Please ask for: Matt Berry

Extension Number: 4589

Email: mattberry@cannockchasedc.gov.uk

11 February 2025

Dear Councillor,

Audit & Governance Committee

6:00pm, Wednesday 19 February 2025

Esperance Room, Civic Centre, Cannock

You are invited to attend this meeting for consideration of the matters itemised in the following Agenda.

Yours sincerely,

Tim Clegg.

T. Clegg
Chief Executive

To: Councillors

Hill, J.O. (Chair)
Thornley, S. (Vice-Chair)

Bishop, L.	Hill, J.
Gaye, D.	Hughes, G.

Agenda
Part 1

1. **Apologies**

2. **Declarations of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members**

   To declare any interests in accordance with the Code of Conduct and any possible contraventions under Section 106 of the Local Government Finance Act 1992.

3. **2023-24 Cannock Chase District Council Audit Plan**

   Report of the External Auditors (Item 3.1 - 3.25).

4. **Statement of Accounts 2023/24**

   Report of the Deputy Chief Executive-Resources & S151 Officer (Item 4.1 - 4.101).

5. **2023-24 Cannock Chase District Council Audit Completion Report**

   Report of the External Auditors (Item 5.1 - 5.45).

6. **Annual Treasury Management Report 2023-24**

   Report of the Deputy Chief Executive-Resources & S151 Officer (Item 6.1 - 6.14).

7. **Treasury Management Mid-Year Report 2024-25**

   Report of the Deputy Chief Executive-Resources & S151 Officer (Item 7.1 - 7.15).

8. **Treasury Management Strategy, Minimum Revenue Provision Policy, and Annual Investment Strategy 2025-26**

   Report of the Deputy Chief Executive-Resources & S151 Officer (Item 8.1 - 8.35).

Item No. 3.1

Cannock Chase District Council

External audit plan

Year ended 31 March 2024

February 2025

Contents

Your key team members

Andy Reid
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Michael Butler
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Appendices

Introduction

Adding value through the audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Cannock Chase District Council ('the Council') for the year ended 31 March 2024 for those charged with governance.

The core elements of our work include:

- An audit of the 2023/24 Statement of Accounts for the Council; and
- An assessment of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (our Value for Money work).

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act'), and the National Audit Office Code of Audit Practice. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

Auditor responsibilities

As auditor we are responsible for performing an audit, in accordance with the Local Audit and Accountability Act 2014, the Code of Audit Practice issued by the National Audit Office and ISAs UK. Our primary responsibility is to form and express an independent opinion on the Council's financial statements, stating whether they provide a true and fair view and have been prepared properly in accordance with applicable law and the CIPFA Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code).

We are also required to:

- Report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is consistent with the financial statements;
- Report by exception if the disclosures in the Annual Governance Statement are incomplete or if the Annual Governance Statement is misleading or inconsistent with our knowledge acquired during the audit;
- Report by exception any significant weaknesses identified in arrangements for securing value for money and a summary of associated recommendations;
- Report by exception on the use of our other statutory powers and duties; and
- Certify completion of our audit.

continued…..

Introduction

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act'), and the National Audit Office Code of Audit Practice. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

This planning letter has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.

Auditor responsibilities *(….continued)*

We will issue our Audit Findings Report and an Auditors Annual Report to the Audit Committee setting out the findings from our work.
Under the Act we have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom. These include:

- Reporting matters in the public interest;
- Making written recommendations to the Council;
- Making am application to the court for a declaration that an item of account is contrary to law;
- Issuing and advisory notice; or
- Making an application for judicial review.

The Act also requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts.

On completion of our audit work, we will issue an Audit Findings Report (prior to the approval of the financial statements), detailing our significant findings and other matters arising from the audit on the financial statements, together with an Auditor's Annual Report including our commentary on the value for money arrangements.

If, during the course of the audit, we identify any significant adverse or unexpected findings that we conclude should be communicated, we will do so on a timely basis, either informally or in writing.

The audit does not relieve management or the Audit Committee of your responsibilities, including those in relation to the preparation of the financial statements.

Council responsibilities

The Council has responsibility for:

- Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support its financial statements and related reports disclosures; and
- Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

Audit scope and general approach

This section of our letter sets out the scope and nature of our audit and should be considered in conjunction with the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments Limited (PSAA).

General approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- Perform risk assessment procedures including updating our understanding of the Council, including its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

Audit scope and general approach

Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. **The basis for our assessment of materiality for the year is set out in Appendix I.**

Any identified errors greater than:

£63k

will be recorded and discussed with you and, if not adjusted, confirmed as immaterial as part of your letter of representation to us.

Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to you in writing.

Specialised skill or knowledge required to complete the audit procedures

We would normally plan to use audit specialists to assist us throughout the audit process, however, due to not being able to undertake sufficient planning procedures as a direct result of the backstop date, these experts will no longer be used/ required for 2023/24.

The following audit specialists would normally assist us in our audit work in the following areas:

- The audit of the actuarial assumptions used in the calculation of the defined benefit pension liability/asset; and
- We would consult internally with our Technology Risk team for them to support the audit team by assessing the information technology general controls (ITGC) of the following systems.

Audit scope and general approach

Significant changes in the financial reporting framework

There have been no significant changes in the financial reporting framework this year, including the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'CIPFA Code). As permitted by the CIPFA Code the council has chosen to defer the implementation of IFRS 16 'Leases' until 2024/25.

Significant changes in the Council's functions or activities

There have been no significant changes to the functions and activities of the Council.

Going concern

Management responsibility

Management is required to make and document an assessment of whether the Council is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

Going concern

Auditor responsibility

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider the guidance published in the CIPFA Code and Practice Note 10 (PN10), which focusses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

Audit scope and general approach

Related party transactions

ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control.
During our initial audit planning you have informed us of the individuals and entities that you consider to be related parties.
Please advise us of any changes as and when they arise.

Additional procedures for the NAO

The National Audit Office (the 'NAO') issues group audit instructions which set out additional audit requirements. We expect the procedures for this year to be similar to previous years.

The NAO audit team for the WGA request us to undertake specific audit procedures in order to provide them with additional assurance over the amounts recorded in WGA schedules. The extent of these procedures will depend on whether the Council has been selected by the NAO as a sampled component for 2023/24.

We will seek to comply with the instructions and to report to the NAO in accordance with their requirements once instructions have been issued.

Significant risks of material misstatement

Identified risk	Planned audit procedures
Impact of the Local Government accounts backlog and statutory backstop arrangements Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", imposes a statutory backstop date of 28 February 2025 for the publication by the Council of its final Statement of Accounts for 2023/24. The Code of Audit Practice specifies that auditors are required to issue their auditor's report before this date, even if planned audit procedures are not fully complete, so that local government bodies can comply with the statutory reporting deadline. For 2023/24, the work required to complete the audit has increased greatly because the statutory backstop date of 13 December 2024 for outstanding periods to 31 March 2023 – all preceding audit periods – resulted in the issue of disclaimed audit opinions by the Council's predecessor auditor for the financial years ended 31 March 2022 and 31 March 2023 on 29 November 2024. This means we have no assurance on the Council's opening balances as at 1 April 2024. Under Local Audit Reset and Recovery Implementation Guidance (LARRIG) guidance issued by the NAO in September 2024, the approach we have taken to the 2023/24 audit for the Council has been to: • Commence the engagement with the intention of meeting all the relevant objectives of the audit, in accordance with ISA (UK) 200. This has meant we have undertaken planning and risk assessment procedures to the extent possible. • Assess whether it is possible to complete all necessary audit procedures to allow for the issue of an unmodified audit opinion on the 2023/24 financial statements given the combination of the lack of assurance on opening balances as at 1 April 2024 and the time constraints created by the imposition of the statutory backstop date of 28 February 2025. In particular, in order to issue an unmodified audit opinion on the 2023/24 financial statements we would need to rebuild the missing assurance over the preceding two years on which disclaimed audit opinions have been issued. **Risk of material misstatement: High**	Our assessment is that the time constraints imposed by the backstop dates mean we are unable to complete all necessary procedures, including rebuilding the missing assurance over the preceding two years on which disclaimed audit opinions have been issued, to obtain sufficient, appropriate audit evidence in line with the requirements of ISAs (UK) to support an unmodified audit opinion for 2023/24. We have therefore determined that we cannot meet the objectives of the ISAs (UK) and we will be issuing a disclaimer of opinion in our auditor's report for 2023/24.

Significant risks of material misstatement

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- Our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- Are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
Management override of controls Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business. **Risk of material misstatement: Very High**	Due to the time constraints arising from the statutory backstop, we do not anticipate being able to undertake the required audit procedures to address the identified risk for 2023/24. We have therefore determined that we cannot meet the objectives of the ISAs (UK) and we will be issuing a disclaimer of opinion in our auditor's report for 2023/24.

Significant risks of material misstatement

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The table below summarises significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
Fraud in revenue recognition and expenditure Material misstatement due to fraudulent financial reporting relating to revenue and expenditure recognition is a rebuttable presumed risk in ISA (UK) 240. However, due to the nature of the Council's current control environment and links to Statutory and key recommendations identified as part of the Council's Value for Money commentary, an additional level of risk has been identified regarding specific revenue and expenditure balances within the financial statements. This significant risk will be confined to the following balances; - Fees and Charges - Grants and Contributions - Other expenses **Inherent risk of material misstatement:** • **Revenue and expenditure recognition: High**	Due to the time constraints arising from the statutory backstop, we do not anticipate being able to undertake the required audit procedures to address the identified risk for 2023/24. We have therefore determined that we cannot meet the objectives of the ISAs (UK) and we will be issuing a disclaimer of opinion in our auditor's report for 2023/24.

Significant risks of material misstatement

Identified risk	Planned audit procedures
Valuation of council dwellings, other land and buildings and investment property (key accounting estimate) Revaluation of council dwellings, other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated. The council carries out a revaluation approach each year for Operational Land and Buildings, Investment Properties and council dwellings that are valued using the beacon method, which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A discount factor is applied to reflect the lower rent yield from social housing compared to market rates. Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2024. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. These valuations represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement(s) and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings, other land and buildings and investment property as a significant risk. We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations. **Inherent risk of material misstatement:** **Council dwellings, other land and buildings and investment property (valuation): Very High**	Due to the time constraints arising from the statutory backstop, we do not anticipate being able to undertake the required audit procedures to address the identified risk for 2023/24. We have therefore determined that we cannot meet the objectives of the ISAs (UK) and we will be issuing a disclaimer of opinion in our auditor's report for 2023/24.

Significant risks of material misstatement

Identified risk	Planned audit procedures
Valuation of the defined pension fund net liability/asset (key accounting estimate) An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code. The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant).ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk. **Inherent risk of material misstatement:** **Defined pension fund net liability/asset (valuation): High**	Due to the time constraints arising from the statutory backstop, we do not anticipate being able to undertake the required audit procedures to address the identified risk for 2023/24. We have therefore determined that we cannot meet the objectives of the ISAs (UK) and we will be issuing a disclaimer of opinion in our auditor's report for 2023/24.

Value for Money arrangements

Under the Code of Audit Practice, we must satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to here as “Value for Money”, or “VFM”).
NAO Auditor Guidance Note 03 ‘Auditors’ Work on Value for Money Arrangements’ (“AGN 03”) was updated and issued on 18 January 2023 and requires us to provide an annual commentary on arrangements, which will be published as part of the Auditor’s Annual Report. Such commentary will highlight any significant weaknesses in arrangements, along with recommendations for improvements.

When reporting on such arrangements, the Code of Practice requires us to structure our commentary under three specified reporting criteria:

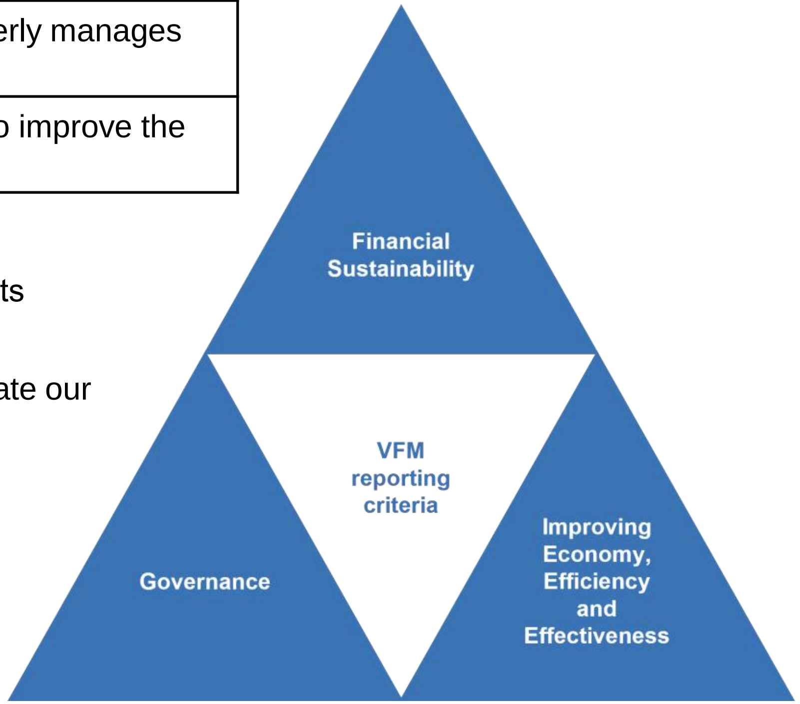
Financial sustainability	How the body plans and manages its resources to ensure it can continue to deliver its services
Governance	How the body ensures that it makes informed decisions and properly manages its risks
Improving economy, efficiency and effectiveness	How the body uses information about its costs and performance to improve the way it manages and delivers its services

As part of the planning process, we are required to perform procedures to identify potential risks of significant weaknesses in the Council’s arrangements to secure VFM through the economic, efficient and effective use of its resources.

We are required to re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

Where we identify significant weaknesses in arrangements as part of our work, we are required to make recommendations setting out:

- Our judgement on the nature of the weakness identified;
- The evidence on which our view is based;
- The impact on the local body; and
- The action the body needs to take to address the weakness.



Value for Money arrangements

Risks of significant weakness in VFM arrangements

We have carried out an initial risk assessment to identify any risks of significant weakness in respect of the three specific areas of proper arrangements using the guidance contained in AGN 03. A significant weakness is a risk requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

We will re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

When considering the Council's arrangements, we will have regard to the three reporting criteria set out in AGN03, as well as performing additional work in the areas identified below which are the potential areas of significant weaknesses, we have identified at the planning stage.

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code of Audit Practice and may not be all that exist.

Prior Year Recommendations

The Council's predecessor auditor raised 3 statutory recommendations and 7 key recommendations in their 2021/22 and 2022/23 Auditor's Annual Report (AAR), indicating a number of significant weaknesses in areas of the Council's Value for Money arrangements. These have been included on the follow page/s for reference and completeness.

We will consider the extent to which the significant weaknesses identified by the predecessor auditor and reported to the Council in January 2024 were also present for the 2023/24 financial year, whilst recognising an action plan identified and put in place by management to address these issues in future periods. Discussions will be held with management to determine the impact this has had on the Council's Value for Money commentary in the current financial year, and we will report our findings as part of the 2023/24 Auditor's Annual Report (AAR).

Value for Money arrangements

Type of Recommendation	Detail
Statutory recommendation 1	The Council needs to improve its financial planning and financial monitoring arrangements by; • Ensuring it has adequate capacity in its finance team and ensure that budget holds receive formal financial monitoring reports during the year • Putting in place a MTFS built on robust modelling and assumptions and an updated Capital Strategy that complies with the revised Prudential Code • Producing draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively
Statutory recommendation 2	The Council should: • Deliver a full stock condition survey to inform a revised 30-year business plan which includes sensitivity analysis and put in plan an investment strategy and update these annual aligned to the budget setting timescales • Develop a place-based housing strategy for Cannock Chase District working with its housing and other key partners • Update the Housing Allocations Policy and the Housing Register and ensure these are reviewed regularly • Develop an HRA asset management strategy and effective housing asset management record keeping for reach property which are updated regularly, including regular review of its HRA asset register aligned to stock condition data, compliance data and finance and implementing regular planned maintenance • Review HRA reserves to ensure it has a major repairs reserve in place for planned maintenance and compliance.
Statutory recommendation 3	The Council needs to urgently address its significant weaknesses in compliance with statutory HRA obligations by: • Addressing the breaches to its statutory responsibilities concerning tenant health and safety and considering if it needs to be short-term measures in place wile it is doing so to minimise risks to tenants and ensuring non-compliance is report to the Regulator for Social Housing. • Developing a risk-based improvement plan to address its health and safety breaches work with the Regulator for Social Housing • Ensuring it has an asset register for its homes and that each one has a unique record for building safety compliance checks which is regularly review and updated and monitored against robust performance targets for building safety which are reported to members. • Undertaking a review of its compliance against the updated housing consumer standards, July 2023, ahead of them being mandated on 1st April 2024.

Value for Money arrangements

Type of Recommendation	Detail
Key recommendation 1	The Council should develop a corporate saving and transformation programme to help it reduce spending by looking at different ways of delivering services. It needs to: • use the corporate business plan to identify its budget priorities and review service budgets. • develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear Council priorities and identify reductions to nonessential spending. • identify ways to deliver for less by using unit cost benchmarking to review the cost effectiveness of existing activities. • identify any discretionary activity that could be reduced or curtailed where it does not contribute to corporate business plan priorities. • consult on service changes and future spending plans with the public and include public engagement annually as part of business planning. • ensure the requisite skills are in place to manage the programme, lead change and explore new ways of working. • develop early ideas for savings with budget holders and present these members to enable early engagement with key stakeholders and to enable members to see options and the impact of savings on residents across the Council.

Value for Money arrangements

Type of Recommendation	Detail
Key recommendation 2	The Council needs to improve risk management by; • updating the Risk Management Strategy and Policy Framework including adding an escalation process between the strategic and service risk registers, including risk data transfer and ownership, risk types and agreed risk appetites for each type. The Strategy needs to set the risk levels - leadership / strategic, programme / . project level and service level, an escalation process between the corporate and service risk registers, and risk types and agreed risk tolerances for each. It also needs to update risk responsibility which changed in 2017 and separate responsibility for risk management from internal audit. • formatting the SRR to separate risks from their causes and impact and include whether risks are dynamic or static, identify for each risk type and appetite. It also needs to set out likelihood, impact, score, mitigation to date, likelihood and impact scores after mitigation, direction of travel, planned completion date, linked risks and provide members and the leadership team with a direction of travel at least quarterly • ensuring services and projects and programmes have their own effective risk management arrangements that mirror changes to the SRR. integrating corporate risks, their references and their scores into all report writing for committee papers giving members risk assurance and helping them to understand the impact of their decision making on risk and include risk considerations in committee paper sign-off. • integrate risk, performance and financial reporting and report these quarterly to the Cabinet. ensuring risks identified in the annual budget report are sufficiently detailed and consistent with the SRR revised format. • significantly improving risk management arrangements for capital projects. • adding risks on climate change mitigation and net zero to the SRR and reviewing other risks considering the recommendations identified in this AAR • adopting the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks as part of risk management improvement. • ensuring key risks are updated to include financial planning and monitoring and the lack of HRA compliance with safety measures. • developing a housing risk register aligned to the SRR and using this to drive improvement and inform the development of the revised 30-year business plan. • ensuring FRA risks have a clear escalation process to the SRIR to ensure that strategic risks such as non-compliance with statutory responsibilities are mitigated and controlled. It is important that the housing risks are managed with assurances in place and reported to elected members.

Value for Money arrangements

Type of Recommendation	Detail
Key recommendation 3	The Council needs to urgently address its significant weaknesses in its internal controls relating to ICT by: • ensuring its systems are fully supported by IT, Cyber and Network Security and making sure all policies are up to date and shared with staff who are appropriately trained and ensuring regular performance monitoring to address any evolving security weaknesses identified. • ensuring the Council has appropriate arrangements in place to meet information governance requirements including third party data transfers, privacy impact assessments and governance frameworks and ensuring staff know how to use these and access appropriate support and training. • working with procurement and commissioning to embed ICT controls and information governance in procurement and commissioning decisions.
Key recommendation 4	The Council needs to urgently address its significant weaknesses in its internal controls relating to fraud by: • ensuring there is central coordination for the National Fraud Initiative (NFI) matches. • putting in place a dedicated counter fraud officer. • updating the anti-Fraud and Bribery Framework and the Confidential Reporting Framework. • ensuring work to detect fraud is extended to cover the finance system and procurement arrangements in the Council.

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Value for Money arrangements

Type of Recommendation	Detail
Key recommendation 5	The Council needs to improve its performance management arrangements by: • establishing a golden thread for the Council, by creating a performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and report these to the public: • developing annual delivery plans aligned with the Corporate Plan and reduce the number of service specific strategies to ensure the golden thread is in place; • agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework; • improving performance reporting to include targets, RAG rating, and actual measures and benchmarking. Reports should use previous year and 'nearest neighbours' data where possible, integrating performance, risk and finance reporting to drive improvement; • ensuring the Cabinet receives quarterly performance, finance and risk reports to enable it to hold officers to account: • using performance and financial data and benchmarking to look at delivery levels of statutory services to ensure the Council is achieving value for money: • extending the new performance management framework and reporting to key contracts such as waste and leisure; • developing a strategic approach to assessing the levels of statutory services needed to save money: • agreeing corporate programme and project management methodology and ensuring its understood and applied across the Council ard when commissioning these services. • internally validating contract performance management, including outcornes, together with cost and risk and reporting these regularly to Cabinet; and • engaging key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings. • developing a data quality policy and ensuring the quality of the Council's core datasets. • developing a strategic approach to asset management including putting in place a comprehensive asset register and a detailed improvement plan for asset management. • ensuring the Council learns from complaints and external Ombudsman recommendations to improve its performance.

Value for Money arrangements

Type of Recommendation	Detail
Key recommendation 6	The Council needs to improve its asset management arrangement by developing: • a corporate asset management strategy and plan • an HRA asset management strategy and plan asset registers and keeping them updated management information systems to support asset management processes. • systems to ensure compliance with building safety inspections.
Key recommendation 7	The Council needs to improve its procurement and contract management arrangement by; • developing a procurement strategy. • ensuring the contracts register is developed, monitored, kept updated used by all services. • updating its procurement regulations. • ensuring it fully meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation. • having a suitably trained client lead for procurement and contract management. • developing a procurement pipeline to improve planning. • maintaining a central waivers record. • Providing training for officers and members on procurement and contract management to enable them to filly understand their responsibilities for social value and VFM • ensuring the Council's shared arrangements for fraud also include procurement and contract management. • complying with the Local Government Transparency Code by ensuring P card expenditure is kept updated.

Audit team and logistics

Your audit team

Role	Name	Contact details
Key Audit Partner	Andy Reid	Andy.Reid@azets.co.uk
Engagement Manager	Michael Butler	Michael.Butler@azets.co.uk

Timetable

Event	Date
Planning and risk assessment	Dec 2024 – Jan 2025
Reporting of plan to Audit & Governance Committee	Feb 2025
Reporting of Audit Findings (ISA260)	Feb 2025
Auditor’s Annual Report (AAR)	Feb 2025
Target date of approval of accounts	Feb 2025
Accounts publication deadline (as specified in the Accounts and Audit Regulations 2015)	Feb 2025

Our expectations and requirements

For us to be able to deliver the audit in line with the agreed fee and timetable, we require the following:

- Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Statement and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays.

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that the audit team and the Council’s finance team work closely together to achieve this timetable.

Independence, objectivity and other services provided

Auditor independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have also complied with the NAOs Auditor Guidance Note 01, issued in September 2022, which contains supplementary guidance on ethical requirements for auditors of local public bodies. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be bought to your attention.

Other services

We have detailed in the table below any other services provided to the Council, the threats to our independence these present and the safeguards we have put in place to mitigate these threats.

Service	Provided to	Fee	Threats identified and Safeguards to mitigate threats to independence
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2023/24)	Council	£28,000 plus additional fee for each extended testing workbook required	**Self-interest:** Given this is likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or Cannock Chase District Council. The fee is fixed (apart from an additional £2,000 for each additional 40+ workbook) and not contingent in nature. **Self-review**: Whilst related revenue and expenditure streams are within the financial statements, we do not complete the claim form/s. The focus of our work is solely testing the data in the claim form prepared by the management. **Management:** As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report. We therefore consider these risks sufficiently mitigated.
Audit related: Certification of pooling of Housing Capital Receipts return	Council	£10,000	

Fees

PSAA set a fee scale for each audit that assumes the audited body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. This fee scale is reviewed by PSAA each year and adjusted, if necessary, based on auditors' experience, new requirements, or significant changes to the audited body. The fee may be varied above the fee scale to reflect the circumstances and local risks within the audited body.

Our estimated fee (excluding VAT) is as follows:

Audit fee	2023/24 £
Base fee for the audit of the Council financial statements (as set out in the fee scales issued by PSAA)*	150,914
Fee variation; VFM consideration of additional risks	TBC
Total audit fee for Cannock Chase District Council	**TBC**

- *In line with arrangements under the PSAA contract we only anticipate billing 50% of the fee to the Council for work undertaken in relation to the 2023/24 audit
- This fee is estimated based on our understanding at this point in time and may be subject to change. Our planned fee is on the basis that our expectations set out on page 22 are met.

It is our policy to bill for overruns or scope extensions e.g., where we have incurred delays, deliverables have been late or of poor quality, where key personnel have not been available, or we have been asked to do extra work.

The approximate total fees charged to the Council for the provision of services in 2023/24 is as follows:

Audit fee	2023/24 £
Audit of the Council (as above)	TBC
Total audit fee	**TBC**
Non-audit services Council	38,000
Total fees (audit and non-audit)	**TBC**

Appendix I: Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these. Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and the needs of the users. When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2024 was calculated as follows:

	Council £'000	Explanation
Overall materiality for the financial statements	1,270	2% of gross revenue expenditure based on 2021/22 financial statements. The financial statements are considered to be materially misstated where total errors exceed this value.
Performance materiality	763	60% of materiality. Audit work will be performed to capture individual errors at this level.
Trivial threshold	63	5% of overall materiality for the Council. Individual errors above this threshold are communicated to those charged with governance.

In addition to the above, we consider any areas for specific lower materiality. We have determined that no specific materiality levels need to be set for this audit.

Item No. 3.26

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Item No. 4.1

Statement of Accounts 2023/24

Committee: Audit & Governance Committee

Date of Meeting: 19 February 2025

Report of: Deputy Chief Executive (Resources) & S151 Officer

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1 Purpose of Report

1.1 To report on the process for the approval of the statement of accounts for the financial year ended 31 March 2024.

2 Recommendations

2.1 Members note:

(i) The Statement of Accounts 2023-24 (Appendix 1);

(ii) The findings of the External Auditor (Agenda item 5); and

(iii) Note the impact of the audit backlog legislation.

2.2 Members approve the Management Representation letter, as included at Appendix 2 of the External Auditor's Audit Completion Report (to be signed by the Chair on behalf of the Committee).

Reasons for Recommendations

2.3 The Accounts and Audit Regulations 2015 require that the Council's Statement of Accounts be approved by the Audit & Governance Committee.

3 Key Issues

3.1 As previously reported to the Committee in November 2024, the approach to auditing the Council's statement of accounts has changed due to the backlog of audits which has built up in local government.

3.2 To ensure the timely completion of audits for local authorities the government has instigated reset measures for all audit opinions covering up to and including the financial year 2023/24, followed by a recovery period for future financial years.

3.3 Due to the time required to rebuild assurance levels and return to normal acceptable practices, councils across the country are likely to received modified or disclaimed opinions for a number of years. The government's aspiration is for disclaimed opinions driven by the backstop dates to be limited to the financial years up to and including the 2024/25 financial statements and the associated 27 February 2026 backstop date.

3.4 Auditors will clearly communicate the reasons for their opinion in their auditor's report to the council, referencing the impact of the backstop dates as appropriate. The council should not be unfairly judged for modified or disclaimed audit opinions beyond their control.

4 Relationship to Corporate Priorities

4.1 The Statement of Accounts is an important part of the Council's corporate governance arrangements that cut across all of the Council's priorities.

5 Report Detail

5.1 The approval process for the Statement of Accounts requires the accounts to be certified by the Section 151 Officer (Head of Finance) as providing a true and fair view of the financial position of the Council as at the 31 March year end. The accounts would usually then be audited, and the audited accounts be considered by the Audit and Governance Committee alongside the 'Audit Findings' report from the Council's External Auditor.

5.2 This approach has changed due to the backlog of audits which has built up in local government. The reasons for this build up are:

- An enhanced regulatory focus on balance sheet items where there is a degree of estimation or uncertainty driven by previous failures in private sector audit. These private sector failures have required local authorities to produce more detailed evidence and working papers to support areas such as property asset and pension fund valuations. There has been no differentiation between commercial assets or assets held for sale where the valuation is material and those which are hard to value and will never be sold such as roads and heritage assets.
- A lack of capacity within the local audit firms to complete the work to deadlines, potentially driven by the low fee rates, capacity pinch points such as the audit of the NHS accounts and challenges in recruiting.
- Similar capacity issues within local authorities who were having to make large cuts to bridge funding reductions. This is particularly pertinent at this council as per the value for money report which detailed the resource constraints in the finance team.

5.3 The government's approach to clearing the backlog of local government external audits, which enables the publication of audited accounts, has changed this approach for the accounts attached to this report.

5.4 In September 2024 government laid statutory instruments to introduce backstop dates and require auditors to provide their opinion in time for local authorities to adhere to the backstop dates. These new measures will clear the backlog but during this recovery period it is likely that many audit opinions will be classed as modified or disclaimed audit opinions due to the time limitations imposed by the introduction of the backstop dates.

5.5 To ensure the timely completion of audits for local authorities the government has instigated reset measures covering all audit opinions covering up to and including the financial year 2023/24, followed by a recovery period for future financial years.

5.6 To support clearing the backlog, the following backstop deadline dates have been set:

Financial Year	**Deadline**
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

5.7 For financial years 2024/25 to 2027/28, the date by which the council should publish ‘draft’ (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate.

5.8 Due to the backstop deadlines a significant number of audits may only be concluded by including a modified audit opinion as opposed to the desired unmodified opinion. A modified audit opinion may be classed as adverse or a disclaimer.

5.9 An adverse opinion means the auditor has determined the financial statements to be materially misstated. A disclaimed audit opinion means the auditor is unable to determine whether or not the financial statements are materially misstated.

5.10 An unmodified opinion means the auditor has assured themselves that the council’s financial statements are prepared according to accounting standards and are free from material misstatement.

5.11 Auditors will clearly communicate the reasons for their opinion in their auditor’s report to the council, referencing the impact of the backstop dates as appropriate. The council should not be unfairly judged for modified or disclaimed audit opinions beyond their control.

5.12 Due to the time required to rebuild assurance levels and return to normal acceptable practices, councils across the country are likely to received modified or disclaimed opinions for a number of years. The government’s aspiration is for disclaimed opinions driven by the backstop dates to be limited to the financial years up to and including the 2024/25 financial statements and the associated 27 February 2026 backstop date.

5.13 The Council's external auditors have a duty to report to those charged with governance on the financial statements of the Council.

5.14 As part of the formal audit conclusion process, the Responsible Financial Officer is required to submit the attached Management Representation Letter (Appendix 1) to the Appointed Auditor having obtained acknowledgement by the Audit and Governance Committee.

6 Implications

6.1 Financial

These are detailed in the above report.

6.2 Legal

The Statement of Accounts is a statutory document. The Local Government Act 2003 (section 21) enables the Secretary of State to issue regulation on the preparation and publication of accounts for local authorities, which is fulfilled by the Accounts and Audit Regulations 2015 (as amended). The backstop legislation was passed on 9 September. The Government laid in Parliament two pieces of legislation which would give effect to these proposals: the Accounts and Audit (Amendment) Regulations 2024 and, on behalf of the Comptroller & Auditor General of the National Audit Office, a draft Code of Audit Practice 2024. On 24 September FRC published a guide to the 'rebuilding assurance' plan Local Audit Backlog Rebuilding Assurance (frc.org.uk).

6.3 Human Resources

None

6.4 Risk Management

The resource constraints of the finance team are detailed in the risk register with mitigating measures designed to allow the council to meet its statutory obligations on accounts preparation and sign off.

6.5 Equalities and Diversity

None

6.6 Health

None

6.7 Climate Change

None

7 Appendices

Appendix 1: Statement of Accounts 2023-24

8 Previous Consideration

Statement of Accounts 2021/22 and 2022/23 - Audit & Governance Committee - 19 November 2024.

9 Background Papers

None.

Contact Officer: Emma Fullagar

Report Track: Audit & Governance Committee: 19/02/25

Item No. 4.5

Appendix 1

Cannock Chase COUNCIL

STATEMENT OF ACCOUNTS

2023/2024

Subject to Audit

CONTENTS

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Narrative Report

The Statement of Accounts for the year ended 31 March 2024 has been prepared in accordance with the requirements of the Accounts and Audit Regulations 2015. The format reflects the requirements of the Code of Practice in Local Authority Accounting in the United Kingdom 2023/24 published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts therefore aims to provide information for the 2023/24 financial year so that members of the public (including electors and residents of Cannock Chase Council), Members, partners, stakeholders and other interested parties are able to:

- See the performance of the Council including progress against its strategic objectives;
- Understand the overarching financial position of the Council;
- Have confidence that the public money with which the Council has been entrusted, has been used and accounted for in an appropriate manner; and
- Are aware of the key risks faced by the Council.

This **Narrative Report** is structured as follows:

1. An Overview of Cannock Chase District and its Council;
2. The Council's Priorities and Performance 2023/24
3. Financial strategy and resource allocation
4. Future Outlook and Issues Facing the Council
5. Explanation of the Financial Statements.

1. An Overview of Cannock Chase District and its Council

1.1 The District

Cannock Chase District covers over 7,000 hectares on the northern border of the West Midlands conurbation and forms one of the eight districts of the county of Staffordshire. The District incorporates the towns of Cannock, Rugeley and Hednesford. Cannock Chase itself is a designated Area of Outstanding Natural Beauty, and 60% of the District is designated as Green Belt. The District has a strong transport infrastructure including the M6, M6 Toll and A5 trunk road, alongside rail connections to Walsall and Birmingham.

There are a variety of factors which affect the Council's services and its finances. Some key statistics are highlighted below which impact the Council's financial position and which provide a basis for our ongoing priorities and strategic objectives.

The Council has an important part to play in its role as a place shaper in planning for future growth and opportunities to create new jobs, affordable new homes and re-purpose our town centres.

1.2 Political Composition and Leadership

There are 41 Councillors representing 15 wards, who are democratically elected representatives responsible for setting the policy direction and budgets of the Council.

All councillors meet as the Council. Here councillors decide the Council's overall policies and set the budget each year.

The Cabinet is responsible for most day-to-day decisions and when major decisions are to be discussed these are published in the forward plan. Decisions are made by the Cabinet in line with the Council's overall policies and budget. If the Cabinet wishes to make a decision which is outside the budget or policy framework, then this is referred to the Council as a whole to decide.

There are three scrutiny committees in place which hold the Cabinet to account for delivery of the Council's priorities, operational service deliver and support the development of polices.

Following direction from the political leadership, the Council's Leadership Team is responsible for delivering priorities and operational services.

The Council employs approximately 415 staff.

1.3 Purpose

The Council provides a number of statutory and discretionary services. These services include:

Arts and Culture - Supporting and developing arts and culture through the Prince of Wales Theatre, the Museum of Cannock Chase and other events held in the District. These services are provided on the Council's behalf by Inspiring Healthy Lifestyles, a not for profit organisation.

Leisure and Healthy Lifestyles - Encouraging and supporting residents to be active, look after their health through the provision of leisure centres and sports developments (these services are also provided by Inspiring Healthy Lifestyles), with the Council also providing and maintaining parks and green spaces, allotments and playing pitches, including The Stadium site at Pye Green.

Environmental Services - Providing refuse collection, recycling, street cleaning and noise / pest control services to help keep the community clean and protected.

Environmental Health - Aiming to improve the lives of those who live and work in the Cannock Chase District and those who visit the area and to protect the environment; helping businesses, individuals and families across the District to provide safe food and providing licenses for a wide range of activities.

Economic Development - Encouraging business development and growth within the District, promoting town centre regeneration and tourism, while continuing to support local public transport and maintaining Council car parks.

Partnership / Community Safety / CCTV - Working with a wide range of partners and adopting a multi-agency approach to help reduce crime and anti-social behaviour in the District and support an increasing number of vulnerable people. As an authority we also fund, maintain, and monitor a 24-hour CCTV service across the District.

Housing - Supporting the provision of affordable housing and improving accommodation standards for private tenants as well as supporting residents experiencing issues of homelessness.

Planning and Building Control - Dealing efficiently with planning applications and providing building control services across the District.

Revenues and Benefits - Collecting council tax and business rates and helping people access financial support through housing benefit and council tax discounts

Internal functions - All the above services are supported by a number of internal functions including customer services, HR, IT, policy and communications, finance, and legal services. Some of these services are shared with Stafford Borough Council.

In addition, the Council acts as a **landlord for its housing stock** and provides for the maintenance, management, and investment in its stock of properties.

Cannock Chase Council operates in a two-tier local government structure with Staffordshire County Council which is responsible for services including social care, education, children's services, highways, and libraries.

1.4 Governance

Cannock Chase Council recognises that it is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

The Council has a Governance framework in place to ensure that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and accountable manner.

The framework is underpinned by a Code of Corporate Governance which identifies six principles that the Council adheres to:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council undertakes an annual review of its governance arrangements and this is summarised in the Annual Governance Statement.

2 The Council's Priorities and Performance 2023/24

2.1 Corporate Plan

A new corporate plan was developed for 2022-26 setting out a new vision underpinned by ambition for the District.

Vision:

We want a Cannock Chase that local residents are proud to call home:

- Rejuvenated town centres, local businesses that are supported and an environment where entrepreneurship is encouraged.

- Empowered residents encouraged to lead healthy and independent lives.

- A local environment that is protected, preserved, and enhanced for future generations.

We will be a forward-thinking Council, making best use of our assets, living within our means, and ensuring we are accountable for our decisions.

Our Priorities for 2022-26

Priority 1 - Economic Prosperity

`To reinvigorate the economy and create a District that thrives`

We aim to:

- Attract investment to develop the District's economy.
- Encourage entrepreneurship, promote apprenticeships, and support business.
- Attract modern, green, and skilled industries and create jobs.
- Rejuvenate our town centres.
- Support the development of our visitor economy.

We want to create an environment that supports and encourages growth and people's ambition to set up and run their own businesses. Our aim is to attract investment and businesses that will create skilled jobs for local people and businesses that use green technology to support our commitment to reducing the impact of climate change. We want to encourage businesses and people into our town centres and attract visitors to the District.

Priority 2- Health & Wellbeing

`To encourage and support residents to lead healthy and independent lives`

We aim to:

- Provide opportunities for residents to lead healthy and active lifestyles and recognise the importance of mental health and wellbeing.
- Embed health and wellbeing into all of our policies and everything that we do.
- Work with partners to address health inequalities across the District.
- Support residents that need our help.

We want to create opportunities for all of our residents to lead healthy and active lifestyles. For some, this may be by using our leisure centre facilities, for others it may be walking our parks, or on the Chase, or by cycling around the District. We want to reach out to those residents who may find this daunting and help them to try out new activities in their local communities, that will support their physical and mental health and wellbeing.

Priority 3 - The Community

`To ensure Cannock Chase is a place that residents are proud to call home`

We aim to:

- Ensure our neighbourhoods are safe, clean and tidy.
- Maintain our local parks and green spaces.
- Encourage residents to live a sustainable lifestyle.
- Improve the housing offer across the District.
- Ensure our communities are well designed, accessible, and are inclusive environments.
- Support and build strong connections within our local communities.

We want our District to be an attractive and safe place to live. We will preserve our open spaces and local parks. We aim to build on the existing and new communities across our District so that residents feel connected and supported. We want to ensure that our residents have a choice in their housing accommodation and that it is safe.

Priority 4 - Responsible Council

`To be a modern, forward thinking and responsible Council`

We aim to:

- Improve our customers' access to services.

- Enhance the use of technology and new ways of working.
- Develop our workforce to ensure they are suitably skilled.
- Be a responsible Council that lives within its means and is accountable for its actions.
- Make the best use of our assets.

We want to improve the ways in which customers can access our services and at a time that suits them through better use of technology; while continuing to provide contact via the telephone or face-to-face for those customers who need more personal support.

We want to ensure that our staff are trained to deliver the services that our residents need. The Council faces a challenging financial future, so it is important that we live within our means and make the best use of the assets we have. We will communicate with our residents to provide updates on the progress we are making in delivering our priorities and key decisions that affect the future of services.

Prudent financial management has meant there has been no service reductions for a number of years, but this is now looking challenging to maintain. We will continue look to deliver efficiency savings by doing things differently wherever we can, but this alone will not be enough. We will also need to look at reducing or stopping some services. The Council is committed to maintaining the services that matter the most to the public and those we have a statutory duty to provide. We will look to protect the services as much as we can and make savings from non-essential services or by increasing the income we collect.

2.2. The Council's Performance 2023-24

The key successes during 2023-24 are highlighted below:

- Phase one of LUF project approved by Cabinet.
- UKSPF year 2 spend fully committed with projects underway and delivering required outputs.
- Rugeley Power Station - site now fully demolished and remediated and ready for development.
- Play areas improvements at Barnard Way and Wellington Drive.
- The creation of the Council's first learn to ride area at the Stadium site in Chadsmoor.
- 211 trees have been planted by the Parks and Open spaces team.
- The new customer portal has gone live.

3. Financial Strategy and resource allocation

3.1 Overview of Portfolio Spending

The following pages provide a brief overview of the financial position of the Council for 2023-24, in terms of the Council's management accounting framework, rather than the statutory IFRS framework.

The Council undertakes two distinct roles;

- The provider of services, functions and responsibilities for all its residents as a District Council (General Fund); and as
- A landlord for its housing stock (Housing Revenue Account)

In addition to the former role the Council also acts as the billing and collecting authority for Council Tax and Business Rates for precepting and other bodies via its Collection Fund.

3.2 General Fund- Revenue spending

The General Fund records all the day-to-day spending on Council services. The net cost of services contained within the General Fund are met primarily by Council Tax payers and central government funds including income derived from business rates under the Business Rates Retention scheme.

The Council Portfolio spending was £17.230 million for 2023-24 as reflected in its Portfolio outturn in the table below. The following table sets out the overall net revenue budget outturn of £14.055 million compared with the budget set for the year of £13.937 million, a variance of £0.118 million:

	Cannock Preliminary Outturn 2023/24			
		Revised Budget £'000	**Actual £'000**	**Variance to Revised £'000**
	Portfolios			
1	Community Wellbeing	3,221	3,065	156
2	Environment & Climate change	4,528	4,429	99
3	Housing	1,200	1,136	64
4	Leader of the Council	1,198	1,180	18
5	Parks, Culture and Heritage	2,119	1,955	164
6	Regeneration & High Streets	1,794	1,616	178
7	Resources & Transformation	3,229	3,849	-620
8	Total Portfolios	**17,289**	**17,230**	**59**
9	Investment Income	-2,059	-3,061	1,002
10	Interest Payable	262	450	-188
11	Technical Items	176	1,884	-1,708
12	Net Expenditure	**15,668**	**16,503**	**-835**
13	Use of Government Grants	-1,731	-2,448	717
14	**Net Revenue Budget**	**13,937**	**14,055**	**-118**
	Financed by:			
	Business Rates			
15	Core funding	-3,159	-3,159	0
16	Growth / S31 grants	-1,805	-2,419	614
17	Business Rates Pool	-1,000	-1,103	103
18	Transfer from balances	-400	0	-400
19	Revenue Support Grant	-123	-123	0
20	Council Tax	-7,072	-6,922	-150
21	Total Financing	**-13,559**	**-13,726**	**167**
22	**Trf to/(from) working balances**	**-378**	**-329**	**-49**
23	**Net Revenue Budget**	**13,937**	**14,055**	**-118**

The table above shows the budget anticipated net expenditure of £14.055 million, to be principally funded from Council Taxpayers (£6.922 million) and Business Rates.

The detail and explanations of expenditure are in the outturn report taken to cabinet on the 28 November 2024.

3.4 Collection Fund

Cannock Chase is the billing authority and as such has a statutory requirement to establish and maintain a separate fund covering the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). Net Business Rates attributable to the Council are accounted for as part of the General Fund under the new Business Rates regime.

3.5 Council Tax

The net position on the Collection Fund for the year was a surplus of £0.144 million for Council Tax after taking into account distribution of previous year surplus in year The overall position for Council tax leaves a net deficit on the fund of £1.256 million at 31 March 2024 (of which £0.158 million relates to this Council).

3.6 National Non-Domestic Rates

A surplus of £2.329 million exists in relation to Business Rates as at 31 March 2024. The deficit is however notional and represents a timing difference between estimated Business Rates returns and actual returns. This Council's actual retained Business Income is in line with the Income and Expenditure account after taking into account the timing deficit required as part of the Collection Fund Statutory requirements.

3.7 General Fund Reserves

The outturn shows a contribution from working balances to the General Fund of £0.329 million with a resultant £1.612 million balance as at the 31 March 2024. As the Council policy is to retain a working balance of £1.0 million the £0.612 million transfer will be able to support future budgets.

3.8 Pensions

Councils are required to account for pension costs to show any deficit, or surplus, on the Pension Fund in the balance sheet. The fund is administered by Staffordshire County Council and the actuarial valuation at 31 March 2024 showed the Council's share of the fund to be a deficit of £32.281 million, an increase of £25.037 million as compared to the 31 March 2023. The fund deficit has no impact on the level of Council Tax. The remaining deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

3.9 General Fund Capital Expenditure

The Council approves the Capital Programme for the financial year as part of the budget process and the amount that can be spent is limited by the amount of capital resources available to the Council.

Many of the schemes within the Capital Programme take some time to develop and implement, the detailed programme can experience many changes, including delays due to the impact of the pandemic. Considerable variation can therefore arise over the 18 month period from the time the Capital Programme for the financial year is initially considered, right through to the end of March of the relevant year.

The Council spent £3.503 million on capital projects in 2023/24, which was £2.681 million less than budget. The spend was profiled as below:

Capital Outturn Position			
	Budget	**Actual**	**Variance from Budget**
	£'000	**£'000**	**£'000**
Environment & Climate Change	94	75	19
Parks, Culture and Heritage	1,811	923	888
Resources and Transformation	21	21	-
Community Wellbeing	2,643	1,653	990
Housing	10	6	4
Regeneration and High Streets	1,605	825	780
Total	**6,184**	**3,503**	**2,681**

The major items of capital spend in the year were:

- **£1.553 million** on Disabled Facilities Grants.
- **£0.444 million** on Levelling Up Fund
- **£0.375 million** on UK Shared Prosperity Fund
- **£0.244 million** on Laburnum Avenue Phase 1

The capital programme of £3.503 million was financed in the following way:

Capital Financing	**£'000**
Capital grants and contributions	3,161
Capital receipts	173
Direct Revenue Financing	169
Total	**3,503**

3.10 Treasury Management

During 2023/24 most investment decisions were driven by cash flow considerations and funds were placed in Money Market Funds for easy access. However, opportunities were also taken to place funds in higher interest bearing investments when cash flow requirements would allow.

3.11 Housing Revenue Account

The Housing Revenue position is slightly different. Rents are determined in accordance with the Government's national rent policy.

From 2020 the policy permits rent increases of CPI+1%. The new policy recognises the need for a stable financial environment to support the delivery of new homes and to enable the Council to plan ahead.

Income from Rents and associated items amounted to £22.633 million with expenditure of £22.045 million resulting in a surplus of £588k which was transferred to working balances.

In addition to the Working Balance the Housing Revenue Account maintains earmarked reserves that are held for specific purposes. They are provided to meet future and known commitments, support the budget in the future and capital programme, and in some cases, to spread expenditure over a number of years.

The Housing Revenue Account spent £7.250 million on capital projects in 2023/24.

4. Future Outlook and issues facing the Council

4.1 Future investments

Provision exists within the General Fund Capital Programme for a District Investment Fund (£5,645,000). The Fund is seen as vital if we are to improve our Town Centres and Train Stations and facilitate further economic growth. Skills and Infrastructure are important ingredients for economic growth in the future. Additional resource has also been included within the revenue budget for Economic Development in order to progress this investment strategy.

Similarly, the Housing Revenue Account includes initiatives whereby in addition to its normal housing investment programme for its existing stock, provision is included within the medium term capital programme.

4.2 Financially sustainable

The Council plans its finances over a medium-term for revenue and capital and it includes all known financial pressures that it faces over the medium term in its Financial Plan.

The Council approved its three-year budget to 2026/27 in February 2024 however like all other authorities a great deal of uncertainty exists with single year financial settlements.

Detailed figures are only available for 2024-25 pending the implementation of changes to the local Government funding regimes and material deficits exist in 2025-26 and 2026-27 based upon the implications of such changes. The Council have set aside previously earmarked reserves to provide transitional funding pending the development of a sustainable medium-term budget following the outcome of the proposed changes.

The Council continues to progress the areas within its direct control with balanced budgets set for 2024/25. However, a great deal of uncertainty exists post 2024/25 with the key risks arising from fundamental changes to Government Funding-

- Fair Funding and Business Rates Reset were due to be implemented in each of the years since 20/21. There is now considerable uncertainty as to whether this will still be taking place and if so when.

- Ongoing uncertainty that exists in relation to the longevity of the New Homes Bonus grant scheme.

In particular the proposed Reset of Business Rates Growth and changes to the New Home Bonus scheme are likely to change a previously ongoing balanced budget to one of material deficits. However, this is based upon the council’s own assumptions rather than actual Government proposals.

The Financial risks to the Council can therefore be summarised as follows:

- Central government funding –The Provisional Settlement is for one year only with the changes to the Local Government Finance Regime now facing considerable uncertainty. No details are available from 2024-25 onwards with Local Government funding expected to be subject to considerable change.

- New Homes Bonus - in relation to New Homes Bonus (NHB) the Provisional Settlement reiterates the Government's commitment to reforming the NHB.

  Based upon the uncertain nature of this funding stream and in order to promote sustainability, future budgets only reflect the entitlement based upon existing legacy commitments.

- The actual baseline or minimum level of business rates will be reassessed based upon a fair funding review and its distribution is likely to change between the two tiers of local government in county areas.
  The biggest risk however is in relation to the planned Reset of growth achieved to date. Three potential options exist in relation to the basis of the reset, notably No Reset (All growth retained); Full Reset (No growth retained) or Partial Reset (Proportion of growth retained) with the growth not retained being redistributed across the local government sector.

  Robust figures will be determined as further details become available from the Government however actual details for this Council for Business rates; Fair Funding and New Homes Bonus will not be known until the late autumn of 2024 at the earliest.

- Income levels – a number of main income streams are subject to demand, in particular parking, bereavement services and planning. The Council has limited means to address issues of demand. however, income is an area that receives particular budget monitoring attention.

- Interest rates – The high interest rates have led to a windfall in investment income on council balances held. This cannot be depended on for the base position due to potential volatility, as rates decrease income will decrease and vice versa.

- Inflationary pressures – price inflation presently volatile.

4.3 **Auditors Annual Report on the Council**

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), the new external auditors Azets are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This report is currently being undertaken. It will take into account the previous auditors work, and be reported to audit committee when completed.

In the previous financial year the councils old auditors, Grant Thornton, made a number of statutory recommendations driven by a number of issues that the council was facing and have been documented, primary amongst them being resource availability and capacity. Significant progress has been made on these as can be seen in reports made to council on the Value for Money (VFM) tracking quarterly reports.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. This piece of work is currently being undertaken by the external auditors. Once this work has been completed it will be reported to audit committee.

5. Explanation of Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:

5.1 Statements to the Accounts

Statement of Responsibilities for the Statement of Accounts sets out the responsibilities of the Council.

Auditor's report gives the auditor's opinion of the financial statements and of the council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

5.2 Core Financial Statements

Comprehensive Income and Expenditure Account– This shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount funded from Council Tax and other government grants. The amount funded from Council Tax and grants differ from this by a series of adjustments made in accordance with regulations. These adjustments are made in the Movement in Reserves Statement.

Movement in Reserves Statement - This statement provides a summary of the changes that have taken place in the Council's reserves over the financial year by analysing the increase or decrease. Reserves are divided into 'Usable' that can be invested in capital projects or service improvements, and 'Unusable' which must be set aside for specific purposes and cannot be used to fund expenditure.

Balance Sheet – shows the value of the Council's assets 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 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. For example, the Revaluation Reserve for Non-Current assets will only become available if the asset is sold and the full value of the asset realised.

Cash Flow Statement – shows the changes in the Council's cash and cash equivalents during the reporting period. The statement shows how Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income, or by the recipient of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cashflows arising from financing activities are useful when predicting claims on future cashflows to the Council by providers of capital, i.e., borrowing.

5.3 Supplementary Statements

Housing Revenue Account – This statement reflects a statutory obligation to account separately for local authority housing provision. Income and expenditure on Council Housing is 'ring fenced' within the HRA. The statement shows the economic cost in the year of providing housing services rather than the amount to be funded from rent and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised is shown in the Movement on the HRA statement. The Account is self-financing, and contributions from the General Fund Account are not permitted**.**

Collection Fund - is an agents' statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to precepting bodies.

Glossary - This provides an explanation of the technical terms contained within the Statement of Accounts.

5.4 Notes to the Accounts

Expenditure & Funding Analysis - This note shows the expenditure and income which is reported to management as part of the final accounts outturn and scrutiny reports. It then seeks to demonstrate the adjustments which are made to comply with International Financial Standards to arrive at the figures reported within the Comprehensive Income and Expenditure Statement (these are analysed in more detail in note 7 to the accounts).

5.5 Main Changes to the Core Statements and Significant Transactions in 2023/24

There were no major changes to the statements for 2023/24.

Comprehensive Income and Expenditure Account (page 19)

- The net cost of services show an increase of £3.633 million compared with 22/23. This principally relates to changes in capital transactions, staff and an increase in the spend on repairs and maintenance and supervision and management in the HRA.
- There is a significant decrease in the financing and investment income and expenditure. This is primarily due to an increase in the interest receivable and the net interest on the defined benefit asset. (note 14)
- There is an actuarial change of £75.532 million in the pension asset which is primarily due to changes in the financial assumptions (note 28)

Balance Sheet (page 22)

- Property, Plant and Equipment have increased by £3.003 million; this is due to the revaluation of assets, additions in year less disposals.
- Short term investments have increased by £21.338 million reflecting a change in year-end holdings.
- Cash and cash equivalents have decreased by £24.675 million which reflects the year end holdings of money market and call account funds
- The pension fund liability has increased from £7.244 million to £32.281 million, an increase of £25.037 million which is largely due to the asset ceiling adjustment. Paragraph 64 of IAS 19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. Paragraph 8 of IAS 19 defines the asset ceiling as ‘the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan’. The discounts, salary and pension rates assumptions are determined by the Actuary and represent the market conditions at the reporting date.

Cash Flow Statement (page 22)

- There is an decrease of £24.675 million in cash and cash equivalents at the end of the reporting period. This is primarily due to a decrease of £45.000 million in proceeds from short and long term investments.

CERTIFICATION OF ACCOUNTS
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council 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 Council, that officer is the Deputy Chief Executive - Resources with S151 responsibilities;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- approve the Statement of Accounts.

The Deputy Chief Executive - Resources with S151 Responsibilities

The Deputy Chief Executive - Resources (S151) is responsible for the preparation of the Council'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 of Practice").

In preparing this Statement of Accounts, the Deputy Chief Executive - Resources (S151) has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code of Practice.

The Deputy Chief Executive - Resoures (S151) has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification by Deputy Chief Executive - Resources (S151)

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2024.

C Forrester .... Date 16/01/2025

C Forrester CPFA - Deputy Chief Executive - Resources (S151)

* original signed certificate held in Finance

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COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2022/23 (restated*)				2023/2024		
Gross Expend £000	**Gross Income £000**	**Net Expend £000**		**Gross Expend £000**	**Gross Income £000**	**Net Expend £000**
706	-	706	Leader of the Council	1,109	-	1,109
6,002	(2,840)	3,162	Environment and Climate Change	6,536	(2,962)	3,574
3,748	(468)	3,280	Parks, Culture and Heritage	3,783	(493)	3,290
22,941	(19,206)	3,735	Resources and Transformation	23,612	(19,543)	4,069
6,240	(810)	5,430	Community & Wellbeing	6,857	(1,577)	5,280
1,509	(354)	1,155	Housing	1,583	(541)	1,042
2,798	(1,217)	1,581	Regeneration and High Street	3,149	(1,419)	1,730
43,944	(24,895)	19,049		46,629	(26,535)	20,094
19,670	(20,956)	(1,286)	Housing Revenue Account	24,363	(22,614)	1,749
63,614	(45,851)	17,763	**Cost of Services**	70,992	(49,149)	21,843
		180	Other operating expenditure (Note 13)			261
		3,475	Financing and investment income and expenditure (Note 14)			(165)
		(17,435)	Taxation and non-specific grant income (Note 15)			(19,463)
		3,983	**(Surplus) / Deficit on Provision of Services**			**2,476**
		(24,273)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 28)			(9,822)
		-	(Surplus) or deficit on revaluation of available for sale financial assets (Note 28)			-
		(43,587)	Remeasurement of the net defined benefit liability / asset (Note 28)			31,945
		(67,860)	**Other Comprehensive Income and Expenditure**			**22,123**
		(63,877)	**Total Comprehensive Income and Expenditure**			**24,599**

* The figures in relation to 2022/23 have been restated to reflect the revised portfolios effective from 2023/24 and ensure a like for like comparison.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves'. The Statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund and Housing Revenue Account Balance movements in the year following those adjustments.

The balance at 31 March for Usable Reserves represents the amount available for use in the delivery of services.

	General Fund Balance £000	Housing Revenue Account Balance £000	Earmarked General Fund Reserves £000	Earmarked Housing Revenue Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2023	**(1,942)**	**(1,983)**	**(19,002)**	**(13,191)**	**(11,656)**	**(8,562)**	**(3,606)**	**(59,942)**	**(218,238)**	**(278,180)**
Other transfers (Note 12)								**-**		**-**
Movement in reserves during 2023/24										
(Surplus)/deficit on the provision of services	(1,952)	4,428						**2,476**		**2,476**
Other Comprehensive Income and Expenditure								**-**	22,123	**22,123**
Total Comprehensive Income and Expenditure	**(1,952)**	**4,428**	**-**	**-**	**-**	**-**	**-**	**2,476**	**22,123**	**24,599**
Adjustments between accounting basis & funding basis under regulations (Note 11)	1,352	(5,790)	-	-	(1,170)	1,960	744	(2,904)	2,904	**-** -
Net (Increase)/Decrease before Transfer to Earmarked Reserves	**(600)**	**(1,362)**	**-**	**-**	**(1,170)**	**1,960**	**744**	**(428)**	**25,027**	**24,599**
Transfers to/from Earmarked Reserves (Note 12)	930	773	- (930)	- (773)			-	-		-
Internal recharges to HRA										
(Increase)/Decrease in 2023/24	**330**	**(589)**	**(930)**	**(773)**	**(1,170)**	**1,960**	**744**	**(428)**	**25,027**	**24,599**
Balance at 31 March 2024	**(1,612)**	**(2,572)**	**(19,932)**	**(13,964)**	**(12,826)**	**(6,602)**	**(2,862)**	**(60,370)**	**(193,211)**	**(253,581)**

The Total General Fund balance at 31 March 2024 is £21.544 million, comprising a working balance of £1.612 million and earmarked reserves of £19.932 million.

The Total Housing Revenue Account balance at 31 March 2024 is £16.536 million, comprising a working balance of £2.572 million and earmarked reserves of £13.964 million.

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Housing Revenue Account Balance £000	Earmarked General Fund Reserves £000	Earmarked Housing Revenue Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2022	**(1,419)**	**(1,833)**	**(21,754)**	**(12,513)**	**(10,184)**	**(6,870)**	**(4,771)**	**(59,344)**	**(154,959)**	**(214,303)**
Other transfers (Note 12)								**-**		**-**
Movement in reserves during 2022/23										
(Surplus)/deficit on the provision of services	2,558	1,425						**3,983**		**3,983**
Other Comprehensive Income and Expenditure								**-**	(67,860)	**(67,860)**
Total Comprehensive Income and Expenditure	**2,558**	**1,425**	**-**	**-**	**-**	**-**	**-**	**3,983**	**(67,860)**	**(63,877)**
Adjustments between accounting basis & funding basis under	(202)	(2,380)			(1,472)	(1,692)	1,165	(4,581)	4,581	**-**
regulations (Note 11)			-	-						-
Net (Increase)/Decrease before Transfer to Earmarked Reserves	**2,356**	**(955)**	**-**	**-**	**(1,472)**	**(1,692)**	**1,165**	**(598)**	**(63,279)**	**(63,877)**
Transfers to/from Earmarked Reserves (Note 12)	(2,752)	678	2,752	(678)	-	-	-	-	-	-
Internal recharges to HRA	(127)	127								
(Increase)/Decrease in 2022/23	**(523)**	**(150)**	**2,752**	**(678)**	**(1,472)**	**(1,692)**	**1,165**	**(598)**	**(63,279)**	**(63,877)**
Balance at 31 March 2023	**(1,942)**	**(1,983)**	**(19,002)**	**(13,191)**	**(11,656)**	**(8,562)**	**(3,606)**	**(59,942)**	**(218,238)**	**(278,180)**

The Total General Fund balance at 31 March 2023 is £20.944 million, comprising a working balance of £1.942 million and earmarked reserves of £19.002 million.

The Total Housing Revenue Account balance at 31 March 2023 is £15.174 million, comprising a working balance of £1.983 million and earmarked reserves of £13.191 million.

BALANCE SHEET

The Balance Sheet shows the value as at 31 March 2024 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

The first category of reserves are Usable Reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves includes reserves that hold unrealised gains and losses (for example Revaluation Reserve) where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2023 £000		Notes	31 March 2024 £000
315,705	Property, Plant & Equipment	16	319,008
296	Heritage Assets	17	296
1,212	Investment Properties	18	1,212
314	Intangible Assets	19	300
51	Long Term Debtors	20	51
317,578	**Long Term Assets**		**320,867**
7,517	Short Term Investments	20	28,855
162	Inventories	21	142
10,033	Short Term Debtors	22	8,287
50,698	Cash and Cash Equivalents	23	26,023
68,410	**Current Assets**		**63,307**
(326)	Short Term Borrowing	20	(1,726)
(13,864)	Short Term Creditors	25	(11,857)
-	Short Term Provisions	26	(144)
(336)	Grants Receipts in Advance-Revenue	37	(390)
(2,056)	Grants Receipts in Advance-Capital	37	(1,685)
(16,582)	**Current Liabilities**		**(15,802)**
(10)	Long Term Creditors	20	(6)
(81,605)	Long Term Borrowing	51	(80,205)
(2,367)	Provisions	26	(2,299)
(7,244)	Pensions	43	(32,281)
(91,226)	**Long Term Liabilities**		**(114,791)**
278,180	**Net Assets**		**253,581**
(59,942)	Usable Reserves	27	(60,370)
(218,238)	Unusable Reserves	28	(193,211)
(278,180)	**Total Reserves**		**(253,581)**

CASH FLOW STATEMENT

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

2022/23 £000		2023/24 £000
3,983	Net (surplus) or deficit on the provision of services	2,476
(3,914)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 29)	(9,996)
3,543	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 29)	3,880
3,612	Net cash flows from Operating Activities	(3,640)
(13,660)	Investing Activities (Note 30)	25,781
(2,900)	Financing Activities (Note 31)	2,534
(12,948)	Net (increase) / decrease in cash and cash equivalents	24,675
37,750	Cash and cash equivalents at the beginning of the reporting period	50,698
50,698	**Cash and cash equivalents at the end of the reporting period (Note 23)**	26,023

NOTES TO THE ACCOUNTS

1. Accounting Policies

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which is required to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

In compiling the disclosure notes the Council has given due regard to materiality and therefore detailed disclosures are not given for items below £50,000 unless there is a statutory override. The general principle used for rounding is to the nearest £000's.

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 accounts have been prepared on a going concern basis.

ii Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.
The Council operates a de minimus for accruals of £2,000. 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 of 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 or 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.

iii Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three 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 Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv 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 year 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 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.

v Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, leased cars) for current employees are recognised as an expense for services in the year in which employees render the service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, for example, time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Staffordshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Staffordshire County Council (SCC) pension fund attributable to the Council are included on 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 projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using an appropriate discount rate determined by the actuary.

- The assets of the SCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:

  - quoted securities - current bid price

  - unquoted securities - professional estimate

  - unitised securities - current bid price

  - property - market value

- The change in the net pensions liability is analysed into seven components:

  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

  - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment 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 within the Leader of The Council line as part of Non-distributed costs.

  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

  - 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 pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions -charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

  - contributions paid to the SCC pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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 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.

vii 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 be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events

- those 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 their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

vii Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Discounts on the early repayment of loans are apportioned between the General Fund and HRA with the General Fund element being credited immediately and the HRA share being amortised over 10 years.

Financial Assets

Financial assets are classified based on the business model for holding the assets and based on the make up of the cashflows. There are three main classes of financial asset measured at:

- amortised cost

- fair value through profit or loss (FVPL)

- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those who contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying value of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the Council. The Council has also extended lifetime losses to lease receivables.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly or remains low, losses are assessed on the basis of 12 month expected credit losses.

ix Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council where there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be transferred to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy which is a planning charge. The income from the levy will be used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions, it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund expenditure. However a small proportion of the charges may be used to fund revenue expenditure.

x Heritage Assets

Tangible and Intangible Heritage Assets
The Council's heritage assets comprise the Civic Regalia and Museum artefacts. The collections are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant & equipment. However some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Civic Regalia
These items are reported in the Balance Sheet based on the latest valuation available which for this item is insurance valuation.

Museum Artefacts
These items are reported in the Balance Sheet based on the latest valuation available which for this item is insurance valuation.

Heritage Assets - General
The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (see note xvii in this summary of significant accounting policies). The Council may occasionally dispose of heritage assets if unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see notes xvii in this summary of significant accounting policies).

xi Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research and development expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

xiii Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiv Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or services.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. They are not depreciated but are revalued annually at fair value. 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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv Leases

Leases are classified as finance leases where the lease terms transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee:

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement In Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor:

Finance Leases

Where the Council 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. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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 is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xv Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance. This means that the majority of the recharges are excluded as the budgets are produced and reported on within service segments at a controllable level for the General Fund, with only a small number of recharges included within the reported performance. The Housing Revenue Account (HRA) includes all recharges from support services as this is the basis on which this is reported.

xvi Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The de-minimus value for items to be treated as capital expenditure is £20,000.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets - depreciated historical cost (DHC)
- assets under construction - cost
- surplus assets - the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:-

- dwellings and other buildings - straight-line allocation over the life of the property as estimated by the valuer

- council housing - 75 years

- vehicles, plant and equipment - straight-line allocation on historic cost over 5 years or over the period of the lease

- infrastructure - straight-line allocation on historic cost over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a deminimus threshold in relation to componentisation of £1 million or 10% of the total asset value.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Account also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

vi Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. 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.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly with the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that that there will be an inflow of economic benefits or service potential.

ix Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

xx Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xx VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxi Debt Redemption

In accordance with the requirements of the Local Government Act 2003, the Council is required to set aside a Minimum Revenue Provision (MRP) for the repayment of debt. This is equal to 4% of the General Fund Capital Financing requirement adjusted for an opening year balance. If depreciation on the General Fund does not equal this amount, than a transfer either to or from the Capital Adjustment Account (CAA) is required for the difference. Amounts set aside as transfers to reserves are disclosed separately on the face of the Movement in Reserves statement.

xxi Interest Charges

The amount of interest chargeable to the HRA is calculated in accordance with a calculation prescribed by Central Government.

xxi Tax Income (Council Tax, Non-Domestic Rates (NDR) and Rates)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and as principals, collecting council tax and NDR for ourselves. We are required to maintain a separate fund (i.e. Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, 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 as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

xx Fair Value Measurement

The Council measures some of its non-financials assets such as surplus assets and investment properties and it's financial instruments for certificates of deposit at fair value at each reporting date. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

(a) in the principal market for the asset or liability, or

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient date is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

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

- Level 3 - unobservable inputs for the asset or liability.

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the UK (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year in question (i.e. on or before 1st January 2024 for 2023/24)
At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and are therefore required to be disclosed:

- CIPFA LASAAC has deferred the implementation of IFRS 16 leases in the public sector until the 2024/25 financial year, with the effective date of 1st April 2024. This will require lessees to recognise assets subject to leases as right of use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low value and short term leases).

The Council is aware that a impact assessment is recommended, despite the standard being deferred. The impact to the Council's net asset position in the Balance Sheet is expected to be nil as an increase in lease assets will be offset by a corresponding increase in the payment liability.

The following Standards have also been issued/amended but are not yet adopted, these are not considered to have a material impact on the Council's accounts:

- IAS 1 Presentation of Financial Statements will be revised to further clarify the classification of liabilities as current or non-current and improve the information provided where the Council has a non-current liability with a covenant. These changes are not expected to affect the amounts held in the Council's financial statements.

- Lease liability in sale and leaseback arrangements (Amendments to IFRS16) issued in September 2022 - These amendments to IFRS 16 add additional measurement requirements for sale and leaseback transactions.

- IAS 12 (amendment issued in May 2023) This relates to international tax reform

- IAS7 and IFRS7 (amendments issued in May 2023) - Requires additional disclosures in relation to supplier finance arrangements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, 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:

- **Future levels of government funding**
  There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay 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. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. The actuary has provided sensitivity information about the effects of changes in assumptions. The financial effects of these changes are detailed in note 43 to the accounts.
Sundry debt arrears	At 31 March 2024 the Council's balance of sundry debts was £2.681m. A review of significant balances suggested that an impairment of doubtful debts of 78% was appropriate (£2.084m). However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate by 1% an additional £27,000 would need to be set aside as allowance.
Council tax arrears	At 31 March 2024 the Council's share of the council tax debtors included in the councils accounts was £1.406m. A review of significant balances suggested that an impairment of doubtful debts of 71.11% (£1m) was appropriate. However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £14,000 to be set aside as an allowance.
Business rate arrears	At 31 March 2024 the Council's share of the business rates debtors included in the councils accounts was £1.149m. A review of significant balances suggested that an impairment of doubtful debts of 59.34% (£0.680m) was appropriate. However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate for a 1% increase in the amount of impairment of doubtful debts would require an additional £11,000 to be set aside as an allowance.
Business rates appeals	At 31 March 2024 the Council's share of the business rates appeals included in the Council's accounts was £2.076m.	If there was an increase of 1% in the appeals percentages this would require an additional £65,000 to be set aside.

5. Material Items of Income and Expense

There are no material items of income and expense that are not disclosed elsewhere in the financial statements.

6. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/2023 Net Expend Chargeable to the General Fund (restated) £000	2022/2023 Ear-marked Reserves (restated) £000	2022/2023 Adjust's between the Funding and Accounting Basis (restated) £000	2022/2023 Internal Recharge (restated) £000	2022/2023 Net Expend in the CIES (restated) £000		2023/2024 Net Expend Chargeable to the General Fund £000	2023/2024 Ear-marked Reserves £000	2023/2024 Adjust's between the Funding and Accounting Basis £000	2023/2024 Internal Recharge £000	2023/2024 Net Expend in the CIES £000
667	37	2	-	706	Leader of the Council	1,180	(18)	(53)	(0)	1,109
3,795	(116)	31	(548)	3,162	Environment and Climate Change	4,429	(354)	130	(631)	3,574
1,773	(76)	669	914	3,280	Parks, Culture and Heritage	1,955	(106)	456	985	3,290
3,542	(12)	194	11	3,735	Resources and Transformation	3,849	450	(324)	94	4,069
3,244	(227)	2,636	(223)	5,430	Community Wellbeing	3,065	(290)	2,788	(283)	5,280
998	11	163	(17)	1,155	Housing	1,137	(146)	67	(16)	1,042
1,711	(106)	(14)	(10)	1,581	Regeneration and High Street	1,615	(80)	204	(9)	1,730
15,730	(489)	3,681	127	19,049		17,230	(544)	3,268	140	20,094
(5,038)	(678)	4,557	(127)	(1,286)	Housing Revenue Account	(5,244)	(774)	7,907	(140)	1,749
10,692	(1,167)	8,238	-	17,763	**Net Cost of Services**	11,986	(1,318)	11,175	(0)	21,843
(11,363)	3,240	(5,657)	-	(13,780)	Other Income and Expenditure	(12,245)	(385)	(6,737)	-	(19,367)
(671)	**2,073**	**2,581**	**-**	**3,983**	**(Surplus)/Deficit on Provision of Services**	**(259)**	**(1,703)**	**4,438**	**(0)**	**2,476**
(3,253)	(34,267)				Opening General Fund & HRA Balance Balance	(3,925)	(32,193)			
-	-				Transfer to Earmarked Reserves	-	-			
(671)	2,073				Less/Plus Surplus or Deficit on General Fund & HRA Balance in year	(259)	(1,703)			
(3,924)	**(32,194)**				**Closing General Fund & HRA Balance at 31 March ***	**(4,184)**	**(33,896)**			

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

7. Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2023/24

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Total Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
Leader of the Council	-	(55)	2	(53)	-	(53)
Environment and Climate Change	346	(234)	(2)	110	20	130
Parks, Culture and Heritage	710	(253)	6	463	(7)	456
Resources and Transformation	35	(494)	(32)	(491)	167	(324)
Community Wellbeing	2,897	(104)	(5)	2,788	-	2,788
Housing	158	(93)	2	67	-	67
Regeneration and High Street	458	(220)	5	243	(39)	204
Sub Total	4,604	(1,453)	(24)	3,127	141	3,268
Housing Revenue Account	11,748	(684)	39	11,103	(3,196)	7,907
Net Cost of Services	**16,352**	**(2,137)**	**15**	**14,230**	**(3,055)**	**11,175**
Other income and expenditure from the Expenditure and Funding Analysis	(8,552)	178	(1,418)	(9,792)	3,055	(6,737)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the the Provision of Services	**7,800**	**(1,959)**	**(1,403)**	**4,438**	**-**	**4,438**

Adjustments between Funding and Accounting Basis 2022/23 (restated)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Total Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
Leader of the Council	-	2		2	-	2
Environment and Climate Change	(12)	21	7	16	15	31
Parks, Culture and Heritage	666	21	(11)	676	(7)	669
Resources and Transformation	35	(121)	27	(59)	253	194
Community Wellbeing	2,618	11	7	2,636	-	2,636
Housing	154	7	2	163	-	163
Regeneration and High Street	104	17	(16)	105	(119)	(14)
Sub Total	3,565	(42)	16	3,539	142	3,681
Housing Revenue Account	7,891	23	(24)	7,890	(3,333)	4,557
Net Cost of Services	**11,456**	**(19)**	**(8)**	**11,429**	**(3,191)**	**8,238**
Other income and expenditure from the Expenditure and Funding Analysis	(7,226)	1,298	(2,920)	(8,848)	3,191	(5,657)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the the Provision of Services	**4,230**	**1,279**	**(2,928)**	**2,581**	**-**	**2,581**

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied through the year. The Taxation and Non specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

For the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and Income:

- Services - This represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

- Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Statutory Adjustments

Difference between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- Financing and investment income and expenditure - the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- Taxation and non-specific grant income and expenditure - represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- Financing and investment income and expenditure - the other non-statutory adjustments column recognises adjustments to Portfolios e.g. for interest income and expenditure.

- Taxation and non-specific grant income and expenditure - the other non-statutory adjustments column recognises adjustments to Portfolios e.g. for unringfenced government grants.

- The Council's reportable segments are based on the portfolios of the Council as structured by members and service departments.

8. Segmental Income

Income received from external customers (excluding grants) on a segmental basis is analysed below:

2022/23 (restated) £000		2023/24 £000
-	Leader of the Council	-
2,514	Environment and Climate Change	2,485
468	Parks, Culture and Heritage	379
3,111	Resources and Transformation	3,385
422	Community Wellbeing	629
354	Housing	541
1,653	Regeneration and High Street	1,871
8,522	**Sub Total**	9,290
20,940	Housing Revenue Account	22,595
29,462	**Total income analysed on a segmental basis**	**31,885**

9. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

2022/23 £000		2023/24 £000
	Expenditure	
19,465	Employee benefits expenses	18,315
32,723	Other services expenses	36,087
11,656	Depreciation, amortisation, impairment	16,351
4,553	Interest payments	3,429
826	Precepts and levies	856
(646)	Gain / loss on the disposal of assets	(595)
68,577	**Total Expenditure**	**74,443**
	Income	
(29,462)	Fees, charges and other service income	(31,885)
(1,002)	Interest and investment income	(3,393)
(14,351)	Income from council tax and non-domestic rates	(15,318)
(19,779)	Government grants and contributions	(21,371)
(64,594)	**Total Income**	**(71,967)**
3,983	**Surplus or Deficit on the Provision of Services**	**2,476**

10. Revenue from Contracts with Service Recipients

The Council exposure to this area is only in relation to a limited number of areas. These are:

a) Planning fees
b) Land charges fees
c) Building control

These amounts occur due to timings from receipt of monies to processing of application. There are no contract assets or liabilities held for either 2023/24 or 2022/23.

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

2022/23 £000		2023/24 £000
78	Revenue from contracts with service recipients	77
78	**Total Included in Comprehensive Income and Expenditure Statement**	**77**

Amounts included in the Balance Sheet for contracts with service recipients:

2022/23 £000		2023/24 £000
78	Receivables, which are included within debtors (note 22)	77
78	**Total Included in Net Assets**	**77**

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the year is:

31 March 2023 £000		31 March 2024 £000
78	Not later than one year	77
-	Later than one year	-
78	**Amounts of transaction price, partially or fully unsatisfied**	**77**

11. Adjustments Between Accounting Basis And Funding Basis Under Regulations

This note details the adjustments that are made to the Comprehensive Income and Expenditure Account recognised by the Council in 2023/24 in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing Revenue Account Balance

The Housing Revenue Account (HRA) Balance reflects the statutory obligation to maintain a revenue account for Local Authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

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.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	Usable Reserves						
2023/24	**General Fund Balance**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments to the Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
o Pension costs (transferred to / (or from) the Pensions Reserve)	1,275	684				1,959	(1,959)
o Council Tax and NDR (transfer to / (or from) Collection Fund)	1,418					1,418	(1,418)
o Holiday pay (transferred to the Accumulated Absences Reserve)	24	(39)				(15)	15
o Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account	(2,433)	(12,368)			(231)	(15,032)	15,032
Total Adjustments to the Revenue Resources	**284**	**(11,723)**	**-**	**-**	**(231)**	**(11,670)**	**11,670**
Adjustments between Revenue and Capital Resources							
o Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	644	847	(1,491)			-	-
o Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(12)	(16)	28			-	-
o Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)						-	-
o Posting of HRA resources from revenue to the Major Repairs Reserve		5,102		(5,102)		-	-
o Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	267					267	(267)
o Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	169					169	(169)
Total Adjustments between Revenue and Capital Resources	**1,068**	**5,933**	**(1,463)**	**(5,102)**	**-**	**436**	**(436)**
Adjustments to Capital Resources							
o Use of Capital Receipts Reserve to finance capital expenditure			293			293	(293)
o Use of the Major Repairs Reserve to finance capital expenditure				7,062		7,062	(7,062)
o Application of capital grants to finance capital expenditure					975	975	(975)
o Cash payments in relation to deferred capital receipts						-	-
Total Adjustments to Capital Resources	**-**	**-**	**293**	**7,062**	**975**	**8,330**	**(8,330)**
Total Adjustments	**1,352**	**(5,790)**	**(1,170)**	**1,960**	**744**	**(2,904)**	**2,904**

2022/23	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Movement in Unusable Reserves £000
	Usable Reserves						
Adjustments to the Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
o Pension costs (transferred to / (or from) the Pensions Reserve)	(1,257)	(22)				(1,279)	1,279
o Council Tax and NDR (transfer to / (or from) Collection Fund)	2,920					2,920	(2,920)
o Holiday pay (transferred to the Accumulated Absences Reserve)	(16)	24				8	(8)
o Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account	(2,399)	(9,383)			(86)	(11,868)	11,868
Total Adjustments to the Revenue Resources	**(752)**	**(9,381)**	**-**	**-**	**(86)**	**(10,219)**	**10,219**
Adjustments between Revenue and Capital Resources							
o Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	24	2,153	(2,177)			-	-
o Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(39)	39			-	-
o Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)						-	-
o Posting of HRA resources from revenue to the Major Repairs Reserve		4,887		(4,887)		-	-
o Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	502					502	(502)
o Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	24					24	(24)
Total Adjustments between Revenue and Capital Resources	**550**	**7,001**	**(2,138)**	**(4,887)**	**-**	**526**	**(526)**
Adjustments to Capital Resources							
o Use of Capital Receipts Reserve to finance capital expenditure			672			672	(672)
o Use of the Major Repairs Reserve to finance capital expenditure				3,195		3,195	(3,195)
o Application of capital grants to finance capital expenditure					1,251	1,251	(1,251)
o Cash payments in relation to deferred capital receipts			(6)			(6)	6
Total Adjustments to Capital Resources	**-**	**-**	**666**	**3,195**	**1,251**	**5,112**	**(5,112)**
Total Adjustments	**(202)**	**(2,380)**	**(1,472)**	**(1,692)**	**1,165**	**(4,581)**	**4,581**

12. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2023/24.

	Balance at 31 March 2022 £000	Transfer out 2022/23 £000	Transfers in 2022/23 £000	Balance at 31 March 2023 £000	Transfer out 2023/24 £000	Transfers in 2023/24 £000	Balance at 31 March 2024 £000
General Fund							
Revenue							
General	8,320	(1,643)	2,955	9,632	(1,434)	3,063	11,261
Section 106	3,751	(155)	281	3,877	(262)	455	4,070
Commuted Sums	506	(64)	41	483	(69)	43	457
Grants	2,121	(190)	470	2,401	(237)	558	2,722
Business Rates Reserve	3,631	(3,631)	462	462	(1,393)		(931)
Sub Total	**18,329**	**(5,683)**	**4,209**	**16,855**	**(3,395)**	**4,119**	**17,579**
Capital							
RCCO	15	-	-	15		300	315
Capital	3,410	(160)	(1,118)	2,132	(124)	30	2,038
Sub Total	**3,425**	**(160)**	**(1,118)**	**2,147**	**(124)**	**330**	**2,353**
General Fund Sub Total	**21,754**	**(5,843)**	**3,091**	**19,002**	**(3,519)**	**4,449**	**19,932**
HRA							
Housing	2,004	(106)	103	2,001	(132)	107	1,976
RCCO	10,509	-	681	11,190		798	11,988
HRA Sub Total	**12,513**	**(106)**	**784**	**13,191**	**(132)**	**905**	**13,964**
Total Revenue Reserves	**34,267**	**(5,949)**	**3,875**	**32,193**	**(3,651)**	**5,354**	**33,896**

General Reserves relate to monies earmarked for future superannuation increases, building maintenance, internal leasing and IT, insurance liabilities and future budget support.

The Business Rates Reserve balance is not available for general use. This represents the Council's share of the deficit on the Collection Fund for 2023/24. This reserve has been set aside to absorb the timing difference in accounting for collection fund balances.

13. Other Operating Expenditure

2022/23 £000		2023/24 £000
819	Parish council precepts	849
(646)	(Gains)/Losses on the disposal of non-current assets:	(595)
7	Levies	7
180	**Total**	**261**

14. Financing and Investment Income and Expenditure

2022/23 £000		2023/24 £000
3,255	Interest Payable & Similar Charges	3,251
(4,068)	Net interest on the net defined benefit liability (asset)	(6,850)
5,366	Remeasurements of the net defined benefit liability/(asset)	7,028
(1,002)	Interest Receivable and similar income	(3,393)
(24)	Investment properties changes in fair value	-
(104)	Income and Expenditure in relation to investment properties	(52)
203	(Gain) / loss on trading accounts	72
(151)	Expected credit loss allowance	(221)
3,475	**Total**	**(165)**

15. Taxation and Non Specific Grant Incomes

2022/23 £000		2023/24 £000
(1,366)	Capital grants and contributions	(2,417)
(7,708)	Precepts on the Collection Fund	(7,796)
(6,643)	Non domestic rates	(7,522)
(1,718)	Non ring-fenced government grants	(1,728)
(17,435)	**Total**	**(19,463)**

16. Property, Plant and Equipment

Movements on Balances

Movements in 2023/24	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Leased Plant & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation									
o at 1 April 2023	244,817	68,771	3,496	1,313	105	241	196	2,631	321,570
o Additions	6,922	343	235					1,187	8,687
o Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,623	1,881					(29)		3,475
o Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,679)	(156)							(6,835)
o Derecognition - disposals	(605)	(246)							(851)
o Derecognition - other	(96)								(96)
o Assets reclassified (to)/from Held For Sale									-
o Other movements in cost or valuation									-
at 31 March 2024	**245,982**	**70,593**	**3,731**	**1,313**	**105**	**241**	**167**	**3,818**	**325,950**
Accumulated Depreciation and Impairment									
o at 1 April 2023	(1,380)	(618)	(2,538)	(1,313)	(17)				(5,866)
o Depreciation charge	(3,516)	(3,636)	(370)	-	(4)	-	(3)		(7,529)
o Depreciation written out to the Revaluation Reserve	3,212								3,212
o Depreciation written out to the Surplus/Deficit on the Provision of Services									-
o Impairment losses/(reversals) recognised in the Revaluation Reserve		3,133					3		3,136
o Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services		25							25
o Derecognition - disposals	12								12
o Derecognition - other	68								68
o Other movements in depreciation and impairment									-
at 31 March 2024	**(1,604)**	**(1,096)**	**(2,908)**	**(1,313)**	**(21)**	**-**	**-**	**-**	**(6,942)**
Net Book Value									
at 31 March 2024	**244,378**	**69,497**	**823**	**-**	**84**	**241**	**167**	**3,818**	**319,008**
at 31 March 2023	**243,437**	**68,153**	**958**	**-**	**88**	**241**	**196**	**2,631**	**315,704**

Movements in 2022/23	**Council Dwellings £000**	**Other Land & Buildings £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Leased Plant & Equipment £000**	**Infrastructure £000**	**Community Assets £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total Property, Plant and Equipment £000**
Cost or Valuation									
o at 1 April 2022	230,264	65,286	3,356	1,313	105	241	334	2,207	303,106
o Additions	3,586	184	140					973	4,883
o Revaluation increases/(decreases) recognised in the Revaluation Reserve	15,458	2,613					(138)		17,933
o Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,949)	158							(2,791)
o Derecognition - disposals	(1,484)	(19)							(1,503)
o Derecognition - other	(58)								(58)
o Assets reclassified (to)/from Held For Sale									-
o Other movements in cost or valuation		549						(549)	-
at 31 March 2023	**244,817**	**68,771**	**3,496**	**1,313**	**105**	**241**	**196**	**2,631**	**321,570**
Accumulated Depreciation and Impairment									
o at 1 April 2022	(1,135)	(590)	(2,131)	(1,091)	(13)	-	-	-	(4,960)
o Depreciation charge	(3,322)	(3,474)	(407)	(222)	(4)		(6)		(7,435)
o Depreciation written out to the Revaluation Reserve	2,945	3,389					6		6,340
o Depreciation written out to the Surplus/Deficit on the Provision of Services	63	57							120
o Impairment losses/(reversals) recognised in the Revaluation Reserve									-
o Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services									-
o Derecognition - disposals	29								29
o Derecognition - other	40								40
o Other movements in depreciation and impairment									-
at 31 March 2023	**(1,380)**	**(618)**	**(2,538)**	**(1,313)**	**(17)**	**-**	**-**	**-**	**(5,866)**
Net Book Value									
at 31 March 2023	**243,437**	**68,153**	**958**	**-**	**88**	**241**	**196**	**2,631**	**315,704**
at 31 March 2022	**229,129**	**64,696**	**1,225**	**222**	**92**	**241**	**334**	**2,207**	**298,146**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings - 75 years
- Council Dwellings components - 7.5 to 20 years
- Other Land and Buildings - 1 to 65 years
- Vehicles - 5 to 6 years
- Equipment - 5 to 7 years
- Infrastructure Assets - 25 years

Capital Commitments

At 31 March 2024 the Council held contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years budgeted to cost £15,580,000. This included £15,520,000 for HRA Kitchen and Bathroom replacements. Similar commitments as at 31 March 2023 were £19,970,000.

Valuation Information

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Land and Buildings are subject to detailed valuation every 5 years.

The valuations are carried out by the external valuer, Lambert Smith Hampton (Director TD Sandford BSc MRICS).

The Housing Revenue fixed assets valuations were completed by Mrs R. Holland Dip, Est. Man. M.R.I.C.S who is employed by the Council.

For operational properties, valuations have been arrived at by reference to one of the following bases of valuation:

- Market Value for Existing Use (MVEU) where there is sufficient market evidence of market transactions for that use;
- Depreciated Replacement Cost (DRC) where the asset is of a specialised nature or where there is no evidence of market value of suitable comparable properties;
- Non-operational properties have been valued on an open market basis;
- The valuation of the housing stock has been undertaken on the basis of Existing Use Value - Social Housing. The Council have now used the DCLG value reduction on social housing which is a discount rate of 60%.

The significant assumptions applied in estimating the fair values are:

- The apportionment between land and buildings has been undertaken in accordance with RICS Valuation Standards by deducting the value of the land for existing use from the valuation with the residual sum being the depreciable amount attributable to the building.
- In the appraisal of useful life regard is had to the Council's continuing use of the asset being equal to the physical and economic life of the building assuming a programme of reasonable maintenance.

As set out above the Council undertakes an annual review of all assets to ensure not materially mistated which it will do again for the 31 March 2025

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Leased Plant & Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets under construction £000	Total Property, plant and Equipment £000
Carried at historical cost	-	-	823	-	84	241		3,818	4,966
valued at fair value as at :									
31 March 2019		2,661							2,661
31 March 2020		1,327							1,327
31 March 2021		2,086							2,086
31 March 2022		1,507							1,507
31 March 2023		8,588							8,588
31 March 2024	244,378	53,328					167		297,873
Total Cost or Valuation	**244,378**	**69,497**	**823**	**-**	**84**	**241**	**167**	**3,818**	**319,008**

17. Heritage Assets

Heritage Assets are held by the authority of £296,000 comprising Civic Regalia (£35,000) and Exhibits (£261,000). There were no changes to these values in either 2023/24 or 2022/23.

18. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2022/23 £000		2023/24 £000
104	Rental Income from Investment Property	53
104	**Net Gain / (loss)**	**53**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2022/23 £000		2023/24 £000
1,188	Balance at start of the year	1,212
24	Net gains / (loss) from fair value adjustments	-
1,212	**Balance at end of year**	**1,212**

Fair Value Measurement of Investment Property

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

The fair value of the properties is based on Level 2 inputs in the fair value hierarchy. These have been based on the market approach using current market conditions and recent sales prices (where available to the market) and other relevant information for similar assets in the local authority area.

There have been no transfers between levels of the fair value hierarchy and valuation techniques from those used in

2022/23.

The fair value of the Council's investment properties is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

19. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets currently relate only to purchased licences as the Council does not currently have any internally generated intangible assets.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis.

Due to the low value of the Council's intangible asset amortisation a detailed disclosure of where the charge is made to the Comprehensive Income and Expenditure Account is not provided.

The movement on purchased Intangible Asset balances during the year is as follows:

2022/23 Total £000		**2023/24 Total £000**
	Balance at start of year:	
927	Gross carrying amounts	927
(578)	Accumulated amortisation	(613)
349	**Net carrying amount at start of year**	**314**
	Additions:	
-	Purchases	21
(35)	Amortisation for the period	(35)
314	**Net carrying amount at end of year**	**300**
	Comprising:	
927	Gross carrying amounts	948
(613)	Accumulated amortisation	(648)
314		**300**

The table below shows the amortisation profile of the intangible assets.

Carrying Amount 31 March 2023 £000		**Carrying Amount 31 March 2024 £000**
	Remaining Amortisation Period	
	1 Year	-
	8 Years	279
314	9 Years	-
	10 Years	21
314		**300**

The Council revalues intangible assets where there is an active market, however it is currently considered that there is no active market for the software held and they have consequently not been revalued.

20. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024
	Non-current				Current				Total	Total
Financial Assets	Investments		Debtors		Investments		Debtors			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost:										
Short Term Investments					7,517	28,855			**7,517**	**28,855**
Cash & Cash Equivalents					50,698	26,023			**50,698**	**26,023**
Long Term Debtors			51	51					**51**	**51**
Trade Debtors							3,961	2,119	**3,961**	**2,119**
Total financial assets	**-**	**-**	**51**	**51**	**58,215**	**54,878**	**3,961**	**2,119**	**62,227**	**57,048**
Non-financial assets							6,099	6,168	**6,099**	**6,168**
Total	**-**	**-**	**51**	**51**	**58,215**	**54,878**	**10,060**	**8,287**	**68,326**	**63,216**

	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024
	Non-current				Current				Total	Total
Financial Liabilities	Borrowings		Creditors		Borrowings		Creditors			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost										
Trade Creditors							4,503	4,804	**4,503**	**4,804**
Finance Lease									**-**	**-**
Long Term Creditors			10	6					**10**	**6**
Short Term Borrowing and Accrued Interest					326	1,726			**326**	**1,726**
Long Term Borrowing	81,605	80,205							**81,605**	**80,205**
Total financial liabilities	**81,605**	**80,205**	**10**	**6**	**326**	**1,726**	**4,503**	**4,804**	**86,444**	**86,741**
Non-financial liabilities							9,361	7,053	9,361	7,053
Total	**81,605**	**80,205**	**10**	**6**	**326**	**1,726**	**13,864**	**11,857**	**95,805**	**93,794**

Reclassifications

There were no reclassifications during 2023/24.

Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Income, Expense, Gains and Losses

	2022/23		2023/24	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Interest Revenue:				
Financial assets measured at amortised cost	(1,237)	-	(2,904)	
Total interest Revenue	**(1,237)**	**-**	**(2,904)**	**-**
Interest Expense	**3,249**	**-**	**3,249**	
(Surplus) / deficit arising on revaluation of financial assets in Other comprehensive Income	**-**	**-**	**-**	**-**
Net (gain)/loss for the year	**2,012**	**-**	**345**	**-**

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

All of the Council's financial assets and liabilities have been classified as and are held in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB, new loan borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer as an alternative this value is also disclosed.
- For loans receivable, prevailing benchmark rates have been used to provide the fair value;
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Mark to Model Valuation for Financial Instruments

All the financial assets are classed at amortised cost and held with Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, the Council has used a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future at todays terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The Council's accounting policy is to use new borrowing rates to discount the future cash flows.

The fair values calculated are as follows:

31 March 2023			31 March 2024	
Carrying Amount £000	Fair Value £000	Financial Liabilities	Carrying Amount £000	Fair Value £000
81,931	73,100	PWLB Debt	81,931	66,940
4,503	4,503	Trade Payables	4,804	4,804
-	-	Short Term Creditor - Finance Lease	-	-
10	10	Long Term Creditors	6	6
86,444	**77,613**	**Total Financial Liabilities**	**86,741**	**71,750**

The fair value of liabilities is lower than the carrying amount because the Council's portfolio of loans includes a fixed rate loan where the interest payable is lower than the rates available for similar loans in the market place at 31 March 2024. This shows a notional gain (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders below market rates.

The fair value of Public Works Loan Boards of £66.940m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loan under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

As the Council has a continued ability to borrow at concessionary rates from the PWLB rather than the market, the fair value calculated at premature repayment rate to reflect the interest that would be charged including a penalty charge for penalty interest would be £77.312m.

31 March 2023			31 March 2024	
Carrying Amount £000	Fair Value £000	Financial Assets	Carrying Amount £000	Fair Value £000
7,517	7,517	Fixed Term Deposits	28,855	28,855
50,698	50,698	Cash & Cash Equivalents	26,023	26,023
51	51	Long Term Debtors	51	51
3,961	3,961	Trade Receivables	2,119	2,119
62,227	**62,227**	**Total Financial Assets**	**57,048**	**57,048**

There is no difference in Fixed term deposits held as all are for less than 1 year and are therefore carried at deposit plus accrued interest.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

21. Inventories

The Council carries stock as consumable stores and maintenance materials and the balance carried is not material, therefore detailed disclosure notes of movements are not required. At 31 March 2024 the balance of stocks held was £142,000, a reduction of £20,000 from the previous financial year.

22. Debtors

Short Term Debtors

31 March 2023 £000		31 March 2024 £000
824	Central Government	1,676
3,934	Trade Debtors	2,119
544	Pre Payments	586
3,897	Local taxation - Council Tax	3,001
426	Local taxation - NNDR	467
408	Other Receivables	438
10,033		**8,287**

The balances detailed above are net of impairment allowances. The amount of impairment allowance per category is set out below:

31 March 2023 £000		31 March 2024 £000
(920)	Trade receivables	(730)
(858)	Local taxation - Council Tax	(1,000)
(630)	Local taxation - NNDR	(682)
(2,472)	Other receivable amounts	(2,322)
(4,880)		**(4,734)**

The balances below set out the debtors for Local Taxation gross of any impairment allowance.

Debtors for Local Taxation - Council Tax

31 March 2023 £000		31 March 2024 £000
364	Less than three months	91
144	Three to six months	371
42	Six months to one year	163
822	More than one year	781
1,372		**1,406**

Debtors for Local Taxation - NNDR

31 March 2023 £000		31 March 2024 £000
479	Less than three months	315
224	Three to six months	214
31	Six months to one year	179
322	More than one year	441
1,056		**1,149**

23. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2023 £000		31 March 2024 £000
	Current Assets	
49,441	Cash equivalents held by the Council	27,222
1,251	Bank current accounts	(1,203)
6	Cash held by the Council	4
50,698	**Total Cash and Cash Equivalents**	**26,023**

24. Assets Held For Sale

There were no Assets held for sale as at 31 March 2024 (31 March 2023 nil).

25. Short Term Creditors

31 March 2023 £000		31 March 2024 £000
7,608	Central Government	4,997
197	Local taxation - Council Tax	192
1,371	Local taxation - NNDR	1,147
4,503	Trade payables	4,804
185	Other payables	717
13,864		**11,857**

26. Provisions

(i) **Current Liabilities**

There is one short term provision as at 31st March 2024 totalling £144,000 (2022/23 £nil).

(ii) **Long Term Liabilities**

	Insurance £000	Business Rates Appeals £000	Total £000
Balance at 1 April 2023	**199**	**2,168**	**2,367**
Additional provisions	50	385	**435**
Amounts used in 2023/24	(26)	(477)	**(503)**
Balance at 31 March 2024	**223**	**2,076**	**2,299**

The balance at 31 March 2024 of £2,076,000 reflects the Council's share of the provision for business rates appeals. The business rates provision is an estimate as detailed in note 4 to the accounts. It is included within long term liabilities as there is uncertainty on timing and amount.

27. Usable Reserves

31 March 2023 £000		31 March 2024 £000
(1,942)	General Fund Balance	(1,612)
(1,983)	HRA Balance	(2,572)
	Earmarked Reserves:	
(19,002)	General Fund	(19,932)
(13,191)	Housing Revenue Account	(13,964)
(11,656)	Capital Receipts Reserve	(12,826)
(3,606)	Capital Grants Unapplied	(2,862)
(8,562)	Housing Revenue Account - Major Repairs Reserve	(6,602)
(59,942)	**Total Usable Reserves**	**(60,370)**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 11 and 12.

28. Unusable Reserves

31 March 2023 £000		31 March 2024 £000
(159,564)	Revaluation Reserve	(164,797)
(66,680)	Capital Adjustment Account	(65,003)
7,244	Pensions Reserve	37,230
(51)	Deferred Capital Receipts Reserve	(51)
644	Collection Fund Adjustment Account	(774)
169	Accumulated Absences Account	184
(218,238)	**Total Unusable Reserves**	**(193,211)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from the increases in the value of its Property, Plant and Equipment. 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 rising before that date are consolidated into the balance on the Capital Adjustment Account.

	2022/23 £000			2023/24 £000
	(139,422)	**Balance at 1 April**		**(159,564)**
(25,534)		Upward revaluation of assets	(10,539)	
1,262		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	717	
	(24,272)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(9,822)
4,130		Difference between fair value depreciation and historical cost depreciation	4,577	
-		Accumulated gains on assets sold or scrapped	12	
	4,130	Amount written off to the Capital Adjustment Account		4,589
	(159,564)	**Balance at 31 March**		**(164,797)**

Capital Adjustment Account

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

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

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

Note 11 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2022/23 £000			**2023/24 £000**
	(68,773)	**Balance at 1 April**		**(66,680)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
10,106		Charges for depreciation and impairment of non-current assets	14,338	
35		Amortisation of Intangible Assets	35	
1,538		Revenue Expenditure Funded from Capital Under Statute	1,978	
1,492		Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	867	
(24)		Fair Value of Investment Property	-	
	13,147			17,218
	(4,130)	Adjusting amounts written out of the Revaluation Reserve		(4,589)
	(59,756)	Net written out amount of the cost of non-current assets consumed in the year		(54,051)
		Capital financing applied in the year:		
(672)		Use of the Capital Receipts Reserve to finance new capital expenditure	(293)	
(3,195)		Use of the Major Repairs Reserve to finance new capital expenditure	(7,062)	
(1,280)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,186)	
(1,251)		Application of grants to capital financing from the Capital Grants Unapplied Account	(975)	
(502)		Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(267)	
(24)		Capital expenditure charged against the General Fund and HRA balances	(169)	
	(6,924)			(10,952)
	(66,680)	**Balance at 31 March**		**(65,003)**

Pensions Reserve

The Pensions Reserve absorbs the timing difference arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council 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.

2022/23 £000		2023/24 £000
49,552	**Balance at 1 April**	**7,244**
(43,587)	Remeasurements of the net defined benefit liability/(asset)	(13,989)
6,350	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,893
(5,071)	Employers pensions contributions and direct payments to pensioners payable in the year	(4,852)
-	Asset ceiling adjustment	45,934
7,244	**Balance at 31 March**	**37,230**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2022/23 £000		2023/24 £000
(57)	**Balance at 1 April**	**(51)**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
6	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(51)	**Balance at 31 March**	**(51)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2022/23 £000		2023/24 £000
3,564	**Balance at 1 April**	**644**
249	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(25)
(3,169)	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(1,393)
644	**Balance at 31 March**	**(774)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2022/23 £000			2023/24 £000
	177	**Balance at 1 April**		**169**
(177)		Settlement or cancellation of accrual made at the end of the preceding year	(169)	
169		Amounts accrued at the end of the current year	184	
	(8)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		15
	169	**Balance at 31 March**		**184**

29. Cash flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2022/23 £000		2023/24 £000
(1,154)	Interest received	(3,317)
3,255	Interest paid	3,698

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

2022/23 £000		2023/24 £000
	Adjust Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	
(7,435)	Depreciation	(7,529)
(2,671)	Impairment and downward valuations	(6,809)
(35)	Amortisation	(35)
125	Increase / (decrease) in impairments for bad debts	(146)
9,733	Increase / (decrease) in Creditors	(1,320)
1,646	Increase / (decrease) in Debtors	(714)
21	Increase / (decrease) in Stock	(20)
(4,142)	Movement in pension liability	6,908
(1,492)	Carrying amount of non-current assets sold or derecognised	(867)
336	Other non-cash items charged to the net surplus or deficit on the provision of services	536
(3,914)		**(9,996)**

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

2022/23 £000		2023/24 £000
	Adjust for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	
2,177	Capital grants credited to Surplus / Deficit on the Comprehensive Income and Expenditure Statement	2,417
1,366	Proceeds from the sales of Plant, Property and Equipment, Investment Property and Intangible Assets	1,463
3,543		**3,880**

30. Cash flow Statement - Investing Activities

2022/23 £000		2023/24 £000
4,649	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	8,335
34,500	Purchase of short-term and long-term investments	25,000
(2,183)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,463)
(49,000)	Proceeds from short-term and long-term investments	(4,000)
(1,626)	Capital grants and income from discounts	(2,091)
(13,660)	**Net cash flows from investing activities**	**25,781**

31. Cash flow Statement - Financing Activities

2022/23 £000		2023/24 £000
227	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
-	Repayment of short and long term borrowing	-
(3,127)	Billing authority - Council Tax and NNDR adjustments	2,534
(2,900)	**Net cash flows from financing activities**	**2,534**

Reconciliation of Liabilities Arising from Financing Activities

			Non-cash changes		
	1 April 2023 £000	Financing cash flows £000	Acquisition £000	Other non cash changes £000	31 March 2024 £000
Long term borrowings	81,605	-	-	(1,400)	80,205
Short term borrowings	-	-	-	1,400	1,400
Other liabilities	10	(4)	-	-	6
Total liabilities from financing activities	**81,615**	**(4)**	**-**	**-**	**81,611**

			Non-cash changes		
	1 April 2022 £000	Financing cash flows £000	Acquisition £000	Other non cash changes £000	31 March 2023 £000
Long term borrowings	81,605				81,605
Short term borrowings	-				-
Other liabilities	237	(227)			10
Total liabilities from financing activities	**81,842**	**(227)**	**-**	**-**	**81,615**

32. Acquired and Discontinued Operations

There are no significant operations which were acquired or discontinued during the year.

33. Agency Services

The Council undertook distribution of Ukraine payments on behalf of Staffordshire County Council.

34. Members Allowances

Members allowances paid during 2023/24 totalled £355,786.22 (2022/23 £353,985.66). Further details are available on the Council's website. These figures include the associated cost of employers national insurance, which is excluded from those figures published on the website. In addition to the figures above, the Council paid £660 in total to Members of the Independent Remuneration Panel during 2023/24.

35. Officers Remuneration

The remuneration paid to the Council's senior employees is as follows:

Senior Officers emoluments 2023/24 - salary is between £50,000 and £150,000 per year

Post Title		Salary, Fees and Allowances £	Benefits in Kind £	Pension Contribution £	Total £
S151 Officer and Deputy Chief Executive		104,967		23,513	128,480
Head of Housing, HRA & Corporate Assets		84,835		19,003	103,838
Head of Wellbeing		71,418		15,998	87,416
Head of Regulatory Services	(i)	15,749		3,528	19,277
					-
		276,969	**-**	**62,042**	**339,011**

The Head of Regulatory Services comenced employment on the 22/1/24.

The Council operates a number of shared services with Stafford Borough Council which operate on the basis of a lead authority. The posts set out below are responsible for the provision of services to the recipient authority:-

Post	Lead Authority	Recipient Authority
S151 Officer & Deputy Chief Executive (Resources)	Cannock Chase District Council	Stafford Borough Council
Head of Wellbeing	Cannock Chase District Council	Stafford Borough Council
Head of Housing, HRA & Corporate Assets	Cannock Chase District Council	Stafford Borough Council
Head of Regulatory Services	Cannock Chase District Council	Stafford Borough Council

In addition the Council also receives services from Stafford Borough Council for provision of services to the recipient authority:-

Post	Lead Authority	Recipient Authority
Joint Chief Executive	Stafford Borough Council	Cannock Chase District Council
Deputy Chief Executive - Place	Stafford Borough Council	Cannock Chase District Council
Head of Operations	Stafford Borough Council	Cannock Chase District Council
Head of Economic Development & Planning	Stafford Borough Council	Cannock Chase District Council
Head of Law & Governance	Stafford Borough Council	Cannock Chase District Council
Head of Transformation & Assurance	Stafford Borough Council	Cannock Chase District Council

Senior Officers emoluments 2022/23 - salary is between £50,000 and £150,000 per year

Post Title	Salary, Fees and Allowances £	Benefits in Kind £	Pension Contribution £	Total £
S151 Officer and Deputy Chief Executive	27,997	303	5,044	33,344
Head of Environment & Healthy Lifestyles	68,721	963	12,017	81,701
Head of Economic Prosperity	72,504	963	12,708	86,175
Head of Governance & Corporate Services	84,145	963	14,837	99,945
Head of Housing & Partnerships	72,504	963	12,753	86,220
	325,871	**4,155**	**57,359**	**387,385**

As a result of a restructure the following changes took place from 1st April 2023:

(1) The Head of Environment and Healthy Lifestyles became the Head of Operations and transferred to Stafford Borough Council as lead authority on 1st June 2023
(2) The Head of Economic Prosperity became the Head of Economic Development and Planning and also transferred to Stafford Borough Council on 1st June 2023
(3) The Head of Governance and Corporate Services became the Head of Transformation and Assurance, also moving to Stafford Borough Council on 1st June 2023.
(4) The Head of Housing and Partnerships became the Head of Housing and Corporate Assets (shown in the 2023/24 analysis).

The Council operates a number of shared services with Stafford Borough Council which operate on the basis of a lead authority. The posts set out below are responsible for the provision of services to the recipient authority:-

Post	Lead Authority	Recipient Authority
S151 Officer and Deputy Chief Executive	Cannock Chase District Council	Stafford Borough Council
Head of Governance & Corporate Services	Cannock Chase District Council	Stafford Borough Council

In addition the Council also receives services from Stafford Borough Council for provision of services to the recipient authority:-

Post	Lead Authority	Recipient Authority
Chief Executive	Stafford Borough Council	Cannock Chase District Council
Head of Human Resources	Stafford Borough Council	Cannock Chase District Council
Head of Law & Administration	Stafford Borough Council	Cannock Chase District Council
Head of Technology	Stafford Borough Council	Cannock Chase District Council

The number of other employees within the Council receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are:

2022/23 Number of employees	Remuneration band	2023/24 Number of employees
-	£50,000 - £54,999	12
-	£55,000 - £59,999	2
-	£60,000 - £64,999	-
-	£65,000 - £69,999	-
-	£70,000 - £75,999	1

The table below sets out the number and value of agreed exit packages during the year:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23 £000	2023/24 £000
£0 - £20,000	1	1	1		2	1	12	6
£20,001 - £40,000			1		1	-	21	
£40,001 - £60,000		1			-	1		60
£60,001 - £80,000					-	-		
£80,001 - £100,000					-	-		
£100,001 - £150,000					-	-		
£150,001+					-	-		
					-	-		
TOTAL	**1**	**2**	**2**	**-**	**3**	**2**	**33**	**66**

36. External Audit Costs

The auditors for 2023/24financial year were appointed by the PSAA (Public Sector Audit Appointments).
The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and non-audit services provided by the Council's external auditors:

2022/23 £000		2023/24 £000	
77	Fees payable with regard to external audit services carried out by the appointed auditor	151	
29	Fees payable for the certification of grant claims and returns for the year	72	(i)
106	**Total**	**223**	

(i) This includes additional grant fees in respect of the certification of the housing benefits claim.

37. Grant Income & Precepts on the Collection Fund

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

2022/23 £000	Credited to Taxation and Non Specific Grant Income	2023/24 £000
7,708	Precepts On The Collection Fund	7,796
6,643	NNDR	7,522
-	Revenue Support Grant	123
1,273	New Homes Bonus	619
96	Other general grants	33
1,366	Capital Grants-General Fund	2,417
-	Sales Fees and Charges Support Grant	-
210	Services Grant	123
139	Lower tier grant	-
-	Funding Guarantee	830
-	Covid 19 LA Support Grant	
17,435	**Total**	**19,463**
	Credited to Services	
7,843	Rent Allowances	7,910
7,346	Housing Benefit Subsidy	7,434
240	Housing Benefit Admin Grant	224
138	Cost Of Collection Allowance	138
121	DCLG Local Council Tax Scheme Admin Grant	-
-	Local Council Tax Support Fund	204
81	Discretionary Housing Payments	85
61	Council tax rebate new burdens	-
302	Homelessness Prevention	-
55	Rough Sleeper Grant	17
108	Local Taxation (Grant Fund)	88
3	Elections	-
78	UK Shared Prosperity Fund	418
80	Levelling Up Fund	-
-	Health Equalities	325
-	Asylum Support	244
-	National Leisure Recovery Fund	-
-	Reopening High Streets Safely	-
239	Other grants	139
16,695	**Total**	**17,226**

The other grants lines shown in the table above includes all grants received less than £50,000 each as these have not been identified separately.

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

(i) **Current Liabilities**

31 March 2023 £000		31 March 2024 £000
	Revenue Grants Receipts in Advance	
336	Section 106 Developers Revenue Contributions	390
336	**Total**	**390**
	Capital Grants Receipts in Advance	
2,056	Section 106 Developers Capital Contributions	1,685
2,056	**Total**	**1,685**

The Council does not hold a donated assets account.

38. Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the 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 Council.

Central Government
Central government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 37 Grant Income and Precepts on the Collection Fund.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2023/24 is shown in Note 34. Details of Members' interests are recorded in the Register of Members' Interest maintained by the Council. During 2023/24 there were no significant works and services commissioned from companies in which members had an interest.

Entities Controlled or Significantly Influenced by the Council
As part of the shared services with Stafford Borough Council, Cannock Chase District Council paid £1.413 million for Stafford Borough Council hosted services and received £2.860 million for services hosted at Cannock.

39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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 used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2022/23 £000		2023/24 £000
91,075	**Opening Capital Financing Requirement**	**90,574**
	Capital Investment	
4,883	Property, Plant and Equipment	8,687
-	Intangible Assets	21
1,539	Revenue Expenditure Funded from Capital under Statute	1,978
	Sources of finance	
(672)	Capital receipts	(293)
(2,531)	Government grants and other contributions	(3,161)
(3,195)	Major Repairs Reserve	(7,062)
	Sums set aside from revenue:	
(24)	Direct revenue contributions	(169)
(278)	Minimum Revenue Provision (MRP)	(267)
(223)	Finance Lease Payment	-
90,574	**Closing Capital Financing Requirement**	**90,308**
	Explanation of movements in year	
	Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	
-	HRA	
(501)	General Fund	(267)
(501)	**Increase/(decrease) in Capital Financing Requirement**	**(267)**

40. Leases

Council as Lessee

Operating Lease of Property
The Council has an operating lease of Rugeley Market Hall. The Council owns the freehold of this property.

The future minimum lease payments under non cancellable leases are:

2022/23 £000		2023/24 £000
234	Not later then one year	234
936	Later than one year and not later than five years	936
10,836	Later than five years	10,610
12,006		**11,780**

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to this lease was:

2022/23 £000		2023/24 £000
232	Minimum Lease Payments	234
232		**234**

Finance Lease of Property
The Council has a finance lease of the land at Rugeley Leisure Centre for a period of 50 years from 2004 at a peppercorn rent. The asset acquired under this lease is carried as Other Land and Buildings in the Balance Sheet.

Council as Lessor

Finance Leases
The Council has a finance lease in respect of the Hednesford Gateway scheme where a 250 year lease has been granted on the assets. The Council does not receive any rentals but a premium on the disposal of £720,000 has been received. The Council retains the freehold.

Operating Leases
The Council leases out property and equipment under operating leases for the following purposes:

- for community services through the provision of various premises
- for economic development purposes by providing business premises for rental

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2023 £000		31 March 2024 £000
531	Not later than one year	560
1,384	Later than one year and not later than five years	1,600
33,673	Later than five years	33,503
35,588		**35,663**

41. Impairment Losses

As set out in the accounting policy for impairment in note 1 xvii, assets are reviewed at each year end to determine whether there has been any impairment to their value during the year. This not does not relate to valuation changes due to market prices but where assets have had a change in value due other factors such as fire.

As a result of this review there were no impairment losses during 2023/24 (2022/23 £nil)

42. Termination Benefits

The Council terminated the contracts of 2 employees in 2023/24 incurring liabilities of £66,106.28 (£33,201.74 in 2022/23). See Note 35 for the number of exit packages and total cost per band.

The payments in 2023/24 relate to redundancy (£66,106.28 in total).

43. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in The Local Government Pension Scheme, administered locally by Staffordshire County Council (SCC) This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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 SCC. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. 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 to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account, the amounts required by statute as described in Note 1 (accounting policies).

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2022/23 £000		2023/24 £000
	Comprehensive Income and Expenditure Statement	
	Service Cost	
4,956	Current service cost	2,674
96	Past service cost (including curtailments)	41
5,052	**Total Service Cost**	2,715
	Financing and Investment Income and Expenditure	
(4,068)	Interest income on scheme assets	(6,850)
5,366	Interest cost on defined benefit obligation	7,028
1,298	**Total Net Interest**	178
6,350	**Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services**	**2,893**
	Remeasurements of the Net Defined Liability Comprising:	
6,840	Return on plan assets excluding amounts included in net interest	11,284
(3,895)	actuarial (gains) / losses arising from changes in demographic assumptions	895
(63,330)	actuarial (gains) / losses arising on changes in financial assumptions	6,384
16,798	Actuarial gains / losses arising on other experience	(4,574)
-	Asset ceiling adjustment	(45,934)
(43,587)	**Total remeasurements recognised in other comprehensive income**	**(31,945)**
(37,237)	**Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(29,052)**
	Movement in Reserves Statement	
(6,350)	reversal of net charges made to the (surplus) or deficit on the provision of Services	(2,893)
5,071	**Employers Contributions Payable to the Scheme**	4,852

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

31 March 2023 £000		31 March 2024 £000
(142,450)	Fair value of employer assets	(164,147)
145,804	Present value of funded liabilities	146,771
-	Asset Ceiling Adjustment	45,934
3,890	Present value of unfunded liabilities	3,723
7,244	**Net Liability arising from the Defined Benefit Obligation**	**32,281**

Reconciliation of the Movements in the Fair Value of Scheme Assets

2022/23 £000		2023/24 £000
152,259	**Opening fair value of scheme assets**	**142,450**
4,068	Interest income	6,850
	Remeasurement gain/(loss)	
(6,840)	Return on plan assets excluding the amounts included in net interest	11,284
(4,064)	Actuarial gains/lossess from other experience	-
2,208	Contributions from employer	9,801
714	Contributions from employees into the scheme	739
(5,895)	Benefits paid	(6,977)
142,450	**Closing Fair Value of Scheme Assets**	**164,147**

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

2022/23 £000		2023/24 £000
198,948	**Opening fair value of scheme liabilities**	**149,694**
4,956	Current service cost	2,674
5,366	Interest cost	7,028
714	Contributions from scheme participants	739
	Remeasurement (gains)/losses:	
(3,895)	Actuarial (gains)/losses arising from changes in demographic assumptions	(895)
(63,330)	Actuarial (gains)/losses arising from changes in financial assumptions	(6,384)
12,734	Actuarial (gains)/lossess from other experience	4,574
96	Past service cost	41
(5,895)	Benefits paid	(6,977)
149,694	**Closing Fair Value of Scheme Liabilities**	**150,494**

Appendix 1

Local Government Pension Scheme Assets comprised:

	Period Ended 31 March 2023				Period Ended 31 March 2024			
	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage Total of Asset £000	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage Total of Asset £000
Equity Securities								
Consumer	4,796		4,796	3%	4,445		4,445	3%
Manufacturing	3,914		3,914	3%	2,215		2,215	1%
Energy and utilities	1,075		1,075	1%	1,011		1,011	1%
Financial Institutions	5,105		5,105	4%	6,031		6,031	4%
Health and Care	5,390		5,390	4%	4,545		4,545	3%
Information Technology	6,199		6,199	4%	7,259		7,259	4%
Other	-		-	0%	-		-	0%
Debt Securities								
Corporate Bonds investment grade	8,368		8,368	6%	12,219		12,219	8%
Private Equity								
All		7,058	7,058	5%		8,639	8,639	5%
Real Estate								
UK Property		11,408	11,408	8%		12,117	12,117	7%
Investment Funds and Unit Trusts								
Equities	67,670		67,670	47%	74,382		74,382	45%
Bonds	8,915		8,915	6%	12,882		12,882	8%
Hedge Funds		52	52	0%			-	0%
Infrastructure		380	380	0%		7,134	7,134	4%
Other		6,537	6,537	5%		8,599	8,599	5%
Cash and Cash Equivalents								
All	**5,583**	**-**	**5,583**	4%	**2,669**		**2,669**	2%
Total Assets	**117,015**	**25,435**	**142,450**	**100%**	**127,658**	**36,489**	**164,147**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for SCC operated Fund are based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

2022/23		2023/24
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
20.7	Men	20.8
24.2	Women	23.8
	Longevity at 65 for future pensioners:	
21.6	Men	21.6
25.9	Women	25.6
	Rate of Inflation	
3.50%	**Rate of increase in salaries**	3.30%
3.00%	**Rate of increase in pensions**	2.80%
4.75%	**Rate for discounting scheme liabilities**	4.80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below 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 while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below have not changed from 2022/23.

Change in Assumptions at 31 March 2024	Approximate % Increase to Employee Liability %	Approximate Monetary Value £000
0.1% decrease in real discount rate	2%	2,492
1 year increase in member life expectancy	4%	6,020
0.1% increase in the salary increase rate	0%	125
0.1% increase in the pension increase rate	2%	2,410

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. SCC has agreed a strategy with the scheme's actuary to recoup the past deficit over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed in 2024/25 financial year.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates to pay £2,593,000 expected contributions to the scheme in 2024/25

The weighted average duration of the defined benefit obligation for the funding scheme members is 16 years in 2023/24. (2022/23 16 years).

44. Contingent Liabilities

Municipal Mutual Insurance

Under the Municipal Mutual Insurance Limited Scheme of Arrangement, the Council has a potential claw-back should there be a deficit in the winding up of the company. An initial payment was made in 2013/14 for £63,000 based on a 15% levy notice, in 2015/16 a further creditor provision of £44,897 has been made to increase to a 25% levy. As there is no certainty on the remaining liability this has been left as a contingent liability. It is the view of the Board at the 31 March 2024 that a solvent run off of the Company's business cannot be guaranteed.

45. Contingent Assets

There are no contingent assets at 31 March 2024.

46. Nature and Extent of Risks Arising from Financial Instruments

The Council'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 Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall procedures for managing risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks.

Risk management is carried out by a central treasury section, under policies approved by the Council in the annual treasury management strategy. 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 Council'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, in accordance with the Fitch, Moody's and Standard & Poors Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The Annual Investment Strategy for 2023/24 was approved by Full Council on 1st March 2023 and is available on the Council's website.

Credit Risk Management Practices

The Council`s credit risk management practices are set out in the Annual Investment Strategy. The key elements are:

- It requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standards & Poors Credit Rating Services.

- sets out maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three ratings agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays.

- credit watches and credit outlooks from credit rating agencies;

- sovereign ratings to select counterparties from only the most creditworthy countries

- Credit Default Swaps spreads to give early warning of likely changes in credit ratings

Customers for goods and services are assessed taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

Due to the nature of the financial assets held by the Council it is considered that the credit risk is low. Set out below is the key overview of financial assets held, an assessment of their credit risk and methodology for calculation of credit loss:

Long Term Debtors
These relate to loans which are a charge on property therefore no credit losses are calculated or defaults and write offs have taken place.

Investments
This category includes Money Market Funds, Fixed Term deposits and Cash held at bank. Recent experience has shown that it is rare for such entities to be unable to meet there commitments. To date there has been no default or write off in relation to this category of financial asset.

Loss allowances are calculated for expected credit losses on these instruments on a 12 month expected credit loss based on historical experience of default.

Short Term Debtors
The short term debtors are split into two elements being non financial assets and financial assets. The non financial assets relate to transactions with the Government, Local authorities and statutory debt. For transactions with government and local authorities no loss allowance is calculated on these elements. For statutory debt loss allowance is calculated based on historic experience which has remained unchanged.

The financial assets primarily relate to sundry debtors and capital payments due. The criteria in relation to these assets are set out below:

- The Council's definition of default is that the counterparty has failed to make the payment and all enforcement action has been unsuccessful

- Debts are written off by the Council where the debt is greater than 6 years old, or where all enforcement has been unsuccessful. Debts below £2,500 are authorised by the Head of Finance and above that value by Council.

- In determining the expected credit losses this is based on experience of default and uncollectability over the last five years based on a lifetime expected credit loss model. There has been no material impact of adopting a forward looking model or changes in the estimation technique.

Amounts Arising from Expected Credit Losses

The Council's investments have been assessed and concluded that the expected credit loss is not material therefore no allowances have been made.

A summary of the credit quality of the Council's investments at 31 March 2024 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability.

	Lowest Long Term Rating	Principal Balance at 31 March 2024 £000	Historical Experience of Default £000	Estimated maximum exposure to default and uncollect-ability at 31 March 2024 £000
Deposits with Banks and Financial Institutions				
Federated Investors (UK) MMF *	AAA	8,950		
Handelsbanken Plc	AA-	1,000	0.000%	0.001
Invesco MMF*	AAA	8,150		
Morgan Stanley MMF*	AAA	9,000		
Eastleigh Borough Council	AA-	5,000	0.001%	-
Wirral Metropolitan Borough Council	AA-	10,000	0.001%	-
Al Rayan Bank Plc	A+	2,000	0.005%	0.001
Al Rayan Bank Plc	A+	4,000	0.017%	0.007
National Bank of Kuwait (International) PLC	A	4,000	0.021%	0.008
Santander UK Plc	A	3,500	0.022%	0.007
Total		**55,600**		**0.024**

* Money Market Fund

The historic rates of default are from the following agencies as set out below: -

Agency	**Years**
Fitch	1990 - 2020
Moody's	1983 - 2020
Standard and Poors	1981 - 2020

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

In relation to Expected Credit Losses for debtors, the Council does not generally allow extended credit for customers, but some of the current balance is past its due date for payment.

Trade debtors are based on lifetime expected credit losses. The trade debtors expected credit losses have been calculated based on debt type and recovery stage of debt. The expected credit loss is approximately £200,635. (2022/23 £233,000).

Collateral and Other Credit Enhancements

During the period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums owing £55.6m are due to be paid in less than one year.

Refinancing and Maturity Risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing the financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury section address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity of financial liabilities is as follows:

31 March 2023 £000		31 March 2024 £000
326	Less than one year	1,400
1,400	Between one and two years	3,000
3,000	Between two and five years	-
77,205	More than five years	77,205
81,931		**81,605**

All debtors and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise

- borrowings at fixed rates - the fair value of the borrowings will fall (no impact on revenue balances)

- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise

- investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus and Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its planned treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The finance department monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	
Increase in interest receivable on variable rate investments	595
Impact on Surplus or Deficit on the Provision of Services	**595**
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	**-**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**8,728**

The fair values for fixed assets have been calculated at carrying value as the instruments are held for less than 1 year and the difference in rates is not material.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council has not invested in any equity shares and therefore has no exposure to price risk.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

47. Heritage Assets Five Year Summary of Transactions

There have been no acquisitions or disposals of the Council's heritage assets in the five year period ended 31 March 2024.

48. Heritage Assets - Further Information on the Collections

Museum

The Museum of Cannock Chase has a collection of artefacts in relation to local services, industrial and military history along with items relating to the history of toys. The total number of items on display or held in collections is approximately 20,000. The majority of artefacts are held in trust for public benefit.

The Museum operates within the terms required by Museum Accreditation. The Collections Management Policy for the Museum provides guidance on preservation and management of artefacts. The Museum also holds a manual governing control of documentation concerning artefacts.

Access to artefacts is available to items being on display during the Museum opening hours or by appointment with the Museum Collections Officer for items held in store.

Civic Regalia

The Council's Civic Regalia includes items such as civic chains and items in connection with civic duties. Items are held and governed under Council regulations and procedures governing all Council assets.

49. Trust Funds

The Council as at 31 March 2024 administers two Trust Funds on behalf of third parties which do not form part of the Council's Consolidated Balance Sheet.

The funds are:

- **Benton's Trust**
  To provide a drinking trough for animals and improvements to the public conveniences in or near the Market Place, Cannock.

- **Cannock Park Trust**
  Cannock Park is run by Cannock Chase Council as Trustees for the Cannock Park Trust. The land was placed in Trust in 1930 to be held by the Council for the purpose of providing a public recreation or pleasure ground for the use and benefit of the inhabitants of Cannock Chase Council. All revenue and income accruing from the land is used for the upkeep and maintenance of the land. Income is derived from the various sporting activities undertaken on the land. Expenditure by the Council on grounds maintenance and upkeep exceeds income. The Trust is registered with the Charity Commission.

	Income	Expenditure	Assets	Liabilities
2023/24	**£000**	**£000**	**£000**	**£000**
Benton's Trust	(0.191)	-	(3.977)	-
Total	**(0.191)**	**-**	**(3.977)**	**-**

	Income	Expenditure	Assets	Liabilities
2022/23	**£000**	**£000**	**£000**	**£000**
Benton's Trust	(0.117)	5.610	(3.786)	-
Total	**(0.117)**	**5.610**	**(3.786)**	**-**

50. Long Term Borrowing

Balance 31 March 2023 £000		Ranges Of Interest Rates Payable %	Balance 31 March 2024 £000
	Source Of Loan		
60,745	Public Works Loan Board	3.48 - 3.92	60,745
14,100	Public Works Loan Board	4.05 - 4.97	14,100
1,400	Public Works Loan Board	6	-
5,360	Public Works Loan Board	7.375 - 8	5,360
81,605			**80,205**

Balance 31 March 2023 £000		Balance 31 March 2024 £000
	Analysis of Loans by Maturity	
1,400	1 to 2 years	3,000
3,000	2 to 5 years	-
3,000	5 to 10 years	3,000
74,205	over 10 years	74,205
81,605		**80,205**

51. Events After The Balance Sheet Date

The Statement of Accounts was authorised for issue by the Deputy Chief Executive (Resources) on 16/01/25. 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 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

2022/23 £000		Notes	2023/24 £000
	Income		
20,244	Dwelling rents (gross)		21,773
363	Non-dwelling rents (gross)		360
127	Charges for Service & Facilities		175
222	Contributions towards Expenditure		306
20,956			**22,614**
	Expenditure		
6,661	Repairs and Maintenance		7,004
3,057	Supervision and Management-General		3,554
1,040	Supervision and Management-Specific		1,122
181	Rents, rates, taxes and other charges		32
7,891	Depreciation and Impairment of non current assets	4	11,748
18,830	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement.**		**23,460**
840	HRA share of Corporate and Democratic Core		903
(1,286)	**Net Cost of HRA Services**		**1,749**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(622)	(Gain) / Loss on sale of HRA non current assets		(210)
-	Pooling of Capital Receipts		-
-	Interest receivable		(447)
3,231	Interest payable and similar charges		3,249
102	Expected Credit Loss Allowance		(53)
-	Capital Grants and Contributions Receivable		
1,425	**(Surplus) / Deficit for the year on HRA Services**		**4,288**

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2022/23 £000		2023/24 £000
1,425	**HRA Income and Expenditure (Surplus) / Deficit**	**4,288**
622	Gain / (Loss) on sale of HRA Non current assets	210
678	Transfer to Reserves	773
(7,891)	Reversal of Depreciation / Impairment Charge	(11,748)
4,887	Transfer to / from Major Repairs Reserve	5,102
-	HRA Principal	-
(22)	Pension Adjustment	685
24	Holiday Pay Adjustment	(39)
127	General Fund Recharges	140
(150)	**(Surplus) / Deficit for the year on HRA Services**	**(589)**
1,833	**Balance Brought Forward**	**1,983**
1,983	**Balance Carried Forward**	**2,572**

NOTES TO THE HOUSING FINANCIAL STATEMENTS

1. HRA Account

Housing Revenue Account Income and Expenditure Statement reflects a statutory obligation to account separately for local authority housing provision. Income and Expenditure on Council housing is 'ring fenced' within the HRA. The statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations, this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA statement.

The specific requirements for notes to the HRA financial statements are derived from the HRA (Accounting Practices) Directions 2011.

2. Housing Stock

(i) Council Dwellings Analysis

As at 31 March 2024 the Council was responsible for 5,034 Council dwellings analysed as follows:

Dwelling Type	Stock as at 1 April 2023	Increase/ Decrease	Stock as at 31 March 2024
Flats			
1 Bedroom	808	(1)	807
2 Bedroom	239	(2)	237
3 Bedroom	11	(1)	10
4 Bedroom	1		1
Total	**1,059**	**(4)**	**1,055**
Houses & Bungalows			
1 Bedroom	1,275	1	1,276
2 Bedroom	1,197	(4)	1,193
3 Bedroom	1,455	(4)	1,451
4+ Bedroom	60	(1)	59
Total	**3,987**	**(8)**	**3,979**
Total HRA Dwellings	**5,046**	**(12)**	**5,034**

(ii) Valuation of Housing Property, Plant & Equipment

Net Book Value 31 March 2023 £000		Net Book Value 31 March 2024 £000
243,437	Council Dwellings	244,378
9,998	Other Land & Buildings	10,072
198	Vehicles, Plant & Equipment	146
1,684	Assets under construction	1,933
	Intangibles	-
255,317		**256,529**

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2023 was £603,758,000 and as at 31 March 2024 was £606,315,000. The vacant possession value and balance sheet value of dwellings within the Housing Revenue Account show the economic cost to Government of providing council housing at less than open market rents.

3. Rent Arrears

Arrears at 31 March 2024 were £0.668 million (31 March 2023 £0.860 million).

31 March 2023 £000		31 March 2024 £000
297	Tenants Arrears - Current	199
563	Tenants Arrears - Former	469
860	**Total Arrears**	**668**

The provision for bad debts as at 31 March 2024 is £0.529 million (31 March 2023 £0.665m).

4. Depreciation and Impairment Charges

(i) Depreciation

2022/23 £000		2023/24 £000
3,322	Dwellings	3,516
1,454	Other Operational Assets	1,490
111	Plant and Equipment	63
-	Intangible Assets	
4,887		**5,069**

(ii) Impairment Charges

	2022/23 £000		2023/24 £000	
*	3,004	Impairment	6,679	*
	3,004		**6,679**	

* This figure is included within the Revaluation increase/(decrease) figure of (£6,835k) shown in note 16 (£2,791k for 2022/23).

Impairment charges are made in relation to the treatment of stock held for demolition or disposal at reduced value. In accordance with Central Government Policy the Housing properties were valued on a 'Beacon Property' basis. This is where sample properties of differing size and from different locations are valued and these values are then applied to the remaining housing stock. Built into beacon valuation is an element for impairment in recognition that at any one time the total of the housing stock cannot be maintained to the highest state of repair.

The valuation of dwellings is derived by taking the cost of buying a vacant dwelling of similar type, and applying an adjustment factor according to the type of tenancy and regional factors to reflect the fact that the property is used as social housing. Revised guidance now reduces or adjusts valuations for the West Midlands area to 40% of their gross value.

5. Capital

(i) Summary of Capital Expenditure

2022/23 £000		2023/24 £000
	Expenditure	
3,725	On Housing Properties	7,171
-	On Housing Equipment	11
-	On Housing Vehicles	-
3,725		**7,182**
	Financing	
530	Usable Capital Receipts	120
3,195	Major Repairs Reserve	7,062
	Grants and other contributions	-
3,725		**7,182**
-	**Increase in underlying borrowing**	**-**

(ii) Major Repairs Reserve

As part of the introduction of resource accounting to the Housing Revenue Account the Government introduced a new funding mechanism called the Major Repairs Allowance. Local authorities have the flexibility to spend the resource outside the financial year in which they are allocated, enabling more efficient planning of works.

	£000
Balance at 1 April 2023	8,562
Transfer to Major Repairs Reserve	5,102
Financing of Capital spend	(7,062)
Balance at 31 March 2024	**6,602**

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non Domestic Rates.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non Domestic Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund (surpluses) / deficits for Council Tax declared by the billing authority (15 January in each year) are apportioned to the relevant precepting authorities in the subsequent financial year. The major precepting authorities are Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Staffordshire Commissioner Fire & Rescue Service, (formerly Stoke-on-Trent and Staffordshire Fire and Rescue Authority).

In 2013/2014 the local government finance regime was revised with the introduction of the Business Rates Retention (50%) Scheme. Business Rates now forms part of the funding of local authorities whereby the income is shared between the Government/County Council/Fire Authority and the District Council. Stafford Borough are set a predetermined overall level of Business Rates income and retain 40% of that figure; any growth above that level is then subject to a 50% levy that is paid to the Staffordshire and Stoke-on-Trent Business Rates Pool.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure Account is included in the Council's accounts. The Collection Fund Balance Sheet is incorporated into the Council's consolidated Balance Sheet.

2022/23			**2023/24**	
Total £000		**Business Rates £000**	**Council Tax £000**	**Total £000**
	Income			
59,992	Council Tax Receivable	-	62,438	62,438
33,753	Business Rates Receivable	34,874	-	34,874
-	Transitional Protection Payments Receivable	2,358	-	2,358
93,745	**Total Income**	**37,232**	**62,438**	**99,670**
	Expenditure			
	Precepts and Demands			
44,180	Staffordshire County Council	3,229	43,918	47,147
19,668	Cannock Chase District Council	14,349	7,073	21,422
819	Parishes	-	849	849
2,689	Staffordshire Commissioner Fire & Rescue Service	359	2,515	2,874
7,322	Office of the Police and Crime Commissioner Staffordshire	-	7,778	7,778
16,114	Payments to Central Government	17,936	-	17,936
90,792		**35,873**	**62,133**	**98,006**
	Charges to Collection Fund			
62	Write offs of uncollectable amounts	-	-	-
892	Increase / (reduction) in bad debts provision	320	1,318	1,638
310	Transitional Protection Payments Payable	-	-	-
(793)	Increase / (reduction) in provision for appeals	(231)	-	(231)
138	Costs of Collection	138	-	138
-	S13A(1)(c) Discretionary Reliefs Funded by General Fund	-		-
(3,680)	Distribution of previous years Collection Fund Surplus / (Deficit)	(2,351)	(1,156)	(3,507)
87,721	**Total Expenditure**	**33,749**	**62,295**	**96,044**
(6,024)	**(Surplus)/Deficit for Year**	**(3,483)**	**(143)**	**(3,626)**
	Movement of Collection Fund Balances			
8,578	**Balance brought Forward**	**1,154**	**1,400**	**2,554**
(6,024)	Add (Surplus)/Deficit for the Year	**(3,483)**	**(143)**	**(3,626)**
2,554	**Balance Carried Forward**	**(2,329)**	**1,257**	**(1,072)**

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. Council Tax Base and Council Tax Levels

Council Tax income is derived from charges made to taxpayers according to the value of residential properties. Charges are levied in accordance with the valuation band assigned to a property.

The calculation of the Council Tax chargeable in any year is obtained by dividing the total of the precepts and the demands made on the fund by the Council's Tax Base, which represents the total equivalent number of Band D properties as adjusted for discounts and an estimated collection rate of 97.4%. The following shows how the tax base for the year was calculated and the amount of tax chargeable for the year.

Council Tax Base 2023/24

Band		Number of Properties (adj for discounts)	Ratio	Band D Equivalent
A	Disabled	59.76	5/9	33.20
A		12,229.20	6/9	8,152.80
B		12,951.24	7/9	10,073.19
C		8,022.02	8/9	7,130.68
D		5,261.46	1	5,261.46
E		1,820.75	11/9	2,225.36
F		621.75	13/9	898.08
G		254.50	15/9	424.17
H		11.75	2	23.50
		41,232.43		34,222.44
	Other Adjustments and Discounts			(4,371.39)
				29,851.05

The actual tax base for 2023/2024 was 29,880.4 a small increase of 29.35 (0.1%)

2. Council Tax Chargeable for a Band D Property

2022/23 Council Tax £		2023/24 Precept £000	2023/24 Council Tax £
1,401.30	Staffordshire County Council	43,918	1,471.23
230.04	Cannock Chase District Council	7,073	236.92
27.81	Parish Council (Average)	849	28.45
248.57	Office of the Police and Crime Commissioner - Staffordshire	2,515	260.57
80.35	Staffordshire Commissioner Fire & Rescue Service	7,778	84.25
1,988.07	**Total**	**62,133**	**2,081.42**

Individual amounts chargeable are derived from the above according to property banding and individual Parish Demands.

3. Non-Domestic Rates (NDR)

The Council is responsible for the collection of Non-Domestic Rates from businesses in its area.

The rates payable, subject to reliefs and reductions, are calculated on the basis of Rateable Value of individual properties (provided by the Valuation Office Agency) multiplied by a specified rate as determined by Central Government. The specified rate for 2023/24 was 51.2p (2022/23 51.2p).

The total non-domestic rateable value at 31 March 2024 was £96.407M (£91.557M at 31 March 2023).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the VOA and hence business rates outstanding as at 31 March 2024. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares.

4. The Fund Balance

The movement in the Council Tax Collection Fund Balance is summarised as follows:

Fund Balance 31 March 2023 £000		(Surplus)/ Deficit in year (Net Position) £000	Fund Balance 31 March 2024 £000
182	Cannock Chase District Council	(23)	159
987	Staffordshire County Council	(97)	890
174	Office of the Police and Crime Commissioner - Staffordshire	(16)	158
57	Staffordshire Commissioner Fire & Rescue Service	(7)	50
1,400		**(143)**	**1,257**

The movement in the Business Rates Collection Fund Balance is summarised as follows:

Fund Balance 31 March 2023 £000		(Surplus)/ Deficit in year (Net Position) £000	Fund Balance 31 March 2024 £000
462	Cannock Chase District Council	(1,393)	(931)
105	Staffordshire County Council	(313)	(208)
575	Central Government	(1,742)	(1,167)
12	Staffordshire Commissioner Fire & Rescue Service	(35)	(23)
1,154		**(3,483)**	**(2,329)**

The surplus for the year includes a distribution of the estimated deficit of £2.351 million as at 15 January 2023 position.

5. Precepts and Demands on the Collection Fund

The following authorities have made a Precept / Demand on the Collection Fund:

2022/23 Precept/ Demand for year plus share of surplus £000	Council Tax	2023/24 Precept/ Demand for Year £000	Less Share of Deficit £000	Total Paid in year £000
7,138	Cannock Chase District Council	7,073	(151)	6,922
819	Parishes	849	-	849
43,226	Staffordshire County Council	43,918	(814)	43,104
7,663	Office of the Police and Crime Commissioner - Staffordshire	7,778	(144)	7,634
2,480	Staffordshire Commissioner Fire & Rescue Service	2,515	(47)	2,468
61,326		**62,133**	**(1,156)**	**60,977**

The following authorities have made a demand on the Collection Fund for Business Rates (the Demand is determined in accordance with regulations) and reflects the estimate outturn reported to Government and other precepting bodies in the NNDR1 return and the designated percentage share:

2022/23 Precept/ Demand for Year £000	Business Rates	2023/24 Precept/ Demand for Year £000
12,891	Cannock Chase District Council (40%)	14,349
2,900	Staffordshire County Council (9%)	3,229
16,114	Central Government (50%)	17,936
322	Staffordshire Commissioner Fire & Rescue Service (1%)	359
32,227		**35,873**

The precept demand for the year includes the distribution of the deficit recorded in NNDR1 of £2.350 million in accordance with statutory requirements.

The amount in relation to Cannock Chase District Council forms part of the General Fund accounts and is subject to the Tariffs and Levy arrangements of the Business Rates Funding Regime.

6. Provision for Appeals

As at 31 March 2024 the estimated value of appeals provision against Rateable Value amounts to £5.190 million. The provision is split into two periods covering 1 April 2010 to 31 March 2017 £0.379 million for the 2010 List and a period covering 1 April 2017 to 31 March 2024 £4.811 million for the 2017 List.

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.

Accounting Concepts

The fundamental accounting principles that are applied to ensure that the Statement of Accounts 'present fairly' the financial performance and position of the local authority.

Accounting Policies

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

Accruals

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

Agent

This is where the Council when providing a service is acting as an intermediary which is not part of the Councils core business.

Balance Sheet

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

Balances

The total level of funds an authority has accumulated over the years available to support the revenue expenditure within the year.

Business Rates

The level of business rates income eligible for pooling under the business rates retention funding regime.

Capital Adjustment Account

This reflects the difference between the cost of property, plant and equipment consumed and the capital financing set aside to pay for them.

Capital Charges

Charges to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of assets or expenditure, which adds to and does not merely maintain existing assets.

Capital Receipts Reserve

Income received from the sale of capital assets a specified proportion of which may be used to finance new capital expenditure. The balance is set aside in the form of a provision to meet credit liabilities.

Carrying Amount

This is the amount at which an asset is recognised on the balance sheet after deducting any accumulated depreciation and impairment.

Cash Equivalents

Short term highly liquid investments that are convertible into cash within 24 hours and are subject to insignificant risk of changes in value. Cash equivalents are investments that mature in three 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.

CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is one of the leading accountancy bodies in the United Kingdom and specialises in public services.

Code of Practice

This is the Statement of Recommended Practice which was the framework for published accounts to 31 March 2024.

Collection Fund

A fund accounting for Council Tax and Non-Domestic Rates received by the Council and the payments which are made from the fund including precepts to other authorities, the Council's own demand and payments to the NNDR pool.

Collection Fund Adjustment Account

This account represents the Council's share of deficit on the Collection Fund and absorbs timing differences in distribution of surplus / deficits between statutory requirements and full accruals accounting.

Community Assets

Assets which the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Commuted Sums

Monies which are given to the Council as part of the section 106 agreements for planning towards the maintenance of the are for a number of years.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would have been incurred by a series of independent, single purpose, nominated bodies managing the same services.

Current Service Cost

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Curtailment

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

- termination of employees' services earlier than expected
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Creditors

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

Debtors

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

Deferred Credits

These consist of deferred capital receipts, which are amounts derived from the sales of assets which will be received in instalments over agreed periods of time.

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.

Depreciable Replacement Cost (DRC)

This is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence.

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, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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 discontinued if all of the following conditions are met:

- 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 operations and represents a material reduction in its provision of local services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes. Operations not satisfying these conditions are classified as continuing.
- activities are discontinued where they cease completely and are not simply transferred to another part of the public sector.

Emoluments

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

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.

Fair Value

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

Fees and Charges

Income arising from the provision of services.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee from the lessor. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term includes trade receivables and payables, borrowings, financial guarantees, bank deposits, investments, swaps, forwards and options, debt instruments with embedded swaps or embedded options.

Financial Reporting Standards (FRS)

Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRS) and the earlier Statements of Standard Accounting Practice (SSAP) apply to local authorities and any departure from these must be disclosed in the published accounts.

Financial Year

Period of time to which a Statement of Accounts relates. The financial year of the Council runs from 1st April to 31st March.

GAAP

GAAP (Generally Accepted Accounting Principles), is the standard framework of guidelines for financial accounting. It includes standards, conventions and rules accountants follow in recording and summarising transactions, and in the preparation of financial statements.

General Fund

The total services of the Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by Council Tax, Government Grants and NNDR.

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 a local authority in return for past or future compliance with certain conditions relating to the activities of the local authority.

Heritage assets

These are assets held by the Council principally for their contribution to knowledge and culture, it does not relate to assets used in the delivery of services.

Housing Revenue Account (HRA)

A separate account that details the expenditure and income arising from the provision of council housing.

HRA Subsidy

Grant paid by Central Government to support the provision of rented housing.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Income and Expenditure Account

The Income and Expenditure account combines the income and expenditure relating to all the Council's functions including the General Fund and the Collection Fund. It is structured on the basis of the private sector and thereby excludes calculations done due to statutory and non statutory practices e.g. gains and losses on the sale of losses on the sale of property, plant and equipment and statutory provision for the repayment of debt.

Infrastructure Assets

These are non-transferable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are bus stations and car parks.

Intangible Assets

Intangible assets are those assets whereby access to the future economic benefits that it represents is controlled by the reporting entity, either through custody or legal protection. Examples include development expenditure and goodwill.

Infrastructure Assets

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

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.

Investment Properties

Interest in land and/or buildings:

- in respect of which construction work and development have been completed and
- is held for its investment potential, any rental income being negotiated at arms length

Investments

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

Leasing

Method of financing the provision of various capital assets, usually in the form of an operating lease, which do not provide for the title to the asset to pass to the Council.

Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Liquid Resources

Current investments that are readily disposable by the Council without disrupting its business and are readily convertible to cash.

Materiality

An item is material if its omission, non-disclosure or misstatement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Major Repairs Allowance

This is part of the Housing Subsidy calculation which provides a capital grant for Housing Revenue Account properties. It is used to match the depreciation charge on Housing Revenue Account dwellings.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the Council's revenue accounts each year and set aside as a provision to meet the Council's credit liabilities.

National Non-Domestic Rate (NNDR)

Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally and amounts collected by local authorities are subject to arrangements as determined under the business rates retention scheme.

Net Book Value

Amount at which property, plant and equipment is included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

Cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt

The Council'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 Realisable Value

Open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non Distributed Costs

These are overheads that are not apportioned to services to accord with CIPFA's Best Value Accounting Code of Practice.

Non-Operational Assets

Property, plant and equipment held by a local authority but not directly occupied, used or consumed in the delivery of service. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases

A lease other than a finance lease.

Operational Assets

Property, plant and equipment held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost

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

Post Balance Sheet Events

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

Demands made upon the collection fund by other authorities (Staffordshire County, Police and Fire Authorities) for the services that they provide.

Principal

This is when the council is providing a service as part of its own core business.

Prior Year Adjustments

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

Property, plant and equipment

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

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.

Public Works Loan Board (PWLB)

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

RCCO (Revenue Contribution to Capital Outlay)

This is where funding is provided from the revenue account to support capital expenditure.

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.

Reserves

Sums set aside to meet future expenditure for specific purposes.

Revaluation Reserve

This is used to record the net gain from revaluations made after 1 April 2007.

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute (Formerly Deferred Charges)

Expenditure that is not capital in accordance with generally accepted accounting principles but which statute allows to be funded from capital resources.

Revenue Support Grant (RSG)

Grant paid to local authorities by Central Government to help finance its general expenditure. It is determined under the SSA system.

Section 106

Planning agreement between the Council and a Developer which requires them to provide specific funding as a result of development in the area (i.e. new homes).

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 reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employer (or the 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.

Stocks

The amount of unused or unconsumed stocks held in 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 or consumption when it arises.

Termination Benefits

These are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Useful Life

Period over which the local authority will derive benefits from the use of property, plant and equipment.

Item No. 5.1

Cannock Chase District Council

Audit Completion Report

for Those Charged with Governance

Year ended 31 March 2024

February 2025

Item No. 5.2

Cannock Chase District Council
28 Beecroft Road
Cannock
WS11 1BG

20 February 2025

Dear Audit and Governance Committee Members

Cannock Chase District Council – Completion report for Those Charged with Governance for the year ended 31 March 2024

This Audit Completion Report summarises the approach and outcomes arising from our audit for the benefit of Those Charged with Governance, as required by International Standard on Auditing (UK) 260, the National Audit Office Code of Practice 2024 (the 'Code') and associated Auditor Guidance Notes. The contents of this report relate only to those matters which came to our attention during the conduct of our audit procedures and have been discussed with management.

We were appointed as auditors to perform the audit in accordance with International Standards on Auditing (UK) (ISAs (UK), which are directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of Those Charged with Governance.

Statutory Instrument (2024) No.907 - "*The Accounts and Audit (Amendment) Regulations 2024*" (the SI) imposes a backstop date of 28 February 2025 by which the Council is required to publish their final Statement of Accounts for 2023/24 and by which we are required to issue our opinion on the financial statements. The **Code of Audit Practice (2024)** (the Code) issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (the Code) specifies that auditors are required to issue their auditor's report before this date, even if planned audit procedures are not fully complete, so that local government bodies can comply with these statutory reporting timescales. The imposition of this statutory backstop date creates time constraints which impact on our ability to complete the 2023/24 audit.

For 2023/24, the time constraints are further restricted by the fact that the statutory backstop date of 13 December 2024 for outstanding periods to 31 March 2023 – all preceding audit periods – resulted in the issue of disclaimed audit opinions by the Council's predecessor auditor for the financial years ended 31 March 2022 and 31 March 2023. This means we have no assurance on the Council's opening balances as at 1 April 2023.

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We have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). This assessment is in line with **ISA 200: Failure to Achieve an Objective 24**.

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimer of opinion in our auditor's report.

In completing our work for this audit year we have taken into account **Statutory Instrument (2024) No. 907** - "The Accounts and Audit (Amendment) Regulations 2024" and **Local Audit Reset and Recovery Implementation Guidance** (the LARRIGs). We have also taken into account the requirements of the **Local Audit and Accountability Act 2014**, the National Audit Office's **Code of Audit Practice (2024)**, the **Statement of Responsibilities** (from 2023/24 audits) issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

The responsibilities of the Council and Those Charged with Governance remain unchanged. The Council's Responsible Finance Officer has a responsibility under The Accounts and Audit Regulations 2015 to confirm that the Accountability Statements included in the Statement of Accounts give a true and fair view. Those Charged with Governance have an essential role in ensuring that it has assurance over the quality and accuracy of the financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. The Public Sector Audit Appointment Limited's **Statement of Responsibilities** (paragraphs 26-28) clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix II).

Alongside our audit of the financial statements, under the Code we are also required to consider your arrangements for securing economy, efficiency and effectiveness in your use of resources and to report any significant weaknesses we identify, including reporting these in our auditor's report. We consider and report on the adequacy of the Council's financial reporting arrangements and the effectiveness of the Audit and Governance Committee, as the Council's body charged with governance, in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements. We also consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

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Where, as part of our work, we identify control weaknesses we will also report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness. As such, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

This report is intended solely for the information and use of the Audit and Governance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit.

Yours sincerely

Andrew Reid

Key Audit Partner
For and on behalf of Azets Audit Services

Item No. 5.5

Your key team members

Andrew Reid
Key Audit Partner
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Michael Butler
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Contents

Executive summary

This section summarises for those charged with governance the work we performed on the Council's financial statements, our findings on your value for money arrangements and other matters arising from the statutory audit of Cannock Chase District Council for the year end 31 March 2024.

Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice 2024 ('the Code') we were appointed to report on whether, in our opinion:

- *The Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the period; and*
- *The Council's financial statements, have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code) 2023/24 and the Local Audit and Accountability Act 2014.*

We are also required to report on other matters under the Code of Audit Practice (2024), including any significant weaknesses we have identified in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Context for the audit

Timely, high-quality financial reporting and audit of local bodies is vital. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and that all stakeholders in the sector need to work together to address this. The factors which have led to this situation are widespread and varied. These include the following:

- Increased complexity of financial and other reporting requirements within the sector
- Increased volume of complex capital and income generation transactions which required specialist accounting and auditing expertise and which take significantly more time to prepare and audit
- Lack of capacity within local authority financial reporting professions and audit firms with specialist public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed

The Ministry of Housing, Communities and Local Government (MHCLG), formerly the Department of Levelling Up Homes & Communities (DLUHC), has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners including the NAO to develop and implement measures to clear the backlog.

In July 2024, the Minister for MHCLG issued a statement confirming the government's plans to:

- **Reset** and clear the backlog through the setting of a statutory backstop date of 13 December 2024 for any outstanding financial statements for financial years to 2022/23;
- **Recover** assurance over a five-year period to 2027/28 to avoid a recurrence of the backlog through the setting of further backstop dates for financial years 2023/24 to 2027/28; and
- **Reform** the local audit system to address the systemic challenges and embed timely financial reporting and audit.

Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Audit Reset and Recovery Implementation Guidance give effect to the ministerial statement and have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)).

continued….

Executive summary

Statutory backstop dates were published in The Accounts and Audit (Amendment) Regulations 2024, which were approved by Parliament and came into force on 30 September 2024. These regulations were subsequently incorporated into The Accounts and Audit Regulations 2015 (as amended).

Alongside this updated legislation the NAO updated the Code of Audit Practice (the Code) to reflect the statutory backstop requirements. The 2024 Code was approved by Parliament on 14 November 2024. At the same time the NAO issued the Local Audit Reset and Recovery Implementation Guidance (the LARRIGs) to facilitate auditor compliance with International Standards on Auditing (UK) (ISAs (UK), which were endorsed by the FRC.

The Council's 2021/22 and 2022/23 audits were concluded in December 2024. Disclaimers of opinions were issued on both years resulting in a lack of assurance on the Council's opening balances for the 2023/24 financial year..

Financial statements – the 2023/24 audit

The statutory date for Councils to issue unaudited financial statements for 2023/24, as set out in the Accounts and Audit Regulations 2015 (as amended), was 31 May 2024. The Council issued their unaudited financial statements on 15 January 2025. The statutory public inspection period runs from 16 January 2025 to 27 February 2025.

The lack of assurance over opening balance resulting from the disclaimers of opinion issued in the prior years, together with the imminent statutory backstop date for 2023/24 (28 February 2025), has impacted on the audit procedures that we had planned to undertake to gain assurance on the Council's 2023/24 financial statements. These planned procedures were first reported in our audit plan shared with the Audit and Governance Committee in February 2025.

There is insufficient time and resource available to gain sufficient assurance in the 2023/24 audit, including recovering missing assurance from earlier years, before the statutory backstop date of 28 February 2025. We therefore anticipate issuing a disclaimer of opinion on the Council's 2023/24 accounts.

We have prioritised available resources in carrying out audit procedures which will provide us with audit information which we can accrete to future audit periods in line with the guidance set out in the LARRIGs.

continued….

Executive summary

We have undertaken the following planning tasks:

- Required independence procedures;
- Determination of materiality at the planning stage and reconsideration upon receipt of the financial statements;
- Updated our understanding of the business, including through a minute review and in discussion in our internal planning meetings.
- Identified significant risks of material misstatement;
- Considered any other matters that may require reporting to regulators, or which may result in a modification to the audit report, e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money and any matters that may result in the use of the auditor's powers.

In order to issue our auditor's report we require completion of the following matters:

- Final engagement lead 'stand back' review of the file
- Receipt and review of the management representation letter
- Receipt and review of the final approved Statement of Accounts.
- Responses from management regarding subsequent events up to the date of the opinion and completion of subsequent events audit procedures.

We will continue to consider existing and new information which could influence our final audit opinion, a current draft of which is provided as an additional document alongside this report. We note in particular that the inspection period for the revised financial statements ends on 27 January 2025. We are unable to conclude our audit until after that date.

The Council's Chief Financial Officer is responsible for ensuring that the Council has adequate internal controls in place to produce financial statements that give a true and fair view and for reconfirming the material accuracy of the financial statements before they are approved by the Audit and Governance Committee.

Where, from our procedures performed, we have identified errors or misstatements in the financial statements, disclosure errors, or inconsistencies with the prior year, we report these in this report. Any such matters reported are not exhaustive due to the lack of time available to complete our work. We are unable to confirm if there are any other misstatements in the financial statements for 2023/24 beyond those reported in this report.

continued….

Executive summary

We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Value for money

We have completed our value for money work and our detailed findings will be set out in our Auditor's Annual Report which will be issued at a later date.

Refer to the 'Value for Money' section of this report for our high-level findings.

The Local Audit and Accountability Act 2014 (the Act) requires us to:

- *report to you if we have applied any of the additional powers and duties available to us under the Act; and*
- *certify the closure of the audit.*

Statutory duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it, or to bring it to the attention of the public.

We have not exercised any of our additional statutory powers and duties.

We expect to be able to certify the closure of the audit upon completion of any required work on whole of government accounts, as specified in the group instructions issued by the NAO.

Audit scope and general approach

This section sets out the scope and nature of our audit and should be considered in conjunction with the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments Limited (PSAA).

The primary responsibility for the prevention and detection of fraud rests with management and Those Charged with Governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Scope and general approach

Our objective when performing an audit is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach we**:**

- Perform risk assessment procedures including updating our understanding of the Council, including its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We reported the significant risks we had identified in our audit plan.

Work undertaken in 2023/24

2023/24 is our first year of appointment as external auditors to Cannock Chase District Council. Following the commencement of our appointment we have undertaken a number of planning procedures. Subsequent to our appointment, MHCLG introduced statutory backstop dates, including for the 2023/24 audit.

Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 28 February 2025. By this date we are required to issue our opinion on the financial statements.

We have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation).

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimer of opinion.

Materiality

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines:

- ***clearly trivial*** *as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;*
- ***material*** *as an omission or misstatement that would reasonably influence the users of the financial statements.*

The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

As set out in our audit plan, we determined materiality at the planning stage as £1,270k for the Council based on 2% of gross expenditure of the 2021/22 audited financial statements. Due to the anticipated disclaimed audit opinion, we have not updated this determination on receipt of the draft 2023/24 financial statements.

We have determined that no specific materiality levels need to be set for this audit.

Materiality area	Planning (Council) £000	Final (Council) £000	Explanation
Overall materiality for the financial statements	1,270	**1,270**	This is the equivalent of 2% of gross revenue expenditure based on the 2023/24 draft financial statements. This is based on the risk profile of the Council and its primary objective to deliver public services. This is a common measure for calculating materiality for councils as the users of the Council's financial statements are considered to be most interested in where the Council has expended their income during the year.
Performance materiality	763	**763**	Performance materiality has been set at 60% of overall materiality. This reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	63	**63**	This is set at 5% of the headline materiality calculation. Individual errors above this threshold are communicated to Those Charged with Governance.

Significant risks of material misstatement

This section of our report includes a summary of the significant risk areas we identified during our audit planning that required special consideration. It provides an overview of our risk identification for the year to 31 March 2024. We set out our planned responses to each of these risks in our audit plan.

We have not amended the risks which we reported in our audit plan.

Significant risk	Fraud risk?	Planned approach to controls	Level of judgement / estimation uncertainty	Work completed
Prior year opinion on the financial statements	No	N/A	High	The work we completed is set out on the next page.
Management override of controls	Yes	Assess design & implementation	Very High	Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have been unable to complete all our planned procedures on the significant risks we identified. As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 28 February 2025 for the 2023/24 audit, we intend to issue a disclaimer of opinion.
Presumption of fraud in revenue recognition	Yes	Assess design & implementation	High	
Expenditure recognition	Yes	Assess design & implementation	High	
Valuation of land and buildings, Council dwellings and investment properties	No	Assess design & implementation	Very High	
Valuation of pension assets and liabilities (IAS19)	No	Assess design & implementation	High	

Significant risks of material misstatement

Identified risk	Audit procedures completed	Outcome
Prior year opinion on the financial statements In our audit plan we highlighted that we had not yet obtained a copy of the audit opinion from your predecessor auditor for the 2022/23 or 2021/22 financial years. We therefore reported that: • There was a risk that issues not yet identified in these audit years could impact the current audit year; • There was a further risk that the audit backstop of 13 December 2024 may prevent the prior year audits from being completed, resulting in prior year audit opinions being qualified by a 'limitation of scope' or disclaimed in full. As a result, we reported the significant risk that: • there may be limited assurance available over the Council's opening balances, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pensions valuations and property, plant and equipment valuations, amongst others). • significant transactions, accounting treatment and management judgements may not have been subject to audit for one or more years – or at all. This may include management judgements and accounting treatment in respect of significant or complex schemes or transactions which came into effect during the qualified or disclaimed periods.	In response to this risk, we have: • considered the findings and outcomes of your prior year audits and their impact on our 2023/24 audit; • considered the impact on our 2023/24 audit of the prior year disclaimed audit opinions you have received from your predecessor auditor, with particular regard to opening balances and 'unaudited' transactions and management judgements made in previous disclaimed years which continue into 2023/24; and • considered the impact of any changes in The CIPFA Code requirements for financial reporting in previous and current audit years.	The Council's accounts were disclaimed for 2022/23 and 2021/22. This means we have no assurance over the comparators in the 2023/24 financial statements and no assurance over transactions occurring in those years which impact the figures reported in the financial statements for 2023/24. Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 28 February 2025. By this date we are required to issue our opinion on the financial statements. We have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimer of opinion.

2023/24 work and building back assurance

Following the commencement of our appointment as external auditors from 2023/24, we have worked closely with the Council by:

- Confirming and evidencing our independence to act as appointed external auditors;
- Confirming engagement acceptance and continuance arrangements;
- Establishing effective working arrangements with the Council's Section 151 Officer and finance team;
- Undertaking planning procedures in line with the requirements of relevant ISAs (UK) to develop our understanding of the Council, confirm the scope of our external audit and identify and assess risks of material misstatement in the financial statements;
- Issuing audit requests to the Council's finance team using our "Inflo" portal to ensure that both we and the finance team develop an understanding of audit requirements and expectations, and the nature of the information held by the Council to support the financial statements;
- Considering the implications of the statutory backstop legislation and the anticipated assurance likely to be available from the predecessor auditor and considering the impact of these matters on our approach.

As a firm we have invested considerable resources in developing our overall response to the anticipated issuing of disclaimers of opinion for 2022/23 and prior years, and the impact that this has on our audit responsibilities and audit approach for 2023/24 and future years.

Due to the audit complexities caused by the issue of previous disclaimers of opinion our work has required greater involvement from senior members of the audit team than would normally be the case.

Specific procedures we have undertaken in 2023/24 include the following:

- Confirming that accounts have been issued and approved in line with The Accounts and Audit Regulations 2015; and
- Drafting an Audit Plan and Audit Completion Report and presenting these to the Audit and Governance Committee.

As per LARRIG guidance issued by the NAO there is a recognition that the process of rebuilding assurance following a previous modified or disclaimed audit opinion will take a number of years, as it will be necessary to rebuild assurance on all balance sheet and CIES areas. Where balances are inherently tied to transactions which occurred during disclaimed periods, particularly reserves, we will need to obtain assurance over these historical transactions. In the case of Cannock Chase District Council, disclaimers of opinion issued prior to our appointment as auditors for 2023/24 cover the financial years 2021/22 and 2022/23.

continued….

Significant matters

As required by the ISAs, we must notify you of the significant findings from the audit. Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have therefore summarised any significant matters we identified from the procedures we completed in the table below.

Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures, including cconcerns identified in the following: • Consultation by management with other accountants on accounting or auditing matters; • Matters significant to the oversight of the financial reporting process; • Adjustments / transactions identified as having been made to meet an agreed budget.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Any significant difficulties encountered during the audit.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Any significant matters arising from the audit that were discussed with management, including: • Significant management judgements where there was disagreement over the judgement; • Consistency of opening balances with prior year financial statements; • Inconsistencies between the financial statements and trial balance; • Findings and issues around the material accuracy of opening balances; • Any other matters significant to your oversight of the financial reporting process.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Other significant matters - If an objective in a relevant auditing standard cannot be achieved, we are required to evaluate whether this prevents us from achieving the overall objectives of the audit and therefore requires us to modify our auditor's opinion, or to withdraw from the audit engagement (where this is possible under applicable law or regulation). Due to the statutory backstop date, we are unable to meet the objectives of the ISAs (UK) in full and will therefore disclaim our opinion.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We are reporting this significant matter to you as we consider it to be a matter requiring documentation in accordance with ISA (UK) 230.

Financial statements: other responsibilities

As required by the ISAs, we must notify you of other matters if they are significant to your oversight of the Council's financial reporting process. Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have therefore summarised any significant matters we identified from the procedures we completed in the table below.

Matter	Commentary	Outcome
Matters in relation to fraud	We have made enquiries of management and the Audit Committee and not been made aware of any potential instances of fraud. We have not subsequently been made aware of any other incidents.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Matters in relation to related parties	ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control. During our audit planning you have informed us of the individuals and entities that you consider to be related parties.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Matters in relation to compliance with laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Written representations	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.

continued….

Financial statements: other responsibilities

Matter	Commentary	Outcome
Confirmation requests from third parties	We have been unable to issue confirmation requests to third parties in relation to balances held at 31 March 2024 as the Council did not provide the requested information to support this process ahead of the statutory backstop date.	Due to the time constraints arising from the statutory backstop we have not been able to complete all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Going concern	Management is required to make and document an assessment of whether the Council is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view. As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements during our audit and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).	Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in the 'CIPFA Code' and Practice Note 10. We concur with this assessment. As we will be issuing a disclaimer of opinion, we have not considered whether there are any material uncertainties that would need to be disclosed in the financial statements.

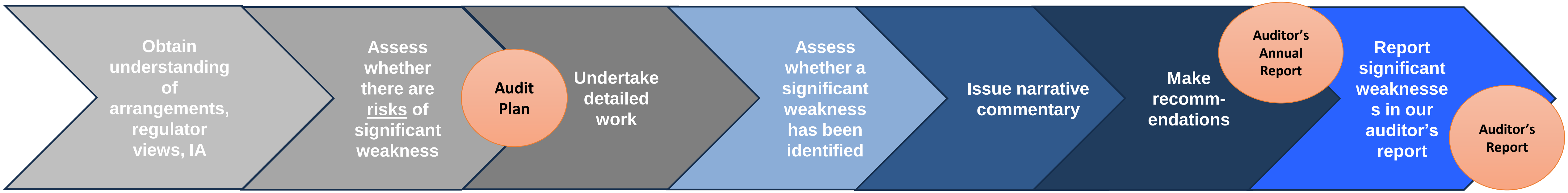
continued….

Financial statements: other responsibilities

Matter	Commentary	Outcome
Other information included in the Financial Statements: Narrative Report and Annual Governance Statement	Under the Code of Audit Practice we are required to read and report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit or otherwise appears to be materially misstated. We are required to report by exception if the annual governance statement does not comply with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit. Audit Guidance Note 07, issued by the National Audit Office, confirms that where a disclaimer of opinion is issued we may report that we have not completed this work.	As we have concluded we will be issuing a disclaimer of opinion we have not completed this work
Other matters on which we report by exception	We are also required to report by exception: • If we have applied any of our statutory powers or duties • Where we are not satisfied in respect of arrangements to secure value for money and have reported significant weakness.	We have not applied any of our statutory powers or duties in relation to the 2023/24 audit. Please refer to the detailed findings in the Value for Money section of this report.
Specified procedures for the Whole of Government Accounts (WGA)	We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. Group instructions were issued in July 2024 which set out the procedures that the NAO require from component auditors. The Council does not exceed the audit threshold for detailed testing set out in the group instructions, Submission of a partial assurance statement is therefore required, However, the instructions state that the NAO may direct auditors of components below the audit threshold to undertake additional work	We will submit our partial assurance statement to the NAO after the issue of our auditor's report and await further guidance on whether or not any additional testing is required.
Certification of closure of the audit	We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.	We cannot issue our certificate of closure until the NAO have confirmed whether any additional testing is required for WGA.

Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice (2024) and the requirements of Auditor Guidance Note 3 (‘AGN 03’). Where significant weaknesses are identified we report by exception in the auditor’s opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor’s Annual Report.



In undertaking our procedures to understand the body’s arrangements against the specified reporting criteria, as set out in AGN 03), we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures.

The predecessor auditor made 3 statutory recommendations and 7 key recommendations as a result of their value for Money assessment for the 2021/22 and 2022/23 years, and reported significant weaknesses in their 2022/23 audit opinion as a result..

Prior year recommendations and impact on 2023/24 Value for Money assessment

We recognise that management, alongside the findings of the 2021/22 and 2022/23 predecessor auditor work, presented an action plan/ tracker as part of the Audit and Governance Committee in February 2024, detailing actions to be taken to address these associated significant weaknesses, with a number of elements already being completed in Q4 of 2023/24.

However, as these significant weaknesses identified were prevalent for most of the 2023/24 financial year, and work undertaken by management will take time to be embedded within the Local Authority’s internal control environment, we consider that the significant weaknesses reported by the predecessor auditor for 2022/23 and the corresponding recommendations remain applicable for 2023/24 (which have been detailed on the following pages for completeness).

Further detail will be included as part of our Auditor’s Annual Report (AAR), in terms of documenting steps taken by management.

Value for money 2023/24 outcome

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	**Yes**	**Yes**	**Yes**	**TBC in AAR**
Governance How the body ensures it makes informed decisions and properly manages risk	**Yes**	**Yes**	**Yes**	**TBC in AAR**
Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services	**Yes**	**Yes**	**Yes**	**TBC in AAR**

Value for Money arrangements

Type of recommendation raised in 2022/23	Prior year recommendations raised	Management response in relation to 2022/23 recommendations	Significant weakness identified in 2023/24	Recommendation carried forward
Statutory recommendation 1	The Council needs to improve its financial planning and financial monitoring arrangements by; • Ensuring it has adequate capacity in its finance team and ensure that budget holds receive formal financial monitoring reports during the year • Putting in place a MTFS built on robust modelling and assumptions and an updated Capital Strategy that complies with the revised Prudential Code • Producing draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively	Management issued a MTFS and an updated Capital Strategy in February 2024, but this was not in place for the full 2023/24 financial year. Management has agreed an action plan in response to the other recommendation raised. This includes implementation dates from Q1 2024/25, as such we consider that the significant weakness identified remained in place for 2023/24.	**Financial sustainability and governance** - in relation adequacy of capacity in the Council's finance team and arrangements for financial planning and financial monitoring not being adequate	Recommendations raised by the predecessor auditor for 2022/23 remain valid, however we are raising these as key recommendations for 2023/24 and not further statutory recommendations.

Item No. 5.22

Value for Money arrangements

Type of recommendation raised in 2022/23	Prior year recommendations raised	Management response in relation to 2022/23 recommendations	Significant weakness identified in 2023/24	Recommendation carried forward
Statutory recommendation 2	The Council should: • Deliver a full stock condition survey to inform a revised 30-year business plan which includes sensitivity analysis and put in plan an investment strategy and update these annual aligned to the budget setting timescales • Develop a place-based housing strategy for Cannock Chase District working with its housing and other key partners • Update the Housing Allocations Policy and the Housing Register and ensure these are reviewed regularly • Develop an HRA asset management strategy and effective housing asset management record keeping for reach property which are updated regularly, including regular review of its HRA asset register aligned to stock condition data, compliance data and finance and implementing regular planned maintenance • Review HRA reserves to ensure it has a major repairs reserve in place for planned maintenance and compliance.	Management has agreed an action plan in response to the other recommendation raised. This includes implementation dates from Q1 2024/25, as such we consider that the significant weakness identified remained in place for 2023/24	**Financial sustainability and improving economy, efficiency and effectiveness** - in relation to improvement required in respect of its HRA management, business planning and financial sustainability.	Recommendations raised by the predecessor auditor for 2022/23 remain valid, however we are raising these as key recommendations for 2023/24 and not further statutory recommendations.

Value for Money arrangements

Type of recommendation raised in 2022/23	Prior year recommendations raised	Management response in relation to 2022/23 recommendations	Significant weakness identified in 2023/24	Recommendation carried forward
Statutory recommendation 3	The Council needs to urgently address its significant weaknesses in compliance with statutory HRA obligations by: • Addressing the breaches to its statutory responsibilities concerning tenant health and safety and considering if it needs to be short-term measures in place wile it is doing so to minimise risks to tenants and ensuring non-compliance is report to the Regulator for Social Housing. • Developing a risk-based improvement plan to address its health and safety breaches work with the Regulator for Social Housing • Ensuring it has an asset register for its homes and that each one has a unique record for building safety compliance checks which is regularly review and updated and monitored against robust performance targets for building safety which are reported to members. • Undertaking a review of its compliance against the updated housing consumer standards, July 2023, ahead of them being mandated on 1st April 2024.	Management has agreed an action plan in response to the other recommendation raised. This includes implementation dates from Q1 2024/25, as such we consider that the significant weakness identified remained in place for 2023/24	**Improving economy, efficiency and effectiveness** - in relation to the Authority failing to meet minimum service standards in its housing service and there being a historic failure to achieve improvements in building safety. It was also failing to meet statutory equalities duties.	Recommendations raised by the predecessor auditor for 2022/23 remain valid, however we are raising these as key recommendations for 2023/24 and not further statutory recommendations.

Value for Money arrangements

Type of recommendation raised in 2022/23	Prior year recommendations raised	Management response in relation to 2022/23 recommendations	Significant weakness identified in 2023/24	Recommendation carried forward
Key recommendation 1	The Council should develop a corporate saving and transformation programme to help it reduce spending by looking at different ways of delivering services. It needs to: • use the corporate business plan to identify its budget priorities and review service budgets. • develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear Council priorities and identify reductions to nonessential spending. • identify ways to deliver for less by using unit cost benchmarking to review the cost effectiveness of existing activities. • identify any discretionary activity that could be reduced or curtailed where it does not contribute to corporate business plan priorities. • consult on service changes and future spending plans with the public and include public engagement annually as part of business planning. • ensure the requisite skills are in place to manage the programme, lead change and explore new ways of working. • develop early ideas for savings with budget holders and present these members to enable early engagement with key stakeholders and to enable members to see options and the impact of savings on residents across the Council.	Management has agreed an action plan in response to the other recommendation raised. This includes implementation dates from Q1 2024/25, as such we consider that the significant weakness identified remained in place for 2023/24	**Financial sustainability** - in relation to that the Authority not having a robust plan to address its financial gap in the medium-term, instead it was making planned use of reserves.	Recommendations raised by the predecessor auditor for 2022/23 remain valid, therefore, we are raising these as key recommendations for 2023/24.

Value for Money arrangements

Type of recommendation raised in 2022/23	Prior year recommendations raised	Management response in relation to 2022/23 recommendations	Significant weakness identified in 2023/24	Recommendation carried forward
Key recommendation 2	The Council needs to improve risk management by; • updating the Risk Management Strategy and Policy Framework including adding an escalation process between the strategic and service risk registers, including risk data transfer and ownership, risk types and agreed risk appetites for each type. The Strategy needs to set the risk levels - leadership / strategic, programme / . project level and service level, an escalation process between the corporate and service risk registers, and risk types and agreed risk tolerances for each. It also needs to update risk responsibility which changed in 2017 and separate responsibility for risk management from internal audit. • formatting the SRR to separate risks from their causes and impact and include whether risks are dynamic or static, identify for each risk type and appetite. It also needs to set out likelihood, impact, score, mitigation to date, likelihood and impact scores after mitigation, direction of travel, planned completion date, linked risks and provide members and the leadership team with a direction of travel at least quarterly • ensuring services and projects and programmes have their own effective risk management arrangements that mirror changes to the SRR. integrating corporate risks, their references and their scores into all report writing for committee papers giving members risk assurance and helping them to understand the impact of their decision making on risk and include risk considerations in committee paper sign-off. • integrate risk, performance and financial reporting and report these quarterly to the Cabinet. • ensuring risks identified in the annual budget report are sufficiently detailed and consistent with the SRR revised format. • significantly improving risk management arrangements for capital projects. • adding risks on climate change mitigation and net zero to the SRR and reviewing other risks considering the recommendations identified in this AAR • adopting the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks as part of risk management improvement. • ensuring key risks are updated to include financial planning and monitoring and the lack of HRA compliance with safety measures. • developing a housing risk register aligned to the SRR and using this to drive improvement and inform the development of the revised 30-year business plan. • ensuring FRA risks have a clear escalation process to the SRIR to ensure that strategic risks such as non-compliance with statutory responsibilities are mitigated and controlled. It is important that the housing risks are managed with assurances in place and reported to elected members.	Management has agreed an action plan in response to the other recommendation raised. This includes implementation dates from Q1 2024/25, as such we consider that the significant weakness identified remained in place for 2023/24	**Governance** – in relation to . risk management.	Recommendations raised by the predecessor auditor for 2022/23 remain valid, therefore, we are raising these as key recommendations for 2023/24.

Value for Money arrangements

Type of recommendation raised in 2022/23	Prior year recommendations raised	Management response in relation to 2022/23 recommendations	Significant weakness identified in 2023/24	Recommendation carried forward
Key recommendation 3	The Council needs to urgently address its significant weaknesses in its internal controls relating to Information Technology by: • ensuring its systems are fully supported by IT, Cyber and Network Security and making sure all policies are up to date and shared with staff who are appropriately trained and ensuring regular performance monitoring to address any evolving security weaknesses identified. • ensuring the Council has appropriate arrangements in place to meet information governance requirements including third party data transfers, privacy impact assessments and governance frameworks and ensuring staff know how to use these and access appropriate support and training. • working with procurement and commissioning to embed ICT controls and information governance in procurement and commissioning decisions.	Management has agreed an action plan in response to the other recommendation raised. This includes implementation dates from Q1 2024/25, as such we consider that the significant weakness identified remained in place for 2023/24	**Governance** –in relation to internal controls in respect of ICT, which could expose it to significant financial or service loss including fraud and cyber-attacks and it has failed to follow-up on external audit recommendations in these areas.	Recommendations raised by the predecessor auditor for 2022/23 remain valid, therefore, we are raising these as key recommendations for 2023/24.
Key recommendation 4	The Council needs to urgently address its significant weaknesses in its internal controls relating to fraud by: • ensuring there is central coordination for the National Fraud Initiative (NFI) matches. • putting in place a dedicated counter fraud officer. • updating the anti-Fraud and Bribery Framework and the Confidential Reporting Framework. • ensuring work to detect fraud is extended to cover the finance system and procurement arrangements in the Council.	Management has agreed an action plan in response to the other recommendation raised. This includes implementation dates from Q1 2024/25, as such we consider that the significant weakness identified remained in place for 2023/24	**Governance** – in relation to internal controls in respect of relating to fraud, which could expose it to significant financial loss, and it has failed to follow-up on external audit recommendations in this area.	Recommendations raised by the predecessor auditor for 2022/23 remain valid, therefore, we are raising these as key recommendations for 2023/24.

Value for Money arrangements

Type of recommendation raised in 2022/23	Prior year recommendations raised	Management response in relation to 2022/23 recommendations	Significant weakness identified in 2023/24	Recommendation carried forward
Key recommendation 5	The Council needs to improve its performance management arrangements by: • establishing a golden thread for the Council, by creating a performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and report these to the public: • developing annual delivery plans aligned with the Corporate Plan and reduce the number of service specific strategies to ensure the golden thread is in place; • agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework; • improving performance reporting to include targets, RAG rating, and actual measures and benchmarking. Reports should use previous year and 'nearest neighbours' data where possible, integrating performance, risk and finance reporting to drive improvement; • ensuring the Cabinet receives quarterly performance, finance and risk reports to enable it to hold officers to account: • using performance and financial data and benchmarking to look at delivery levels of statutory services to ensure the Council is achieving value for money: • extending the new performance management framework and reporting to key contracts such as waste and leisure; • developing a strategic approach to assessing the levels of statutory services needed to save money: • agreeing corporate programme and project management methodology and ensuring its understood and applied across the Council and when commissioning these services. • internally validating contract performance management, including outcornes, together with cost and risk and reporting these regularly to Cabinet; and • engaging key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings. • developing a data quality policy and ensuring the quality of the Council's core datasets. • developing a strategic approach to asset management including putting in place a comprehensive asset register and a detailed improvement plan for asset management. • ensuring the Council learns from complaints and external Ombudsman recommendations to improve its performance.	Management has agreed an action plan in response to the other recommendation raised. This includes implementation dates from Q1 2024/25, as such we consider that the significant weakness identified remained in place for 2023/24	**Improving economy, efficiency and effectiveness** – in relation to a lack of performance management framework to deliver its business plan.	Recommendations raised by the predecessor auditor for 2022/23 remain valid, therefore, we are raising these as key recommendations for 2023/24.

Value for Money arrangements

Type of recommendation raised in 2022/23	Prior year recommendations raised	Management response in relation to 2022/23 recommendations	Significant weakness identified in 2023/24	Recommendation carried forward
Key recommendation 6	The Council needs to improve its asset management arrangement by developing: • a corporate asset management strategy and plan • an HRA asset management strategy and plan asset registers and keeping them updated management information systems to support asset management processes. • systems to ensure compliance with building safety inspections.	Management has agreed an action plan in response to the other recommendation raised. This includes implementation dates from Q1 2024/25, as such we consider that the significant weakness identified remained in place for 2023/24	**Improving economy, efficiency and effectiveness** – in relation to arrangements for asset management that have caused the risk of harm to its tenants.	Recommendations raised by the predecessor auditor for 2022/23 remain valid, therefore, we are raising these as key recommendations for 2023/24.

Value for Money arrangements

Type of recommendation raised in 2022/23	Prior year recommendations raised	Management response in relation to 2022/23 recommendations	Significant weakness identified in 2023/24	Recommendation carried forward
Key recommendation 7	The Council needs to improve its procurement and contract management arrangement by; • developing a procurement strategy. • ensuring the contracts register is developed, monitored, kept updated used by all services. • updating its procurement regulations. • ensuring it fully meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation. • having a suitably trained client lead for procurement and contract management. • developing a procurement pipeline to improve planning. • maintaining a central waivers record. • Providing training for officers and members on procurement and contract management to enable them to filly understand their responsibilities for social value and VFM • ensuring the Council's shared arrangements for fraud also include procurement and contract management. • complying with the Local Government Transparency Code by ensuring P card expenditure is kept updated.	Management has agreed an action plan in response to the other recommendation raised. This includes implementation dates from Q1 2024/25, as such we consider that the significant weakness identified remained in place for 2023/24	**Improving economy, efficiency and effectiveness** – in relation to procurement and contract management arrangements.	Recommendations raised by the predecessor auditor for 2022/23 remain valid, therefore, we are raising these as key recommendations for 2023/24.

Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements. In addition, we have complied with the National Audit Office's Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies.

In particular:

- **Non-audit services**: We provide assurance services as set out on the next page
- **Contingent fees**: No contingent fee arrangements are in place for any services provided
- **Gifts and hospitality**: We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff
- **Relationships**: We have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Independence and ethics

Assurance service fees

Service	Provided to	Fee	Threats identified and Safeguards to mitigate threats to independence
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2023/24)	Council	£28,000 plus additional fee for each extended testing workbook required *(work is still on-going)*	**Self-interest:** Given this is likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or Cannock Chase District Council. The fee is fixed (apart from an additional £2,000 for each additional 40+ workbook) and not contingent in nature. **Self-review**: Whilst related revenue and expenditure streams are within the financial statements, we do not complete the claim form/s. The focus of our work is solely testing the data in the claim form prepared by the management. **Management:** As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report. We therefore consider these risks sufficiently mitigated.
Audit related: Certification of pooling of Housing Capital Receipts return	Council	£10,000	

Appendices

Appendix I: Fees

PSAA set a fee scale for each audit that assumes the audited body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. This fee scale is reviewed by PSAA each year and adjusted, if necessary, based on auditors' experience, new requirements or significant changes to the audited body. The fee may be varied above the fee scale to reflect the circumstances and local risks within the audited body.

The proposed fee reported in our audit plan was based upon the following assumptions:

- Draft financial statements to be produced to a good quality by the agreed deadlines. These should be complete including all notes, the Narrative Report and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays;
- Our accounts opinion being unqualified and there being no significant weaknesses identified in your arrangements to secure value for money;
- The auditor's report from the prior year being unmodified (clean opinion);
- An effective control environment is in place at the Council;
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See Statement of responsibilities of auditors and audited bodies from 2023/24 audits – PSAA. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full in Appendix III.

Due to the disclaimed opinions from the prior years and the imposition of the statutory backstop for 2023/24, the above assumptions are unable to be met. This has resulted in additional costs, which we have set out in the fee table on the next page. As set out in the joint statement on proposals to clear the backlog and embed timely audit issued by MHCLG (formerly DLUHC), PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24 audit.

Appendix I: Fees

Audit fee	Audit plan 2023/24 £	Proposed final 2023/24 £
Scale fee for the audit of the Council financial statements (as set out in the fee scales issued by PSAA) (note 1)	£150,914	**£75,457**
Fee variation; VFM consideration of additional risks (note 2)	TBC	**£7,560**
Additional work arising from current and prior year disclaimers of opinion (note 3)	-	**£9,630**
Total audit fee	**150,914**	**£92,647**
Certification of the HBAP claim (note 4)	£28,000 plus £2k per additional WB	**TBC**
Certification of Pooling Housing Capital Receipts return	£10,000	**£10,000**
Total fees	**TBC**	**TBC**

Note 1 - In line with arrangements under the PSAA contract we only anticipate billing 50% of the scale fee to the Council for work undertaken in relation to the 2023/24 audit.

Note 2 – additional work necessary due to the identification of risks of significant weaknesses relating to our VFM assessment.

Note 3 - this includes additional work required to consider the disclaimed audits from prior years, the production, agreement and reporting to management and the Audit and Standards Committee, the development and reporting of a revised 'Audit Completion Report' for reporting the additional considerations arising from the disclaimers, the drafting of a disclaimed audit report and the various risk, compliance and technical consultations arising as a result of this unique and unprecedented situation.

Note 4 – work currently ongoing.

Appendix III: PSAA Statement of Responsibilities

Our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies from 2023/24 audits. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- *provide necessary resources to enable delivery of the plan;*
- *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- *during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

AZETS

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

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B2 5AL

28 February 2025

Dear Sirs

Cannock Chase District Council
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Cannock Chase District Council's (the "Council") for the year ended 31 March 2024.

I confirm that to the best of my knowledge and belief having made such inquiries as I considered necessary for the purpose of appropriately informing myself:

Financial Statements

i. I have fulfilled my responsibilities as Section 151 Officer for the preparation of the Council's financial statements in accordance with applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code), for being satisfied that they give a true and fair view and for making accurate representations to you.

ii. I have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The financial statements are free of material misstatements and misclassifications including omissions.

iv. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

v. I acknowledge my responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud and error, and I believe that I have appropriately fulfilled these responsibilities.

vi. The methods, data and significant assumptions used by us in making accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework. I am satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vii. The Council has satisfactory title to all assets. The Council has no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities as at 31 March 2024 reflected in the financial statements.

viii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent.

b. none of the assets of the Council has been assigned, pledged, or mortgaged.

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of applicable law and accounting standards.

x. All events subsequent to the date of the financial statements and which require adjustment or disclosure have been adjusted or disclosed.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK adopted international accounting standards, and as interpreted and adapted by the Code.

xii. I believe that the Council's financial statements should be prepared on a going concern basis. I do not expect the Council to demise in its current organisational form; however, my basis for going concern acknowledges that if that situation arose the services would be transferred to another body. I believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xvii. I acknowledge the Council's legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as I am aware, there is no relevant audit information needed by you for the purposes of your audit of which you are unaware.

xviii. On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2023/24 of 28 February 2025. The new National Audit Office Code of Practice (2024) requires that where auditors are unable to conclude their work by this statutory backstop date, they should issue either a qualified audit opinion or a disclaimer of opinion. It has not been possible to provide you with all the required information for you to complete your audit for the year ending 31 March 2024 by the statutory backstop date.

xix. I have communicated to you all deficiencies in internal control of which management is aware.

xx. I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. I have disclosed to you all information in relation to known fraud or suspected fraud that I am aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxii. I have disclosed to you all information in relation to instances of, or allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators, or others.

xxiii. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. I have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which I am aware.

xxv. I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

xxvi. All transactions undertaken by the Council have been recorded in the accounting records and are properly reflected in the financial statements.

Management Commentary

xxvii. The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Corporate Governance Statement

xxviii. I am satisfied that the Corporate Governance Statement fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks or weaknesses in governance or internal control that are not disclosed within the Statement.

Yours faithfully

Signature:____

Name:____

Position:____

Date:____________________________

Independent Auditor's Report to the members of Cannock Chase District Council

Report on the audit of the financial statements

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Cannock Chase District Council (the 'Council') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund Income and Expenditure Account, and notes to the financial statements, including accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24.

We do not express an opinion on the financial statements of the Council. Due to the significance of the matter described in the 'Basis for disclaimer of opinion' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion, by certain specified dates ('the backstop dates'), which have been put in law with the purpose of clearing the backlog of historical financial statements in English local government. The specified backstop dates include:

- 28 February 2025 for the Accountability Statements for 2023/24; and
- 13 December 2024 for any outstanding Accountability Statements for prior years.

The Council published its outstanding Accountability Statements for 2021/22 and 2022/23 on 29 November 2024, by the required backstop date. However, these Accountability Statements all included a disclaimer of opinion issued by the Council's predecessor auditor.

The 2023/24 backstop date introduced by the Amendment Regulations, and its proximity to the previous backstop date, has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements for 2023/24 and to rebuild the missing assurance arising from the disclaimer of opinions for the previous two financial years. There has been insufficient time for us to perform all necessary audit procedures.

Opinion on other matters required by the Code of Audit Practice

The Council are responsible for the other information. The other information comprises the information included in the Annual Governance Statement and Statement of Accounts other than the financial statements and our auditor's report thereon.

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") we are required to consider, based on the work undertaken in the course of the audit of the financial statements, whether the other information published together with the audited financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Because of the significance of the matters described in the 'Basis for disclaimer of opinion' section of our report, we have been unable to form an opinion whether the other information published together with the financial statements in the Statement of Accounts and Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception under the Code of Audit Practice

Under the Code of Audit Practice, we are also required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Because of the significance of the matter described in the 'Basis for disclaimer of opinion' section of our report, we have been unable to consider the form and content of the Annual Governance Statement.

Responsibilities of the Council and the S151 Officer & Deputy Chief Executive (Resources)

As explained in the Statement of Responsibility for the Statement of Accounts set out on page 15, the Council 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 S151 Officer & Deputy Chief Executive (Resources). The S151 Officer & Deputy Chief Executive (Resources) is responsible for the preparation of the Council's Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the S151 Officer & Deputy Chief Executive (Resources) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the S151 Officer & Deputy Chief Executive (Resources) is responsible for assessing the Council'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 there is an intention by government to cease the provision of the services provided by the Council. The S151 Officer & Deputy Chief Executive (Resources) is required to comply with the requirements set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the 'Basis for disclaimer of opinion' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the 'Basis for disclaimer of opinion' section of our report.

Report on other legal and regulatory matters

Reports in the public interest or use of other statutory powers

Under the Code of Audit Practice, we are required to report to you if, in the course of or at the conclusion of the audit, we:

- issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014;
- make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014;
- 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;
- issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above except:

We identified the following significant weaknesses in the Council's arrangements and made key recommendations in relation to these.

- We identified one significant weakness in the Council's arrangements for financial sustainability and governance. This was in relation to arrangements for financial planning and financial monitoring and finance team capacity not being adequate.

We recommended that the Council needs to ensure it has adequate capacity in its finance team and improve its financial planning and financial monitoring arrangements.

- We identified one significant weakness in the Council's arrangement for financial sustainability and improving economy, efficiency and effectiveness. This was in relation to improvement required in respect of its Housing Revenue Account (HRA) management, business planning and financial sustainability. We recommended that the Council should deliver a full stock condition survey, develop a placed based housing strategy and HRA asset management strategy, and review HRA reserves.
- We identified one significant weakness in the Council's arrangements for financial sustainability. This was in relation to the Council not having a robust plan to address its financial gap in the medium-term, instead it was making planned use of reserves. We recommended that the Council should develop a corporate saving and transformation plan to help it reduce spending by looking at different ways of delivering services.
- We identified three significant weaknesses in the Council's arrangements in respect of governance. These were in relation to the Council's:
  - risk management for strategic and operational arrangements. We recommended that the Council needs to improve risk management.
  - internal controls in respect of Information Technology (IT), which could expose the Council to significant financial or service loss including fraud and cyber-attacks and the Council has failed to follow-up on external audit recommendations in these areas. We recommended that the Council needs to urgently address its significant weaknesses in its internal controls relating to IT.
  - internal controls relating to fraud, which could expose the Council to significant financial loss, and the Council has failed to follow-up on external audit recommendations in this area. We recommended that the Council needs to urgently address its significant weaknesses in its internal controls relating to fraud.
- We identified four significant weaknesses in the Authority's arrangements in respect of improving economy, efficiency and effectiveness. These were in relation to the Council's:
  - failing to meet minimum service standards in its housing service and there being a historic failure to achieve improvements in building safety. The Council was also failing to meet statutory equalities duties. We recommended that the Council needs to urgently address its significant weaknesses in compliance with statutory HRA obligations.
  - lack of a performance management framework to deliver its business plan. We recommended that the Council needs to improve its performance management arrangements.
  - arrangements for asset management that have caused the risk of harm to its tenants. We recommended that the Council needs to improve its asset management arrangements.

- procurement and contract management arrangements. We recommended that the Council needs to improve its procurement and contract management arrangements.

Responsibilities of the Council

As explained in the Statement of responsibilities, the Council is required to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets. The Council is responsible for putting in place proper arrangements for securing 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 review of the Council's arrangements for securing 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 be satisfied that the Council has made 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements.' When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Council has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary which will be included in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Delayed certificate

We cannot formally conclude the audit and issue an audit certificate for Cannock Chase District Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice 2024 (the "Code") until we have completed all our responsibilities mandated by the Code.

- Our Whole of Government Accounts work for the year ended 31 March 2024, as mandated under the National Audit Office's group instructions, is currently outstanding.

We are satisfied that this work does not have a material effect on the financial statements, or on our conclusion on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2024.

Use of our report

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

Andrew Reid, Key Audit Partner

for and on behalf of Azets Audit Services, Local Auditor

Birmingham

date

Item No. 6.1

Annual Treasury Management Report 2023-24

Committee:	Audit and Governance Committee / Council
Date of Meeting:	19 February 2025 / 26 February 2025
Report of:	Deputy Chief Executive-Resources & S151 Officer
Portfolio:	Leader of the Council and Resources & Transformation

1 Purpose of Report

1.1 To update members on treasury management activity and performance during the 2023/24 financial year.

2 Recommendations

2.1 To note the annual treasury management report for 2023/24; and

2.2 To approve the actual 2023/24 prudential and treasury indicators set out in the Appendix.

Reasons for Recommendations

2.3 The committee is required to receive reports and approve information on treasury management activity during the year

3 Key Issues

3.1 Treasury management activity and performance report during the 2023/24 financial year.

4 Relationship to Corporate Priorities

4.1 Treasury management and investment activity link in with all of the Council's priorities and their spending plans.

5 Report Detail

Background

5.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

5.2 During 2023/24, the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year,
- a mid-year (minimum) treasury update report, and

- an annual review following the end of the year describing the activity compared to the strategy (this report).

5.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

5.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Governance Committee before they were reported to the full Council. An introduction to local government finance, the current financial position of the council as well as a brief overview of treasury was given to all new members. Training will be programmed in over the next twelve months.

The Council's Capital Expenditure and Financing

5.5 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

5.6 The actual capital expenditure forms one of the required prudential indicators. This is detailed in the Appendix.

The Council's Overall Borrowing Need

5.7 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2023/24 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2023/24 MRP Policy, (as required by Ministry of Housing, Communities and Local Government [MHCLG] Guidance), was approved as part of the Treasury Management Strategy Report for 2023/24 on 1 March 2023.

The Council's CFR for the year is shown in the Appendix and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need.

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

5.8 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator would have allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2023/24. The table in **APPENDIX 1** highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

5.9 **The authorised limit** - the authorised limit is the "affordable borrowing limit" determined in compliance with section 3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table in **APPENDIX 1** demonstrates that during 2023/24 the Council has maintained gross borrowing within its authorised limit.

5.10 **The operational boundary -** the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

5.11 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Treasury Position as at 31 March 2024

5.12 The Council's treasury management debt and investment position is organised by the Treasury Team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

At the end of 2023/24 the Council's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

	31 March 2023 Principal £'000	Rate/ Return (%)	Average Life (yrs.)	31 March 2024 Principal £'000	Rate/ Return (%)	Average Life (yrs.)
Total debt (PWLB)	81,605	3.98%	34	81,605	3.98%	32.5
CFR	90,575			90,307		
Over / (under) borrowing	-8,970			-8,702		
Total investments	56,800	2.06%	0.08	55,600	4.88%	0.10
Short term borrowing	0			0		
Net Investments	56,800			55,600		
Net debt	**24,805**			**26,005**		

5.12.1 The following table sets out the Council's investments held and their respective rate of returns as at 31 March 2024:

Counterparty	Start Date	End Date	Value (£)	Rate %
Al Rayan Bank Plc	19/02/2024	19/08/2024	4,000,000	5.38
Al Rayan Bank Plc	15/11/2023	15/05/2024	2,000,000	5.58
National Bank of Kuwait	19/03/2024	19/09/2024	4,000,000	5.46
Eastleigh Borough Council	07/12/2023	08/04/2024	5,000,000	5.60
Wirral Metropolitan Borough Council	08/12/2023	08/04/2024	10,000,000	5.60
Santander (180 days)	Call (Notice Account)		3,500,000	5.01
Svenska Handelsbanken	Call Account		1,000,000	3.20
Federated Hermes Short-Term GBP Prime Class 3	Money Market Fund		8,950,000	5.29
Invesco Liquidity GBP Institutional	Money Market Fund		8,150,000	5.27
Morgan Stanley GBP Liquidity Institutional Plus	Money Market Fund		9,000,000	5.26
Total Investments			**55,600,000**	

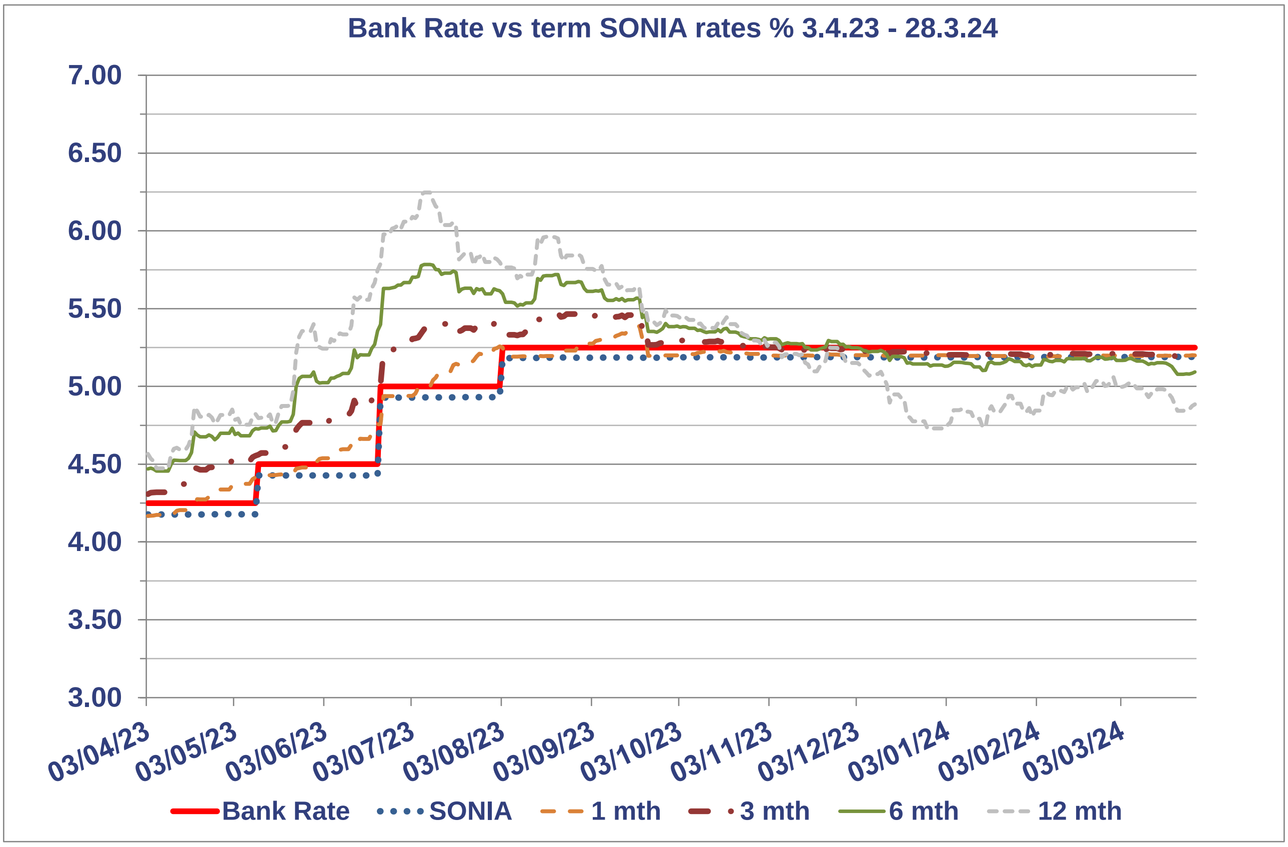
5.12.2 The table below sets out the maturity profile of the external debt held by the Council.

Debt Maturity Profile	31-Mar-23 Actual	2023/24 Original Limits	31-Mar-24 Actual
	£m	£m	£m
Under 12 months	0.00	1.40	1.40
12 months and within 24 months	1.40	3.00	3.00
24 months and within 5 years	3.00	0.00	0.00
5 years and within 10 years	3.00	3.00	3.00
10 years and within 20 years	9.60	9.60	9.60
20 years and within 30 years	0.00	0.00	0.00
30 years and within 40 years	64.605	64.605	64.605
40 years and within 50 years	0.00	0.00	0.00
Total Debt	**81.605**	**81.605**	**81.605**

5.13 All investments in the portfolio have a maturity of under 1 year.

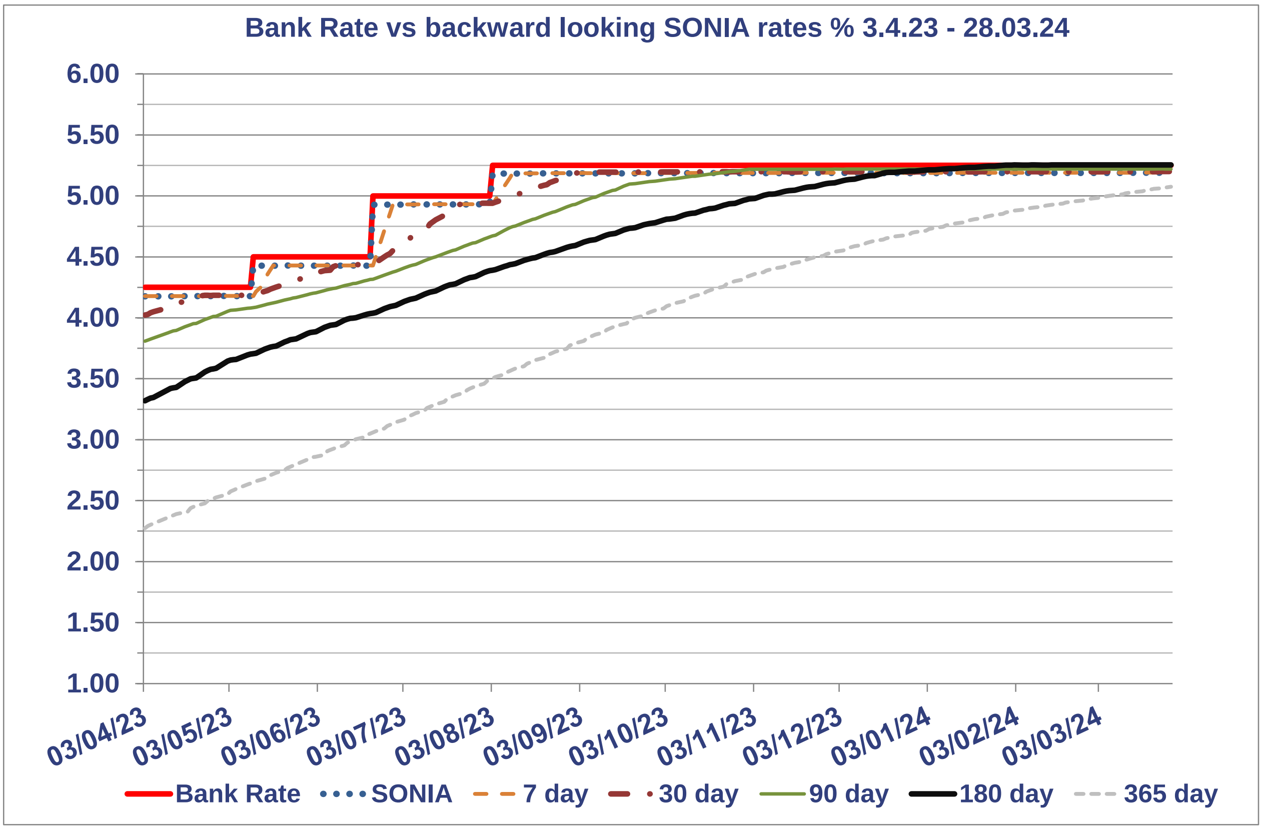
Investment strategy and control of interest rate risk

Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2023/24



FINANCIAL YEAR TO QUARTER ENDED 28/03/2024						
	Bank Rate	**SONIA**	**1 mth**	**3 mth**	**6 mth**	**12 mth**
High	5.25	5.19	5.39	5.48	5.78	6.25
High Date	03/08/2023	28/03/2024	19/09/2023	30/08/2023	07/07/2023	07/07/2023
Low	4.25	4.18	4.17	4.31	4.46	4.47
Low Date	03/04/2023	04/04/2023	03/04/2023	03/04/2023	06/04/2023	06/04/2023
Average	5.03	4.96	5.02	5.13	5.23	5.25
Spread	1.00	1.01	1.22	1.17	1.33	1.77

Investment Benchmarking Data – Sterling Overnight Index Averages (Backward-looking) 2023/24



FINANCIAL YEAR TO QUARTER ENDED 28/03/2024							
	Bank Rate	**SONIA**	**7 day**	**30 day**	**90 day**	**180 day**	**365 day**
High	5.25	5.19	5.19	5.20	5.22	5.25	5.08
High Date	03/08/2023	28/03/2024	28/03/2024	26/03/2024	25/03/2024	22/03/2024	28/03/2024
Low	4.25	4.18	4.18	4.02	3.81	3.32	2.27
Low Date	03/04/2023	04/04/2023	11/04/2023	03/04/2023	03/04/2023	03/04/2023	03/04/2023
Average	5.03	4.96	4.96	4.93	4.84	4.64	3.93
Spread	1.00	1.01	1.01	1.18	1.41	1.94	2.80

5.14 Investment returns picked up throughout the course of 2023/24 as Central Banks, including the Bank of England (BoE), realised that inflationary pressures were not transitory, and that tighter monetary policy were required.

The Bank of England opted to increase Bank Rate on 14 successive occasions, starting around mid-December 2021. At the beginning of April 2022, Bank Rate was set at 0.75% and moved up in stepped increases of either 0.25% or 0.5% thereafter, reaching 4.25% by the end of 2022/23 and peaked at 5.25% on 3rd

August 2023. By the end of the financial year, no further increases were anticipated and accordingly held at 5.25%, However, there was indeed market expectation that the first reduction in Bank Rate would occur in either June or August 2024. Consistent with this expectation, the BoE announced its first Bank Rate. On 1st August 2024, interest rates dropped by 25 basis points (i.e. 0.25%), thereby becoming 5%. Such announcement represented the first cut to rates since March 2020.

Against this backdrop of market volatility, the sea-change in investment rates meant local authorities were faced with the challenge of proactive investment of surplus cash for the first time in over a decade. This emphasised the need for a detailed working knowledge of cashflow projections, so that the appropriate balance between the conflicting needs for security and liquidity of funds whilst maximising the return on investments could be struck. The Council's Treasury Team were able to achieve such balance through the diversification of different financial assets and other interest-bearing instruments, and "rode the yield curve" with fixed-term deposits by adopting shorter durations on a rolling basis in order to lock-in the increase in investment rates whilst maintaining the security of investment.

With bond markets selling off, UK equity market valuations struggled to make progress, as did property funds, although there have been some spirited, if temporary, market rallies from time to time – including in November and December 2023. However, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration), have continued to be at the forefront of most local authority investment strategies, particularly given Money Market Funds (MMFs) have also provided decent returns in close proximity to Bank Rate for liquidity purposes. In the latter part of 2023/24, the local authority-to-local authority market lacked any meaningful measure of depth, forcing short-term investment rates above 7% in the last week of March.

5.15 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

5.16 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

Borrowing strategy and control of interest rate risk

5.17 During 2023/24, the Council maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure.

5.18 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost - the difference between (higher) borrowing costs and (lower) investment returns.

5.19 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

5.20 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The S151 Officer and Deputy Chief Executive (Resources) therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

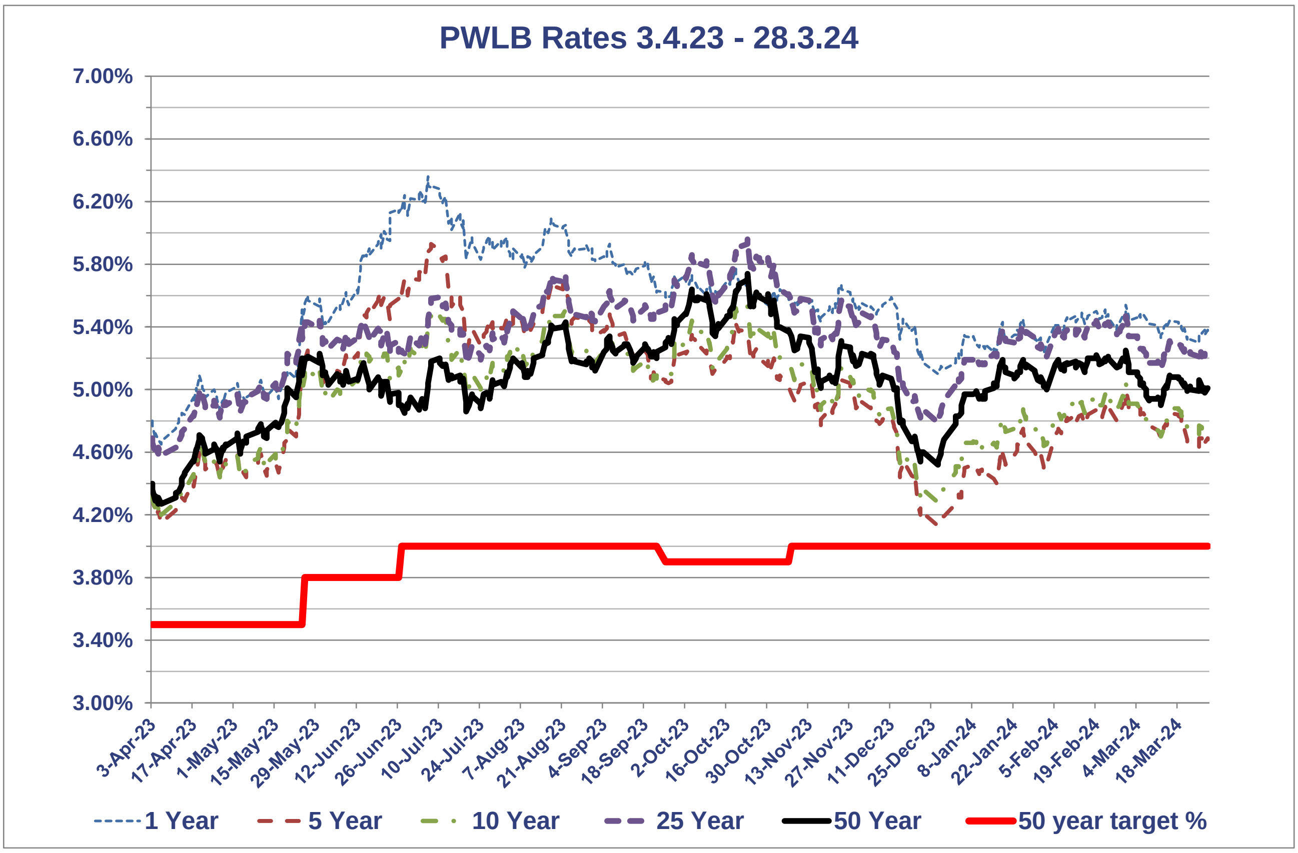
- if it had been felt that there was a significant risk of a sharp FALL in long- and short-term rates, (e.g., due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from the stickiness of inflation in the major developed economies, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

5.21 During 23/24, interest rate forecasts initially suggested further gradual rises in short, medium and longer-term fixed borrowing rates. Bank Rate had initially been forecast to peak at 4.5% but, in fact, it peaked at 5.25% on 3rd August 2023. By January, it had become clear that inflation was moving down significantly from its 40-year double-digit highs, and the Bank of England signalled in March 2024 that the next move in Bank Rate would be down, so long as upcoming inflation and employment data underpinned that view.

As highlighted above, the Bank of England opted to increase Bank Rate on 14 successive occasions, starting around mid-December 2021. At the beginning of April 2022, Bank Rate was set at 0.75% and moved up in stepped increases of either 0.25% or 0.5% thereafter, reaching 4.25% by the end of 2022/23 and peaked at 5.25% on 3rd August 2023. By the end of the financial year, no further increases were anticipated and accordingly held at 5.25%, However, there was indeed market expectation that the first in Bank Rate would occur in either June or August 2024. Consistent with this expectation, the BoE announced its first Bank Rate. On 1st August 2024, interest rates dropped by 25 basis points (i.e. 0.25%), thereby becoming 5%. Such announcement represented the first cut to rates since March 2020, therefore. The second rates cut occurred 7th November, lowering base rate by another 25 basis points to 4.75%. Based on current market conditions and intelligence, it is anticipated that continuing gradual fall in inflation will, in turn, lead to a fall in Bank Rate. It is projected that Bank Rate could decline as far as 3.50% by the tail-end of 2027.

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

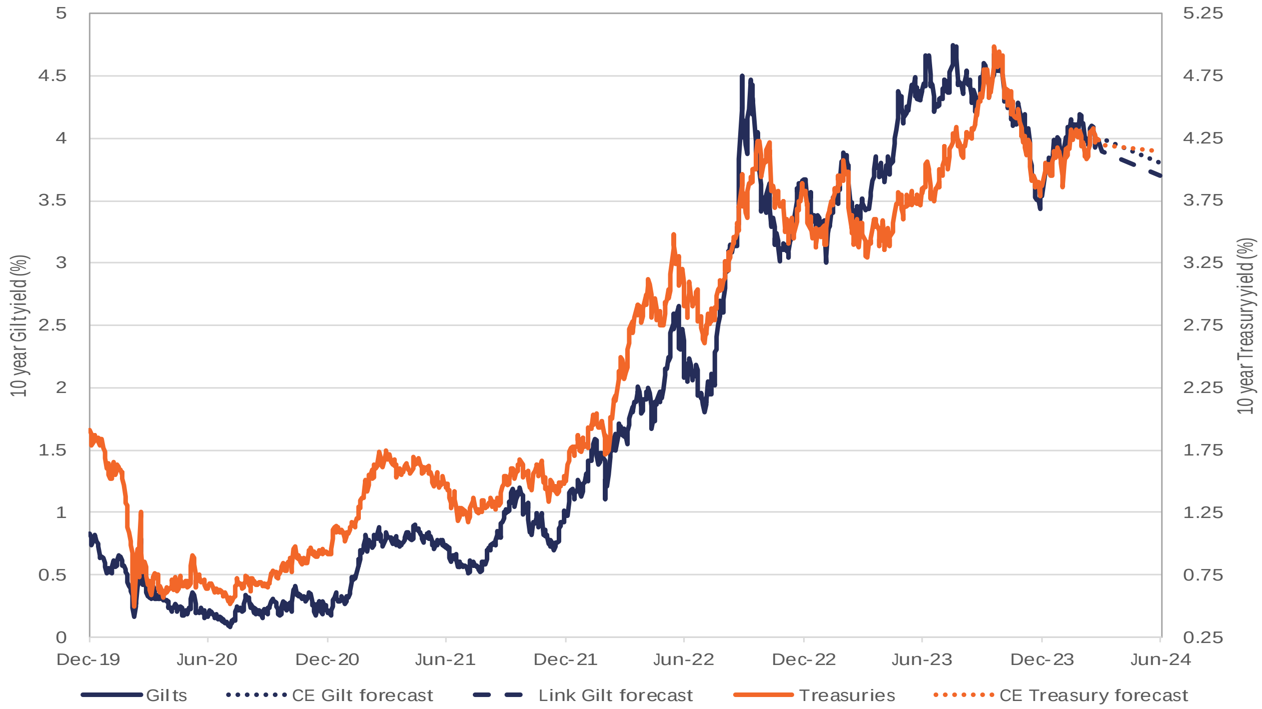
PWLB RATES 2023/24



5.22 PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by levels of persistent inflation that are exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Graph of UK gilt yields v. US treasury yields



5.23 Gilt yields have generally been on a continual rise since the start of 2021, peaking in the autumn of 2023. Currently, yields are broadly range bound between 3.5% and 4.25%.

5.24 At the close of the day on 28 March 2024, all gilt yields from 1 to 50 years were between 3.81% and 4.56%, with the 1 year being the highest and 6-7 years being the lowest yield.

5.25 Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows:

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- **HRA Borrowing rate is gilt plus 40 40bps** (G+40bps)

Borrowing Outturn

5.26 **Borrowing** - No borrowing was undertaken during the year.

Investment Outturn

5.27 **Investment Policy** - the Council's investment policy is governed by MHCLG guidance, which has been implemented in the approved annual investment strategy. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc).

5.28 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

5.29 **Resources** - the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Year End Resources	2022/23 Actual £'000	2023/24 Actual £'000
Earmarked Fund balances /reserves		
General Fund (GF)	18,541	20,863
General Fund working balance	1,941	1,613
Housing Revenue Account (HRA)	13,191	13,964
HRA working balance	1,983	2,572
Sub Total	**35,656**	**39,012**
Capital receipts:		
GF	6,286	6,745
HRA	5,370	6,081
Sub Total	**11,656**	**12,826**
Provisions	2,368	2,443
Major Repairs Reserve	8,606	6,602
Capital Grants Unapplied GF	3,606	2,862
Other - Grants Receipts In Advance	2,392	2,076
Total core funds	**64,284**	**65,821**

5.30 **Investments held by the Council:**

- The Council maintained an average balance of £59.5m of internally managed funds.
- The internally managed funds earned an average annualised rate of return of 4.88%.
- Total investment income was £2,904,183.83 compared to a revised budget of £2,250,000.

6 Implications

6.1 Financial

Included in this report.

6.2 Legal

None

6.3 Human Resources

None

6.4 Risk Management

None

6.5 Equalities and Diversity

None

6.6 Health

None

6.7 Climate Change

None

7 Appendices

Appendix 1: Prudential Indicators

Appendix 2: Investment Analysis

8 Previous Consideration

None

9 Background Papers

Held in Finance.

Contact Officer:	Chris Forrester
Telephone Number:	01543 464 334
Report Track:	Audit & Governance Committee: 19/02/25 Council: 26/02/25
Key Decision:	N/A

Item No. 6.13

Appendix 1

Annual Treasury Management Report 2023/24

1. PRUDENTIAL INDICATORS	**2022/23 Actual £'000**	**2023/24 Estimate £'000**	**2023/24 Actual £'000**
Capital Expenditure (HRA)	3,726	12,772	7,182
Capital Expenditure (GF)	2,696	2,224	3,503
Notional Capital expenditure – Finance Leases			
Ratio of financing costs to net revenue stream (HRA)	15.96%	15.37%	12.86%
Ratio of financing costs to net revenue stream (GF)	-4.90%	-3.1%	-13.25%
Gross borrowing requirement (GF) - Finance Leases	223	0	0
Gross debt	81,605	81,605	81,605
Capital Financing Requirement as at 31 March (HRA)	82,475	82,453	82,475
Capital Financing Requirement as at 31 March (GF)	8,100	7,833	7,833
Annual change in Cap. Financing Requirement (HRA)	0	-22	0
Annual change in Cap. Financing Requirement (GF)	-502	-267	-267

2 TREASURY MANAGEMENT INDICATORS	**2022/23 Actual £'000**	**2023/24 Estimate £'000**	**2023/24 Actual £'000**
Authorised Limit for external debt -	102,075	103,338	101,807
Operational Boundary for external debt	90,575	91,838	90,307
Actual external debt	81,605		81,605

Maturity structure of fixed rate borrowing during 2023/24	**Upper limit**	**Lower limit**
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Annual Treasury Management Report 2023/24

The following table sets out an analysis of investments held 31st March 2024 (together with a comparator at 31st March 2023).

INVESTMENT PORTFOLIO	**Actual 31.3.23**	**Actual 31.3.23 %**	**Actual 31.3.24**	**Actual 31.3.24 %**
Money Market Funds	£29.8m	52%	£26.1m	47%
Banks/Building Society	£27.0m	48%	£14.5m	26%
Local Authority	0	0%	£15.0m	27%
TOTAL TREASURY INVESTMENTS	**£56.8m**	**100%**	**£55.6m**	**100%**

Item No. 7.1

Treasury Management Mid-Year Report 2024/25

Committee:	Audit and Governance Committee / Council
Date of Meeting:	19 February 2025 / 26 February 2025
Report of:	Deputy Chief Executive-Resources & S151 Officer
Portfolio:	Leader of the Council and Resources & Transformation

1 Purpose of Report

1.1 To update members on Treasury Management activity and performance during the first half of the 2024/25 financial year.

1.2 To provide an economic update and a background to the latest economic forecasts of interest rates. Both are detailed in the **APPENDIX**.

2 Recommendations

2.1 To note the report, the treasury activity and the Prudential Indicators for 2024/25.

Reasons for Recommendations

2.2 The treasury management strategy sets out the activity for the year and update reports are required to be produced during the year.

3 Key Issues

3.1 To report the Treasury Management activity and performance during the first half of the 2024/25 financial year.

4 Relationship to Corporate Priorities

4.1 Treasury Management and investment activity link in with all of the Council's priorities and their spending plans.

5 Report Detail

Background

5.1 **Capital Strategy**

In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2020/21, all local authorities have been required to prepare a Capital Strategy which is to provide the following:

- a high-level overview of how capital expenditure, capital financing and Treasury Management activity contribute to the provision of services.
- an overview of how the associated risk is managed.
- the implications for future financial sustainability.

This strategy is in the process of being updated and will come to a future meeting of the committee.

5.2 **Treasury Management**

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Accordingly, a significant function of Treasury Management is ensuring that cash flows are adequately planned and controlled to meet this objective. Any surplus monies are invested with low risk counterparties, and managed appropriately so that sufficient levels of liquid cash are available to meet any payment obligations as well as offer headroom for unexpected circumstances. Such considerations underpin the day-to-day operations of Treasury Management when determining investment-related outcomes rather than the sole factor of yield that aims to generate higher return on investments with little or no regards to financial risks.

5.3 The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

5.4 Accordingly, CIPFA defines "Treasury Management" as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Introduction

5.5 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

The primary requirements of the Code are as follows:

1 Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities.

2 Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3 Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.

4 Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions.

5 Delegation by the Council of the role of scrutiny of Treasury Management strategy and policies to a specific named body. For this Council, the delegated body is the Cabinet.

5.6 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2024/25 financial year.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Council's capital expenditure, as set out in the Capital Strategy, and Prudential Indicators.
- A review of the Council's investment portfolio for 2024/25.
- A review of the Council's borrowing strategy for 2024/25.
- A review of any debt rescheduling undertaken during 2024/25.
- A review of compliance with Treasury and Prudential Limits for 2024/25.

Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS) for 2024/25 was approved by this Council on the 1 February 2024. There has been no policy change since the TMSS came into force. All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

Prudential Indicator 2024/25	Original £'000	Revised £'000
Authorised Limit	107,112	102,103
Operational Boundary	95,612	95,603
Capital Financing Requirement	90,051	90,051

The Council's Capital Position (Prudential Indicators)

5.7 This part of the report is structured to update:

- The Council's capital expenditure plans.
- How these plans are being financed.
- The impact of the changes in the capital expenditure plans on the Prudential Indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

This table shows the estimates for capital expenditure and the changes since the capital programme was agreed at Budget time

Capital Expenditure by Portfolio	**2024/25 Original Estimate £'000**	**2024/25 Revised Estimate £'000**
Resources & Transformation	0	208
Environment & Climate Change	84	84
Community Wellbeing	1,191	2,566
Housing	20	12
Parks, Culture & Heritage	639	1,690
Regeneration & High Streets	420	5,294
Non – HRA	**2,354**	**9,854**
HRA	10,919	9,376
Total	**13,273**	**19,230**

5.8 The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	**2024/25 Original Estimate £'000**	**2024/25 Revised Estimate £'000**
Total Spend	**13,273**	**19,230**
Financed by:		
Capital Receipts	908	1,812
Capital Grants/contributions	1,828	8,651
Major Repairs	10,223	7,353
Revenue	314	1,414
Total Financing	**13,273**	**19,230**
Borrowing Need	**0**	**0**

Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

5.9 The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicators - CFR and Operational Boundary

5.10 We are on target to achieve the original forecast Capital Financing Requirement.

	2024/25 Original Estimate £'000	**2024/25 Revised Estimate £'000**
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	7,576	7,576
CFR – housing	82,475	82,475
Total CFR	90,051	90,051
Net movement in CFR	**-257**	**-257**
Prudential Indicator – the Operational Boundary for external debt		
Operational Boundary	**95,612**	**95,603**
Borrowing	81,605	81,605
Other long-term liabilities*		
Headroom	**14,007**	**13,998**

** On balance sheet finance leases etc.*

Limits to Borrowing Activity

The first key control over the treasury activity is a Prudential Indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2024/25 Original Estimate £'000	**2024/25 Revised Estimate £'000**
Borrowing	81,605	81,605
Other long-term liabilities*		
Total debt	**81,605**	**81,605**
CFR* (year-end position)	**90,051**	**90,051**

** Includes on balance sheet finance leases etc.*

5.11 The section 151 officer reports that no challenges are envisaged for the current or future years in complying with this Prudential Indicator.

5.12 A further Prudential Indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

Authorised limit for external debt	2024/25 Original Estimate £'000	2024/25 Revised Estimate £'000
Authorised Limit	**107,112**	**102,103**
Borrowing	81,605	81,605
Other long-term liabilities*	0	0
Headroom	**25,507**	**20,498**

** Includes on balance sheet finance leases etc.*

Annual Investment Strategy 2024/25

5.13 In accordance with CIPFA's Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As shown in **APPENDIX 2** with the accompanying forecast interest rate in near time horizon, there is a relationship with inflation and interest rates. A rise in inflation will invariably lead to a rise in interests. The same wisdom holds true from the opposite situation. Holding true to this relationship, The Bank of England opted to increase Bank Rate on 14 successive occasions, starting around mid-December 2021. At the beginning of April 2022, Bank Rate was set at 0.75% and moved up in stepped increases of either 0.25% or 0.5% thereafter, reaching 4.25% by the end of 2022/23 and peaked at 5.25% on 3rd August 2023. By the end of the financial year, no further increases were anticipated and accordingly held at 5.25%, However, there was indeed market expectation that the first in Bank Rate would occur in either June or August 2024. Consistent with this expectation, the BoE announced its first Bank Rate. On 1 August 2024, interest rates dropped by 25 basis points (i.e. 0.25%), thereby becoming 5%. Such announcement represented the first cut to rates since March 2020, therefore. The second rates cut occurred 7 November, lowering base rate by another 25 basis points to 4.75%. Based on current market conditions and intelligence, it is anticipated that continuing gradual fall in inflation will, in turn, lead to a fall in Bank Rate. It is projected that Bank Rate could decline as far as 3.50% by the tail-end of 2027.

5.14 Against this backdrop of market volatility, the sea-change in investment rates before the expectation of rates cuts meant local authorities were faced with the challenge of proactive investment of surplus cash for the first time in over a decade. This emphasised the need for a detailed working knowledge of cashflow projections, so that the appropriate balance between the conflicting needs for security and liquidity of funds whilst maximising the return on investments could be struck. The Council's Treasury Team were able to achieve such balance through the diversification of different financial assets and other interest-bearing instruments, and “rode the yield curve” with fixed-term deposits by adopting shorter durations on a rolling basis in order to lock-in the increase in investment rates whilst maintaining the security of investment.

5.15 However, the landscape of the financial market for investors has changed since June and August 2024, following the anticipation of the first rate cut. The yield curve became “inverted”. By way of background, the yield curve represents the rational investor’s expected rate of return on investments for investing their funds into high-quality financial instruments such as Government for a given time horizon. In general terms, the yield curve is usually upwards trending: Longer-date instruments attract higher rate of returns than short-terms. In an inverted yield curve however, which typically occurs during economy slowdown and expectation of inflation decline, very short-term financial instruments are more favourable for investors seeking to generate the highest return on investments. Whereas long-duration maturities are less so.

The Council’s Treasury Team foresaw changes to the yield curve and, accordingly, adapted its approach towards its management of cash surpluses. Cash concentration is one of the main strategies adopted, meaning that higher fund balances in short-term financial assets like Call Accounts and Money Market Funds are being held. Another approach employed is that the Council entered into suitable fixed-term deposits before or near to the first rate cut occurred. Thus, the Council has “locked” into more favourable rates and maintained a balance between diversification and liquidity.

5.16 The Council held £59.48m of investments as at 30 September 2024 (£55.6m at 31 March 2024).

5.17 A full list of investments held as at 30 September 2024 is in **APPENDIX 1**.

Investment Counterparty criteria

5.18 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the Treasury Management function.

Borrowing

5.19 The Council’s capital financing requirement (CFR) for 2024/25 is £90.051m. The CFR denotes the Council’s underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

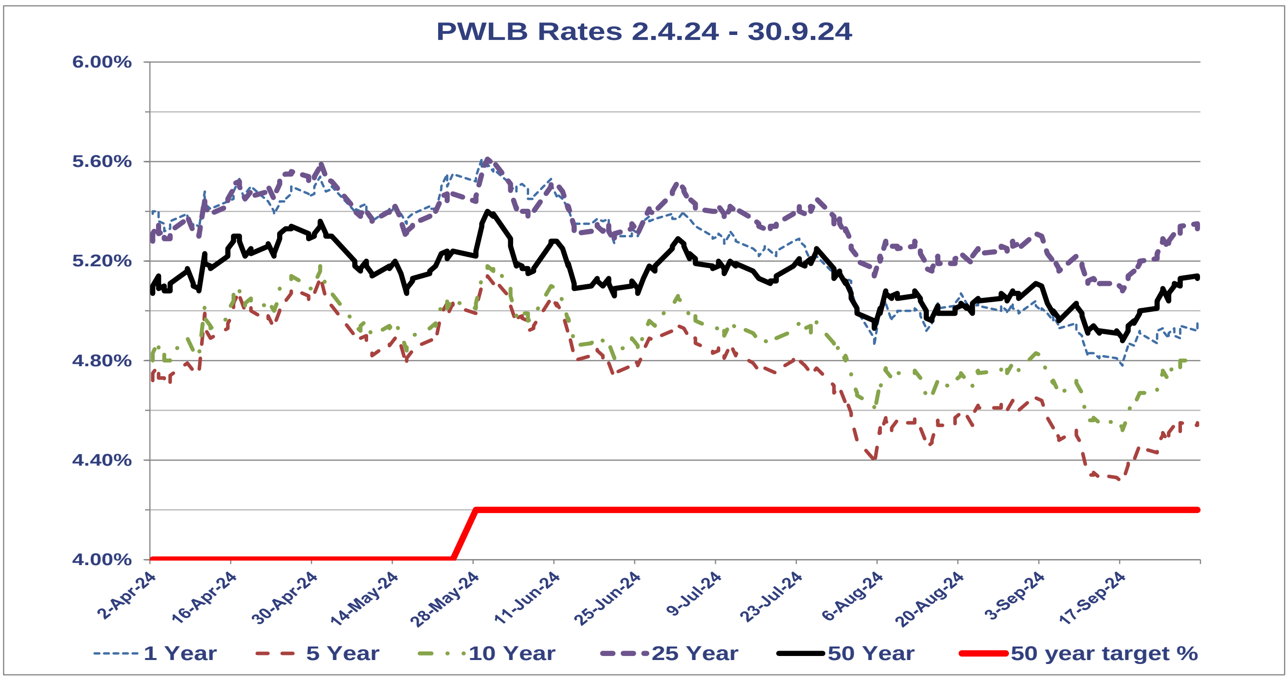
5.20 It is not currently anticipated that borrowing will be undertaken during this financial year, subject to capital slippage into 2024-25 and the trajectory of borrowing rates for the remainder of 24/25.

PWLB maturity certainty rates (gilts plus 80bps) year to date to 29th September 2024

Gilt yields and PWLB certainty rates were less volatile than at this time last year. Overall, the 10, 25 and 50-year part of the curve endured a little volatility but finished September very much as it started in April. Where there was some movement downwards, this came in the shorter part of the curve as markets positioned themselves for Bank Rate cuts in the second half of 2024 and into 2025, although the continued stickiness of inflation and the prevailing tight labour market is a concern for those looking for more sizeable falls ahead. At the beginning of April, the 5-year certainty rate was the cheapest part of the curve at 4.72% whilst the 25-year rate was relatively expensive at 5.28%. May saw yields at their highest across the whole curve. Conversely, 17 September saw the low point for the whole curve, with the 5-year certainty rate falling to 4.31% before rebounding to 4.55% by the end of the month. Similarly, the 50-year certainty rate fell to 4.88% but finished the month at 5.13%, slightly higher than at the start of April.

5.21 The Council's external treasury advisors, Link Group, forecast rates to fall back over the next two to three years as inflation dampens, although there is upside risk to our Bank Rate forecast at present. The CPI measure of inflation is expected to fall below 2% in the second half of 2025, however, and Link forecast 50-year rates to stand at 4.20% by the end of September 2026. Nonetheless, there remains significant risks to that central forecast due to national and international factors. At the national level, this author takes the view that such risks are twofold: (1) Chancellor Rachel Reeves' October's Budget which sets out the Labour Government's future spending and borrowing plans changed market expectations; more notably arising from the increase to minimum wage and the amount of National Insurance to be paid by employers; and (2) the very tight labour market putting upward pressure on wages which, invariably, can potentially contribute to the rising levels of unemployment in the UK. In addition to the continuing geo-political inflationary risks arising from the prevailing Middle East crisis and the Russian invasion of Ukraine, the return of President Trump and his post-inauguration speech at the international level will impact market performance and the extent of the falling interest rate environment.

PWLB Rates 01.04.24 - 29.09.24



	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

5.24 The current PWLB rates are set as margins over gilt yields as follows:

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate (GF) is gilt plus 80 basis points (G+80bps)
- PWLB Local Infrastructure Rate is gilt plus 60 basis points (G+60bps)
- PWLB Certainty Rate (HRA) is gilt plus 40bps (G+40bps)

The UK Infrastructure Bank will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

6 Implications

6.1 Financial

Included in this Report.

6.2 Legal

None

6.3 Human Resources

None

6.4 Risk Management

None

6.5 Equalities and Diversity

None

6.6 Health

None

6.7 Climate Change

None

7 Appendices

Appendix 1: Current Investment List as at 30 September 2024.

Appendix 2: Economic Update (provided by Link Asset Services as of 30 September 2024)

Appendix 3: Interest Rate Forecast (provided by Link Asset Services as of 30 September 2024)

8 Previous Consideration

None

9 Background Papers

Held with Finance

Contact Officer:	Chris Forrester
Telephone Number:	01543 464334
Report Track:	Audit & Governance Committee: 19/02/25 Council: 26/02/25
Key Decision:	N/A

Item No. 7.11

Appendix 1

Treasury Management Mid-Year Report 2024/25

Current Investment List and their respective rate of return as of 30 September 2024

Counterparty	Start Date	Maturity	Value (£)	Rate (%)
Al Rayan Bank Plc	15-May-24	15-Nov-24	2,000,000	5.25
Al Rayan Bank Plc	19-Aug-24	19-Nov-24	4,000,000	4.95
National Bank of Kuwait	19-Sep-24	19-Dec-24	4,000,000	4.96
UK Government Debt Management Account Deposit Facility (DMADF) ****	19-Sep-24	21-Oct-24	1,850,000	4.91
Santander (180 days)	**Call180		3,500,000	4.76
***Handelsbanken	***Call		1,000,000	3.20
Aberdeen GBP Liquidity Class L1	*MMF		9,000,000	5.01
Deutsche Managed GBP LVNAV Platinum	*MMF		9,000,000	5.00
Federated Hermes Short-Term GBP Prime Class 3	*MMF		9,000,000	5.03
Invesco Liquidity GBP Institutional	*MMF		7,130,000	5.00
Morgan Stanley GBP Liquidity Institutional Plus	*MMF		9,000,000	5.00
Total Investments			**59,480,000**	

*MMF - Money Market Fund (Instant Access)

**Call 180 days' Notice Account

***Call Account (No Notice. Instant Access)

**** UK Government Debt Management Account Deposit Facility (DMADF) is the Debt Management Office of the HM Treasury

Item No. 7.12

Appendix 2

Treasury Management Mid-Year Report 2024/25

Economics update

- The third quarter of 2024 (July to September) saw:
  - GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
  - A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July.
  - CPI inflation hitting its target in June before edging above it to 2.2% in July and August.
  - Core CPI inflation increasing from 3.3% in July to 3.6% in August.
  - The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting.
  - 10-year gilt yields falling to 4.0% in September.
- The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.
- The 1.0% m/m jump in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the ONS reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.
- The government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be announced in the Budget, which could weaken GDP growth in the medium-term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Our colleagues at Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.
- The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3myy growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis,

average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.

- Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

- CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.

- The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.

- Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, our central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however, although a November rate cut still looks likely, December may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.

- Our forecast is next due to be updated around mid-November following the 30 October Budget, 5 November US presidential election and the 7 November MPC meeting and the release of the Bank of England Quarterly Monetary Policy Report.

- Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank

Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.

- The FTSE 100 reached a peak of 8,380 in the third quarter of 2024, but its performance is firmly in the shade of the US S&P500, which has breached the 5,700 threshold on several occasions recently. Its progress, however, may pause for the time being whilst investors wait to see who is elected the next US President, and how events in the Middle East (and Ukraine) unfold. The catalyst for any further rally (or not) is likely to be the degree of investors' faith in AI.

MPC meetings: 9 May, 20 June, 1 August, 19 September 2024

- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.

- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.

- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.

- Nonetheless, November still looks most likely to be the next month to see a rate cut to 4.75% but, thereafter, inflation and employment data releases, as well as geo-political events, are likely to be the determinant for what happens in the remainder of 2024/25 and into 2025/26.

Treasury Management Mid-Year Report 2024/25

Interest Rate Forecast

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012.

The latest forecast on 28 May sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

Link's PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View	28.05.24									
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

Item No. 8.1

Treasury Management Strategy, Minimum Revenue Provision Policy, Annual Investment Strategy 2025/26

Committee:	Cabinet / Audit & Governance Committee
Date of Meeting:	17 February 2025 / 19 February 2025
Report of:	Deputy Chief Executive-Resources & S151 Officer
Portfolios:	Leader of the Council and Resources & Transformation

1 Purpose of Report

This report is presented to obtain the Council's approval to:

1.1. Prudential and Treasury Indicators - setting of indicators to ensure that the capital investment plans of the Council are affordable, prudent and sustainable.

1.2. The Minimum Revenue Provision (MRP) Policy.

1.3. Treasury Management Strategy Statement for 2025/26 - to set treasury limits for 2025/26 to 2027/28 and to provide a background to the latest economic forecasts of interest rates, and

1.4. Annual Investment Strategy 2025/26 - to set out the strategy of investment of surplus funds.

2 Recommendations

2.1 To note the following to be approved by Council:-

(a) The Prudential and Treasury Indicators.

(b) The MRP Policy Statement.

(c) The Treasury Management Policy.

(d) The Annual Investment Strategy for 2025/26.

Reasons for Recommendations

2.2 To note that indicators may change in accordance with the final recommendations from Cabinet to Council in relation to both the General Fund Revenue Budget and the Capital Programme.

2.3 The Council is required to approve its treasury management, investment and capital strategies to ensure that cash flow is adequately planned and that surplus monies are invested appropriately.

3 Key Issues

3.1 The Treasury Management Function essentially consists of:

- In the short-term ensuring that the cash flow of a Balanced Revenue Budget is adequately planned with surplus monies invested in accordance with the risk appetite of the Council.

- In the long-term funding the capital plans of the authority and in particular managing the debt of the Council and any new borrowing requirement.

3.2 The Governance arrangements are detailed in the various policies and strategies as detailed in the report together with the setting of Indicators in accordance with the Capital Financing Prudential Code. The Council is required to approve its treasury management, investment and capital strategies to ensure that cash flow is adequately planned and that surplus monies are invested appropriately.

4 Relationship to Corporate Priorities

4.1 Treasury management and investment activities are interwoven with all of the Council's priorities and their spending plans.

5 Report Detail

Background

5.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Accordingly, a significant function of Treasury Management is ensuring that cash flows are adequately planned and controlled to meet this objective. Any surplus monies are invested with low-risk counterparties and managed appropriately so that sufficient levels of liquid cash are available to meet any payment obligations as well as offer headroom for unexpected circumstances. Such considerations underpin the day-to-day operations of Treasury Management when determining investment-related outcomes rather than the sole factor of yield that aims to generate higher return on investments with little or no regards to financial risks.

5.2 The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

5.3 The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

5.4 CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

5.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

This Council has not engaged in any commercial investments and has no non-treasury investments.

Reporting Requirements

Capital Strategy

5.6 The CIPFA 2021 Prudential and Treasury Management Codes require all Local Authorities to prepare a Capital Strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

5.7 The aim of this capital strategy is to ensure that all elected Members on the Full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

5.8 The capital strategy is in the process of being updated and will then come to a Cabinet and Council meeting for adoption.

Treasury Management reporting

5.9 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

5.10 **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:

- the capital plans (including Prudential Indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an Investment Strategy (the parameters on how investments are to be managed).

5.11 **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending Prudential Indicators as necessary, and whether any policies require revision.

5.12 **An annual treasury report** - This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

5.13 **Scrutiny** - The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by Cabinet and the Audit and Governance Committee.

5.14 The Council has adopted the following reporting arrangements in accordance with the requirements of the CIPFA Code of Practice:

Area of Responsibility	Council/Committee	Frequency
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy	Full Council	Annually in January/February each year
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy/ Monitoring of Prudential Indicators	Full Council	Mid-year
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy - updates or revisions at other times	Full Council	As required
Annual Treasury Outturn Report	Audit and Governance Committee and Council	Annually by 30 September after the end of the year
Scrutiny of treasury management strategy	Cabinet	Annually in January/ February before the start of the year

Treasury Management Strategy for 2025/26

5.15 The Strategy for 2025/26 covers two main areas:-

Capital issues

- the capital expenditure plans and the associated Prudential Indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

5.16 These elements cover the requirements of the Local Government Act 2003, DLUHC (now MHCLG) Investment Guidance, DLUHC (now MHCLG) MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

Training

5.17 The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

5.18 Training is planned to be delivered over the next twelve months.

Treasury Management Consultants

5.19 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

5.20 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Capital Prudential Indicators 2025/26 - 2027/28

5.21 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in Prudential Indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure

5.22 This Prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts, which include a review of current schemes together with the continuation of the applicable rolling programme schemes, but to note these may change as part of the scrutiny process and finalisation of the Budget.

5.23 Any change to the forecast and any new growth bids will be separately identified in future Budget Reports and reflected in this indicator as reported to full Council.

Capital expenditure	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	Earmarked £'000
Resources & Transformation	21	208	-	-	-	-
Environment & Climate Change	75	84	1,125	80	80	-
Community Wellbeing	1,653	2,566	1,146	1,146	1,146	-
Housing	6	12	12	-	-	-
Parks, Culture & Heritage	923	1,690	50	-	-	914
Regeneration & High Streets	825	5,294	13,691	-	-	7,630
Non-HRA	**3,503**	**9,854**	**16,024**	**1,226**	**1,226**	**8,544**
HRA	**7,182**	**9,376**	**12,229**	**13,110**	**9,319**	**6,079**
Total	**10,685**	**19,230**	**28,253**	**14,336**	**10,545**	**14,623**

5.24 In addition to the above Capital Programme, the expenditure and borrowing of the Council may increase as a result of changes such as match-funding requirements for bids in relation to such initiatives. Such capital schemes and business cases will be subject to reports to Cabinet and Council and their respective approvals. If a borrowing requirement emerges, the Council shall consider the use of the Public Works Loan Board (PWLB) discount rate as well other sources of funding as prescribed under paragraph 5.66. An appraisal will be undertaken to determine and ensure that, amongst other things, any new borrowings are affordable and work within the Prudential Indicators limits before entering into such borrowing facilities.

5.25 **Other long-term liabilities**. The financing need excludes other long-term liabilities, such leasing arrangements which already include borrowing instruments.

5.26 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure	**2023/24 Actual £'000**	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**	**2026/27 Estimate £'000**	**2027/28 Estimate £'000**	**Unallocated £'000**
Total Spend	10,685	19,230	28,253	14,336	10,545	14,623
Financed by:						
Capital Receipts	293	1,812	2,846	2,260	260	6,833
Capital grants/ contributions	3,161	8,651	16,281	1,146	1,146	487
Major Repairs	7,062	7,353	8,998	6,463	5,659	0
Revenue	169	1,414	128	4,467	3,480	7,303
Total Financing	**10,685**	**19,230**	**28,253**	**14,336**	**10,545**	**14,623**
Net financing need for the year	**0**	**0**	**0**	**0**	**0**	**0**

5.27 The capital financing of the programme will similarly be reviewed as part of the Budget process and any change will be separately identified in future Budget Reports and reflected in this indicator.

The Council's borrowing need (the Capital Financing Requirement)

5.28 The second Prudential Indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

5.29 The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life and so charges the economic consumption of capital assets as they are used.

5.30 The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has a nil balance on finance leases within the CFR.

5.31 The Council is asked to approve the following CFR projections, subject to any changes arising from the budget process:

	2023/24 Actual £'000	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**	**2026/27 Estimate £'000**	**2027/28 Estimate £'000**
Capital Financing Requirement (CFR):					
CFR – non housing	7,833	7,576	7,330	7,094	6,867
CFR - housing	82,475	82,475	82,475	82,475	82,475
Total CFR	**90,308**	**90,051**	**89,805**	**89,569**	**89,342**
Movement in CFR	**-267**	**-257**	**-246**	**-236**	**-227**
Movement in CFR represented by:					
Net financing need for the year	0	0	0	0	0
Less MRP and other financing movements	-267	-257	-246	-236	-227
Movement in CFR	**-267**	**-257**	**-246**	**-236**	**-227**

Liability Benchmark

5.32 A third Prudential Indicator for 2025/26 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB:

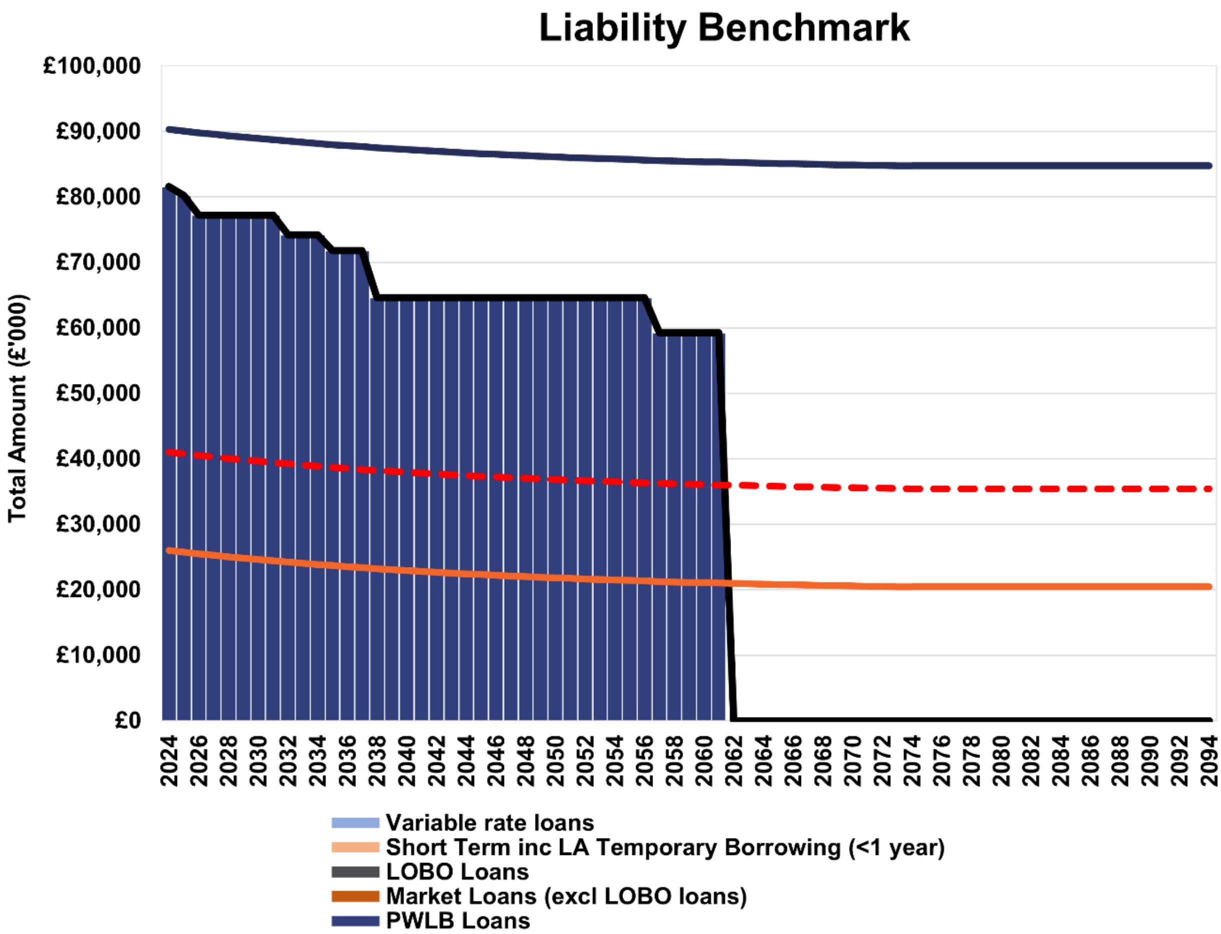
1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.

2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.



Core funds and expected investment balances

5.33 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources	**2023/24 Actual £'000**	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**	**2026/27 Estimate £'000**	**2027/28 Estimate £'000**
Earmarked Fund Balances / Reserves:					
General Fund	20,863	20,500	20,584	19,536	15,578
General Fund working balance	1,613	2,098	1,723	1,000	1,000
Housing Revenue Account (HRA)	13,964	14,950	16,249	14,013	13,025
HRA working balance	2,572	2,786	3,048	3,349	3,673
Sub Total	**39,012**	**40,335**	**41,604**	**37,898**	**33,276**
Capital receipts:					
GF	6,745	6,529	6,627	6,547	6,467
HRA	6,081	5,413	3,388	1,878	2,368
Sub Total	**12,826**	**11,942**	**10,015**	**8,425**	**8,835**
Provisions	2,443	1,696	222	222	222
Major Repairs Reserve	6,602	4,635	955	0	0
Capital Grants unapplied GF	2,862	1,750	715	715	715
Other - Grants Receipts in Advance	2,076	1,096	1,096	1,096	1,096
Total core funds	**65,821**	**61,453**	**54,607**	**48,356**	**44,144**
Working Cashflow requirement	1,518	5,000	5,000	5,000	5,000
Under/over borrowing	8,703	9,846	12,600	12,364	12,137
Expected investments	55,600	46,607	37,007	30,992	27,007

*Working cashflow requirement shown are estimated year-end; these may be higher mid-year.

The cash balances shown are exclusive of the unallocated capital spend as set out in paragraph 5.23 (with the exception of reserves which are assumed to be used in 2027/28). These are fully funded schemes.

Minimum revenue provision (MRP) Policy Statement

5.34 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (the Minimum Revenue Provision - MRP).

5.35 The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2024) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent. The Government considers that the methods of making prudent provision include the options set out in the statutory guidance. However, this does not rule out or otherwise preclude an authority from using an alternative method should it decide that is more appropriate. Any method used is subject to the conditions in paragraphs 61 to 65 of the Guidance as far as these are relevant. The MRP Policy Statement requires Full Council approval in advance of each financial year.

5.36 The Authority is recommended to approve the following MRP Statement:

Under powers delegated to the Section 151 Officer, the Council's Annual MRP provision for expenditure incurred after 1 April 2008 which forms part of supported capital expenditure will be based on the uniform rate of 4% of the Capital Financing Requirement (CFR).

The Council's Annual MRP provision for all unsupported capital expenditure incurred on or after 1 April 2008 will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments or as the principal repayment on an annuity with an annual interest rate 4%, starting in the year after the asset becomes operational.

5.37 Capital expenditure incurred during 2025/26 will not be subject to an MRP charge until 2026/27, or in the year after the asset becomes operational.

5.38 The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

5.39 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

5.40 In the case of leases where a right-of-use asset is on the balance sheet, the prudent charge to revenue can be regarded being equal to the element of the rent/charge that goes to write down the balance sheet liability. Where a lease (or part of a lease) is brought onto the balance sheet, having previously been accounted for off-balance sheet, the MRP requirement would be regarded as having been met by the inclusion in the charge for the year in which the restatement occurs, of an amount equal to the write-down for that year plus retrospective writing down of the balance sheet liability that arises from the restatement.

5.41 The Council are satisfied that the policy for calculating MRP set out in this Policy Statement will result in the Council continuing to make prudent provision for the repayment of debt, over a period that is on average reasonably commensurate with that over which the expenditure provides benefit.

5.42 The Section 151 Officer will, where it is prudent to do so, use discretion to review the overall financing of the Capital Programme and the opportunities afforded by the regulations, to maximise the benefit to the Council whilst ensuring the Council meets its duty to charge a prudent provision.

5.43 (i) **Capital Loans**: Regulation 27(4) allows a local authority to exclude capital loans that are financed by debt from the requirement to make MRP, provided the loan is not a commercial loan.

A commercial loan is defined in regulation 27(5) as a loan from the authority to another entity for a purpose which, if the authority were to undertake itself, would be primarily for financial return; or, where the loan is itself, capital expenditure undertaken primarily for financial return.

Local authorities must make MRP with respect to any debt used to finance a commercial capital loan.

A local authority may choose not to charge MRP in respect of the financing by debt of a loan issued by an authority to any person or body, where —

a) the loan is treated as capital expenditure in accordance with regulation 25(1)(b); that is to say, loans and grants towards capital expenditure by third parties.
b) the loan is not a commercial loan, and
c) the local authority has not recognised, in accordance with proper practices, any expected or actual credit loss in respect of that loan.

This Council has not issued capital loans that are categorised as commercial and, accordingly, is not required to make MRP on this basis.

(ii) **Capital Receipts:** For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

5.44 **MRP Overpayments** - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

The Council has previously not made any VRP overpayments.

Affordability Prudential Indicators

5.45 The previous sections cover the overall capital and control of borrowing Prudential Indicators, but within this framework Prudential Indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

5.46 This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream. The figures below show a negative ratio due to the investment income being recevied by the Council on its treasury investments.

%	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Non HRA	-13.25%	-11.92%	-7.87%	-7.58%	-6.80%
HRA	12.86%	11.47%	11.71%	11.01%	10.75%

HRA ratios

	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
HRA debt £'000	81,605	80,205	77,205	77,205	77,205
HRA revenues £'000	21,773	23,861	23,956	24,699	25,465
Ratio of debt to revenues	3.7	3.4	3.2	3.1	3.0
Number of HRA dwellings (estimate closing)	5,034	5,021	5,009	5,026	5,014
Debt per dwelling £	16.21	15.97	15.41	15.36	15.40

Borrowing

5.47 The capital expenditure plans above provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / Prudential Indicators, the current and projected debt positions, and the Annual Investment Strategy.

Current portfolio position

5.48 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
External Debt					
PWLB debt at 1 April	81,605	81,605	80,205	77,205	77,205
Expected change in Debt		-1,400	-3,000		
Other long-term liabilities (OLTL)		0	0	0	0
Expected change in OLTL					
Actual gross debt at 31 March	**81,605**	**80,205**	**77,205**	**77,205**	**77,205**
The Capital Financing Requirement	**90,308**	**90,051**	**89,805**	**89,569**	**89,342**
Under / (Over) borrowing	**8,703**	**9,846**	**12,600**	**12,364**	**12,137**

5.49 Within the range of Prudential Indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

5.50 The Deputy Chief Executive Resources reports that the Authority complied with this Prudential Indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans, and the proposals contained in the General Fund and HRA Budgets.

Treasury Indicators: limits to borrowing activity

5.51 **The Operational Boundary**. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	2023/24 Actual £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Debt	90,308	90,603	90,366	90,139	89,921
Other long-term	-	-	5,000	5,000	5,000
Total	**90,307**	**90,603**	**95,366**	**95,139**	**94,921**

5.52 **The Authorised Limit for External Debt**.

This is a key Prudential Indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit	**2023/24 Actual £'000**	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**	**2026/27 Estimate £'000**	**2027/28 Estimate £'000**
Debt	101,808	102,103	101,866	101,639	101,421
Other long-term	-	-	5,000	5,000	5,000
Total	**101,808**	**102,103**	**106,866**	**106,639**	**106,421**

Prospects for interest rates

5.53 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 11 November 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

5.54 Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, we have significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

If we reflect on the 30 October Budget, Link's central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.

The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing, and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.

Link's central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August, and November).

Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.

5.55 **PWLB rates:** Regarding Link's PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

Thus far, little has been mentioned on US President election. Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.

Link's revised PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note that the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps).

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are to the upsides.

Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below:

PWLB debt	Current borrowing rate as at 11.11.24 p.m.	Target borrowing rate now (end of Q3 2026)	Target borrowing rate previous (end of Q3 2026)
5 years	5.02%	4.30%	3.90%
10 years	5.23%	4.50%	4.10%
25 years	5.66%	4.90%	4.40%
50 years	5.42%	4.70%	4.20%

5.56 **Borrowing advice:** Link's long-term (beyond 10 years) forecast for Bank Rate has been increased to 3.25% (from 3%). As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

The advisors suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now	Previously
2024/25 (residual)	4.60%	4.25%
2025/26	4.10%	3.35%
2026/27	3.70%	3.10%
2027/28	3.50%	3.25%
2028/29	3.50%	3.25%
Years 6 to 10	3.50%	3.25%
Years 10+	3.50%	3.50%

Link will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad hoc basis as required.

5.57 As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Link's interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

Borrowing Strategy

5.58 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

5.59 Against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations. The Deputy Chief Executive Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years

5.60 Any decisions will be reported to Members appropriately at the next available opportunity.

Treasury management limits on activity

5.61 **Maturity structure of borrowing**. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

5.62 The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2025/26

	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years and above	0%	100%

Maturity structure of variable interest rate borrowing 2025/26

	Lower	Upper
Under 12 months	0%	75%
12 months to 2 years	0%	75%
2 years to 5 years	0%	75%
5 years to 10 years	0%	75%
10 years and above	0%	75%

Policy on borrowing in advance of need

5.63 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

5.64 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Rescheduling

5.65 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

If rescheduling is to be undertaken, it will be reported to the Council, at the earliest meeting following its action.

New Financial Institutions as a Source of Borrowing and / or Types of Borrowing

5.66 Currently, the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- UK Municipal Bonds Agency
- UK Infrastructure Bank - where the project meets its investment principles (namely, economic regeneration and tackling climate change), the Infrastructure Bank offers loans at the relevant Gilts rate + 60 basis points (20 basis points lower than the PWLB Certainty rate) and can match the length of the loan and repayment profile to needs of the project.

Our treasury advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Annual Investment Strategy

Investment policy – management of risk

5.67 The Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

The Authority's investment policy has regard to the following:

- MHCLG's Guidance on Local Government Investments ("the Guidance").
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code").
- CIPFA Treasury Management Guidance Notes 2021.

5.68 The Council's investment priorities will be security first, portfolio liquidity second and then yield (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. Consistent with the spirit of the Code's treaury management practices (namely, TMP1 on credit and counterparty risk management), the Council shall be mindful of environmental, social and governance (ESG) considerations in its decision-making outcomes. To that end, the Council will not knowingly invest directly with financial participants whose activities and practices pose a risk of serious damage or whose activities are inconsistent with the Council's mission and values. In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

5.69 The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

5.70 This Council has defined the list of types of investment instruments that the Treasury Management Team are authorised to use, as per **APPENDIX 2**. This Authority has defined the list of types of investment instruments that the Treasury Management Team are authorised to use, as per **APPENDIX 2**. These financial instruments can be separated into two categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use.

5.71 **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.

5.72 **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in the **APPENDIX 2**.

5.73 **Transaction limits** are set for each type of investment in **APPENDIX 2**.

5.74 The Council will set a limit for the amount of its investments which are invested for longer than 365 days.

5.75 Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

5.76 The Council has engaged external consultants, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

5.77 All investments will be denominated in sterling.

5.78 As a result of the change in accounting standards for 2023/24 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. More recently, a further extension to the over-ride to 31.3.25 has been agreed by Government.

5.79 However, this Authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the financial year.

Creditworthiness policy

5.80 The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

5.81 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:-

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

5.82 The Link creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

5.83 Typically, the minimum credit ratings criteria the Council uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

5.84 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

5.85 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on any external support for banks to help support its decision making process.

5.86 The Council has determined that it will only use approved counterparties from the UK and countries with a minimum sovereign credit rating of AA- from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in **APPENDIX 3**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Creditworthiness

5.87 Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS Prices

5.88 Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

Investment Strategy

5.89 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that the risks are relatively balanced between Bank Rate staying higher for longer, if inflation picks up markedly through 2025 post the 30 October 2024 Budget, or it may be cut quicker than expected if the economy stagnates. The economy only grew 0.1% in Q3 2024, but the Consumer Price Index (CPI) measure of inflation is now markedly above the 2% target rate set by the Bank of England's Monetary Policy Committee two to three years forward.

5.90 Accordingly, while most cash balances are required in order to manage the peaks and troughs of cash flows, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

5.91 **Investment returns expectations.** It should be observed that there is a relationship with inflation and interest rates. Rise in inflation will invariably lead to a rise in interests. The same wisdom holds turn from the opposite situation. Holding true to this relationship, the Bank of England opted to increase Bank Rate on 14 successive occasions, starting around mid-December 2021. At the beginning of April 2022, Bank Rate was set at 0.75% and moved up in stepped increases of either 0.25% or 0.5% thereafter, reaching 4.25% by the end of 2022/23 and peaked at 5.25% on 3rd August 2023. By the end of the financial year, no further increases were anticipated and accordingly held at 5.25%, However, there was indeed market expectation that the first reduction in Bank Rate would occur in either June or August 2024. Consistent with this expectation, the BoE announced its first Bank Rate. On 1st August 2024, interest rates dropped by 25 basis points (i.e. 0.25%), thereby becoming 5%. Such announcement represented the first cut to rates since March 2020, therefore. The second rates cut occurred 7th November, lowering base rate by another 25 basis points to 4.75%. Based on current market conditions and intelligence, it is anticipated that continuing gradual fall in inflation will, in turn, lead to a fall in Bank Rate. It is projected that Bank Rate could decline as far as 3.50% by the tail-end of 2027.

5.92 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	Now	Previously
2024/25 (residual)	4.60%	4.25%
2025/26	4.10%	3.35%
2026/27	3.70%	3.10%
2027/28	3.50%	3.25%
2028/29	3.50%	3.25%
Years 6 to 10	3.50%	3.25%
Years 10+	3.50%	3.50%

It should be observed, however, that as there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

5.93 **Investment treasury indicator and limit** - Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Authority is asked to approve the Treasury Indicator and limit:

Maximum principal sums invested > 365 days

	2025/26	2026/27	2027/28
Principal sums invested > 365 days	£10m	£10m	£10m

5.94 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 365 days) in order to benefit from the compounding of interest whilst preserving the security of invested funds and liquidity.

Investment risk benchmarking

5.95 This Council will use an investment benchmark to assess the investment performance of its investment portfolio of overnight, 7 day, 1, 3, 6 or 12 month compounded / SONIA.

End of year investment report

5.96 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

6 Implications

6.1 **Financial**

Included in this Report

6.2 **Legal**

None

6.3 **Human Resources**

None

6.4 **Risk Management**

The Council regards security of the sums it invests to be the key objective of its Treasury Management activity. Close management of counterparty risk is therefore a key element of day-to-day management of treasury activity. The practices designed to ensure that risks are managed effectively are set out in the Treasury Management Practices available on the Council's website.

6.5 **Equalities and Diversity**

The Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:

Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

6.6 **Health**

None

6.7 **Climate Change**

The Council's Investment Policy now includes a criterion that the Council will take into consideration the impact on the environment when making investments to try to align investments with the Council's values on climate change where possible.

7 Appendices

Appendix 1: Economic Update (provided by Link Asset Services as of 12th December 2024)

Appendix 2: Treasury Management Practice (TMP1) - Credit and Counterparty Risk Management

Appendix 3: Approved Countries for Investment

Appendix 4: Treasury Management Scheme of Delegation

Appendix 5: The Treasury Management Role of The Section 151 Officer

8 Previous Consideration

None

9 Background Papers

Available in Financial Services

Contact Officer:	Chris Forrester
Telephone Number:	01543 464 334
Report Track:	Cabinet: 17/02/25 Audit & Governance Committee: 19/02/25 Council: 26/02/25
Key Decision:	No

Item No. 8.27

Appendix 1

Economic Update (Provided by Link Asset Services as of 12 December 2024)

The third quarter of 2024 (July to September) saw:

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July.
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August.
- Core CPI inflation increasing from 3.3% in July to 3.6% in August.
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting.
- 10-year gilt yields falling to 4.0% in September.

Over the aforementioned period, the economy's stagnation in June and July pointed more to a mild slowdown in UK GDP growth than a sudden drop back into a recession. However, in the interim period, to 12 December, arguably the biggest impact on the economy's performance has been the negative market sentiment in respect of the fallout from the Chancellor's Budget on 30 October.

If we reflect on the 30 October Budget, our central case is that those policy announcements will prove to be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be elevated at 2.7% y/y (Q4 2025) before dropping back to sub-2% in 2027. Nonetheless, since the Budget, the October inflation print has shown the CPI measure of inflation bouncing up to 2.3% y/y with the prospect that it will be close to 3% by the end of the year before falling back slowly through 2025. The RPI measure has also increased significantly to 3.4% y/y.

How high inflation goes will primarily be determined by several key factors. First amongst those is that the major investment in the public sector, according to the Bank of England, will lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing, and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises in the June 2025 Spending Review (pushed back from the end of March), and a tepid GDP performance.

Regarding having a sufficiently large pool of flexible and healthy workers, the initial outlook does not look bright. Research from Capital Economics has alluded to an increase of some 500,000 construction workers being needed to provide any chance of the Government hitting its target of 300,000 new homes being built in each of the next five years (234,000 net additional dwellings in England in 2022/23). But the last time such an increase was needed, and construction employment is currently at a nine-year low, it took 12 years to get there (1996 to 2008). Also note, as of October 2024, job vacancies in the construction sector were still higher than at any time in the 20 years preceding the pandemic.

Currently, it also seems likely that net inward migration is set to fall, so there is likely to be a smaller pool of migrant workers available who, in the past, have filled the requirement for construction worker demand. The Government plans to heavily promote training schemes, particularly to the one million 16- to 24-year-olds who are neither in education nor work. But it is arguable as to whether the employee shortfall can be made up from this source in the requisite time, even if more do enter the workforce.

Against, this backdrop, there may be a near-term boost to inflation caused by a wave of public sector cash chasing the same construction providers over the course of the next year or so, whilst wages remain higher than the Bank currently forecasts because of general labour shortages, including in social care where Government accepts there is a 150,000 shortfall at present.

Unemployment stands at a low 4.3% (September), whilst wages are rising at 4.3% y/y (including bonuses) and 4.8% (excluding bonuses). The Bank would ideally like to see further wage moderation to underpin any further gradual relaxing of monetary policy. Indeed, over the next six months, the market is currently only pricing in Bank Rate reductions in February and May – which would see Bank Rate fall to 4.25% - but further cuts, thereafter, are highly likely to be even more data-dependent.

If we focus on borrowing, a term we are likely to hear throughout 2025 is “bond vigilante”. Essentially, this represents a generic term for when the market is ill at ease with the level of government borrowing and demands a higher return for holding debt issuance. In the UK, we do not need to go back too far to recall the negative market reaction to the Truss/Kwarteng budget of 2022. But long-term borrowing rates have already gradually moved back to those levels since their recent low point in the middle of September 2024. Of course, the UK is not alone in this respect. Concerns prevail as to what the size of the budget deficit will be in the US, following the election of Donald Trump as President, and in France there are on-going struggles to form a government to address a large budget deficit problem too. Throw into the mix the uncertain outcome to German elections, and there is plenty of bond investor concern to be seen.

Staying with the US, Donald Trump’s victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks continue to abound in Europe, the Middle East and Asia.

In the past month, the US Core CPI measure of inflation has indicated that inflation is still a concern (3.3% y/y, 0.3% m/m), as has the November Producer Prices Data (up 3.0 y/y v a market estimate of 2.6% y/y, 0.4% m/m v an estimate of 0.2% m/m) albeit probably insufficient to deter the FOMC from cutting US rates a further 0.25% at its December meeting. However, with Trump’s inauguration as President being held on 20 January, further rate reductions and their timing will very much be determined by his policy announcements and their implications for both inflation and Treasury issuance.

Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. More recently, however, 10-year gilt yields have spiked back up to 4.35%.

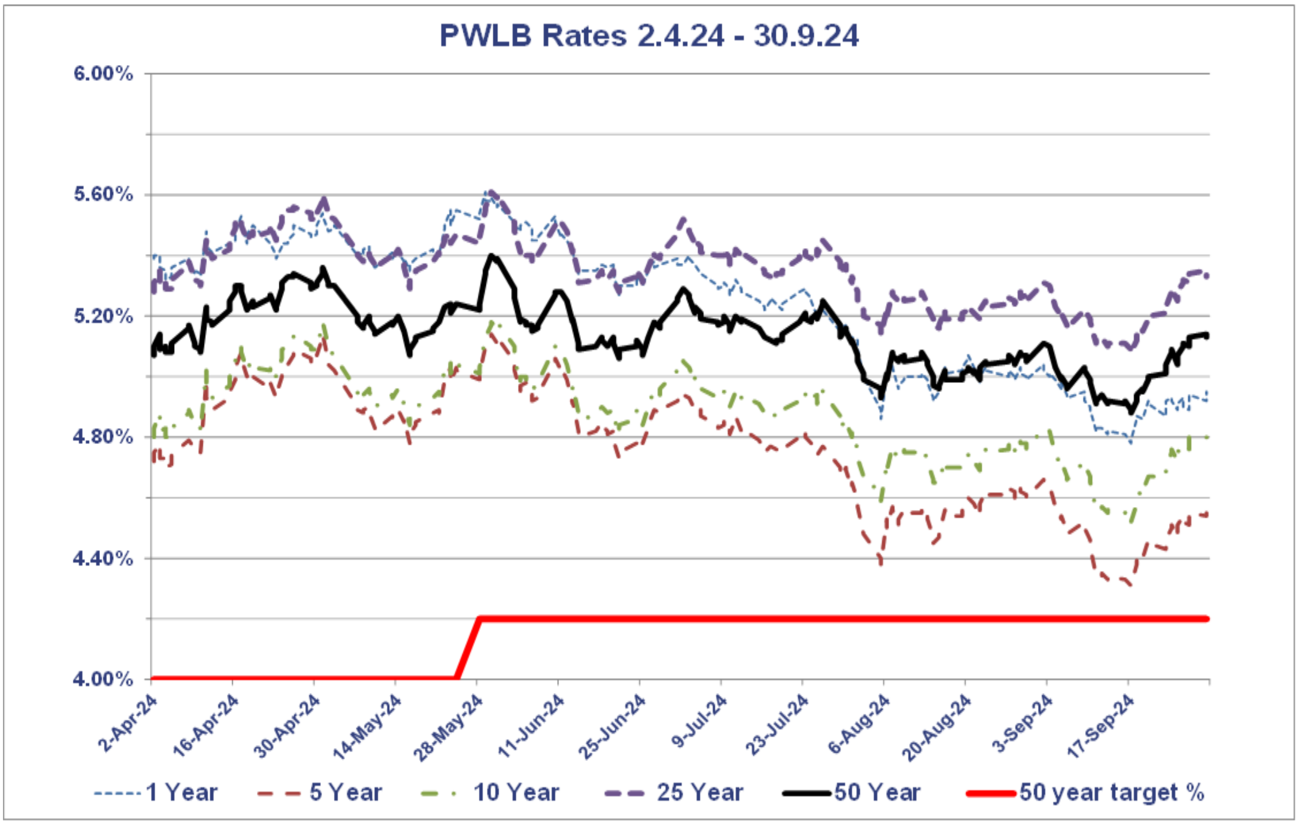
The FTSE 100 reached a peak of 8,380 in the third quarter of 2024 (currently 8.304), but its performance is firmly in the shade of the US S&P500, which has breached the 6,000 threshold on several occasions recently, delivering returns upwards of 25% y/y. The catalyst for any further rally (or not) is likely to be the breadth of AI's impact on business growth and performance.

MPC meetings: 9 May, 20 June, 1 August, 19 September, 7 November 2024

- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.
- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.
- On 7 November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut, but the language used by the MPC emphasised "gradual" reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.

In the chart below, despite a considerable gilt market rally in mid-September, rates started and finished the six-month period under review in broadly the same position.

PWLB RATES 02.04.24 - 30.09.24



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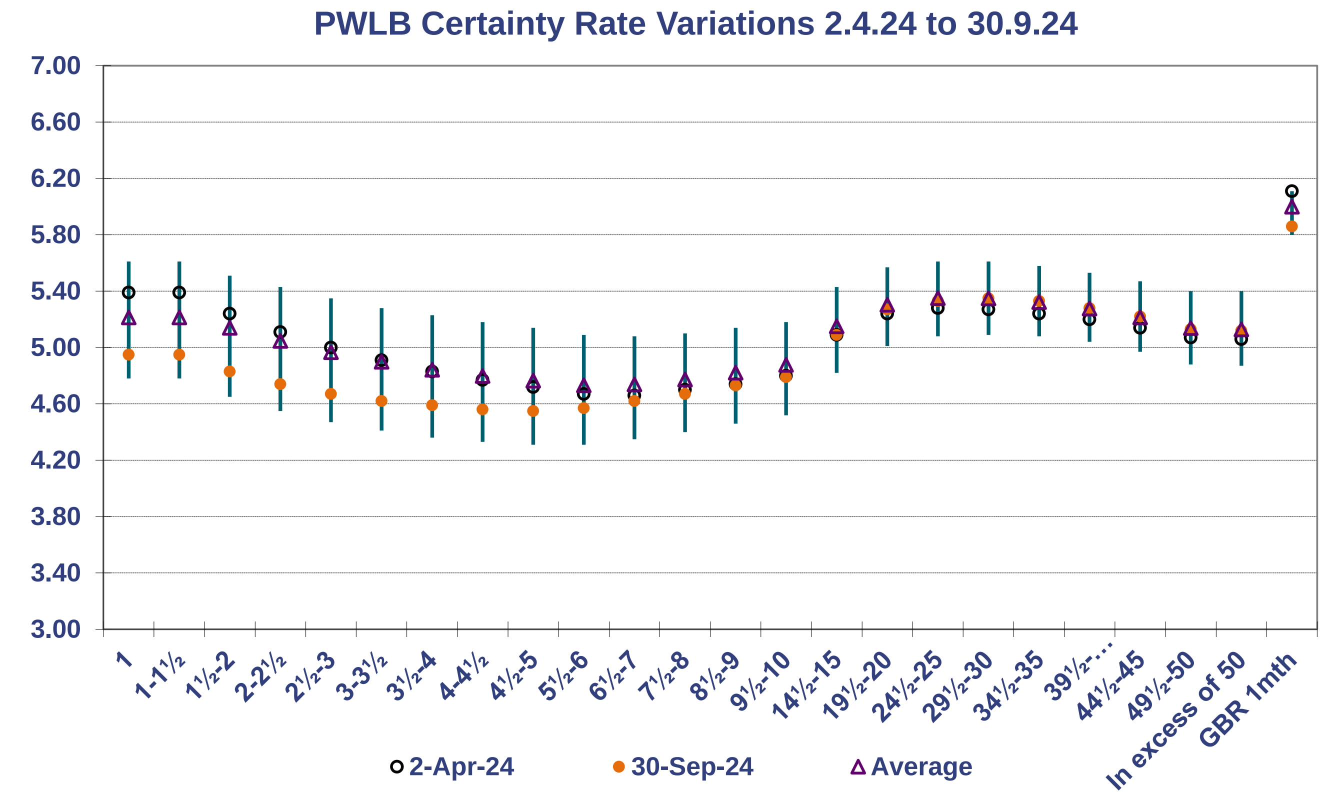

HIGH/LOW/AVERAGE PWLB RATES FOR 02.04.24 – 30.09.24

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

Item No. 8.31

Appendix 2

Treasury Management Practice (TMP1) -
Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 50% will be held in aggregate in non-specified investments.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	**Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	Yellow	100%	6 months (max. is set by the DMO*)
UK Government gilts	UK sovereign rating	£6 million	5 years
UK Government Treasury bills	UK sovereign rating	£6 million	12 months
Bonds issued by multilateral development banks	AAA	£6 million	5 years
Money Market Funds CNAV	AAA	£9 million	Liquid
Money Market Funds LNVAV	AAA	£9 million	Liquid
Money Market Funds VNAV	AAA	£9 million	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	£6 million	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	£6 million	Liquid
Local authorities	N/A	£3 million	12 months
Call Accounts	N/A	£6 million	Liquid

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
Term deposits with housing associations	Blue Orange Red Green No Colour	£3 million	12 months 12 months 6 months 100 days Not for use
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£6 million	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£6 million	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	£6 million	12 months

* DMO – is the Debt Management Office of HM Treasury

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Item No. 8.33

Appendix 3

Approved Countries For Investments

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France
- U.K.

Item No. 8.34

Appendix 4

Treasury Management Scheme of Delegation

Full Council

- receiving and reviewing reports on treasury management policies, practices and activities.
- approval of annual strategy.

Committees/Council

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- budget consideration and approval.
- approval of the division of responsibilities.
- receiving and reviewing regular monitoring reports and acting on recommendations.
- approving the selection of external service providers and agreeing terms of appointment.

Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

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Appendix 5

The Treasury Management Role of the Section 151 Officer

The s151 (responsible) officer:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- submitting regular treasury management policy reports.
- submitting budgets and budget variations.
- receiving and reviewing management information reports.
- reviewing the performance of the treasury management function.
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- ensuring the adequacy of internal audit and liaising with external audit.
- recommending the appointment of external service providers.
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.