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10 February 2026

Dear Councillor,

Audit & Governance Committee
6:00pm, Wednesday 18 February 2026
Esperance Room, Civic Centre, Cannock

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

Yours sincerely,

T. Clegg
Chief Executive

To: Councillors

Hill, J.O. (Chair)
Boulton, C. (Vice-Chair)
Gaye, D. Johnson, J.
Hill, J. Lyons, O.

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. Minutes

To approve the Minutes of the previous meeting held on 26 November 2025 (enclosed).

4. Statement of Accounts 2024/25

Report of the Deputy Chief Executive-Resources & S151 Officer (Item 4.1 - 4.97).

5. Cannock Chase District Council Audit Completion Report 2024/25

Report of the External Auditors (Item 5.1 - 5.66).

6. Annual Treasury Management Report 2024/25

Report of the Deputy Chief Executive-Resources & S151 Officer (Item 6.1 - 6.12).

7. Treasury Management Mid-Year Report 2025/26

Report of the Deputy Chief Executive-Resources & S151 Officer (Item 7.1 - 7.13).

8. Treasury Management Strategy 2026/27

Report of the Deputy Chief Executive-Resources & S151 Officer (Item 8.1 - 8.30).

Cannock Chase Council
Minutes of the Meeting of the
Audit and Governance Committee

Held on Wednesday 26 November 2025 at 6:00pm

In the Esperance Room, Civic Centre, Cannock

Part 1

Present:

Councillors

Hill, J.O. (Chair)
Boulton, C. (Vice-Chair)
Gaye, D.

Also in Attendance: M. Butler, Associate Director, Azets (External Auditors).

15. Apologies

Apologies were noted for Councillors J. Hill, J. Johnson and O. Lyons

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

No declarations of interests were made.

17. Minutes

Resolved:

That the Minutes of the meeting held on 17 September 2025 be approved.

18. Cannock Chase District Council's Auditor's Annual Report 2023-24 and 2024-25

Consideration was given to the reports of the External Auditors (Item 4.1 - 4.38 and Item 5.1 - 5.12).

The External Auditor raised the following points in respect of the report:

- The 2023-24 report was more of a formality as it reflected the position on the recommendations of the previous external auditors.
- The 2024-25 report presented the same significant risks but in a more summarised version as there was a need to provide a report by the 30 November. Work was ongoing with Council officers to ensure they understood what those risks were and had procedures in place to address them.
- More work would take place in the coming months to hopefully have a more detailed 2024-25 report ready to present to the Committee in February 2026. This report would include commentary on the significant risks and whether members and officers had been informed of those risks in a reasonable time frame and determine whether they should have been risks in the first place.

- The External Auditors had full co-operation with the Council's management to move these issues forward and get matters addressed as soon as possible.

The Chair noted that members and officers were very mindful that local government reorganisation was looming and so all these issues needed resolving before things could move forward. The External Auditor advised this had been discussed with officers and agreement would be needed on which risks were an immediate priority and those that could be picked up as part of the longer-term reorganisation work.

Resolved:

That the reports of the External Auditors be noted.

19. Internal Audit Update - October 2025

Consideration was given to the report of the Chief Internal Auditor & Risk Manager (Item 6.1 - 6.8).

The Chief Internal Auditor & Risk Manager raised the following points in respect of the report:

- It was a shorter update report owing to the shorter timeframe since the last committee meeting took place.
- Of the three audits undertaken, 1 had been given a partial assurance and 2 not-applicable for the reasons set out in report appendix 2.
- Appendix 3 set out an overview of the audits currently in progress.
- Appendix 4 set out details of the two follow-up audits completed in the reporting period. In respect of the tree management audit, whilst it was good news that the assurance rating had improved from limited to partial, because the service required new a software system, it could be up to 2-3 years before it could be considered for a substantial assurance rating.
- Appendix 5 provided an overview of the audit plan for the remainder of the year. It had been agreed with the S151 officer for the 'new finance system implementation-lessons learnt' audit to not progress given work pressures being faced by the team and local government reorganisation meaning that a new system was unlikely to be purchased before it had completed.

In response to a query from a Member as to whether a tree policy was available, the Chief Internal Auditor & Risk Manager advised that the Council had an Urban Forestry Strategy in place that could be accessed online.

Resolved:

That the progress report be noted.

20. Updated Strategic Risk Register

Consideration was given to the report of the Head of Transformation and Assurance (Item 7.1 - 7.24).

The Head of Transformation and Assurance advised that no specific changes had been made to the overall number or rating of strategic risks since the last update, with some risks requiring large pieces of work to be completed before the scores could potentially be reduced.

In response to a query from a Member regarding progress on the corporate capacity risk, the Head of Transformation and Assurance advised that the current aim was to maintain the existing position, but the concern was that as the Council moved closer to local government reorganisation it would become even harder to recruit staff when this was already a significant issue. The Chair noted there was a lot of concern amongst councillors from all parties about there not being enough staff to get work done.

Resolved:

That the Strategic Risk Register and the progress made in identification and management of the strategic risks be noted.

21. Governance Improvement Plan - Progress Report for Quarter 2 2025/26

Consideration was given to the report of the Head of Transformation and Assurance (Item 8.1 - 8.14).

The Head of Transformation and Assurance advised that progress had not been as good during quarter 2 as would have liked, mainly due to the required work on local government reorganisation and this was expected to be the case for quarter 3 too. There would likely be a reprofiling of the outstanding actions into 2026-27 and work was happening with the external auditors on whether some of the actions still looked as originally set out.

Resolved:

That the progress made in the delivery of the Governance Improvement Plan as set out in report appendix 1 be noted.

22. Annual RIPA Review

Consideration was given to the report of the Head of Law and Governance (Item 9.1 - 9.3) *(presented by the Head of Transformation and Assurance)*.

The Head of Transformation and Assurance advised that as a local authority, the Council could use some powers contained in the Regulation of Investigatory Powers (RIPA) Act and only do so in a very prescriptive way. There was a policy in place and only a very limited number of officers who could use those powers, but sign-off to do so had to be through a magistrate's court. The powers had not been used for at least the last two years.

Resolved:

That the report be noted.

Meeting closed 6:33pm.

Chair

Statement of Accounts 2024/25

Committee: Audit & Governance Committee

Date of Meeting: 18 February 2026

Report of: Deputy Chief Executive-Resources & S151 Officer

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 2025.

2 Recommendations

2.1 Members note:

- (i) The Statement of Accounts 2024-25 (Appendix 1);
- (ii) The findings of the External Auditor (Agenda item 4); and
- (iii) 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 and February 2025, 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 2024/25, 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 receive 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 As reported previously, 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 2024/25, 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
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 receive 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 Despite the ongoing capacity issues within the Finance Team, the statement of accounts for 2024/25 have been completed and the Council is now up-to-date with the production of the accounts. The Council is working closely with the external auditors to start to rebuild assurance levels and a phased approach to auditing the Council's accounts is being adopted. Work is underway and this is focussing on core accounting processes and fixed assets.
- 5.14 The Council's external auditors have a duty to report to those charged with governance on the financial statements of the Council.
- 5.15 As part of the formal audit conclusion process, the Responsible Financial Officer is required to submit the Management Representation Letter 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 2024-25

8 Previous Consideration

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

Statement of Accounts 2023/24 - Audit & Governance Committee 19 February 2025

9 Background Papers

None.

Contact Officer: Emma Fullagar

Report Track: Audit & Governance Committee: 18/02/26



Statement of Accounts 2024 / 2025



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Narrative Report

The Statement of Accounts for the year ended 31 March 2025 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 2024/25 published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standards (IFRS). It is important to note that IFRS16 has not been implemented in full in the preparation of these accounts with regards to leases. The Statement of Accounts therefore aims to provide information for the 2024/25 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 2024/25
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 36 Councillors representing 12 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 policies.

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

The Council employs approximately 446 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, human resources, technology, audit & risk management, 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 2024/25

2.1 Corporate Plan

The corporate plan for 2022-26 sets out the following vision and 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. 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 2024-25

The key successes during 2024-25 are highlighted below:

- Commencement of demolition works in Cannock town centre and acquisition of properties for phase two;
- Submission of the Local Plan to the Planning Inspectorate;
- Successful integration of Health into the Community Safety Partnership;
- The mobilisation of the kerbside waste collections contract included the rerouting of some 27,000 properties as part of efficiency savings in the contract;
- Approval of the Climate Change Strategy and Action Plan; and
- The closure and publication of 3 sets of accounts bringing the Council up-to-date.

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 2024-25, 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 £16.802 million for 2024-25 as reflected in its Portfolio outturn in the table below. The following table sets out the overall net revenue outturn of £14.973 million compared with the budget set for the year of £15.126 million, a variance of £0.153 million:

Cannock Preliminary Outturn 2024/25

		Revised Budget £'000	Actual £'000	Variance to Revised £'000
	Portfolios			
1	Community Wellbeing	2,934	2,888	46
2	Environment & Climate Change	4,256	4,095	161
3	Housing	1,313	1,243	70
4	Leader of the Council	1,336	1,311	25
5	Parks, Culture and Heritage	2,114	1,925	189
6	Regeneration & High Streets	1,227	1,182	45
7	Resources & Transformation	4,046	4,158	-112
8	Total Portfolios	17,226	16,802	424
9	Investment Income	-2,759	-3,149	390
10	Interest Payable	444	453	-9
11	Technical Items	1,866	2,596	-730
12	Net Expenditure	16,777	16,702	75
13	Use of Government Grants	-1,651	-1,729	78
14	Net Revenue Budget	15,126	14,973	153
	Financed by:			
	Business Rates			
15	Core Funding	-3,291	-3,291	0
16	Growth / S31 Grants	-2,187	-2,226	39
17	Business Rates Pool	-1,152	-1,273	121
18	Revenue Support Grant	-131	-131	0
19	Fund guarantee grant	-1,542	-1,542	0
20	Core spending power grant	-21	-21	0
21	Council Tax deficit	38	38	0
22	Council Tax	-7,324	-7,324	0
23	Total Financing	-15,610	-15,770	160
24	Trf to/(from) working balances	484	797	-313
25	Net Revenue Budget	15,126	14,973	153

The table above shows the budgeted anticipated net expenditure of £15.126 million, to be principally funded from Council Taxpayers and Business Rates.

The detail and explanations of expenditure are in the outturn report taken to cabinet on the 6 November 2025.

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 £0.513 million for Council Tax after taking into account distribution of previous year deficit in year. The overall position for Council tax leaves a net deficit on the fund of £0.744 million at 31 March 2025 (of which £0.094 million relates to this Council).

3.6 National Non-Domestic Rates

A surplus of £1.110 million exists in relation to Business Rates as at 31 March 2025. 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 £0.798 million with a resultant £2.410 million balance as at the 31 March 2025. As the Council policy is to retain a working balance of £1.0 million the £0.798 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 2025 showed the Council's share of the fund to be a deficit of £29.935 million, an decrease of £2.346 million as compared to the 31 March 2024. 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 £7.878 million on capital projects in 2024/25, which was £2.193 million less than budget. The spend was profiled as below:

	Budget £'000	Actual £'000	Variance from Budget £'000
Environment & Climate Change	84	97	(13)
Parks, Culture and Heritage	1,689	1,034	655
Resources and Transformation	208	196	12
Community Wellbeing	2,567	1,347	1,220
Housing	12	3	9
Regeneration and High Streets	5,511	5,201	310
Total	10,071	7,878	2,193

The major items of capital spend in the year were:

- **£4.488 million** on Levelling Up Fund
- **£1.043 million** on Disabled Facilities Grants.
- **£0.400 million** on UK Shared Prosperity Fund
- **£0.280 million** on Laburnum Avenue Phase 1

The capital programme of £7.878 million was financed in the following way:

Capital Financing	£'000
Capital grants and contributions	6,556
Capital receipts	247
Direct Revenue Financing	1,075
Total	7,878

3.10 Treasury Management

During 2024/25 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.

Income from Rents and associated items amounted to £24.697 million with expenditure and accounting transactions netting this to a position of a surplus of £99k 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 £8.688 million on capital projects in 2024/25.

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 2027/28 in February 2025 however like all other authorities a great deal of uncertainty exists with single year financial settlements.

Detailed figures are only available for 2025-26 pending the implementation of changes to the local Government funding regimes and material deficits exist in 2026-27 and 2027-28 based upon the implications of such changes.

The Council continues to progress the areas within its direct control with balanced budgets set for 2025/26. However, a great deal of uncertainty exists post 2025/26 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. This is now anticipated in 2026/27.

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 2025-26 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 2025 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

4.3 Auditors Annual Report on the Council

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), the 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.

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 2024/25

There were no major changes to the statements for 2024/25.

Comprehensive Income and Expenditure Account (page 19)

- The net cost of services shows a decrease of £3.569 million compared with 23/24. This principally relates to changes in capital transactions, staffing and additional income through the environment and climate change service in part due to a full year of garden waste income.
- There is a significant decrease in the financing and investment income and expenditure. This is primarily due to a decrease in the interest receivable and the impact of the interest effect of the asset ceiling in the pension fund as well as a loss on the disposal of investment properties. (note 14)
- There is an actuarial change of £35.367 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 £32.104 million; this is due to the revaluation of assets, additions in year less disposals.
- Short term investments have decreased by £15.255 million reflecting a change in year-end holdings.
- Cash and cash equivalents have increased by £18.008 million which reflects the year end holdings of money market and call account funds.
- Long term borrowing reduced by £3.000 million due to the repayment of a PWLB loan as it matured.

Cash Flow Statement (page 22)

- There was a significant change in cashflows from investing activities, moving from an outflow of £25.781 million to an inflow of £12.260 million. This was driven by an increase in proceeds from short and long term investments of £37.000 million.
- As a result of this, cash and cash equivalents increased which also reflects the change on the balance sheet of a reduction in short term investments consequentially increasing cash held.

**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 - Resources (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 2025.

C Forrester Date 12/12/2025

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

* original signed certificate held in Finance

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.

2023/2024				2024/2025		
Gross Expend £000	Gross Income £000	Net Expend £000		Gross Expend £000	Gross Income £000	Net Expend £000
1,109	-	1,109	Leader of the Council	1,141	-	1,141
6,536	(2,962)	3,574	Environment and Climate Change	6,519	(3,817)	2,702
3,783	(493)	3,290	Parks, Culture and Heritage	3,760	(529)	3,231
23,612	(19,543)	4,069	Resources and Transformation	24,450	(20,679)	3,771
6,857	(1,577)	5,280	Community & Wellbeing	7,274	(1,668)	5,606
1,583	(541)	1,042	Housing	2,253	(399)	1,854
3,149	(1,419)	1,730	Regeneration and High Street	4,646	(3,147)	1,499
<u>46,629</u>	<u>(26,535)</u>	<u>20,094</u>		<u>50,043</u>	<u>(30,239)</u>	<u>19,804</u>
24,363	(22,614)	1,749	Housing Revenue Account	23,167	(24,697)	(1,530)
<u>70,992</u>	<u>(49,149)</u>	<u>21,843</u>	Cost of Services	<u>73,210</u>	<u>(54,936)</u>	<u>18,274</u>
		261	Other operating expenditure (Note 13)			471
		(165)	Financing and investment income and expenditure (Note 14)			2,566
		<u>(19,463)</u>	Taxation and non-specific grant income (Note 15)			<u>(29,822)</u>
		2,476	(Surplus) / Deficit on Provision of Services			(8,511)
		(9,822)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 28)			(27,500)
		-	(Surplus) or deficit on revaluation of available for sale financial assets (Note 28)			-
		31,945	Remeasurement of the net defined benefit liability / asset (Note 28)			(3,422)
		<u>22,123</u>	Other Comprehensive Income and Expenditure			<u>(30,922)</u>
		<u>24,599</u>	Total Comprehensive Income and Expenditure			<u>(39,433)</u>

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 2024	(1,612)	(2,572)	(19,932)	(13,964)	(12,826)	(6,602)	(2,862)	(60,370)	(193,211)	(253,581)
Movement in reserves during 2024/25										
(Surplus)/deficit on the provision of services	(8,753)	242						(8,511)		(8,511)
Other Comprehensive Income and Expenditure								-	(30,922)	(30,922)
Total Comprehensive Income and Expenditure	(8,753)	242	-	-	-	-	-	(8,511)	(30,922)	(39,433)
Adjustments between accounting basis & funding basis under regulations (Note 11)	5,946	(2,699)	-	-	331	3,079	(4,897)	1,760	(1,760)	-
Net (Increase)/Decrease before Transfer to Earmarked Reserves	(2,807)	(2,457)	-	-	331	3,079	(4,897)	(6,751)	(32,682)	(39,433)
Transfers to/from Earmarked Reserves (Note 12)	2,009	2,358	(2,009)	(2,358)						
Internal recharges to HRA (Increase)/Decrease in 2024/25	(798)	(99)	(2,009)	(2,358)	331	3,079	(4,897)	(6,751)	(32,682)	(39,433)
Balance at 31 March 2025	(2,410)	(2,671)	(21,941)	(16,322)	(12,495)	(3,523)	(7,759)	(67,121)	(225,893)	(293,014)

The Total General Fund balance at 31 March 2025 is £24.351 million, comprising a working balance of £2.410 million and earmarked reserves of £21.941 million.

The Total Housing Revenue Account balance at 31 March 2025 is £18.993 million, comprising a working balance of £2.671 million and earmarked reserves of £16.322 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 2023	(1,942)	(1,983)	(19,002)	(13,191)	(11,656)	(8,562)	(3,606)	(59,942)	(218,238)	(278,180)
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)						
(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.

BALANCE SHEET

The Balance Sheet shows the value as at 31 March 2025 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 2024 £000	Notes	31 March 2025 £000
319,008 Property, Plant & Equipment	16	351,112
296 Heritage Assets	17	296
1,212 Investment Properties	18	219
300 Intangible Assets	19	458
51 Long Term Debtors	20	51
320,867 Long Term Assets		352,136
28,855 Short Term Investments	20	13,600
142 Inventories	21	149
8,287 Short Term Debtors	22	10,167
26,023 Cash and Cash Equivalents	23	44,031
63,307 Current Assets		67,947
(1,726) Short Term Borrowing	20	(3,298)
(11,857) Short Term Creditors	25	(10,278)
(144) Short Term Provisions	26	-
(390) Grants Receipts in Advance-Revenue	37	(177)
(1,685) Grants Receipts in Advance-Capital	37	(1,967)
(15,802) Current Liabilities		(15,720)
(6) Long Term Creditors	20	(2)
(80,205) Long Term Borrowing	50	(77,205)
(2,299) Provisions	26	(1,500)
- Finance Leases	40	(2,707)
(32,281) Pensions	43	(29,935)
(114,791) Long Term Liabilities		(111,349)
253,581 Net Assets		293,014
(60,370) Usable Reserves	27	(67,121)
(193,211) Unusable Reserves	28	(225,893)
(253,581) Total Reserves		(293,014)

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.

2023/24 £000	2024/25 £000
2,476 Net (surplus) or deficit on the provision of services	(8,511)
(9,996) Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 29)	(13,751)
3,880 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 29)	12,757
<hr/> (3,640) Net cash flows from Operating Activities	<hr/> (9,505)
25,781 Investing Activities (Note 30)	(12,260)
2,534 Financing Activities (Note 31)	3,757
<hr/> 24,675 Net (increase) / decrease in cash and cash equivalents	<hr/> (18,008)
50,698 Cash and cash equivalents at the beginning of the reporting period	26,023
<hr/> 26,023 Cash and cash equivalents at the end of the reporting period (Note 23)	<hr/> 44,031

NOTES TO THE ACCOUNTS

1. Accounting Policies

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year end of 31 March 2025. 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 2024/25, 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. This Comprises:

- 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:
 - Service cost comprising:
 - 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.
 - Reameasurements comprising:
 - 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), and

interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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 is held for sale.

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.

xvi 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
- dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH)
- 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 de minimus 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.

vii 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.

xxi 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, then 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.

xxii 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-financial assets such as surplus assets and investment properties and its 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 data 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 2025 for 2024/25)

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:

These new or amended standards may provide clarification but are unlikely to have a significant impact on the amounts anticipated to be report in the financial statements of this Council:

- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy.

These new or amended standards are anticipated to be of limited application to this Council:

- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023

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 2025 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 2025 the Council's balance of sundry debts was £3.377m. A review of significant balances suggested that an impairment of doubtful debts of 52% was appropriate (£1.761m). However, in the current economic climate this level of debt will require constant monitoring.	If collection rates were to deteriorate by 1% an additional £34,000 would need to be set aside as allowance.
Council tax arrears	At 31 March 2025 the Council's share of the council tax debtors included in the councils accounts was £1.420m. A review of significant balances suggested that an impairment of doubtful debts of 73.3% (£1.04m) 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 2025 the Council's share of the business rates debtors included in the councils accounts was £0.856m. A review of significant balances suggested that an impairment of doubtful debts of 63.16% (£0.541m) 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 £9,000 to be set aside as an allowance.
Business rates appeals	At 31 March 2025 the Council's share of the business rates appeals included in the Council's accounts was £1.269m.	If there was an increase of 1% in the appeals percentages this would require an additional £196,000 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.

2023/2024					2024/2025					
Net Expend Chargeable to the General Fund	Ear-marked Reserves	Adjust's between the Funding and Accounting Basis	Internal Recharge	Net Expend in the CIES		Net Expend Chargeable to the General Fund	Ear-marked Reserves	Adjust's between the Funding and Accounting Basis	Internal Recharge	Net Expend in the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
1,180	(18)	(53)	(0)	1,109	Leader of the Council	1,311	(97)	(73)		1,141
4,429	(354)	130	(631)	3,574	Environment and Climate Change	4,095	(767)	(72)	(554)	2,702
1,955	(106)	456	985	3,290	Parks, Culture and Heritage	1,925	(155)	551	910	3,231
3,849	450	(324)	94	4,069	Resources and Transformation	4,158	287	(716)	42	3,771
3,065	(290)	2,788	(283)	5,280	Community Wellbeing	2,888	355	2,609	(246)	5,606
1,137	(146)	67	(16)	1,042	Housing	1,243	(26)	654	(17)	1,854
1,615	(80)	204	(9)	1,730	Regeneration and High Street	1,181	(81)	407	(8)	1,499
17,230	(544)	3,268	140	20,094		16,801	(484)	3,360	127	19,804
(5,244)	(774)	7,907	(140)	1,749	Housing Revenue Account	(4,073)	(2,538)	5,208	(127)	(1,530)
11,986	(1,318)	11,175	(0)	21,843	Net Cost of Services	12,728	(3,022)	8,568	-	18,274
(12,245)	(385)	(6,737)	-	(19,367)	Other Income and Expenditure	(13,625)	(1,345)	(11,815)		(26,785)
(259)	(1,703)	4,438	(0)	2,476	(Surplus)/Deficit on Provision of Services	(897)	(4,367)	(3,247)	-	(8,511)
(3,925)	(32,193)				Opening General Fund & HRA Balance	(4,184)	(33,896)			
-	-				Transfer to Earmarked Reserves	-	-			
(259)	(1,703)				Less/Plus Surplus or Deficit on General Fund & HRA Balance in year	(897)	(4,367)			
(4,184)	(33,896)				Closing General Fund & HRA Balance at 31 March *	(5,081)	(38,263)			

* 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 2024/25

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	-	(72)	(1)	(73)	-	(73)
Environment and Climate Change	170	(262)	-	(92)	20	(72)
Parks, Culture and Heritage	847	(287)	(2)	558	(7)	551
Resources and Transformation	37	(1,055)	48	(970)	254	(716)
Community Wellbeing	2,737	(134)	6	2,609	-	2,609
Housing	752	(101)	3	654	-	654
Regeneration and High Street	733	(207)	2	528	(121)	407
Sub Total	5,276	(2,118)	56	3,214	146	3,360
Housing Revenue Account	8,767	(786)	(50)	7,931	(2,723)	5,208
Net Cost of Services	14,043	(2,904)	6	11,145	(2,577)	8,568
Other income and expenditure from the Expenditure and Funding Analysis	(16,356)	1,539	425	(14,392)	2,577	(11,815)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the the Provision of Services	(2,313)	(1,365)	431	(3,247)	-	(3,247)

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 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:

2023/24		2024/25
£000		£000
-	Leader of the Council	-
2,485	Environment and Climate Change	3,038
379	Parks, Culture and Heritage	529
3,385	Resources and Transformation	3,812
629	Community Wellbeing	1,192
541	Housing	399
1,871	Regeneration and High Street	1,968
9,290	Sub Total	10,938
22,595	Housing Revenue Account	24,585
31,885	Total income analysed on a segmental basis	35,523

9. Expenditure and Income Analysed by Nature

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

2023/24		2024/25
£000		£000
	Expenditure	
18,315	Employee benefits expenses	18,759
36,087	Other services expenses	40,412
16,351	Depreciation, amortisation, impairment	14,014
3,429	Interest payments	4,713
856	Precepts and levies	881
(595)	Gain / loss on the disposal of assets	621
74,443	Total Expenditure	79,400
	Income	
(31,885)	Fees, charges and other service income	(35,523)
(3,393)	Interest and investment income	(2,983)
(15,318)	Income from council tax and non-domestic rates	(16,506)
(21,371)	Government grants and contributions	(32,899)
(71,967)	Total Income	(87,911)
2,476	Surplus or Deficit on the Provision of Services	(8,511)

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 2024/25 or 2023/24.

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

2023/24 £000		2024/25 £000
77	Revenue from contracts with service recipients	194
<u>77</u>	Total Included in Comprehensive Income and Expenditure Statement	<u>194</u>

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

2023/24 £000		2024/25 £000
77	Receivables, which are included within debtors (note 22)	194
<u>77</u>	Total Included in Net Assets	<u>194</u>

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 2024 £000		31 March 2025 £000
77	Not later than one year	194
-	- Later than one year	-
<u>77</u>	Amounts of transaction price, partially or fully unsatisfied	<u>194</u>

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 2024/25 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						
	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
2024/25							
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:							
◦ Pension costs (transferred to / (or from) the Pensions Reserve)	579	786				1,365	(1,365)
◦ Council Tax and NDR (transfer to / (or from) Collection Fund)	(424)					(424)	424
◦ Holiday pay (transferred to the Accumulated Absences Reserve)	(57)	50				(7)	7
◦ 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)	4,441	(9,060)			(5,286)	(9,905)	9,905
Total Adjustments to the Revenue Resources	4,539	(8,224)	-	-	(5,286)	(8,971)	8,971
Adjustments between Revenue and Capital Resources							
◦ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	1,396	(1,396)			-	-
◦ Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(25)	25			-	-
◦ Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)		-	-			-	-
◦ Posting of HRA resources from revenue to the Major Repairs Reserve		3,974		(3,974)		-	-
◦ Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	265					265	(265)
◦ Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,142	180				1,322	(1,322)
Total Adjustments between Revenue and Capital Resources	1,407	5,525	(1,371)	(3,974)	-	1,587	(1,587)
Adjustments to Capital Resources							
◦ Use of Capital Receipts Reserve to finance capital expenditure			1,702			1,702	(1,702)
◦ Use of the Major Repairs Reserve to finance capital expenditure				7,053		7,053	(7,053)
◦ Application of capital grants to finance capital expenditure					389	389	(389)
◦ Cash payments in relation to deferred capital receipts						-	-
Total Adjustments to Capital Resources	-	-	1,702	7,053	389	9,144	(9,144)
Total Adjustments	5,946	(2,699)	331	3,079	(4,897)	1,760	(1,760)

	Usable Reserves						
	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
2023/24							
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:							
◦ Pension costs (transferred to / (or from) the Pensions Reserve)	1,275	684				1,959	(1,959)
◦ Council Tax and NDR (transfer to / (or from) Collection Fund)	1,418					1,418	(1,418)
◦ Holiday pay (transferred to the Accumulated Absences Reserve)	24	(39)				(15)	15
◦ 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							
◦ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	644	847	(1,491)			-	-
◦ Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(12)	(16)	28			-	-
◦ Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)						-	-
◦ Posting of HRA resources from revenue to the Major Repairs Reserve		5,102		(5,102)		-	-
◦ Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	267					267	(267)
◦ 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							
◦ Use of Capital Receipts Reserve to finance capital expenditure			293			293	(293)
◦ Use of the Major Repairs Reserve to finance capital expenditure				7,062		7,062	(7,062)
◦ Application of capital grants to finance capital expenditure					975	975	(975)
◦ 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

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 2024/25.

	Balance at 31 March 2023 £000	Transfer out 2023/24 £000	Transfers in 2023/24 £000	Balance at 31 March 2024 £000	Transfer out 2024/25 £000	Transfers in 2024/25 £000	Balance at 31 March 2025 £000
General Fund							
Revenue							
General	9,632	(1,434)	3,063	11,261	(895)	2,594	12,960
Section 106	3,877	(262)	455	4,070	(1,101)	532	3,501
Commuted Sums	483	(69)	43	457	(72)	286	671
Grants	2,401	(237)	558	2,722	(940)	644	2,426
Business Rates Reserve	462	(1,393)		(931)	(444)	931	(444)
Sub Total	16,855	(3,395)	4,119	17,579	(3,452)	4,987	19,114
Capital							
RCCO	15		300	315	-	500	815
Capital	2,132	(124)	30	2,038	(333)	307	2,012
Sub Total	2,147	(124)	330	2,353	(333)	807	2,827
General Fund Sub Total	19,002	(3,519)	4,449	19,932	(3,785)	5,794	21,941
HRA							
Housing	2,001	(132)	107	1,976	(203)	148	1,921
RCCO	11,190		798	11,988	-	2,413	14,401
HRA Sub Total	13,191	(132)	905	13,964	(203)	2,561	16,322
Total Revenue Reserves	32,193	(3,651)	5,354	33,896	(3,988)	8,355	38,263

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 surplus on the Collection Fund for 2024/25. This reserve has been set aside to absorb the timing difference in accounting for collection fund balances.

13. Other Operating Expenditure

2023/24 £000	2024/25 £000
849 Parish council precepts	873
(595) (Gains)/Losses on the disposal of non-current assets:	(409)
7 Levies	7
261 Total	471

14. Financing and Investment Income and Expenditure

2023/24 £000	2024/25 £000
3,251 Interest Payable & Similar Charges	3,174
(6,850) Net interest on the net defined benefit liability (asset)	(7,798)
7,028 Remeasurements of the net defined benefit liability/(asset)	7,132
- Interest on the effect of the asset ceiling	2,205
(3,393) Interest Receivable and similar income	(2,983)
- Investment properties changes in fair value	(37)
(52) Income and Expenditure in relation to investment properties	15
- (Gain) / loss on disposal of investment properties	1,030
72 (Gain) / loss on trading accounts	87
(221) Expected credit loss allowance	(259)
(165) Total	2,566

15. Taxation and Non Specific Grant Incomes

2023/24		2024/25
£000		£000
(2,417)	Capital grants and contributions	(11,387)
(7,796)	Precepts on the Collection Fund	(8,222)
(7,522)	Non domestic rates	(8,284)
(1,728)	Non ring-fenced government grants	(1,929)
<u>(19,463)</u>	Total	<u>(29,822)</u>

16. Property, Plant and Equipment

Movements on Balances

	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
Movements in 2024/25									
Cost or Valuation									
o at 1 April 2024	245,982	70,593	3,731	1,313	105	241	167	3,818	325,950
o Additions	7,261	1,840	576	3,210				4,992	17,879
o Revaluation increases/(decreases) recognised in the Revaluation Reserve	20,887	618					(347)		21,158
o Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,852)	(1,211)							(6,063)
o Derecognition - disposals	(947)	(19)		(1,313)					(2,279)
o Derecognition - other	(94)								(94)
o Assets reclassified (to)/from Held For Sale									-
o Other movements in cost or valuation		(1,063)					632	431	-
at 31 March 2025	268,237	70,758	4,307	3,210	105	241	452	9,241	356,551
Accumulated Depreciation and Impairment									
o at 1 April 2024	(1,604)	(1,096)	(2,908)	(1,313)	(21)	-	-	-	(6,942)
o Depreciation charge	(3,359)	(2,695)	(327)	(9)	(4)		(4)		(6,398)
o Depreciation written out to the Revaluation Reserve	3,133	3,190					18		6,341
o Depreciation written out to the Surplus/Deficit on the Provision of Services	87								87
o Impairment losses/(reversals) recognised in the Revaluation Reserve									-
o Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services		61							61
o Derecognition - disposals	99			1,313					1,412
o Derecognition - other									-
o Other movements in depreciation and impairment		295					(14)	(281)	-
at 31 March 2025	(1,644)	(245)	(3,235)	(9)	(25)	-	-	(281)	(5,439)
Net Book Value									
at 31 March 2025	266,593	70,513	1,072	3,201	80	241	452	8,960	351,112
at 31 March 2024	244,378	69,497	823	-	84	241	167	3,818	319,008

	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
Movements in 2023/24									
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

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 2025 the Council held contracts for the construction or enhancement of Property, Plant and Equipment in 2024/25 and future years budgeted to cost £19,636,000. This included £11,639,000 for HRA Kitchen and Bathroom replacements. Similar commitments as at 31 March 2024 were £15,580,000.

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 (Senior Associate Director Ben Davies MRICS).

The Housing Revenue fixed assets valuations were carried out by the external valuer, Lambert Smith Hampton (Director Roger Buncombe BSc (Hons) MRICS).

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 they are not materially mistated which it will do again for the 31 March 2026.

	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	-	-	1,072	3,201	80	241		8,960	13,554
valued at fair value as at :									
31 March 2021		1,578							-
31 March 2022		1,480							1,480
31 March 2023		1,516							1,516
31 March 2024		2,093							2,093
31 March 2025	266,593	63,846					452		330,891
Total Cost or Valuation	266,593	70,513	1,072	3,201	80	241	452	8,960	351,112

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 2024/25 or 2023/24.

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.

2023/24 £000		2024/25 £000
53	Rental Income from Investment Property	(15)
53	Net Gain / (loss)	(15)

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:

2023/24 £000		2024/25 £000
1,212	Balance at start of the year	1,212
-	- Disposals	(1,030)
-	- Net gains / (loss) from fair value adjustments	37
1,212	Balance at end of year	219

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 2023/24.

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:

2023/24		2024/25
Total		Total
£000		£000
	Balance at start of year:	
927	Gross carrying amounts	948
(613)	Accumulated amortisation	(648)
314	Net carrying amount at start of year	300
	Additions:	
21	Purchases	195
(35)	Amortisation for the period	(37)
300	Net carrying amount at end of year	458
	Comprising:	
948	Gross carrying amounts	1,143
(648)	Accumulated amortisation	(685)
300		458

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

Carrying Amount		Carrying Amount
31 March 2024		31 March 2025
£000		£000
	Remaining Amortisation Period	
-	1 Year	-
	7 Years	244
279	8 Years	-
-	9 Years	19
21	10 Years	195
300		458

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 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	Non-current				Current				Total	Total
Financial Assets	Investments		Debtors		Investments		Debtors		£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost:										
Short Term Investments					28,855	13,600			28,855	13,600
Cash & Cash Equivalents					26,023	44,031			26,023	44,031
Long Term Debtors			51	51					51	51
Trade Debtors							2,119	3,875	2,119	3,875
Total financial assets	-	-	51	51	54,878	57,631	2,119	3,875	57,048	61,557
Non-financial assets							6,168	6,292	6,168	6,292
Total	-	-	51	51	54,878	57,631	8,287	10,167	63,216	67,849

	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	Non-current				Current				Total	Total
Financial Liabilities	Borrowings		Creditors		Borrowings		Creditors		£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost										
Trade Creditors							4,804	6,081	4,804	6,081
Finance Lease				2,707			-	494	-	3,201
Long Term Creditors			6	2					6	2
Short Term Borrowing and Accrued Interest					1,726	3,298			1,726	3,298
Long Term Borrowing	80,205	77,205							80,205	77,205
Total financial liabilities	80,205	77,205	6	2,709	1,726	3,298	4,804	6,575	86,741	89,787
Non-financial liabilities							7,053	3,703	7,053	3,703
Total	80,205	77,205	6	2,709	1,726	3,298	11,857	10,278	93,794	93,490

Reclassifications

There were no reclassifications during 2024/25

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

	2023/24		2024/25	
	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	(2,904)	-	(3,029)	-
Total interest Revenue	(2,904)	-	(3,029)	-
Interest Expense	3,249	-	3,180	-
(Surplus) / deficit arising on revaluation of financial assets in Other comprehensive Income	-	-	-	-
Net (gain)/loss for the year	345	-	151	-

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 today's 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 2024			31 March 2025	
Carrying Amount	Fair Value	Financial Liabilities	Carrying Amount	Fair Value
£000	£000		£000	£000
81,931	66,940	PWLB Debt	80,503	59,452
4,804	4,804	Trade Payables	6,081	6,081
-	-	- Short Term Creditor - Finance Lease	494	494
6	6	Long Term Creditors	2	2
-	-	- Other Long Term Liabilities - Finance Leases	2,707	2,707
86,741	71,750	Total Financial Liabilities	89,787	68,736

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 2025. 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 £59.452m 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.

31 March 2024			31 March 2025	
Carrying Amount	Fair Value	Financial Assets	Carrying Amount	Fair Value
£000	£000		£000	£000
28,855	28,855	Fixed Term Deposits	13,600	13,600
26,023	26,023	Cash & Cash Equivalents	44,031	44,031
51	51	Long Term Debtors	51	51
2,119	2,119	Trade Receivables	3,875	3,875
57,048	57,048	Total Financial Assets	61,557	61,557

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 2025 the balance of stocks held was £149,000, an increase of £7,000 from the previous financial year.

22. Debtors**Short Term Debtors**

31 March		31 March
2024		2025
£000		£000
1,676	Central Government	2,434
2,119	Trade Debtors	3,875
586	Pre Payments	848
3,001	Local taxation - Council Tax	2,205
467	Local taxation - NNDR	315
438	Other Receivables	490
8,287		10,167

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

31 March		31 March
2024		2025
£000		£000
(730)	Trade receivables	(722)
(1,000)	Local taxation - Council Tax	(1,041)
(682)	Local taxation - NNDR	(541)
(2,322)	Other receivable amounts	(2,065)
(4,734)		(4,369)

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

Debtors for Local Taxation - Council Tax

31 March		31 March
2024		2025
£000		£000
91	Less than three months	281
371	Three to six months	101
163	Six months to one year	213
781	More than one year	825
1,406		1,420

Debtors for Local Taxation - NNDR

31 March		31 March
2024		2025
£000		£000
315	Less than three months	186
214	Three to six months	67
179	Six months to one year	118
441	More than one year	485
1,149		856

23. Cash and Cash Equivalents

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

31 March		31 March
2024		2025
£000		£000
	Current Assets	
27,222	Cash equivalents held by the Council	44,019
(1,203)	Bank current accounts	7
4	Cash held by the Council	5
26,023	Total Cash and Cash Equivalents	44,031

24. Assets Held For Sale

There were no Assets held for sale as at 31 March 2025 (31 March 2024 nil).

25. Short Term Creditors

31 March 2024 £000		31 March 2025 £000
4,997	Central Government	1,813
192	Local taxation - Council Tax	214
1,147	Local taxation - NNDR	750
4,804	Trade payables	6,575
717	Other payables	926
11,857		10,278

26. Provisions**(i) Current Liabilities**

The were no short term provisions as at 31st March 2025 (2023/24 £144,000).

(ii) Long Term Liabilities

	Insurance	Business Rates Appeals	Total
	£000	£000	£000
Balance at 1 April 2024	223	2,076	2,299
Additional provisions	50	-	50
Amounts used in 2024/25	(42)	(781)	(823)
Unused amounts reversed	-	(26)	(26)
Balance at 31 March 2025	231	1,269	1,500

The balance at 31 March 2025 of £1,269,000 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 2024 £000		31 March 2025 £000
(1,612)	General Fund Balance	(2,410)
(2,572)	HRA Balance	(2,671)
	Earmarked Reserves:	
(19,932)	General Fund	(21,941)
(13,964)	Housing Revenue Account	(16,322)
(12,826)	Capital Receipts Reserve	(12,495)
(2,862)	Capital Grants Unapplied	(7,759)
(6,602)	Housing Revenue Account - Major Repairs Reserve	(3,523)
(60,370)	Total Usable Reserves	(67,121)

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 2024 £000		31 March 2025 £000
(164,797)	Revaluation Reserve	(188,449)
(65,003)	Capital Adjustment Account	(69,677)
37,230	Pensions Reserve	32,443
(51)	Deferred Capital Receipts Reserve	(51)
(774)	Collection Fund Adjustment Account	(350)
184	Accumulated Absences Account	191
<u>(193,211)</u>	Total Unusable Reserves	<u>(225,893)</u>

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.

2023/24 £000		2024/25 £000
(159,564)	Balance at 1 April	(164,797)
(10,539)	Upward revaluation of assets	(31,045)
717	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,545
(9,822)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(27,500)
4,577	Difference between fair value depreciation and historical cost depreciation	3,609
12	Accumulated gains on assets sold or scrapped	239
4,589	Amount written off to the Capital Adjustment Account	3,848
<u>(164,797)</u>	Balance at 31 March	<u>(188,449)</u>

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.

2023/24		2024/25
£000		£000
(66,680)	Balance at 1 April	(65,003)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
14,338	Charges for depreciation and impairment of non-current assets	12,314
35	Amortisation of Intangible Assets	37
1,978	Revenue Expenditure Funded from Capital Under Statute	1,700
867	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	1,991
-	Fair Value of Investment Property	(37)
17,218		16,005
(4,589)	Adjusting amounts written out of the Revaluation Reserve	(3,848)
(54,051)	Net written out amount of the cost of non-current assets consumed in the year	(52,846)
	Capital financing applied in the year:	
(293)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,702)
(7,062)	Use of the Major Repairs Reserve to finance new capital expenditure	(7,053)
(2,186)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(6,100)
(975)	Application of grants to capital financing from the Capital Grants Unapplied Account	(389)
(267)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(265)
(169)	Capital expenditure charged against the General Fund and HRA balances	(1,322)
(10,952)		(16,831)
(65,003)	Balance at 31 March	(69,677)

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.

2023/24	2024/25
£000	£000
7,244 Balance at 1 April	37,230
(13,989) Remeasurements of the net defined benefit liability/(asset)	(20,539)
2,893 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	4,309
(4,852) Employers pensions contributions and direct payments to pensioners payable in the year	(5,674)
45,934 Asset ceiling adjustment	17,117
<u>37,230</u> Balance at 31 March	<u>32,443</u>

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.

2023/24	2024/25
£000	£000
(51) 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	-
- Transfer to the Capital Receipts Reserve upon receipt of cash	-
<u>(51)</u> Balance at 31 March	<u>(51)</u>

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.

2023/24	2024/25
£000	£000
644 Balance at 1 April	(774)
(25) 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	(63)
(1,393) 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	487
<u>(774)</u> Balance at 31 March	<u>(350)</u>

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.

2023/24 £000		2024/25 £000
169	Balance at 1 April	184
(169)	Settlement or cancellation of accrual made at the end of the preceding year	(184)
184	Amounts accrued at the end of the current year	191
15	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	7
<u>184</u>	Balance at 31 March	<u>191</u>

29. Cash flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2023/24 £000		2024/25 £000
(3,317)	Interest received	(3,529)
3,698	Interest paid	3,202

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

2023/24 £000		2024/25 £000
	Adjust Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	
(7,529)	Depreciation	(6,399)
(6,809)	Impairment and downward valuations	(5,915)
(35)	Amortisation	(37)
(146)	Increase / (decrease) in impairments for bad debts	(365)
(1,320)	Increase / (decrease) in Creditors	(697)
(714)	Increase / (decrease) in Debtors	1,434
(20)	Increase / (decrease) in Stock	7
6,908	Movement in pension liability	(1,076)
(867)	Carrying amount of non-current assets sold or derecognised	(1,992)
536	Other non-cash items charged to the net surplus or deficit on the provision of services	1,289
<u>(9,996)</u>		<u>(13,751)</u>

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

2023/24 £000		2024/25 £000
	Adjust for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	
2,417	Capital grants credited to Surplus / Deficit on the Comprehensive Income and Expenditure Statement	11,386
1,463	Proceeds from the sales of Plant, Property and Equipment, Investment Property and Intangible Assets	1,371
<u>3,880</u>		<u>12,757</u>

30. Cash flow Statement - Investing Activities

2023/24 £000		2024/25 £000
8,335	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	14,994
25,000	Purchase of short-term and long-term investments	26,000
(1,463)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,371)
(4,000)	Proceeds from short-term and long-term investments	(41,000)
(2,091)	Capital grants and income from discounts	(10,647)
-	Other payments for investing activities	(236)
25,781	Net cash flows from investing activities	(12,260)

31. Cash flow Statement - Financing Activities

2023/24 £000		2024/25 £000
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	9
-	Repayment of short and long term borrowing	1,400
2,534	Billing authority - Council Tax and NNDR adjustments	2,348
2,534	Net cash flows from financing activities	3,757

Reconciliation of Liabilities Arising from Financing Activities

	1 April 2024 £000	Financing cash flows £000	Non-cash changes		31 March 2025 £000
			Acquisition £000	Other non cash changes £000	
Long term borrowings	80,205	-	-	(3,000)	77,205
Short term borrowings*	1,400	(1,400)	-	3,000	3,000
Other liabilities (including finance leases)	6	(4)	-	2,707	2,709
Total liabilities from financing activities	81,611	(1,404)	-	2,707	82,914

	1 April 2023 £000	Financing cash flows £000	Non-cash changes		31 March 2024 £000
			Acquisition £000	Other non cash changes £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

* Excludes accrued interest on borrowings

32. Acquired and Discontinued Operations

There are no material 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 2024/25 totalled £328,611 (2023/24 £355,786). 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.

35. Officers Remuneration

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

Senior Officers emoluments 2024/25 - 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	111,801	-	25,043	136,844
Head of Housing, HRA & Corporate Assets	90,505	54	20,273	110,832
Head of Wellbeing	85,566	-	18,683	104,249
Head of Regulatory Services	85,868	-	19,234	105,102
				-
	373,740	54	83,233	457,027

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 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

(i) The Head of Regulatory Services commenced employment on the 22/1/24.

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

2023/24 Number of employees	Remuneration band	2024/25 Number of employees
12	£50,000 - £54,999	4
2	£55,000 - £59,999	5
-	£60,000 - £64,999	2
-	£65,000 - £69,999	1
1	£70,000 - £74,999	-
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
-	£85,000 - £89,999 (Note 1)	1
-	£90,000 - £94,999 (Note 2)	1

Note 1 - This related to a position that has been terminated and includes one-off exit costs.

Note 2 - This relates to an temporary position that has now ended.

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	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24 £000	2024/25 £000
£0 - £20,000	1	-	-	-	1	-	6	-
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	1	-	-	-	1	-	60	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	1	-	-	-	1	-	100
£150,001+	-	1	-	-	-	1	-	207
TOTAL	2	2	-	-	2	2	66	307

There were two exit packages totalling £307,681 during 2024/25 relating to staff directly employed by the Council. Under the shared services arrangement £142,309 of these costs were charged to Stafford Borough Council.

36. External Audit Costs

The auditors for 2024/25 financial 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:

2023/24	2024/25
£000	£000
151 Fees payable with regard to external audit services carried out by the appointed auditor	41 (i)
72 Fees payable for the certification of grant claims and returns for the year	59 (ii)
223 Total	100

(i) For 2024/25 this includes a scale fee of £165,780 in relation to 2024/25, which is offset by forecast rebates and fee variations relating to 2021/22 to 2023/24 amounting to a net rebate of £124,685.

(ii) 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:

2023/24	2024/25
£000	£000
Credited to Taxation and Non Specific Grant Income	
7,796 Precepts On The Collection Fund	8,222
7,522 NNDR	8,284
123 Revenue Support Grant	131
619 New Homes Bonus	201
33 Other general grants	34
2,417 Capital Grants-General Fund	10,737
- Capital Grants-HRA	650
123 Services Grant	21
830 Funding Guarantee	1,542
19,463 Total	29,822
Credited to Services	
7,910 Rent Allowances	8,874
7,434 Housing Benefit Subsidy	7,430
- Homelessness Prevention	353
224 Housing Benefit Admin Grant	222
Food Waste	202
138 Cost Of Collection Allowance	138
204 Local Council Tax Support Fund	-
- Decarbonisation Project	95
85 Discretionary Housing Payments	86
- Planning - Green Belt Review	70
17 Rough Sleeper Grant	39
88 Local Taxation (Grant Fund)	51
418 UK Shared Prosperity Fund	1,728
325 Health Equalities	-
244 Asylum Support	46
139 Other grants	249
17,226 Total	19,583

The other grants lines shown in the table above generally includes all grants received of £50,000 or less 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 2024 £000		31 March 2025 £000
	Revenue Grants Receipts in Advance	
390	Section 106 Developers Revenue Contributions	177
<u>390</u>	Total	<u>177</u>
	Capital Grants Receipts in Advance	
1,685	Section 106 Developers Capital Contributions	1,967
<u>1,685</u>	Total	<u>1,967</u>

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 2024/25 is shown in Note 34. Details of Members' interests are recorded in the Register of Members' Interest maintained by the Council. During 2024/25 there were no significant works and services commissioned from companies in which members had an interest.

Officers

During 2024/25 there were no significant works or services commissioned from companies in which senior officers had an interest.

Other Public Bodies (subject to common control by central government)

There are no transactions with other public bodies in 2024/25 that are required to be disclosed.

Entities Controlled or Significantly Influenced by the Council

As part of the shared services with Stafford Borough Council, Cannock Chase District Council paid £1.415 million for Stafford Borough Council hosted services and received £3.277 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.

2023/24 £000	2024/25 £000
90,574	90,308
Opening Capital Financing Requirement	
Capital Investment	
8,687	17,879
21	195
1,978	1,701
Sources of finance	
(293)	(1,702)
(3,161)	(6,489)
(7,062)	(7,053)
Sums set aside from revenue:	
(169)	(1,322)
(267)	(256)
- Finance Lease Payment	(9)
90,308	93,252
Closing Capital Financing Requirement	
Explanation of movements in year	
Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	
-	
- HRA	
(267)	2,944
(267)	2,944
Increase/(decrease) in Capital Financing Requirement	

40. Leases

Council as Lessee

Financing Lease of Vehicles

The Council has a number of leases for refuse vehicles. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet.

The Council is committed to making minimum lease payments under the lease comprising settlement of the long term liability for the interest in the property acquired by the Council and the finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2024 £000	31 March 2025 £000
- Current Finance Lease Liabilities	494
- Non Current	2,707
- Finance costs payable in future years	1,274
- Minimum Lease Payments	4,475

The minimum lease payments will be payable over the following periods:

	Minimum lease		Finance Lease Liabilities	
	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
Not later than one year	-	498	-	494
Later than one year not later than five years	-	1,993	-	1,115
Later than five years	-	1,984	-	1,592
Minimum Lease Payments	-	4,475	-	3,201

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:

2023/24 £000		2024/25 £000
234	Not later then one year	234
936	Later than one year and not later than five years	928
10,610	Later than five years	10,376
11,780		11,538

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

2023/24 £000		2024/25 £000
234	Minimum Lease Payments	234
234		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 2024 £000		31 March 2025 £000
560	Not later than one year	636
1,600	Later than one year and not later than five years	1,639
33,503	Later than five years	30,478
35,663		32,753

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 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 2024/25 (2023/24 £nil)

42. Termination Benefits

The Council terminated the contracts of 2 employees directly employed by the Council in 2024/25 incurring liabilities of £307,681 (£66,106.28 in 2023/24). Of the £307,681 incurred in 2024/25 £142,309 was recharged to Stafford Borough Council as part of the Shared Service arrangements.

See Note 35 for the number of exit packages and total cost per band.

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.

2023/24 £000		2024/25 £000
	Comprehensive Income and Expenditure Statement	
	Service Cost	
2,674	Current service cost	2,547
41	Past service cost (including curtailments)	223
2,715	Total Service Cost	2,770
	Financing and Investment Income and Expenditure	
(6,850)	Interest income on scheme assets	(7,798)
7,028	Interest cost on defined benefit obligation	7,132
-	Interest on the effect of the asset ceiling	2,205
178	Total Net Interest	1,539
2,893	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	4,309

Remeasurements of the Net Defined Liability Comprising:		
11,284	Return on plan assets excluding amounts included in net interest	2,589
895	actuarial (gains) / losses arising from changes in demographic assumptions	(262)
6,384	actuarial (gains) / losses arising on changes in financial assumptions	(21,298)
(4,574)	Actuarial gains / losses arising on other experience	(1,568)
(45,934)	Asset ceiling adjustment	17,117
(31,945)	Total remeasurements recognised in other comprehensive income	(3,422)
(29,052)	Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	887
Movement in Reserves Statement		
(2,893)	reversal of net charges made to the (surplus) or deficit on the provision of Services	(4,309)
4,582	Employers Contributions Payable to the Scheme	5,674

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		31 March
2024		2025
£000		£000
(164,147)	Fair value of employer assets	(166,182)
146,771	Present value of funded liabilities	127,593
45,934	Asset Ceiling Adjustment	65,256
3,723	Present value of unfunded liabilities	3,268
32,281	Net Liability arising from the Defined Benefit Obligation	29,935

Reconciliation of the Movements in the Fair Value of Scheme Assets

2023/24		2024/25
£000		£000
142,450	Opening fair value of scheme assets	164,147
6,850	Interest income	7,798
	Remeasurement gain/(loss)	
11,284	Return on plan assets excluding the amounts included in net interest	(2,589)
9,801	Contributions from employer	3,233
739	Contributions from employees into the scheme	764
(6,977)	Benefits paid	(7,171)
164,147	Closing Fair Value of Scheme Assets	166,182

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

2023/24		2024/25
£000		£000
149,694	Opening fair value of scheme liabilities	150,494
2,674	Current service cost	2,547
7,028	Interest cost	7,132
739	Contributions from scheme participants	764
	Remeasurement (gains)/losses:	
(895)	Actuarial (gains)/losses arising from changes in demographic assumptions	(262)
(6,384)	Actuarial (gains)/losses arising from changes in financial assumptions	(21,298)
4,574	Actuarial (gains)/losses from other experience	(1,568)
41	Past service cost	223
(6,977)	Benefits paid	(7,171)
150,494	Closing Fair Value of Scheme Liabilities	130,861

Local Government Pension Scheme Assets comprised:

	Period Ended 31 March 2024				Period Ended 31 March 2025			
	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	4,445		4,445	3%	2,394		2,394	2%
Manufacturing	2,215		2,215	1%	-		-	0%
Energy and utilities	1,011		1,011	1%	-		-	0%
Financial Institutions	6,031		6,031	4%	2,304		2,304	1%
Health and Care	4,545		4,545	3%	1,387		1,387	1%
Information Technology	7,259		7,259	4%	1,412		1,412	1%
Other	-		-	0%			-	0%
Debt Securities								
Corporate Bonds investment grade	12,219		12,219	8%	12,538		12,538	8%
Private Equity								
All		8,639	8,639	5%		8,680	8,680	5%
Real Estate								
UK Property		12,117	12,117	7%		13,887	13,887	8%
Investment Funds and Unit Trusts								
Equities	74,382		74,382	45%	81,801		81,801	49%
Bonds	12,882		12,882	8%	12,684		12,684	8%
Hedge Funds			-	0%			-	0%
Infrastructure		7,134	7,134	4%		9,902	9,902	6%
Other		8,599	8,599	5%	8,308	7,102	15,410	9%
Cash and Cash Equivalents								
All	2,669		2,669	2%	3,783		3,783	2%
Total Assets	127,658	36,489	164,147	100%	126,611	39,571	166,182	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:

2023/24		2024/25
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
20.8	Men	20.7
23.8	Women	23.8
	Longevity at 65 for future pensioners:	
21.6	Men	21.5
25.6	Women	25.5
	Rate of Inflation	
3.30%	Rate of increase in salaries	3.30%
2.80%	Rate of increase in pensions	2.80%
4.80%	Rate for discounting scheme liabilities	5.80%

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 2023/24.

Change in Assumptions at 31 March 2025	Approximate % Increase to Employee Liability %	Approximate Monetary Value £000
0.1% decrease in real discount rate	2%	2,025
1 year increase in member life expectancy	4%	5,234
0.1% increase in the salary increase rate	0%	103
0.1% increase in the pension increase rate	2%	1,977

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 2025/26 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 £2,704,000 expected contributions to the scheme in 2025/26

The weighted average duration of the defined benefit obligation for the funding scheme members is 16 years in 2024/25. (2023/24 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 2025 that a solvent run off of the Company's business cannot be guaranteed.

45. Contingent Assets

There are no contingent assets at 31 March 2025.

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 & Pooers 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 2024/25 was approved by Full Council on 21st February 2024 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 used 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 their commitments. To date there has been no default or write off in relation to this category of financial asset.

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 £10,000 are authorised by the S151 Officer 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 2025 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 2025 £000	Historical Experience of Default £000	Estimated maximum exposure to default and uncollect- ability at 31 March 2025 £000
Deposits with Banks and Financial Institutions				
Aberdeen Standard Liquidity Fund Sterling Fund*	AAA	9,000,000	0.000%	-
DWS Deutsche Managed Sterling Fund*	AAA	9,000,000	0.000%	-
Federated Hermes Short-Term Sterling Prime Fund*	AAA	9,000,000	0.000%	-
Invesco Sterling Liquidity Portfolio*	AAA	6,850,000	0.000%	-
Morgan Stanley Sterling Liquidity Fund*	AAA	9,000,000	0.000%	-
National Bank of Kuwait	A	2,000,000		0.274
Al Rayan Bank Plc	A+	4,000,000		0.823
National Bank of Kuwait	A	4,000,000		0.548
Santander (180 days)	A	3,500,000		0.478
Svenska Handelsbanken	AA-	1,000,000		0.134
Total		57,350,000		2.257
* Money Market Fund				

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 86% to adjust for current and forecast economic conditions.

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 (excludes housing benefits) expected credit losses have been calculated based on debt type and recovery stage of debt. The expected credit loss is approximately £186,770. (2023/24 £200,635).

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 £57.4m 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 (including long term borrowing and long term lease liabilities) is as follows:

31 March 2024 £000		31 March 2025 £000
3,000	Between one and two years	-
-	Between two and five years	1,115
<u>77,205</u>	More than five years	<u>78,797</u>
<u>80,205</u>		<u>79,912</u>

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	614
Impact on Surplus or Deficit on the Provision of Services	614
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)	7,270

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 2025.

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 2025 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
	£000	£000	£000	£000
2024/25				
Benton's Trust	(0.195)	-	(4.172)	-
Total	(0.195)	-	(4.172)	-

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

50. Long Term Borrowing

Balance 31 March 2024 £000		Ranges Of Interest Rates Payable %	Balance 31 March 2025 £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	11,100
-	Public Works Loan Board	6	-
5,360	Public Works Loan Board	7.375 - 8	5,360
<u>80,205</u>			<u>77,205</u>
	Analysis of Loans by Maturity		
3,000	1 to 2 years		-
-	2 to 5 years		-
3,000	5 to 10 years		5,400
74,205	over 10 years		71,805
<u>80,205</u>			<u>77,205</u>

51. Events After The Balance Sheet Date

The Statement of Accounts was authorised for issue by the Deputy Chief Executive (Resources) on 12/12/25. 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 2025, 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

2023/24 £000	Notes	2024/25 £000
Income		
21,773		23,809
360		379
175		206
306		303
22,614		24,697
Expenditure		
7,004		7,847
3,554		4,188
1,122		1,327
32		89
11,748	4	8,767
23,460		22,218
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement.		
903		949
1,749		(1,530)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(210)		(428)
-		-
(447)		(452)
3,249		3,180
(53)		(5)
-		(650)
4,288		115
(Surplus) / Deficit for the year on HRA Services		

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2023/24 £000	2024/25 £000
4,288	115
HRA Income and Expenditure (Surplus) / Deficit	
210	428
773	2,358
(11,748)	(8,767)
Reversal of Depreciation / Impairment Charge	
-	650
Reversal of Grants and Contributions Receivable	
5,102	3,974
Transfer to / from Major Repairs Reserve	
-	-
HRA Principal	
685	786
Pension Adjustment	
(39)	50
Holiday Pay Adjustment	
-	180
Capital Charged to HRA	
140	127
General Fund Recharges	
(589)	(99)
(Surplus) / Deficit for the year on HRA Services	
1,983	2,572
Balance Brought Forward	
2,572	2,671
Balance Carried Forward	

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 2025 the Council was responsible for 5,015 Council dwellings analysed as follows:

Dwelling Type	Stock as at 1 April 2024	Increase/ Decrease	Stock as at 31 March 2025
Flats			
1 Bedroom	807	(2)	805
2 Bedroom	237	(2)	235
3 Bedroom	10		10
4 Bedroom	1		1
Total	1,055	(4)	1,051
Houses & Bungalows			
1 Bedroom	1,276	(3)	1,273
2 Bedroom	1,193	(8)	1,185
3 Bedroom	1,451	(5)	1,446
4+ Bedroom	59	1	60
Total	3,979	(15)	3,964
Total HRA Dwellings	5,034	(19)	5,015

(ii) Valuation of Housing Property, Plant & Equipment

Net Book Value 31 March 2024 £000	Net Book Value 31 March 2025 £000
244,378 Council Dwellings	266,593
10,072 Other Land & Buildings	10,514
146 Vehicles, Plant & Equipment	116
1,933 Assets under construction	3,302
Intangibles	-
256,529	280,525

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2024 was £606,315,000 and as at 31 March 2025 was £656,918,000. 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 2025 were £0.665 million (31 March 2024 £0.668 million).

31 March 2024 £000		31 March 2025 £000
199	Tenants Arrears - Current	174
469	Tenants Arrears - Former	491
<u>668</u>	Total Arrears	<u>665</u>

The provision for bad debts as at 31 March 2025 is £0.535 million (31 March 2024 £0.529m).

4. Depreciation and Impairment Charges**(i) Depreciation**

2023/24 £000		2024/25 £000
3,516	Dwellings	3,359
1,490	Other Operational Assets	526
63	Plant and Equipment	88
-	Intangible Assets	-
<u>5,069</u>		<u>3,973</u>

(ii) Impairment Charges

2023/24 £000		2024/25 £000
*	6,679 Impairment	4,793 *
<u>6,679</u>		<u>4,793</u>

* This figure is included within the Revaluation increase/(decrease) figure of (£6,063k) shown in note 16 (£6,835k for 2023/24).

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

2023/24 £000		2024/25 £000
	Expenditure	
7,171	On Housing Properties	8,630
11	On Housing Equipment	58
-	On Housing Vehicles	-
7,182		8,688
	Financing	
120	Usable Capital Receipts	1,455
7,062	Major Repairs Reserve	7,053
-	Revenue Contribution to Capital	180
7,182		8,688
	- 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 2024	6,602
Transfer to Major Repairs Reserve	3,974
Financing of Capital spend	(7,053)
Balance at 31 March 2025	3,523

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.

2023/24	2024/25		
	Business Rates £000	Council Tax £000	Total £000
Total			
£000			
Income			
62,438 Council Tax Receivable	-	66,282	66,282
34,874 Business Rates Receivable	36,549	-	36,549
2,358 Transitional Protection Payments Receivable	686	-	686
99,670 Total Income	37,235	66,282	103,517
Expenditure			
Precepts and Demands			
47,147 Staffordshire County Council	3,423	46,362	49,785
21,422 Cannock Chase District Council	15,212	7,323	22,535
849 Parishes	-	874	874
2,874 Staffordshire Commissioner Fire & Rescue Service	380	2,605	2,985
7,778 Office of the Police and Crime Commissioner Staffordshire	-	8,211	8,211
17,936 Payments to Central Government	19,014	-	19,014
98,006	38,029	65,375	103,404
Charges to Collection Fund			
1,638 Increase / (reduction) in bad debts provision	165	691	856
- Interest chargeable to Collection Fund	117	-	117
(231) Increase / (reduction) in provision for appeals	(2,017)	-	(2,017)
138 Costs of Collection	138	-	138
(3,507) Distribution of previous years Collection Fund Surplus / (Deficit)	2,022	(297)	1,725
96,044 Total Expenditure	38,454	65,769	104,223
(3,626) (Surplus)/Deficit for Year	1,219	(513)	706
Movement of Collection Fund Balances			
2,554 Balance brought Forward	(2,329)	1,257	(1,072)
(3,626) Add (Surplus)/Deficit for the Year	1,219	(513)	706
(1,072) Balance Carried Forward	(1,110)	744	(366)

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 2024/25

Band	Number of Properties (adj for discounts)	Ratio	Band D Equivalent
A Disabled	67.00	5/9	37.22
A	12,209.20	6/9	8,139.47
B	12,974.00	7/9	10,090.89
C	8,075.75	8/9	7,178.44
D	5,296.50	1	5,296.50
E	1,856.00	11/9	2,268.44
F	620.75	13/9	896.64
G	254.75	15/9	424.58
H	12.25	2	24.50
	41,366.20		34,356.69
	Other Adjustments and Discounts		(4,341.93)
			30,014.76

The actual tax base for 2024/25 was 30,113.84 a small increase of 99.08 (0.3%)

2. Council Tax Chargeable for a Band D Property

2023/24 Council Tax £		2024/25 Precept £000	2024/25 Council Tax £
1,471.23	Staffordshire County Council	46,362	1,544.64
236.92	Cannock Chase District Council	7,323	244.00
28.45	Parish Council (Average)	874	29.10
260.57	Office of the Police and Crime Commissioner - Staffordshire	2,605	273.57
84.25	Staffordshire Commissioner Fire & Rescue Service	8,211	86.77
2,081.42	Total	65,375	2,178.08

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 2024/25 was 54.6p (2023/24 51.2p).

The total non-domestic rateable value at 31 March 2025 was £93.989M (£96.407M at 31 March 2024).

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 2025. 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 2024 £000		(Surplus)/ Deficit in year (Net Position) £000	Fund Balance 31 March 2025 £000
159	Cannock Chase District Council	(65)	94
890	Staffordshire County Council	(363)	527
158	Office of the Police and Crime Commissioner - Staffordshire	(65)	93
50	Staffordshire Commissioner Fire & Rescue Service	(20)	30
1,257		(513)	744

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

Fund Balance 31 March 2024 £000		(Surplus)/ Deficit in year (Net Position) £000	Fund Balance 31 March 2025 £000
(931)	Cannock Chase District Council	487	(444)
(208)	Staffordshire County Council	109	(99)
(1,167)	Central Government	611	(556)
(23)	Staffordshire Commissioner Fire & Rescue Service	12	(11)
(2,329)		1,219	(1,110)

The surplus for the year includes a distribution of the estimated deficit of £2.022 million as at 15 January 2024 position.

5. Precepts and Demands on the Collection Fund

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

2023/24 Precept/ Demand for year plus share of surplus £000	Council Tax	2024/25 Precept/ Demand for Year £000	Less Share of Deficit £000	Total Paid in year £000
6,922	Cannock Chase District Council	7,323	(38)	7,285
849	Parishes	874	-	874
43,104	Staffordshire County Council	46,362	(210)	46,152
7,634	Office of the Police and Crime Commissioner - Staffordshire	8,211	(37)	8,174
2,468	Staffordshire Commissioner Fire & Rescue Service	2,605	(12)	2,593
60,977		65,375	(297)	65,078

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:

2023/24 Precept/ Demand for Year	Business Rates	2024/25 Precept/ Demand for Year
£000		£000
14,349	Cannock Chase District Council (40%)	16,021
3,229	Staffordshire County Council (9%)	3,605
17,936	Central Government (50%)	20,025
359	Staffordshire Commissioner Fire & Rescue Service (1%)	400
<u>35,873</u>		<u>40,051</u>

The precept demand for the year includes the distribution of the deficit recorded in NNDR1 of £2.022 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 2025 the estimated value of appeals provision against Rateable Value amounts to £3.173 million (£5.190 million as at 31 March 2024). The provision is split into two periods covering 1 April 2017 to 31 March 2023 £1.367 million for the 2017 List, and a period covering 1 April 2023 onwards £1.806 million for the 2023 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 Council's 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.

Curtailement

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

- 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.



Cannock Chase District Council

Audit Completion Report
Year ended 31 March 2025

February 2026

Contents

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Additional documents presented

Draft letter of management representations	
Draft audit report (opinion)	

Purpose of this report

This report highlights the significant findings arising from the audit. We are responsible for performing the audit in accordance with International Standards on Auditing (UK), and the National Audit Office Code of Audit Practice and associated Auditor Guidance Notes.

Our audit is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit & Governance Committee. Under the Code of Audit Practice, we are also required to consider the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources and to report any significant weaknesses we identify. 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 errors or other irregularities, or to include all possible improvements in internal control that a more extensive examination might identify.

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. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements, as a whole, are free from material misstatement, whether caused by fraud or error.



Executive summary



Executive summary

This section summarises, for the benefit of Those Charged with Governance, the status of our audit of Cannock Chase District Council for the year ending 31 March 2025 and the key findings and other matters arising from our audit.

Financial Statements

Disclaimed audit opinion in 2024/25

The Accounts and Audit (Amendment) Regulations 2024 require the Council to publish its financial statements and our opinion thereon for the year ended 31 March 2025 by 27 February 2026 (the “Backstop Date”). This date has been set in law with the purpose of clearing the backlog of historical financial statements in English local government.

Given the Council’s disclaimed audit opinions for the financial years; 2021/22, 2022/23 and 2023/24, we identified at an early stage of our planning for the 2024/25 audit that we would be unable to issue an unqualified audit opinion for 2024/25 by the backstop date. This is because to do so will mean rebuilding assurance over the previously disclaimed periods, a process which we anticipate will take a number of years due to capacity within our audit team and the Council’s finance team. As such we will again be required to issue a disclaimed audit opinion for 2024/25.

We are also unable to conclude that the other information included in the statement of accounts is consistent with our knowledge of the Council and the financial statements we have audited.

Publication of draft financial statements

The Council published its draft 2024/25 financial statements on 17 December 2025, which was after the statutory deadline for publication of draft financial statements of 30 June 2025. As we will be disclaiming our audit opinion on these financial statements we have been unable to carry out a detailed review of these documents and as such are unable to conclude on their quality.

The publication of the accounts on this date will mean that the Council can meet the 2024/25 statutory backstop date for publication of final audited accounts of 27 February 2026.

The Council has continued to experience capacity issues within its finance team which has limited the extent to which we have been able to progress and complete audit testing in 2024/25.

Under International Standards on Auditing (UK) and the National Audit Office (NAO) Code of Audit Practice 2024, we are required to report whether, in our opinion:

- ▶ The financial statements give a true and fair view of the Council financial position and income and expenditure for the period; and
- ▶ The Council 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’) 2024/25 and the Local Audit and Accountability Act 2014.

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 materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



Executive summary

2024/25 audit approach focussed on developing and implementing our approach to build back of reserves assurance

Given the position on the audit as set out above, our focus for the 2024/25 audit has been to

- Initially, and in line with the requirements of ISA (UK) 200, undertake procedures required by auditing standards as far as possible for 2024/25
- Obtain a thorough understanding of the Council's internal control environment, including IT systems and controls
- Carry out a detailed risk assessment in line with the requirements of Local Auditor Reset and Recovery Implementation Guidance note 6 (LARRIG 6) in order to determine the approach we will need to take to rebuilding assurance on reserves for Cannock Chase District Council, and
- Commence work in 2024/25 on areas linked to our overall approach to rebuilding assurance, which includes both work on 2024/25 balances and on prior years where this is required to rebuild assurance on reserves and other specific balances.

The scope of work undertaken on both the 2024/25 audit and on prior periods is set out in the detail of this report. On completion of our 2024/25 audit we will assess the extent of progress made on rebuilding assurance and update our overall plan and estimated timeline for moving away from a disclaimed audit opinion.

Outstanding work to complete 2024/25 audit

At the completion of the audit, following the audit committee, we are required to undertake the following procedures:

- Final senior reviews and engagement lead 'stand back' review of the file
- Receipt and review of the management representation letter
- Receipt and review of the final, amended statement of accounts, narrative report and annual governance statement, appropriately signed and dated
- Response from management regarding subsequent events up to the date of the opinion
- Submission of our Whole of Government Accounts (WGA) return to the National Audit Office (NAO).



Executive summary

Building back assurance on disclaimed audit years

In our audit plan we communicated the high-level end-to-end build-back plan. This envisages re-gaining the missing assurances from the three disclaimed audit years 2021/22 to 2023/24 over the period 2024/25 to 2027/28. Since reporting our audit plan to you in April 2025, we have revised our audit approach in line with Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 issued by the National Audit Office in June 2025.

In accordance with our audit plan and LARRIG 06, we have completed the following work as part of our approach to building back the missing assurances from disclaimed audit periods:

- Risk assessment** - we have completed a comprehensive audit risk assessment covering the three disclaimed audit years to evaluate the risk that reserves balances carried forward into 2024/25 may contain material misstatements. This involved evaluating governance arrangements, the control environment, timeliness of accounts preparation, complexity of reserves, and risks arising from multiple disclaimed opinions. We have considered factors such as changes in key finance personnel, financial systems, budgetary controls, and classification risks between capital and revenue transactions. Our planned response included enhanced inquiry, review of Annual Governance Statements, review of internal audit reports, analytical procedures, and targeted substantive testing to evaluate these risks.
- Conclusion on risk assessment and approach to 2024/25 audit** - from the above work, we assessed Cannock Chase District Council at the higher end of the risk spectrum. This is because a number of high risk factors as set out in LARRIG 6 apply to the Council, including significant delays in the production of draft accounts in previous years, the reporting of a number of significant weaknesses in VFM arrangements and an acknowledgement by the Council of continuing pressures in the resourcing of the finance team. As a result, we have concluded that full testing of income and expenditure transactions will be required in each disclaimed period in order to rebuild assurance on reserves.
- Specific build back testing** – as set out in our audit plan, part of our specific build back testing in 2024/25 was planned to focus on Property, Plant and Equipment (PPE) additions, disposals and depreciation. In addition, in light of the outcome of the risk assessment as noted above, we have commenced work on testing of areas of income and expenditure transactions across all previously disclaimed financial years.



Executive summary

Areas of focus for the 2024/25 audit

2024/25 testing (work covered by the PSAA scale fee)

Our focus for the 2024/25 audit has been on the following areas:

- Completion of all planning and risk assessment procedures in line with the requirements of auditing standards
- Agreement of the 2024/25 draft accounts to the general ledger
- Review of the Movement in Reserves Statement
- Testing of bank and investment confirmations
- Testing of Property, Plant and Equipment balances
- Testing of 2024/25 income and expenditure transactions:
 - Grant income
 - Fees and charges
 - Interest and investment income
 - Precepts and levies
 - Employee benefit expenditure
 - Other service expenditure
 - Interest payments

Where we have not been able to complete testing in 2024/25, we will accrete information obtained to support the continuation of the process of rebuilding assurance in subsequent audit years.

Impact on our fees – PSAA scale fee

At the time of issue of this draft report, our assessment is that the work completed in the areas above will result in a charge to the Council of **55%** of the scale fee set by PSAA for the annual audit.



Executive summary

Areas of focus for the 2024/25 audit (continued)

Work on rebuilding assurance on prior disclaimed periods (work covered by a fee variation)

In order to determine our approach to rebuilding assurance, we have first undertaken a detailed risk assessment in line with the requirements of LARRIG 6.

We have commenced work on transaction testing for each of the 2021/22, 2022/23, 2023/24 financial years in the following areas:

- Property, Plant and Equipment additions and disposals
- Grant income
- Fees and charges income
- Employee benefit expenditure
- Other service expenditure
- Interest payments

Where we have not been able to complete testing in 2024/25, we will accrete information obtained to support the continuation of the process of rebuilding assurance in subsequent audit years.

Impact on our fees – fee variations

In line with the fee charging regime set by PSAA, work undertaken on rebuilding assurance is not covered by the PSAA scale fee and is instead subject to separate fees raised by a fee variation process.

At the time of issue of this report, our assessment of the fees for the above areas of work are:

- Disclaimer risk assessment process - £18,091
- Disclaimer planning and reporting - £14,940
- Prior year transaction testing - £45,400



Executive summary

Value for money

We have completed our value for money work. Our high level findings are included in this report. We will issue a further detailed update to our Auditor's Annual Report on completion of the 2024/25 audit.

We have concluded there are significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will refer to the significant weaknesses in arrangements we have identified.

In 2021/22, 2022/23 and 2023/24 the Council's external auditors reported a total of 10 significant weaknesses. Our assessment for 2024/25 is that 3 significant weaknesses remain. Further details are set out in the section on Value for Money.

Statutory duties

We have not exercised any of our additional statutory powers and duties.

Certificate

We will not be able to certify the closure of the audit until:

- ▶ we have completed all work we are requested to undertake as a component auditor for Whole of Government Accounts (WGA), and we receive confirmation from the National Audit Office that the Comptroller and Audit General has certified the WGA for 2024/25.

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, under the NAO Code of Audit Practice.

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.



Financial statements



Quality Indicators

The following metrics are important in assessing the reliability of your financial reporting and response to the audit.

KEY:

RED

Significant improvement required

AMBER

Developing

GREEN

Mature

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	RED	The Council published its draft financial statements on 17 December 2025, considerably later than the statutory deadline for publication of draft financial statements of 30 June 2025. We have been unable to carry out a detailed review of these documents and as such are unable to conclude on their quality.
Quality of working papers provided and adherence to timetable	AMBER	As set out in our detailed report, due to capacity issues within the Council's finance team we have received limited responses to our audit testing requests.
Timing and quality of key accounting judgements	N/A	We have not undertaken detailed review of key accounting judgements and as such are unable to comment on their quality.
Access to finance team and other key personnel	AMBER	As set out in our detailed report, due to capacity issues within the Council's finance team we have received limited responses to our audit testing requests.
Quality and timeliness of narrative report and annual governance statement	N/A	The Council published its draft narrative report and annual governance statement on 17 December 2025. We have been unable to carry out a detailed review of these documents and as such are unable to conclude on their quality.
Volume and magnitude of identified errors	N/A	Due to the limited extent of completed audit procedures in 2024/25 we have been unable to conclude on this area.



Audit Timeline

The following metrics are important in assessing the reliability of your financial reporting and response to the audit.



Planning	Interim	Period end: 31 st March	Final accounts	Audit Committee	Completion	Sign off
<ul style="list-style-type: none"> ▶ Identify changes in your business environment ▶ Determine materiality ▶ Scope the audit ▶ Risk assessment ▶ Planning meetings with management ▶ Planning requirements checklist to management ▶ Issue audit plan 	<ul style="list-style-type: none"> ▶ Document control design and effectiveness ▶ Discuss audit plan with audit committee ▶ Early testing 		<ul style="list-style-type: none"> ▶ Regular updates with management ▶ Undertake audit testing ▶ Review of narrative report and annual governance statement ▶ Conclude on significant risk areas ▶ Report observations on other risk areas, management judgements ▶ Draft Audit Completion Report ▶ Close-out meeting with management 	<ul style="list-style-type: none"> ▶ Discuss audit findings with audit committee ▶ Issue draft Audit Findings (ISA260) report ▶ Issue Auditor’s Annual Report (by 30 November) 	<ul style="list-style-type: none"> ▶ Subsequent events procedures ▶ Management representation letter ▶ Sign financial statements 	<ul style="list-style-type: none"> ▶ Sign audit report opinion ▶ Issue delayed audit certificate



Materiality

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial'. The assessment of what is material is a matter of professional judgement and is affected by our risk assessment and the needs of users of the financial statements.

At the planning stage of the audit, we determined overall materiality as £1,419k and performance materiality as £851k for the Council. On production of the financial statements we reconsidered our materiality determination as communicated in the Audit Plan. We have not updated our materiality. We have determined that no specific materiality levels needed to be set for this audit.

	Council £000	Explanation
Overall materiality for the financial statements	1,419k	This is approximately 2% of gross revenue expenditure based on the 2023/24 draft financial statements. This is a common measure for calculating materiality for councils as the users of the financial statements are considered to be most interested in where the Council has expended its income during the year.
Performance materiality	851k	Performance materiality has been set at 60% of overall materiality. This is based on the internal control environment of the Council and 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	70k	This is set at 5% of the overall materiality calculation. Individual errors above this threshold are communicated to those charged with governance.

Clearly trivial: matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;
Material: an omission or misstatement that would reasonably influence the users of the financial statements.



Key audit findings



Key audit findings: significant risks

This section includes a summary of audit findings relating to significant risk areas identified at planning and other risk areas that required special consideration or arose during the audit.

Significant risks are defined as risks that require special audit consideration and include risks of material misstatement that are close to the upper range 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 auditing standards.

The table below summarises the significant risks. Detail behind each risk and the work undertaken is set out on the subsequent pages.

* Implementation of IFRS16 was not identified as a significant risk in our audit plan. We have subsequently included this as an additional significant risk for 2024/25.

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls	Financial Statement Level	Yes	Assess design & implementation	Very high	We are unable to reach a conclusion in these areas. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.
Presumption of fraud in revenue and expenditure recognition	Assertion Level	Rebutted	Assess design & implementation	Very high	
Valuation of land and building, investment property and council dwellings	Assertion Level	No	Assess design & implementation	High	
Valuation of pension assets and liabilities (IAS19)	Assertion Level	No	Assess design & implementation	High	
Implementation of IFRS16*	Assertion level	No	Assess design & implementation	High	
Impact of prior year disclaimers	Financial Statement Level	No	n/a	High	



Key audit findings: significant risks

Significant risks at the financial statement level

The table below summarises our conclusions on significant risks of material misstatement at the financial statement level for the 2024/25 accounts. 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.

Management override of controls

Significant risk	Audit approach
<p>Management override of controls</p> <p>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.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p>Risk of material misstatement: Very High</p>	<p>Based on our assessment of the most effective focus of work in line with our plans to rebuild assurance, we have not undertaken detailed testing in this area for 2024/25.</p>



Key audit findings: significant risks

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

The following tables summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures in the 2024/25 accounts.

Fraud in revenue recognition and expenditure

Significant risk	Audit approach	Audit findings and conclusion
<p>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.</p> <p>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.</p> <p>This significant risk will be confined to the following balances;</p> <ul style="list-style-type: none"> - Fees and Charges - Grants and Contributions - Other expenses <p>Inherent risk of material misstatement: Revenue and expenditure recognition: Very high</p>	<p>Our planned approach for 2024/25 was to:</p> <ul style="list-style-type: none"> • Document our understanding of the Council’s systems for income/ expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements; • Evaluate the Council’s accounting policies for recognition of income and expenditure and compliance with the CIPFA Code; and • Substantively test material income streams using analytical procedures and sample testing of transactions recognised for the year, with testing targeted on transaction types considered to represent a higher risk • Perform substantive testing on expenditure transactions at and around the year end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period. 	<p>We were unable to complete planned substantive testing in this area for 2024/25 and will be disclaiming our audit opinion.</p> <p>We have selected samples for substantive testing and issued these to the Council, however due to capacity issues with the Council’s finance team a full response was not provided to allow for completion of audit testing ahead of the backstop date.</p> <p>We will continue to progress testing in this area as part of the process of rebuilding assurance in future audit years.</p>

Key audit findings: significant risks

Valuation of land and buildings

Significant risks	Audit approach
<p>Valuation of land and buildings, investment property and council dwellings (key accounting estimate)</p> <p>Revaluation of other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated.</p> <p>The council carries out a rolling programme of asset valuations that ensures that all property, plant and equipment that is required to be measured at current value is revalued at least every 5 years.</p> <p>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 2025. 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.</p> <p>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 measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of other land and buildings and investment property as a significant risk.</p> <p>We pinpointed this risk to specific assets, or asset types, which were material or where the in-year valuation movements fell outside of our expectations.</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of management’s valuation expert; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor’s expert; • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.
<p>Inherent risk of material misstatement: Land and Buildings (valuation): High</p>	<p>Azets > Move forward with confidence</p>

Key audit findings: significant risks

Valuation of land and buildings continued....

Audit findings and conclusion

We have started but not been able to conclude our work for the following reasons: not all information requests were received as we were unable to obtain relevant GIAs, constructions costs, and evidences surrounding Existing Use Values. We will complete this work as part of our 2025/26 audit to ensure that we are able to obtain full assurance on the PPE valuation figures.

Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.



Key audit findings: significant risks

Valuation of pension assets and liabilities

Significant risks	Audit approach
<p>Valuation of pension assets and liabilities (IAS19) (key accounting estimate)</p> <p>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.</p> <p>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. 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.</p> <p>This 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 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.</p> <p>Inherent risk of material misstatement: Pension assets and liabilities (valuation): High</p>	<p>In 2024/25, we did not carry out any work on this significant risk area due to the lack of prior year assurance available relating to the last triennial actuarial valuation. We will re-commence work on the pension fund in 2025/26 by which time the next triennial valuation will have been performed.</p>



Key audit findings: significant risks

Valuation of pension assets and liabilities continued....

Audit findings and conclusion

We have not been able to gain any assurance over year-on-year movements, interest costs, interest on assets, actual return on asset, share of assets and service costs due to the prior year balances being disclaimed, meaning we have no assurance over opening balances. These areas are directly influenced by the opening balances.

In addition, we have not been provided with assurance by the pension fund auditor over membership of the pension fund back to the last triennial valuation.

This means we cannot gain sufficient audit evidence on the material accuracy of the valuation of the pension fund liability as at 31 March 2025. Therefore, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to disclaim the audit for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.



Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Implementation of IFRS 16 on Leases IFRS 16 was adopted and implemented by local government bodies under the Code of Audit Practice from 1 April 2024. Under IFRS 16 a lessee is required to recognise a right of use asset and associated lease liability in its Balance Sheet. This will result in significant changes to the accounting for leased assets and the associated disclosures within the financial statements for the year ended 31 March 2025.</p> <p>The implementation of this new accounting standard also 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 upon recognition of the right of use asset and associated lease liability. We have therefore identified the implementation of IFRS 16 as a significant risk.</p> <p>Inherent risk of material misstatement: Lease liabilities following implementation of IFRS 16 (completeness): High</p>	<ul style="list-style-type: none"> • Perform a walkthrough of the council’s systems and processes to capture the data required to account for right of use lease assets and associated liability in accordance with IFRS 16; • Review the council’s accounting policies for the year ended 31 March 2025 to reflect the requirements of the new accounting standard; • Evaluating the competence, capabilities and objectivity of management’s IFRS 16 expert Link Group (part of MUFG Pension and Market Services); • Understand the process the Council has gone through to ensure the completeness of the IFRS 16 disclosure, including inspecting the audit trail which documents the process the Council has undertaken to identify leases and contracts falling into scope of IFRS 16; and • Evaluate whether lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the CIPFA Code. 	<p>We have not sought to undertake testing in this area for 2024/25 due to limitations on the capacity of the audit team and client finance team.</p> <p>We will address this area through future audit testing.</p>



Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p>Impact of prior year disclaimed audit opinions on the 2024/25 financial statements audit</p> <p>As a result of the backstop implemented on 28 February 2025, a disclaimer audit opinion was provided on the council’s 2023/24 financial statements. Disclaimed audit opinions have also been provided on the council’s accounts for the 2021/22 and 2022/23 years.</p> <p>As a result of prior year disclaimed audit opinion:</p> <ul style="list-style-type: none"> • There is 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 pension valuations, land and building, investment property valuations, amongst others); and • Significant transactions, accounting treatment and management judgements may not have been subject to audits 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. <p>The absence of prior year assurance raises a significant risk of material misstatement at the financial statement level that may require additional audit procedures.</p> <p>Inherent risk of material misstatement:</p> <p> Impact of prior year disclaimed audit opinions on the 2024/25 financial statements audit - High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Considering the findings and outcomes of prior year audits and their impact on the 2024/25 audit; • Considering the impact on our audit of qualified or disclaimed audit opinions, particularly regarding opening balances and ‘unaudited’ transactions and management judgements made in the previous years which continue into 2024/25; and • Considering the impact of any changes in Code requirements for financial reporting in previous and current audit years. 	<p>The audit opinions in the Council’s accounts for 2021/22, 2022/23 and 2023/24 were all disclaimed. This means we have no assurance over the comparators in the 2024/25 financial statements and no assurance over transactions occurring in those years which impact the figures reported in the financial statements for 2024/25.</p> <p>We were able to complete our risk assessment work and have commenced work on rebuilding assurance. However we were unable to complete the rebuilding assurance process by the backstop date for the 2024/25 financial statements of 27 February 2026.</p> <p>Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we plan to issue a disclaimer of opinion for the financial year 2024/25.</p> <p style="text-align: right;">Azets > Move forward with confidence</p>

Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Grant income <ul style="list-style-type: none"> • Government grants and contributions £32,899 • Capital grants and contributions £11,387k 	We have: <ul style="list-style-type: none"> • Reconciled the government grants and contributions income and capital grants and contributions income as per the financial statements to the GL • Selected samples for testing to verify accuracy and occurrence of the transactions from the income breakdown. • We were unable to conclude our testing as we were not provided with necessary evidence required to support the contribution in the accounts. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area. 	We have started but not been able to conclude our work for the reasons set out to the left.
Fees and charges income £35,523k	We have: <ul style="list-style-type: none"> • Agreed the trial balance to the supporting notes for fees and charges income • Agreed the income ledger breakdown to the trial balance and supporting notes • Selected samples for testing to verify accuracy and occurrence of the transactions from the income breakdown. • We were unable to conclude our testing as we were not provided with necessary evidence required to support the Fees and charges recorded in the accounts. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area. 	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Taxation income <ul style="list-style-type: none"> • Council tax income £66,282k • NNDR income £37,235k 	<p>We have not sought to undertake testing in this area for 2024/25 due to limitations on the capacity of the audit team and client finance team.</p> <p>We will address this area through future audit testing.</p>	<p>We have not been able to conclude our work for the reasons set out to the left.</p>
Interest and investment income £2,983k	<p>We have</p> <ul style="list-style-type: none"> • Agreed the trial balance to the supporting notes for fees and charges income • Agreed the income ledger breakdown to the trial balance and supporting note in the financial statements • Selected samples for testing to verify accuracy and occurrence of the transactions from the income breakdown. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area. 	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>
Employee benefit expenditure £18,759k	<p>We have</p> <ul style="list-style-type: none"> • Agreed the trial balance to supporting notes for employee benefit expenditure • Agreed the payroll reconciliations performed to the values recorded in the financial statements • We employed a purely substantial testing approach, and as such have not carried out testing on starters and leavers, and a Payroll AR. • Regarding the samples selected, we were unable to conclude our testing as we were not provided with necessary evidence required to support the contribution in the accounts. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area. 	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Other service expenditure £40,412k	We have <ul style="list-style-type: none"> • Agreed the trial balance to supporting notes for other services expenditure • Agreed the expense ledger breakdown to the TB and supporting note for other operating expenditure. • Selected samples for testing to verify accuracy and occurrence of the transactions which we have issued to management • We did not receive full responses to the sample selected in time to allow for completion of testing by the backstop date. Therefore, we were unable to obtain assurance on this area. 	We have started but not been able to conclude our work for the reasons set out to the left.
PPE Additions £17,879k	We have <ul style="list-style-type: none"> • Agreed the ledger breakdown for additions to the GL and FAR and the note for property, plant and equipment. • Selected samples for testing to verify accuracy and occurrence of the transactions. • We did not receive responses to the sample selected, and as such we have been unable to complete testing by the backstop date. Therefore, we were unable to obtain assurance on this area. 	We have started but not been able to conclude our work for the reasons set out to the left.
Investments <ul style="list-style-type: none"> • Long term £51k • Short term £13,600k 	We have <ul style="list-style-type: none"> • Agreed the ledger breakdown for short and long term investments to the financial statements. • Sought direct confirmation from the financial institutions, with management's consent, for the value of the investments shown in the accounts. • Received independent confirmations for some of the investments • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area. 	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Cash and cash equivalents £44,031k	<p>We have –</p> <ul style="list-style-type: none"> • Obtained an understanding of process and control over cash and cash equivalents. • Agreed the ledger breakdown to the TB and supporting notes for cash and cash equivalents. • Sought direct confirmation from the financial institutions, with management’s consent, for the value of each bank account and investment balance classified as a cash equivalent as at 31 March 2025 • At the time of issue of this report, we have not received all confirmations requested. We will continue to pursue these responses following completion of the 2024/25 audit. 	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other procedures

Other specific procedures we have undertaken in 2024/25 include the following:

- ▶ Responding to any actual or suspected non-compliance with laws and regulations of which we have become aware;
- ▶ Reviewing minutes of meetings including, but not limited to, full Council, Cabinet and the Audit Committee;
- ▶ IT General controls and work under ISA315;
- ▶ Business process documentation and walkthroughs;
- ▶ Agreeing opening balances and comparative figures to prior year financial statements;
- ▶ Agreeing the financial statements to the Council's trial balance and general ledger;
- ▶ Confirming the audit fee reported in the financial statements;
- ▶ Undertaking a high-level Audit Manager and Engagement Lead review of the 2024/25 financial statements;
- ▶ Confirming that accounts have been issued and approved in line with The Accounts and Audit Regulations 2015;
- ▶ Procedures in respect of subsequent events after the balance sheet date, including enquiries of management;
- ▶ Updating our planning and risk assessment and procedures on receipt of the financial statements (post-statement procedures) including re-considering our materiality thresholds;
- ▶ Updating our scoping procedures following receipt of the financial statements;
- ▶ Undertaking post-statement analytical procedures;
- ▶ Evaluating any misstatements identified; and
- ▶ Drafting an Audit Plan and Audit Completion Report and presenting these to the Audit Committee.



Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management	None noted
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	At the time of writing this report, there were no major transactions that required special accounting consideration	None noted
Prior year adjustments identified	At the time of writing this report, there were no prior year adjustments noted	None noted
Concerns identified in the following: <ul style="list-style-type: none"> • 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 system position / target 	No concerns were identified	None noted



Accounting policies, key judgements and estimates



Accounting policies, key judgements and estimates

Accounting policies

We have evaluated the appropriateness of the Council's accounting policies, taking into account consistency with the disclosures from the prior year and requirements as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2024/25 where appropriate. We have no matters to report.

Key judgements and estimates

Key judgements and estimates, as well as other judgements and estimates made by management, are set out in the table below along with audit commentary on these judgements and estimates in line with the enhanced requirements for auditors.

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Land and buildings, investment property and council dwellings valuations (key accounting estimate)	£351,112k	The Council's valuation programme ensures that all Property, Plant and Equipment required to be measured at fair value is formally revalued at least every five years, although any material changes to valuations are adjusted in the interim period. Land and buildings are valued by an independent external valuer (Valuation Office Agency). The valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. For non-specialised operational assets, fair value equates to existing use value, and for specialised operational assets fair value is estimated using a depreciated replacement cost approach.	As set out in the section on significant risks, we have been unable to complete testing in this area for 2024/25. As such we are also unable to conclude on the reasonableness of management's key judgements and estimates. As we are unable to form a conclusion, our 2024/25 audit opinion will be disclaimed.



Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Pension assets and liabilities valuations (key accounting estimate)	(£29,935k)	<p>The Council is a member of the Staffordshire Local Government Pension Fund (LGPS). Hymans Robertson provide actuarial valuations of the Council's share of the assets and liabilities of the pension fund. A full valuation is required every three years</p>	<p>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.</p> <p>As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 27 February 2026 for the 2024/25 audit, we intend to issue a disclaimer of opinion.</p>



Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Depreciation	£6,398k	<p>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).</p> <p>Depreciation is calculated on the following bases:</p> <ul style="list-style-type: none"> - dwellings and other buildings - straight-line allocation over the life of the property as estimated by the valuer. - vehicles, plant and equipment - straight-line allocation on historic cost over 7 to 15 years or over the period of the lease. - Infrastructure - straight-line allocation on historic cost over 25 years. 	<p>We have reviewed the draft accounts and noted that the depreciation policy disclosed does not include the useful economic lives for dwellings and other buildings.</p> <p>As per the CIPFA disclosure checklist, we would expect the policy to specify the period (or range of years) over which these asset classes are depreciated similar to VPE and Infrastructure which have already been disclosed. For example, typical disclosures might include:</p> <p>Dwellings: XX years Other buildings: XX–XX years</p>



Other responsibilities



Financial statements: other responsibilities

Matter	Commentary	Findings
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Audit and Governance Committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit from the work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed from the work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
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 and we have not identified any instances from the audit work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area
Written representations	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.
Confirmation requests from third parties	We requested permission from the Council for us to send confirmation requests to their financial institutions.	At the time of issue of this report, we had not received all confirmations requested. As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
Disclosures	From the limited work completed, our review found no material omissions in the financial statements that management has not agreed to correct	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.



Financial statements: other responsibilities

Matter	Commentary	Findings
Going concern	<p>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 and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).</p> <p>Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in Practice Note 10. We have confirmed that this is appropriate as there is no known intention to transfer the services provided by the Council outside the public sector. We have not identified any material uncertainties relating to going concern at the Council.</p>	<p>As we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Other information (Narrative report and Annual Governance Statement)	<p>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 not required to consider whether the Annual Governance Statement addresses all risks and controls or whether risks are satisfactorily addressed by internal controls.</p>	<p>As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception:</p> <ul style="list-style-type: none"> • 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 • Where we are not satisfied in respect of arrangements to secure value for money and have reported significant weakness 	<ul style="list-style-type: none"> • As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area. • We have identified three significant weaknesses in the Council’s arrangements to secure value for money



Financial statements: other responsibilities

Matter	Commentary	Findings
Specified procedures for the Whole of Government Accounts	<p>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 August 2025 which set out the procedures that the NAO require from component auditors. However, the NAO may direct auditors of components below the audit threshold to undertake additional work.</p> <p>The Council does not exceed the audit threshold for detailed testing set out in the group instructions. Submission of a partial assurance statement is required.</p>	<p>We will complete and submit a partial assurance statement after issue of our auditor's report and await further guidance on whether or not any additional testing is required.</p>
Certification of closure of the audit	<p>We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.</p>	<p>We cannot issue our certificate of closure until the Comptroller and Audit General has certified the WGA for 2024-25. Our auditor's report will therefore include a delayed certificate.</p>
Statutory powers and duties	<p>We are required to report by exception if we have applied our other statutory powers or duties during the audit.</p>	<p>We have not exercised any of our additional statutory powers or duties.</p>



Audit adjustments



Audit adjustments

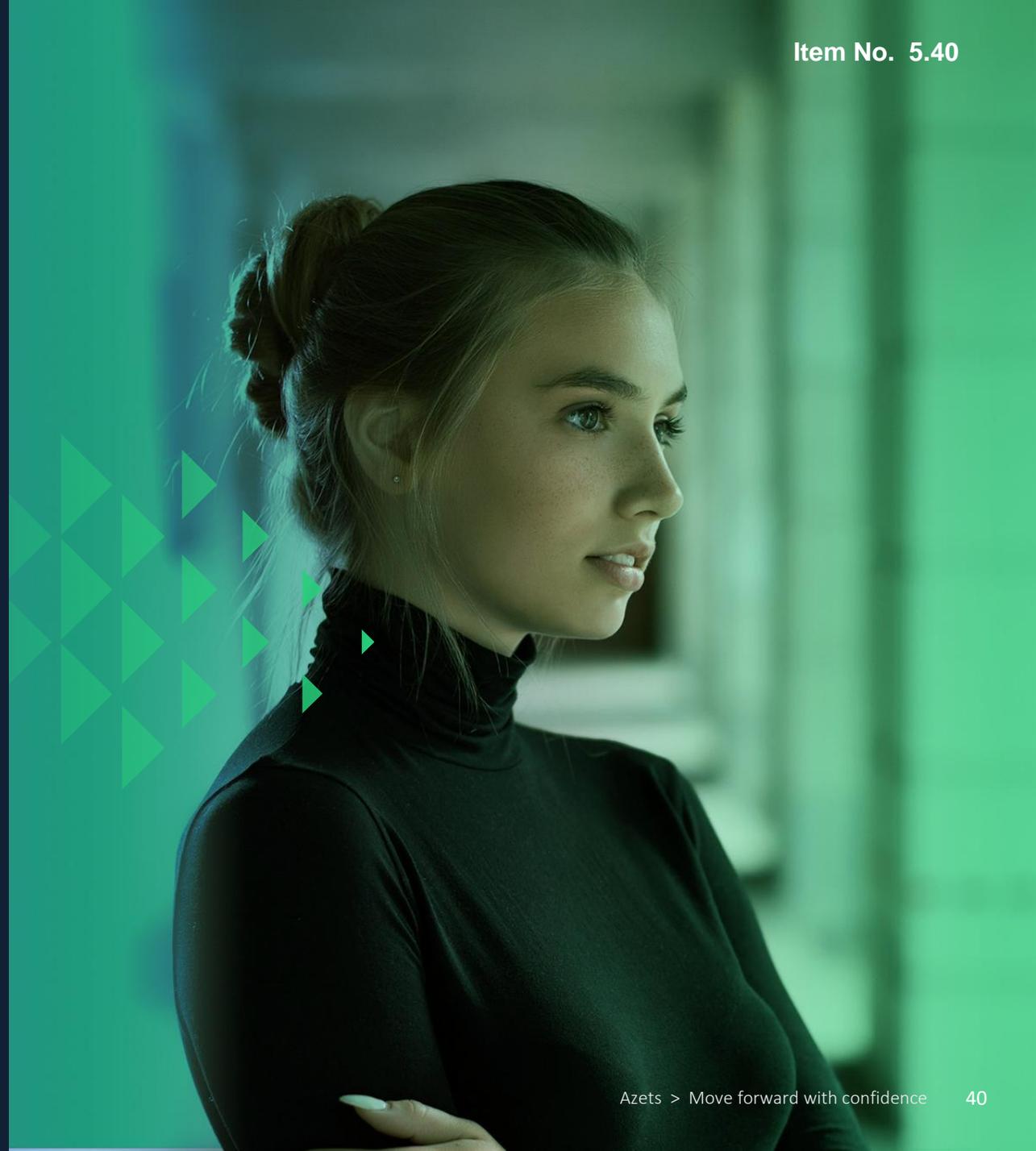
Adjusted and unadjusted misstatements, Misclassification and disclosure changes

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Due to the factors set out in this report, whilst we have commenced extensive work in 2024/25 both on 2024/25 balances and transactions and on prior year transactions, in the majority of areas we have been unable to obtain suitable appropriate audit evidence to be able to form a conclusion on this testing. As a result we have also not identified audit adjustments arising from this work.



Building back assurance on disclaimed audit years



Building back assurance

We set out below the work we have done to build back assurance from disclaimed years of audit. Our work has been undertaken in accordance with the statutory guidance set out in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06

Build back activity	Commentary	Outcome
<p>Risk Assessment (LARRIG 06)</p> <p>We are required by LARRIG 06 to evaluate the inherent risk of material misstatement in the opening general fund balances and associated earmarked reserves following prior year disclaimers.</p> <p>This in turn informs the volume of work necessary to recover assurance over the reserves position as a 1 March 2025.</p>	<p>We have considered the guidance set out in LARRIG 06 issued by the National Audit Office to determine the risk of material misstatement in the general fund reserves of the Council at 1 March 2025.</p> <p>This involved a detailed assessment of a number of risk factors, as set out in LARRIG 06, including consideration of the following:</p> <ul style="list-style-type: none"> • Whether the Council has a history of timely production of the financial statements • The number of years for which disclaimed opinions have been issued • The complexity and volume of movement in reserves over the disclaimed period • The strength of the control environment in place over the period of disclaimed opinions • Changes in key personnel, financial reporting systems or key processing activities during the disclaimed period • Previous reporting of significant deficiencies in control, significant weaknesses in arrangements to secure VFM or material or other misstatements • The level of reserves in place over the disclaimed period • Issues reported by Internal Audit and in the Annual Governance Statements 	<p>We have substantially completed this work, subject to final write-up to document our conclusions.</p> <p>Our assessment is to categorise the Council at the higher end of the risk spectrum. Key factors driving this conclusion include:</p> <ul style="list-style-type: none"> • significant delays in the production of draft accounts in previous years • the reporting of a number of significant weaknesses in VFM arrangements and • an acknowledgement by the Council of continuing pressures in the resourcing of the finance team.



Building back assurance

Build back activity	Commentary	Audit view
<p>Phase 2: Build back of assurance in respect of Property, Plant and Equipment over the disclaimed period</p> <p>In order to build back assurance over the reserves, we are required to undertake substantive testing of movements in property, plant and equipment over the disclaimed period.</p>	<p>We have sought to commence work on transaction testing for each of the 2021/22, 2022/23, 2023/24 financial years in the following areas:</p> <ul style="list-style-type: none"> • Property, Plant and Equipment Additions • Property, Plant and Equipment Disposals <p>We were unable to conclude our build back disposals and additions testing as were not provided with evidence to support the additions and disposals recorded in each year of account. As such we have not been able to gain assurance in this area.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>
<p>Phase 2: Build back of assurance in respect of other balances directly influenced by the opening position over the disclaimed period</p> <p>In order to build back assurance over balances where the closing position is directly influenced by the opening position, we are required to undertake substantive testing of movements in these balances over the disclaimed period.</p>	<p>We have not been able to carry out build back assurance of other balances directly influenced by the opening position. As we communicated with the client team in determining what would be achievable and we were not able to carry out work on debtors and creditors.</p> <p>Due to further 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</p>	<p>We have not been able to conclude our work for the reasons set out to the left.</p>



Building back assurance

Build back activity	Commentary	Audit view
<p>Phase 3: Build back of assurance in respect of reserves</p> <p>In order to build back assurance over reserves, we are required to undertake substantive testing of income and expenditure transactions for all disclaimed periods.</p> <p>Rebuilding assurance on reserve balances is recognised as the most challenging area of the build-back process, as the level of audit work required to undertake substantive testing of all income and expenditure figures recorded in all disclaimed periods is potentially significant.</p>	<p>In order to determine our approach to rebuilding assurance, we have first undertaken a detailed risk assessment in line with the requirements of LARRIG 6. The outcome of this risk assessment has determined that substantive testing is required for income and expenditure transactions for all disclaimed periods.</p> <p>We have commenced work on transaction testing for each of the 2021/22, 2022/23, 2023/24 financial years in the following areas:</p> <ul style="list-style-type: none"> • Grant income • Fees and charges income • Employee benefit expenditure • Other service expenditure • Interest payments <p>For each of the above areas of testing we have</p> <ul style="list-style-type: none"> • Agreed the figure in the financial statements to the trial balance and the general ledger • Selected samples for testing to verify accuracy and occurrence of the transactions which we have issued to management • We did not receive full responses to the sample selected in time to allow for completion of testing by the backstop date. Therefore, we were unable to obtain assurance on this area. <p>As we have not been able to complete testing in 2024/25, we will accrete information obtained to support the continuation of the process of rebuilding assurance in subsequent audit years.</p>	<p>This area of build-back testing represents the most significant area of build-back work required. As such we have prioritised commencing this work in 2024/25 with a view to then being able to continue with this testing in 2025/26.</p> <p>We have started but not been able to conclude our work for the reasons set out to the left.</p>



Value for money



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').

We have completed our value for money work. Our detailed findings will be reported in our updated Auditor's Annual Report.

We have concluded there are significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses and key recommendations arising are summarised on the next page. Our auditor's report will refer to the significant weaknesses in arrangements we have identified. Further detail will be contained in our Auditor's Annual Report.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Recommendations made		
			Statutory	Key	Other
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	Yes	No	No	No	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	Yes	Yes	No	Yes	Yes
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	No	No	No	Yes



Value for money: significant weaknesses and key recommendations

In 2021/22, 2022/23 and 2023/24 the Council's external auditors reported a total of 10 significant weaknesses. Our assessment for 2024/25 is that 3 significant weaknesses remain. Further details are set out in the section on Value for Money.

The significant weaknesses which we consider remain are set out on the following pages and relate to:

- **Governance** – annual accounts production and in year financial reporting
- **Governance** – risk management
- **Governance** – counter fraud arrangements

Based on the assessment carried out for 2024/25 to date we consider that previously reported significant weaknesses no longer apply for 2024/25:

- **Financial sustainability** - Housing Revenue Account (HRA) financial sustainability.
- **Financial sustainability** – Robust plan to address medium term financial gaps
- **Governance** – Internal Controls in respect of IT
- **Improving economy, efficiency and effectiveness** - Housing Revenue Account (HRA) management and business planning
- **Improving economy, efficiency and effectiveness** – Arrangements to meet Housing minimum service standards
- **Improving economy, efficiency and effectiveness** – Housing Revenue Account asset management arrangements
- **Improving economy, efficiency and effectiveness** – procurement and contract management arrangements.

Our final assessment is subject to moderation which will be completed by 27 February 2026.

We issued our 2024/25 Auditors Annual Report in November 2025 in line with the requirements set by the NAO's Code of Audit Practice 2024. At the time of issue, we had not completed our Value for Money assessment. Given the significance of the above conclusions we will re-issue our 2024/25 Auditors Annual Report setting out further details on the basis of the final assessment.



Value for money: significant weaknesses and key recommendations

The significant weaknesses we have identified and the key recommendations made are set out below. Our detailed commentary will be set out in our separate Auditor’s Annual Report.

Significant weakness identified	Criteria	Sub criteria	Key recommendations
<p>Governance – annual accounts production and in year financial reporting</p>	<p>Governance</p>	<p>How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;</p>	<p>Ensure the Council has adequate capacity in its finance team and ensure that budget holders receive formal financial monitoring reports during the year</p> <p>Produce draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively</p>
<p>Governance – risk management</p>	<p>Governance</p>	<p>How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;</p>	<p>Improve risk management arrangements by:</p> <ul style="list-style-type: none"> • Updating the Risk Management Strategy and Policy Framework • Updating the format of the Strategic Risk Register • Ensuring services and projects and programmes have their own effective risk management arrangements that mirror changes to the Strategic Risk Register <p><i>Note – the Council actioned the above areas late in 2024/25 but this was not sufficient to be able to demonstrate that effective arrangements were in place for the full 2024/25 financial year.</i></p>



Value for money: significant weaknesses and key recommendations

Significant weakness identified	Criteria	Sub criteria	Key recommendations
Governance – counter fraud arrangements	Governance	How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.	Update the anti-Fraud and Bribery Framework and the Confidential Reporting Framework, which have not been updated since 2014.



Independence and ethics



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 below
- ▶ 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.

Non-audit service fees

Service	2024/25 Fee £	Threats identified	Safeguards
Housing Benefit (HBAP) certification	28,000+2000 per additional workbook	Self interest (recurring fee)	The level of this recurring fee in and of itself is not considered a significant threat to independence, given the low level of the fee compared to the total fee for the audit and in particular compared to Azets' UK turnover as a whole. The fee is fixed based on the volume of work required, with no contingent element. These factors, in our view, mitigate the perceived self-interest threat to an acceptable level.
Pooling of Housing Capital Receipts certification	10,000		



Appendices



Appendices

Appendix I: Fees

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Fees



Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

Audit fees	£
<i>Scale fee – base fee for the audit of the Council ('s) financial statements (as set out in the scale fees issued by PSAA)</i>	
Core work - 55% of scale fee for the 2024/25 of £165,775.	91,176
<i>Other fees</i>	
VFM additional risks – work required to follow up on 10 prior year significant weaknesses and access the extent to which these continued to apply for 202425.	32,760
Sub total	123,936



Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

Audit fees	£
<i>Disclaimer fees</i>	
Disclaimer planning and reporting. Additional work required to issue the disclaimer of opinion. This includes the extended reporting contained in this report and the audit plan, additional review and consultation requirements and additional file documentation requirements.	14,940
<i>Build back fees</i>	
Opinion: costs to recover assurance over disclaimed periods:	
LARRIG 05 risk assessment	18,091
Buildback work on prior disclaimed accounting periods	45,400
Sub total	78,431
Sub-total carried forward from previous page	123,936
Total audit fees	202,367



Appendix II: Fees

Non audit fees for other services	Final fee £
Grant certification	38,000
Total non audit fees	
Fees brought forward for the core audit and build back, plus disclaimer reporting costs (see previous page)	202,367
Total fees charged	

The audit fees charged do not reconcile to the fees disclosed in the financial statements, on which we have issued a disclaimed audit opinion.

As per PSAA's Scale Fees Consultation, the scale fees did not include the new requirements of IFRS16 Leases. Additional Fees charged are subject to the fees variation process as outlined by the PSAA. MHCLG has announced additional funding for councils to meet the cost of work undertaken to issue disclaimed opinions and recover (build back) assurance over prior disclaimed periods with a view to returning to unmodified opinions at a future date.

*subject to additional fees of £2,000 per additional workbook required.







Azets Audit Services
6th Floor Bank House,
Cherry Street
Birmingham
B2 5AL

[Date]

Dear Sirs

**Cannock Chase District Council
Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of Cannock Chase District Council (the "Council") for the year ended 31 March 2025.

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 2024/25 (the 2024/25 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. I have reviewed and approved all audit adjustments made in the financial statements. No unadjusted misstatements were identified during the audit.
- v. Prior year adjustments have been made to the financial statements where required and these are appropriately disclosed in the financial statements.
- vi. I confirm I have considered the impact on the financial position of unadjusted misstatements brought forward from prior years. None have been identified.
- vii. I have reviewed and approved all disclosures made in the financial statements and I am not aware of any other matters which require disclosure in order to comply with the requirements of UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code.

- viii. 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.
- ix. 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.
- x. 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.
- xi. 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 2025 reflected in the financial statements.
- xii. 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.
- xiii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of applicable law and accounting standards.
- xiv. All events subsequent to the date of the financial statements and which require adjustment or disclosure have been adjusted or disclosed.
- xv. 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.
- xvi. 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 2024/25 of 27 February 2026. The National Audit Office Code of Practice 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 the all the required information for you to complete your audit for the year ending 31 March 2025 by the statutory backstop date.

This includes the following:

- a. providing you with:
- i. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - ii. all additional information that you might have requested from us for the purpose of your audit; and
 - iii. access to all persons within the Council from whom you determined it necessary to obtain audit evidence.
- b. communicating to you all deficiencies in internal control of which management is aware.
- c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
- i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.
- e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- f. disclosing 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.
- g. disclosing to you the identity of the Council's related parties and all the related party relationships and transactions of which I am aware.
- h. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- xix. All transactions undertaken by the Council have been recorded in the accounting records and are properly reflected in the financial statements.

Management Commentary

- xx. 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.

Annual Governance Statement

- xxi. I am satisfied that the Annual 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 2025, 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 and other information. 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 2024/25.

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

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Council to publish its financial statements and our opinion thereon for the year ended 31 March 2025 by 27 February 2026 (the "Backstop Date"). This date has been put in law with the purpose of clearing the backlog of historical financial statements in English local government.

We have been unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Council's financial statements for the year ended 31 March 2025 as a whole are free from material misstatement. In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2024 by the backstop date as a result of disclaimed opinions in previous financial years. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2024 or whether there were any consequential effects on the Council's income and expenditure for the year ended 31 March 2025. Any adjustments from the above matters would have a consequential effect on the Council's net assets and the split between usable reserves and unusable reserves as at 31 March 2025 and 31 March 2024 and on its income and expenditure and cash flows for the years then ended.

We have concluded that the possible effects on the financial statements of undetected misstatements arising from these matters could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Council to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2025 by 27 February 2026.

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 the 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 Deputy Chief Executive – Resources (s151)

As explained in the Statement of responsibilities set out on page 16, 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 Deputy Chief Executive – Resources (s151). The Deputy Chief Executive – Resources (s151) 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 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive – Resources (s151) 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 Deputy Chief Executive – Resources (s151) 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 Deputy Chief Executive – Resources (s151) is required to comply with the requirements set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25.

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 2025.

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 three significant weaknesses in the Council's arrangements in respect of governance. These were in relation to:

- How the Council ensures effective processes and systems are in place to communicate relevant, accurate and timely management information and support its statutory financial reporting requirements We identified weaknesses in the annual accounts production process and in year financial reporting. We recommended that the Council ensure it has adequate capacity in its finance team to enable production of financial monitoring reports during the year and draft financial statements in line with statutory requirements.
- How the Council monitors and assesses risk . We identified weaknesses in the Council's risk management arrangements. We recommended that the Council improve risk management arrangements.
- How the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. We identified weaknesses in the Council's counter fraud arrangements. We recommended that the Council update its anti-Fraud and Bribery Framework and Confidential Reporting Framework.

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 updated 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 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice (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 2025, as mandated under the National Audit Office's group instructions, is currently outstanding and confirmation has not yet been received from the National Audit Office that the Whole of Government Accounts audit for 2024-25 has been certified by the Comptroller and Auditor General.

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 2025.

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

Annual Treasury Management Report 2024-25

Committee: Audit and Governance Committee

Date of Meeting: 18 February 2026

Report of: Deputy Chief Executive-Resources & S151 Officer

1 Purpose of Report

- 1.1 To update members on treasury management activity and performance during the 2024/25 financial year.

2 Recommendations

- 2.1 To note the annual treasury management report for 2024/25; and
- 2.2 To approve the actual 2024/25 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 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 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 2024/25. 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 2024/25, 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.

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 1.

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 2024/25 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 2024/25 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 2024/25 on 21 February 2024.

The Council's CFR for the year is shown in 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 (2024/25) plus the estimates of any additional capital financing requirement for the current (2025/26) 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 2024/25. 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 2024/25 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 2025

- 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.

Item No. 6.4

At the end of 2024/25 the Council's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

	31 March 2024 Principal £'000	Rate / Return (%)	Average Life (yrs.)	31 March 2025 Principal £'000	Rate / Return (%)	Average Life (yrs.)
Total debt (PWLB)	81,605	3.98%	32.5	80,205	3.96%	32.1
CFR	90,307			93,252		
Over / (under) borrowing	-8,702			-13,047		
Total investments	55,600	4.88	0.10	57,350	4.93%	0.06
Short term borrowing	0			0		
Net Investments	55,600			57,350		
Net debt	26,005			22,855		

5.12.1 The following table sets out the Council's investments held and their respective rate of returns as at 31 March 2025:

Counterparty	Start Date	End Date	Value (£)	Rate %
National Bank of Kuwait	17/02/2025	19/05/2025	2,000,000	4.56
Al Rayan Bank Plc	19/11/2024	19/05/2025	4,000,000	4.80
National Bank of Kuwait	19/03/2025	19/06/2025	4,000,000	4.57
Santander (180 days)	Call (Notice Account)		3,500,000	4.26
Svenska Handelsbanken	Call Account		1,000,000	2.70
Aberdeen GBP Liquidity Class L1	Money Market Fund		9,000,000	4.53
Deutsche Managed GBP LVNAV Platinum	Money Market Fund		9,000,000	4.52
Federated Hermes Short- Term GBP Prime Class 3	Money Market Fund		9,000,000	4.53
Invesco Liquidity GBP Institutional	Money Market Fund		6,850,000	4.53
Morgan Stanley GBP Liquidity Institutional Plus	Money Market Fund		9,000,000	4.54
Total Investments			57,350,000	

5.12.2 The table below sets out the maturity profile of the external debt held by the Council.

Debt Maturity Profile	31-Mar-24 Actual	2024/25 Original Limits	31-Mar-25 Actual
	£m	£m	£m
Under 12 months	1.40	3.00	3.00
12 months and within 24 months	3.00	0.00	0.00
24 months and within 5 years	0.00	0.00	0.00
5 years and within 10 years	3.00	5.40	5.40
10 years and within 20 years	9.60	7.20	7.20
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	0.000	0.000	0.000
Total Debt	81.605	80.205	80.205

5.13 All investments in the portfolio have a maturity of under 1 year.

Investment strategy and control of interest rate risk

5.14 Investment returns picked up throughout the course of 2024/25 as Central Banks, including the Bank of England (BoE), realised that inflationary pressures were not transitory, and that tighter monetary policy were required.

At the start of 2024/25, Bank Rate was at a high of 5.25%. There was 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 reduction 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. Due to the BoE's efforts to control inflationary pressures, inflation began to fall significantly and the pressures that caused the initial price rises eased.

The MPC correspondingly were able to cut rates five times since August 2024, and the financial markets therefore experienced a gradual lowering of Base Rate. The second rates cut occurred 7th November, lowering base rate by another 25 basis points to 4.75%. The rate subsequently lowered to 4.50% in February 2025; 4.25% in May 2025 and 4.00% in August 2025. The BoE maintained Bank Rate at 4.00% in November 2025, following a 0.25% cut in August. Following the 2025 August Budget, another 0.25% Bank Rate cut in December occurred; thereby reducing the rate from the current 4% to 3.75%. Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2025 and 2026, reaching around 3.25%.

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. 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.

- 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. 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 2024/25, 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 would have 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 PWLB rates are based on gilts (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. Following Chancellor Rachel Reeves's Autumn Budget announcement on 26th November 2025, government borrowing costs eased back and the pound strengthened after an initial sell-off sparked by the early release of the Office for Budget Responsibility's (OBR's) forecasts. Gilts had come under pressure when the independent fiscal watchdog's forecasts and budget measures were released early.

However, the financial markets later settled steadied as markets, being relieved from the announcement that budgetary measures are estimated to give the Government £21.7 billion of headroom against its fiscal rules. For example, having initially jumped higher, yields on 30-year UK government bonds later rallied to stand seven basis points lower at 5.25%, while yields on 10-year bonds were four basis points down at 4.46%.

Owing to the inverse relationship between yield and bond pricing, the financial market saw bond prices rising in response to the fall in yields. The pound also rebounded after initial weakness, later standing 0.2% higher at 1.32 US Dollars and 0.3% higher at 1.14 Euros. Economists and financial commentators take the view that the financial market responded relatively calmly post-budget, being placated by forecasts for a larger fiscal buffer and a credible path to lower government borrowing.

As highlighted above, the Bank of England's fiscal efforts to cool inflationary pressures allowed the MPC to gradually reduce Base Rate on five occasions after the first cut in August 2024. Arlingclose now expects Bank Rate to be cut to 3.25% by 2026 in Quarter 2, with risks weighted to the downside.

Medium and long-term gilt yields continue to incorporate premia for UK government credibility and global uncertainty. These issues may not be resolved quickly, and the Council's advisor expect yields to remain higher than would normally be consistent with Bank Rate expectations. However, the lower path for Bank Rate maintains the downside risks to Arlingclose's gilt yield forecasts which is shown in the below table.

Item No. 6.8

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.00	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.90	3.65	3.50	3.40	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.92	3.90	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.48	4.40	4.35	4.30	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.30	4.30
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.13	4.90	4.85	4.80	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.80	4.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.73	4.50	4.50	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.50	4.50
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

5.22 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

5.23 **Borrowing** - No borrowing was undertaken during the year.

Investment Outturn

5.24 **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).

5.25 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

5.26 **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	2023/24	2024/25
	Actual	Actual
	£'000	£'000
Earmarked Fund balances /reserves		
General Fund (GF)	20,863	22,385
General Fund working balance	1,613	2,410
Housing Revenue Account (HRA)	13,964	16,322
HRA working balance	2,572	2,671
Sub Total	39,012	43,788
Capital receipts:		
GF	6,745	6,498
HRA	6,081	5,997
Sub Total	12,826	12,495
Provisions	2,443	1,501
Major Repairs Reserve	6,602	3,523
Capital Grants Unapplied GF	2,862	7,759
Other - Grants Receipts In Advance	2,076	2,144
Total core funds	65,821	71,210

5.27 Investments held by the Council:

- The Council maintained an average balance of £61.5m of internally managed funds.
- The internally managed funds earned an average annualised rate of return of 4.93%.
- Total investment income was £3,029,300.95 compared to a revised budget for 2024/25 of £2,700,000.

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 and Treasury Management 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: 18/02/26
Council: 25/02/25

Key Decision: N/A

Prudential and Treasury Management Indicators

1. PRUDENTIAL INDICATORS	2023/24	2024/25	2024/25
	Actual	Estimate	Actual
	£'000	£'000	£'000
Capital Expenditure (HRA)	7,182	10,919	8,688
Capital Expenditure (GF)	3,503	2,354	7,878
Notional Capital expenditure – Finance Leases			3,210
Ratio of financing costs to net revenue stream (HRA)	12.86%	11.88%	11.46%
Ratio of financing costs to net revenue stream (GF)	-13.25%	-7.7%	-13.83%
Gross borrowing requirement (GF) - Finance Leases	0	0	3,201
Gross debt	81,605	80,205	83,406
Capital Financing Requirement as at 31 March (HRA)	82,475	82,475	82,475
Capital Financing Requirement as at 31 March (GF)	7,833	7,576	10,777
Annual change in Cap. Financing Requirement (HRA)	0	0	0
Annual change in Cap. Financing Requirement (GF)	-267	-257	2,944

2 TREASURY MANAGEMENT INDICATORS	2023/24	2024/25	2024/25
	Actual	Estimate	Actual
	£'000	£'000	£'000
Authorised Limit for external debt -	101,807	107,112	107,952
Operational Boundary for external debt	90,307	95,612	96,452
Actual external debt	81,605	80,205	83,406

Maturity structure of fixed rate borrowing during 2024/25	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%

Investment Analysis

The following table sets out an analysis of investments held 31st March 2025 (together with a comparator at 31st March 2024).

INVESTMENT PORTFOLIO	Actual	Actual	Actual	Actual
	31.3.24	31.3.24	31.3.25	31.3.25
	£m	%	£m	%
Money Market Funds	26.1	47%	42.9	75%
Banks/Building Society	14.5	26%	14.5	25%
Local Authority	15.0	27%	0	0%
TOTAL TREASURY INVESTMENTS	55.6	100%	57.4	100%

Treasury Management Mid-Year Report 2025/26

Committee: Audit and Governance Committee

Date of Meeting: 18 February 2026

Report of: Deputy Chief Executive-Resources & S151 Officer

1 Purpose of Report

- 1.1 To update members on Treasury Management activity and performance during the first half of the 2025/26 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 2025/26.

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 2025/26 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 2025/26 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 2025/26;
 - A review of the Council’s borrowing strategy for 2025/26;
 - A review of any debt rescheduling undertaken during 2025/26;
 - A review of compliance with Treasury and Prudential Limits for 2025/26.

Treasury Management Strategy Statement and Annual Investment Strategy Update

- 5.7 The Treasury Management Strategy Statement, (TMSS) for 2025/26 was approved by this Council on the 26 February 2025. 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.

Table 1 - Prudential Indicator 2025/26

Prudential Indicator 2025/26	Original	Revised
	£'000	£'000
Authorised Limit	106,866	109,573
Operational Boundary	95,366	98,073
Capital Financing Requirement	89,805	92,512

The Council’s Capital Position (Prudential Indicators)

- 5.8 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

- 5.9 This table shows the estimates for capital expenditure and the changes since the capital programme was agreed at Budget time. Due to the timing of this update the 2025/26 estimate reflects the proposed budget for 2025/26 being submitted to Council in February 2026.

Table 2 - Capital Expenditure by Portfolio

Capital Expenditure by Portfolio	2025/26 Original Estimate	2025/26 Revised Estimate
	£'000	£'000
Resources & Transformation	0	0
Environment & Climate Change	1,125	1,112
Community Wellbeing	1,146	1,446
Housing	12	0
Parks, Culture & Heritage	50	990
Regeneration & High Streets	13,691	4,178
Non – HRA	16,024	7,726
HRA	12,229	12,039
Total	28,253	19,765

- 5.10 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.

Table 3 - Capital Expenditure Funding

Capital Expenditure	2025/26	2025/26
	Original Estimate	Revised Estimate
	£'000	£'000
Total Spend	28,253	19,765
Financed by:		
Capital Receipts	2,846	3,348
Capital Grants / contributions	16,281	7,525
Major Repairs	8,998	8,027
Revenue	128	865
Total Financing	28,253	19,765
Borrowing Need	0	0

Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

- 5.11 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

- 5.12 The table shows an increased CFR position from the 2025/26 original position. This reflects the inclusion of the waste vehicles used in the contract being put onto the council's balance as a finance lease to reflect accounting rules.

Table 4 - Prudential Indicator - Capital Financing Requirement and Operational Boundary for external debt

	2025/26 Original Estimate	2025/26 Revised Estimate
	£'000	£'000
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	7,330	10,037
CFR – housing	82,475	82,475
Total CFR	89,805	92,512
Net movement in CFR	-246	-740
Prudential Indicator – the Operational Boundary for external debt		
Operational Boundary	95,366	98,073
Borrowing	77,205	77,205
Other long-term liabilities*	0	2,707
Headroom	18,161	18,161

* 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 2025/26 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.

Table 5 - External Debt

	2025/26 Original Estimate	2025/26 Revised Estimate
	£'000	£'000
Borrowing	77,205	77,205
Other long-term liabilities*	0	2,707
Total debt	77,205	79,912
CFR* (year-end position)	89,805	92,512

* Includes on balance sheet finance leases etc.

- 5.13 The section 151 officer reports that no challenges are envisaged for the current or future years in complying with this Prudential Indicator.
- 5.14 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.

Table 6 - Authorised Limit for External Debt

Authorised limit for external debt	2025/26 Original Estimate	2025/26 Revised Estimate
	£'000	£'000
Authorised Limit	106,866	109,573
Borrowing	77,205	77,205
Other long-term liabilities*	0	2,707
Headroom	29,661	29,661

* Includes on balance sheet finance leases etc.

Annual Investment Strategy 2025/26

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. At the start of 2024/25, Bank Rate was at a high of 5.25%.

There was 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 reduction 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. Due to the BoE's efforts to

control inflationary pressures, inflation began to fall significantly and the pressures that caused the initial price rises eased. The MPC correspondingly were able to cut rates five times since August 2024, and the financial markets therefore experienced a gradual lowering of Base Rate.

The second rates cut occurred 7th November, lowering base rate by another 25 basis points to 4.75%. The rate subsequently lowered to 4.50% in February 2025; 4.25% in May 2025 and 4.00% in August 2025. The BoE maintained Bank Rate at 4.00% in November 2025, following a 0.25% cut in August. Following the 2025 August Budget, another 0.25% Bank Rate cut in December occurred: thereby reducing the rate from the current 4% to 3.75%. Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2025 and 2026, reaching around 3.25%.

5.15 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.

5.16 However, the landscape of the financial market for investors has changed since August 2024, following 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.

5.17 The Council held £72.1m of investments as at 30 September 2025 (£57.4m at 31 March 2025).

5.18 A full list of investments held as at 30 September 2025 is in **APPENDIX 1**.

Investment Counterparty criteria

- 5.19 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the Treasury Management function.

Borrowing

- 5.20 The Council's capital financing requirement (CFR) for 2025/26 is £92.512m. 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.
- 5.21 It is not currently anticipated that borrowing will be undertaken during this financial year, subject to capital slippage into 2025/26 and the trajectory of borrowing rates for the remainder of 2025/26.
- 5.22 The most significant impacts on the Authority's treasury management strategy for 2026/27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.
- 5.23 The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.
- 5.24 Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.
- 5.25 CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect inflation to fall, to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.
- 5.26 Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made

following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the BoE MPC meeting held on 18th December.

- 5.27 Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.
- 5.28 A more detailed economic and interest rate forecast provided by Arlingclose is in **APPENDIX 2**.

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 2025.

Appendix 2: Economic Update and Interest Rate Forecast (provided by Arlingclose as of 22nd December 2025)

8 Previous Consideration

None.

9 Background Papers

Held with Finance.

Contact Officer: Chris Forrester

Telephone Number: 01543 464 334

Report Track: Audit & Governance Committee: 18/02/26
Council: 25/02/26

Key Decision: N/A

Current Investment List and their respective rate of return as of 30 September 2025

Counterparty	Start Date	Maturity	Value (£)	Rate (%)
Santander (180 days)		**Call180	3,500,000	3.56
Svenska Handelsbanken***		***Call	1,199,287	2.20
Bank of Scotland***		*MMF	4,570,000	3.77
Aberdeen GBP Liquidity Class L1*		*MMF	9,000,000	4.08
Deutsche Managed GBP LVNAV Platinum*		*MMF	9,000,000	4.09
Federated Hermes Short-Term GBP Prime Class 3*		*MMF	9,000,000	4.09
Invesco Liquidity GBP Institutional*		*MMF	9,000,000	4.07
Morgan Stanley GBP Liquidity Institutional Plus*		*MMF	9,000,000	4.12
UK Debt Management Account Deposit Facility (DMADF) - Deal No:863964****	22-Sep-25	20-Oct-25	14,000,000	3.97
UK Debt Management Account Deposit Facility (DMADF) - Deal No:864799****	24-Sep-25	20-Oct-25	3,855,000	3.97
Total Investments			72,124,287	

*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

Economic Update & Interest Rate Forecast

Underlying assumptions:

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.
- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

Forecast:

- In line with our long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly, and we expect yields to remain higher

Item No. 7.13

	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.82	3.55	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.96	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.16	5.00	4.95	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.95	4.95	4.95
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.74	4.65	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

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 National Wealth Fund (formerly 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).

Treasury Management Strategy, Minimum Revenue Provision Policy, and Annual Investment Strategy 2026/27

Committee: Audit & Governance Committee

Date of Meeting: 18 February 2026

Report of: Deputy Chief Executive-Resources & S151 Officer

Portfolio: Resources and Transformation

1 Purpose of Report

1.1 This report is presented to obtain the Council's approval to:

- Prudential and Treasury Indicators - To set indicators to ensure that the capital investment plans of the Authority are affordable, prudent and sustainable;
- The Annual Minimum Revenue Provision (MRP) Policy for 2026/27.
- Treasury Management and Investment Strategy for 2026/27 - To set treasury limits for 2026/27 to 2028/29 and to provide a background to the latest economic forecasts of interest rates, and to set out the strategy of investment of surplus funds.

2 Recommendations

2.1 That the following be approved:

- The Prudential and Treasury Indicators;
- The Annual Minimum Revenue Provision (MRP) Statement for 2026/27;
- The Treasury Management Policy and Annual Investment Strategy for 2026/27.

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.

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 Authority.
- In the long-term funding the capital plans of the authority and in particular managing the debt of the Authority 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 Authority 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 Authority's priorities and their spending plans.

5 Report Detail

Introduction

- 5.1 The Authority 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 Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority 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 Authority 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.

- 5.6 This Authority has not engaged in any commercial investments and has no non-treasury investments.

Reporting Requirements

Capital Strategy

- 5.7 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
- 5.8 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.
- 5.9 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

- 5.10 The Authority 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.
- 5.11 **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 and Investment Strategy (how the investments and borrowings are to be organised and investments are to be managed) including treasury indicators.
- 5.12 **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.
- 5.13 **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.
- 5.14 **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.
- 5.15 The Authority 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 & 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

Training

- 5.16 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.
- 5.17 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.
- 5.18 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.
- 5.19 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.”

- 5.20 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.
- 5.21 Training is planned to be delivered over the next twelve months.

Treasury Management Consultants

- 5.22 The Authority uses Arlingclose as its external treasury management advisors.
- 5.23 The Authority 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.
- 5.24 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 Authority 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.

External Context

- 5.25 **Economic background:** The most significant impacts on the Authority's treasury management strategy for 2026/27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.
- 5.26 The Bank of England's (BoE's) Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.
- 5.27 Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.
- 5.28 CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect

inflation to fall, to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.

- 5.29 The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%. Pay growth for the same period eased modestly, with total earnings (including bonuses) growth at 4.7% and while regular pay was 4.6%.
- 5.30 The US Federal Reserve also continued to cut rates, including reducing the target range for the Federal Funds Rate by 0.25% at its December 2025 meeting, to 3.50%-3.75%, in line with expectations. The minutes of the meeting noted that most Fed policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.
- 5.31 The European Central Bank (ECB) kept its key interest rates unchanged in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.
- 5.32 **Credit outlook:** Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly during October and November, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
- 5.33 While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on (the authority's treasury management advisor) Arlingclose's counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.
- 5.34 **Interest rate forecast (22nd December 2025):** Arlingclose, the Authority's treasury management adviser, currently forecasts that the BoE's MPC will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the Committee's meeting held on 18th December.
- 5.35 Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are

expected to persist in response to economic data releases and geopolitical developments.

- 5.36 A more detailed economic and interest rate forecast provided by Arlingclose is in **Appendix 1**.
- 5.37 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 2.87%, and the Authority has no new borrowing requirement for 2026/27, so the average rate of borrowing is assumed to be 0%. However, the average borrowing of the existing loans portfolio is 3.96% as at the end of 2024/25.

Local Context

The Capital Prudential Indicators 2026/27 - 2028/29

- 5.38 The Authority'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

- 5.39 This Prudential Indicator is a summary of the Authority'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.
- 5.40 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	2024/25	2025/26	2026/27	2027/28	2028/29	Earmarked
	Actual	Estimate	Estimate	Estimate	Estimate	
	£'000	£'000	£'000	£'000	£'000	
Resources & Transformation	195	-	40	-	-	-
Environment & Climate Change	97	1,112	208	80	80	-
Community Wellbeing	1,347	1,446	5,991	1,146	1,146	154
Housing	3					
Parks, Culture & Heritage	1,034	990	1,447	-	-	299
Regeneration & High Streets	5,201	4,178	10,328	-	-	7,119
Non-HRA	7,877	7,726	18,014	1,226	1,226	7,572
HRA	8,688	12,039	17,434	13,918	14,107	4,675
Total	16,565	19,765	35,448	15,144	15,333	12,247

- 5.41 In addition to the above Capital Programme, the expenditure and borrowing of the Authority 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 Authority shall consider the use of the Public Works Loan Board (PWLB) discount rate as well other sources of funding as prescribed below. 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.
- 5.42 **Other long-term liabilities** - The financing need excludes other long-term liabilities, such as leasing arrangements which already include borrowing instruments.
- 5.43 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	2024/25	2025/26	2026/27	2027/28	2028/29	Unallocated
	Actual	Estimate	Estimate	Estimate	Estimate	
	£'000	£'000	£'000	£'000	£'000	
Total Spend	16,565	19,765	35,448	15,144	15,333	12,247
Financed by:						
Capital Receipts	1,703	3,348	2,147	801	1,649	10,544
Capital grants / contributions	6,488	7,525	12,634	1,146	1,146	372
Major Repairs	7,053	8,027	4,607	4,767	4,930	0
Revenue	1,321	865	16,060	8,430	7,608	1,331
Total Financing	16,565	19,765	35,448	15,144	15,333	12,247
Net financing need for the year	0	0	0	0	0	0

- 5.44 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 Authority's borrowing need (the Capital Financing Requirement)

- 5.45 Another Prudential Indicator is the Authority'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 Authority'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.
- 5.46 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.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the lease provider and so the Authority is not required to separately borrow for these schemes. As at the end of 2024/25, the Authority currently has a balance of £3.201m for finance leases within the CFR. However, it is anticipated that this figure will rise during 2026/27 in respect of the new IFRS16 leasing requirements. Further work will be undertaken to ensure that this is reflected in the calculations when appropriate.

- 5.47 The Council is asked to approve the following CFR projections, subject to any changes arising from the budget process:

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Capital Financing Requirement:					
CFR – non housing	10,777	10,037	11,469	10,879	10,264
CFR - housing	82,475	82,475	82,475	82,475	82,475
Total CFR	93,252	92,512	93,944	93,354	92,739
Movement in CFR	2,944	(740)	1,432	(590)	(615)
Movement in CFR represented by:					
Net financing need for the year	0	0	0	0	0
Less MRP and other financing movements	2,944	(740)	1,432	(590)	(615)
Movement in CFR	2,944	(740)	1,432	(590)	(615)

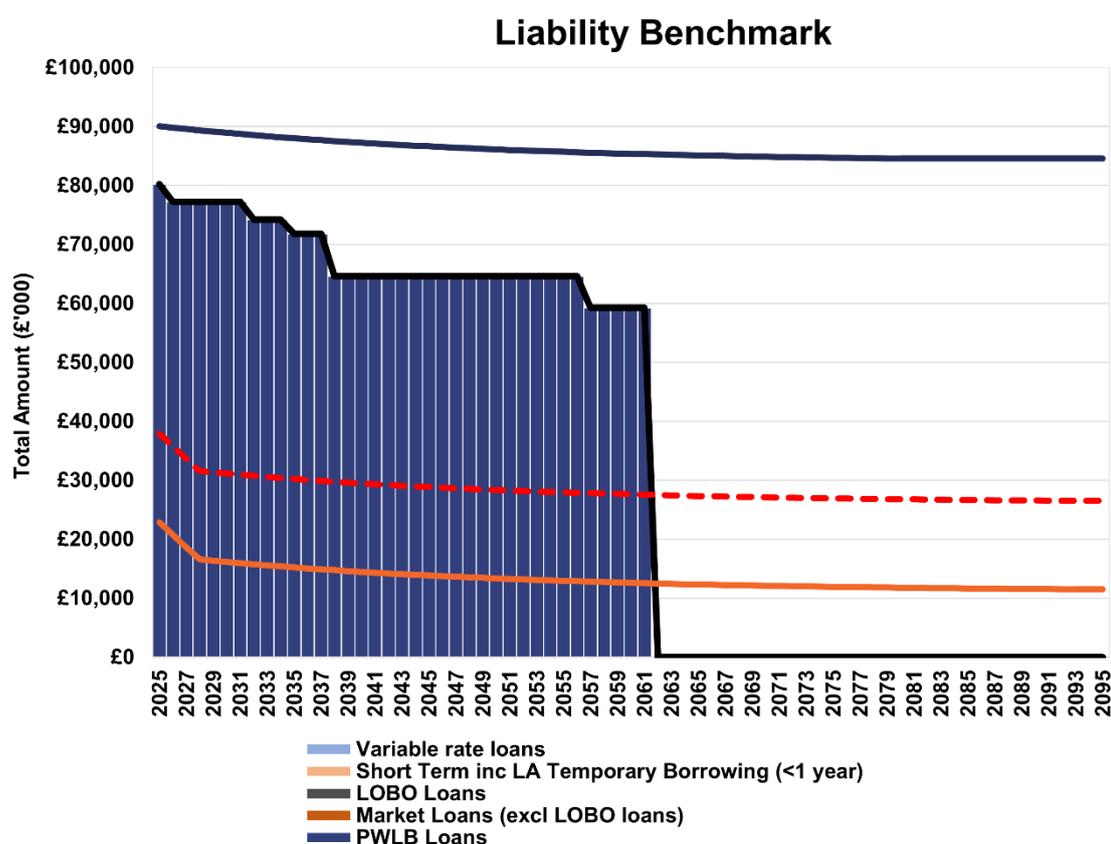
Liability Benchmark

- 5.48 To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as paragraph 5.43, but that cash and investment balances are kept to a minimum level of £15m at each year-end to strike a balance between sufficient liquidity, maintaining the Authority's professional client status under Markets in Financial Instruments Directive II (MiFiD II) regulations whilst mitigating counterparty credit risk.
- 5.49 The liability benchmark is an important tool to help establish whether the Authority is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
CFR	93,252	92,512	93,944	93,354	92,739
Less: Other debt liabilities*	(3,201)	(2,707)	(4,376)	(4,013)	(3,616)
Loans CFR	90,051	89,805	89,568	89,341	89,123
Less: Balance sheet resources	(67,196)	(66,940)	(40,320)	(35,687)	(30,618)
Net loans requirement	22,855	22,865	49,248	53,654	58,505
Plus: Liquidity allowance	15,000	15,000	15,000	15,000	15,000
Liability/(Investment) benchmark	37,855	37,865	64,248	68,654	73,505

* leases and PFI liabilities that form part of the Authority's total debt

5.50 Following on from the medium-term forecasts in paragraph 5.43, the long-term liability benchmark assumes capital expenditure funded by borrowing in line with the current forecast capital programme, minimum revenue provision and income, expenditure, and reserves all in line with the 2026/27 budget and forecast. This is shown in the graph below together with the maturity profile of the Authority's existing borrowing.



5.51 This graph above allows a comparison of current borrowing against the need to borrow, looking at both the amount (on the y axis) and the term (on the x axis). CIPFA recommends that the optimum position for external borrowing should be at the level of the Liability Benchmark (i.e., all balance sheet resources should be used to maximise internal borrowing). If the outputs show future periods where

external loans are less than the Liability Benchmark, then this indicates a borrowing requirement; thus, identifying where the Authority should take long-term borrowing or sell investments. Conversely, where external loans exceed the Liability Benchmark, this will highlight an overborrowed position. This will result in excess cash requiring investment and will accordingly expose the Authority to credit and reinvestment risks as well as a potential cost of carry for servicing the larger loan portfolio held unless it is economically viable in utilising the surplus cash in repaying existing loans prematurely.

Core funds and expected investment balances

5.52 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	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Earmarked Fund Balances / Reserves:					
General Fund	22,385	21,913	16,366	16,186	15,166
General Fund working balance	2,410	2,936	2,473	1,635	1,216
Housing Revenue Account (HRA)	16,322	17,772	10,599	6,284	2,841
HRA working balance	2,671	2,576	2,620	2,802	3,015
Sub Total	43,788	45,197	32,058	26,907	22,238
Capital receipts:					
GF	6,498	6,733	6,626	6,546	6,466
HRA	5,997	4,774	4,053	4,651	4,331
Sub Total	12,495	11,507	10,679	11,197	10,797
Provisions	1,501	1,397	232	232	232
Major Repairs Reserve	3,523	0	0	0	0
Capital Grants unapplied GF	7,759	12,428	940	940	940
Other - Grants Receipts in Advance	2,144	1,411	1,411	1,411	1,411
Total core funds	71,210	71,940	45,320	40,687	35,618
Working Cashflow requirement*	4,014	5,000	5,000	5,000	5,000
Under/over borrowing	9,846	12,600	12,363	12,136	11,918
Expected investments	57,350	54,340	27,957	23,551	18,700

*Working cashflow requirement shown are estimated year-end; these may be higher mid-year.

- 5.53 The cash balances shown are exclusive of the unallocated capital spend as set out in paragraph 5.43 (with the exception of reserves which are assumed to be used in 2028/29). These are fully funded schemes.

Minimum revenue provision (MRP) Policy Statement

- 5.54 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).
- 5.55 The Authority 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.
- 5.56 The Council is recommended to approve the following MRP Statement:
- 5.57 Under powers delegated to the Section 151 Officer, the Authority's Annual MRP provision for expenditure incurred after 1 April 2008 which forms part of supported capital expenditure will be based on either the uniform rate of 4% of the Capital Financing Requirement (CFR) or as the principal repayment on an annuity basis with an appropriate annual interest rate, starting in the year after the asset becomes operational
- 5.58 The Authority'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 appropriate annual interest rate, starting in the year after the asset becomes operational.
- 5.59 Capital expenditure incurred during 2026/27 will not be subject to an MRP charge until 2027/28, or in the year after the asset becomes operational.
- 5.60 The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.
- 5.61 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge on depreciation to be made.
- 5.62 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.

- 5.63 The Authority are satisfied that the policy for calculating MRP set out in this Policy Statement will result in the Authority 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.
- 5.64 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 Authority whilst ensuring the Authority meets its duty to charge a prudent provision.
- 5.65 **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 Authority has not issued capital loans that are categorised as commercial and, accordingly, is not required to make MRP on this basis.

- 5.66 **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.

- 5.67 **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 Authority has previously not made any VRP overpayments.

Affordability Prudential Indicators

- 5.68 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 Authority's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

- 5.69 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 received by the Authority on its treasury investments.

%	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Non HRA	-13.83%	-9.84%	-4.73%	-4.52%	-4.49%
HRA	11.46%	11.95%	11.43%	11.03%	10.75%

HRA ratios

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
HRA debt £'000	80,205	77,205	77,205	77,205	77,205
HRA revenues £'000	23,809	23,922	25,034	25,951	26,626
Ratio of debt to revenues	3.4	3.2	3.1	3.0	2.9
Number of HRA dwellings (estimate closing)	5,015	4,987	4,997	4,978	4,960
Debt per dwelling £	15.99	15.48	15.45	15.51	15.57

Borrowing

- 5.70 The capital expenditure plans above provide details of the service activity of the Authority. The treasury management function ensures that the Authority'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

- 5.71 The Authority'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.

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
External Debt					
PWLB debt at 1 April	81,605	80,205	77,205	77,205	77,205
Expected change in Debt	(1,400)	(3,000)	0	0	0
Other long-term liabilities (OLTL)	0	3,201	2,707	4,376	4,013
Expected in-year change in OLTL	3,201	(494)	1,669	(363)	(397)
Actual gross debt at 31 March	83,406	79,912	81,581	81,218	80,821
The Capital Financing Requirement	93,252	92,512	93,944	93,354	92,739
Under / (Over) borrowing	9,846	12,600	12,363	12,136	11,918

5.72 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 2026/27 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.

5.73 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 takes account of current commitments, existing plans, and the proposals in this budget report.

Treasury Indicators: limits to borrowing activity

5.74 **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.

	2024/25	2025/26	2026/27	2027/28	2028/29
Operational boundary	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Debt	93,251	95,366	91,568	91,341	91,123
Other long-term liabilities	3,201	2,707	4,376	4,013	3,616
Total	96,452	98,073	95,944	95,354	94,739

5.75 **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 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 Authority's plans, or those of a specific Authority, although this power has not yet been exercised.
- 2) The Council is asked to approve the following authorised limits.

Authorised limit	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Debt	104,751	106,866	103,068	102,841	102,623
Other long-term liabilities	3,201	2,707	4,376	4,013	3,616
Total	107,952	109,573	107,444	106,854	106,239

Borrowing Strategy

- 5.76 The Authority held £80.205m of external loans as the end of 2024/25. The balance sheet forecast in 5.43 shows that the Authority does not expect to need to borrow in 2026/27. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £107.444m.
- 5.77 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 5.78 **Strategy:** The Authority 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. Given the uncertainty and reductions in local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates have fallen over the past year, and are expected to fall a little further, and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the treasury management prudential indicators, see below.
- 5.79 By adopting this approach, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk should a future borrowing occur. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- 5.80 Traditionally speaking, authorities usually raise majority or all of their long-term borrowing needs from the PWLB. In addition to convention borrowing source, this Authority will consider long-term loans from other lenders. This includes banks, pensions, and local authorities, and will investigate the possibility of issuing bonds and similar instruments in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Cod. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.
- 5.81 Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 5.82 In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.
- 5.83 Any decisions will be reported to Members appropriately at the next available opportunity.
- 5.84 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd) - 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.
 - any institution approved for investments (see below)
 - any bank, building society or insurance company authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except Staffordshire County Authority's Local Government Pension Scheme - Staffordshire Pension Fund)
 - capital market bond investors
 - special purpose companies created to enable local authority bond issues.
- 5.85 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
 - hire purchase
 - similar asset-based finance

- 5.86 **Policy on borrowing in advance of need:** The Authority 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 Authority can ensure the security of such funds.
- 5.87 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.
- 5.88 **Debt Rescheduling:** Debt rescheduling of external borrowing can help with mitigating against exposure to the risk of interest rate movements, lower the cost of servicing debt and alter the maturity profile to avoid refinancing risk.

Rescheduling of the Authority's 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 Authority, at the earliest meeting following its action.

Treasury Investment Strategy 2026-27

- 5.89 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £55.0m and £79.2m, and similar levels are expected to be maintained in the forthcoming year.
- 5.90 **Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Consistent with the spirit of the Code's treasury management practices (namely, TMP1 on credit and counterparty risk management), the Authority aims to be a responsible investor. It shall be mindful of environmental, social and governance (ESG) considerations in its decision-making outcomes. To that end, the Authority 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 Authority's mission and values.
- 5.91 **Strategy:** As demonstrated by the liability benchmark above, the Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.
- 5.92 **Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.93 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table below, subject to the limits shown. This table should be read in conjunction with the notes provided.

	Counterparty limit	Time Limit (Maximum)***
The UK Government	100%	50 years
Local authorities & other government entities	£5 million	25 years
Secured investments – government collateral	£5 million	25 years
Secured investments – other collateral **	£3 million	10 years
Banks (unsecured) **	£6 million	13 months
Building societies (unsecured) **	£6 million	13 months
Registered providers (unsecured) **	£3 million	5 years
Money market funds **	£9 million	n/a
Strategic pooled funds	£3 million	n/a
Real estate investment trusts	£3 million	n/a
Other investments **	£5 million	5 years

* DMO – is the Debt Management Office of HM Treasury

5.94 **Minimum credit rating:** Treasury investments in the sectors marked with a double-asterisk (**) will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £1m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

5.95 **Time limits (***):** These start on the earlier of date that the Authority is committed to make the investment and the date that cash is transferred to the counterparty. This is the maximum duration that will be held with the relevant financial participant.

5.96 **UK Government:** Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility where the maximum deposit term is 6 months, treasury bills, and gilt. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

5.97 **Local authorities and other government entities:** Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities, and multilateral development bank. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

- 5.98 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. A higher limit applies for investments fully secured on UK or other government collateral.
- 5.99 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 5.100 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government, and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- 5.101 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 5.102 **Strategic pooled funds:** Bond, equity, and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 5.103 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 5.104 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

5.105 **Operational bank accounts:** The Authority's operational account provider is Barclays Bank. It may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1m, subject to unexpected material receipts. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

5.106 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that counterparty until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.107 **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.108 **Reputational aspects:** The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK

Government or other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

- 5.109 **Additional Investment limits:** A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on fund managers and investments in brokers' nominee accounts as below.

	Cash limit
Any group of pooled funds under the same management	£6m per manager
Investments held in a broker's nominee account	£6m per broker

- 5.110 **Liquidity management:** The Authority uses purpose-built cash flow forecasting models to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

The Authority will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds), of which at least two will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

- 5.111 The Authority measures and manages its exposures to treasury management risks using the following indicators.
- 5.112 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A

- 5.113 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 1 month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 1 month	£15m

- 5.114 **Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
One-year revenue impact of a 1% rise in interest rates.	(£0.549m)
One-year revenue impact of a 1% fall in interest rate.	£0.549m

- 5.115 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.
- 5.116 **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	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%

- 5.117 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 5.118 **Long-term treasury management investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2026/27	2027/28	2028/29	No fixed date
Limit on principal invested beyond year end	£5m	£5m	£5m	£10m

- 5.119 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts as these are considered short-term.

Related Matters

- 5.120 The CIPFA Code requires the Authority to include the following in its treasury management strategy.
- 5.121 **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 5.122 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not

be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

- 5.123 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 5.124 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 5.125 **Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, and brokers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Deputy Chief Executive Resources believes this to be the most appropriate status.

Financial Implications

- 5.126 The budget for investment income in 2026/27 is £1.579 million, based on an average investment portfolio of £54.943 million at an interest rate of 2.87%. As the Authority does not anticipate any borrowing, the budget for debt interest paid in 2026/27 is nil. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasted, performance against budget will be correspondingly different.

Other Options Considered

- 5.127 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Deputy Chief Executive Resources believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain

Alternative	Impact on income and expenditure	Impact on risk management
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

6 Implications

6.1 Financial

Included in this Report.

6.2 Legal

None.

6.3 Human Resources

None.

6.4 Risk Management

The Authority 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 Authority's website.

6.5 Equalities and Diversity

The Authority 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

None.

7 Appendices

Appendix 1: Economic Update and Interest Rate Forecast (provided by Arlingclose as of 22nd December 2025)

Appendix 2: Treasury Management Scheme of Delegation

Appendix 3: The Treasury Management Role of The Section 151 Officer

8 Previous Consideration

None.

9 Background Papers

Available in Financial Services.

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Report Track: Audit & Governance Committee: 18/02/26

Cabinet: 19/02/26

Council: 25/02/26

Key Decision: Yes

**Economic Update and Interest Rate Forecast
(Provided by Arlingclose as of 22nd December 2025)**

Underlying assumptions:

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.
- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

Forecast:

- In line with our long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty, and significant issuance. These issues may not be resolved quickly, and we expect yields to remain higher

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	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.82	3.55	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.96	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.16	5.00	4.95	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.95	4.95	4.95
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.74	4.65	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

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 National Wealth Fund (formerly 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).

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.

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.