplied	Reserves	Reserves	Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	9,658	35,290	7,791	14,827	9,467	12,455	4,484	93,973	163,749	257,722
Increase/(Decrease) in Year	(5,376)	-	(14,008)	-	-	1,780	3,416	(14,189)	145,987	131,798
Transfers to/(from) Earmarked Reserves	5,376	(5,376)	14,008	(14,008)	-	-	-	-	-	-
Balance at 31 March 2020	9,658	29,914	7,791	819	9,467	14,235	7,900	79,784	309,736	389,520

## 1.1 Narrative Statement (continued)

### 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 is shown in Note 3.4.*

<b>2018/19</b>		<b>2019/20</b>
<b>Restated</b>		
<b>£000</b>	<b>Note</b>	<b>£000</b>
<b>(32,451)</b>	<b>Net surplus/(deficit) on the provision of services</b>	<b>(105,117)</b>
<b>(12,935)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>6,909</b>
<b>(33,280)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(59,287)</b>
<b>60,985</b>	<b>Net Cash Flows from Financing Activities</b>	<b>68,926</b>
<b>14,768</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>16,549</b>
3,633	Cash and Cash Equivalents at the beginning of the reporting period	18,401
<b>18,401</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>34,950</b>

## 1.1 Narrative Statement (continued)

### Housing Revenue Account

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

*More detail is shown in Note 5.1.*

<b>2018/19</b>	<b>2019/20</b>
<b>£000</b>	<b>£000</b>
<b>(58,252) Total Expenditure</b>	<b>(62,731)</b>
24,952 Revaluation of assets	(11,702)
<b>66,887 Total Income</b>	<b>66,541</b>
(427) HRA services' share of Corporate and Democratic Core	(442)
<b>33,160 Net Cost for HRA Services</b>	<b>(8,333)</b>
(2,752) HRA share of the operating Income and Expenditure included in the CIES	(4,450)
<b>30,408 Surplus of (deficit) for the year on HRA services</b>	<b>(12,784)</b>

## 1.1 Narrative Statement (continued)

### Collection Fund

The Local Government Finance Act 1988 required the establishment of a Collection Fund from 1st April 1990. The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates. Monies paid into this fund include Council Tax and Business Rates. Payments from the Fund include the General Fund demands of the City Council, demands from precepting authorities and the transfer of the locally collected business rates to Central Government.

*More detail is shown in note 6.1*

2018/19				2019/20		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
92,633	100,715	<b>193,348</b>	Income	91,663	106,732	<b>198,395</b>
(2,321)	2,953	<b>632</b>	Charges to the Collection Fund	(2,190)	(2,054)	<b>(4,244)</b>
<b>90,312</b>	<b>103,668</b>	<b>193,980</b>	<b>Balance due for allocation</b>	<b>89,473</b>	<b>104,678</b>	<b>194,151</b>
(92,917)	(97,362)	<b>(190,279)</b>	Precepts, Demands and Shares	(91,423)	(103,653)	<b>(195,076)</b>
<b>(2,605)</b>	<b>6,306</b>	<b>3,701</b>	<b>Surplus/(Deficit) for the Year</b>	<b>(1,950)</b>	<b>1,025</b>	<b>(925)</b>
(2,251)	2,173	<b>(78)</b>	Balance at the Beginning of the Year	(5,258)	5,967	<b>709</b>
(400)	(2,512)	<b>(2,912)</b>	Allocation of Previous Years Surplus	4,284	(2,891)	<b>1,393</b>
<b>(5,257)</b>	<b>5,965</b>	<b>708</b>	<b>Balance at the End of the Year</b>	<b>(2,926)</b>	<b>4,100</b>	<b>1,174</b>

## 1.1 Narrative Statement (continued)

### Acknowledgements

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

These accounts, the Annual Governance Statement and other sources of financial information are available on the City Council's website at [stoke.gov.uk](https://www.stoke.gov.uk). Comments on these accounts are welcomed and can be made through the website or the contact options shown below



**Nick Edmonds**

**Director of Strategy and Resources (Section 151 Officer)**

**Date 15 August 2024**

*Further information about the accounts is available from:*

Stoke-on-Trent City Council

Corporate Finance

Financial Services Division

Civic Centre, Glebe Street

Stoke-on-Trent

ST4 1HH

Telephone: (01782) 236877

E-mail: [finance@stoke.gov.uk](mailto:finance@stoke.gov.uk)

# 2.0 Statements to the Accounts



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

We have audited the financial statements of Stoke-on-Trent City Council ('the Authority') for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement
- Authority and Group Comprehensive Income and Expenditure Statement
- Authority and Group Balance Sheet
- Authority and Group Cash Flow Statement and the related notes 4.2.1 to 4.2.27 for the Authority financial statements and notes 7.6.a to 7.6.f for the Group financial statements
- Housing Revenue Account Income and Expenditure Statement the Movement on the Housing Revenue Account Statement and the related notes 5.3.1 to 5.3.4
- Collection Fund and the related noted 6.2.1 and 6.2.2.

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 2019/20 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Stoke-on-Trent City Council and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period up to 31 August 2025.

### **Other information**

The other information comprises the information included in the Narrative Statement set out on pages 5 to 30 other than the financial statements and our auditor's report thereon. The Section 151 Officer is responsible for the other information.

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

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



We have nothing to report in this regard.

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

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

#### **Basis for Qualified Conclusion**

- **OFSTED Inspection of Children's Services**

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

While the Council have completed a number of actions in 2019/20 in response to the Ofsted inspection report, the Secretary of State appointed a Children's Services Commissioner for the Council and issued three directions during the year as a result of the Council failing to perform, to an adequate standard, some or all of the functions to which section 497A of the Education Act 1996 is applied by section 50 of the Children Act 2004 ("children's social care functions"). The second monitoring visit by Ofsted also confirms that the Council's overarching improvement plan does not yet provide clear measures of what progress has been made, and, as a result, its effectiveness is limited.

- **Investigation into Court of Protection administration.**

The Council commissioned an investigation into the administration of their management of the financial affairs of people who lack mental capacity under the appointment of the Court of Protection (CoP). The investigation identified several weaknesses, including the inconsistent application of legislation, guidance and policies in terms of probity and accounting. Additionally, the investigation identified there was a lack of procedure covering the process of risk assessing whistleblowing allegations.

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

#### **Qualified conclusion - adverse**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are not satisfied that, in all significant respects, Stoke-on-Trent City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We have nothing to report in these respects.

#### **Responsibility of the Section 151 Officer**

As explained more fully in the Statement of the Section 151 Officer's Responsibilities set out on page 35, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Authority 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 2019/20 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view.

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Group and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Authority either intends to cease operations, or has no realistic alternative but to do so. The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and to review regularly the adequacy and effectiveness of these arrangements.

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

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether the Stoke-on-Trent City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Stoke-on-Trent City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

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

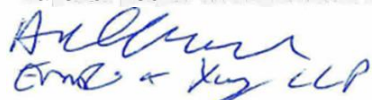
We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

**Certificate**

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

**Use of our report**

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



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

15 August 2024

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

**Use of our report**

## 2.2 Statement of Responsibilities for the Statement of Accounts

### The Authority's Responsibilities

The Authority is required :

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts

### The Section 151 Officer Responsibilities

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

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

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

The Section 151 Officer has also:

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

### Certificate of Section 151 Officer

I certify that this statement of accounts gives a true and fair view of the financial position as at 31 March 2020, financial performance and cash flow of the City Council for the year ended 31 March 2020.



**Nick Edmonds**

**Director of Strategy and Resources (Section 151 Officer)**

**Section 151 Officer**

**Date 15 August 2024**

### Approval of Statement of Accounts

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



**Councillor Lorraine Beardmore**

**Chair of Audit Committee**

**Date 15 August 2024**

An aerial night rendering of a modern city development. The scene is dominated by several large, multi-story buildings with illuminated windows and facades. A prominent feature is a large, circular arena or stadium with a textured, illuminated exterior, situated in the upper right quadrant. The surrounding area includes streets with light trails from moving vehicles, smaller commercial buildings, and a mix of urban architecture. The overall atmosphere is one of a vibrant, modern urban environment.

# 3.0 Core Financial Statements

### 3.1 Comprehensive Income and Expenditure Statement

2018/19 (Restated)						2019/20	
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	
			<b>Continuing Service Areas</b>	<b>Note</b>			
157,482	(76,838)	80,644	Children and Family Services		169,497	(77,868)	91,629
144,336	(81,590)	62,746	Social Care, Health Integration and Wellbeing		142,886	(85,745)	57,141
57	-	57	- Movement in Asset Value		(4,105)	-	(4,105)
86,396	(34,307)	52,089	Place, Growth & Prosperity		86,706	(35,518)	51,188
2,900	-	2,900	- Movement in Asset Value		9,797	-	9,797
21,832	(5,385)	16,447	Housing and Customer Services		19,228	(5,565)	13,663
33,746	(6,175)	27,571	City Director		34,713	(6,246)	28,467
58,625	(66,832)	(8,207)	Housing Revenue Account	<b>5</b>	63,172	(66,541)	(3,369)
(24,953)	-	(24,953)	- HRA movement in asset value		11,702	-	11,702
67,125	(67,329)	(204)	Schools		59,980	(55,406)	4,574
965	-	965	Civic and Corporate Expenses		1,218	-	1,218
82,900	(82,926)	(26)	Benefit Payments		71,447	(70,898)	549
1,630	(1,809)	(179)	Non Departmental Costs		(7,633)	(482)	(8,116)
-	-	-	- Redundancy/Actuarial Strain	<b>4.2.7</b>	11,913	-	11,913
<b>633,042</b>	<b>(423,194)</b>	<b>209,848</b>	<b>Net Cost of Services</b>		<b>670,520</b>	<b>(404,268)</b>	<b>266,252</b>
		399	Other Operating Expenditure	<b>4.2.6b</b>			1,360
		52,680	Financing and Investment Income & Expenditure	<b>4.2.6c</b>			79,284
		(230,476)	Taxation and Non-Specific Grant Income	<b>4.2.6d</b>			(241,779)
		<b>32,451</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>105,117</b>

### 3.1 Comprehensive Income and Expenditure Statement (continued)

2018/19 (Restated)						2019/20	
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		Note	£000	£000	£000
		<b>32,451</b>	<b>Continuing Service Areas</b>				<b>105,117</b>
		17,110	(Surplus)/deficit on revaluation of non-current assets				(32,563)
		135	Impairment losses non-current assets charged to revaluation reserve				349
		(7,495)	(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income	<b>4.2.10f</b>			5,084
		74,421	Remeasurements on pension fund (assets) & liabilities	<b>4.2.19</b>			(209,785)
		<b>84,171</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(236,915)</b>
		<b>116,622</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(131,798)</b>

### 3.2 Balance Sheet

31 March 2018 (restated)	31 March 2019 (restated)			31 March 2020
£000	£000		Note	£000
1,278,847	1,279,646	Property, Plant and Equipment	4.2.11a	1,265,222
67,233	66,284	Heritage Assets	4.2.11b	66,887
21,352	20,403	Investment Property	4.2.11f	20,212
4,086	4,456	Intangible Assets	4.2.11f	3,978
9,098	17,787	Long Term Investments	4.2.14d	20,676
3,680	19,503	Long Term Debtors	4.2.14a	39,540
9,284	-	Pension Contribution Asset	4.2.19	-
<b>1,393,581</b>	<b>1,408,080</b>	<b>Long Term Assets</b>		<b>1,416,515</b>
8,334	9,284	Pension Contribution Asset	4.2.19	-
201	211	Short Term Investments		122
189	211	Assets Held For Sale	4.2.11f	224
661	778	Stocks		764
43,457	54,981	Short Term Debtors	4.2.14a	67,195
3,633	18,401	Cash and Cash Equivalents	4.2.14a	34,950
<b>56,475</b>	<b>83,866</b>	<b>Current Assets</b>		<b>103,255</b>
(10,648)	(12,038)	Short Term Borrowing	4.2.14b	(12,472)
(10,034)	(10,754)	Other Short Term Liabilities	4.2.14b	(8,977)
(60,826)	(60,846)	Short Term Creditors	4.2.14b	(74,428)
(5,853)	(5,597)	Grants Receipts in Advance	4.2.16	(6,297)
(4,786)	(4,885)	Provisions	4.2.15	(6,823)
<b>(92,146)</b>	<b>(94,120)</b>	<b>Current Liabilities</b>		<b>(108,997)</b>
(3,852)	(5,186)	Provisions	4.2.15	(5,873)
(391,940)	(460,030)	Long Term Borrowing	4.2.14b	(538,120)
(121,379)	(109,202)	Other Long Term Liabilities	4.2.14b	(98,729)
(464,587)	(565,684)	Net Pensions Liabilities	4.2.19	(378,531)
<b>(981,758)</b>	<b>(1,140,102)</b>	<b>Long Term Liabilities</b>		<b>(1,021,253)</b>
<b>376,152</b>	<b>257,722</b>	<b>Net Assets</b>		<b>389,520</b>

### 3.2 Balance Sheet (continued)

31 March 2018 (restated)	31 March 2019 (restated)		Note	31 March 2020
£000	£000			£000
9,082	9,658	General Fund Balance	3.3	9,658
50,763	35,290	Earmarked Reserves - General Fund	4.2.9a	29,914
10,373	12,455	Usable Capital Receipts Reserve	4.2.9c	14,235
7,740	7,791	Housing Revenue Account Balance	3.3	7,791
17,031	14,827	Earmarked Reserves - HRA	4.2.9b	819
9,470	9,467	Major Repairs Reserves	5.3.2a	9,467
5,356	4,484	Capital Grants Unapplied	4.2.9d	7,900
<b>109,815</b>	<b>93,973</b>	<b>Usable Reserves</b>		<b>79,784</b>
480,370	496,676	Capital Adjustment Account	4.2.10a	445,089
246,517	217,446	Revaluation Reserve	4.2.10b	233,680
698	2,328	Collection Fund Adjustment Account	6.1	1,431
(464,587)	(565,684)	Pensions Reserve (Deficit)	4.2.10c	(378,531)
(6,833)	(4,522)	Accumulated Absences Account		(4,263)
(3,096)	(3,133)	Financial Instruments Adjustment Account	4.2.10e	(2,816)
7,022	14,516	Financial Instruments Revaluation Reserve	4.2.10f	9,432
6,245	6,123	Deferred Capital Receipts Reserve	4.2.10d	5,714
<b>266,337</b>	<b>163,749</b>	<b>Unusable Reserves</b>		<b>309,736</b>
<b>376,152</b>	<b>257,722</b>	<b>Total Reserves</b>		<b>389,520</b>

These financial statements replace the unaudited financial statements certified by Nick Edmonds **Director of Strategy and Resources (Section 151 Officer)**

on 9 July 2020



### 3.3 Movement in Reserves Statement

2019/20	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	Total Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2019</b>		<b>9,658</b>	<b>35,290</b>	<b>7,791</b>	<b>14,827</b>	<b>9,467</b>	<b>12,455</b>	<b>4,484</b>	<b>93,973</b>	<b>163,749</b>	<b>257,722</b>
Total Comprehensive Income and Expenditure	3.1	(92,334)	-	(12,783)	-	-	-	-	(105,117)	236,914	131,797
Adjustments between accounting basis and funding basis under regulations	4.2.8	86,957	-	(1,225)	-	-	1,781	3,416	90,929	(90,929)	-
Roundings		(1)	-	-	-	-	(1)	-	(1)	2	1
<b>Increase/ (Decrease) in Year</b>		<b>(5,376)</b>	<b>-</b>	<b>(14,008)</b>	<b>-</b>	<b>-</b>	<b>1,780</b>	<b>3,416</b>	<b>(14,189)</b>	<b>145,987</b>	<b>131,798</b>
Transfers to/(from) Earmarked Reserves	4.2.9	5,376	(5,376)	14,008	(14,008)	-	-	-	-	-	-
<b>Balance at 31 March 2020</b>		<b>9,658</b>	<b>29,914</b>	<b>7,791</b>	<b>819</b>	<b>9,467</b>	<b>14,235</b>	<b>7,900</b>	<b>79,784</b>	<b>309,736</b>	<b>389,520</b>

### 3.3 Movement in Reserves Statement (continued)

		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	Total Unusable Reserves	Total Authority Reserves
2018/19 (Restated)	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018</b>		<b>9,082</b>	<b>50,763</b>	<b>7,740</b>	<b>17,031</b>	<b>9,470</b>	<b>10,373</b>	<b>5,355</b>	<b>109,815</b>	<b>266,337</b>	<b>376,152</b>
Adjustments for the remeasurement of financial instruments	4.2.3	(1,808)	-	-	-	-	-	-	(1,808)	-	(1,808)
Restated opening balance at 1 April		<b>7,274</b>	<b>50,763</b>	<b>7,740</b>	<b>17,031</b>	<b>9,470</b>	<b>10,373</b>	<b>5,355</b>	<b>108,007</b>	<b>266,337</b>	<b>374,344</b>
Total Comprehensive Income and Expenditure	3.1	(62,860)	-	30,408	-	-	-	-	(32,452)	(84,170)	(116,622)
Adjustments between accounting basis and funding basis under regulations	4.2.8	49,769	-	(32,561)	-	(3)	2,081	(871)	18,415	(18,415)	-
Roundings		1	-	-	-	-	1	-	3	(3)	-
<b>Increase/ (Decrease) in Year</b>		<b>(13,090)</b>	<b>-</b>	<b>(2,153)</b>	<b>-</b>	<b>(3)</b>	<b>2,082</b>	<b>(871)</b>	<b>(14,034)</b>	<b>(102,588)</b>	<b>(116,622)</b>
Transfers to/(from) Earmarked Reserves	4.2.9	15,473	(15,473)	2,204	(2,204)	-	-	-	-	-	-
<b>Balance at 31 March 2019</b>		<b>9,658</b>	<b>35,290</b>	<b>7,791</b>	<b>14,827</b>	<b>9,467</b>	<b>12,455</b>	<b>4,484</b>	<b>93,973</b>	<b>163,749</b>	<b>257,722</b>

### 3.4 Cash Flow Statement

Restated 2018/19 £000	Note	2019/20 £000
<b>(32,451) Net surplus/(deficit) on the provision of services</b>	<b>3.1</b>	<b>(105,117)</b>
<b>53,883</b> Adjustments to net surplus or deficit on the provision of services for non-cash movements	<b>4.2.24</b>	<b>145,692</b>
<b>(34,368)</b> Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>4.2.24</b>	<b>(33,666)</b>
<b>(12,935) Net Cash Flows from Operating Activities*</b>		<b>6,909</b>
<b>(33,281) Net Cash Flows from Investing Activities</b>	<b>4.2.24</b>	<b>(59,287)</b>
<b>60,985 Net Cash Flows from Financing Activities</b>	<b>4.2.24</b>	<b>68,926</b>
<b>14,768 Net increase or decrease in cash and cash equivalents</b>		<b>16,549</b>
3,633 Cash and Cash Equivalents at the beginning of the reporting period	<b>3.2</b>	18,401
<b>18,401 Cash and Cash Equivalents at the end of the reporting period</b>	<b>3.2</b>	<b>34,950</b>

# 4.0 Explanatory Notes



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

The 2019/20 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code also requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

For adoption in 2020/21 the following accounting standard changes and their impact on the Council are shown in the table below

<b>Narrow Scope Amendments to International Financial Reporting Standards</b>	
<b>IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement</b>	Limited Impact - The amendments require that when a material plan amendment, curtailment or settlement occurs during a reporting period entities use updated actuarial assumptions to determine current service cost and net interest for the remaining annual reporting period.
<b>Annual Improvements to IFRS Standards 2015 - 17</b>	Limited Impact  IFRS 3 Business Combinations, IFRS 11 Joint Arrangements – the amendments clarify that when a party to a joint arrangement obtains control of the joint arrangement that is a joint operation, the transaction is a business combination achieved in stages.  IAS 12 Income Taxes – the amendment requires the income tax consequences of dividends should be recognised according to where the past transactions or events that generated distributable profits were recognised.  IAS 23 Borrowing Costs – The amendment affects the specification for calculation of borrowing costs which can be capitalised when a ‘weighted average’ borrowing cost is used.
<b>IAS 28 Interest in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures</b>	Limited Impact - The amendments clarify that IFRS 9 applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
<b>IFRS 16 Leases</b>	The new leasing standard removes the distinction between finance and operating leases for lessees. It requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments.  It is not possible to estimate the impact it will have as it is still unclear what parts will be adopted and how the standard might be adapted for local authorities. However, with most leases, the impact on the general fund balance is expected to be minimal, with the removal of operating lease payments being replaced by interest and a Minimum Revenue Provision charge, estimated to be of an equal value.

## 4.2.2 Critical Judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. The authority reviews its asset base and at the balance sheet date 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 permanently close facilities and reduce levels of service provision. Where an asset is no longer judged to be required to provide a service it is declared surplus ultimately resulting in its disposal or transfer.
- The authority has judged that it controls the services provided under the outsourced agreements to rebuild, maintain, upgrade and provide services to its schools; to provide street lighting services; to provide and maintain a multi-service district centre on the Devonshire Square site in Bentilee; to provide and maintain a waste to energy plant and associated waste disposal site at Hanford; and to provide extra care housing at sites based at Westcliffe, Abbey Hulton and Blurton.
- The authority has also concluded that it controls the residual value of assets used in these arrangements at the end of the agreements, with the exception of the waste scheme mobile scheme mobile plant and equipment, which may be purchased by the authority at the end of the contract period at open market value. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the assets are recognised as Property, Plant and Equipment on the authority's balance sheet.
- IFRS 10 control criteria in respect of local authority maintained schools specifies that '*the balance of control lies with local authorities for all maintained schools*'. For Voluntary Aided/Controlled schools the authority conducts an annual assessment to ensure that material transactions are recognised and consolidated into the Council's Single Entity Primary Statement of Accounts.
- The City Council's schools are run under a number of arrangements including Local Authority, Foundation schools and Church Schools. For Foundation and Church Schools as they form part of the PFI contract for which the City Council controls the delivery of services provided; in applying IFRIC 12 Service Concession Arrangements the City Council has judged that assets are used to provide public services in the service concession arrangement and are consequently recognised on the balance sheet.
- For Academy Schools it is the City Council's judgement that the Council has no control over Academy schools, therefore the assets and liabilities are not consolidated into the City Council's balance sheet. At the point of the Academy transfer notification the non-current assets are derecognised. Where the City Council is the owner, the land, being on a short term lease is retained on the City Council's balance sheet.
- The 2014/15 Code of Practice clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period'. In order to be satisfied that the value of assets in the balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2020 the council has created sub-groups of assets that are subject to either a formal valuation at the year end or a professional valuation assessment. For assets not valued in the year, the council has judged that their value has not altered materially at the balance sheet date. This judgement is supported by a year-end market review provided by the Council's qualified valuer that provides assurance that valuation are materially correct at the balance sheet date.

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

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

Accounting Standards that come into effect for financial years commencing on or before 1 January of the financial year i.e. on or before 1 January 2019 for 2019/20 are considered for changes to accounting policy that may result in the amendment to previously reported figures, where material.

#### **Restatement of CIES 2018/19**

During 2019/20, a small number of cost centres moved between directorates as part of the corporate restructure. Income and Expenditure figures for 2018/19 have been restated in the Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis note because of this. This has not resulted in any overall change in the Net Cost of Services (Comprehensive Income and Expenditure Statement) but provides a more meaningful comparison of gross income and expenditure for directorates.



### 4.2.3 Changes to Accounting Policy and Prior Period Adjustments (continued)

#### Restatement of Schools Land and Buildings ,Community Centres Land and Buildings & Hanford Waste to Energy Plant valuations

During 2019/20, it was identified that :

- The valuations for schools land and buildings were incorrectly applying a discount rate connected to the PFI Schools contract. Resulting in an adjustment of £56.4m in 2017/18 and £40.7m in 2018/19.
- The community centre land and buildings were incorrectly valued on existing use value basis instead of depreciated replacement cost basis .Only nine of the community centre land and buildings with significant values have been revalued, Resulting in an adjustment of £7.9m in 2017/18 and £7.8m in 2018/19.The remaining community centre land and buildings with a total value of £1.1m in 2019/20 are not material to the statement of accounts.
- The valuation for Hanford Waste to Energy Plant was incorrect as the external valuer had not used the correct valuation methodology for a waste to energy plant. Resulting in an adjustment of £38.1m in 2017/18 and £34.5m in 2018/19.

A material prior period adjustment was made with comparatives being restated. The following table shows the relevant changes to the Council's balance sheet as at 31st March 2018 and 31st March 2019.This has resulted in the balance of Property, Plant and Equipment increasing by £102.369m as at 31st March 2018 and £82.997m as at 31st March 2019

Under the requirements of the CIPFA Code of Practice, all adjustments to the Comprehensive Income and Expenditure Statement that relate to asset valuations are reversed out to the Capital Adjustment Account. As such, the correction of these errors has no impact on the year-end General Fund Balance, and the impact is limited to changing two unusable reserves (Capital Adjustment Account and Revaluation Reserve). The Impacted statement/ notes are reflected as 'Restated'.

<b>31 March 2018</b>	<b>Note</b>	<b>Before Adjustment £000</b>	<b>After Adjustment £000</b>	<b>Movement £000</b>
Property, Plant and Equipment	<b>4.2.11a</b>	1,176,478	1,278,847	102,369
Capital Adjustment Account	<b>4.2.10a</b>	(452,358)	(480,370)	(28,012)
Revaluation Reserve	<b>4.2.10b</b>	(172,160)	(246,517)	(74,357)
(Surplus)/Deficit Prov of Services	<b>3.1</b>	78,112	50,100	(28,012)
<b>31 March 2019</b>	<b>Note</b>	<b>Before Adjustment £000</b>	<b>After Adjustment £000</b>	<b>Movement £000</b>
Property, Plant and Equipment	<b>4.2.11a</b>	1,196,649	1,279,646	82,997
Capital Adjustment Account	<b>4.2.10a</b>	(469,003)	(496,676)	(27,673)
Revaluation Reserve	<b>4.2.10b</b>	(162,121)	(217,446)	(55,325)
(Surplus)/Deficit Prov of Services	<b>3.1</b>	26,087	32,451	6,364

## 4.2.3 Changes to Accounting Policy and Prior Period Adjustments (continued)

### Restatement of Group Movement in Reserves Statement and Balance Sheet

The Group Balance Sheet and Group Movement in Reserves Statement has also been restated, bringing it in line with the code of practice. This also includes the above adjustments to Property, Plant and Equipment.

In previous years, when consolidating Fortior Homes Ltd and Uitas Stoke-on-Trent Ltd into the group accounts of Stoke-on-Trent City Council, the elimination of intercompany transactions was incorrectly adjusted against the reserve that the transaction was initially posted too. This also meant that some statutory adjustments were also reversed. This did not comply with the code of practice and therefore these errors were corrected via prior period adjustment.

The table to the side shows prior year comparatives before the restatement.

It is important to note that this table does not reflect the adjustments made for the **Restatement of Schools Land and Buildings ,Community Centres Land and Buildings & Hanford Waste to Energy Plant valuations**

These adjustments need to be considered when assessing any movement on the Capital Adjustment Account and the Revaluation Reserve.

<b>Before Restatement of Balance Sheet</b>	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
General Fund Balance	9,082	9,556
Earmarked Reserves - General Fund	50,763	35,290
Usable Capital Receipts Reserve	10,373	11,705
Housing Revenue Account Balance	7,740	7,833
Earmarked Reserves - HRA	17,031	14,827
Major Repairs Reserves	9,470	9,467
Capital Grants Unapplied	5,355	4,484
<b>Usable Reserves</b>	<b>109,816</b>	<b>93,162</b>
Capital Adjustment Account	452,358	471,967
Revaluation Reserve	172,160	162,121
Collection Fund Adjustment Account	698	2,328
Pensions Reserve (Deficit)	(464,587)	(565,685)
Accumulated Absences Account	(6,833)	(4,522)
Financial Instruments Adjustment Account	(3,096)	(3,133)
Financial Instruments Revaluation Reserve	7,188	5,100
Deferred Capital Receipts Reserve	6,245	6,123
<b>Unusable Reserves</b>	<b>164,133</b>	<b>74,301</b>
Subsidiary Profit & Loss	(11,313)	(15,519)
<b>Total Reserves</b>	<b>262,636</b>	<b>151,944</b>

## 4.2.3 Changes to Accounting Policy and Prior Period Adjustments (continued)

### Restatement of Group Movement in Reserves Statement and Balance Sheet

The table below shows prior year comparatives for reserves after the restatement.

The restatement has resulted in a minor adjustments to the Financial Instruments Revaluation Reserve. These all agree to the balance sheet in Stoke-on-Trent City Council's accounts. The Subsidiary Profit & Loss reserve has now been split between usable and unusable reserves and is shown under 'Subsidiary Profit & Loss' and 'Group Share of Reserves' line.

After restatement of the Balance Sheet	31 March 2018 (Restated)	Movement
	£000	£000
General Fund Balance	9,082	-
Earmarked Reserves - General Fund	50,763	-
Usable Capital Receipts Reserve	10,373	-
Housing Revenue Account Balance	7,740	-
Earmarked Reserves - HRA	17,031	-
Major Repairs Reserves	9,470	-
Capital Grants Unapplied	5,355	-
<b>Total Authority Usable Reserves</b>	<b>109,815</b>	-
Subsidiary Profit & Loss	(11,313)	-
<b>Total Group Usable Reserves</b>	<b>98,502</b>	-
Capital Adjustment Account	480,370	28,012
Revaluation Reserve	246,517	74,352
Collection Fund Adjustment Account	698	-
Pensions Reserve (Deficit)	(464,587)	-
Accumulated Absences Account	(6,833)	-
Financial Instruments Adjustment Account	(3,096)	-
Financial Instruments Revaluation Reserve	7,022	(165)
Deferred Capital Receipts Reserve	6,245	-
<b>Total Authority Unusable Reserves</b>	<b>266,336</b>	<b>102,203</b>
Group Share of Reserves	165	165
<b>Total Group Unusable Reserves</b>	<b>266,501</b>	<b>102,368</b>
<b>Total Reserves</b>	<b>365,003</b>	<b>102,368</b>

## 4.2.3 Changes to Accounting Policy and Prior Period Adjustments (continued)

### Restatement of Group Movement in Reserves Statement and Balance Sheet

The table below shows prior year comparatives for reserves after the restatement.

The restatement has resulted in an adjustment to the Financial Instruments Revaluation Reserve alongside minor adjustments to Usable Reserves. These all agree to the balance sheet in Stoke-on-Trent City Council's accounts. The Subsidiary Profit & Loss reserve has now been split between usable and unusable reserves and is shown under 'Subsidiary Profit & Loss' and 'Group Share of Reserves' line.

After restatement of the Balance Sheet	31 March 2019 (Restated)	Movement
	£000	£000
General Fund Balance	9,658	102
Earmarked Reserves - General Fund	35,290	-
Usable Capital Receipts Reserve	12,455	750
Housing Revenue Account Balance	7,791	(42)
Earmarked Reserves - HRA	14,827	-
Major Repairs Reserves	9,467	-
Capital Grants Unapplied	4,484	-
<b>Total Authority Usable Reserves</b>	<b>93,973</b>	<b>810</b>
Subsidiary Profit & Loss	(15,477)	42
<b>Usable Reserves</b>	<b>78,496</b>	<b>852</b>
Capital Adjustment Account	496,676	24,709
Revaluation Reserve	217,446	55,325
Collection Fund Adjustment Account	2,328	-
Pensions Reserve (Deficit)	(565,684)	-
Accumulated Absences Account	(4,522)	-
Financial Instruments Adjustment Account	(3,133)	-
Financial Instruments Revaluation Reserve	14,516	9,416
Deferred Capital Receipts Reserve	6,123	-
<b>Total Authority Unusable Reserves</b>	<b>163,749</b>	<b>89,448</b>
Group Share of Reserves	(7,303)	(7,303)
<b>Unusable Reserves</b>	<b>156,446</b>	<b>82,144</b>
<b>Total Reserves</b>	<b>234,942</b>	<b>82,996</b>

## 4.2.3 Changes to Accounting Policy and Prior Period Adjustments (continued)

### Restatement of Group Movement in Reserves Statement and Balance Sheet

The Group Movement in Reserves has changed as follows:

The adjustments for the restatement of financial instruments now show the full impact to Stoke-on-Trent City Council. This relates to the expected credit loss allowance recognised in the accounts as at 1st April 2018 upon the adoption of the IFRS 9 Financial Instruments standard. As this expected credit loss allowance relates to the loan to Fortior Homes Limited it is eliminated upon consolidation. Therefore, this amount is also included within the Adjustments between group accounts and authority accounts.

2018/19	Note	General Fund Reserve £000	Housing Revenue Account Reserve £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Authority Usable Reserves £000	Total Authority Unusable Reserves £000	Total Authority Reserves £000	Subsidiary Profit and Loss £000	Group Share of Reserves £000	Total Group Reserves £000
<b>Before restatement</b>												
Adjustments for the restatement of financial instruments		293	-	-	-	-	293	-	293	-	-	293
<b>After restatement</b>												
Adjustments for the restatement of financial instruments		(1,808)	-	-	-	-	(1,808)	-	(1,808)	-	2,101	293
<b>Movement</b>		<b>(2,101)</b>	-	-	-	-	<b>(2,101)</b>	-	<b>(2,101)</b>	-	<b>2,101</b>	-

## 4.2.3 Changes to Accounting Policy and Prior Period Adjustments (continued)

### Restatement of Group Movement in Reserves Statement and Balance Sheet

The Total Comprehensive Expenditure and Income line within the Group Movement in Reserves has now been split between Group Surplus/Deficit and Other Comprehensive Income and Expenditure. These figures have also been adjusted following the **Restatement of Schools Land and Buildings ,Community Centres Land and Buildings & Hanford Waste to Energy Plant valuations**

2018/19	Note	General Fund Reserve 000£	Housing Revenue Account Reserve 000£	Major Repairs Reserve 000£	Usable Capital Receipts 000£	Capital Grants Unapplied 000£	Total Authority Usable Reserves 000£	Total Authority Unusable Reserves 000£	Total Authority Reserves 000£	Subsidiary Profit and Loss 000£	Group Share of Reserves 000£	Total Group Reserves 000£
<b>Before restatement</b>												
Total Comprehensive Expenditure and Income		(56,485)	30,449	-	-	-	(26,036)	(80,743)	(106,779)	(4,206)	-	(110,985)
<b>After restatement</b>												
Group Surplus/Deficit	7.2	(71,824)	85,368	-	-	-	13,544	-	13,544	(47,767)	-	(34,223)
Other Comprehensive Income and Expenditure	7.2	-	-	-	-	-	-	(93,753)	(93,753)	(2,382)	-	(96,135)
<b>Movement</b>		(151,339)	54,919	-	-	-	39,580	(13,010)	26,570	(45,943)	-	(19,373)

## 4.2.3 Changes to Accounting Policy and Prior Period Adjustments (continued)

### Restatement of Group Movement in Reserves Statement and Balance Sheet

There has also been the inclusion of an adjustments between group accounts and authority accounts line. This removes the group impact on the CIES and adjustments between accounting basis and funding basis under regulations, bringing the movement in reserves to agree to the authority accounts.

2018/19	Note	General Fund Reserve £000	Housing Revenue Account Reserve £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Authority Usable Reserves £000	Total Authority Unusable Reserves £000	Total Authority Reserves £000	Subsidiary Profit and Loss £000	Group Share of Reserves £000	Total Group Reserves £000
<b>Before restatement</b>												
Adjustments between accounting basis and funding basis under regulations		41,192	(32,560)	(3)	1,331	(871)	9,089	(9,089)	-	-	-	-
<b>After restatement</b>												
Adjustments between group accounts and authority accounts	7.6f	8,965	(54,960)	-	-	-	(45,995)	9,580	(36,415)	45,984	(9,569)	-
Adjustments between accounting basis and funding basis under regulations		49,769	(32,561)	(3)	2,081	(871)	18,415	(18,415)	-	-	-	-
<b>Movement</b>		<b>17,542</b>	<b>(54,961)</b>	<b>-</b>	<b>750</b>	<b>-</b>	<b>(36,669)</b>	<b>254</b>	<b>(36,415)</b>	<b>45,984</b>	<b>(9,569)</b>	<b>-</b>

## 4.2.3 Changes to Accounting Policy and Prior Period Adjustments (continued)

### Restatement Capital Grants within Expenditure and Funding Analysis

During 2019/20, it was identified that the capital grants were incorrectly included under fees, charges and service income line instead of government grants and contributions line within note 4.2.5 Expenditure and Funding Analysis. As a result a prior period adjustment was made with comparatives being restated to correctly show capital grants of £23.954m under government grants and contributions line. The following table shows the changes made to note 4.2.5 Expenditure and Funding Analysis as at 31st March 2019.

2018/19	Accounting Adjustments £000	Net Expenditure in the CIES £000
<b>Income (before restatement)</b>		
Fees, charges and service income	(28,998)	(208,681)
<b>Income (after restatement)</b>		
Fees, charges and service income	(5,044)	(184,727)
<b>Movement</b>	<b>23,954</b>	<b>23,954</b>
<b>Income (before restatement)</b>		
Govt. grants and contributions	(4,001)	(286,114)
<b>Income (after restatement)</b>		
Govt. grants and contributions	(27,955)	(310,068)
<b>Movement</b>	<b>(23,954)</b>	<b>(23,954)</b>



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

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

### **Pensions Assets/Liability**

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

The effect of the net pensions liability of changes in individual assumptions can be measured. For instance, all other factors remaining equal, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £132.603m.

### **Arrears**

At the 31 March 2020 the Council has a gross short term debtor's balance of £86.069m. A review of significant debtor balances has been undertaken and a debtors' impairment figure of £18.874m has been set aside in the accounts. This impairment allowance based on past patterns and future assumptions of collection. Should economic factors mean the impairment allowance is insufficient then any excess debt that proves uncollectable will result in a charge to the CIES. This cost may ultimately fall to the General Fund, HRA Balance of the Collection Fund Adjustment Account, depending on the nature of the debt. Should an additional 5% of debts prove to be uncollectable (above the amount set aside) there would be a cost of £0.944m to the Council.

### **PFI and Similar Contracts**

As at 31 March 2020 the Authority had committed to making unitary payments of £281.941m over the remaining lives of the PFI and similar contracts schemes (see note 4.2.13) . The contract payments are subject to inflationary increases, based on factors such as energy prices and various other contract variations that may arise after this date. In the current economic climate particularly with respect to energy prices, the value of future unitary payments may be higher than currently anticipated.

If inflationary factors were to increase by 0.5% on all PFI schemes, an additional £2.262m would need to be set aside to meet future commitments. If inflationary factors were to decrease by 0.5% on all PFI schemes, future commitments would be £2.243m lower.

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

### Business Rate Appeals

The 2019/20 Accounts include estimates of the potential costs that may arise as a result of appeals lodged against non-domestic rate charges by local organisations. A gross provision of £8.310m has been set aside based on details of outstanding claims provided by the valuation office agency, analysis of historical trends in appeal outcomes and local knowledge. The City Council share of this provision is 74% (£6.149m). Should the actual outcomes from these appeals result in higher or lower costs then there would be a corresponding increase or decrease in the collection fund deficit charges to the taxation and non-specific grant income line of the CIES. This deterioration would be recorded against the Collection Fund Adjustment Account for one year before being transferred to the General Fund the next. A 10% increase in cost from appeals would reduce net income by £0.615m.

### Property Valuations

The Council revalues its assets with sufficient regularity to ensure the value at the balance sheet date is materially correct. Where there is evidence of such movements, further valuations will be undertaken. The Council bases its valuation on assumptions of asset conditions, useful lives, residual values and market conditions. These judgements are underpinned by the best available information and are made by qualified valuers but are still based on estimates. A 1.0% fluctuation in council dwellings and other land and buildings values would amount to a £9.0m movement in Property, Plant and Equipment balance shown on the balance sheet.

### COVID-19

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of COVID-19. Subsequently, on 23 March 2020, the Prime Minister announced that to limit the spread of the disease he would be requiring people to stay at home as much as possible. Since

then, there have been various levels of business and movement restrictions in place at different times.

The pandemic, and the response to it, have significantly impacted market activity across many sectors, and have presented the Council's property valuers with an unprecedented set of circumstances on which to base their valuation judgements. In particular, evidence from transactions taking place before the pandemic now has less weight to inform opinions of value.

As such, the Council's external valuers have reported their valuations on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to these valuations than normally would be the case. This includes the valuation of investment properties, surplus assets and other land & buildings.

## 4.2.5 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed. The impact on reserves can be seen at section 3.3.

2019/20	Children and Family Services £000	Social Care, Health Integration and Wellbeing £000	Place, Growth and Prosperity £000	Housing and Customer Services £000	City Director £000	Housing Revenue Account £000	Schools £000	Non Departmental Costs, Benefits Payments and Civic and Corporate £000	Other Income and Expenditure £000	Expenditure Chargeable to the GF/HRA Balances £000	Accounting Adjustments £000	Net Expenditure in the CIES £000
<b>Income</b>												
Fees, charges and service income	(23,558)	(44,600)	(33,239)	(4,386)	(6,167)	(67,558)	(4,437)	(12,274)	-	(196,219)	8,432	(187,787)
Interest and investment income	-	-	-	(3,446)	-	(75)	-	(2,281)	-	(5,802)	(165)	(5,967)
Council tax and business rates	-	-	-	-	-	-	-	-	(186,778)	(186,778)	897	(185,881)
Govt. grants and contributions	(60,120)	(49,893)	(3,176)	(1,142)	(1,596)	(75)	(45,457)	(70,898)	(16,128)	(248,485)	(25,161)	(273,646)
<b>Expenditure</b>												
Employee benefits expenses	51,992	30,778	27,167	10,390	20,110	11,358	20,999	13,652	-	186,446	38,902	225,348
Other service expenses	128,666	119,870	60,363	8,224	11,322	53,615	31,195	74,076	-	487,331	(92,804)	394,527
Depn, amortisation and impairment	-	-	-	-	-	19,045	-	3,432	-	22,477	82,085	104,562
Interest Payments	-	-	-	-	-	-	-	15,328	-	15,328	10,154	25,482
Precepts and levies	-	-	-	-	-	-	-	75	-	75	-	75
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	1,320	-	1,320	-	1,320
Gain or loss on disposal	-	-	-	-	-	(2,303)	-	(1,977)	-	(4,280)	15,461	11,181
Internal recharges	(13,762)	(3,285)	(20,573)	(4,109)	(4,222)	-	(1,068)	(5,011)	-	(52,030)	47,933	(4,097)
<b>Expenditure chargeable to the GF and HRA Balances</b>	<b>83,218</b>	<b>52,870</b>	<b>30,542</b>	<b>5,531</b>	<b>19,447</b>	<b>14,007</b>	<b>1,232</b>	<b>15,442</b>	<b>(202,906)</b>	<b>19,383</b>	<b>85,734</b>	<b>105,117</b>

## 4.2.5 Expenditure and Funding Analysis (continued)

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed. The impact on reserves can be seen at section 3.3.

2019/20	Children and Family Services £000	Social Care, Health Integration and Wellbeing £000	Place, Growth and Prosperity £000	Housing and Customer Services £000	City Director £000	Housing Revenue Account £000	Schools £000	Non Departmental Costs, Benefits Payments and Civic and Corporate £000	Other Income and Expenditure £000	Expenditure Chargeable to the GF/HRA Balances £000	Accounting Adjustments £000	Net Expenditure in the CIES £000
<b>Expenditure chargeable to the GF and HRA Balances</b>	83,218	52,870	30,542	5,531	19,447	14,007	1,232	15,442	(202,906)	19,383	85,734	105,117
Accounting Adjustments	8,411	166	30,443	8,132	9,020	(5,674)	3,342	(9,878)	41,771	85,734	4.2.6	
<b>(Surplus) or Deficit</b>	<b>91,629</b>	<b>53,036</b>	<b>60,985</b>	<b>13,663</b>	<b>28,467</b>	<b>8,333</b>	<b>4,574</b>	<b>5,564</b>	<b>(161,135)</b>	<b>105,117</b>		<b>3.1</b>

Opening General Fund and HRA Balance at 31 March 2019	67,566,000
Less deficit on General Fund and HRA Balance in Year	(19,383,000)
<b>Closing General Fund and HRA Balance at 31 March 2020</b>	<b>48,183,000</b>

## 4.2.5 Expenditure and Funding Analysis (continued)

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed. The impact on reserves can be seen at section 3.3.

2018/19 (Restated)	Children and Family Services £000	Social Care, Health Integration and Wellbeing £000	Place, Growth and Prosperity £000	Housing and Customer Services £000	City Director £000	Housing Revenue Account £000	Schools £000	Non Departmental Costs, Benefits Payments and Civic and Corporate £000	Other Income and Expenditure £000	Expenditure Chargeable to the GF/HRA Balances £000	Accounting Adjustments £000	Net Expenditure in the CIES £000
<b>Income</b>												
Fees, charges and service income	(21,884)	(41,490)	(32,022)	(2,176)	(6,103)	(69,289)	(4,834)	(1,885)	-	<b>(179,683)</b>	(5,044)	<b>(184,727)</b>
Interest and investment income	-	-	-	(5,976)	-	(75)	-	(988)	-	<b>(7,039)</b>	2,016	<b>(5,023)</b>
Council tax and business rates	-	-	-	-	-	-	-	-	(158,387)	<b>(158,387)</b>	(1,631)	<b>(160,018)</b>
Govt. grants and contributions	(58,152)	(41,181)	(3,222)	(1,199)	(1,914)	(49)	(54,863)	(82,925)	(38,608)	<b>(282,113)</b>	(27,955)	<b>(310,068)</b>
<b>Expenditure</b>												
Employee benefits expenses	46,323	30,620	27,942	9,861	20,377	13,165	21,896	3,998	-	<b>174,182</b>	46,313	<b>220,495</b>
Other service expenses	123,984	120,406	62,406	9,461	11,197	41,629	36,600	89,177	-	<b>494,860</b>	(94,911)	<b>399,949</b>
Depn, amortisation and impairment	-	-	-	-	-	19,627	-	2,314	-	<b>21,941</b>	28,949	<b>50,890</b>
Interest Payments	1,129	-	-	-	-	-	-	13,507	-	<b>14,636</b>	7,103	<b>21,739</b>
Precepts and levies	-	-	-	-	-	-	-	73	-	<b>73</b>	-	<b>73</b>
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	1,320	-	<b>1,320</b>	-	<b>1,320</b>
Gain or loss on disposal	-	-	-	-	-	(2,856)	-	(2,077)	-	<b>(4,933)</b>	8,325	<b>3,392</b>
Internal recharges	(14,323)	(3,689)	(23,284)	(4,103)	(4,643)	(1)	(1,637)	(6,127)	-	<b>(57,807)</b>	52,236	<b>(5,571)</b>
<b>Expenditure chargeable to the GF and HRA Balances</b>	<b>77,077</b>	<b>64,666</b>	<b>31,820</b>	<b>5,868</b>	<b>18,914</b>	<b>2,151</b>	<b>(2,838)</b>	<b>16,387</b>	<b>(196,995)</b>	<b>17,050</b>	<b>15,401</b>	<b>32,451</b>

## 4.2.5 Expenditure and Funding Analysis (continued)

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed. The impact on reserves can be seen at section 3.3.

2018/19 (Restated)	Children and Family Services £000	Social Care, Health Integration and Wellbeing £000	Place, Growth and Prosperity £000	Housing and Customer Services £000	City Director £000	Housing Revenue Account £000	Schools £000	Payments and Civic and Corporate £000	Non Departmental Costs, Benefits £000	Other Income and Expenditure £000	Chargeable to the GF/ Expenditure £000	Accounting Adjustments £000	Net Expenditure in the CIES £000
<b>Expenditure chargeable to the GF and HRA Balances</b>	77,077	64,666	31,820	5,868	18,914	2,151	(2,838)	16,387	(196,995)	17,050	15,401	<b>32,451</b>	
Accounting Adjustments	3,566	(1,863)	23,168	10,579	8,657	(35,311)	2,634	(15,627)	19,598	15,401	<b>4.2.6</b>		
<b>(Surplus) or Deficit</b>	<b>80,643</b>	<b>62,803</b>	<b>54,988</b>	<b>16,447</b>	<b>27,571</b>	<b>(33,160)</b>	<b>(204)</b>	<b>760</b>	<b>(177,397)</b>	<b>32,451</b>		<b>3.1</b>	

Opening General Fund and HRA Balance at 31 March 2018	84,616,000
Less deficit on General Fund and HRA Balance in Year	(17,050,000)
<b>Closing General Fund and HRA Balance at 31 March 2019</b>	<b>67,566,000</b>

## 4.2.6 Notes to Income and Expenditure

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

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

	2019/20					
	For Capital Purposes £000	Net change for the Pensions £000	Other Differences £000	Amounts not Included in net Cost of Services £000	Reversal of internal recharges £000	Total Adjustments £000
Children and Family Services	2,507	5,442	(65)	2,830	(2,303)	8,411
Social Care, Health Integration and Wellbeing	(4,089)	2,949	8	6,986	(5,688)	166
Place, Growth and Prosperity	25,730	2,925	(22)	(1,866)	3,677	30,443
Housing and Customer Services	4,689	662	3,389	20	(628)	8,132
City Director	2,181	1,955	(2)	1,493	3,393	9,020
Housing Revenue Account	(2,383)	458	21	(3,770)	-	(5,674)
Schools	895	2,515	(158)	(970)	1,060	3,342
Non Departmental Costs	53,636	(7,815)	(2,222)	(53,966)	489	(9,878)
<b>Net Cost of Services</b>	<b>83,166</b>	<b>9,091</b>	<b>949</b>	<b>(49,243)</b>	-	<b>43,963</b>
Other Income and Expenditure	(20,389)	13,541	(624)	49,243	-	41,771
	<b>62,777</b>	<b>22,632</b>	<b>325</b>	-	-	<b>85,734</b>

## 4.2.6 Notes to Income and Expenditure (continued)

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

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

						2018/19
<b>Restated</b>	<b>For Capital Purposes £000</b>	<b>Net change for the Pensions £000</b>	<b>Other Differences £000</b>	<b>Amounts not Included in net Cost of Services £000</b>	<b>Reversal of internal recharges £000</b>	<b>Total Adjustments £000</b>
Children and Family Services	5,106	4,318	(148)	(1,019)	(4,691)	<b>3,566</b>
Social Care, Health Integration and Wellbeing	469	3,200	(2)	(927)	(4,603)	<b>(1,863)</b>
Place, Growth and Prosperity	20,533	3,179	56	(3,184)	2,584	<b>23,168</b>
Housing and Customer Services	7,103	(1,720)	4,183	20	993	<b>10,579</b>
City Director	470	4,231	(1)	1,826	2,131	<b>8,657</b>
Housing Revenue Account	(33,847)	719	(49)	(2,134)	-	<b>(35,311)</b>
Schools	1,027	1,886	(2,217)	-	1,938	<b>2,634</b>
Non Departmental Costs	11,274	(1,480)	(492)	(26,577)	1,648	<b>(15,627)</b>
<b>Net Cost of Services</b>	<b>12,135</b>	<b>14,333</b>	<b>1,330</b>	<b>(31,995)</b>	-	<b>(4,197)</b>
Other Income and Expenditure	(17,698)	12,343	(7,042)	31,995	-	<b>19,598</b>
	<b>(5,563)</b>	<b>26,676</b>	<b>(5,712)</b>	-	-	<b>15,401</b>



## 4.2.6 Notes to Income and Expenditure (continued)

### b - Other Operating Expenditure

2018/19		2019/20
£000	Notes	£000
711	Levies and external contributions	752
(1,619)	Loss/(gain) on disposal of non current assets	(698)
1,320	Payments to the Government housing capital receipts pool	1,320
(13)	Other (income)/expenditure	(14)
<b>399</b>		<b>1,360</b>

### c - Financing and Investment Income & Expenditure

2018/19		2019/20
Restated	Notes	£000
£000		£000
28,857	Interest payable and similar charges	29,993
12,343	Net interest on the net defined benefit liability	13,541
(665)	Interest and investment income	(2,310)
15,570	Derecognition of school assets transferred to academies - non current assets <sup>1</sup>	42,385
-	Derecognition of school assets - transferred to academies - other <sup>1</sup>	970
813	Income and expenditure in relation to investment properties and changes in fair value	(1,869)
(4,238)	Other investment income	(3,426)
<b>52,680</b>		<b>79,284</b>

<sup>1</sup> 3 primary schools and 2 secondary schools in 2019/20 (7 primary schools in 2018/19)

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

2018/19		2019/20
£000	Notes	£000
(85,654)	Council tax income	(85,530)
(74,364)	Non domestic rates	(100,350)
(46,504)	Non-specific government grants	(33,930)
(23,954)	Capital grants and contributions	(21,969)
<b>(230,476)</b>		<b>(241,779)</b>

## 4.2.7 Exceptional Items in the CIES

**Capitalisation Direction** - Following the mid-year budget in 2019-20 the city council applied for a capitalisation direction to fund revenue expenditure incurred in 2019/20 in respect of redundancy costs. The application included an estimate of these redundancy costs, totalling £12.9m. The request for the direction was due to the timing of expected capital receipts that will be used to fund the redundancy costs under the capital receipts flexibility guidance falling outside the current financial year.

A direction letter authorising the council to treat this revenue expenditure as capital expenditure was received on 30 March 2020 to an amount not exceeding £12.9m. The direction requires that the future related asset sales are utilised to reduce future borrowing requirements and works with the MHCLG to review the Councils wider financial position and financial management.

The 2019/20 outturn position includes a total of £11.9m redundancy costs that have now been capitalised in line with the direction. The outturn was lower than the original estimate mainly as a result of a delay in staff leaving as part of the saving proposals included in the 2020/21 MTFS.

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

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

Adjustments Primarily Involving:	Notes	2019/20 Useable Reserves					Movement in Unusable Reserves £000
		General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Capital Adjustment Account</b>							
<i>Reversal of items debited or credited to the CIES</i>							
Depreciation of Non-Current Assets	4.2.11f	(22,878)	(15,703)	-	-	-	38,581
Impairment of Non-Current Assets	4.2.11f	(5,956)	(55)	-	-	-	6,011
Revaluation losses on Property, Plant and Equipment	4.2.11f	(7,729)	(11,702)	-	-	-	19,431
Movement in market value of Investment Property	4.2.11f	551	-	-	-	-	(551)
Amortisation of Intangible Assets	4.2.11f	(1,397)	(22)	-	-	-	1,419
Revenue Expenditure Funded from Capital Under Statute		(6,129)	(756)	-	-	-	6,885
Expected credit loss allowance (capital)		(1,312)	-	-	-	-	1,312
Capitalisation of redundancies/actuarial strain		(11,913)	-	-	-	-	11,913
<b>Carrying Amount of Non-Current Assets:</b>							
- written off on disposal to the CIES	4.2.11f	(47,286)	(6,096)	-	-	-	53,383
- finance leases written off on disposal to the CIES		-	-	-	-	-	-
- written off on derecognition to the CIES	4.2.11f	-	-	-	-	-	-
Capital grants and contributions applied		13,910	260	-	-	-	(14,170)
Revenue Expenditure Funded from Capital Under Statute - Funding		4,341	-	-	-	-	(4,341)
Service concession deferred income write back		1,286	-	-	-	-	(1,286)

## 4.2.8 Adjustments between Accounting basis and funding basis under regulations (continued)

Adjustments Primarily Involving:	Notes	2019/20 Useable Reserves					Capital Grants Unapplied	Capital Grants	Movement in Unusable Reserves
		General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants			
		£000	£000	£000	£000	£000	£000	£000	
<b>Insertion of items not debited or credited to the CIES</b>									
MRP for capital financing	4.2.12b	18,162	-	-	-	-	-	(18,162)	
County council principal loan repayment	4.2.14b	1,829	-	-	-	-	-	(1,829)	
HRA repayment of debt		-	-	-	-	-	-	-	
Capital expenditure charged against the general fund		500	12,333	-	-	-	-	(12,833)	
<b>Capital Grants Unapplied</b>									
Capital grants credited to the CIES which are unapplied	4.2.9d	3,458	-	-	-	(3,458)	-	-	
Transfer to/from revenue reserve		-	-	-	-	-	-	-	
Transfer of grants applied to Capital Adjustment Account	4.2.9d	-	-	-	-	42	-	(42)	
<b>Financial Instruments Adjustment Account</b>									
	4.2.10e	317	-	-	-	-	-	(317)	
<b>Pensions Reserve</b>									
Reversal of items relating to retirement benefits debited or credited to the		(49,989)	(2,647)	-	-	-	-	52,637	
Employer's contributions and direct payments made in year to the pension fund		28,497	1,509	-	-	-	-	(30,006)	
<b>Collection Fund Adjustment Account - difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to:</b>									
- Council Tax	6.1	(1,553)	-	-	-	-	-	1,553	
- Business Rates	6.1	656	-	-	-	-	-	(656)	

## 4.2.8 Adjustments between Accounting basis and funding basis under regulations (continued)

	Notes	2019/20 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	
<b>Adjustments Primarily Involving:</b>							
<b>Accumulated Absences Account</b>		280	(21)	-	-	-	(259)
<b>Deferred Capital Receipts Reserve</b>							
Transfer of deferred capital grants credited to the CIES	4.2.10d	-	-	-	-	-	-
<b>Capital Receipts Reserve</b>							
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES	4.2.9c	3,297	8,400	(11,697)	-	-	-
Transfer of notional sale proceeds credited as part of gain/loss in disposal to the CIES	4.2.9c	-	-	-	-	-	-
<b>Contribution from Capital Receipts Reserve to:</b>							
- disposal costs	4.2.9c	(17)	-	17	-	-	-
- Government Capital Receipts Pool	4.2.9c	(1,320)	-	1,320	-	-	-
Repayment from long term debtors	4.2.9c	-	-	(409)	-	-	409
Use of capital receipts for transformation	4.2.9c	(6,561)	-	6,561	-	-	-
Use of capital receipts to finance capital expenditure	4.2.9c	-	-	2,427	-	-	(2,427)
<b>Major Repairs Reserve</b>							
Contribution for depreciation		-	15,702	-	(15,702)	-	-
Voluntary contribution		-	23	-	(23)	-	-
Use of major repairs allowance to finance capital expenditure		-	-	-	15,725	-	(15,725)
<b>Total adjustments</b>		<b>(86,957)</b>	<b>1,225</b>	<b>(1,781)</b>	<b>-</b>	<b>(3,416)</b>	<b>90,929</b>

#### 4.2.8 Adjustments between Accounting basis and funding basis under regulations (continued)

	Notes	2018/19 Useable Reserves					Movement in Unusable Reserves £000
		General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Unapplied Capital Grants £000	
<b>(Restated) Adjustments Primarily Involving:</b>							
<b>Capital Adjustment Account</b>							
<i>Reversal of items debited or credited to the CIES</i>							
Depreciation of Non-Current Assets	4.2.11f	(23,661)	(14,315)	-	-	-	37,976
Impairment of Non-Current Assets	4.2.11f	(5,627)	(575)	-	-	-	6,202
Revaluation losses on Property, Plant and Equipment	4.2.11f	(6,354)	24,953	-	-	-	(18,599)
Movement in market value of Investment Property	4.2.11f	(1,727)	-	-	-	-	1,727
Amortisation of Intangible Assets	4.2.11f	(1,111)	-	-	-	-	1,111
Revenue Expenditure Funded from Capital Under Statute		(8,700)	(1,103)	-	-	-	9,803
Expected credit loss allowance (capital)		(2,112)	-	-	-	-	2,112
<b>Carrying Amount of Non-Current Assets:</b>							
- written off on disposal to the CIES	4.2.11f	(3,314)	(6,278)	-	-	-	9,592
- finance leases written off on disposal to the CIES		-	-	-	-	-	-
- written off on derecognition to the CIES	4.2.11f	(15,569)	-	-	-	-	15,569
Capital grants and contributions applied		12,772	1,315	-	-	-	(14,087)
Revenue Expenditure Funded from Capital Under Statute - Funding		8,680	39	-	-	-	(8,719)
Service concession deferred income write back		1,287	-	-	-	-	(1,287)

#### 4.2.8 Adjustments between Accounting basis and funding basis under regulations (continued)

	Notes	2018/19 Useable Reserves					Movement in Unusable Reserves £000
		General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Repairs Reserve £000	Major Repairs Reserve £000	
<b>(Restated) Adjustments Primarily Involving:</b>							
<b><i>Insertion of items not debited or credited to the CIES</i></b>							
MRP for capital financing	4.2.12d	15,826	-	-	-	-	(15,826)
County council principal loan repayment		1,829	-	-	-	-	(1,829)
HRA repayment of debt		-	-	-	-	-	-
Capital expenditure charged against the general fund		1,962	6,364	-	-	-	(8,326)
<b>Capital Grants Unapplied</b>							
Capital grants credited to the CIES which are unapplied		1,064	-	-	-	(1,064)	-
Transfer to/from revenue reserve		-	-	-	-	-	-
Transfer of grants applied to Capital Adjustment Account		-	-	-	-	1,935	(1,935)
<b>Financial Instruments Adjustment Account</b>	4.2.10e	(37)	-	-	-	-	37
<b>Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the Employer's contributions and direct payments made in year to the pension fund		(53,547)	(2,827)	-	-	-	56,374
		28,208	1,489	-	-	-	(29,697)
<b>Collection Fund Adjustment Account - difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to:</b>							
- Council Tax		(1,473)	-	-	-	-	1,473
- Business Rates		3,104	-	-	-	-	(3,104)

#### 4.2.8 Adjustments between Accounting basis and funding basis under regulations (continued)

	Notes	2018/19 Useable Reserves					Movement in Unusable Reserves £000
		General Fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>(Restated) Adjustments Primarily Involving:</b>							
<b>Accumulated Absences Account</b>		2,261	50	-	-	-	(2,311)
<b>Deferred Capital Receipts Reserve</b>							
Transfer of deferred capital grants credited to the CIES	<b>4.2.10d</b>	85	-	-	-	-	(85)
<b>Capital Receipts Reserve</b>							
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES	<b>4.2.9c</b>	1,857	9,134	(10,991)	-	-	-
Transfer of notional sale proceeds credited as part of gain/loss in disposal to the CIES	<b>4.2.9c</b>	220	-	(220)	-	-	-
<b>Contribution from Capital Receipts Reserve to:</b>							
- disposal costs	<b>4.2.9c</b>	(5)	-	5	-	-	-
- Government Capital Receipts Pool	<b>4.2.9c</b>	(1,320)	-	1,320	-	-	-
Repayment from long term debtors	<b>4.2.9c</b>	-	-	(207)	-	-	207
Use of capital receipts for transformation	<b>4.2.9c</b>	(4,367)	-	4,367	-	-	-
Use of capital receipts to finance capital expenditure	<b>4.2.9c</b>	-	-	3,645	-	-	(3,645)
<b>Major Repairs Reserve</b>							
Contribution for depreciation		-	14,315	-	(14,315)	-	-
Voluntary contribution		-	-	-	-	-	-
Use of major repairs allowance to finance capital expenditure		-	-	-	14,318	-	(14,318)
<b>Total adjustments</b>		<b>(49,769)</b>	<b>32,561</b>	<b>(2,081)</b>	<b>3</b>	<b>871</b>	<b>18,415</b>



## 4.2.9 Usable Reserves

### a - Earmarked Reserves - General Fund

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19.

Balance at 1 April 2018 £000	Transfers From £000	Transfers To £000	Balance at 31 March 2019 £000	Notes General Fund	Balance at 1 April 2019 £000	Transfers From £000	Transfers To £000	Balance at 31 March 2020 £000
1,808	(939)	-	869	Support one off commitments	869	(714)	-	155
2,529	(953)	606	2,182	Other Departmental Reserves	2,182	(1,381)	22	823
4,411	(1)	-	4,410	Insurances	4,410	(440)	-	3,970
552	(46)	-	506	Partnerships	506	(78)	94	522
527	(411)	-	116	Legal Reserve	116	(116)	-	-
1,417	(728)	-	689	Transformation Challenge Award	689	(689)	-	-
-	-	-	-	- Covid-19	-	-	10,038	10,038
2,130	(448)	177	1,859	Other Grants	1,859	(1,158)	1,890	2,591
453	-	-	453	Development Agreements	453	(55)	-	398
480	(117)	66	429	Other Reserves and Donations	429	(197)	12	244
4,154	(1,065)	1,313	4,401	School balances	4,401	(2,748)	472	2,125
36,515	(4,017)	183	32,681	Private Finance Initiative	32,681	(4,256)	63	28,488
(5,670)	(13,796)	5,227	(14,240)	DSG	(14,240)	(6,977)	-	(21,217)
1,243	(818)	273	699	Public Health	699	-	421	1,120
213	(1)	24	236	Invest to Save Reserve	236	-	420	656
<b>50,763</b>	<b>(23,341)</b>	<b>7,868</b>	<b>35,290</b>	<b>Total General Fund Earmarked Reserves</b>	<b>35,290</b>	<b>(18,809)</b>	<b>13,432</b>	<b>29,914</b>

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

## 4.2.9 Usable Reserves (continued)

### b - Earmarked Reserves - HRA

Balance at 1 April 2018 £000	Transfers From £000	Transfers To £000	Balance at 31 March 2019 £000	HRA	Notes	Balance at 1 April 2019 £000	Transfers From £000	Transfers To £000	Balance at 31 March 2020 £000
16,513	(6,063)	4,160	14,610	Housing Capital Reserve		14,610	(14,543)	-	67
518	(301)	-	217	HRA Equipment		217	(217)	-	-
-	-	-	-	- HRA Rent Reserve		-	-	752	752
17,031	(6,364)	4,160	14,827	Total HRA Earmarked Reserves		14,827	(14,760)	752	819

### c - Usable Capital Receipts Reserve

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

31 March 2019 £000	Note	31 March 2020 £000
11,211	Amounts receivable in year	11,697
207	Amounts receivable from long term debtors	409
(5)	Disposal costs	(17)
(1,320)	Capital receipts pooling payment to DCLG	(1,320)
(4,367)	Amount applied for revenue transformation	(6,561)
(3,645)	Amounts applied to finance new capital investment	(2,427)
<b>2,081</b>	<b>Total increase/(decrease) in reserve during year</b>	<b>1,781</b>
10,373	Balance brought forward at 1 April	12,456
<b>12,455</b>	<b>Balance carried forward at 31 March</b>	<b>14,237</b>

## 4.2.9 Usable Reserves (continued)

### d - Capital Grants Unapplied Reserve

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

<b>31 March 2019 £000</b>	<b>Note</b>	<b>31 March 2020 £000</b>
1,064	Capital grants received in year which have not been applied	3,458
(1,935)	Applied during the year transferred to capital adjustment account	(43)
	- Transfer (to)/from revenue reserves	-
<b>(871)</b>	<b>Total increase/(decrease) in reserve during year</b>	<b>3,415</b>
5,356	Balance brought forward at 1 April	4,485
<b>4,485</b>	<b>Balance carried forward at 31 March</b>	<b>7,900</b>

## 4.2.10 Unusable Reserves

**a - Capital Adjustment Account** The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions.

31 March 2019 Restated £000	Note	31 March 2020 £000
<b>480,370</b>		<b>496,676</b>
<b>Balance at 1st April</b>		
(44,178) Charges for depreciation and impairment of non current assets	4.2.8	(44,591)
18,599 Revaluation movement on property, plant and equipment & non current assets held for sale	4.2.8	(19,431)
(1,111) Amortisation of intangible assets	4.2.8	(1,420)
(9,803) Revenue expenditure funded from capital under statute	4.2.8	(6,885)
(9,592) Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal	4.2.8	(10,997)
(15,569) Amounts of non-current assets written off on derecognition or sale as part of gain/loss on disposal	4.2.8	(42,385)
(1,727) Movement in market value of investment properties	4.2.8	551
- Capitalisation of redundancies/actuarial strain	4.2.8	(11,913)
(2,112) Expected Credit Allowance	4.2.8	(1,312)
11,828 Adjusting amounts written out of Revaluation Reserve		15,980
<b>(53,665) Net Written out amount of the cost of non-current assets consumed in the year</b>		<b>(122,403)</b>
<b><i>Capital Financing applied in the year:</i></b>		
3,645 Use of capital receipts reserve to finance new capital	4.2.12b	2,427
14,318 Use of major repairs reserve to finance new capital	4.2.12b	15,725
22,805 Capital grants and contributions credited to the CIES applied to capital financing	4.2.12b	18,511
1,935 Applications of grants to capital financing from capital grants unapplied account	4.2.12b	43
17,655 Statutory provisions for the financing of capital investment charged against the General Fund		19,991
1,287 Service Concession deferred income write back		1,286
1,962 Capital expenditure charged against the General Fund		500
6,364 Capital expenditure charged against the HRA		12,333
<b>69,971</b>		<b>70,816</b>
<b>496,676 Balance at 31 March</b>		<b>445,089</b>

## 4.2.10 Unusable Reserves (continued)

### b - Revaluation Reserve

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

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

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

31 March 2019  Restated  £000	Note	31 March 2020  £000
<b>246,517</b> Balance at 1st April		<b>217,446</b>
20,339 Upwards revaluation of assets		55,383
(37,584) Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		(23,169)
<b>(17,245)</b> Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		<b>32,214</b>
(3,815) Difference between fair value depreciation and historical cost depreciation		(3,103)
(8,011) Accumulated gains on assets sold or scrapped		(12,877)
(11,826) Amount written off to the Capital Adjustment Account		(15,980)
<b>217,446</b> Balance at 31 March		<b>233,680</b>

## 4.2.10 Unusable Reserves (continued)

### c - Pensions Reserve

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

31 March 2019 £000	Note	31 March 2020 £000
<b>(464,587)</b>	<b>Balance at 1st April</b>	<b>(565,685)</b>
(74,421)	Remeasurements of the net defined benefit liability/asset	209,785
(56,374)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(52,637)
29,697	Employers' pension contributions and direct payments to pensioners payable in the year	30,006
<b>(565,685)</b>	<b>Balance at 31 March</b>	<b>(378,531)</b>

## 4.2.10 Unusable Reserves (continued)

### d - Deferred Capital Receipts Reserve

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

31 March 2019 £000	Note	31 March 2020 £000
<b>6,245</b>	<b>Balance at 1st April</b>	<b>6,123</b>
-	- New deferred receipts - empty homes	-
85	New deferred receipts - home improvements	-
	<i>Transfers to useable capital receipts reserve upon receipt of cash/assets</i>	
(207)	Repayment of long term debtors	(409)
-	- Deferred sale proceeds on non-current assets	-
-	- Deferred sale proceeds on non-current assets now realised	-
<b>6,123</b>	<b>Balance at 31 March</b>	<b>5,714</b>
	<i>Of which:</i>	
5,346	Kickstart loans	5,077
503	Cluster loans	388
65	Empty Homes	40
209	Home Improvements	209
<b>6,123</b>	<b>Balance at 31 March</b>	<b>5,714</b>

## 4.2.10 Unusable Reserves (continued)

### e - Financial Instruments Adjustment Account

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

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

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

31 March 2019 £000	Note	31 March 2020 £000
<b>(3,096)</b>	<b>Balance at 1st April</b>	<b>(3,133)</b>
156	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	152
(193)	Movement in Fair Value	165
<b>(3,133)</b>	<b>Balance at 31 March</b>	<b>(2,816)</b>

### f - Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

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

31 March 2019 £000	Note	31 March 2020 £000
<b>7,022</b>	<b>Balance at 1st April</b>	<b>14,516</b>
9,581	Upwards revaluation of long term investments	-
(2,087)	Downward revaluation of long term investments	(5,084)
<b>14,516</b>	<b>Balance at 31 March</b>	<b>9,432</b>



## 4.2.11 Assets

### a - Property, Plant & Equipment

<b>Movement on Balance 2019/20</b>	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	<b>Total Property, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>539,584</b>	<b>442,823</b>	<b>60,430</b>	<b>36,585</b>	<b>38,149</b>	<b>20,765</b>	<b>1,138,336</b>
Additions	22,632	12,492	3,938	442	3,344	15,415	<b>58,263</b>
<i>Revaluation increases/(decreases) recognised in the:</i>							
- Revaluation Reserve	21,013	(7,793)	-		(848)	-	<b>12,372</b>
- Surplus/Deficit on the Provision of Services	(11,672)	(10,890)	-		(1,215)	-	<b>(23,777)</b>
Derecognition through disposal and transfer (Non-schools)	(561)	(5,900)	(3,138)	(31)	(960)	-	<b>(10,590)</b>
Derecognition through disposal and transfer School transfers	-	(42,652)	(1,970)	-	-	-	<b>(44,622)</b>
Reclassifications - other	1,460	3,790	(363)	-	288	(5,226)	<b>(51)</b>
Assets reclassified (to)/from Held for Sale	(5,932)	-	-	(146)	(115)	-	<b>(6,193)</b>
<b>Balance at 31 March</b>	<b>566,524</b>	<b>391,872</b>	<b>58,897</b>	<b>36,850</b>	<b>38,643</b>	<b>30,956</b>	<b>1,123,742</b>

#### 4.2.11 Assets (continued)

<b>Movement on Balance 2019/20</b>	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	<b>Total Property, Plant and Equipment</b>
<b>Accumulated Depreciation and Impairment</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(1,020)</b>	<b>(8,964)</b>	<b>(32,671)</b>	<b>(894)</b>	<b>(2,179)</b>	<b>(1,475)</b>	<b>(47,203)</b>
Depreciation charge in year	(15,034)	(10,025)	(5,901)	-	(110)	-	<b>(31,070)</b>
<i>Depreciation written out to the:</i>							
Revaluation Reserve	14,590	5,051	-	-	20	-	<b>19,661</b>
Surplus/Deficit on the Provision of Services	-	4,291	-	-	50	-	<b>4,341</b>
<i>Impairment losses/(reversals) recognised in the:</i>							
Revaluation reserve	-	(210)	-	(16)	(124)	-	<b>(350)</b>
Surplus/Deficit on the Provision of Services	-	(539)	(128)	(128)	(1,945)	-	<b>(2740)</b>
Derecognition through disposal and transfer: Non-schools	561	3,113	2,769	-	102	-	<b>6,545</b>
Derecognition through disposal and transfer: School transfers	-	1,065	1,244	-	-	-	<b>2,309</b>
Reclassifications - Other	(157)	5	206	-	(3)	-	<b>51</b>
Assets reclassified (to)/from Held for Sale	167	-	-	37	-	-	<b>204</b>
<b>Balance at 31 March</b>	<b>(893)</b>	<b>(6,213)</b>	<b>(34,481)</b>	<b>(1,001)</b>	<b>(4,189)</b>	<b>(1,475)</b>	<b>(48,252)</b>
<b>Net Book Value</b>							
<b>At 31 March 2020</b>	<b>565,631</b>	<b>385,659</b>	<b>24,416</b>	<b>35,849</b>	<b>34,454</b>	<b>29,481</b>	<b>1,075,489</b>
<b>At 31 March 2019</b>	<b>538,564</b>	<b>433,860</b>	<b>27,759</b>	<b>35,691</b>	<b>35,969</b>	<b>19,290</b>	<b>1,091,133</b>

## 4.2.11 Assets (continued)

### a - Property, Plant & Equipment

<b>Movement on Balance 2018/19 Restated Cost or Valuation</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>
<b>Balance at 1 April</b>	<b>509,825</b>	<b>491,865</b>	<b>57,554</b>	<b>34,820</b>	<b>36,533</b>	<b>12,085</b>	<b>1,142,682</b>
Additions	14,839	6,065	4,016	1,793	4,226	13,718	<b>44,657</b>
<i>Revaluation increases/(decreases) recognised in the:</i>							
- Revaluation Reserve	6,804	(33,424)	-		4,091	-	<b>(22,529)</b>
- Surplus/Deficit on the Provision of Services	11,607	(5,731)	-		(4,684)	-	<b>1,192</b>
Derecognition through disposal and transfer (Non-schools)	-	(1,754)	(195)	-	(2,942)	(44)	<b>(4,935)</b>
Derecognition through disposal and transfer School transfers	-	(15,559)	(953)	-	-	-	<b>(16,512)</b>
Reclassifications - other	2,738	1,362	8	(28)	989	(4,994)	<b>75</b>
Assets reclassified (to)/from Held for Sale	(6,229)	-	-	-	(65)	-	<b>(6,294)</b>
<b>Balance at 31 March</b>	<b>539,584</b>	<b>442,823</b>	<b>60,430</b>	<b>36,585</b>	<b>38,149</b>	<b>20,765</b>	<b>1,138,336</b>

## 4.2.11 Assets (continued)

### a - Property, Plant & Equipment

<b>Movement on Balance 2018/19 Restated</b>	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	<b>Total Property, Plant and Equipment</b>
<b>Accumulated Depreciation and Impairment</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(744)</b>	<b>(6,416)</b>	<b>(27,757)</b>	<b>(663)</b>	<b>(3,008)</b>	<b>(1,500)</b>	<b>(40,088)</b>
Depreciation charge in year	(13,630)	(11,082)	(5,577)	-	(114)	-	<b>(30,403)</b>
<i>Depreciation written out to the:</i>							
Revaluation Reserve	-	6,385	-	-	<b>21</b>	-	<b>6,406</b>
Surplus/Deficit on the Provision of Services	13,332	2,451	-	-	<b>1,536</b>	-	<b>17,319</b>
<i>Impairment losses/(reversals) recognised in the:</i>							
Revaluation reserve	-	(84)	-	(21)	(29)	-	<b>(134)</b>
Surplus/Deficit on the Provision of Services	(575)	(607)	(97)	(210)	(1,341)	(42)	<b>(2,872)</b>
Derecognition through disposal and transfer: Non-schools	-	30	191	-	1,353	42	<b>1,616</b>
Derecognition through disposal and transfer: School transfers	-	376	576	-	-	-	<b>952</b>
Reclassifications - other	597	(19)	(7)	-	(597)	25	<b>(1)</b>
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
<b>Balance at 31 March</b>	<b>(1,020)</b>	<b>(8,964)</b>	<b>(32,671)</b>	<b>(894)</b>	<b>(2,179)</b>	<b>(1,475)</b>	<b>(47,203)</b>
<b>Net Book Value</b>							
<b>At 31 March 2019</b>	<b>538,564</b>	<b>433,860</b>	<b>27,759</b>	<b>35,691</b>	<b>35,969</b>	<b>19,290</b>	<b>1,091,134</b>
<b>At 31 March 2018</b>	<b>509,081</b>	<b>485,449</b>	<b>29,797</b>	<b>34,157</b>	<b>33,525</b>	<b>10,585</b>	<b>1,102,595</b>

## 4.2.11 Assets (continued)

### a - Property, Plant & Equipment

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	31/03/2019	31/03/2020
Note	£000	£000
Net book value (modified historical cost) at 1 April	176,252	188,512
Additions	22,077	11,707
Derecognition	(13)	(72)
Depreciation	(7,470)	(7,432)
Impairment	(2,334)	(2,981)
Other movements in cost	-	
<b>Net book value at 31 March</b>	<b>188,512</b>	<b>189,733</b>

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

	31/03/2019	31/03/2020
Note	£000	£000
Infrastructure assets	188,512	189,733
Other PPE assets	1,091,134	1,075,489
<b>Total PPE assets</b>	<b>1,279,646</b>	<b>1,265,222</b>

## 4.2.11 Assets (continued)

### Surplus Assets

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

Analysis of Surplus Asset by type

31/03/2019 £000		31/03/2020 £000
3,523	Strategic regeneration sites	3,791
18,942	Cleared land not currently qualifying as held for sale	17,393
13,368	Vacant premises	13,133
136	Other surplus assets	137
<b>35,969</b>	<b>Balance at 31 March</b>	<b>34,454</b>

### Other Land and Buildings by Sub Class

Net Book Value as at 31/03/2019  Restated  £000		Net Book Value as at 31/03/2020  £000
34,173	Administrative Buildings	35,494
4,338	Bus Station	4,246
41,279	Civic Amenity Sites	35,466
11,820	Car Parks	10,452
1,789	Cemeteries & Crematorium	1,658
6,505	Children's Centres	6,401
11,693	Community	11,806
945	Coroners & Mortuary	1,006
4,861	Depots	4,796
22,846	Economic Development	24,733
5,479	Garages	5,525
14,846	Libraries & Museums	16,901
1,590	Local Centres	1,637
8,149	Markets	380
792	Miscellaneous	797
8,409	Other Educational Facilities	9,209
952	Public Conveniences	915
43,280	Recreation Facilities	44,359
134,552	Schools	91,009
5,082	Shops	4,426
40,117	Social Care Facilities	46,796
29,396	Theatre	26,824
537	Travellers Site	529
428	Youth Services	293
<b>433,860</b>	<b>Total</b>	<b>385,659</b>

## 4.2.11 Assets (continued)

### 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 2020 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.

The outbreak of Covid-19 has impacted market activity in many sectors, and have presented the Council's property valuers with an unprecedented set of circumstances on which to base their valuation judgements. In particular, evidence from transactions taking place before the pandemic now has less weight to inform opinions of value. As such, the Council's external valuers have reported their valuations on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to these valuations than normally would be the case. This includes the valuation of surplus assets and other land & buildings.

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

To date EUV-SH has been based on the vacant possession value of the properties, adjusted to reflect the continuing occupation by a secure tenant (Vacant Possession adjustment factor) (The Beacon approach). EUV-SH thus reflects a valuation for a property if it were sold with sitting tenants paying rents at less than market value and tenants' rights including RTB. For 2019/20 there has been no change to this factor.

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

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

Surplus assets are properties that are surplus to service needs but do not fully meet the IFRS criteria for Investments or Held for Sale assets. Surplus Assets are carried at a fair value under IFRS 13 defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.'

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

## 4.2.11 Assets (continued)

### Revaluation of Property, Plant & Equipment

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

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Value		2,307	24,416		26,723
Valued at Fair Value as at:					
31/03/2020	565,631	320,561		4,754	890,946
31/03/2019		24,522		24,044	48,566
31/03/2018		38,257		5,640	43,897
31/03/2017		12		17	29
<b>Total</b>	<b>565,631</b>	<b>385,659</b>	<b>24,416</b>	<b>34,455</b>	<b>1,010,161</b>



## 4.2.11 Assets (continued)

### Fair Value Measurement

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

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

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

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

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

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

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

### Fair Value Hierarchy

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

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

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

## 4.2.11 Assets (continued)

### b - Heritage Assets

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

	Buildings £000	Collections £000	Statuary and Horological £000	Spitfire Aircraft £000	Total Assets £000
At 1 April 2018	<b>4,180</b>	<b>61,451</b>	<b>852</b>	<b>750</b>	<b>67,233</b>
Additions	33	-	-	18	<b>51</b>
Depreciation charge	(102)	-	-	-	<b>(102)</b>
Upward revaluation	89	-	-	-	<b>89</b>
Downward revaluation	(986)	-	-	-	<b>(986)</b>
<b>At 1 April 2019</b>	<b>3,214</b>	<b>61,451</b>	<b>852</b>	<b>768</b>	<b>66,285</b>
Additions	145	-	-	-	<b>145</b>
Depreciation charge	(77)	-	-	-	<b>(77)</b>
Upward revaluation	699	-	-	-	<b>699</b>
Downward revaluation	(163)	-	-	-	<b>(163)</b>
<b>At 31 March 2020</b>	<b>3,818</b>	<b>61,451</b>	<b>852</b>	<b>768</b>	<b>66,888</b>

### c - Shared Assets

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

## 4.2.11 Assets (continued)

### d - Impairment and Depreciation

The Authority recognised depreciation and amortisation charges totalling £39.999m 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 £6.011m (General Fund - £5.956m). This consisted of an impairment of £5.661m relating to capital expenditure incurred in year deemed not to add an equivalent value, and impairment losses prior to derecognition of £0.350m in respect of the demolition of old buildings.

Summary of Depreciation and Impairment charged to Comprehensive Income and Expenditure.

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

	Note	Amortisation £000	Depreciation £000	Impairment £000
Property, Plant & Equipment	4.2.11	-	(38,502)	(5,721)
Intangible Assets		(1,420)	-	(290)
Non current assets held for sale		-	-	-
Investment properties		-	-	-
Heritage assets		-	(77)	-
<b>Total depreciation and impairment charged to services</b>		<b>(1,420)</b>	<b>(38,579)</b>	<b>(6,011)</b>

## 4.2.11 Assets (continued)

### e - Maintained Schools

The Council has the following maintained schools;

During the financial year three primary schools and two special schools have converted to academies.

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

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

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

Dedicated Schools Grant (DSG) is credited to Schools and Children & Family services within the CIES, based on amounts due from the Department for Education for 2019/20.

Individual schools' balance as 31st March 2020 are included in the Balance Sheet of the Council under the heading Earmarked Reserves—General Fund.

	Community	Voluntary Controlled	Voluntary Aided	Foundation
<b>Number of schools subject to PFI contracts</b>	11	2	3	2
<b>Value of land and buildings at 31st March 2020</b>	£48m	£6m	£11m	£25m

### PFI Schemes

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

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

## 4.2.11 Assets (continued)

### f - Consolidated Managed Assets Note

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

	Notes	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000	Assets Held for Sale £000	Investment Property £000
<b>Movement in Balances in 2019/20</b>													
<b>Cost or valuation balance b/f</b>		539,584	442,823	60,430	241,775	36,585	38,148	20,765	1,380,111	66,468	11,476	210	20,402
Accumulated depreciation and impairment		(1,020)	(8,964)	(32,671)	(53,263)	(894)	(2,179)	(1,475)	(100,465)	(184)	(7,019)	-	-
Net book value b/f		538,564	433,860	27,759	188,512	35,691	35,969	19,290	1,279,646	66,284	4,457	210	20,402
Additions/Enhancements through Capital		22,632	12,492	3,938	11,707	442	3,344	15,415	69,970	145	1,456	1	9
Donations		-	-	-	-	-	-	-	-	-	-	-	-
<b>In year transactions which change assets value as a result of formal revaluation</b>													
<i>Recognised in the Revaluation Reserve</i>													
- Upward revaluations		36,155	18,345	-	-	-	184	-	54,684	694	-	-	-
- Downward revaluations		(553)	(21,086)	-	-	-	(1,011)	-	(22,650)	(163)	-	-	-
<i>Recognised in the Surplus/Deficit on the Provision of Services</i>													
- Upward revaluations		-	10,293	-	-	-	161	-	10,454	5	-	-	-
- Downward revaluations		(11,672)	(16,891)	-	-	-	(1,326)	-	(29,889)	-	-	-	-
<i>Movement in Market Value of Investment Property</i>													
- Gains		-	-	-	-	-	-	-	-	-	-	-	648
- Losses		-	-	-	-	-	-	-	-	-	-	-	(97)

## 4.2.11 Assets (continued)

### f - Consolidated Managed Assets 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
<b>In year transactions which reduce the assets value due to service usage (or loss thereof)</b>												
Depreciation charge in year	(15,034)	(10,025)	(5,901)	(7,432)		(110)	-	(38,502)	(77)	-	-	-
Amortisation charge in year	-	-	-	-	-	-	-	-	-	(1,420)	-	-
<i>Impairment recoverable from previous upward revaluations charged to the Revaluation Reserve</i>												
Spend deemed not to add an equivalent value	-	(57)	-	-	(16)	(124)	-	(197)	-	-	-	-
Loss in value due to demolitions/site aggregation	-	(153)	-	-	-	-	-	(153)	-	-	-	-
<i>Impairment requiring an additional charge to the Net Cost of Service</i>												
Spend deemed not to add an equivalent value	-	(427)	(100)	(2,981)	(128)	(1,830)	-	(5,466)	-	(290)	-	-
Loss in value due to demolitions/site aggregation	-	(112)	(28)	-	-	(115)	-	(255)	-	-	-	-
<b>In year transactions which reduce the assets value</b>												
Disposal of assets in renewal areas	-	-	-	-	-	(188)	-	(188)	-	-	-	-
Other sales (including RTBs)	-	(1,434)	(369)	-	-	(670)	-	(2,473)	-	(224)	(5,976)	(751)
Transfers to academies	-	(41,588)	(726)	(72)	-	-	-	(42,386)	-	(1)	-	-
Derecognition due to asset replacement/write off	-	(1,353)	-	-	(31)	-	-	(1,384)	-	-	-	-
<b>Assets transferred to/from other categories in year</b>												
Reclassifications within PPE	1,303	3,795	(157)	-	-	285	(5,226)	-	-	-	-	-
Assets moved to Held for Sale	(5,827)	-	-	-	(109)	(115)	-	(6,051)	-	-	6,051	-
Assets moved from Held for Sale	62	-	-	-	-	-	-	62	-	-	(62)	-
Cost or valuation balance c/f	<b>566,524</b>	<b>391,872</b>	<b>58,897</b>	<b>248,465</b>	<b>36,850</b>	<b>38,645</b>	<b>30,956</b>	<b>1,372,208</b>	<b>67,072</b>	<b>11,987</b>	<b>261</b>	<b>20,212</b>
Accumulated depreciation and impairment balance c/f	(893)	(6,213)	(34,481)	(58,731)	(1001)	(4,191)	(1,475)	(106,986)	(184)	(8,010)	(37)	-
<b>Net book value c/f</b>	<b>565,631</b>	<b>385,659</b>	<b>24,416</b>	<b>189,734</b>	<b>35,849</b>	<b>34,454</b>	<b>29,481</b>	<b>1,265,222</b>	<b>66,888</b>	<b>3,977</b>	<b>224</b>	<b>20,212</b>

## 4.2.11 Assets (continued)

### f - Consolidated Managed Assets Note

<b>Movement in Balances in 2018/19 (Restated)</b>	<b>Notes</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
		<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>	<b>Heritage Assets</b>	<b>Intangible Assets</b>	<b>Assets Held for Sale</b>	<b>Investment Property</b>
<b>Cost or valuation balance b/f</b>		509,825	491,865	57,554	235,028	34,820	36,533	12,085	1,377,710	67,417	9,545	188	21,352
Accumulated depreciation and impairment balance b/f		(744)	(6,416)	(27,757)	(58,776)	(663)	(3,008)	(1,500)	(98,863)	(183)	(5,458)	-	-
Net book value b/f		509,081	485,449	29,797	176,252	34,157	33,525	10,585	1,278,847	67,234	4,087	188	21,352
Additions/Enhancements through Capital Expenditure		14,839	6,065	4,016	22,077	1,793	4,226	13,718	66,734	50	2,479	-	851
Donations		-	-	-	-	-	-	-	-	-	-	-	-
<b>In year transactions which change assets value as a result of formal revaluation</b>													
<i>Recognised in the Revaluation Reserve</i>													
- Upward revaluations		6,804	7,466	-	-	-	6,076	-	20,346	-	-	-	-
- Downward revaluations		-	(34,506)	-	-	-	(1,964)	-	(36,470)	(986)	-	-	-
<i>Recognised in the Surplus/Deficit on the Provision of Services</i>													
- Upward revaluations		35,688	5,032	-	-	-	275	-	40,995	89	-	-	-
- Downward revaluations		(10,749)	(8,312)	-	-	-	(3,423)	-	(22,484)	(1)	-	-	-
<i>Movement in Market Value of Investment Property</i>													
- Gains		-	-	-	-	-	-	-	-	-	-	-	1,622
- Losses		-	-	-	-	-	-	-	-	-	-	-	(3,349)

## 4.2.11 Assets (continued)

### f - Consolidated Managed Assets Note

Restated	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000	Assets Held for Sale £000	Investment Property £000
<b>In year transactions which reduce the assets value due to service usage (or loss thereof)</b>												
Depreciation charge in year	(13,630)	(11,082)	(5,577)	(7,470)	-	(114)	-	(37,873)	(102)	-	-	-
Amortisation charge in year	-	-	-	-	-	-	-	-	-	(1,111)	-	-
<i>Impairment recoverable from previous upward revaluations charged to the Revaluation Reserve</i>												
Spend deemed not to add an equivalent value	-	(84)	-	-	(21)	1	-	(104)	-	-	-	-
Loss in value due to demolitions/site aggregation	-	-	-	-	-	(30)	-	(30)	-	-	-	-
<i>Impairment requiring an additional charge to the Net Cost of Service</i>												
Spend deemed not to add an equivalent value	-	(596)	(97)	(2,334)	(210)	(93)	(42)	(3,372)	-	(996)	-	-
Loss in value due to demolitions/site aggregation	(575)	(11)	-	-	-	(1,248)	-	(1,834)	-	-	-	-
<b>In year transactions which reduce the assets value</b>												
Disposal of assets in renewal areas	-	-	-	-	-	(1,405)	-	(1,405)	-	-	-	-
Other sales (including RTBs)	-	(863)	(4)	(2)	-	(184)	-	(1,053)	-	-	(6,272)	-
Transfers to academies	-	(15,180)	(377)	(11)	-	-	-	(15,568)	-	-	-	-
Derecognition due to asset replacement/write off	-	(861)	-	-	-	-	-	(861)	-	(2)	-	-
<b>Assets transferred to/from other categories in year</b>												
Reclassifications	3,335	1,343	1	-	(28)	392	(4,969)	74	-	-	-	(74)
Assets moved to Held for Sale	(6,229)	-	-	-	-	(114)	-	(6,343)	-	-	6,343	-
Assets moved from Held for Sale	-	-	-	-	-	49	-	49	-	-	(49)	-
Cost or valuation balance c/f	539,584	442,823	60,430	241,775	36,585	38,148	20,765	1,380,111	66,468	11,476	210	20,402
Accumulated depreciation and impairment balance c/f	(1,020)	(8,964)	(32,671)	(53,263)	(894)	(2,179)	(1,475)	(100,466)	(184)	(7,019)	-	-
<b>Net book value c/f</b>	<b>538,564</b>	<b>433,860</b>	<b>27,759</b>	<b>188,512</b>	<b>35,691</b>	<b>35,969</b>	<b>19,290</b>	<b>1,279,646</b>	<b>66,284</b>	<b>4,457</b>	<b>210</b>	<b>20,402</b>



## **4.2.11 Assets (continued)**

### **COVID-19**

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of COVID-19. Subsequently, on 23 March 2020, the Prime Minister announced that to limit the spread of the disease he would be requiring people to stay at home as much as possible. Since then, there have been various levels of business and movement restrictions in place at different times.

The pandemic, and the response to it, have significantly impacted market activity across many sectors, and have presented the Council's property valuers with an unprecedented set of circumstances on which to base their valuation judgements. In particular, evidence from transactions taking place before the pandemic now has less weight to inform opinions of value.

As such, the Council's external valuers have reported their valuations on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to these valuations than normally would be the case. This includes the valuation of investment properties, surplus assets and other land & buildings.

## 4.2.12 Capital

### a - Capital Commitments

At 31 March 2020, the Authority has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £136.1m. Similar commitments at 31 March 2019 were £129.6m.

<b>Capital Scheme</b>	<b>£m</b>
Housing Stock Maintenance	124.7
Fortior - Smithfield Apartments	1.4
District Heat Network	1.9
Longton Primary Care	3.8
Queen Elizabeth 2 Redevelopment	3.4
Hanley Park Heritage Works	0.9
<b>Total</b>	<b>136.1</b>

## 4.2.12 Capital (continued)

### b - Capital Expenditure and Capital Financing

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

31 March 2019	Note	31 March 2020
£000		£000
<b>615,677</b>	<b>Opening Capital Financing Requirement</b>	<b>645,216</b>
	<b>Capital Investment</b>	
66,734	Property, Plant & Equipment	69,972
50	Heritage Assets	145
851	Investment Properties	9
2,479	Intangible Assets	1,456
	- Assets Held for Sale	1
1,195	Fortior Homes Investment	7,972
15,282	Loans to companies	18,939
9,803	Revenue Expenditure Funded from Capital under Statute	6,885
	- Capitalisation of redundancies/actuarial strain	11,913
	<b>Sources of Finance</b>	
(3,645)	Capital receipts reserve applied to finance capital expenditure	(2,427)
(22,805)	Government grants and contributions received in year and applied	(18,511)
(1,935)	Government grants and contributions applied from reserves	(43)
(14,318)	Use of Major Repairs Reserve	(15,725)
(1,962)	Direct Revenue Contributions - General Fund	(500)
(6,364)	Contribution from HRA Reserve	(12,333)
(15,626)	Minimum Revenue Provision	(17,719)
(200)	Amount voluntarily set aside to pay off debt	(442)
	- HRA Repayment of debt (principal & leasing)	-
<b>645,216</b>	<b>Closing Capital Financing Requirement</b>	<b>694,808</b>

## 4.2.12 Capital (continued)

### c - Movement in Capital Financing Requirement

31 March 2019 £000	31 March 2020 £000
Increase in underlying need to borrow 44,001 (unsupported by government financial assistance	66,366
Decrease in underlying need to borrow (MRP and (15,826) voluntary debt)	(18,162)
Decrease in underlying need to borrow (HRA - voluntary debt repayment)	-
1,364 Assets acquired under PFI/PPP contracts	1,386
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>49,590</b>

### d - Minimum Revenue Provision

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

The minimum revenue provision and voluntary repayment of debt provision for 2019/20 is:

31 March 2019 £000	Note	31 March 2020 £000
6,366	Other Services Private Finance Initiative	7,826
3,440	- Schools	4,105
1,483	- Street Lighting	1,680
1,505	- Extra Care	1,594
404	- Bentilee District Centre	438
2,628	- Hanford Waste	2,519
<b>15,826</b>	<b>Total</b>	<b>18,162</b>

## 4.2.13 PFI & Similar Contracts

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

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

### **Schools Estate PFI Scheme**

2019/20 was the 19th year of a 25 year PFI contract with Transform Schools (Stoke) Limited (TSSL) for rebuilding, maintaining, upgrading and providing services to its schools. Services provided under the contract include utilities, window cleaning, legislative safety testing, buildings maintenance and pest control. The scheme is provided under the Private Finance Initiative and will benefit from government grants of around £53m over its remaining lifetime.

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

### **Street Lighting PFI Scheme**

2019/20 was the 16th year of a 25 year PFI contract with Tay Valley Lighting (TVL) for prioritised replacement, operation and maintenance of all the City's street lights, illuminated signs and bollards, giving illumination of designated public areas to contractually specified performance standards. Changes in energy supply costs passed on to the City Council

via the contract are subject to separate provisions for market testing. Following agreement between the council and the PFI contractor to undertake an LED unit replacement programme and light control system, the energy consumption is expected to reduce, generating financial savings and a reduction in carbon emission. The contract will terminate on 31 August 2028.

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

### **Bentilee District Centre PFI Scheme**

2019/20 was the 13th 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.

## 4.2.13 PFI & Similar Contracts (continued)

### Hanford Waste Scheme

2019/20 was the final year of a 25 year contract with Hanford Waste Services Limited (HWS) for the provision and maintenance of a waste to energy plant, and associated waste disposal site at Hanford. The waste disposal site is used for disposal of waste and its conversion into electricity on behalf of the City Council. HWS accepts delivery from Staffordshire districts and Stoke, disposing of waste in the waste to energy plant and transporting non-incinerated waste to a suitable place of disposal.

Payment for these service is based on the quantity of waste delivered to the site within the standard contractual ranges of 170,000 to 185,000, beyond which additional payment is due from the City Council.

On the 4 January 2019, the contract was extended for 5 years and will terminate on 31 March 2025.

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

### Extra Care Housing PFI

2019/20 was the 5th year of a 25 year contract with Sapphire Extra Care Limited (SEC) to carry out and provide extra care housing. Extra care housing combines housing and care support for older people who have access to high quality accommodation with their own front door, with the security of a 24-hour care provider on site to provide reliable and responsive support as needed. The landlord is entitled to charge and retain rents from tenants. SEC shall ensure that the landlord does not charge rents in excess of the agreed rent.

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

The contract will terminate on 9 July 2039.

## 4.2.13 PFI & Similar Contracts (continued)

### a - Assets Resulting from PFI arrangements

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

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

<b>Restated</b>	<b>Schools £000</b>	<b>Street Lighting £000</b>	<b>Bentilee District Centre £000</b>	<b>Hanford Waste £000</b>	<b>Extra Care Housing £000</b>	<b>Total £000</b>
Value as at 31 March 2019	134,551	33,184	6,932	39,200	29,424	<b>243,291</b>
Additions	2,166	-	-	-	-	<b>2,166</b>
Additions through PFI	-	670	-	655	-	<b>1,325</b>
Revaluations	(1,349)	-	1,085	(4,536)	4,261	<b>(539)</b>
Derecognitions and Reclassifications	(41,311)	-	-	-	-	<b>(41,311)</b>
Depreciation/Impairment	(3,038)	(1,316)	(168)	(1,463)	(595)	<b>(6,580)</b>
<b>Value as at 31 March 2020</b>	<b>91,019</b>	<b>32,538</b>	<b>7,849</b>	<b>33,856</b>	<b>33,091</b>	<b>198,352</b>

### b - Liabilities resulting from PFI arrangements

The following table shows the value of liabilities resulting from PFI arrangements and analyses the movement in the year. The interest shown in the table (£9.473m) has been expensed to the CIES in 2019/20.

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

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

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

	<b>Schools £000</b>	<b>Street Lighting £000</b>	<b>Bentilee District Centre £000</b>	<b>Hanford Waste £000</b>	<b>Extra Care Housing £000</b>	<b>Total £000</b>
Value as at 31 March 2019	32,313	10,075	4,901	1,864	41,046	<b>90,199</b>
New loans raised	-	731	-	655	-	<b>1,386</b>
Interest added	3,032	1,356	804	1,775	2,506	<b>9,473</b>
Repayment of interest and liability	(7,137)	(2,969)	(1,242)	(4,294)	(4,100)	<b>(19,742)</b>
<b>Value as at 31 March 2020</b>	<b>28,208</b>	<b>9,193</b>	<b>4,463</b>	<b>-</b>	<b>39,452</b>	<b>81,316</b>
<i>of which:</i>						
	<b>Short Term</b>					<b>6,641</b>
	<b>Long Term</b>					<b>74,675</b>
						<b>81,316</b>

## 4.2.13 PFI & Similar Contracts (continued)

### c - Future Unitary Payments

Total payments remaining to be paid under each PFI service concession contract as 31st March 2020 (including estimated inflation, contract variations and estimated future capital replacement costs are analysed below in 5 year bandings).

<b>Summary</b>	<b>Repayment of Liability</b>	<b>Interest</b>	<b>Service Charge</b>	<b>Lifecycle Costs</b>	<b>Total</b>
<b>Future Unitary Payments</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	6,642	6,158	12,656	6,568	<b>32,023</b>
2 - 5 years	33,002	20,977	53,827	25,722	<b>133,527</b>
6 - 10 years	18,511	8,488	25,406	9,705	<b>62,107</b>
11 - 15 years	10,693	3,860	11,779	4,679	<b>31,011</b>
16 - 20 years	12,469	(425)	8,870	2,358	<b>23,271</b>
	<b>81,316</b>	<b>39,058</b>	<b>112,538</b>	<b>49,032</b>	<b>281,941</b>

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

Included in the estimated future unitary payment service charges for the schools PFI is the cost of services and maintenance in respect of schools incorporated into the contract that were built as part of the Building Schools for Future Programme (BSF). We have determined that these schools are service concession assets and accounted for them as such however it is not expected that these assets will produce a liability on the balance sheet. The repayment of the liability and interest in respect of assets replaced by BSF schools are retained as liabilities estimated to be £7.6m and will be repaid over the period of the remaining contract.

<b>Schools Estate PFI Scheme</b>	<b>Repayment of Liability</b>	<b>Interest</b>	<b>Service Charge</b>	<b>Lifecycle Costs</b>	<b>Total</b>
<b>Future Unitary Payments</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	4,329	1,672	9,118	5,338	<b>20,457</b>
2 - 5 years	21,108	4,776	38,930	20,997	<b>85,811</b>
6 - 10 years	2,771	(3,591)	5,186	4,510	<b>8,875</b>
	<b>28,208</b>	<b>2,857</b>	<b>53,234</b>	<b>30,845</b>	<b>115,144</b>



## 4.2.13 PFI & Similar Contracts (continued)

### c - Future Unitary Payments

<b>Extra Care PFI Scheme</b>	<b>Repayment of Liability</b>	<b>Interest</b>	<b>Service Charge</b>	<b>Lifecycle Costs</b>	<b>Total</b>
<b>Future Unitary Payments</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	1,289	2,459	1,381	316	<b>5,445</b>
2 - 5 years	6,521	8,537	5,887	835	<b>21,780</b>
6 - 10 years	9,578	7,710	8,223	1,715	<b>27,225</b>
11 - 15 years	9,596	3,647	9,303	4,679	<b>27,225</b>
16 - 20 years	12,469	(425)	8,870	2,358	<b>23,271</b>
	<b>39,452</b>	<b>21,928</b>	<b>33,663</b>	<b>9,903</b>	<b>104,946</b>
<b>Bentilee District Centre PFI Scheme</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	295	642	1,229	-	<b>2,166</b>
2 - 5 years	1,572	2,700	5,040	-	<b>9,311</b>
6 - 10 years	1,499	1,082	8,128	-	<b>10,709</b>
11 - 15 years	1,097	213	2,476	-	<b>3,786</b>
	<b>4,463</b>	<b>4,637</b>	<b>16,872</b>	-	<b>25,972</b>
<b>Street Lighting PFI Scheme</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	729	1,385	928	914	<b>3,955</b>
2 - 5 years	3,801	4,964	3,970	3,890	<b>16,625</b>
6 - 10 years	4,663	3,287	3,869	3,480	<b>15,298</b>
	<b>9,193</b>	<b>9,636</b>	<b>8,767</b>	<b>8,284</b>	<b>35,879</b>

## 4.2.13 PFI & Similar Contracts (continued)

### d - Income and Expenditure

Transactions under the schemes during 2019/20 were:

	<u>Schools</u>		<u>Extra Care Housing</u>		<u>Bentilee District Centre</u>		<u>Hanford Waste</u>		<u>Street Lighting</u>	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Restated				Restated		Restated			
Fair value of services	12,145	14,675	1,265	1,401	942	1,009	4,088	4,865	2,181	1,861
Finance cost	3,393	3,033	2,241	2,159	763	705	216	85	1,108	1,043
Contingent rent	1,776	679	381	347	83	99	1,778	1,690	349	313
<b>Revenue Unitary Charge</b>	<b>17,314</b>	<b>18,387</b>	<b>3,887</b>	<b>3,907</b>	<b>1,788</b>	<b>1,813</b>	<b>6,082</b>	<b>6,640</b>	<b>3,638</b>	<b>3,217</b>
Recharge to academies	(6,093)	(7,558)	-	-	-	-	-	-	-	-
Other revenue expenditure	25	362	6	-	-	-	2,508	2,651	47	22
Depreciation	3,814	3,038	595	595	172	168	1,546	1,463	1,275	1,316
<b>Total Expenditure</b>	<b>15,060</b>	<b>14,229</b>	<b>4,488</b>	<b>4,502</b>	<b>1,960</b>	<b>1,981</b>	<b>10,136</b>	<b>10,754</b>	<b>4,960</b>	<b>4,555</b>
PFI special grant	(8,294)	(8,294)	(4,790)	(4,790)	(1,346)	(1,346)	(570)	(570)	(1,351)	(1,351)
Other contributions	(4,150)	(3,414)	(716)	-	(954)	(876)	(7,056)	(7,796)	(78)	(8)
<b>(Surplus)/Deficit in Income and Expenditure</b>	<b>2,616</b>	<b>2,521</b>	<b>(1,018)</b>	<b>(288)</b>	<b>(340)</b>	<b>(241)</b>	<b>2,510</b>	<b>2,388</b>	<b>3,531</b>	<b>3,196</b>
<b>Movement in Reserves</b>										
Depreciation	(3,814)	(3,038)	(595)	(595)	(172)	(168)	(1,546)	(1,463)	(1,275)	(1,316)
MRP	3,440	4,105	1,505	1,594	404	438	2,628	2,519	1,483	1,681
<b>Transfer to/(from) Earmarked Reserves</b>										
Transfer to PFI reserve	-	-	-	-	119	-	-	-	-	-
Transfer (from) PFI reserve	(2,144)	(3,587)	(182)	(206)	(11)	(104)	-	-	(449)	(283)
<b>Net Charge to General Fund</b>	<b>98</b>	<b>1</b>	<b>(290)</b>	<b>505</b>	<b>-</b>	<b>(75)</b>	<b>3,593</b>	<b>3,443</b>	<b>3,290</b>	<b>3,278</b>

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

## 4.2.14 Financial Instruments

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

### a - Financial Assets

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

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

Long-Term Assets	Current Assets		Long-Term Assets	Current Assets	
2018/19	2018/19		2019/20	2019/20	
£000	£000		£000	£000	
<b>Investments</b>					
17,787	-	Fair value through other comprehensive income	4.2.14d(iv)	20,676	-
<b>17,787</b>	<b>-</b>	<b>Total Investments</b>		<b>20,676</b>	<b>-</b>
<b>Debtors</b>					
7,694	-	Fair value through profit and loss	4.2.14d(iii)	9,588	-
11,810	54,981	Amortised cost	4.2.14d(ii)	29,954	67,195
(1,129)	(19,101)	Less: classes of debtor not recognised as financial instruments		(1,697)	(18,306)
<b>18,375</b>	<b>35,880</b>	<b>Total Debtors</b>		<b>37,845</b>	<b>48,889</b>
<b>Cash and Cash Equivalents</b>					
-	6,001	Fair value through profit and loss	4.2.14e	-	23,900
-	12,400	Amortised cost	4.2.14e	-	11,050
<b>-</b>	<b>18,401</b>	<b>Total Cash and Cash Equivalents</b>		<b>-</b>	<b>34,950</b>

## 4.2.14 Financial Instruments (continued)

### b - Financial Liabilities

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

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

Long-Term Liabilities	Current Liabilities		Long-Term Liabilities	Current Liabilities
2018/19	2018/19		2019/20	2019/20
£000	£000		£000	£000
<b>Borrowings</b>				
460,030	12,038	Amortised cost	538,120	12,473
<b>460,030</b>	<b>12,038</b>	<b>Total Borrowings</b>	<b>538,120</b>	<b>12,473</b>
<b>Other Liabilities at amortised cost</b>				
11,769	1,829	Liability with Staffordshire County	9,940	1,829
81,527	8,672	PFI liabilities	74,674	6,642
15,251	-	- PFI liabilities - deferred credit	13,965	-
655	253	Finance lease liabilities	149	506
<b>109,202</b>	<b>10,754</b>	<b>Total Other Liabilities</b>	<b>98,728</b>	<b>8,977</b>
<b>Creditors</b>				
	60,846	Amortised cost	-	74,428
	(24,557)	Less: classes of creditor not recognised as financial instruments	-	(19,775)
	<b>36,289</b>	<b>Total creditors</b>	<b>-</b>	<b>54,653</b>

## 4.2.14 Financial Instruments (continued)

### c - Gains and Losses on Financial Instruments

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

31 March 2019					31 March 2020					
Measured at amortised cost		Fair Value				Measured at amortised cost		Fair Value		
Liabilities	Assets	Elected through OCI	Through profit and loss	Total		Liabilities	Assets	Elected through OCI	Through profit and loss	Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
-	(695)	-	-	(695)	Impairment losses	-	(1,919)	-	-	(1,919)
(28,162)	-	-	-	(28,162)	Interest expense	(28,074)	-	-	-	(28,074)
<b>(28,162)</b>	<b>(695)</b>	-	-	<b>(28,857)</b>	<b>Total expenses in surplus or deficit on the provision of services</b>	<b>(28,074)</b>	<b>(1,919)</b>	-	-	<b>(29,993)</b>
-	-	-	-	-	Impairment loss reversals	-	-	-	-	-
-	401	4,239	264	4,904	Interest income and investment income	-	1,920	3,426	390	5,736
-	<b>401</b>	<b>4,239</b>	<b>264</b>	<b>4,904</b>	<b>Total income in surplus or deficit on the provision of services</b>	-	<b>1,920</b>	<b>3,426</b>	<b>390</b>	<b>5,736</b>
-	-	9,581	-	9,581	Gains on revaluation	-	-	-	-	-
-	-	(2,087)	-	(2,087)	Losses on revaluation	-	-	(5,084)	-	(5,084)
-	-	<b>7,494</b>	-	<b>7,494</b>	<b>Impact on other comprehensive income</b>	-	-	<b>(5,084)</b>	-	<b>(5,084)</b>
<b>(28,162)</b>	<b>(294)</b>	<b>11,733</b>	<b>264</b>	<b>(16,459)</b>	<b>Net gain/(loss) for the year</b>	<b>(28,074)</b>	<b>1</b>	<b>(1,658)</b>	<b>390</b>	<b>29,341</b>

## 4.2.14 Financial Instruments (continued)

### d - Fair Value of Assets and Liabilities

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

For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. Where applicable, the fair values of other instruments have been estimated using the following methods and assumptions:

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

The fair values for financial assets classified as amortised cost have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

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

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

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

## 4.2.14 Financial Instruments (continued)

### (i) Financial liabilities carried at amortised cost

31 March 2019						31 March 2020			
<u>Carrying Amount</u>		<u>Fair Value</u>			<u>Fair Value Level</u>	<u>Carrying Amount</u>		<u>Fair Value</u>	
<u>Long Term</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Short Term</u>			<u>Long Term</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Short Term</u>
<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>			<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
440,030	6,910	541,236	6,910	PWLB - maturity	2	498,120	6,910	609,561	6,910
-	5,128	-	5,128	Interest Accrued	2	-	5,563	-	5,563
20,000	-	32,634	-	LOBO's	2	20,000	-	36,346	-
-	-	-	-	Inter-authority Loans	2	20,000	-	20,300	-
655	253	655	253	Finance leases	2	149	506	149	506
96,778	8,672	122,085	15,505	PFI schemes	2	88,639	6,642	105,704	12,683
11,769	1,829	12,515	2,290	Liability with Staffordshire County	2	9,940	1,829	10,413	2,218
-	36,289	-	36,289	Creditors <sup>1</sup>		-	54,653	-	54,653
<b>569,232</b>	<b>59,081</b>	<b>709,125</b>	<b>66,375</b>	<b>Financial liabilities</b>		<b>636,848</b>	<b>76,103</b>	<b>782,473</b>	<b>82,533</b>

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

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

## 4.2.14 Financial Instruments (continued)

### (ii) Financial assets carried at amortised cost

31 March 2019		31 March 2020	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£000	£000	£000	£000
10,681	10,681	28,257	28,257
35,880	35,880	48,889	48,889

Short-term debtors exclude amounts receivable of £18.306m from Statutory debtors, Central Government, and prepayments Long term debtors exclude amounts receivable of £1.697m relating to housing benefits overpayments. These have not arisen from contracts and are therefore not classed as financial instruments and do not fall within the scope of IFRS 9.

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

### (iii) Financial assets held at fair value through profit and loss

31 March 2019		Fair Value	31 March 2020
£000		Level Note	£000
<b>Long Term Debtors</b>			
2,114	Kick start <sup>1</sup>	3	2,157
68	Home Improvement Loans <sup>1</sup>	3	72
5,512	Genr8 Smithfield Hotel Ltd	3	7,359
<b>7,694</b>			<b>9,588</b>

<sup>1</sup> Consists of soft loans whose cash flows are not solely payments of principal and interest. Soft loans have been valued by discounting the contractual payments at the estimated market rate of interest for a similar loan.



## 4.2.14 Financial Instruments (continued)

### (iv) -Financial assets held at fair value through other comprehensive income

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

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.

31 March 2019 £000		Fair Value Level	Note	31 March 2020 £000
	<b>Stoke-on-Trent Regeneration Limited</b>			
5,119	19% Shareholding - 19,000 B ordinary shares of £1 each	3		2,442
	<b>Stoke EnergyCo Limited (Dormant)</b>			
-	100% Shareholding - 1 ordinary share of £1	3		-
	<b>Stoke on Trent Futures Ltd (Dormant)</b>			
-	100% Shareholding - 1 ordinary share of £1	3		-
	<b>STCC RP Ltd (Dormant)</b>			
-	100% Shareholding - 1 ordinary share of £1	3		-
<b>5,119</b>	<b>Sub-total (Group long term investments)</b>		<b>7.3</b>	<b>2,442</b>
	<b>Fortior Homes Limited</b>			
3,226	100% Shareholding - 1 ordinary share of £1	3		9,640
	<b>Uitas Stoke-on-Trent Limited</b>			
9,442	100% Shareholding - 1 ordinary share of £1	3		8,594
<b>17,787</b>	<b>Total long term investments</b>			<b>20,675</b>

## 4.2.14 Financial Instruments (continued)

### e – Cash and Cash Equivalents

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

31 March 2019				31 March 2020	
Carrying	Fair Value		Fair Value	Carrying	Fair Value
£000	£000		Level	£000	£000
		Note			
6,001	6,001	Money market funds	1	23,900	23,900
<b>6,001</b>	<b>6,001</b>	<b>Financial Assets Held at Fair Value through Profit and Loss</b>		<b>23,900</b>	<b>23,900</b>
-	-	- On call accounts		-	-
5,000		- Term deposits		-	-
86		- Cash held by the authority		102	-
7,313		- Bank current accounts	4.2.14f	10,948	-
1		- Accruals attached to term deposits		-	-
<b>12,400</b>		<b>- Financial Assets for which fair value is not disclosed</b>		<b>11,050</b>	-
<b>18,401</b>		<b>- Total Cash and Cash Equivalents</b>		<b>34,950</b>	-

## 4.2.14 Financial Instruments (continued)

### f – Offsetting Financial Assets and Liabilities

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

31 March 2019				31 March 2020		
Gross assets	(Liabilities) set off	Net position on the balance sheet	Note	Gross assets	(Liabilities) set off	Net position on the balance sheet
£000	£000	£000		£000	£000	£000
84,595	(77,282)	7,313	Bank accounts in credit	82,801	(71,853)	10,948
<b>84,595</b>	<b>(77,282)</b>	<b>7,313</b>	<b>Total bank current accounts</b>	<b>82,801</b>	<b>(71,853)</b>	<b>10,948</b>

The Council has an agency arrangement in place to hold funds on behalf of third parties. Details of the amounts held at 31 March 2020 are detailed in the table below:

31 March 2019	31 March 2020
£000	£000
6,003	8,177
Monies held on behalf of vulnerable adults	

## 4.2.14 Financial Instruments (continued)

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

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

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

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

#### Credit Risk

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

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

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

- (a) the quarterly reporting of Treasury Management activity to the council's Audit Committee;
- (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 £10m for the highest rated or government owned institution except in the case of the DMO which has no limit. The use of money market funds to a maximum level as advised by the council's treasury management advisors, calculated as 0.5% of the Money Market Fund size;
- (d) Utilising professional advice from external treasury advisers on the credit worthiness of counterparties;
- (e) Utilising all market and other 'soft' information which officers research through the financial press and independent advice;
- (f) Investing funds only in the UK durations below 12 months until it is safe to do otherwise (in accordance with the Council's Treasury Management Strategy).

The Authority's maximum possible exposure to credit risk in relation to funds held as investments by the council at the Balance Sheet date is £23,900,000. As the deposits rest with several financial institutions the risk of any single institution failing to make interest payments or repay the principle sum will be specific to each individual institution. It is not expected for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise. The figure does not include balances held by Cheque Book Schools.

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

## 4.2.14 Financial Instruments (continued)

### Credit Risk: Treasury Investments

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

31 March 2019		31 March 2020	
Long-term	Short-term	Long-term	Short-term
£000	£000	£000	£000
-	6,000	-	23,900
	AAA		
	Unrated local		
-	5,000	-	-
	authorities		

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

### Credit Risk: Trade Receivables

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

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

31 March 2019	31 March 2020
£000	£000
28,383	38,147
Past due < 3 months	
5,447	5,228
Past due 4 - 12 months	
9,323	11,337
Past due 12+ months	
<b>43,153</b>	<b>54,712</b>
<b>Gross receivables</b>	
(7,273)	(5,822)
Less: loss allowance	
<b>35,880</b>	<b>48,890</b>
<b>Net</b>	

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

31 March 2019		31 March 2020	
Gross receivable	Loss allowance	Gross receivable	Loss allowance
£000	£000	£000	£000
20,197	(2,163)	26,357	(1,989)
		GF Sundry Debt	
2,707	(2,217)	2,278	(1,268)
		HRA Sundry Debt	
2,690	(316)	3,670	(79)
		Housing Rent Arrears	
3,038	(2,577)	2,980	(2,486)
		Summons & Distress Costs	
11,934	-	16,822	-
		Other debtors	
2,587	-	2,604	-
		Intercompany debtors	
<b>43,153</b>	<b>(7,273)</b>	<b>54,712</b>	<b>(5,822)</b>
		<b>Sub total (financial assets)</b>	
		VAT	-
13,082	(10,022)	13,228	(10,107)
		Council Tax	
2,741	(2,563)	3,542	(2,834)
		Business Rates	
4,997	(162)	4,442	(111)
		Housing Benefit Overpayment	
<b>63,973</b>	<b>(20,020)</b>	<b>79,472</b>	<b>(18,874)</b>
		<b>Total</b>	

## 4.2.14 Financial Instruments (continued)

### Credit Risk: Loans and Loan Commitments

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

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

31 March 2019		31 March 2020	
Balance Sheet	Expected Credit Loss Allowance	Balance Sheet	Expected Credit Loss Allowance
£000	£000	£000	£000
<b>Loans at Market Rates</b>			
10,850	634	29,678	1,786
5,511	-	7,359	-
415	-	336	-
7	-	7	-
<b>Loans below Market Rates</b>			
2,114	-	2,157	-
68	-	72	-
43	-	22	-
<b>Loan Commitment at Market Rates</b>			
-	1,478	-	1,638
<b>19,008</b>	<b>2,112</b>	<b>39,631</b>	<b>3,424</b>

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

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

## 4.2.14 Financial Instruments (continued)

### Credit Risk: Loans and Loan Commitments

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

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

	12-month expected credit losses £000	Simplified approach for receivables £000	Total loss allowance - service loans £000
Opening allowance as at 1st April 2019	634	20,020	20,654
New loans made	1,152	-	1,152
Movement in trade debtors impairment	-	(1,146)	(1,146)
<b>Closing allowance as at 31st March 2020</b>	<b>1,786</b>	<b>18,874</b>	<b>20,660</b>

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

### 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.

## 4.2.14 Financial Instruments (continued)

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

### Outstanding Debt Liabilities

31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	Interest Rates %	Note	Interest Rates %	31 March 2020 £000	31 March 2020 £000	31 March 2020 £000
<b>Source of loan</b>								
446,940			3.54	Public Works Loan Board	3.38	505,030		
20,000			3.84	Market Loans	2.72	40,000		
90,199				PFI		81,316		
908				Finance Lease Liabilities		655		
-	5,128			Interest Accrual		-	5,563	
13,598				Transferred Debt		11,769		
<b>571,645</b>	<b>5,128</b>			<b>Total</b>		<b>638,770</b>	<b>5,563</b>	
<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Payable as follows:</b>			<b>Principal</b>	<b>Interest</b>	<b>Total</b>
17,664	30,771	<b>48,435</b>	Less than one year			15,638	29,038	<b>44,676</b>
15,638	28,213	<b>43,851</b>	Between one and two years			44,813	30,114	<b>74,927</b>
74,911	80,339	<b>155,250</b>	Between two and five years			69,041	75,949	<b>144,990</b>
96,665	84,575	<b>181,240</b>	Between five and ten years			89,454	81,172	<b>170,626</b>
366,766	214,588	<b>581,355</b>	More than ten years			419,824	235,293	<b>655,117</b>
<b>571,645</b>	<b>438,486</b>	<b>1,010,131</b>	<b>Total</b>			<b>638,770</b>	<b>451,566</b>	<b>1,090,336</b>



## 4.2.14 Financial Instruments (continued)

### Movement in Outstanding Loans

<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
<b>397,850</b> Balance b/f	<b>466,940</b>
75,000 New debt	85,000
(5,910) Repayment of debt	(6,910)
<b>466,940</b> Balance c/f	<b>545,030</b>

## 4.2.14 Financial Instruments (continued)

### Finance Lease Liabilities

The City Council has 2 current finance leases ranging from 1 to 2 years. Interest payable (£27,275) on the outstanding lease liability at the 1st April 2019 (£0.908m) gave an associated interest rate of 2.97%. The interest due for 2018/19 (£34,663) on the outstanding lease liability at the 1st April 2018 (£1.154m) gives an associated interest rate of 2.95%.

<b>31 March 2019 £000</b>	<b>Interest Rates %</b>		<b>Interest Rates %</b>	<b>31 March 2020 £000</b>
	2.95	<b>Source of loan</b>	2.97	
1,154		Finance leases - Opening Balance		908
-		New Finance Leases		-
(246)		Repayment of Principal		(253)
-		Release of Residual Values		-
<b>908</b>		<b>Total</b>		<b>655</b>
		<b>Payable as follows:</b>		
253		Less than one year		506
258		Between one and two years		149
397		Between two and five years		-
<b>908</b>		<b>Total</b>		<b>655</b>

### Market Risk

The Authority does not generally invest in equity shares for the purposes of treasury management. The Council does have shareholdings to the value of £20.676m, which have arisen through the creation of wholly owned subsidiaries and 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 price of the shares.

The £20.676m shares are all recognised as 'fair value through other comprehensive income and expenditure, meaning that all movements in price will impact on gains and losses in Other Comprehensive Income and Expenditure.

## 4.2.14 Financial Instruments (continued)

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

The other long term borrowings as at 31 March 2020 are as follows:-

31 March 2019		31 March 2020
£000	Note	£000
11,769	County Council debt	9,940
655	Finance leases	149
81,527	Private Finance Initiative - finance lease	74,675
569	Hanford waste PFI scheme - deferred service	-
14,682	Extra care PFI scheme - deferred credit	13,965
<b>109,203</b>	<b>Total</b>	<b>98,728</b>

The balance in respect of County Council debt represents the City Council's liability for a proportion of debt following local government re-organisation in 1997. In 2019/20 the total payment to the County Council was £2,333,538 (£2,326,538 in 2018/19), of which £504,654 (£513,694 in 2018/19) related to interest and expenses and £1,828,884 to repayment of principal, as in previous years. The total amount paid to the County Council is contained within the Movement in Reserves Statement. Deferred service/credit exists where the operator of the PFI can collect third party income which finances part of the net PFI costs.

## 4.2.15 Provisions

	Liability Insurance Claim £000	Business Rates Appeals £000	Expected Credit Loss Allowance £000	Other Provisions £000	Total £000
Balance at 1 April 2019	3,694	4,072	1,478	827	10,071
Additional provisions made in 2019/20	1,516	2,783	1,312	274	5,885
Amounts used in 2019/20	(1,015)	(705)	-	(388)	(2,108)
Transferred to non-current assets	-	-	(1,152)	-	(1,152)
<b>Balance at 31 March 2020</b>	<b>4,195</b>	<b>6,149</b>	<b>1,638</b>	<b>713</b>	<b>12,695</b>
Of which:					
- Short term liability	-	6,149	-	673	6,822
- Long term liability	4,195	-	1,638	40	5,872
	<b>4,195</b>	<b>6,149</b>	<b>1,638</b>	<b>713</b>	<b>12,695</b>

### Liability Insurance Claims

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

### Business Rates Appeals

All business ratepayers could appeal their rateable value on the 2010 valuation list during the 2019/20 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 2020.

### Expected Credit Loss Allowance

The City Council has a contractual commitment to make loans of up to £64.24m to Fortior Homes Ltd, at some point in the future. As at 31st March 2020, £28.1m had been drawn down. Under IFRS 9, a loss allowance is needed to reflect potential defaults if the borrower were to exercise their drawdown rights. The expected credit loss reflects the expectations that the loans will be drawn down in the next year.

## 4.2.16 Grants

### a - Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

#### Credited to Net Cost of Services

Service Area	Type of Funding/Grant	2018/19 £000	2019/20 £000
Benefit Payments	Rent allowances	50,614	43,662
	Rent rebates	31,364	26,352
	Other	949	884
Children and Family Services	Dedicated Schools Grant	40,512	39,546
	PFI - Schools	8,294	8,294
	Other	5,357	5,904
City Director	Other	87	103
Housing and Customer Services	Other	1,199	1,142
Housing Revenue Account	Other	-	-
Place, Growth and Prosperity	PFI - Bentilee	1,346	1,346
	PFI - Street Lighting	1,351	1,351
	Other	187	278
Public Health and Adult Social Care	Public Health Grant	22,589	21,993
	PFI - Extra Care	4,790	4,790
	Other	12,107	13,618
Schools	Dedicated Schools Grant	51,675	41,962
	Other	7,188	6,521
<b>Total</b>		<b>239,609</b>	<b>217,746</b>

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

Capital Revenue 2018/19 £000	Capital Revenue 2018/19 £000		Capital 2019/20 £000	Revenue 2019/20 £000
5,208	41,014	Communities & Local Government	3,558	27,297
2,297	2,880	Department for Education (DfE)	6,044	5,279
-	1,079	Department of Health (DoH)	399	252
-	1,414	Department of Work & Pensions (DWP)	-	1,102
300	-	Private Sector Contributions	337	-
979	-	Public Sector Contributions	303	-
11,413	-	Department for Transport (DfT)	10,497	-
22	117	Other Grants	-	-
2,014	-	Homes and Communities Agency	446	-
1,636	-	National Lottery	385	-
85	-	Kickstart/Cluster/Empty Homes Loans	-	-
<b>23,954</b>	<b>46,504</b>	<b>Total</b>	<b>21,969</b>	<b>33,930</b>

#### 4.2.16 Grants (continued)

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

<b>Short Term</b>	<b>Short Term</b>
<b>2018/19</b>	<b>2019/20</b>
<b>£000</b>	<b>£000</b>
<b>Capital</b>	
1,251 Department for Education (DfE)	230
- Public Sector Contributions	1,989
383 Homes and Communities Agency	3,297
156 Department for Transport	-
95 Other Government Grants	-
3,713 <b>Revenue</b>	781
<b>5,598 Total</b>	<b>6,297</b>

All grants, contributions and donations received that have conditions attached which have not been satisfied as at 31st March 2020 are held within current liabilities as they are expected to be recognised as income within the next 12 months.

## 4.2.16 Grants (continued)

### b - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). An element of the grant is recouped by the DfE to fund academy schools directly.

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

Details of the deployment of DSG receivable for 2019/20 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG as issued by the Department in March 2020	28,729	196,242	224,971
Reduction for reallocation to Academies for 2019/20	-	(143,024)	(143,023)
<b>Remaining DSG for 2019/20</b>	<b>28,729</b>	<b>53,218</b>	<b>81,947</b>
Brought forward from 2018/19	(15,450)	1,210	<b>(14,240)</b>
Transfer from ISB to Central Expenditure	-	-	-
Agreed initial budgeted distribution in 2019/20	<b>13,280</b>	<b>54,427</b>	<b>67,707</b>
In year adjustments	(439)	-	(439)
<b>Final budget distribution for 2019/20</b>	<b>12,841</b>	<b>54,427</b>	<b>67,268</b>
Less actual central expenditure	(36,852)	-	(36,852)
Less actual ISB deployed to schools	-	(51,633)	(51,633)
Plus local authority contribution for 2019/20	-	-	-
<b>Carry forward in year to 2020/21</b>	<b>(24,011)</b>	<b>2,795</b>	<b>(21,217)</b>
Carry forward to 2020/21 agreed in advance	-	-	-
<b>Carry forward to 2020/21</b>	<b>(24,011)</b>	<b>2,795</b>	<b>(21,217)</b>

Working in collaboration with schools within the city an action plan is currently in place to bring the DSG back into balance within 5 years (subject to Department of Education approval). While the reserve remains in deficit it is being covered by part of the PFI reserve. In 2020/21, there will be no requirement to set aside amounts from its general reserves to support future funding of any DSG deficit.

## 4.2.17 Officers Remuneration

### Disclosure of senior officers remuneration

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

2018/19					2019/20					
Salary, fees and allowances £	Expense Allowances £	Compensation for loss of office £	Pension Contributions £	Total £	Post title and name	Salary, fees and allowances £	Expense Allowances £	Compensation for loss of office £	Pension Contributions £	Total £
<b>Senior employees whose salary is £150,000 or more per year</b>										
167,071	485	-	38,912	<b>206,468</b>	City Director - David Sidaway <sup>1</sup>	129,218	149	-	20,024	<b>149,391</b>
-	-	-	-	-	- City Director - Jon Rouse <sup>1</sup>	27,055	-	-	4,221	<b>31,276</b>
<b>Senior employees whose salary is between £50,000 and £150,000 per year</b>										
108,670	243	-	25,537	<b>134,450</b>	Director - Children & Family Services <sup>2</sup>	22,972	-	-	3,584	<b>26,556</b>
124,884	47	-	29,344	<b>154,275</b>	Director - Place, Growth & Prosperity	127,393	89	-	19,868	<b>147,350</b>
129,069	46	-	30,324	<b>159,439</b>	Director - Housing & Customer Services	131,710	106	-	20,530	<b>152,346</b>
51,010	5	-	10,989	<b>62,004</b>	Assistant Director - Governance <sup>3</sup>	89,575	36	-	13,974	<b>103,585</b>
48,057	-	-	11,293	<b>59,350</b>	Assistant Director - Governance—(Acting) <sup>3</sup>	-	-	-	-	<b>-</b>
101,553	28	-	23,865	<b>125,446</b>	Assistant Director - Finance (& Section 151 Officer)	100,204	-	-	15,632	<b>115,836</b>
107,321	690	-	24,231	<b>132,242</b>	Director - Social Care, Health Integration & Wellbeing	145,576	48	-	8,927	<b>154,551</b>

<sup>1</sup>Post holder vacated the Post on 1/2/19. New incumbent commenced in post 31/2/20.

<sup>2</sup>Post holder vacated the Authority on 1/2/19. Post covered from 31/1/19 to 31/1/20 by an interim consultant at a cost of £175,000.

<sup>3</sup>Previous post holder left on 13/6/18, post temporarily covered by acting up (14/6/18 to 31/12/18) then filled permanently from 10/12/18





## 4.2.18 Termination Benefits and Exit Packages

The authority terminated the contracts of 287 employees in 2019/20 mainly as a consequence of the ongoing corporate restructuring programme. A total of over £6.5m in compensatory payments was incurred (including redundancy costs and post employment notice pay) plus an additional £5.6m payments to the pension fund in respect of actuarial strain costs. Five people have committed to leave in 2020/21 and a total of £0.2m has been included in a provision.

<b>2019/20 Range</b>	<b>Number of Compulsory Redundancies</b>	<b>Number of Other Departures Agreed</b>	<b>Total Number of Exit Packages Agreed</b>	<b>Compensation for Loss of Office £'000</b>	<b>Actuarial Pension Strain £000</b>	<b>Total Cost of Exit Packages £000</b>
£0 - £20,000	3	108	111	1,077	49	1,126
£20,001 - £40,000	-	73	73	1,635	450	2,085
£40,001 - £60,000	-	30	30	951	518	1,469
£60,001 - £80,000	-	31	31	1,022	1,159	2,181
£80,001 - £100,000	-	16	16	589	832	1,421
£100,001 - £150,000	-	18	18	748	1,511	2,259
£150,001 - £200,000	-	6	6	306	732	1,038
£200,001 - £250,000	-	1	1	51	167	218
£250,001 - £300,000	-	1	1	100	157	257
<b>Total</b>	<b>3</b>	<b>284</b>	<b>287</b>	<b>6,479</b>	<b>5,575</b>	<b>12,054</b>

<b>2018/19 Range</b>	<b>Number of Compulsory Redundancies</b>	<b>Number of Other Departures Agreed</b>	<b>Total Number of Exit Packages Agreed</b>	<b>Compensation for Loss of Office £'000</b>	<b>Actuarial Pension Strain £000</b>	<b>Total Cost of Exit Packages £000</b>
£0 - £20,000	4	26	30	214	9	223
£20,001 - £40,000	-	14	14	326	51	377
£40,001 - £60,000	-	7	7	263	63	326
£60,001 - £80,000	-	8	8	264	293	557
£80,001 - £100,000	-	3	3	119	149	268
£100,001 - £150,000	-	4	4	322	132	454
£150,001 - £200,000	-	1	1	195	-	195
£200,001 - £250,000	-	1	1	60	143	203
<b>Total</b>	<b>4</b>	<b>64</b>	<b>68</b>	<b>1,763</b>	<b>840</b>	<b>2,603</b>

## 4.2.19 Pensions

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

### **Teachers Pension Scheme & NHS Pension Scheme**

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

The City Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the schemes. These benefits are accrued within the pension liability. In 2019/20 the City Council paid employer's contributions to the TPS of £3,434,372 (2018/19 £3,321,978). Employer contributions in respect of the NHS scheme amounted to £86,164 in 2019/20 (2018/19 £91,630). The employer contributions to the TPS was 20.6% of pensionable pay for 2019/20 (2018/19 16.4%). Employer contributions to the NHS scheme was 15.1% (2018/19 15.2%) of public health staff pay. Total pensionable pay for the year re the TPS, after Academy transfers, was £16,694,025 (2018/19 £20,159,462) & £569,822 (2018/19 £602,598) re the NHS scheme.

Employer's contributions for the year to 31 March 2021 will be approximately £3.8m re the TPS before Academy Transfers, which have not yet been formalised. Employer's contributions for the year to 31 March 2021 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 2019.

The objectives of the scheme is to remove any deficit. The Pension Fund has agreed a strategy with the scheme's actuary to achieve this within the next 20 years. Funding levels are reviewed on an annual basis. The next triennial valuation is due to be completed on 31st March 2022.

## 4.2.19 Pensions (continued)

In 2019/20 the City Council paid an employer's contribution based on 24.7% (2018/19 – 23.5%) of employees' pensionable pay. This was made up of 15.6% in respect of current service (i.e. pension earned within the current year), the remainder being in respect of prior years' deficit recovery. Total pensionable pay for the year, after Academy transfers, was £104,060,336 (2018/19 £105,316,223). The Actuary estimates that the Employer's contributions for current service in the year to 31 March 2021 re the LGPS will be approximately £27.5m.

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

During the year ended 31 March 2020, the City Council agreed to allow 135 employees (34 in 2018/19) 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 £1,052,801 (2018/19 £200,944).

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

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

## 4.2.19 Pensions (continued)

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 18.0 years.

There are two major pension issues which, although the pension fund rules have not yet been changed, are likely to require some remedy to the local government pension scheme in order to remove potential age and sex discriminatory practices. There is some uncertainty as to the extent to which these issues will apply, or what remedies will be implemented.

1 - As part of revisions to the local government pension scheme in 2014 aimed at reducing the cost of such schemes to the taxpayer and making them more sustainable, certain protections were offered to scheme members nearing retirement age in order to ensure that they did not incur loss through moving from a final salary to a career average scheme. Following the ruling in the “McCloud case” it is considered likely that such protections will need to be extended to all scheme members irrespective of age. The figures allow for remedies to be applied as appropriate to all members in service at the date of scheme change (1<sup>st</sup> April 2014). Consistent with the demographic information underpinning the fund, an assumed potential uplift to the fund has been calculated and applied to the Council’s membership profile.

2 - The Government is also committed to equalising the Guaranteed Minimum Pension part of the State Pension irrespective of age or sex. The figures allow for full pension increases to be paid on GMP’s to individuals reaching state pension age after 6<sup>th</sup> April 2016.

A third issue aimed, following the “Goodwin case”, at eliminating inequalities for some surviving male spouses, has not been reflected in the figures. At this stage, it is estimated that the effect of this could be to increase pension liabilities by between £1.4m and £2.8m.

## 4.2.19 Pensions (continued)

### Comprehensive Income and Expenditure Statement

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

	Local Government Pension Scheme		Teachers Pension Scheme		2018/19 £000	Total 2019/20 £000
	2018/19	2019/20	2018/19	2019/20		
	£000	£000	£000	£000		
- current service cost	40,855	46,012	-	-	40,855	46,012
- past service cost incl curtailments	6,459	2,283	-	-	6,459	2,283
- settlements	(3,283)	(9,199)	-	-	(3,283)	(9,199)
<b>Within Net Cost of Services</b>	<b>44,031</b>	<b>39,096</b>	<b>-</b>	<b>-</b>	<b>44,031</b>	<b>39,096</b>
- net interest expenses	11,474	12,763	869	778	12,343	13,541
<b>Within Financing and Investment Income and Expenditure</b>	<b>11,474</b>	<b>12,763</b>	<b>869</b>	<b>778</b>	<b>12,343</b>	<b>13,541</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>55,505</b>	<b>51,859</b>	<b>869</b>	<b>778</b>	<b>56,374</b>	<b>52,637</b>
Remeasurement of the net defined benefit liability comprising						
- return on plan assets (excluding the amount included in the net interest expense)	(53,598)	101,436	-	-	(53,598)	101,436
- changes in demographic assumptions	-	(57,475)	-	(1,112)	-	(58,587)
- changes in financial assumptions	126,227	(131,446)	386	(1,501)	126,613	(132,947)
- other experience	473	(118,585)	933	(1,102)	1,406	(119,687)
<b>Within Other Comprehensive Income and Expenditure</b>	<b>73,102</b>	<b>(206,070)</b>	<b>1,319</b>	<b>(3,715)</b>	<b>74,421</b>	<b>(209,785)</b>
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>128,607</b>	<b>(154,211)</b>	<b>2,188</b>	<b>(2,937)</b>	<b>130,795</b>	<b>(157,148)</b>

## 4.2.19 Pensions (continued)

### Movement in Reserves Statement

	Local Government Pension Scheme		Teachers Pension Scheme			Total
	2018/19	2019/20	2018/19	2019/20	2018/19	
	£000	£000	£000	£000	£000	£000
<b>Movement in Reserves Statement</b>						
<b>Within Other Comprehensive Income and Expenditure</b>	<b>(73,102)</b>	<b>206,070</b>	<b>(1,319)</b>	<b>3,715</b>	<b>(74,421)</b>	<b>209,785</b>
- Reversal of net charges against the General Fund balance for the Provision of Services	(55,505)	(51,859)	(869)	(778)	(56,374)	(52,637)
- Employers' contributions payable to the pension scheme	19,415	18,794	1,948	1,928	21,363	20,722
<b>Movement in Pension Reserve</b>	<b>(109,192)</b>	<b>173,005</b>	<b>(240)</b>	<b>4,865</b>	<b>(109,432)</b>	<b>177,870</b>

**Pensions Assets and Liabilities Recognised in the Balance Sheet** - The amount included in the balance sheet arising from the City Council's obligation in respect of its defined benefit plans is shown in the table below. As can be seen, the balance sheet has improved from last year. This is mainly a result of a higher discount rate applied, in line with regulations, and the impact of the 2019 formal valuation.

	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
<i>Present value of liabilities</i>					
All pension schemes	(1,161,054)	(1,385,305)	(1,395,968)	(1,576,196)	(1,306,347)
Discretionary benefits	(52,382)	(57,255)	(53,560)	(53,754)	(45,824)
	<b>(1,213,436)</b>	<b>(1,442,560)</b>	<b>(1,449,528)</b>	<b>(1,629,950)</b>	<b>(1,352,171)</b>
Fair value of assets in the LGPS	815,246	966,932	1,002,559	1,073,549	973,640
<b>Net pension asset/(liability) on the balance sheet</b>	<b>(398,190)</b>	<b>(475,628)</b>	<b>*(446,969)</b>	<b>*(556,401)</b>	<b>(378,531)</b>

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

There is a net liability on the balance sheet of £378,531,000 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:

## 4.2.19 Pensions (continued)

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

This table shows a reconciliation of the present value of the scheme 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 liabilities over the last year.

	Local Government Pension Scheme		Teachers Pension Scheme			Total
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
<b>Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)</b>						
Opening balance at 1 April	(1,416,383)	(1,596,565)	(33,145)	(33,385)	(1,449,528)	(1,629,950)
Current service cost	(40,855)	(46,012)	-	-	(40,855)	(46,012)
Interest cost	(38,379)	(38,305)	(869)	(778)	(39,248)	(39,083)
Contributions by scheme participants	(6,803)	(6,619)	-	-	(6,803)	(6,619)
Remeasurements (gains) and losses:						
- changes in demographic assumptions	-	57,475	-	1,112	-	58,587
- changes in financial assumptions	(126,227)	131,446	(386)	1,501	(126,613)	132,947
- changes in experience	(473)	118,585	(933)	1,102	(1,406)	119,687
Benefits paid	30,682	40,950	1,948	1,928	32,630	42,878
Past service costs (including curtailments)	(6,459)	(2,283)	-	-	(6,459)	(2,283)
Settlements	6,552	17,677	-	-	6,552	17,677
<b>Closing balance at 31 March</b>	<b>(1,598,345)</b>	<b>(1,323,651)</b>	<b>(33,385)</b>	<b>(28,520)</b>	<b>(1,631,730)</b>	<b>(1,352,171)</b>



## 4.2.19 Pensions (continued)

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

This table shows a reconciliation of the present value of the scheme assets 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 over the last year.

	Local Government Pension Scheme		Teachers Pension Scheme		Total	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
<b>Reconciliation of fair value of the scheme (plan) assets</b>						
Opening balance at 1 April	1,002,559	1,073,549	-	-	1,002,559	1,073,549
Interest income	26,905	25,542	-	-	26,905	25,542
Remeasurement (gains) and losses						
- the return on plan assets, excluding the amount included in net interest expense	53,598	(101,436)	-	-	53,598	(101,436)
Employer contributions	21,363	20,722	-	-	21,363	20,722
Contributions by scheme participants	6,803	6,619	-	-	6,803	6,619
Benefits paid	(32,630)	(42,878)	-	-	(32,630)	(42,878)
Settlements	(3,269)	(8,478)	-	-	(3,269)	(8,478)
<b>Closing balance at 31 March</b>	<b>1,075,329</b>	<b>973,640</b>	<b>-</b>	<b>-</b>	<b>1,075,329</b>	<b>973,640</b>
<b>Net pension asset/(liability)</b>	<b>(523,016)</b>	<b>(350,011)</b>	<b>(33,385)</b>	<b>(28,520)</b>	<b>(556,401)</b>	<b>(378,531)</b>

## 4.2.19 Pensions (continued)

### Local Government Pension Scheme Assets

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

	2018/19				2019/20			Percentage of total assets %
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets	Quoted prices in active markets	Quoted prices not in active markets	Total	
	£000	£000	£000	%	£000	£000	£000	
<b>Equity Securities:</b>								
- Consumer	47,925	-	47,925	4%	36,078	-	36,078	4%
- Manufacturing	41,065	-	41,065	4%	38,971	-	38,971	4%
- Energy & Utilities	17,202	-	17,202	2%	13,004	-	13,004	1%
- Financial Institutions	39,711	-	39,711	4%	34,402	-	34,402	4%
- Health & Care	30,810	-	30,810	3%	30,435	-	30,435	3%
- Information Technology	30,604	-	30,604	3%	23,710	-	23,710	2%
- Other	1,015	-	1,015	-	840	-	840	0%
<b>Debt Securities</b>								
- Corporate Bonds (Investment Grade)	79,697	-	79,697	7%	78,292	-	78,292	8%
Private Equity	-	38,431	38,431	3%	-	41,197	41,197	4%
Real Estate - UK Property	-	91,262	91,262	8%	-	95,895	95,895	10%
<b>Investment Funds and Unit Trusts</b>								
- Equities	483,235	-	483,235	45%	414,969	-	414,969	42%
- Bonds	81,231	-	81,231	8%	81,774	-	81,774	8%
- Hedge Funds	-	18,754	18,754	2%	-	17,317	17,317	2%
- Other	-	43,219	43,219	4%	-	50,308	50,308	5%
Derivatives	-	-	-	-	-	-	-	-
<b>Cash &amp; Cash Equivalents</b>	29,388	-	29,388	3%	16,447	-	16,447	2%
<b>Total Assets</b>	<b>881,883</b>	<b>191,666</b>	<b>1,073,549</b>	<b>100%</b>	<b>768,923</b>	<b>204,717</b>	<b>973,640</b>	<b>100%</b>

## 4.2.19 Pensions (continued)

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 2020, estimated based on actual fund returns as provided by the Actuary and index returns where necessary, is:

- Actual return for the period from 1 April 2019 to 31st March 2020 - (5.9%) (2018/19 - 8.1%)

### 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:

	2018/19	2019/20
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners		
- Men	22.1 years	21.2 years
- Women	24.4 years	23.6 years
Longevity at 65 for future pensioners		
- Men	24.1 years	22.1 years
- Women	26.4 years	25.0 years
Rate of increase in salaries	2.9	2.3
Rate of increase in pensions	2.5	1.9
Rate for discounting scheme liabilities	2.4	2.3
Real discount rate for discounting scheme liabilities	(0.1)	0.4
Proportion of employees taking up commutation option		
- pre-April 2008 service	50.0	50.0
- post-April 2008 service	75.0	75.0

## 4.2.19 Pensions (continued)

### 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:

	Approximate % increase to Defined Benefit Obligation	Approximate Monetary Amount
Change in assumptions at year ended 31 Mar 2020	%	£000
0.5% decrease in Real Discount Rate	10%	132,603
0.5% increase in the Salary Increase Rate	1%	12,977
0.5% increase in the Pension Increase Rate	9%	118,521

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

## 4.2.20 Pooled Budgets and Other Arrangements

### Pooled Budgets

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

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

<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
- Mental Health Section 75 Pooled Budget	-
(233) Youth offending Services Pooled Budget	(227)

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

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.

## 4.2.20 Pooled Budgets and Other Arrangements (continued)

### Better Care Fund

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

In 2017/18 Stoke on Trent City Council and Stoke on Trent Clinical Commissioning Group (CCG) entered into a Section 75 Framework Agreement of the National Health Service Act 2006 Pooled fund arrangement, known as Better Care Fund. This agreement was for a two year period covering both the 2017/18 and 2018/19 financial years. Following this, another agreement was entered into covering the financial year 2019/20. The table below does not represent the full costs of support as the council and CCG also incur costs that are outside the pooling arrangement.

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

	Costs met by Authority £000	CCG Funded ASC delivered by NHS £000	CCG Contribution to Adults Social Care £000	Cost Incurred by CCG £000	Total £000
Enhanced Primary & Community Support	2,957	-	984	3,035	6,976
Ensuring Sustainability of Adult Social Care	-	-	10,268	13,613	23,881
Admission Avoidance / Discharge to Access	210	9,703	70	-	9,983
<b>Total for 2019/20</b>	<b>3,167</b>	<b>9,703</b>	<b>11,322</b>	<b>16,648</b>	<b>40,840</b>

	c/f from 18/19 £000	Pooled Funding Provided by Authority £000	Pooled Funding Provided by the CCG £000	Cost met from the Pool £000	(Surplus)/ deficit on the pool £000
Integrated Community Equipment Service	36	(452)	(1,051)	1,446	(21)

## 4.2.21 Debtors and Creditors

### Long Term Debtors

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

31 March 2019 £000	31 March 2020 £000
2,114 Kickstart	2,157
415 Cluster loans	336
5,512 Smithfield Hotel Loan	7,359
7 Other long term debtors	7
68 Home improvement loans	72
43 Empty home loans	22
5,719 Housing benefit overpayment	6,504
(4,590) Impairment of housing benefit overpayment	(4,807)
<b>9,287 Sub total (Group Long Term Debtors)</b>	<b>11,650</b>
10,216 Fortior Homes	27,892
<b>19,503 Total City Council Long Term Debtors</b>	<b>39,542</b>

### Short Term Debtors

31 March 2019 £000	Note	31 March 2020 £000
6,021	Central government bodies	7,151
645	Academies	3,775
1,886	Other local authorities	6,113
128	NHS bodies	7,486
66,323	Other entities and individuals	61,544
(20,020)	Impairment of other entities and individuals	(18,874)
<b>54,981 Total</b>	<b>4.2.14a</b>	<b>67,195</b>

### Short Term Creditors

31 March 2019 £000	Note	31 March 2020 £000
7,483	Central government bodies	13,561
4,254	Other local authorities	3,949
1,099	NHS bodies	1,389
48,010	Other entities and individuals	55,529
<b>60,846 Total</b>	<b>4.2.14b</b>	<b>74,428</b>

## 4.2.22 Related Party Transactions

The Authority is required to disclose material transactions with related parties, in words, bodies or individuals that have the potential to control or influence the City Council or to be controlled or influenced by the City Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

### Central Government

Central government has effective control over the general operations of the Authority, as it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (such as those relating to council tax bills and housing benefits). Grants received from government departments are set out in the subjective analysis in Note 4.2.5. A breakdown of grants received by funder in 2019/20 is shown in Note 4.2.16.

### Members

Members of the City Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 4.2.23. During 2019/20, no members declared interests in related party companies which as 31st March 2020 had outstanding loans with the Authority. Details of all members' interests are available within the Members' Registers of Interest on the City Council website, [stoke.gov.uk](http://stoke.gov.uk).

### Officers

During 2019/20, no council officers declared material interests in related parties.

### Other Public Bodies

Stoke-on-Trent City Council has a pooled budget arrangement with North

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

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

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

### Interest in Other Companies

The City Council has a minority interest in **Stoke-on-Trent Regeneration Limited**. During 2018/19, the following members were on the board of these companies, and various related party transactions were made to the companies:

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



## 4.2.22 Related Party Transactions (continued)

### Entities Controlled or Significantly Influenced by the Authority

**Fortior Homes Limited** - This company is wholly owned by Stoke-on-Trent City Council in order to deal with housing development. In 2019/20 Fortior Homes Limited issued and allotted shares to the value of £7.972m (£1.195m in 2018/19). Details of shareholdings can be found in note 4.2.14d.



### Transactions and Balances

The City Council raised invoices against Fortior Homes Limited during 2019/20 of £210k (£220k in 2018/19) for charges incurred on behalf of the company during its establishment period and service charges. As at the 31st March 2020 £0 (£187k - 2018/19) was outstanding at the year end.

The City Council also disposed of assets to Fortior Homes Limited during 2019/20 for £305k (£787k in 2018/19).

As at 31 March 2020, included within short term debtors there is an intercompany balance of £1.128m (£2.048m in 2018/19) which the City Council owes to Fortior Homes Limited.

In 2019/20, the City Council made loans to Fortior Homes Limited of £17.483m (£9.851m in 2018/19). Interest on the loans for the year is £1.345m (£247k in 2018/19).

### Related Party Officers/Members

For the Financial year of 2019/20, Councillor Ann James was a director of Fortior Homes Limited until May 2019, at which time Councillor Abi Brown was appointed. Two officers of the Council were also board members: Carl Brazier and Phillip Cresswell.

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

### Transactions and Balances

The City Council raised invoices against Unitas Stoke-on-Trent Limited during 2018/19 of £6.58m (£6.68m in 2018/19) for charges incurred on behalf of the company during its establishment period and service charges. As at 31st March 2020 £569k (£348k - 2017/18) was outstanding.



Unitas Stoke-on-Trent Limited raised invoices against the City Council during 2019/20 of £56.11m (£54.27m in 2018/19) for repairs and maintenance of housing stock and public buildings. As at 31st March 2020 £9.226m (£9.079m - 2018/19) was outstanding.

As at 31 March 2020, included within short term debtors is an intercompany balance of £1.5m (£0.5m in 2018/19) which the City Council owes to Unitas Stoke-on-Trent Limited.

### Related Party Officers/Members

For the Financial year of 2018/19, Councillor Randolph Conteh and Councillor Daniel Jellyman were directors of Unitas Stoke-on-Trent Limited until June 2019 at which time Councillor Joanne Powell-Beckett and Councillor Ann James were appointed. Carl Brazier, a Director of the Council was also a board member.

**Stoke Energyco Limited (Dormant)** - This company is wholly owned by Stoke-on-Trent City Council in order to deal with green energy initiatives. In 2019/20 no transactions took place.

**STCC RP Limited (Dormant)** - This company is wholly owned by Stoke-on-Trent City Council for the renting and operating of housing association real estate. In 2019/20 no transactions took place.

**Stoke on Trent Futures Limited (Dormant)** - This company is wholly owned by Stoke-on-Trent City Council for the letting and operating of own or leased real estate. In 2019/20 no transactions took place.

Details of all shareholdings can be found in note 4.2.14d.

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

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

31 March 2019 £000	Note	31 March 2020 £000
744	Allowances	774
23	Expenses	24
<b>767</b>	<b>Total</b>	<b>798</b>

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

31 March 2019 £000	Note	31 March 2020 £000
144	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	144
5	Fees payable to external auditors for the certification of grant claims and returns for the year	22
13	Fees payable to external auditors for other assurance work	-
-	- Fees payable to external auditors in respect of non audit services provided during the year	-
<b>162</b>	<b>Total</b>	<b>166</b>

## 4.2.24 Notes to the Cash Flow Statement

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

2018/19 (Restated) £000s	2019/20 £000s
(37,976) Depreciation	(38,581)
12,397 Impairment & Downward Valuations	(25,442)
(1,111) Amortisations	(1,420)
(497) Increase/(decrease) in impairment for bad debts	1,146
(28) (Increase)/decrease in creditors	(14,255)
30,729 Increase/(decrease) in debtors	15,967
117 Increase/(decrease) in revaluation of stock (write offs)	(14)
(35,010) Movement in pension liability	(31,918)
(25,161) Net carrying amount of non-current assets sold	(53,383)
4,384 Other non-cash items charges to the net Surplus or Deficit on the Provision of Services	2,208
(1,727) Changes in Fair Value of investment properties	-
<b>(53,883)</b>	<b>(145,692)</b>

The surplus or deficit on the provision of services has been adjusted for

2018/19 £000s	2019/20 £000s
10,991 Proceeds for the sale of PPE, investment property & intangible assets	11,697
23,377 Any other items for which the cash effects are investing or financing activities	21,969
<b>34,368</b>	<b>33,666</b>

Included in Net Cash Flows from Operating Activities

2018/19 £000s	2019/20 £000s
(99) Interest received	(169)
12,691 Interest paid	14,350
(3,353) Dividends received	(4,104)

## 4.2.24 Notes to the Cash Flow Statement (continued)

### Investing Activities

2018/19 £000s	2019/20 £000s
69,493	70,494
1,196	26,913
(11,035)	(12,060)
-	(90)
(26,373)	(25,970)
<b>33,281</b>	<b>59,287</b>
<b>Net cash flows from investing activities</b>	

### Financing Activities

2018/19 £000s	2019/20 £000s
8,341	10,452
-	314
7,739	8,739
(2,091)	(3,431)
(74,974)	(85,000)
<b>(60,985)</b>	<b>(68,926)</b>
<b>Net cash flows from financing activities</b>	

#### 4.2.24 Notes to the Cash Flow Statement (continued)

##### Reconciliation of Liabilities Arising from Financing Activities

2018/19 1 April	Financing Cash Flows	Non Financing Cash Flows	2018/19 31 March		2019/20 1 April	Financing Cash Flows	Non Financing Cash Flows	2019/20 31 March
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
391,940	75,000	(6,910)	460,030	Long-term borrowings	460,030	85,000	(6,910)	538,120
5,909	(5,909)	6,910	6,910	Short-term borrowings	6,910	(6,910)	6,910	6,910
1,154	(246)	-	908	Lease Liabilities	908	(253)	-	655
98,294	(9,459)	1,364	90,199	PFI Liabilities	90,199	(10,270)	1,386	81,315
15,427	(1,829)	-	13,598	Transferred Debt	13,598	(1,829)	-	11,769
<b>512,724</b>	<b>57,557</b>	<b>1,364</b>	<b>571,645</b>	<b>Total liabilities from financing activities</b>	<b>571,645</b>	<b>65,738</b>	<b>1,386</b>	<b>638,769</b>

## 4.2.25 Contingent Assets and Liabilities

### 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 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.
- c 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.
- d 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.
- e The City Council has provided a guarantee for the pension liability relating to Unitas Stoke-on-Trent membership of the Local Government Pension Scheme (LGPS) and is responsible for any LGPS deficit relating to the Transferring Employees' membership of the LGPS referable to service up to and including the Relevant Transfer Date and, without limit of time, shall compensate Unitas in full on demand for costs, claims and liabilities of any kind in connection with any amount by which the assets of the LGPS attributable to it are less than the liabilities attributable to it at the Relevant Transfer Date. The value of the pension liability for Unitas as at 31st March 2020 is £15.492m

## 4.2.26 Events after the Balance Sheet Date

### School Conversions to Academies

The following schools have converted or are in the process of converting to an Academy in 2020/21:

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 2020/21 by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement (CIES). The gain or loss on transfer will be recognised within then Financing and Investment Income and Expenditure line on the CIES.

School Name	Proposed Conversion Date <sup>1</sup>	NBV of OLB,VPE and infrastructure as at 1st April 2020
Waterside Primary School	Autumn 2020	£5,091,014
Clarice Cliff Primary School	Autumn 2020	£6,140,222
St Paul's CofE (C) Primary School	Autumn 2020	£2,252,718
St Mark's CofE (A) Primary School	1 June 2020	£3,557,554
Birches Head Academy	Autumn 2020	£8,354,807
Etruscan Primary School	1 June 2020	£5,469,614
<b>Total</b>		<b>£30,865,929</b>

<sup>1</sup> Source: Department for Education - Open Academies and academy projects in development: April 2020

### Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Strategy and Resources (Section 151 Officer) on 14th May 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 4.2.27 Going Concern

### Going Concern

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus, that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis. The council's accounts are therefore produced under the Code and assume that the council's services will continue to operate 12 months from the final certification of these statements to August 2025.

The impact of COVID-19 had substantial implications for the council's finances. Firstly, the response to the pandemic has required additional expenditure to ensure the council could continue to deliver its statutory responsibilities, especially in Adult Social Care / Children services. Secondly, it has lost income primarily as a result of the restrictions on public and business activity put in place since mid-March 2020. Finally, COVID-19 is having a significant detrimental impact on the wider economy, with the expectation that there will be a consequent reduction in funding from Council Tax and Business Rates. This impact will be felt through the collection fund in 2021/22 and the reduction in the base. The government is supporting the spread of collection fund deficits over the medium term of three years. Government has sought to address current pressures through the provision of non-ringfenced COVID-19 grants. The first grant of £8.9 million received in March 2020, of which the Council incurred £0.6 million in 2019-2020, with the remaining £8.4 million held in reserve for application as required in 2020 -2021. Subsequent to this, the council received a further £7.0 million, £2.8 million and £6.6 million in 2020-2021, to support the council's response to, and recovery from, COVID-19 in 2020-2021. Further, the government is supporting income loss relating to sales, fees and charges through their co-payment scheme, whereby, excluding the first 5% of budgeted income, grant of 75p in the £ will be paid to authorities. In addition, there have been a number of other grants for specific purposes.

The Councils year-end reserve balances (at 31 March 2020), as reported in these statements are as follows:

General Fund £9.7 million

Earmarked reserves £29.9 million

The council has carried out an assessment of the impact of COVID-19 on future income and expenditure and is satisfied that there is no material uncertainty relating to the council's going concern. Through the assessment, increases in expenditure mainly relate to Adult and Children's services, in response to demands in the market and an increase in care provision. The council is supporting care providers with the additional costs for personal protection equipment and staffing, along with additional demand from clients discharged earlier from hospitals.



## 4.2.27 Going Concern (continued)

### Going Concern

The Narrative Report sets out the significant impact of high inflation and increasing demand on both the local economy and on Council finances. Specifically, increasing demand for and cost of, Children's social care placements, which has driven a net overspend of £10m in 2023/24. This was mitigated through a successful application for Exception Financial Support (EFS) which also enabled a balanced budget to be set for 2024/25. The application for EFS set out the councils plan to invest in early help and targeted support in order to reduce the number of children in care over the medium term. Therefore, despite forecasting pressures in 2025/26 the council has a programme of work in train to mitigate this including the Improvement and Productivity Plan and the general robust approach to the MTFs and budget setting that will continued to be mirrored for future years.

Additional financial controls have been implemented with during 2023/24 to support the management of the budget and critical and urgent actions have being taken by management to reduce the impact of the current forecast in future years. The council has a track record of making tough financial decisions in times of constrained funding and can be expected to do so again.

The council has continued its strategy to maintain a reasonable level of reserves to satisfy short to medium term known liabilities and a working balance to cushion the impact of unexpected events, cash flows or emergencies, including emerging risks such as the uncertainty of funding after 2023/24, rising inflation rates; and internal risks including increased commercial activity, and the challenges faced by all councils relating to increasing demand for services like social care. This balance is 5% of net-revenue expenditure.

The council has undertaken cash flow modelling through to September 2025 which demonstrates the council's ability to work within its Capital Financing Requirement and cash management framework. Current cash and cash-equivalents of £34.9 million as at the balance sheet date have been modelled, using reasonable assumptions regarding service costs, staff costs and income.

As the cash flow modelling and medium term financial strategy 2024/25 demonstrates that the Council will continue to have liquidity and resources for the next 12 months from the date of final certification of these accounts, to support the continuation of service assumption, management are satisfied that there is no material uncertainty relating to going concern.

# 5.0 Housing Revenue Account





## 5.2 Statement of Movement in the Housing Revenue Account

31 March 2019 £000	Notes	31 March 2020 £000
7,740	Opening balance	7,791
30,408	Surplus of (deficit) for the year on the HRA Income and Expenditure Statement	(12,784)
(32,561)	Adjustments between accounting basis and funding basis under statute	(1,224)
<b>(2,153)</b>	<b>Net increase or (decrease) before transfers to or from reserves</b>	<b>(14,008)</b>
2,204	Transfers (to) or from reserves	14,008
<b>51</b>	<b>Increase or (decrease) in year on the HRA</b>	<b>-</b>
<b>7,791</b>	<b>Closing balance</b>	<b>7,791</b>

### 5.3.1 Valuation of Housing Assets

<b>Movement on Balance 2019/20</b>	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	<b>Total Property, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>539,583</b>	<b>10,151</b>	<b>5,166</b>	<b>14,371</b>	<b>136</b>	<b>2,435</b>	<b>7,555</b>	<b>579,397</b>
Additions	22,632	342	-	1,345	-	29	5,467	<b>29,815</b>
Donations	-	-	-	-	-	-	-	-
<i>Revaluation increases/(decreases) recognised in the:</i>								
- Revaluation Reserve	21,012	(140)	-	-	-	(17)	-	<b>20,855</b>
- Surplus/Deficit on the Provision of Services	(11,672)	(58)	-	-	-	24	-	<b>(11,706)</b>
Derecognition through disposal and transfer	(561)	(97)	269	275	-	-	-	<b>(114)</b>
Reclassifications - other	1,460	(21)	(548)	-	-	12	(903)	-
Assets reclassified (to)/from Held for Sale	(5,932)	-	-	-	-	-	-	<b>(5,932)</b>
Other	-	(66)	-	-	-	218	-	<b>152</b>
<b>Balance at 31 March</b>	<b>566,522</b>	<b>10,111</b>	<b>4,887</b>	<b>15,991</b>	<b>136</b>	<b>2,701</b>	<b>12,119</b>	<b>612,467</b>

### 5.3.1 Valuation of Housing Assets (continued)

<b>Movement on Balance 2019/20 Accumulated Depreciation and Impairment</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(1,020)</b>	<b>(55)</b>	<b>(2,397)</b>	<b>(3,328)</b>	<b>-</b>	<b>(1,298)</b>	<b>(1,472)</b>	<b>(9,570)</b>
Depreciation charge in year	(15,034)	(175)	(103)	(390)	-	-	-	(15,702)
<i>Depreciation written out to the:</i>								
Revaluation Reserve	14,590	204	-	-	-	-	-	<b>14,792</b>
Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
<i>Impairment losses/(reversals) recognised in the:</i>								
Revaluation reserve	-	-	-	-	-	-	-	-
Surplus/Deficit on the Provision of Services	-	(26)	-	-	-	(29)	-	<b>(55)</b>
Derecognition through disposal and transfer.	561	28	(275)	(275)	-	-	-	<b>39</b>
Reclassifications - other	(157)	-	160	-	-	(3)	-	-
Assets reclassified (to)/from Held for Sale	167	-	-	-	-	-	-	<b>167</b>
Other	-	5	-	-	-	-	-	<b>5</b>
<b>Balance at 31 March</b>	<b>(893)</b>	<b>(19)</b>	<b>(2,615)</b>	<b>(3,993)</b>	<b>-</b>	<b>(1,330)</b>	<b>(1,472)</b>	<b>(10,324)</b>
<b>Net Book Value</b>								
<b>At 31 March 2020</b>	<b>565,629</b>	<b>10,091</b>	<b>2,272</b>	<b>11,998</b>	<b>136</b>	<b>1,371</b>	<b>10,647</b>	<b>602,145</b>
<b>At 31 March 2019</b>	<b>538,563</b>	<b>10,096</b>	<b>2,769</b>	<b>11,043</b>	<b>136</b>	<b>1,137</b>	<b>6,083</b>	<b>569,827</b>

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2020 was £1,414,072,500. The balance sheet value of dwellings within the Housing Revenue Account shows the economic cost to Government of providing council housing at less than open market rents.

### 5.3.1 Valuation of Housing Assets (continued)

<b>Movement on Balance 2018/19</b>			Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	<b>Total Property, Plant and Equipment</b>
<b>Restated</b>	Council Dwellings	Other Land & Buildings						
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>509,826</b>	<b>9,715</b>	<b>5,175</b>	<b>13,474</b>	<b>135</b>	<b>1,587</b>	<b>3,097</b>	<b>543,009</b>
Additions	14,839	173	-	899	-	15	8,044	<b>23,970</b>
Donations	-	-	-	-	-	-	-	-
<i>Revaluation increases/(decreases) recognised in the:</i>								
- Revaluation Reserve	6,804	265	-	-	-	(15)	-	<b>7,054</b>
- Surplus/Deficit on the Provision of Services	11,605	(2)	-	-	-	-	-	<b>11,603</b>
Derecognition through disposal and transfer	-	-	(9)	(2)	-	-	-	<b>(11)</b>
Reclassifications - other	2,738	-	-	-	1	848	(3,586)	<b>1</b>
Assets reclassified (to)/from Held for Sale	(6,229)	-	-	-	-	-	-	<b>(6,229)</b>
Other	-	-	-	-	-	-	-	-
<b>Balance at 31 March</b>	<b>539,583</b>	<b>10,151</b>	<b>5,166</b>	<b>14,371</b>	<b>136</b>	<b>2,435</b>	<b>7,555</b>	<b>579,397</b>

### 5.3.1 Valuation of Housing Assets (continued)

<b>Movement on Balance 2018/19</b>	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	<b>Total Property, Plant and Equipment</b>
<b>Restated</b>								
<b>Accumulated Depreciation and Impairment</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(746)</b>	<b>(57)</b>	<b>(2,266)</b>	<b>(2,940)</b>	-	<b>(701)</b>	<b>(1,472)</b>	<b>(8,182)</b>
Depreciation charge in year	(13,630)	(161)	(135)	(389)	-	-	-	<b>(14,315)</b>
<i>Depreciation written out to the:</i>								
Revaluation Reserve	-	148	-	-	-	-	-	<b>148</b>
Surplus/Deficit on the Provision of Services	13,334	15	-	-	-	-	-	<b>13,349</b>
<i>Impairment losses/(reversals) recognised in the:</i>								
Revaluation reserve	-	-	-	-	-	-	-	-
Surplus/Deficit on the Provision of Services	(575)	-	-	-	-	-	-	<b>(575)</b>
Derecognition through disposal and transfer.	-	-	4	1	-	-	-	<b>5</b>
Reclassifications - other	597	-	-	-	-	(597)	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Balance at 31 March</b>	<b>(1,020)</b>	<b>(55)</b>	<b>(2,397)</b>	<b>(3,328)</b>	-	<b>(1,298)</b>	<b>(1,472)</b>	<b>(9,570)</b>
<b>Net Book Value</b>								
<b>At 31 March 2019</b>	<b>538,563</b>	<b>10,096</b>	<b>2,769</b>	<b>11,043</b>	<b>136</b>	<b>1,137</b>	<b>6,083</b>	<b>569,827</b>
<b>At 31 March 2018</b>	<b>509,080</b>	<b>9,658</b>	<b>2,909</b>	<b>10,534</b>	<b>135</b>	<b>886</b>	<b>1,625</b>	<b>534,827</b>

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2019 was £1,325,666,125. The balance sheet value of dwellings within the Housing Revenue Account shows the economic cost to Government of providing council housing at less than open market rents.



## 5.3.2 Usable Reserves

### a - Major Repairs Reserve

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

2018/19 £000	2019/20 £000
<b>9,470 Opening balance</b>	<b>9,467</b>
14,315 Depreciation on HRA assets	15,702
- Voluntary debt repayment	23
(14,318) Reserve applied	(15,725)
<b>9,467 Closing balance</b>	<b>9,467</b>

### b - HRA Capital Receipts Reserve

2018/19 £000	2019/20 £000
<b>8,447 Opening balance</b>	<b>10,724</b>
<b>Value of Receipts</b>	
394 Land	55
8,676 Houses	8,272
- Mortgage repayments	1
64 Repayments of discount	72
- Notional Receipts for end of lease	-
<b>Use of receipts</b>	
(1,320) Capital receipts pooling payment to DCLG	(1,320)
(2,747) Usable receipts applied to finance HRA capital expenditure	(2,253)
(2,790) Usable receipts applied to finance regeneration capital expenditure	(3,921)
- Funding of disposal costs	(1)
<b>10,724 Closing balance</b>	<b>11,629</b>

## 5.3.3 Capital

### a - Summary of Capital Expenditure

2018/19 £000	Notes	2019/20 £000
<b>25,187 Expenditure</b>		
24,084 Additions		29,866
1,103 REFCUS - Payment of Capital Grants		706
<b>25,187</b>		<b>30,572</b>
<b>Financed by</b>		
- Borrowing		-
6,769 Revenue contribution from earmarked reserves		12,333
14,318 Major repairs reserve		15,726
2,747 Usable capital receipts reserve		2,253
1,353 Grants and contributions		260
<b>25,187</b>		<b>30,572</b>

### b - 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:

2018/19 £000	2019/20 £000
<b>Item 8 Credit included within income</b>	
(75) Interest receivable	(75)
- Discounts received	-
<b>(75) Total Item 8 Credit</b>	<b>(75)</b>
<b>Item 8 Debit included within expenditure</b>	
20 Debt management costs	25
6,466 Interest payable and similar charges	6,481
<b>6,486 Total Item 8 Debit</b>	<b>6,506</b>

### 5.3.4 Other Notes to the HRA (continued)

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

Included within the HRA balance is £2.3m relating to the current service cost of HRA funded employees who participate in the Local Government Pension Scheme. The total defined benefit cost recognised (£2.788m) represents the value of pension benefits earned during the year by the relevant employees and is charged to the HRA Income and Expenditure account in place of the value of cash payments made by the Council to the pension fund. This accords with IAS 19 (Retirement Benefits) and ensures that the HRA Income and Expenditure account meets the requirement that benefit retirements should be accounted for when earned even if the actual giving of pension benefits may be in the future.

In addition, a proportionate share of the net pension interest cost and expected return on pension assets (£0.681m) is credited to the overall surplus or deficit on HRA services.

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

#### b - Rent Arrears

2018/19 £000	2019/20 £000
<b>Arrears at year end</b>	
1,337 Current Tenants	1,291
2,118 Former Tenants	2,379
<b>3,455 Total arrears at year end</b>	<b>3,670</b>
(2,533) Provision in respect of uncollectable debts	(79)
<b>922 Net arrears at year end</b>	<b>3,591</b>

#### c - Housing Stock

2018/19	2019/20
<b>18,173</b> Number of dwellings at the beginning of the year	<b>17,944</b>
26 Purchases	29
(204) Dwellings sold under Right to Buy	(194)
- Other sales	-
(51) Awaiting demolition or unavailable for rent	(56)
- Merged conversions	-
- Dwellings demolished	-
<b>17,944</b> Number of dwellings at the end of the year	<b>17,723</b>
<i>Consisting of:</i>	
15,053 Houses/bungalows	14,899
2,891 Flats	2,824

## 5.3.4 Other Notes to the HRA (continued)

### d - Adjustments between accounting basis and funding basis under regulation

31 March 2019 £000	Adjustments Primarily Involving the:	31 March 2020 £000
	<b>Capital Adjustment Account</b>	
(14,315)	Depreciation of Non-Current Assets	(15,703)
(575)	Impairment of Non-Current Assets	(55)
24,953	Revaluation losses on Property, Plant and Equipment	(11,702)
	- Amortisation of Intangible Assets	(22)
(1,103)	Revenue Expenditure Funded from Capital Under Statute	(756)
(6,278)	Carrying Amount of Non-Current Assets written off on disposal to the CIES	(6,096)
1,315	Capital grants and contributions applied	260
39	Revenue Expenditure Funded from Capital Under Statute - Funding	
6,364	Capital expenditure charged against the general fund	12,333
	<b>Pensions Reserve</b>	
(2,827)	Reversal of items relating to retirement benefits debited or credited to the CIES	(2,647)
1,489	Employer's contributions and direct payments made in year to the pension fund	1,509
50	<b>Accumulated Absences Account</b>	(21)
	<b>Capital Receipts Reserve</b>	
9,134	Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES	8,400
	<b>Major Repairs Reserve</b>	
14,315	Contribution for depreciation	15,702
	- Voluntary contribution	23
<b>32,561</b>	<b>Total</b>	<b>1,224</b>

# 6.0 Collection Fund



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## 6.1 Collection Fund Statement

2018/19						2019/20
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
			Notes			
<b>Income</b>						
92,633	-	<b>92,633</b>	Business ratepayers	91,663	-	<b>91,663</b>
-	118,544	<b>118,544</b>	Council tax	-	124,457	<b>124,457</b>
-	(17,829)	<b>(17,829)</b>	Less council tax local support	-	(17,725)	<b>(17,725)</b>
<b>92,633</b>	<b>100,715</b>	<b>193,348</b>		<b>91,663</b>	<b>106,732</b>	<b>198,395</b>
<b>Charges to the Collection Fund</b>						
27	30	<b>57</b>	Write (offs)/backs of uncollectable amounts	(2,029)	(1,784)	<b>(3,813)</b>
(1,442)	2,923	<b>1,481</b>	Impairment for uncollectable amounts	1,400	(270)	<b>1,130</b>
(1,027)	-	<b>(1,027)</b>	Provision for appeals	(953)	-	<b>(953)</b>
897	-	<b>897</b>	Use of previous years provision	953	-	<b>953</b>
80	-	<b>80</b>	Disregard amounts (Transitional Protection Payments)	(475)	-	<b>(475)</b>
(497)	-	<b>(497)</b>	Disregard amounts (Enterprise Zones)	(727)	-	<b>(727)</b>
(359)	-	<b>(359)</b>	Costs of collection	(359)	-	<b>(359)</b>
<b>(2,321)</b>	<b>2,953</b>	<b>632</b>		<b>(2,190)</b>	<b>(2,054)</b>	<b>(4,244)</b>
<b>90,312</b>	<b>103,668</b>	<b>193,980</b>	<b>Balance due for allocation</b>	<b>89,473</b>	<b>104,678</b>	<b>194,151</b>
<b>Precepts, Demands and Shares</b>						
(46,459)	-	<b>(46,459)</b>	Central Government	(22,812)	-	<b>(22,812)</b>
-	(12,223)	<b>(12,223)</b>	The Office of the PCC Staffordshire	-	(14,048)	<b>(14,048)</b>
(929)	(4,667)	<b>(5,596)</b>	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	(914)	(4,912)	<b>(5,826)</b>
(45,529)	(80,472)	<b>(126,001)</b>	Stoke-on-Trent City Council	(67,697)	(84,693)	<b>(152,390)</b>
<b>(92,917)</b>	<b>(97,362)</b>	<b>(190,279)</b>		<b>(91,423)</b>	<b>(103,653)</b>	<b>(195,076)</b>
<b>(2,605)</b>	<b>6,306</b>	<b>3,701</b>	<b>Surplus/(Deficit) for the Year</b>	<b>(1,950)</b>	<b>1,025</b>	<b>(925)</b>

## 6.1 Collection Fund Statement (continued)

2018/19						2019/20
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
			Notes			
<b>Collection Fund Balance</b>						
(2,251)	2,173	(78)	Balance at the beginning of the year	(5,258)	5,967	709
<b>Previous year's estimated (surplus)/deficit paid in current year</b>						
(200)	-	(200)	Central Government	2,142	-	2,142
-	(309)	(309)	The Office of the PCC Staffordshire	-	(363)	(363)
(4)	(122)	(126)	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	43	(138)	(95)
(196)	(2,080)	(2,276)	Stoke-on-Trent City Council	2,099	(2,390)	(291)
<b>(400)</b>	<b>(2,512)</b>	<b>(2,912)</b>		<b>4,284</b>	<b>(2,891)</b>	<b>1,393</b>
<b>Allocation of Surplus/(Deficit) in Year</b>						
(1,303)	-	(1,303)	Central Government	(488)	-	(488)
-	822	822	The Office of the PCC Staffordshire	-	139	139
(26)	301	275	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	(20)	48	28
(1,277)	5,183	3,906	Stoke-on-Trent City Council	(1,444)	837	(607)
<b>(2,606)</b>	<b>6,306</b>	<b>3,700</b>		<b>(1,952)</b>	<b>1,024</b>	<b>(928)</b>
<b>(5,257)</b>	<b>5,965</b>	<b>708</b>	<b>Balance at the End of the Year</b>	<b>(2,926)</b>	<b>4,100</b>	<b>1,174</b>
<b>Allocation of collection fund balance to:</b>						
(2,629)	-	(2,629)	Central Government	(978)	-	(978)
-	780	780	The Office of the PCC Staffordshire	-	556	556
(53)	284	231	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	(29)	194	165
(2,576)	4,903	2,327	Stoke-on-Trent City Council	(1,919)	3,350	1,431
<b>(5,258)</b>	<b>5,967</b>	<b>709</b>		<b>(2,926)</b>	<b>4,100</b>	<b>1,174</b>

## 6.2.1 Business Rates

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

From 1 April 2013, the City Council retained 49% of the total amount collected, less certain reliefs and deductions, paying 1% to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and 50% to Government. In 2019/20 The City became part of the pilot scheme whereby shares were 74% to the City, 25% to Government & 1% to Staffordshire Fire and Rescue Authority. In 2019/20 the City Council's share amounted to £67,697k plus a proportion of the year end deficit of £1,444k (see note 6.1). In addition £32,254k was received as non-domestic rates top up.

2018/19	2019/20
49.3p Business rate multiplier	50.4p
48.0p Small business rate relief multiplier	49.1p
<b>£236,413,256 Non-domestic rateable value at year-end</b>	<b>£235,443,272</b>
<b>£000</b>	<b>£000</b>
110,960 NDR gross charge	112,493
(80) Transitional relief	475
(14,938) Mandatory relief	(15,358)
(803) Discretionary relief	(2,411)
(2,505) Other	(3,536)
<b>92,633</b>	<b>91,662</b>
27 Amounts written (off)/on	2,029
<b>92,660</b>	<b>93,691</b>



## 6.2.2 Council Tax

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

2018/19 £000	2019/20 £000
133,063 Council tax gross charge	139,889
(3,174) Exemptions	(3,476)
(11,245) Discounts	(11,861)
(100) Disabled allowances	(95)
<b>118,544</b>	<b>124,457</b>
30 Amounts written (off)/on	(1,784)
<b>118,574</b>	<b>122,673</b>
(17,829) Council tax local support	(17,725)
<b>100,745</b>	<b>104,948</b>

Valuation Band	Value Range	Number of Dwellings	Dwellings after discounts & exemptions	Ratio to Band D	Band D Equivalents
<b>A (entitled to Disabled Reduction)</b>		0	<b>126</b>	5/9	70.0
A	Up to £40,000	69,653	<b>60,682</b>	6/9	40,454.4
B	£40,001 - £52,000	24,714	<b>22,499</b>	7/9	17,680.3
C	£52,001 - £68,000	15,329	<b>14,103</b>	8/9	12,536.1
D	£68,001 - £88,000	4,879	<b>4,648</b>	1	4,647.7
E	£88,001 - £120,000	1,794	<b>1,704</b>	11/9	2,083.1
F	£120,001 - £160,000	508	<b>485</b>	13/9	700.6
G	£160,001 - £320,000	153	<b>132</b>	15/9	220.0
H	Over £320,000	42	<b>25</b>	18/9	50.0
					<b>78,442.2</b>
Local council tax support scheme: Estimated level of discounts to be awarded					<b>(12,179.8)</b>
Care Leavers					<b>(70.5)</b>
					<b>66,191.9</b>
Adjustments for collection rates					<b>(1,323.8)</b>
<b>Council Tax Base for 2019/20</b>					<b>64,868.1</b>

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

## 6.2.2 Council Tax (continued)

The overall Council Tax requirement of £84.693m 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.

2018/19 Derivation of the Band D Council Tax		2019/20
£80.471m	Council Tax Requirement	£84.693m
63,477	Tax base	64,868
<b>£1,267.72</b>	<b>City Council Band D</b>	<b>£1,305.62</b>
£192.56	The Office of the Police and Crime Commissioner Staffordshire	£216.56
£73.53	Stoke-on-Trent and Staffordshire Fire and Rescue Authority	£75.73
<b>£1,533.81</b>	<b>Combined Band D Council Tax</b>	<b>£1,597.91</b>

The level at which Council Tax was set in 2019/20 was:

Valuation 2018/19 Band £		Stoke-on-Trent City Council £	The Office of the Police and Crime Commissioner Staffordshire £	Stoke-on-Trent and Staffordshire Fire and Rescue Authority £	2019/20 £
1,022.54	<b>A</b>	870.41	144.37	50.49	<b>1,065.27</b>
1,192.96	<b>B</b>	1,015.48	168.44	58.90	<b>1,242.82</b>
1,363.39	<b>C</b>	1,160.54	192.50	67.32	<b>1,420.36</b>
1,533.81	<b>D</b>	1,305.62	216.56	75.73	<b>1,597.91</b>
1,874.66	<b>E</b>	1,595.76	264.68	92.56	<b>1,953.00</b>
2,215.50	<b>F</b>	1,885.89	312.81	109.39	<b>2,308.09</b>
2,556.35	<b>G</b>	2,176.03	360.93	126.22	<b>2,663.18</b>
3,067.62	<b>H</b>	2,611.24	433.12	151.46	<b>3,195.82</b>

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

2018/19 £	2019/20 £
80,471,570	84,693,089
12,223,208	14,047,835
4,667,493	4,912,461
<b>97,362,271</b>	<b>103,653,385</b>

# 7.0 Group Accounts



## 7.1 Group Accounts Introduction

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

The City Council has interests in a number of companies that are classified as a subsidiary, all of which have been considered for consolidation. Two of these, Fortior Homes Limited and Unitas Stoke-on-Trent Limited are considered to be material to the financial statements. Details of all subsidiary companies can be found in note 4.2.22.

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

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

The overall impact of the companies on the financial performance, financial position and cash flows of the group is relatively low. Compared to the single entity Stoke-on-Trent City Council accounts the overall deficit on the CIES increased by £3.428m (£1.772m - 2018/19), the net assets decreased by £24.262m (£22.782m - 2018/19) and the net increase in cash increased by £0.374m (£-0.012m - 2018/19).

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

The Group Accounts should be read in conjunction with Stoke City

Council single entity accounts on pages 36 to 170. Only notes to the accounts that are materially different from the single entity accounts are produced for the group accounts.

### **Fortior Homes Ltd Support**

The Directors of Fortior Homes Ltd have received confirmation from the parent entity that it will continue to support the company in meeting its liabilities as they fall due for a period to 31 March 2027. Acknowledging this support and having reviewed the company's forecasts and rental projections, the Directors have a reasonable expectation that the company has adequate resources to continue in operation for at least 12 months from the date the financial statements are signed.

The company has therefore adopted the going concern basis in preparing its financial statement for 2019/20.

Fortior Homes has a loan covenant with the Council. This covenant has been breached.

During the period of the loan agreement and repayment period i.e. to the end of 31 March 2027, the Council is not intending to recall any loans or remove financial support for the company in its activities.

## 7.2 Group Comprehensive Income and Expenditure Statement

2018/19 (Restated)						2019/20	
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		Note	£000	£000	£000
			<b>Continuing Service Areas</b>				
157,482	(76,839)	80,644	Children and Family Services		169,497	(77,868)	91,629
144,393	(81,590)	62,803	Social Care, Health Integration and Wellbeing		138,781	(85,745)	53,036
89,296	(34,307)	54,989	Place, Growth & Prosperity		96,702	(29,403)	67,299
21,938	(5,271)	16,667	Housing and Customer Services		19,228	(5,395)	13,833
33,746	(6,176)	27,570	City Director		34,713	(6,214)	28,499
27,228	(60,775)	(33,547)	Housing Revenue Account		68,051	(66,897)	1,154
67,125	(67,330)	(205)	Schools		59,980	(55,406)	4,574
966	-	966	Civic and Corporate Expenses		1,218	-	1,218
82,900	(82,926)	(26)	Benefit Payments		71,447	(70,898)	549
1,168	(1,809)	(641)	Non Departmental Costs		4,279	(482)	3,797
<b>626,242</b>	<b>(417,023)</b>	<b>209,219</b>	<b>Net Cost of Services</b>		<b>663,896</b>	<b>(398,305)</b>	<b>265,588</b>
		399	Other Operating Expenditure	<b>4.2.6b</b>			1,362
		55,043	Financing and Investment Income & Expenditure				83,374
		(230,438)	Taxation and Non-Specific Grant Income	<b>4.2.6d</b>			(241,779)
		<b>34,223</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>108,545</b>
		-	- Tax expenses of subsidiary				-
		<b>34,223</b>	<b>Group (Surplus)/Deficit</b>				<b>108,545</b>

## 7.2 Group Comprehensive Income and Expenditure Statement (continued)

2018/19 (Restated)					2019/20		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		Note	£000	£000	£000
			<b>Continuing Service Areas</b>				
		<b>34,223</b>	<b>Group (Surplus)/Deficit</b>				<b>108,545</b>
		17,110	(Surplus)/deficit on revaluation of non-current assets				(32,563)
		135	Impairment losses non-current assets charged to revaluation reserve				349
		2,087	(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income				2,677
		76,803	Remeasurement on pension fund (assets) & liabilities				(209,328)
		<b>96,135</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(238,865)</b>
		<b>130,358</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(130,320)</b>

### 7.3 Group Balance Sheet

31 March 2018 (Restated)	31 March 2019 (Restated)		Note	31 March 2020
£000	£000			£000
1,280,388	1,292,197	Property, Plant and Equipment	7.6b	1,296,153
67,233	66,284	Heritage Assets	4.2.11b	66,887
22,055	25,890	Investment Property	7.6c	30,976
4,086	4,456	Intangible Assets		4,025
7,207	5,119	Long Term Investments	4.2.14d	2,442
2,928	9,286	Long Term Debtors	4.2.21	11,648
9,284	-	Pension Contribution Asset		-
<b>1,393,181</b>	<b>1,403,233</b>	<b>Long Term Assets</b>		<b>1,412,132</b>
8,334	9,284	Pension Contribution Asset	4.2.19	-
201	211	Short Term Investments		122
189	211	Assets Held For Sale	4.2.11f	224
1,106	1,373	Stocks		1,290
40,085	49,830	Short Term Debtors	7.6d	61,145
3,857	18,613	Cash and Cash Equivalents		35,536
<b>53,771</b>	<b>79,522</b>	<b>Current Assets</b>		<b>98,317</b>
(10,648)	(12,038)	Short Term Borrowing	4.2.14b	(12,472)
(10,034)	(10,754)	Other Short Term Liabilities	4.2.14b	(8,977)
(57,733)	(60,423)	Short Term Creditors	7.6e	(71,843)
(5,853)	(5,597)	Grants Receipts in Advance	4.2.16	(6,297)
(4,786)	(4,885)	Provisions	4.2.15	(6,823)
<b>(89,054)</b>	<b>(93,697)</b>	<b>Current Liabilities</b>		<b>(106,411)</b>
(3,852)	(3,708)	Provisions		(4,234)
(391,940)	(460,030)	Long Term Borrowing	4.2.14b	(538,120)
(121,379)	(109,202)	Other Long Term Liabilities	4.2.14b	(98,730)
(475,723)	(581,177)	Net Pensions Liabilities		(397,695)
<b>(992,894)</b>	<b>(1,154,117)</b>	<b>Long Term Liabilities</b>		<b>(1,038,778)</b>
<b>365,005</b>	<b>234,940</b>	<b>Net Assets</b>		<b>365,258</b>

### 7.3 Group Balance Sheet (continued)

31 March 2018 (Restated)	31 March 2019 (Restated)		Note	31 March 2020
£000	£000			£000
9,082	9,658	General Fund Balance	7.4	9,658
50,763	35,290	Earmarked Reserves - General Fund	4.2.9a	29,914
10,373	12,455	Usable Capital Receipts Reserve		14,235
7,740	7,791	Housing Revenue Account Balance	7.4	7,791
17,031	14,827	Earmarked Reserves - HRA	4.2.9b	819
9,470	9,467	Major Repairs Reserves	5.3.2a	9,467
5,355	4,484	Capital Grants Unapplied	4.2.9d	7,900
<b>109,815</b>	<b>93,973</b>	<b>Total Authority Usable Reserves</b>		<b>79,784</b>
(11,313)	(15,477)	Subsidiary Profit & Loss		(20,677)
<b>98,502</b>	<b>78,496</b>	<b>Total Group Usable Reserves</b>		<b>59,107</b>
480,370	496,676	Capital Adjustment Account	4.2.10a	445,088
246,517	217,446	Revaluation Reserve		233,680
698	2,328	Collection Fund Adjustment Account	6.1	1,431
(464,587)	(565,684)	Pensions Reserve (Deficit)	4.2.10c	(378,531)
(6,833)	(4,522)	Accumulated Absences Account		(4,263)
(3,096)	(3,133)	Financial Instruments Adjustment Account	4.2.10e	(2,816)
7,022	14,516	Financial Instruments Revaluation Reserve		9,432
6,245	6,123	Deferred Capital Receipts Reserve	4.2.10d	5,714
<b>266,336</b>	<b>163,747</b>	<b>Total Authority Unusable Reserves</b>		<b>309,736</b>
165	(7,303)	Share of Group Reserves		(3,585)
<b>266,501</b>	<b>156,444</b>	<b>Total Group Unusable Reserves</b>		<b>306,151</b>
<b>365,005</b>	<b>234,940</b>	<b>Total Reserves</b>		<b>365,258</b>



## 7.4 Group Movement in Reserves Statement

2019/20												
	Note	General Fund Reserves £000	Housing Revenue Account Reserves £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Authority Usable Reserves £000	Total Authority Unusable Reserves £000	Total Authority Reserves £000	Subsidiary Profit and Loss £000	Group Share of Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2019</b>		44,948	22,618	9,467	12,455	4,484	93,973	163,749	257,722	(15,477)	(7,303)	234,942
Group Surplus/Deficit	7.2	(102,579)	49,697	-	-	-	(52,882)	-	(52,882)	(55,663)		(108,545)
Other Comprehensive Income and Expenditure	7.2	-	-	-	-	-	-	239,322	239,322	(457)		238,865
Adjustments between group accounts and authority accounts	7.6f	10,248	(62,480)	-	-	-	(52,232)	(2,405)	(54,637)	50,920	3,717	-
<b>Net Increase or decrease before transfers</b>		(92,331)	(12,783)	-	-	-	(105,114)	236,917	131,803	(5,200)	3,717	130,320

## 7.4 Group Movement in Reserves Statement (continued)

2019/20											
Note	General Fund Reserves £000	Housing Revenue Account Reserves £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Authority Usable Reserves £000	Total Authority Unusable Reserves £000	Total Authority Reserves £000	Subsidiary Profit and Loss £000	Group Share of Reserves £000	Total Group Reserves £000
<b>Net Increase or decrease before transfers</b>	(92,331)	(12,783)	-	-	-	(105,114)	236,917	131,803	(5,200)	3,717	130,320
Adjustments between accounting basis and funding basis under regulations	86,957	(1,225)	-	1,781	3,416	90,929	(90,929)	-	-	-	-
<b>Increase/ (Decrease) in Year</b>	<b>(5,374)</b>	<b>(14,008)</b>	-	<b>1,780</b>	<b>3,416</b>	<b>(14,185)</b>	<b>145,988</b>	<b>131,803</b>	<b>(5,200)</b>	<b>3,717</b>	<b>130,320</b>
Transfers to/(from) Earmarked Reserves	4.2.9 5,374	14,008	-	-	-	-	-	-	-	-	-
Roundings											
<b>Balance at 31 March 2020</b>	<b>39,572</b>	<b>8,610</b>	<b>9,467</b>	<b>14,235</b>	<b>7,900</b>	<b>79,784</b>	<b>309,736</b>	<b>389,520</b>	<b>(20,677)</b>	<b>(3,585)</b>	<b>365,258</b>

## 7.4 Group Movement in Reserves Statement (continued)

Restated 2018/19	Note	General Fund Reserves £000	Housing Revenue Account Reserves £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Authority Usable Reserves £000	Total Authority Unusable Reserves £000	Total Authority Reserves £000	Subsidiary Profit and Loss £000	Group Share of Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2018</b>		59,845	24,771	9,470	10,373	5,355	109,816	266,336	376,152	(11,313)	165	365,004
Adjustments for the restatement of financial Instruments		(1,808)	-	-	-	-	(1,808)	-	(1,808)	-	2,101	293
<b>Restated opening balance at 1 April 2018</b>		58,037	24,771	9,470	10,373	5,355	108,008	266,336	366,466	(11,313)	2,266	357,420
Group Surplus/Deficit	7.2	(71,824)	85,368	-	-	-	13,544	-	13,544	(47,767)		(34,223)
Other Comprehensive Income and Expenditure	7.2	-	-	-	-	-	-	(93,753)	(93,753)	(2,382)		(96,135)
Adjustments between group accounts and authority accounts	7.6f	8,965	(54,960)	-	-	-	(45,995)	9,580	(36,415)	45,984	(9,569)	-
<b>Net Increase or decrease before transfers</b>		(62,859)	30,408	-	-	-	(32,451)	(84,173)	(116,624)	(4,164)	(9,569)	(130,358)

## 7.4 Group Movement in Reserves Statement (continued)

Restated 2018/19	General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Usable Capital Receipts	Capital Grants Unapplied	Total Authority Usable Reserves	Total Authority Unusable Reserves	Total Authority Reserves	Subsidiary Profit and Loss	Group Share of Reserves	Total Group Reserves
Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Net Increase or decrease before transfers</b>	(62,859)	30,408	-	-	-	(32,451)	(84,173)	(116,624)	(4,164)	(9,569)	(130,358)
Adjustments between accounting basis and funding basis under regulations	49,769	(32,561)	(3)	2,081	(871)	18,415	(18,415)	-	-	-	-
<b>Increase/ (Decrease) in Year</b>	(13,090)	(2,153)	(3)	2,082	(871)	(14,036)	(102,588)	(116,624)	(4,164)	(9,569)	(130,358)
<b>Balance at 31 March 2019</b>	44,948	22,618	9,467	12,455	4,484	93,973	163,748	257,721	(15,477)	(7,303)	234,940

## 7.5 Group Cash Flow Statement

Restated 2018/19 £000	Note	2019/20 £000
<b>(34,223)</b> Net surplus/(deficit) on the provision of services	<b>7.2</b>	<b>(108,545)</b>
<b>72,545</b> Adjustments to net surplus or deficit on the provision of services for non-cash movements		<b>150,969</b>
<b>(34,615)</b> Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<b>(33,970)</b>
<b>3,707</b> Net Cash Flows from Operating Activities		<b>8,454</b>
<b>(49,936)</b> Net Cash Flows from Investing Activities		<b>(60,458)</b>
<b>60,985</b> Net Cash Flows from Financing Activities		<b>68,926</b>
<b>14,756</b> Net increase or decrease in cash and cash equivalents		<b>16,923</b>
3,857 Cash and Cash Equivalents at the beginning of the reporting period	<b>3.2</b>	18,613
<b>18,613</b> Cash and Cash Equivalents at the end of the reporting period	<b>3.2</b>	<b>35,536</b>

## 7.6 Notes to the Group Accounts

### a - Accounting Policies for the Group

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

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

- For 2019/20 - the draft accounts of Fortior Homes Limited and Uritas Stoke-on-Trent Limited for the period ended 31 March 2020.
- For 2018/19 - the draft accounts of Fortior Homes Limited and Uritas Stoke-on-Trent Limited for the period ended 31 March 2019.

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

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

## 7.6 Notes to Group Accounts (continued)

### b - Group Property, Plant & Equipment

Movement on Balance 2019/20 Cost or Valuation	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Balance at 1 April</b>	<b>539,584</b>	<b>442,823</b>	<b>60,494</b>	<b>241,775</b>	<b>36,585</b>	<b>38,148</b>	<b>33,253</b>	<b>1,392,662</b>
Additions	22,632	12,492	4,190	11,707	442	3,344	33,930	88,737
Donations								
<i>Revaluation increases/(decreases) recognised in the:</i>								
Revaluation reserve	21,013	(7,793)	-	-		(848)	-	12,372
Surplus/Deficit on the Provision of Services	(11,672)	(10,890)	-	-		(1,215)	-	(23,777)
Derecognition through disposal and transfer (Non-schools)	(561)	(5,900)	(3,138)	(4,951)	(31)	(960)	-	(15,541)
Derecognition through disposal and transfer School transfers	-	(42,652)	(1,970)	(112)	-	-	-	(44,734)
Reclassifications - other	-	-	-	-	-	-	(349)	(349)
Assets reclassified (to)/from Held for Sale	(5,932)	-	-	-	(146)	(115)	-	(6,193)
Other	1,460	3,790	(363)	46	-	288	(5,226)	(5)
<b>Balance at 31 March</b>	<b>566,524</b>	<b>391,872</b>	<b>59,213</b>	<b>248,465</b>	<b>36,850</b>	<b>38,643</b>	<b>61,608</b>	<b>1,403,172</b>

The outbreak of Covid-19 has impacted market activity in many sectors, and have presented the Council's and Fortior Homes Ltd property valuers with an unprecedented set of circumstances on which to base their valuation judgements. In particular, evidence from transactions taking place before the pandemic now has less weight to inform opinions of value. As such, the Council's external valuers have reported their valuations on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to these valuations than normally would be the case. This includes the valuation of surplus assets and other land & buildings.

## 7.6 Notes to Group Accounts (continued)

### b - Group Property, Plant & Equipment

Movement on Balance 2019/20	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Accumulated Depreciation and Impairment</b>								
<b>Balance at 1 April</b>	<b>(1,020)</b>	<b>(8,964)</b>	<b>(32,671)</b>	<b>(53,263)</b>	<b>(894)</b>	<b>(2,179)</b>	<b>(1,475)</b>	<b>(100,465)</b>
Depreciation charge in year	(15,034)	(10,025)	(5,939)	(7,432)	-	(108)	-	(38,538)
<i>Depreciation written out to the:</i>								
Revaluation Reserve	14,590	5,051	-	-	-	20	-	19,661
Surplus/Deficit on the Provision of Services	-	4,291	-	-	-	50	-	4,341
<i>Impairment losses/(reversals) recognised in the:</i>								
Revaluation reserve	-	(210)	-	-	(16)	(124)	-	(350)
Surplus/Deficit on the Provision of Services	-	(539)	(128)	(2,981)	(128)	(1,945)	-	(5721)
Derecognition through disposal and transfer: Non-schools	561	3,113	2,769	4,951	-	102	-	11,496
Derecognition through disposal and transfer: School transfers	-	1,065	1,244	40	-	-	-	2,349
Reclassifications - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	167	-	-	-	37	-	-	204
Other	(157)	5	206	(46)	-	(3)	-	5
<b>Balance at 31 March</b>	<b>(893)</b>	<b>(6,213)</b>	<b>(34,519)</b>	<b>(58,731)</b>	<b>(1,001)</b>	<b>(4,189)</b>	<b>(1,475)</b>	<b>(107,018)</b>
<b>Net Book Value</b>								
<b>At 31 March 2020</b>	<b>565,631</b>	<b>385,659</b>	<b>24,694</b>	<b>189,734</b>	<b>35,849</b>	<b>34,454</b>	<b>60,133</b>	<b>1,296,153</b>
<b>At 31 March 2019</b>	<b>538,564</b>	<b>433,860</b>	<b>27,823</b>	<b>188,512</b>	<b>35,691</b>	<b>35,969</b>	<b>31,778</b>	<b>1,292,197</b>



## 7.6 Notes to Group Accounts (continued)

### b - Group Property, Plant & Equipment

Movement on Balance 2018/19 (Restated) Cost or Valuation	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Balance at 1 April</b>	<b>509,825</b>	<b>491,865</b>	<b>57,565</b>	<b>235,028</b>	<b>34,820</b>	<b>36,533</b>	<b>13,615</b>	<b>1,379,251</b>
Additions	14,839	6,065	4,069	22,077	1,793	4,226	24,677	<b>77,746</b>
Donations	-	-	-	-	-	-	-	-
<i>Revaluation increases/(decreases) recognised in the:</i>								
Revaluation reserve	6,804	(33,424)	-	-	-	4,091	-	<b>(22,529)</b>
Surplus/Deficit on the Provision of Services	11,607	(5,731)	-	-	-	(4,684)	-	<b>1,192</b>
Derecognition through disposal and transfer (Non -schools)	-	(1,754)	(195)	(15,314)	-	(2,942)	(44)	<b>(20,249)</b>
Derecognition through disposal and transfer School transfers	-	(15,559)	(953)	(16)	-	-	-	<b>(16,528)</b>
Reclassifications - other	-	-	-	-	-	-	(1)	<b>(1)</b>
Assets reclassified (to)/from Held for Sale	(6,229)	-	-	-	-	(65)	-	<b>(6,294)</b>
Other	2,738	1,362	8	-	(28)	989	(4,994)	<b>75</b>
<b>Balance at 31 March</b>	<b>539,584</b>	<b>442,824</b>	<b>60,494</b>	<b>241,775</b>	<b>36,585</b>	<b>38,148</b>	<b>33,253</b>	<b>1,392,662</b>

## 7.6 Notes to Group Accounts (continued)

### b - Group Property, Plant & Equipment

<b>Movement on Balance 2018/19 (Restated)</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Furniture &amp; Equipment, Vehicles, Plant,</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<b>Accumulated Depreciation and Impairment</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(744)</b>	<b>(6,416)</b>	<b>(27,757)</b>	<b>(58,776)</b>	<b>(663)</b>	<b>(3,008)</b>	<b>(1,500)</b>	<b>(98,864)</b>
Depreciation charge in year	(13,630)	(11,082)	(5,577)	(7,470)	-	(114)	-	(37,873)
<i>Depreciation written out to the:</i>								
Revaluation Reserve	-	6,385	-	-	-	21	-	<b>6,406</b>
Surplus/Deficit on the Provision of Services	13,332	2,451	-	-	-	1,536	-	<b>17,319</b>
<i>Impairment losses/(reversals) recognised in the:</i>								
Revaluation reserve	-	(84)	-	-	(21)	(29)	-	<b>(134)</b>
Surplus/Deficit on the Provision of Services	(575)	(607)	(97)	(2,334)	(210)	(1,341)	(42)	<b>(5,206)</b>
Derecognition through disposal and transfer: Non-schools	-	30	191	15,312	-	1,353	42	<b>16,928</b>
Derecognition through disposal and transfer: School transfers	-	376	576	5	-	-	-	<b>957</b>
Reclassifications - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other	597	(19)	(7)	-	-	(597)	25	<b>(1)</b>
<b>Balance at 31 March</b>	<b>(1,020)</b>	<b>(8,964)</b>	<b>(32,671)</b>	<b>(53,263)</b>	<b>(894)</b>	<b>(2,179)</b>	<b>(1,475)</b>	<b>(100,465)</b>
<b>Net Book Value</b>								
<b>At 31 March 2019</b>	<b>538,564</b>	<b>433,860</b>	<b>27,823</b>	<b>188,512</b>	<b>35,691</b>	<b>35,969</b>	<b>31,778</b>	<b>1,292,197</b>
<b>At 31 March 2018</b>	<b>509,081</b>	<b>485,450</b>	<b>29,808</b>	<b>176,252</b>	<b>34,157</b>	<b>33,525</b>	<b>12,115</b>	<b>1,280,388</b>

## 7.6 Notes to Group Accounts (continued)

### c - Group Investment Property

	City Council £000	Fortior Homes Ltd £000	Total Assets £000
<b>At 1 April 2018</b>	<b>21,352</b>	<b>702</b>	<b>22,054</b>
Additions	851	3,698	<b>4,549</b>
Upward revaluation	1,622	812	<b>2,434</b>
Downward revaluation	(3,349)	(15)	<b>(3,362)</b>
Reclassification to/(from) Investment Property	(74)	1	<b>(73)</b>
<b>At 31 March 2019</b>	<b>20,402</b>	<b>5,196</b>	<b>25,599</b>
Additions	<b>9</b>	<b>5,429</b>	<b>5,438</b>
Upward revaluation	<b>648</b>	<b>391</b>	<b>1,039</b>
Downward revaluation	<b>(97)</b>	<b>(601)</b>	<b>(698)</b>
Disposals	<b>(751)</b>	-	<b>(751)</b>
Reclassification to/(from) Investment Property	-	<b>349</b>	<b>349</b>
<b>At 31 March 2020</b>	<b>20,212</b>	<b>10,764</b>	<b>30,976</b>

The outbreak of Covid-19 has impacted market activity in many sectors, and have presented the Council's property valuers with an unprecedented set of circumstances on which to base their valuation judgements. In particular, evidence from transactions taking place before the pandemic now has less weight to inform opinions of value.

As such, the City Council's and Fortior Homes Ltd external valuers have reported their valuations on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global.

Consequently, less certainty - and a higher degree of caution - should be attached to these valuations than normally would be the case. This includes the valuation of investment properties, heritage assets, surplus assets and other land & buildings.

### d - Short Term Debtors

31 March 2019 £000	Note	31 March 2020 £000
6,021	Central government bodies	7,151
645	Academies	3,775
1,886	Other local authorities	6,113
128	NHS bodies	7,486
61,170	Other entities and individuals	55,494
(20,020)	Impairment of other entities and individuals	(18,874)
<b>49,830</b>	<b>Total</b>	<b>61,145</b>

### e - Short Term Creditors

31 March 2019 £000	Note	31 March 2020 £000
7,483	Central government bodies	13,561
4,254	Other local authorities	3,949
1,099	NHS bodies	1,389
47,587	Other entities and individuals	52,944
<b>60,423</b>	<b>Total</b>	<b>71,843</b>

## 7.6 Notes to Group Accounts (continued)

### f - Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

2019/20	General Fund Balance 000£	Housing Revenue Account 000£	Major Repairs Reserve 000£	Usable Capital Receipts 000£	Capital Grants Unapplied 000£	Total Authority Usable Reserves 000£	Total Authority Unusable Reserves 000£	Total Authority Reserves 000£	Subsidiary Profit and Loss 000£	Share of Group Reserves 000£	Total Group Reserves 000£
Sale of goods and services to subsidiaries	6,789	-	-	-	-	6,789	-	6,789	(6,789)	-	-
Purchases of goods and services from subsidiaries	-	(62,480)	-	-	-	(62,480)	-	(62,480)	62,480	-	-
Elimination of interest on loans	1,345	-	-	-	-	1,345	-	1,345	(1,345)	-	-
Surplus Reallocation	3,426	-	-	-	-	3,426	-	3,426	(3,426)	-	-
Share valuation movement	-	-	-	-	-	-	(2,405)	(2,405)	-	2,405	-
Expected credit loss on long term loan	(1,312)	-	-	-	-	(1,312)	-	(1,312)	-	1,312	-
<b>Adjustments between group accounts and authority accounts</b>	10,248	(62,480)	-	-	-	(52,232)	(2,405)	(54,637)	50,920	3,717	-

## 7.6 Notes to Group Accounts (continued)

### f - Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

2018/19	General Fund Reserves £000	Housing Revenue Account Reserves £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Authority Usable Reserves £000	Total Authority Unusable Reserves £000	Total Authority Reserves £000	Subsidiary Profit and Loss £000	Share of Group Reserves £000	Total Group Reserves £000
Sale of goods and services to subsidiaries	6,551	-	-	-	-	6,551	-	6,551	(6,551)	-	-
Purchases of goods and services from subsidiaries	-	(54,960)	-	-	-	(54,960)	-	(54,960)	54,960	-	-
Grant to subsidiary	(462)	-	-	-	-	(462)	-	(462)	462	-	-
Elimination of interest on loans	247	-	-	-	-	247	-	247	(247)	-	-
Capital grants	38	-	-	-	-	38	-	38	(38)	-	-
Surplus Reallocation	2,602	-	-	-	-	2,602	-	2,602	(2,602)	-	-
Share valuation movement	-	-	-	-	-	-	9,580	9,580	-	(9,580)	-
Expected credit loss on long term loan	(11)	-	-	-	-	(11)	-	(11)	-	11	-
<b>Adjustments between group accounts and authority accounts</b>	<b>8,965</b>	<b>(54,960)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45,995)</b>	<b>9,580</b>	<b>(36,415)</b>	<b>45,984</b>	<b>(9,569)</b>	<b>-</b>

# 8.0 Other Statements



## 8.1 Statement of Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the financial year as published and its position at the year-end of 31 March of that financial year. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2014, which require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

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

### Accrued Revenue Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### Basis of Charges for Capital

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

### 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.

## 8.1 Statement of Accounting Policies (continued)

### Charges to Revenue for Non-Current Assets

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

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

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

For the Housing General Fund the Council is not required to charge a Minimum Revenue Provision but instead sets aside resources to finance the principal of any amount borrowed.

### Contingent Liabilities

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

### Council Tax and Non-Domestic Rates

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

Regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included in the Movement in Reserves statement.

### Employee Benefits

#### *Short-term Employee Benefits*

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

#### *Termination Benefits*

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

#### *Post-employment Benefits*

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

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



## 8.1 Statement of Accounting Policies (continued)

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

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

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

- Current Service Cost: The increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost; Is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs. The Council also recognise a gain or loss on settlement when the

settlement occurs. The settlement is deemed to occur when the authority enters into a transaction which eliminates all further obligations for part or all of the benefits provided under the LGPS defined benefit plan.

- 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.

## 8.1 Statement of Accounting Policies (continued)

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and to replace them with debits for the cash paid to the pension fund and pensioners and any such amounts that are payable but remain unpaid at the year end.

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

The figures that are used to account for the scheme are commissioned annually from the Staffordshire County Council Pension Fund actuary.

### ***Discretionary Benefits***

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

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

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

### ***Adjusting Events***

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

such events.

### ***Non-adjusting Events***

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

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

### **Financial Instruments**

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

### ***Financial Assets***

The City Council has a number of investments that are financial assets which are classified on the basis of the authority's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The three main classes of financial assets are: .

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

## 8.1 Statement of Accounting Policies (continued)

### ***Amortised Cost***

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

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

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are subsequently carried at their amortised cost except for short-term receivables with no stated interest rate which are measured at invoiced cost. Annual credits to the Financing and Investment Income and Expenditure line in Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for that instrument.

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

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

Statement.

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

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

Values are based on the following principles:

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

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

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

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

## 8.1 Statement of Accounting Policies (continued)

### *Fair Value through Other Comprehensive Income*

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

### *Expected Credit Loss Model*

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

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

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

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

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council

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

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

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

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

## 8.1 Statement of Accounting Policies (continued)

### Government Grants and Contributions

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

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

### Heritage Assets

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

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

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the City Council's accounting policies on property, plant and equipment, as amended and include intangible heritage assets. A level of £10,000 has been

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

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

### Ceramics, Porcelain and Fine Arts

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

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

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

The City Council considers that obtaining valuations for the vast majority of machinery, equipment and other artefacts and ephemera from the pottery industry exhibited would, due to the diverse nature of the assets held and the lack of comparable values, involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements and consequently the City Council does not specifically recognise this collection of heritage assets on the balance sheet. Where acquisitions take place, these are initially recognised at cost or where bequeathed or donated, at nil consideration.

### 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

## 8.1 Statement of Accounting Policies (continued)

### Property

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

### Heritage Assets - General

Where there is evidence of impairment the carrying amounts of heritage assets will be reviewed e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

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

### Intangible Assets

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

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

### Interests in Companies and Other Entities

The Council has registered subsidiary companies in respect of Fortior Homes, Unitas Stoke-On-Trent, Stoke EnergyCo, STCC RP and Stoke on

Trent Futures. Subsidiary companies are consolidated as part of the group accounts only when transactions are considered material. The Council has no material interests in companies and other entities that have the nature of associates and jointly controlled entities. In order to align group entities accounting policies to those used by the Council and ensure consistency of accounting treatment across the group, the following principles have been adopted:

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

## 8.1 Statement of Accounting Policies (continued)

### Investment and Surplus Property

Investment property is held solely to earn rentals and / or for capital appreciation and are measured initially at cost and subsequently at fair value. Investment Properties are not depreciated but are revalued annually. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The gains and losses are not permitted by statute to impact on the General Fund Balance so are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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

Assets identified as 'of indeterminate use' are classified as surplus assets within Property, Plant and Equipment. Housing related assets and assets held to provide economic regeneration are classified as operational properties based on their principal function being service related.

### 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.

## 8.1 Statement of Accounting Policies (continued)

### Minimum Revenue Provision

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

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

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

### Non-Current Assets Held for Sale

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

The gain or loss on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in Other Operating Expenditure within the Comprehensive Income and Expenditure Statement. Where the asset no longer meets the criteria it is reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

### 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.



## 8.1 Statement of Accounting Policies (continued)

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

PFI and service concessionary transactions are treated in the City Council's accounts in accordance with the Code, based on IFRIC12 (control of asset). Non-current assets related to these contracts and recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

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

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

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost - an interest charge of an agreed % on the outstanding balance sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- payment towards liability - applied to write down the balance sheet

liability towards the PFI operator;

- lifecycle replacement costs (regular major planned refurbishments) - recognised as non-current assets on the balance sheet.

### Property Plant and Equipment

#### Recognition

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

Expenditure on the acquisition, creation or enhancement of property, plant and equipment has been capitalised on an accruals basis where it is probable that the future economic benefits or service potential associated with the item will flow to the entity and the cost of the item can be measured reliably.

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

The Council has set an administrative capital de minimis levels:

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

This does not preclude expenditure below these levels being recognised particularly those relating to a number of assets the costs of which are collectively above the de minimis levels e.g. computer equipment.

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

## 8.1 Statement of Accounting Policies (continued)

### *Measurement and Valuation*

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

- Infrastructure, communal building areas – 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 and community assets – depreciated replacement cost;
- non-property assets with short useful lives and/or low values – depreciated historic cost as a proxy for fair value;
- other properties - existing use value;

The asset values for property related assets are based upon certificates issued by the City Council's Valuation Officers and independent external valuers. Revaluations will be made with sufficient regularity to ensure that the carrying amount reflects the fair value at the end of the reporting period. Valuations shall be carried out at intervals of no more than five years.

Revaluation gains or losses arising are taken to the Revaluation Reserve

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

Asset Components are considered for recognition where individual buildings are revalued to a fair value that is greater than £1m, have different useful lives and / or depreciation bases and the depreciation charges materially affect the statement of accounts.

### *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.

## 8.1 Statement of Accounting Policies (continued)

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.

## 8.1 Statement of Accounting Policies (continued)

### 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 IFRIC 12: Service Concession Arrangements and is recognised on the balance sheet for the period of the PFI contract.

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

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

year in which they were derecognised.

### VAT

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

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

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

## 8.2 Glossary of Financial Terms

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

### 1-4-1 Usable Capital Receipts

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

### Academy Schools

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

### Accounting Concepts

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

### Accounting Policies

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

### Accounting Period

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

### Accruals

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

### Acquired Operation

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

### Amortised Cost

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

### Business Rates Pool

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

### Business Rates Retention

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

or benefit from for more than a year.

## 8.2 Glossary of Financial Terms (continued)

### Capital Expenditure

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

### Capital Financing Requirement

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

### Capital Receipts

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

### Capitalisation Direction

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

### Charge on Property

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

### CIPFA

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

### Collection Fund

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

local share and payments to central government.

### Community Assets

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

### Consistency

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

### Constructive Obligation

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

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

### Contingent Asset

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

### Contingent Liability

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

### Current Service Cost

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

## 8.2 Glossary of Financial Terms (continued)

### **Curtailment**

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

Curtailments include:

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

### **Creditors**

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

### **Debtors**

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

### **Dedicated Schools Grant**

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

### **Defined Benefit Pension Scheme**

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

### **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.

## 8.2 Glossary of Financial Terms (continued)

### Discontinued Operations

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

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

### Discretionary Benefits

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

### Estimation Techniques

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

uncertainty over the monetary amount corresponding to that basis the amount will be arrived at using an estimation technique.

### Exceptional Items

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

### Expected Rate of Return on Pension Assets

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

### Extraordinary Items

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

### Fair Value

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

### Fees and Charges

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



## 8.2 Glossary of Financial Terms (continued)

### Financial Instruments

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

### Financial Year

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

### General Fund Revenue Account

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

### Going Concern

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

### Government Grants

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

### Group Accounts

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

### Heritage Assets

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

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

### Housing Revenue Account (HRA)

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

### Impairment

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

### Infrastructure Assets

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

### Intangible Assets

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

### Interest Cost

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

## 8.2 Glossary of Financial Terms (continued)

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

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

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

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

### **Investment Properties**

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

### **Leasing**

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

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

### **Lifecycle Cost**

Regular planned replacement of individual components, to ensure the

condition of the whole asset remains up to standard.

### **Liquid Resources**

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

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

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

### **Long Term Contracts**

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

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

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

### **Net Book Value**

Amount at which non current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

## 8.2 Glossary of Financial Terms (continued)

### Net Current Replacement Cost

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

### Net Debt

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

### Net Interest Expense

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

### Net Realisable Value

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

### Non Current Assets

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

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

### Non Current Assets Held for Sale

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

- Management is committed to plan to sell

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

### Non-domestic Rates Challenges (Appeals)

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

### Non-domestic rates levy/safety net

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

## 8.2 Glossary of Financial Terms (continued)

### Non Current Assets Held for Sale

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

- Management is committed to plan to sell
- The asset is available for immediate sale
- An active programme to locate a buyer is initiated
- The sale is highly probable, within 12 months of classification as held for sale
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
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### Non-domestic rates tariff/top-up

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

### Past Service Cost

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

### Post Balance Sheet Events

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

### Precept

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

### Prior Year Adjustments

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

## 8.2 Glossary of Financial Terms (continued)

### Private Finance Initiative (PFI)

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

### Projected Unit Method

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

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

### Provisions

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

### Prudence

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

### Prudential Framework

The Prudential Framework replaced the credit approval mechanism previously used by central government to control borrowing for capital expenditure. Local authorities are now allowed to determine their own

capital programmes according to prudent assessments of affordability. Authorities must set their spending plans in accordance with the CIFPA Prudential Code.

### Public Work Loan Board (PWLB)

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

### Related Party

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

### Remeasurements

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

- Actuarial gains and losses
- The return on plan assets

### Reserves

'Earmarked reserves' are amounts set aside for a specific purpose in one financial year and carried forward to meet spending in future years.

'General reserves' are balances generally available to support revenue or capital spending.

### Residual Value

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

## 8.2 Glossary of Financial Terms (continued)

### Retirement Benefits

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

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

### Revenue Expenditure

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

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

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

### Revenue Support Grant

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

### Scheme Liabilities

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

### Senior Employee

These are typically an authority's Chief Executive (or equivalent), their direct reports (other than administration staff) and statutory chief officers.

Potentially any employee having a responsibility of, and power to, direct or control the major activities of the body, in particular activities involving the expenditure of money.

### Settlement

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

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

### Soft Loan

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

## 8.2 Glossary of Financial Terms (continued)

### Stocks

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

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

### Strategic Regeneration Sites

Assets acquired or earmarked to provide strategic development opportunities.

### Surplus Assets

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

### Useful Life

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

### Vacant Premises

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

### Vested Rights

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

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

- For pensioners, pensions to which they are entitled

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

### Weighted Average Duration

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



City of  
**Stoke-on-Trent**