



South Staffordshire Council

Statement of Accounts

2022/23



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Statement of Accounts 2022/23

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Statement of Accounts 2022/23



FOREWORD

As the Leader of the Council, I would like to welcome you to the South Staffordshire Council Statement of Accounts for 2022/23.

The Financial Year 2022/23 has once again proved challenging across the local government sector with the cost of living crisis impacting upon the Council, its residents and partners alike.

To this end, we are extremely pleased that strong and prudent financial management has enabled the Council to limit its draw on General Fund reserves to £0.6m at the year-end having originally budgeted for a £1.1m draw down.

The challenges for local government will continue into 2023/24 and our reserve balances will help to ensure we can maintain service provision. In addition, specific Earmarked Reserves have been set aside to fund our response to immediate concerns, including our Climate Change commitments to meet our net zero targets, ongoing uncertainties around pay and price inflation and funding any opportunities afforded by our share of the UK Shared Prosperity Fund.

I would like to say a big thank you to all those involved in producing this Statement of Accounts document.

Furthermore, I would like to thank all those involved in the management of the Council's budgets. In these challenging times it is so important that we keep a close eye on the Council's finances, and my thanks go to everyone from right across the Council – including member colleagues - who have helped us to remain within budget for the year.

A handwritten signature in black ink, appearing to read 'R. Lees'.

Roger Lees
Leader of the Council
South Staffordshire Council

2. Narrative Report



MESSAGE FROM THE INTERIM S151 OFFICER

Welcome to our financial statements for 2022/23, a document that I hope you find accessible, useful and informative.

The purpose of this document is to show the Council's financial performance for the year and set out its financial position at the end of the year.

We have included a narrative report which includes important context to the core financial statements under the following headings:

- **An overview of South Staffordshire**
- **What we do**
- **Our members**
- **Our Leadership Team**
- **Our Priorities and Performance Management**
- **Our Performance**
- **Financial Performance**

We have ensured that this document complies with accounting standards which are often complex, but we have also taken steps to simplify these statements where possible.

Some complexities are inevitable within any local authority accounts. This is because legal rules dictate how budgets (and Council Tax) should be set and managed by the Council, whereas accounting rules dictate the presentation of the core financial statements. This means that our performance against budget (as set out on pages 11 to 16) will differ in presentational terms from the financial statements (as set out on pages 20 to 90).

The Section 151 Officer's responsibilities (and those of the Council's) are set out on page 19. The core financial statements then follow. These have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, and comprise four main statements:

- **Movement in Reserves Statement**
- **Comprehensive Income and Expenditure Statement**
- **Balance Sheet**
- **Cash Flow Statement**

There are a number of notes that provide further information. We have also included an explanatory foreword here to further assist the reader.

The Collection Fund (and associated notes) then follows. These show how much Council Tax and Non-Domestic Rates were raised in South Staffordshire and how these were allocated.

Our Annual Governance Statement is set out on pages 98 to 108 which summarises how the Council is managed and how it deals with risk.

Finally, the independent Auditor's Report sets out the auditor's opinion on our financial statements.

2. Narrative Report

HIGHLIGHTS

The financial highlights of this document include:

- The Council has applied £0.624m from the General Fund Reserve during the year which decreases the balance to £8.672m at 31 March 2023.
- This represents a £0.427m improvement against budget, primarily arising from Treasury gains from higher than anticipated interest rates for cash investments.
- The value of the Council's long-term assets decreased slightly from £46.753m to £46.022m.
- Following the triennial actuarial valuation, the pensions liability has reduced significantly from £30.651m in the prior year to £7.857m.
- The Capital budget was underspent in the financial year by £15.592m (due to the reprofiling of large project spend) which will be carried forward into the 2023/24 financial year.

SUMMARY OF POSITION

In summary, the Council has managed its budgets well during 2022/23. It is particularly good news that the outturn position was some £0.427m better than budgeted, especially given the cost of living crisis currently impacting the country.

Significant financial challenges remain however, and a number of savings have already been achieved which will benefit the 2023/24 budget. The Council will continue to take steps to maximise our revenues and streamline services through greater digital self-service, more agile working and making full use of commercial opportunities, including those afforded by the refurbished Community Hub.

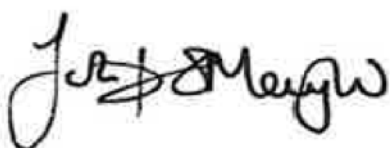
At year end, the balance sheet remains robust with sufficient levels of General Fund and Earmarked Reserve balances in place. Whilst Earmarked Reserves reduced in value during 2022/23 this was largely as a result of prudent steps taken to set aside monies to mitigate Covid-19 and cost of living related risks and early receipt of government monies (entitled Section 31 Grants) to replenish lost business rates through reliefs awarded.

ACKNOWLEDGEMENTS

I would like to thank all those that have been involved in both producing the financial statements and managing the Council's budgets so effectively during this year. Both can only be done through a lot of hard work by Finance and the valuable support of colleagues across the Council.

FURTHER INFORMATION

For further information on the financial statements, please contact John Mayhew, Finance Manager, j.mayhew@sstaffs.gov.uk

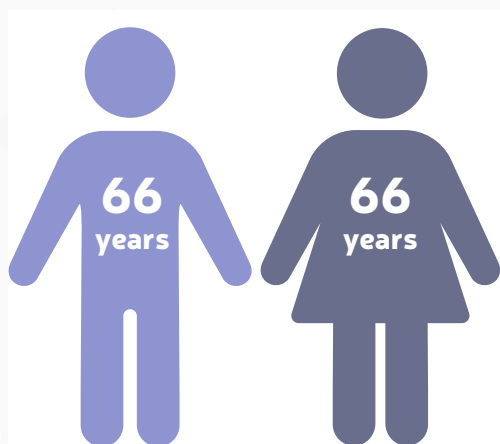
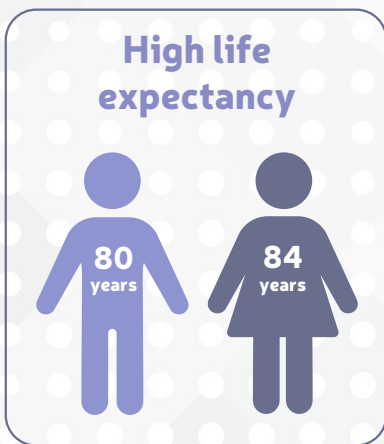
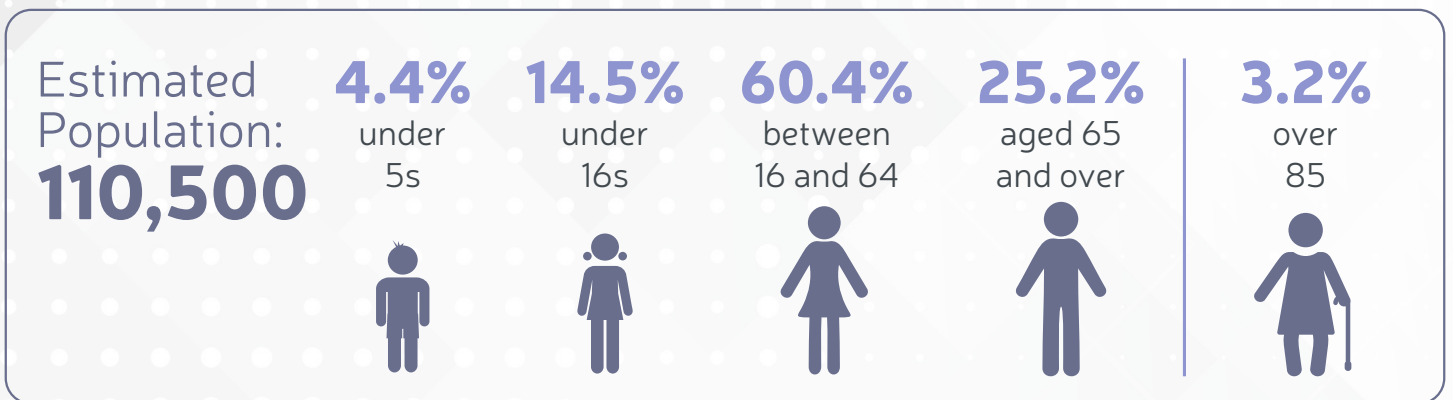


John Mayhew
Finance Manager, Deputy S151 Officer

30 June 2023

2. Narrative Report

“We are proud that **92% of our residents would recommend South Staffordshire as a good place to live**. Our 27 parishes are made up of small hamlets and large villages; there are no major towns. With 80% green belt land, our residents take pride in our beautiful countryside, as well as our rich legacy of conservation areas, historic buildings and landscapes. The area also has a strong manufacturing history that has been recently heightened by confirmation of an extension to the i54 site, with an additional 3,000 jobs”.



Healthy life expectancy in South Staffordshire is 66 years for men and 66 years for women, which are lower than the national averages. Women in South Staffordshire spend more of their lives in poor health than men (18 years compared to 14).

Resident Survey 2021



77%

of residents identify their village as where they live



2. Narrative Report

Overall rates of crime in South Staffordshire are all lower than the CSP average.

Average House Price:

£265,148



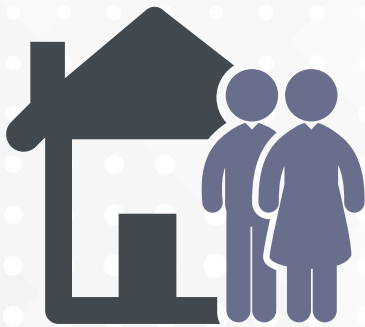
Secured significant economic growth, so far creating the opportunity for almost **7,000** jobs at several manufacturing sites across South Staffordshire and over **£2bn** investment into the local economy.



Low unemployment and youth unemployment rates.



Excess weight in adults has increased to over **68%** which is now higher than the national average (previously similar to England).



Housing affordability is an issue for low earners or renters.

80%

of our district is green belt.



2. Narrative Report

Our members

South Staffordshire’s **25 wards** are represented by **42** district councillors until May 2025.



South Staffordshire Council has a cabinet model and Councillor Roger Lees is the Leader of the council.



Councillor Roger Lees
Leader of the Council and Cabinet Member for Corporate Services



Councillor Victoria Wilson

Deputy Leader and Cabinet Member
Business Enterprise and Community Infrastructure



Councillor Kath Perry MBE

Cabinet Member
Community Services and Climate Change



Councillor David Williams

Cabinet Member
Digital Transformation and Estate Management



Councillor Rita Heseltine

Cabinet Member
Regulatory Services



Councillor Robert Reade

Cabinet Member
Welfare Services

Committees

Council	Planning	Licensing and Regulatory	Audit and Risk
Standards and Resources	Overview and Scrutiny	Wellbeing Select	Asset Scrutiny Panel

2. Narrative Report



South Staffordshire Council

Our Leadership Team

The Council is led by the Corporate Leadership Team who are supported by four Directors, five Assistant Directors and two Corporate Support Managers. The Corporate Support Managers (not pictured) are Wendy Bridgwater (HR) and Clodagh Peterson (Policy and Partnership).



Dave Heywood
Chief Executive



Annette Roberts
Corporate Director of
Place and Communities



Jackie Smith
Corporate Director -
Chief Operating Officer



Lorraine Fowkes
Corporate Director of
Governance
(Monitoring Officer)



Rebecca Maher
Director of Finance (s151)



Grant Mitchell
Assistant Director
Enterprise and Growth



Mark Jenkinson
Assistant Director
Community Services



Andy Hoare
Assistant Director
Digital Technology
and Business
Transformation



Elaine Harper
Assistant Director
Welfare Services



Imre Tolgyesi
Assistant Director
Commercial, Assets
and Estates

2. Narrative Report

Our priorities and performance

Council Plan priorities

In April 2020, South Staffordshire launched its new Council Plan for 2020-2024. The Vision of “Shaping South Staffordshire’s future” would be built around Prosperous Communities and Vibrant Communities.

The success of the Council Plan is measured against a number of targets each quarter and reported back to Cabinet and the Corporate Leadership Team via the Council Plan scorecard. A Storyboard is also produced to capture the positive differences being made across the district. Council Plan performance is reviewed by the Overview and Scrutiny Committee at half year and the year end. The Council Plan targets are reviewed and refreshed on an annual basis.

Integrated Performance Management (IPM)

Each quarter an integrated finance, risk and performance report is reviewed by the Corporate Leadership Team and Cabinet.



2. Narrative Report

Financial performance

How we set the budget

The 2022/23 budget process was influenced by the continuing need to make reductions in expenditure whilst Council priorities are progressed. The Council followed a tried and tested methodology through a “Resource, Planning and Prioritisation” process that involves Cabinet Members and management supported by finance colleagues. The 2022/23 revenue budget and medium term financial strategy was approved by Council on 22 February 2022.

Reductions in Central Government Grants continue to have a significant impact on the way we are able to fund our services. Local retention of business rates and the pending Fair Funding review could place new risks on the Council’s finances.



2. Narrative Report

How We Performed Against the Budget

The Council's final net revenue budget against Council Services was £11,239,000. The actual net revenue spend against these services was £11,715,000.

This differs from the position reported in the Comprehensive Income and Expenditure Statement (CIES) due to the Council managing its budget during the year based on legal rules as opposed to the accounting rules which must be applied only for the financial statements.

The Table below sets out how the Council's net revenue expenditure position (adjusted for capital and treasury management activity) was financed during the year and also how it has impacted upon the Council's General and Earmarked Reserve balances.

Budget Heading	Original Budget	Revised Budget*	Actual	Variance	Earmarked Reserve Impact	General Fund Impact
	£'000	£'000	£'000	£'000	£'000	£'000
Business Transformation	1,762	1,816	1,562	254	(15)	269
Community Services	4,855	4,830	5,294	(464)	(313)	(151)
Regulatory	492	492	544	(52)	(120)	68
Partnership	2,126	2,121	2,217	(96)	212	(308)
Planning	871	871	760	111	(148)	259
Welfare Services	1,133	1,109	1,338	(229)	(97)	(132)
Total Service Expenditure	11,239	11,239	11,715	(476)	(481)	5
Enterprise Zone	5,028	5,028	5,141	(113)	(113)	0
Insurance Receipt in respect of Unit 4E Fire	0	0	(213)	213	213	0
Capital Financing and Treasury	(28)	(28)	(660)	632	210	422
Total Expenditure	16,239	16,239	15,983	256	(171)	427
New Homes Bonus	(499)	(499)	(499)	0	0	0
Enterprise Zone	(5,028)	(5,028)	(5,141)	113	113	0
Business Rates	(4,300)	(4,300)	(2,977)	(1,323)	(1,323)	0
Council Tax Requirement	(5,094)	(5,094)	(5,217)	123	123	0
Services Grant	(162)	(162)	(162)	0	0	0
Lower Tier Services Grant	(105)	(105)	(105)	0	0	0
Total External Funding	(15,188)	(15,188)	(14,101)	(1,087)	(1,087)	0
Appropriations (to)/from Earmarked Reserves	0	0	1,258	1,258	1,258	0
Appropriations (to)/from General Fund Balance	1,051	1,051	624	(427)	0	(427)
Total Appropriations from Earmarked/ General Reserves.	1,051	1,051	1,882	831	1,258	(427)

2. Narrative Report

Our medium-term finances

Looking ahead, reduced levels of central government funding, will put pressure on Council budgets. The following table sets out how the Council's General Fund Reserve balance (excluding Earmarked Reserves) is forecast to decline over the medium term.

	2023/24 Projected	2024/25 Projected	2025/26 Projected	2026/27 Projected	2027/28 Projected
General fund balance					
Opening balance*	(8,361)	(6,589)	(5,269)	(3,297)	824
Forecast in year (surplus)/deficit	1,772	1,320	1,972	4,121	4,677
Closing balance	(6,589)	(5,269)	(3,297)	824	5,501

*Actual opening balance following closure of accounts is £8.672m as at 31st March 2023.

The above forecasts are based on the Medium Term Financial Strategy approved in February 2023. The position has therefore improved with a further £0.311m being set aside as General Fund reserves from the outturn position. Plans remain in place to continually reappraise the Council's medium-term finances in the context of cost of living pressures to ensure actions are developed as necessary to ensure the Council's financial position remains robust in the medium-term.



2. Narrative Report

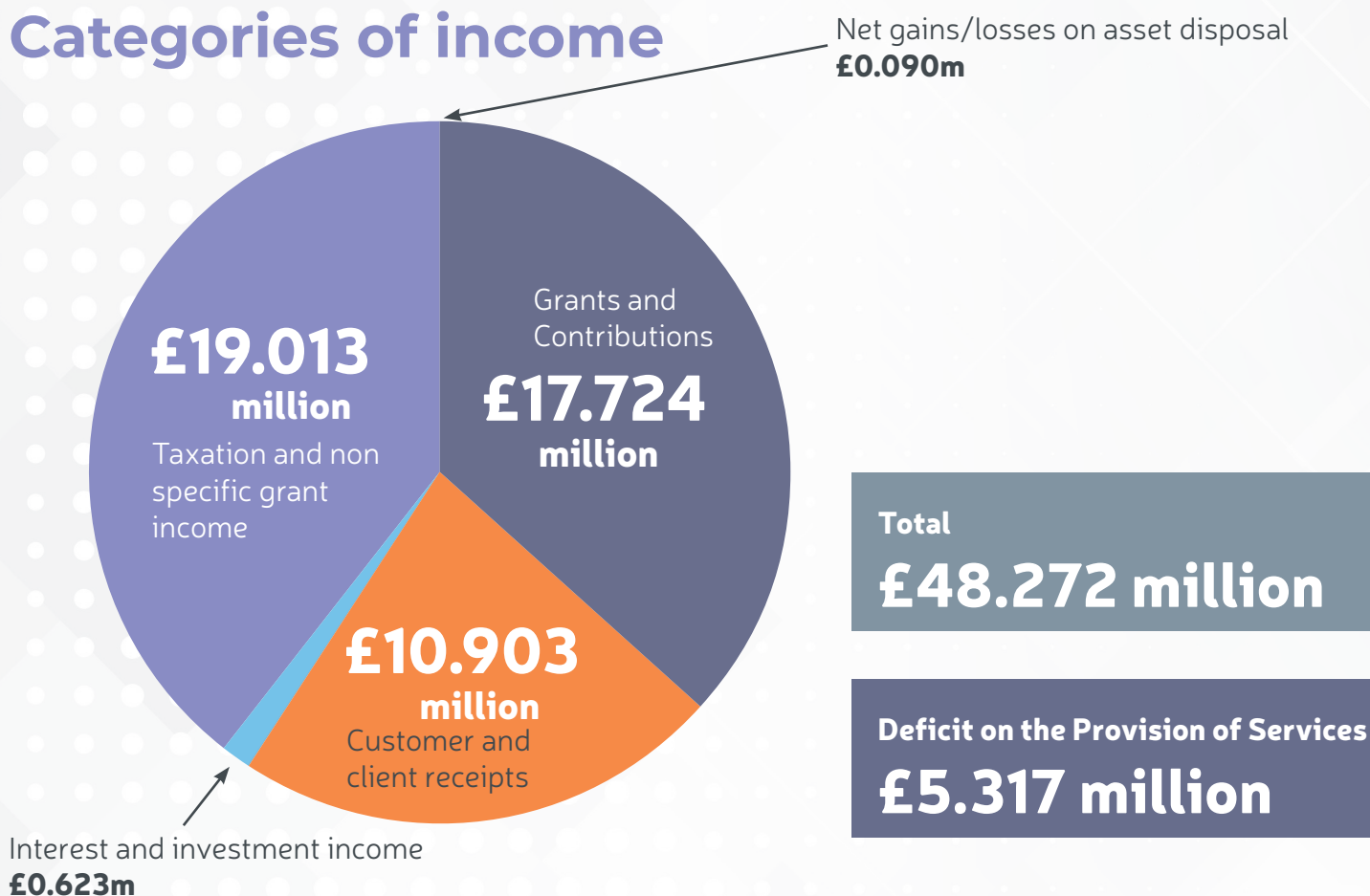
Expenditure and income

Our Core statements show expenditure and income (gross) as opposed to budget performance.

Categories of expenditure

Expenditure	2022/23	2021/22
	£000	£000
Employee related	12,605	11,793
Premises related	1,302	1,134
Transport related	272	281
Supplies and services	7,667	14,480
Agency and contract services	12,689	10,598
Transfer payments	14,833	14,712
Capital financing costs	708	685
Parish precepts	2,420	2,340
Financing and interest payments	1,093	943
Total expenditure	53,589	56,966

Categories of income



2. Narrative Report

Cash Flow

Council Cash balances decreased by £8.579m during the financial year.

Significant items impacting upon this cash flow are detailed below:

- **Interest received on held balances of £0.623m**
- **Total cash expenditure of £6m on the Council's Capital programme.**
- **An interim insurance payout of £0.500m in respect of the fire at Four Ashes in July 2021.**
- **Other net cash outflows of £3.699m.**

It is anticipated that 2023/24 will see a further reduction in cash balances held due to advancement of the Council's Capital programme.

Significant Assets of Liabilities

The Council has no significant assets or liabilities not incorporated into the MTFS approved by Council in February 2023 and therefore covered by adequate budgetary provision.

Similarly, there are no contingent assets or liabilities to report.

Future Budget Pressures and Opportunities

In common with the sector, budgets in 2022/23 were subject to pressures arising from pay and price inflation and concern that income streams may be impacted by the cost of living crisis as it affects residents and commercial partners.

The Council retains a consistent process of monitoring budgets and holds robust levels of reserves in order to mitigate against the immediate budgetary impacts of identified pressures.

The tried and tested 'Resource Planning and Prioritisation' process will be applied again in preparation for 2023/24 to ensure all future known pressures are incorporated into the Medium Term Financial Strategy and any opportunities for income generation or cost savings are fully explored.

2. Narrative Report

Our Capital spend

Approved Capital Budget for 2022/23:

£21,834,036

Expenditure

	Approved Capital Programme	2022/23 Outturn
	£000	£000
Commercial Asset Strategy	12,281	2,539
Other Corporate Schemes	20	0
Business Transformation	92	32
Welfare Renovation Grants	1,860	1,051
Recreation, Sport and other Community Services	7,454	2,327
Social Housing	127	0
Schemes with retention 2021/22	0	51
TOTAL Capital Spend and Budget	21,834	6,000

The above table shows the capital budget spent less than allocated in 2022/23. The main reasons for this being:

- The timing of spend on commercial asset developments have been pushed back to future years. The Commercial Asset Strategy includes monies allocated for future purchases of commercial properties if suitable with the Council's existing portfolio of properties. As no allowance for future income streams from new purchases is allowed for in the medium-term financial strategy, there are no revenue implications.
- Planned investment into leisure centres has been delayed alongside a review of VAT liabilities regarding leisure centre income. The allowance for any VAT liabilities due to the level of expenditure on leisure facilities has not become payable. The leisure improvements were to be funded from capital receipts so no revenue implications.
- The decision on waste contract which was extended. The outcome of the waste strategy is yet to be announced by central government. The Biffa waste contract has been extended so the acquisition of waste vehicles has not been made within the 2022/23 financial year. There has been an allowance for the an estimated increase within the existing Biffa contract included within the medium-term financial strategy so no revenue implications.

In addition to the above tables, seven Street Scene vehicles were acquired under finance lease arrangements. The assessed value of these vehicles that was included within the property, plant and equipment valuations was £163,520.

Financed By:

	£000
Grants and Other Contributions	1,146
Capital Receipts	2,072
Credit Arrangements	2,495
Revenue Contributions	287
Total Financing	6,000

“We are proud that 92% of our residents would recommend South Staffordshire as a good place to live.

Our 27 parishes are made up of small hamlets and large villages; there are no major towns.

With 80% green belt land, our residents take pride in our beautiful countryside, as well as our rich legacy of conservation areas, historic buildings and landscapes.

The area also has a strong manufacturing history that has been recently heightened by confirmation of an extension to the i54 site, with an additional 3,000 jobs”.



3. Statement of approval of the accounts



Certification by Chairman

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit and Risk Committee on 28th November 2023 subject to notification of completion of the audit of the Staffordshire Pension Fund.

Such notification was received on 28 March 2024.

A handwritten signature in black ink, appearing to read 'J. Michell'.

Councillor John Michell
Chair of Audit and Risk Committee

28 March 2024

4. The statement of responsibilities



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 S151 Officer.
- In this council, that officer was the S151 Officer for the period of preparation of the Statement of Accounts.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Responsibilities of the S151 Officer

The S151 Officer 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').

In preparing this Statement of Accounts the S151 has:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice on Local Authority Accounting.

The S151 Officer has also:

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

Certification of accounts

I, Rebecca Maher hereby state that the Statement of Accounts gives a true and fair view of the financial position of South Staffordshire Council at the reporting date and of its income and expenditure for the year ended 31 March 2023.

A handwritten signature in black ink, appearing to read 'Rebecca Maher'.

Rebecca Maher
Director of Finance (s151 Officer)
28 March 2024

5. The Core Financial Statements

Explanation of financial statements

The Council has prepared its financial statements in accordance with IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows and IFRS 8 Operating Segments as interpreted by the Code. The Code specifies the format and layout of the statements, disclosure requirements and terminology to be used.

The Financial Statements comprise:

- **Movement in Reserves Statement for the period.**
- **Comprehensive Income and Expenditure Statement for the period.**
- **Balance Sheet as at the end of the period.**
- **Cash Flow Statement for the period.**
- **Notes to the core statements comprising a summary of significant accounting policies and other explanatory information.**

A supplementary statement on the Collection Fund is presented after the notes to the core statements. The financial statements also include a Statement of Responsibilities which sets out the responsibilities of the Council and the Interim S151 Officer in respect of the Statement of Accounts. The Council uses rounding to the nearest £1,000 in presenting amounts in its financial statements. The financial statements are presented as follows:

The Core Financial Statements

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 reserves. The surplus or deficit on the provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different to the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement

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

5. The Core Financial Statements

Balance Sheet

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves of the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limit on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or to repay debt).

The second category of Reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the 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'.

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.

Notes to the financial statements

The notes to the financial statements comprise explanatory information and include the Council's accounting policies which detail the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting its financial statements.

Supplementary single entity financial statements

Collection Fund

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

5. The Core Financial Statements

Movement in Reserves Statement

2022/23	General Fund*	Capital receipts reserves	Capital grants unapplied	Total Usable reserves	Total un-usable reserves	Total Council reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022	(17,548)	(5,708)	(965)	(24,222)	13,135	(11,087)
Movement in reserves during 2022/23						
(Surplus) or deficit on provision of services	5,317	0	0	5,317	0	5,317
Other comprehensive income and expenditure	0	0	0	0	(24,578)	(24,578)
Total comprehensive income and expenditure	5,317	0	0	5,317	(24,578)	(19,261)
Total adjustment between accounting basis and funding basis under regulations (Note 8)	(3,434)	1,596	(313)	(2,151)	2,151	0
(Increase)/decrease in Year	1,882	1,596	(313)	3,166	(22,427)	(19,261)
Balance at 31 March 2023 carried forward	(15,666)	(4,112)	(1,278)	(21,055)	(9,293)	(30,348)

2021/22	General Fund*	Capital receipts reserves	Capital grants unapplied	Total Usable reserves	Total un-usable reserves	Total Council reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021	(19,970)	(1,483)	(1,025)	(22,478)	19,972	(2,506)
Movement in reserves during 2021/22						
(Surplus) or deficit on provision of services	8,112	0	0	8,112	0	8,112
Other comprehensive income and expenditure	0	0	0	0	(16,693)	(16,693)
Total comprehensive income and expenditure	8,112	0	0	8,112	(16,693)	(8,581)
Total adjustment between accounting basis and funding basis under regulations (Note 8)	(5,691)	(4,225)	60	(9,856)	9,856	0
(Increase)/decrease in Year	2,421	(4,225)	60	(1,743)	(6,837)	(8,581)
Balance at 31 March 2022 carried forward	(17,548)	(5,708)	(965)	(24,222)	13,135	(11,087)

* The General Fund column also includes Earmarked reserves, details of which are included in the Balance Sheet and Note 9 - Earmarked reserves

5. The Core Financial Statements

Comprehensive Income and Expenditure Statement

2021/22 Expenditure	2021/22 Income	2021/22 Net	Year ending 31st March 2023	2022/23 Expenditure	2022/23 Income	2022/23 Net
£000	£000	£000		£000	£000	£000
1,669	0	1,669	Business Transformation	1,709	(4)	1,705
15,342	(5,045)	10,297	Community Services	13,165	(5,542)	7,623
12,501	(3,941)	8,560	Partnership Services	13,275	(4,406)	8,869
1,105	(622)	483	Regulatory	960	(286)	674
2,250	(992)	1,258	Planning	2,163	(1,172)	991
18,673	(17,843)	830	Welfare Services	18,805	(17,218)	1,587
2,143	(1,123)	1,020	Discretionary Business Grant (COVID)	0	0	0
53,683	(29,566)	24,117	Cost of service	50,076	(28,627)	21,449
			Other operating expenditure		Note	
2,340			Parish precepts			2,420
(7)			Net gains/losses on disposal of non-current assets			(9)
922			Financing and investment income and expenditure		<i>Note 10</i>	470
(19,260)			Taxation and non-specific grant income		<i>Note 11</i>	(19,013)
8,112			(Surplus) deficit on provision of services			5,317
(3,393)			(Surplus) on revaluation of non-current assets			1,122
(13,300)			Re-measurement of net defined benefit/liability			(25,700)
(16,693)			Other comprehensive income and expenditure			(24,578)
(8,581)			Total comprehensive income and expenditure			(19,261)

5. The Core Financial Statements

31 March 2022 £000	Balance Sheet	Note	31 March 2023 £000
	Property Plant and Equipment	<i>Note 12</i>	
41,289	Land and buildings		42,445
1,228	Vehicles and equipment		1,848
107	Infrastructure		107
1,255	Community assets		1,369
51	Surplus assets		51
2,616	Assets under construction		0
	Heritage Assets		
122	Civic regalia		122
85	Long-term debtors	<i>Note 13</i>	80
46,753	TOTAL LONG-TERM ASSETS		46,022
437	Assets held for sale	<i>Note 34</i>	0
3,438	Short-term debtors	<i>Note 14</i>	4,708
26,601	Cash and cash equivalents	<i>Note 15</i>	18,022
30,476	TOTAL CURRENT ASSETS		22,730
(14,025)	Short-term creditors	<i>Note 16</i>	(13,801)
(5,511)	Exceptional short-term creditor	<i>Note 16</i>	(724)
(501)	Provisions	<i>Note 17</i>	(888)
(20)	Finance lease liability	<i>Notes 13,30</i>	(40)
(20,057)	TOTAL CURRENT LIABILITIES		(15,453)
(4)	Long-term creditors		(3)
(430)	Provision	<i>Note 17</i>	0
(15,000)	Long-term borrowing	<i>Note 13</i>	(15,000)
(30,651)	Pensions liability	<i>Note 32</i>	(7,857)
0	Finance Lease Liability		(91)
(46,085)	TOTAL LONG-TERM LIABILITIES		(22,951)
11,087	NET ASSETS		30,348
	USABLE RESERVES		
9,295	General Fund		8,672
8,253	Earmarked reserves	<i>Note 9</i>	6,994
5,708	Capital Receipts reserve	<i>Note 18</i>	4,112
965	Capital Grants unapplied	<i>Note 18</i>	1,278
24,222	TOTAL USABLE RESERVES		21,055
	UNUSABLE RESERVES		
17,550	Revaluation reserve	<i>Note 19</i>	16,058
(31,433)	Pensions reserve	<i>Note 19</i>	(7,857)
1,408	Capital Adjustment account	<i>Note 19</i>	(513)
(451)	Collection Fund Adjustment account	<i>Note 19</i>	1,736
(209)	Accumulated Absences account		(131)
(13,135)	TOTAL UNUSABLE RESERVES		9,293
11,087	TOTAL RESERVES		30,348

5. The Core Financial Statements

Cash Flow Statement

2021/22	Year Ended 31st March	Note	2022/23
£000			£000
8,112	Net (surplus) or deficit on the provision of services	Note 20	5,317
(23,982)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	Note 20	(4,547)
255	Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities	Note 20	16
(15,615)	Net cash flow from operating activities	Note 20	786
4,725	Investing activities	Note 21	3,568
(9,484)	Financing activities	Note 22	4,225
(4,759)			7,793
(20,374)	Net (increase)/decrease in cash and cash equivalents		8,579
(6,227)	Cash and cash equivalents at the beginning of the reporting period	Note 15	(26,601)
(26,601)	Cash and cash equivalents at the end of the reporting period	Note 15	(18,022)

6. Notes to the Core Financial Statements

1. Accounting policies

General

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and the Service Reporting Code of Practice 2022/23, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which are recognised by statute as representing proper accounting practices. The code has adopted International Financial Reporting Standards (IFRS).

The accounts are prepared on an historic cost basis except where specifically stated.

Accruals of income and expenditure

Activity is accounted for in the year in which it takes place, irrespective of when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or service
- Supplies are recorded as expenditure when they are consumed
- Interest receivable on investments is accounted for 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 income 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 it is doubtful that debts will be settled, the balance of debtors is written down (impaired) and a charge made to revenue accounts for the income that might not be collected.
- On the basis of materiality and consistency with previous financial years, accrued overtime will be recorded in the month payment is received.

Material income and expenditure

Should there be any items of income or expense that are determined to be material, their nature and amount is disclosed separately.

Examples may include:

- a. Disposal of items of Property, Plant and Equipment
- b. Disposal of investments.
- c. Other reversals of provisions.
- d. Material items of government grant support.
- e. Other windfalls.

6. Notes to the Core Financial Statements

Tax Income (Council Tax, Non-Domestic rates and tariff)

- Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.
- Retained Business Rate income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income. Income from business rate payers includes adjustments for previous years including those arising from appeals against the rating list.
- Payment of the Tariff included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued expenditure.

Cash and cash equivalents

Cash is represented by cash in hand and on demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The category includes all balances held in call accounts and money market funds but excludes all fixed term deposits, even when these are less than three months at the date of investment. Fixed term deposits are excluded on the basis that they are not deemed to be readily convertible to cash.

Charges to revenue for long-term assets

Services are debited with the following amounts to record the cost of holding long-term assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. The Council 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 amortisation are therefore replaced by the contribution (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Contingent assets and liabilities

Contingent assets are sums due from individuals or organisations that may arise in the future but for which the amount due cannot be determined in advance (contingent liabilities are similarly those sums due to individuals or organisations for which the amount due cannot be determined). These are not recognised in the accounts. They are disclosed as a note to the accounts as there is a possible receipt (or payment in the case of a contingent liability), which may result in a transfer of economic benefits.

6. Notes to the Core Financial Statements

Depreciation

Depreciation is provided for on all Property, Plant and Equipment and Intangible Assets using a straight-line method over their estimated useful lives. The useful life of properties is determined by a qualified valuer. The useful life of vehicles, equipment and intangible assets is determined by a suitably qualified officer. Land and assets under construction are not depreciated.

Where an item of Property, Plant or Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

Employee benefits

Benefits payable during employment - Employee benefits, such as salaries and wages and paid annual leave, are recognised in the year in which they are earned (excepting overtime as per previous note). The Council has adopted a policy to pay holiday pay on non-guaranteed overtime following the Employment Appeal Tribunal decision in November 2014. The policy was implemented in March 2015 and included a back pay element to the date of the judgement. An accrual is made for the cost of holiday entitlement earned but not taken before the year end which employees can carry forward into the following year. The balance is recognised within the Comprehensive Income and Expenditure Statement and under statutory guidance an offsetting balance is included within the reserves section of the balance sheet.

Termination benefits - Termination benefits are amounts payable as a result of the Council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Such costs are charged to the Comprehensive Income and Expenditure Statement in the period when the Council is demonstrably committed to the termination of the employment of an officer or a group of officers or when the Council makes an offer to encourage voluntary redundancy.

Post-employment benefits - Employees of the Council are members of the Local Government Pension Scheme, administered by Staffordshire County Council. The Local Government scheme is accounted for as a defined benefits scheme.

Pension Fund liabilities are measured on an actuarial basis using the projected unit method. This requires the use of various assumptions about future events.

Liabilities are discounted to their current value using a discount rate (based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors).

The assets of the Staffordshire 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.

6. Notes to the Core Financial Statements

The change in the net pension liability is analysed into the following components:

Service cost comprising:

- **Current service cost** – the increase in the liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service 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 will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Net interest on the net defined benefit liability i.e. net interest expense for the Council – the change during the period in the net defined benefit liability 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 at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Actuarial gains and losses** – changes in the net pension 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 Staffordshire pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- **Prepayment of LGPS deficit costs** - The option to pay contributions expressed as a monetary amount by way of a prepayment continues to be exercised. Any prepayment outstanding in any three-year cycle is used to offset the pensions liability held on the balance sheet.

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 un-paid 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 earned by employees.

6. Notes to the Core Financial Statements

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.

Within the Comprehensive Income and Expenditure account service revenue accounts have been charged with their current service cost which represents the extent to which pension liabilities have increased as a result of employee service during the year. Any past service costs, settlements and curtailments have been charged to Other Comprehensive Income and Expenditure. The interest cost and expected return on assets have been included in net operating expenditure.

Legislation requires that an appropriation to the pensions reserve be made to reverse out the IAS19 based pension costs in the Comprehensive Income and Expenditure Account and replace them with the actual pensions related payments made in the year. This ensures that the Council Tax requirement is based on the employer's contributions payable to the pension fund.

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 when the Statement of Accounts is authorised for issue are not reflected in the Statement of Accounts. For South Staffordshire Council this date has been determined as no later than 28th November 2023, this being the date by which the s151 Officer is due to certify the accounts.

6. Notes to the Core Financial Statements

Financial instruments

Financial assets

Financial Assets (e.g. investments and debtors) are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market;
- Available for sale assets - assets that have a quoted market price and/or do not have fixed or determined payments.

Loans and Receivables are initially measured at fair value and carried at their amortised cost (when the interest received is spread evenly over the life of the loan). Credits to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement for interest received are based on the Balance Sheet amount of the asset multiplied by the effective interest rate for the financial instrument. For most of the loans that the Council has made, that means the amount shown in the Balance Sheet is the outstanding principal receivable plus accrued interest. The amount of interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year per the loan agreement.

The Council has made a number of loans to Parish Councils at less than market rates of interest (these are known as soft loans). Subject to materiality, the amount of interest forgone is charged to the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) and the outstanding principal is reduced on the Balance Sheet. This represents the present value of the interest that will be forgone over the life of the loan agreement. Statutory provisions require that the impact of the soft loans on the General Fund balance is the interest receivable in the year, so the amount of foregone interest charged is managed by a transfer from the Financial Instruments Adjustment Account to the Movement in Reserves Statement.

However, where the interest foregone is so immaterial as to be deemed inconsequential no charge to the Comprehensive Income and Expenditure account is to be made. This has been the case to date in respect of the soft loans issued to Parish Councils.

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

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

- Instruments with quoted market prices in active markets for identical assets – market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

6. Notes to the Core Financial Statements

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

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

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

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

Financial liabilities

Financial liabilities (e.g. borrowings and creditors) are initially measured at fair value and carried at their amortised cost. Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. For any borrowing that the Council undertakes this means that the amount shown in the Balance Sheet is the outstanding principal repayable plus accrued interest and the amount charged to the Comprehensive Income and Expenditure Statement is the amount payable per the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, if the repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts (amounts paid or received on the rescheduling of a loan) have been charged to the Comprehensive Income and Expenditure Statement regulations allow the impact of premiums on the General Fund balance to be spread over the longer of the outstanding period of the replaced loan or the period of the replacement loan or any other shorter period that the Council wishes to choose. Discounts are required to be credited to revenue over a maximum period equal to the outstanding term of the replaced loan or ten years (if shorter). The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

6. Notes to the Core Financial Statements

Government grants and contributions

Grants and contributions relating to capital and revenue expenditure shall be accounted for on an accruals basis, and recognised immediately (providing there is reasonable assurance the authority will comply with conditions attached and that the grant will be received) in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) relating to initial recognition that the authority has not satisfied.

Grants and contributions that satisfy the recognition criteria, but which have a condition attached that remains to be satisfied are recognised initially in the relevant Grants Receipts in Advance Account.

General grants and contributions (comprising Revenue Support Grant, NNDR redistribution and unring-fenced government grants) are required to be disclosed as one or more items on the face of the Comprehensive Income and Expenditure Statement.

Where conditions have been met specific revenue grants and contributions are matched in service revenue accounts with the service expenditure to which they relate. When the expenditure relating to specific grants has not been incurred, the Council contributes equivalent to the unspent amount of grant to an earmarked reserve. This reserve will be released in future financial years when the expenditure to which the grant relates is incurred.

Donated assets transferred to an authority for nil consideration shall be recognised immediately at fair value as an asset on the Balance Sheet. The asset shall be recognised in the Comprehensive Income and Expenditure Statement as income, except to the extent that the transfer has a condition(s) (as opposed to restrictions) that the authority has not satisfied.

In this case the asset is credited to the Donated Assets Account and recognised in the Comprehensive Income and Expenditure Statement once the condition(s) has been satisfied.

6. Notes to the Core Financial Statements

Capital grants and contributions

Where no grant conditions exist, or conditions have been met capital grants and contributions are credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Account via the Movement in Reserves Statement. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account when they have been applied to fund capital expenditure.

Where grant conditions exist and have not initially been met, the grant is recognised in the Capital Grants Receipts in Advance Account. When grant conditions have been met the grant is then recognised in the Comprehensive Income and Expenditure Statement and transferred via the Movement in Reserves Statement to the Capital Adjustment Account. If the grant conditions are not and/or are unlikely to be met, then the grant will be repaid.

Grants and contributions attributable to Revenue Expenditure Funded from Capital under Statute (REFCUS)

Where conditions have been met these grants and contributions are credited to the relevant service line in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the REFCUS Grants Unapplied Account via the Movement in Reserves Statement. Amounts in the REFCUS Grants Unapplied Account are transferred to the Capital Adjustment Account when they have been applied to fund expenditure.

Heritage assets

Heritage assets are defined as assets which have historical, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values are only included in the Balance Sheet where the cost of obtaining a valuation is not disproportionate to the benefit derived. For the Council's heritage assets insurance valuations are used. The Council has adopted a £10,000 de-minimis threshold. Where no market exists or the asset is deemed to be unique, and it is not practicable to obtain a valuation, the asset is not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Heritage assets are depreciated over their useful life if this can be established. If an asset is considered to have an indefinite life, no depreciation is charged. Disposals, revaluation gains and losses and impairments of heritage assets are dealt with in accordance with the Council's policies relating to PPE. The cost of maintenance and repair of heritage assets is written off in the year incurred.

6. Notes to the Core Financial Statements

Impairment

Assets are reviewed for impairment at the end of each reporting period. Examples of impairment include: a significant reduction in a specific asset's value and evidence of physical damage.

The amount of impairment is charged to the Revaluation Reserve to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset. Thereafter the impairment is charged to the Surplus/Deficit on the Provision of Services.

This charge is reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line 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.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. It is controlled by the Council as a result of past events and future economic or service benefits flow to the Council from the intangible asset. The most common type of intangible asset is computer software licences.

Intangible assets are carried at cost less accumulated depreciation and any impairment. The intangible asset is amortised over its estimated useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. This amortisation is reversed in the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

An intangible asset is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Surplus / Deficit on the Provision of Services.

Long-term contracts

Long-term contracts are accounted for by charging the relevant service line with an amount equal to the value of the works or services provided under the contract during the financial year.

Investment property

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 provide services by the Council.

The Council does not currently hold any Investment Properties.

Leases

Leases are classified as either finance or operating leases based on the extent to which risks and rewards incidental to ownership of the asset lie with the lessor or lessee. Classification of the lease is dependent on the substance of the transaction rather than the contract. Land and building elements of a lease are considered separately for the purpose of lease classification.

Arrangements that do not have the legal status of a lease but convey the 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 a specific asset. This is referred to as an embedded lease.

6. Notes to the Core Financial Statements

Leases (operating)

Rentals paid under operating leases are charged to the CIES as an expense of the service benefiting from use of the leased property, plant or equipment.

Rental income from operating leases for Council owned assets is recognised on a straight-line basis over the period of the lease and is shown in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded as assets in the Council's Balance Sheet.

Leases (finance)

A lease arrangement where it is judged that substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee is classified as a finance lease. A finance lease gives rise to the recognition of the long-term asset on the balance sheet at its fair value at the commencement of the lease together with a corresponding liability for future payments.

Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the deferred liability and a finance charge which is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. The items are subject to depreciation.

The criteria for determining a finance lease under IFRS has become broader and more subjective. This has given rise to certain leases being reclassified as finance leases that were previously determined as operating leases under SORP/UKGAAP.

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 its continued use it is reclassified as an asset held for sale.

Assets held for sale are:

- Available for immediate sale in their present condition,
- Those where the sale is highly probable,
- Actively marketed,
- Expected to be sold within one year of the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and the fair value less costs to sell. Where this results in a loss in value this loss is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Once an asset is classed as held for sale it is no longer depreciated.

If assets no longer meet the classification 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 classed as held for sale) and their recoverable amount at the date of the decision not to sell.

6. Notes to the Core Financial Statements

Property, Plant and Equipment (PPE)

Property, Plant and Equipment assets have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis (e.g. land and buildings).

Expenditure on the acquisition, creation and enhancement of PPE has been capitalised on an accruals basis provided that it yields benefit to the Council and the services it provides for more than one financial year. Expenditure on maintenance is charged to revenue as it is incurred.

PPE are initially shown on the Balance Sheet at cost, comprising the purchase price, all expenditure that is directly attributable to bringing the asset into working condition for its intended use and the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

The assets are then revalued using methods of valuation on the basis recommended by CIPFA and in accordance with the guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

- Land and buildings and other operational assets are valued at current value. Where sufficient market evidence is not available current value is estimated at depreciated replacement cost, using the modern equivalent asset method.
- Short life assets, such as vehicles, are held at depreciated historical cost as a proxy for current value on the grounds of materiality.
- Community assets and infrastructure are valued at historical cost net of depreciation.
- Assets under construction are held at historical cost until brought into use.
- Investment properties and surplus assets – current value, determined by the measurement of the highest and best use of the asset.

Revaluations of property are planned at five yearly intervals unless there has been a material change in the value (ascertained by an annual impairment review). Valuations are undertaken with a valuation date of 31 March.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In exceptional circumstances, where the increase is reversing a previous impairment loss charged to the Surplus/Deficit on the Provision of Services on the same asset or where the increase is reversing a previous revaluation decrease charged to the Surplus/Deficit on the Provision of Services on the same asset the increase in valuation is credited to the Comprehensive Income and Expenditure Statement.

Where decreases in value are identified and there is a balance of revaluation gains in the Revaluation Reserve relating to the asset, the value of the asset is written down against that balance (up to the amount of the accumulated gains). Where there is no or insufficient balance in the Revaluation Reserve the value of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement. Where revaluation gains or losses are credited or charged to the Comprehensive Income and Expenditure Statement, they are reversed in the Movement of Reserves Statement to the Capital Adjustment Account. The Revaluation Reserve contains gains recognised since 1 April 2007 only, the date of its formal implementation. Revaluation gains arising before that date are included in the Capital Adjustment Account.

6. Notes to the Core Financial Statements

De-recognition of Property, Plant and Equipment

An item of Property, Plant or Equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use. The carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Sale proceeds from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains on the Revaluation Reserve, for assets disposed of or decommissioned, are transferred to the Capital Adjustment Account.

Income from asset disposals in excess of £10,000 is classed as capital receipts. The balance of capital receipts is credited to the Capital Receipts Reserve and used to either fund new capital expenditure or repay debt. The written off value of disposals is reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

Provisions

Provisions are charged to the Comprehensive Income and Expenditure Statement for liabilities that have been incurred by the Council, but where the amounts or dates on which they will arise are uncertain.

Provisions are required to be recognised when the Local Authority has a present obligation as a result of a past event, where it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (IAS 37).

When expenditure is incurred to which the provision relates, it is charged directly against the provision in the Balance Sheet and not against the Comprehensive Income and Expenditure Account.

The estimated value and the timing of settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required the provision is reversed and credited back to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Reserves

The Council maintains a General Fund working balance and also holds reserves earmarked for specific purposes which are detailed in the Notes to the Core Financial Statements. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year and represents a charge against the Net Cost of Services. The reserve is then appropriated back to the General Fund balance statement so that there is no net charge against council tax for the expenditure.

Non-distributable reserves include the Revaluation Reserve and the Capital Adjustment Account and represent “technical non-cash” reserves which are maintained to manage the accounting processes for non-current assets. The Pension Reserve is a reserve which has been set up to manage the accounting process for retirement benefits and does not represent usable resources for the Council. These reserves do not impact upon the level of local taxation and cannot be utilised to support service delivery.

6. Notes to the Core Financial Statements

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a long-term asset on the Balance Sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the Surplus / Deficit on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Details of the accounting policy relating to grants and external contribution funding of REFCUS expenditure is detailed on page 34.

VAT

Value Added Tax (VAT) is included within the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure or capital expenditure as appropriate.

6. Notes to the Core Financial Statements

2. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

IFRS 16 Leases

CIPFA/LASAAC has again deferred the implementation of IFRS 16 for Local Government until 1st April 2024. However, local authorities have a choice to adopt this standard before this date. The accounting standard requires that where Local Authorities have lease arrangements where they are the lessee, to recognise these on their balance sheet as a right of use asset with corresponding lease liabilities. Exemption does exist for leases of small value and of short-term duration.

The Council has chosen not to adopt this standard in 2022/23.

6. Notes to the Core Financial Statements

3. Critical judgements in applying accounting

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

Classification of leases

The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and additional assets are recognised as PPE in the Council's Balance Sheet.

Arrangements containing a lease

The Council is deemed not to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and as a result there are no additional assets to be recognised as PPE in the Council's Balance Sheet.

IFRS16 will require Council's to account for embedded leases separately and disclose accordingly.

In relation to adoption of IFRS16, following its emergency consultation on exploratory proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement.

This preliminary decision was subsequently considered by the government's Financial Reporting Advisory Board (FRAB). FRAB advised CIPFA LASAAC that it agreed with the deferral of IFRS 16 Leases until 1 April 2024.

Investment properties

Properties have been assessed using the identifiable criteria under the international accounting standards of whether they are being held purely for rental income or capital appreciation or whether there is an operational reason for holding the property such as regeneration or economic development.

The Council does not hold any properties which are held purely for rental income or capital appreciation.

6. Notes to the Core Financial Statements

4. Assumptions 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 considering historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2023 for which there is a risk of adjustment in the following financial year are:

Revaluation of Property, Plant and Equipment (PPE)

The valuations of Property, Plant and Equipment (PPE) reported in the balance sheet and the related depreciation charges made to the Comprehensive Income and Expenditure Statement (CIES) are based on an estimate of their value and asset life.

A firm of qualified valuers are engaged by the Council to carry out, for the major assets, a programme of physical valuations to ensure that their carrying values are subject to professional and independent assessment to guard against material misstatement. PPE (with the exception of infrastructure, community assets, assets under construction and small value items of vehicle, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment.

The appointed valuers were fully aware of the risks associated with PPE valuations and the ongoing impact of the Covid-19 pandemic in determining their valuations in accordance with Royal Institute of Chartered Surveyors (RICS) guidance.

In 2019/20, the valuations were determined to be at subject to 'material uncertainty' given the early stages of the Covid-19 pandemic and associated risk factors.

For the 2020/21, 2021/22 and 2022/23 valuations, this was no longer considered the case. The valuation noted, 'at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.'

Accordingly, it was stated by the valuers that their valuation was **not subject** to material uncertainty.

6. Notes to the Core Financial Statements

Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions.

A firm of actuaries are engaged to provide the Staffordshire Pension Fund (of which South Staffordshire is a member) with expert advice about the assumptions to be applied.

In calculating the asset share as at the Accounting Date, the Actuary rolls forward the Employer's share of the assets calculated at the latest formal valuation date (or date the Employer joined the Fund if later), allowing for investment returns (estimated where necessary), the effect of contributions paid into (estimated where necessary), and estimated benefits paid from, the Fund by the Employer and its employees.

The main impacts of the COVID-19 pandemic, and subsequent lockdowns, on these accounting figures can be summarised as follows:

- a.** Asset returns and values have followed the market movements prompted by the pandemic and lockdowns, among other factors, which will therefore affect the asset share value.
- b.** Bond yields and inflation expectations have also followed market movements, which will therefore affect the obligations value.
- c.** Life expectancy assumptions have not been updated:

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The 31st March 2022 formal valuations for English and Welsh LGPS Funds were concluded by 31st March 2023.

The accounting balance sheet position as at 31st March 2023, and the projected charge to the P&L for 2022/23 are based upon the results of the formal actuarial valuation.

If the assumptions upon which the valuation is based are inaccurate, the pension's liability could be over or understated. Disclosure Note 32 to the accounts tabulates the sensitivity of the estimate of the liability to specific changes in the assumptions made.

The effects on the net pension's liability of changes in individual assumptions is measurable. The sensitivities regarding the potential assumptions used to measure the scheme liabilities are set out on the next page.

6. Notes to the Core Financial Statements

Change in assumptions at year end 31 March 2023	Approximate % increase to employer	Approximate Increase in Liability 2022/23	Approximate Increase in Liability 2021/22 for Comparison
	%	£000	£000
0.1% decrease in real discount rate	2	1,211	1,866
1 year increase in life expectancy	4	2,838	3,874
0.1% increase in the Salary Increase Rate	0	143	186
0.1% increase in the pension increase rate	2	1,086	1,666

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the actuary estimates that a one-year increase in life expectancy would approximately increase South Staffordshire's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

There may also be an impact on employer pension liabilities as a result of the Court of Appeal judgements in cases affecting judges' pensions (McCloud, 2019). The ruling has implications for the LGPS (of which South Staffordshire is a member).

The final situation in terms of employer pension liabilities and financial impact remains unclear, since the government may appeal and any remediation process, including cost cap considerations, may affect the resolution and financial impact for entities. Timescales for the resolution of this matter may be lengthy and outcomes may be challenging for entities to assess and quantify, especially at Fund or Authority level.

To date, South Staffordshire has sought advice from our Pensions authority and actuary and has received assurance that potential implications of the pending judgement were factored into the required payments from employers to eventually make good liabilities by 2040. South Staffordshire remains fully compliant with minimum levels of repayment in accordance with actuary advice.

Business Rate appeals

Since the introduction of the Business Rate Retention Scheme, effective from 1 April 2013, local authorities are liable for successful appeal against business rates charged to businesses in 2018/19 and earlier financial years in their proportionate share.

A provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2021. The estimate has been calculated using the latest Valuation Office (VOA) rating list of appeals and an analysis of successful appeals to date.

Whilst it is considered that this gives a reasonably reliable figure, it is not certain that actual experience will match our assumptions.

6. Notes to the Core Financial Statements

5. Material items of income and expense

There have been no material items of income and expense to disclose.

6. Events after the Balance Sheet date

The Statement of Accounts are scheduled for issue by the Interim S151 Officer not after 30th November 2023. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Going Concern (and COVID-19)

Despite the success of the vaccination programme today and the emergence of the economy from stringent lockdown restrictions, it remains the case that Covid-19 and economic uncertainty as the economy emerges from the Covid-19 pandemic could present significant challenges to local government finances in both the short and medium term.

Nonetheless, aided by significant Government assistance, the overall finances of the Council remain robust and there is not considered to be any Going Concern risk arising from the pandemic and its aftermath.

The Council therefore has a high degree of financial resilience to meet the challenges and impacts of Covid-19 and remains a Going Concern for the period of twelve months from the date of approval of the accounts. The Financial Statements set out in the statement of accounts have been produced in accordance with statutory provisions and the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and cover the period 1 April 2022 to 31 March 2023.

7. Expenditure and funding analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, rents, 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 Service Teams. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

6. Notes to the Core Financial Statements

Expenditure funding analysis 2022/23	Net expenditure for resource management	Adjustment to arrive at the amount chargeable to the General Fund	Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement
Business Transformation	1,562	(89)	1,473	232	1,705
Community Services	5,294	(320)	4,974	2,649	7,623
Partnership Services	2,217	4,763	6,980	1,889	8,869
Regulatory	760	(58)	702	289	991
Planning	544	0	544	130	674
Welfare Services	1,338	(33)	1,305	282	1,587
Net cost of services	11,715	4,263	15,978	5,471	21,449
Other income and expenditure	(9,294)	(4,805)	(14,095)	(2,037)	(16,132)
(Surplus) or deficit on provision of services	2,421	(539)	1,882	3,434	5,317
Opening General Fund balance			17,548		
Less (surplus)/deficit on General Fund			1,882		
Closing General Fund balance (included Earmarked)			15,666		

Expenditure funding analysis 2021/22	Net expenditure for resource management	Adjustment to arrive at the amount chargeable to the General Fund	Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement
Business Transformation	1,491	(147)	1,344	324	1,668
Community Services	3,834	(110)	3,724	6,573	10,297
Partnership Services	1,700	6,949	8,649	(89)	8,560
Regulatory	339	144	483	0	483
Planning	625	(2,399)	(1,774)	3,032	1,258
Welfare Services	1,190	(138)	1,052	(222)	830
Net cost of services	9,179	4,300	13,480	9,618	23,098
Other income and expenditure	(6,757)	(4,300)	(11,057)	(3,927)	(14,984)
(Surplus) or deficit on provision of services	2,422	1	2,423	5,691	8,114
Opening General Fund balance			19,971		
Less (surplus)/deficit on General Fund			2,423		
Closing General Fund balance (included Earmarked)			17,548		

6. Notes to the Core Financial Statements

Note to the expenditure and funding analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2022/23 Adjustment for capital purposes	2022/23 Net change for the pensions adjustment	2022/23 Other differences	2022/23 Total adjustments
	£000	£000	£000	£000
Business Transformation	89	142	0	231
Community Services	2,026	622	0	2,648
Partnership	2,271	(303)	(78)	1,890
Democratic & Regulatory	(32)	321	0	289
Planning	0	130	0	130
Welfare Services	(75)	358	0	283
Net cost of services	4,279	1,270	(78)	5,471
Other income and expenditure from the EFA	(704)	854	(2,187)	(2,037)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	3,575	2,124	(2,265)	3,434
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2021/22 Adjustment for capital purposes	2021/22 Net change for the pensions adjustment	2021/22 Other differences	2021/22 Total adjustments
	£000	£000	£000	£000
Business Transformation	175	149	0	324
Community Services	5,844	729	0	6,573
Partnership	132	(201)	(20)	(89)
Democratic & Regulatory	0	0	0	0
Planning	2,692	340	0	3,032
Welfare Services	(592)	370	0	(222)
Net cost of services	8,251	1,387	(20)	9,618
Other income and expenditure from the EFA	(532)	953	(4,348)	(3,927)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	7,719	2,340	(4,368)	5,691

6. Notes to the Core Financial Statements

Adjustments for capital purposes

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 or for which conditions were satisfied in the year.

Net change for the pensions adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For 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.
- For Financing and investment income and expenditure – the net interest in the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other differences

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

- For services this represents an accrual for short-term employee benefits due to be settled wholly within 12 months of the year-end. An adjustment is made for the cost of holiday entitlements (or any form of leave) accrued by employees but not taken before the year-end which employees can carry forward into the next financial year.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR 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.

6. Notes to the Core Financial Statements

8. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year 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.

2022/23	2022/23 General Fund ¹	2022/23 Capital Receipts reserves	2022/23 Capital Grants unapplied	2022/23 Total usable reserves	2022/23 Total unusable reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(708)			(708)	708
Revaluation movements on PPE	(2,290)			(2,290)	2,290
Capital grants and contributions applied	1,051			1,051	(1,051)
Revenue expenditure funded from capital under statute	(2,739)			(2,739)	2,739
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(467)			(467)	467
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	408			408	(408)
Capital Expenditure charged against the general fund	287			287	(287)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	407		(407)		
Application of grants to capital financing transferred to the Capital Adjustment Account			95	95	(95)

¹General Fund Reserves also includes earmarked reserves

6. Notes to the Core Financial Statements

2022/23 continued	2022/23 General Fund ¹	2022/23 Capital Receipts reserves	2022/23 Capital Grants unapplied	2022/23 Total usable reserves	2022/23 Total unusable reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	476	(476)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		2,072		2,072	(2,072)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,272)			(4,272)	4,272
Employer's pensions contributions and direct payments to pensioners payable in the year	2,148			2,148	(2,148)
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	2,187			2,187	(2,187)
Adjustments primarily involving the unequal Accumulated Absences Account:					
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	78			78	(78)
Total Adjustments	(3,434)	1,596	(313)	(2,151)	2,151

¹General Fund Reserves also includes earmarked reserves

6. Notes to the Core Financial Statements

2021/22	2021/22 General Fund ¹	2021/22 Capital Receipts reserves	2021/22 Capital Grants unapplied	2021/22 Total usable reserves	2021/22 Total unusable reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(674)			(674)	674
Revaluation movements on PPE	(7,163)			(7,163)	7,163
Amortisation of intangible assets	(11)			(11)	11
Capital grants and contributions applied	2,333			2,333	(2,333)
Revenue expenditure funded from capital under statute	(2,655)			(2,655)	2,655
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,424)			(4,424)	4,424
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	210			210	(210)
Capital Expenditure charged against the general fund	75			75	(75)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	170		(170)		
Application of grants to capital financing transferred to the Capital Adjustment Account			230	230	(230)

¹General Fund reserves also includes earmarked reserves

6. Notes to the Core Financial Statements

2021/22 continued	2021/22 General Fund ¹	2021/22 Capital Receipts reserves	2021/22 Capital Grants unapplied	2021/22 Total usable reserves	2021/22 Total unusable reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,421	(4,421)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		195		195	(195)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,277)			(4,277)	4,277
Employer's pensions contributions and direct payments to pensioners payable in the year	1,937			1,937	(1,937)
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	4,347			4,347	(4,347)
Adjustments primarily involving the unequal Accumulated Absences Account:					
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	20			20	(20)
Total Adjustments	(5,691)	(4,225)	60	(9,856)	9,856

¹General Fund Reserves also includes earmarked reserves

6. Notes to the Core Financial Statements

9. Transfers to/from Earmarked Reserves

Earmarked reserves	Balance	Transfers	Transfers	Balance	Transfers	Transfers	Balance
	31 March	Out	In	31 March	Out	In	31 March
	2021	2021/22	2021/22	2022	2022/23	2022/23	2023
	£000	£000	£000	£000	£000	£000	£000
General Fund							
Fairer Funding Reserve	7,220	(3,568)	0	3,652	(1,181)	0	2,471
Commercial Development Maintenance	151	(38)	64	177	0	68	245
Business Transformation Projects	215	(17)	10	208	(85)		123
Highways (S106 Income)	132	0	0	132	0	0	132
Grounds Maintenance (S106 Income)	165	(1)	0	164	0	0	164
DWP Projects	50	0	39	89	(124)	35	0
New Burdens	71	(71)	0	0	0	157	157
Covid Grant for Elections	73	(53)	30	50	(20)		30
Planning Income Re-investment	13	0	40	53	0	50	103
Covid 19 (Pay) Uncertainty Risk	662	(298)	0	364	(130)	(234)	0
Corporate (CLT Forward Planning)	266	(61)	87	292	(82)	0	210
Business Rates Pool Surplus	921	0	0	921	0	0	921
Covid 19 Grants	1,195	(1,205)	373	363	(192)	10	181
Carbon Reserve	0	0	73	73	(47)	0	26
Digital 2	0	0	131	131	(20)	0	111
Pay & Inflation Uncertainty	0	0	600	600	(360)	234	474
Unit 4E Insurance Reimbursement	0	0	0	0	(287)	500	213
Uk Shared Prosperity Fund	0	0	0	0	0	184	184
Customer Experience Programme	0	0	0	0	0	112	112
Other Earmarked Reserves	943	(481)	522	984	(674)	828	1,138
Total	12,077	(5,793)	1,969	8,253	(3,202)	1,944	6,994

The Fairer Funding Reserve is a reserve to mitigate the Council's Strategic Risk which concerns changes in the way Local Government is financed and the Fairer Funding Review and volatility in Business Rates.

Commercial Development Maintenance refers to a sink fund within the industrial estate to fund future maintenance.

Business Transformation Projects is an Earmarked Reserve to fund ongoing investment in Efficiency and Income schemes with a view to yielding future savings. Section 106 grant income receipts from Government are obligations to spend money arising from planning decisions made. Until such monies are spent, the receipts are held in Earmarked reserves. Currently, South Staffordshire hold two significant amounts for these purposes, relating to Highways and Grounds Maintenance (Public Space Open Reserve) respectively.

DWP Projects refers to Government Grants received and not yet spent to meet the costs of implementing policy changes around Housing Benefit payments.

The New Burdens reserve is to ensure funds are available to maximise collection of Council Tax following the introduction of the Council Tax support scheme.

Covid Grant for Elections is an Earmarked Reserve to cover exceptional costs associated with ensuring elections are Covid safe.

Planning Income re-investment recognises that additional income receipts in 2018/19 as a result of an increase in planning fees is intended to be re-invested in future service improvements.

Corporate CLT Forward Planning This reserve has been set aside to fund expenditure on Corporate Transformation projects in 2023/24.

Business Rates Pool Surplus Windfall receipts from the Central Investment Fund belonging to the former Stoke-on-Trent and Staffordshire Business Rates pool are predicated on future expenditure of an economic regeneration purpose. This reserve has been initiated for that purpose.

Covid 19 Grants This Earmarked Reserve comprises surplus funds received by South Staffordshire in 2020/21 intended for dispersal to businesses to aid recovery from the Covid-19 pandemic.

The Carbon Reserve Set up in February 2022 to provide a source for investments the Council wishes to undertake in order to improve sustainability and move towards Carbon neutrality.

Digital 2 – A reserve to fund planned investment in digitalisation of the Customer Service Contact Centre to improve the interactions residents have with the Council.

Pay & Inflation Uncertainty A reserve has been created to mitigate, as far as possible, the potential financial implications of a sustained rate of inflation over and above that budgeted for in 2023/24. Any additional staffing and contract costs incurred above budgetary assumptions for inflation will initially be funded from this reserve.

Unit 4E Insurance Reimbursement The interim insurance payout has enabled restorative works to be commenced at the site of the July 2021 fire. Those sums yet to be spent are held in a specific Earmarked Reserve to be utilised against subsequent funds.

UK Shared Prosperity Fund Allocations received will be held in Earmarked Reserve until such time that disbursements approved in accordance with the scheme and priorities.

There are a number of additional separate, smaller Earmarked Reserves making up the balance. These are a variety of specific grant receipts to be used for a specified future purpose and other previous budgetary savings set aside to be spent on specified, future one-off projects.

6. Notes to the Core Financial Statements

10. Financing and investment income and expenditure

This line contains corporate items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions involving interest payments and receipts.

Financing and investment income and expenditure	2022/23	2021/22
	£000	£000
Interest payable and similar charges	239	89
Net interest on the defined benefit liability (asset)	854	854
Interest receivable and similar income	(623)	(21)
Total	470	922

11. Taxation and non-specific grant income

This note provides a breakdown of the grants included under the heading of taxation and non-Specific grant income in the Comprehensive Income and Expenditure Account.

Taxation and non-specific grant income	2022/23	2021/22
	£000	£000
Council Tax Income	(7,663)	(7,296)
Non Domestic Rates	(6,787)	(6,967)
Non Ring fenced Government Grants	(4,263)	(4,428)
Capital Grants & Contributions	(300)	(569)
Total	(19,013)	(19,260)

6. Notes to the Core Financial Statements

12. Property, Plant and Equipment

Movement in Property, Plant and Equipment during the 2022/23 financial year and during the 2021/22 financial year were as follows:

2022/23	Other land and Buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
As at 1 April 2022	41,289	4,036	107	1,448	51	2,616	49,547
Additions	2,579	714		120			3,413
Revaluation increases / (decreases) recognised in Revaluation Reserve	(1,340)						(1,340)
Revaluation increases / (decreases) recognised in Surplus / Deficit on the Provision of Services	(2,478)						(2,478)
De-recognition - disposals		(85)					(85)
De-recognition - other		(458)					(458)
Other movements in cost or valuation	2,395	223				(2,616)	0
As at 31 March 2023	42,445	4,430	107	1,567	51	0	48,600
Accumulated depreciation and impairment							
As at 1 April 2022	0	2,808	0	193	0	0	3,001
Depreciation charge	416	287		5			708
Depreciation written out to Revaluation Reserve	(229)						(229)
Depreciation written out to the surplus/ deficit on the provision of services	(187)						(187)
De-recognition - disposals		(55)					(55)
De-recognition - other		(458)					(458)
As at 31 March 2023	0	2,582	0	198	0	0	2,780
NET BOOK VALUE							
As at 1 April 2022	41,289	1,228	107	1,255	51	2,616	46,546
As at 31 March 2023	42,445	1,848	107	1,369	51	0	45,820

6. Notes to the Core Financial Statements

2021/22	Other land and Buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
As at 1 April 2021	31,478	4,324	107	1,448	0	8,567	45,924
Additions	7,141	400				1,326	8,867
Donations					251		251
Revaluation increases / (decreases) recognised in Revaluation Reserve	3,022						3,022
Revaluation increases / (decreases) recognised in Surplus / Deficit on the Provision of Services	(7,181)						(7,181)
De-recognition - disposals		(150)			(200)		(350)
De-recognition - other		(538)					(538)
Assets reclassified (to) / from Held for sale	(448)						(448)
Other movements in cost or valuation	7,277					(7,277)	0
As at 31 March 2022	41,289	4,036	107	1,448	51	2,616	49,547
Accumulated depreciation and impairment							
As at 1 April 2021	0	3,189	0	188	0	0	3,377
Depreciation charge	356	254		5			615
Depreciation written out to Revaluation Reserve	(337)						(337)
Depreciation written out to the surplus/ deficit on the provision of services	(19)						(19)
De-recognition - disposals		(109)					(109)
De-recognition - other		(526)					(526)
As at 31 March 2022	0	2,808	0	193	0	0	3,001
NET BOOK VALUE							
As at 1 April 2021	31,478	1,135	107	1,260	0	8,567	42,547
As at 31 March 2022	41,289	1,228	107	1,255	51	2,616	46,546

Property, vehicles, plant and equipment are depreciated using the straight line method over their useful economic lives. Accumulated depreciation of PPE, currently on Balance Sheet as at 31 March 2023 is £2,780,000. Land and Buildings were subject to a valuation as at 31 March 2023.

Additions (£3.4m) mainly comprised of the development costs associated with the Commercial Asset Strategy project.

6. Notes to the Core Financial Statements

Property, plant and equipment valuation

The long-term assets shown in the Balance Sheet have been measured on the basis recommended by CIPFA and, where applicable, in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. Valuations for land and property are carried out by an external organisation, Wilks, Head and Eve, Chartered Surveyors and Town Planners. As at 31st March 2023, all the Council's assets (over £10,000) were measured on the following basis:

- **Land and Buildings** - Land and Buildings were measured at:
 - *Current value based on Existing Use Value (EUV) (where a market existed)*
 - *Depreciated Replacement Cost (DRC using the 'instant build approach if EUV cannot be determined')*
- **Vehicles, Plant and Equipment.** Vehicles, Plant and Equipment have been measured at the lower of net current replacement cost and net realisable value, which may be the existing use value, the depreciated replacement cost or the open market value, as appropriate.
- **Infrastructure.** Infrastructure is measured on a depreciated historic cost basis.
- **Community assets and open spaces.** Community parks, open spaces, cemeteries, car parks and public conveniences are measured on a depreciated historic cost basis.
- **Assets under construction.** Measured at depreciated historical cost basis
- **Non-Operational assets (Surplus Assets).** Fair value based on a 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 expected remaining useful life of the majority of Council properties was assessed at 60 years in accordance with the last full valuation as at 31 March 2023. General vehicles and equipment have useful lives of 5 years. The remaining assets have varied useful lives depending on their nature.

The Council ensures that all Property, Plant and Equipment, measured at current value, are revalued at least every 5 years. Land and Buildings were subject to a revaluation as at 31st March 2023.

Surplus Assets are measured at fair value at each reporting date. The fair value of the surplus parcels of land, are based on Level 2 inputs of the fair value hierarchy where observable inputs exist. The valuation has been arrived at via the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the locality.

Valuations of vehicles, plant, furniture and equipment are based on the historic cost of the asset. Carrying values below are shown net of accumulated depreciation.

As at 31 March 2023	Other land and buildings	Vehicles, plant, furniture and equipment	TOTAL
	£000	£000	£000
Carried at historical value	-	1,848	1,848
Valued at current value	42,445	-	42,445
Total cost or valuation	42,445	1,848	44,293

6. Notes to the Core Financial Statements

International Accounting Standard 16 (IAS 16) – Property, Plant and Equipment (PPE) contains the accounting requirements that each part of an item of PPE with a cost that is significant in relation to the total cost of the item shall be depreciated separately (referred to as componentisation).

Componentisation shall be applied for depreciation purposes on enhancement, acquisition expenditure and revaluations.

Components are recognised and are depreciated over different lives where they have significant value when compared to the value of the host assets. We have considered assets (or group of similar assets) for componentisation where the carrying value is at least £500,000 and where the component:

- Costs at least 15% of the overall asset.
- Has a value of at least £100,000.
- Has a useful life +/- five years different from the host (main part of asset).
- Has an annual depreciation charge +/- £5,000 different than the Host.

The valuation exercise undertaken as at 31st March 2023, identified that the Council offices (Codsall Community Hub) had one significant component. Element Court also has one significant component.

Property, Plant and Equipment - impairment losses

In 2022/23 the Council did not recognise any impairment losses against the Surplus or Deficit on the Provision of Services.

Property, Plant and Equipment - other movements in cost or valuation

In 2022/23, following a valuation undertaken by Wilks, Head and Eve to review carrying values of properties as at 31st March 2023, the Council recognised a reversal of previous downward revaluation movements of £434,000. The reversal of previous downward valuations was largely due to a part reversal of a previously recorded impairment for Offices – Building element (£390,000), a previously recorded impairment for Caretakers Houses (£17,000), and a previously recorded impairment for the land element at Four Ashes Enterprise Park (£26,000). The offices and caretaker's houses movement has been recognised within the Community Services reporting segment of the Surplus or Deficit on the Provision of Services. The Four Ashes Enterprise Park land element has been recognised within the Partnership Services reporting segment of the Surplus or Deficit on the Provision of Services. The Council recognised valuation impairments of £2,725,000. This was largely due to a revaluation loss against Council Offices – heating and other systems element (£426,000), a revaluation loss Element Court – land, heating and other systems (£280,000) and a revaluation loss against Wombourne Enterprise Park – building element (£2,018,000). The Council Offices – heating and other systems element has been recognised within Community Services reporting segment. The Element Court - building, heating and other systems elements and the Wombourne Enterprise Park – building element have been recognised within the Partnership Services reporting segment of the Surplus or Deficit on the Provision of Services.

The valuation undertaken also recognised net revaluation gains of £1,111,000 on the carrying value of properties as at 31st March 2023. The gains were largely against commercial properties. The revaluation gains are recognised within Other Comprehensive Income and Expenditure.

Revaluation gain/(loss) recognised within other Comprehensive Income and Expenditure	£000
Council Offices (Codsall Community Hub) – building element	390
Council Offices (Codsall Community Hub) – heating and other systems element	(426)
Caretakers Houses – land	17
Wombourne Enterprise Park – building element	(2,018)
Four Ashes Enterprise Park – building element	26
Element Court – land element	(53)
Element Court – heating and other systems element	(228)
Other	2
	(2,290)

6. Notes to the Core Financial Statements

Property, Plant and Equipment – other movements in cost or valuation	Council Offices	Other land and buildings	TOTAL
	£000	£000	£000
Downward revaluation movements recognised in the Surplus or Deficit on the Provision of Services	(2,299)	(426)	(2,725)
Reversal of downward revaluation movements previously recognised in the Surplus or Deficit on the Provision of Services	26	409	435
Reversal of downward revaluation movements on revalued assets in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve	(2,017)	(173)	(2,190)
Revaluation gains recognised within Other Comprehensive Income and Expenditure	898	182	1,080

Property, Plant and Equipment - other effects of changes in estimates

In 2022/23, the Council has made no material changes to its accounting estimates for PPE.

Property, Plant and Equipment - commitments under capital contracts

There are nine significant uncompleted contracts (over £100,000) which will incur future capital expenditure after 31st March 2023. The total value of the contracts is £21,505,000.

	Contract amount	Works certified to 31st March 2023	Remaining Contract Balance
	£000	£000	£000
Four Ashes Enterprise Park - Construction	3,542	3,546	0
Wombourne Enterprise Park - Construction	5,239	2,690	2,549
Wombourne Enterprise Park - Consultant / Engineering / QS	557	532	24
Wombourne Enterprise Park – Project Management	200	54	146
Unit4E Four Ashes - Construction	708	708	0
Unit4E Four Ashes – Consultant / QS / NEC	158	106	53
Codsall Community Hub - Construction	8,523	8,523	0
Wombourne Leisure Centre - 3G pitch construction	756	743	13
Leisure Centre Investment - contractors	1,822	1,414	408
	21,505	18,312	3,193

6. Notes to the Core Financial Statements

13. Financial instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Financial assets	Non-current				Current				Total
	Investments		Debtors		Investments		Debtors		
	21/22	22/23	21/22	22/23	21/22	22/23	21/22	22/23	
Amortised cost	0	0	85	90	26,601	18,022	2,057	3,096	21,208
Total	0	0	85	90	26,601	18,022	2,057	3,096	21,208

Financial liabilities	Non-current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	21/22	22/23	21/22	22/23	21/22	22/23	21/22	22/23	
Amortised cost	15,000	15,000	0	0	20	131	4,487	4,495	19,626
Total	15,000	15,000	0	0	20	131	4,487	4,495	19,626

Financial liabilities carried at contract amount valued at £4,495,000 are valued at cost. These relate to trading contracts between the council and its suppliers and represent the value of the transaction that has taken place.

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

	2022/23		2021/22	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
Net gains/losses on:	£000	£000	£000	£000
Financial assets measured at amortised cost	623	0	21	0
Total net gains	623	0	21	0
Fee expense:				
Financial assets or financial liabilities that are not at fair value through profit or loss	239	0	89	0
Total fee expense	239	0	89	0

6. Notes to the Core Financial Statements

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

Financial liabilities and financial assets represented by loans and receivables are carried on 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, using the following assumptions:

- For loans from the PWLB (Public Works Loan Board) and other (material) loans payable, premature repayment rates from the PWLB would be applied to provide the fair value under PWLB debt redemption procedures. The Council are currently has £15m in PWLB borrowing to be paid back over 40-50 years;
- For loans receivable prevailing benchmark market 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 principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The table below includes investments held at fair value, fair value items are split into 3 levels:

Level 1 fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.

Level 2 fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.

Level 3 fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

The fair values calculated are as follows:

Fair values	2022/23		2021/22	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Trade creditors	4,495	4,495	4,487	4,487
Long Term Borrowing	15,000	6,761	15,000	11,597
Short Term Finance Lease Liability	40	40	20	20
Long-term Finance Lease Liability	91	91	0	0
Total financial liabilities	19,626	11,387	19,507	16,104
Loans and receivables < 1 year	18,022	18,022	26,601	26,601
Short-term debtors	3,096	3,096	2,057	2,057
Total financial assets	21,118	21,118	28,658	28,658

The cash and cash equivalent figure of 18,022 includes 12,150 held in money market funds and short term investments. These are classified as level 1 in the fair value hierarchy.

6. Notes to the Core Financial Statements

Nature and extent of risks arising from financial instruments and how South Staffordshire Council manages those risks

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
- **Refinancing Risk** - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets, and is structured to implement suitable controls to minimise these risks.

The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage the risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice.
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution.
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing.
 - Its maximum and minimum exposures to fixed and variable rates.
 - Its maximum and minimum exposures to the maturity structure of its debt.
 - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 22 February 2022 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2022/23 was set at £45m. This is the maximum limit of external borrowings or other long-term liabilities.
- The maximum amounts of fixed and variable interest rate exposure were set at £44m and £15m.

6. Notes to the Core Financial Statements

These policies are implemented by a central treasury team. The Council maintains written policies for overall risk management, as well as written policies (Treasury Management Practices (TMPs) covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These TMP's are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are made internally. The Council will maintain a list of the categories of counterparty with which it will place its funds for investment.

The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) can be found within the Annual Treasury Management Strategy on the Council Website.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and non-collectability over the last eight financial years, adjusted to reflect current market conditions:

Credit risk analysis	Amount at 31 March 2023	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2022	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
	A	B	C	(A X C)
Deposits with banks and financial institutions	18,020	0.00%	0.00%	0
Customers	3,096	7.74%	8.51%	263
	21,116			263

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.

The £3,096,000 is made up of £995,000 Sundry Debtors, £919,000 Housing Benefit Overpayments, £1,894,000 for trade debtors less £1,045,000 Bad Debt Provision. The authority does not generally allow credit for customers, such that £848,000 of the £995,000 balance is past its due date for payment. The past due amount can be analysed by age as follows:

Ageing analysis	£000
30 Days	315
31-60 Days	85
61-90 Days	61
90 Days +	534
Total overdue	995

Collateral – During the reporting period the Council held no collateral as security.

6. Notes to the Core Financial Statements

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 significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market risks

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 depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in fixed and variable interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of assets will fall (no impact on revenue balances).

The Council has a number of strategies for managing interest rate risk.

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

Interest Rate risk	£000
Increase in interest payable on variable rate borrowings	143
Increase in interest receivable on variable rate investments	(251)
Impact on surplus or deficit on the provision of services	(108)
Decrease in fair value of fixed rate investment assets	0
Impact on other comprehensive income and expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure)	8,239

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note – Fair value of Assets and Liabilities carried at Amortised Cost.

6. Notes to the Core Financial Statements

Price risk

The Council does not invest in equity shares. All of the investments made by Council officers are either in fixed-term fixed-rate cash deposits, the value of which does not fluctuate according to market conditions or in special bank deposit accounts or AAA rated money market funds.

The risk of exposure to market fluctuations is minimised in that sufficient funds are retained for investment by Council officers to cover any predicted immediate requirements for liquidity.

Foreign exchange risk

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

14. Debtors

The debtors total provided in the Balance Sheet as at 31 March consists of the following major balances:

Debtors	2022/23	2021/22
	£000	£000
Trade receivables	1,301	1,303
Prepayments	235	482
Collection Fund (including provision for bad debts)	913	575
Other receivable amounts	2,259	1,078
Total debtors	4,708	3,438

Debtors for local taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	2022/23	2021/22
	£000	£000
Council Tax		
Less than one year	160	167
More than one year	188	163
Non-domestic rates		
Less than one year	132	112
More than one year	90	155
Total	570	597

6. Notes to the Core Financial Statements

15. Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements.

Cash and cash equivalents	2022/23	2021/22
	£000	£000
Cash held by the Authority	2	-
Bank Current Accounts	1,870	101
Call Accounts	15,000	15,000
Money Market Fund Accounts	1,150	11,500
Total Cash and Cash Equivalents	18,022	26,601

16. Creditors

The creditors total provided in the Balance Sheet as at 31st March consists of the following major balances:

Creditors	2022/23	2021/22
	£000	£000
Trade Payables	305	69
Accruals	3,277	3,130
Collection Fund	8,919	7,850
Other Payables	1,220	2,504
Government Grants	80	471
Total Creditors	13,801	14,025

There are exceptional short term creditor balances at year end due to the Council Tax Energy Rebate Grant and Energy Bills Support Scheme Grant.

Exceptional Short Term Creditor	2022/23	2021/22
	£000	£000
Council Tax Energy Rebate Grant	9	5,511
Energy Bills Support Scheme Grant	715	0
Total Exceptional Creditors	724	5,511

6. Notes to the Core Financial Statements

17. Provisions

Provisions are charged to the Comprehensive Income and Expenditure Statement at the point when it becomes probable that a transfer of economic benefit will be required. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement. When expenditure is incurred to which the provision relates it is charged directly against the provision in the Balance Sheet.

Provisions	2022/23	2021/22
	£000	£000
Balance at 1 April 2022	931	1,942
Additional provisions made in year	523	(511)
Amounts used in year	(566)	(500)
Balance at 31 March 2023	888	931

The table below demonstrates how the provision is profiled between current and long-term liabilities on the Balance Sheet.

Provisions - Current and long-term liabilities	2022/23	2021/22
	£000	£000
Provision - Current liability	888	501
Provision - Long-term liability	0	430
Balance at 31 March 2023	888	931

Provisions

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013.

In accordance with legislation South Staffordshire Council, as a billing authority which acts as an agent on behalf of the major preceptors and central government, is required to make provisions for their share of business rates appeals to refund ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years.

These totalled £887,862.

6. Notes to the Core Financial Statements

18. Usable Reserves

Movements in the Council's usable reserves are set out below and detailed on page xxx in the Movement in Reserves Statement.

Capital Receipts Reserve

The balance on the usable capital receipts reserve can be used to finance capital expenditure whether or not an Authority is debt free. The balance on this account is therefore available to the Council.

Details of the transactions for 2022/23 are given below:

Usable Capital Receipts	2022/23	2021/22
	£000	£000
Balance brought forward at 1 April 2022	5,708	1,483
Net proceeds on sale of long-term assets	476	4,420
Applied to finance new expenditure	(2,072)	(195)
Balance carried forward 31 March 2023	4,112	5,708

During the 2022/2023 financial year, Heathmill Enterprise Park was sold for £425,000.

Capital Grants Unapplied

Capital contributions received are credited to this account and released when the scheme to which they relate is financed.

Capital Grants Unapplied	2022/23	2021/22
	£000	£000
Balance brought forward 1 April 2022	965	1,025
Government grants received in the year	408	170
Government grants applied	(95)	(230)
Balance carried forward 31 March 2023	1,278	965

6. Notes to the Core Financial Statements

19. Unusable Reserves

Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the long-term assets (at an individual level) held by the Council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). Whilst these gains arising from revaluations increase the net worth of the Council, they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated. The balance is also reduced when assets with accumulated gains are used in the provision of services and the gains are consumed through depreciation and if the assets are revalued downwards or impaired and the gains are lost.

Revaluation Reserve	2022/23	2021/22
	£000	£000
Balance brought forward at 1 April 2022	17,550	15,869
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(2,201)	(2,258)
Upward revaluation of assets	1,079	5,651
Difference between fair value depreciation and historical cost depreciation	(128)	(174)
Disposal of fixed assets	(242)	(1,538)
Balance carried forward 31 March 2023	16,058	17,550

Pensions reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The 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.

Pensions reserve	2022/23	2021/22
	£000	£000
Balance brought forward at 1 April 2022	(31,433)	(42,393)
Re-measurement of the net defined benefit liability	25,700	13,300
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	(4,272)	(4,277)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,148	1,937
Balance carried forward 31 March 2023	(7,857)	(31,433)

6. Notes to the Core Financial Statements

Capital Adjustment Account

This Account accumulates (on the debit side) the write-down of the historical cost of long-term assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (Revenue Expenditure funded from Capital under Statute).

The balance on the Account thus represents timing differences between the amount of the historical cost of long-term assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

The account also contains revaluation gains accumulated on PPE before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Capital Adjustment Account	2022/23	2021/22
	£000	£000
Balance brought forward at 1 April 2022	1,408	11,579
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(708)	(674)
Revaluation movements on PPE	(2,290)	(7,163)
Amortisation of intangible assets	0	(11)
Income in relation to donated assets	0	251
Revenue Expenditure funded from Capital under Statute	(2,739)	(2,655)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(467)	(4,412)
Asset Held For Sale	0	(12)
	(4,796)	(3,097)
Adjusting amount written out of the revaluation reserve	370	1,713
Capital financing applied in year		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,072	195
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	1,051	2,082
Application of grants to capital financing from the Capital Grants Unapplied Account	95	230
Statutory provision for the financing of capital investment charged against the General Fund	408	210
Capital expenditure charged against General Fund	287	75
Balance Carried Forward 31st March 2023	(513)	1,408

6. Notes to the Core Financial Statements

Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2022/23	2021/22
	£000	£000
Balance brought forward at 1 April	(450)	(4,797)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	25	144
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	2,161	4,203
Balance carried forward 31 March	1,736	(450)

6. Notes to the Core Financial Statements

20. Cash Flow Statement - operating activities

The cash flows for operating activities include the following items:

Cash Flow Statement - operating activities	2022/23	2021/22
	£000	£000
Interest received	(623)	(21)
Interest paid	239	89

Reconciliation of net cash flows from operating activities to the surplus/deficit on the Provision of Services

The Surplus/Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement includes some transactions which do not result in cash flows, and others which are not classified as operating activities within the Cash Flow Statement (i.e. classified as investing or financing cash flows). The following table identifies these transactions and reconciles the Surplus/Deficit on the Provision of Services with the net cash flows from operating activities within the Cash Flow Statement.

Reconciliation of net cash flows from operating activities to the surplus/deficit on the provision of services	2022/23	2021/22
	£000	£000
Surplus or deficit on the provision of services	5,317	8,112
Adjustments to the surplus/deficit on the provision of service for non cash movements		
Depreciation, Impairment & Downward Valuations	(2,998)	(7,837)
Amortisation	-	(11)
(Increase)/Decrease in Impairment for Bad Debts	75	(12)
(Increase)/Decrease in Creditors	4,233	(5,864)
Increase/(Decrease) in Debtors	1,186	(4,196)
Movement in pension liability	(2,906)	(1,558)
(Increase)/decrease in provisions	43	1,011
Carrying amount of non-current assets and non-current asses held for sale, sold or derecognised	(7)	(9)
Other non-cash items charged to the net surplus or deficit on the provision of services	(4,173)	(5,506)
	(4,547)	(23,982)
Adjustments for items included in the surplus/deficit on the provision of services that are investing or financing activities	16	255
Net cash flows from operating activities	786	(15,615)

6. Notes to the Core Financial Statements

21. Cash Flow Statement - Investing Activities

Cash Flow Statement - Investing Activities	2022/23	2021/22
	£000	£000
Purchase of PPE, investment property and intangible assets	4,038	9,063
Purchase of short-term and long-term investments	10	-
Other payments for investing activities	(4)	81
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(476)	(4,419)
Net cash flows from investing activities	3,568	4,725

22. Cash Flow Statement - Financing Activities

Cash Flow Statement - Financing Activities	2022/23	2021/22
	£000	£000
Cash receipts of short and long term borrowing	-	(15,000)
Other receipts from financing activities	4,172	5,506
Cash payments for the reduction of the outstanding liabilities relating to finance leases	36	10
Other payments for financing activities	17	-
Net cash flows from financing activities	4,225	(9,484)

Reconciliation of Liabilities arising from Financing Activities

The changes in liabilities arising from financing activities can be classified as follows:

	Long-term borrowings	Lease liabilities	Total
As at 1 April 2022	(15,004)	(20)	(15,024)
Cash flows: Repayment	-	36	36
Cash flows: Proceeds	-	-	-
Non-cash: Acquisition	-	(164)	(164)
Non-cash: Fair value	1	17	18
As at 31 March 2023	(15,003)	(131)	(15,134)

6. Notes to the Core Financial Statements

23. Expenditure and income analysed by nature

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

Expenditure	2022/23	2021/22
	£000	£000
Employee Related	12,605	11,793
Premises Related	1,302	1,134
Transport Related	272	281
Supplies and Services	7,667	14,480
Agency and Contract Services	12,689	10,598
Transfer Payments	14,833	14,712
Capital Financing Costs	708	685
Parish Precepts	2,420	2,340
Financing & Interest Payments	1,093	943
Total Expenditure	53,589	56,966
Income	2022/23	2021/22
	£000	£000
Grants and Contributions	(17,724)	(20,628)
Customer and Client Receipts	(10,903)	(8,938)
Net gains/losses on disposal of Non-current assets	(9)	(7)
Interest and Investment Income	(623)	(21)
Taxation and Non-Specific Grant Income	(19,013)	(19,260)
Total Income	(48,272)	(48,854)
(Surplus) or Deficit on the Provision of Services	5,317	8,112

24. Members' allowances

The Council paid the following amounts to Members of the Council during the year:

Members allowances	2022/23	2021/22
	£000	£000
Allowances	382	364
Expenses	0	0
Total paid	382	364

6. Notes to the Core Financial Statements

25. Officers' remuneration

The Accounts and Audit (England) Regulations 2015 require Local Government bodies to produce a note specifying the number of employees whose total remuneration was £50,000 per year or more in that financial year, in bands of £5,000. Regulation 7 of the Accounts and Audit (England) Regulations 2015 [SI 2015 No.234] includes a legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees.

The Regulations require disclosure of the following:

- a. The number of employees whose total remuneration was £50,000 per year or more in that financial year, in bands of £5,000 (This replaces the Accounts and Audit (England) Regulations 2003 requirement).

Officers remuneration	2022/23	2021/22
	No. of Employees	No. of Employees
£140,000 - £144,999	1	0
£135,000 - £139,999	0	1
£130,000 - £134,999	0	0
£125,000 - £129,999	0	0
£120,000 - £124,999	0	0
£115,000 - £119,999	0	0
£110,000 - £114,999	0	0
£105,000 - £109,999	1	0
£100,000 - £104,999	2	0
£95,000 - £99,999	0	2
£90,000 - £94,999	1	1
£85,000 - £89,999	0	0
£80,000 - £84,999	4	1
£75,000 - £79,999	2	4
£70,000 - £74,999	1	0
£65,000 - £69,999	0	3
£60,000 - £64,999	2	0
£55,000 - £59,999	5	2
£50,000 - £54,999	11	7
Total Employees	30	21

6. Notes to the Core Financial Statements

b) The remuneration of **senior employees** earning over £50,000, is detailed below.

Remuneration for Senior Employees 2022/23

Job Title	Salary (Including Fees and Allowances)	Benefits in Kind	Total (Excl. Pension Contributions)	Employer's Pension Contributions	Total (Incl. Pension Contributions)
	£	£	£	£	£
Chief Executive	122,184	940	123,124	20,038	143,162
Corporate Director Finance & Resource	91,938	948	92,886	15,078	107,964
Corporate Director Infrastructure & Business Growth	86,615	963	87,578	14,205	101,783
Corporate Director Communities & Wellbeing	86,615	1,029	87,644	14,205	101,849
Director Legal & Governance	79,028	1,239	80,267	12,961	93,228
Assistant Director Business Transformation	68,030	1,239	69,269	11,157	80,426
Assistant Director Welfare Services	68,030	963	68,993	11,157	80,150
Assistant Director Community Services	68,030	963	68,993	11,157	80,150
Assistant Director Enterprise & Growth	68,030	962	68,992	11,157	80,149
Assistant Director Organisation and People Development	66,682	1,101	67,783	10,935	78,718
Assistant Director Partnerships	66,841	958	67,799	10,962	78,761
	872,023	11,305	883,328	143,012	1,026,340

Remuneration for Senior Employees 2021/22

Job Title	Salary (Including Fees and Allowances)	Benefits in Kind	Total (Excl. Pension Contributions)	Employer's Pension Contributions	Total (Incl. Pension Contributions)
	£	£	£	£	£
Chief Executive	120,259	963	121,222	19,722	140,944
Corporate Director Finance & Resource	70,010	737	70,747	11,482	82,229
Corporate Director Infrastructure & Business Growth	84,690	963	85,653	13,889	99,542
Corporate Director Communities & Wellbeing	84,690	956	85,646	13,889	99,535
Director Legal & Governance	77,103	1,131	78,234	12,645	90,879
Assistant Director Business Transformation	66,105	1,239	67,344	10,841	78,185
Assistant Director Welfare Services	66,105	963	67,068	10,841	77,909
Assistant Director Community Services	66,105	1,026	67,131	10,841	77,972
Assistant Director Enterprise & Growth	66,105	963	67,068	10,841	77,909
	701,172	8,941	710,113	114,991	825,104

6. Notes to the Core Financial Statements

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(a) Exit package cost band (including special payments)	(b) No. of compulsory redundancies		(c) No. of other departures agreed		(d) Total number of exit packages by cost band [(b)+(c)]		(e) Total cost of exit packages in each band	
	2022/23	2022/22	2022/23	2022/22	2022/23	2022/22	2022/23	2022/22
							£000	£000
£0-£20,000	1	0	0	1	1	1	5	10
£20,001 - £40,000	0	0	0	1	0	1	0	2
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
Total	1	0	0	2	1	2	5	12

26. External Audit costs

The following fees have been charged in relation to external audit inspection conducted by Grant Thornton for financial year 2022/23.

Audit fees	2022/23	2021/22
	£000	£000
External Audit Services - Accounts and Governance Works	58	63
Certification of grant claims and returns	21	12
Total	79	75

6. Notes to the Core Financial Statements

27. Grant Income

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2022/23.

Grant Income	2022/23	2021/22
	£000	£000
Credited to Taxation and Non-Specific Grant Income		
Formula Grant	98	95
Lower Tier Services Grant	107	0
Services Grant	162	0
New Homes Bonus	499	228
COVID Grants	0	4,105
Business Rates Relief (S31)	3,396	0
Donated Asset	0	251
Capital Decarbonisation	0	318
Uk Shared Prosperity Fund	300	0
Total	4,562	4,997
Credited to Services		
Housing Benefit Subsidy	14,977	14,811
Localities (Replaced Community Safety Grant)	64	59
NNDR Admin Grant	104	105
New Burdens Fund	211	0
Section 31 Grant – Small Business Rates Relief	25	610
Elections – PCC	0	133
Elections – Parliamentary	0	0
Elections – District	19	30
Elections – County	0	86
DWP Funding	139	221
Big Lottery	172	181
Preventing Homelessness	197	197
HMLR Grant	48	24
HA&F Grant	108	53
Disabled Facilities Grant	1,127	1,126
Football Foundation Grant	0	437
S106 McCarthy Stone	0	300
S106 Baggeridge Brick	0	70
S106 Hazelbrook	32	0
COVID Grants	1	2,092
COVID – Furlough Grant	0	14
Support for Energy Bills	187	0
DEFRA Biodiversity	27	0
Uk Shared Prosperity Fund	184	0
Other Grant & Contributions (Under 20k)	102	79
Total	17,724	20,628

The Council has received 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 balance of Receipts in Advance are included on the Balance Sheet within Short Term Creditors.

6. Notes to the Core Financial Statements

28. Related Party Disclosures

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. Disclosures of these transactions allow 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. Related parties of a Local Authority include Central Government, other Local Authorities and Precepting Bodies, Pension Funds, Housing Associations, Members and Chief Officers:

- Central Government has effective control over the general operations of the Council. Central Government 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. housing benefits). Details of other grants for specific projects or services are shown in note 11 and the Cash Flow Statement.
- Staffordshire County Council, Staffordshire Police Authority and Stoke-on Trent and Staffordshire Fire Authority issue precepts on the Council and these are shown in the Collection Fund. The County Council is the administering Authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in note 32 Defined Benefit Pension Scheme.
- Precepting Bodies. Details of transactions with Precepting Bodies are detailed in the note 3 to the Collection Fund.
- Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 24. The Council maintains a general register of members' interests. Members are required under the Members' Code of Conduct to register financial and other interests and a register is maintained by the Council's Monitoring Officer. The Code of Conduct also requires members to register personal and prejudicial interests in decisions taken by the Council. The Council formally nominates members to sit on outside bodies. Where grants, income and expenditure were made to these outside bodies they were awarded with proper consideration of declarations of interest and the relevant Members did not take part in any discussion or decision relating to the grant award. The total value of payments made to outside or received from bodies in the last year with which members and officers were involved was £83,000.
- Chief Officers of the Council have control over the day-to-day management of the Council. The total of Chief Officer's remuneration paid in 2022/23 is shown in Note 25. Chief Officers are required to disclose personal interests with regard to contracts. All Chief Officers have been asked to declare any related party transactions. From the replies provided there are no such transactions to be declared.

6. Notes to the Core Financial Statements

Amount of grant, expenditure and (income)	No. of Councillors declaring an involvement	Organisation	Amount of grant, expenditure and (income)	No. of Councillors declaring an involvement
2021/22	2021/22		2022/23	2022/23
£000			£000	
(14)	4	Codsall Parish Council	(7)	3
(2)	1	Shareshill Parish Council	(2)	1
(10)	6	Wombourne Parish Council	(8)	6
(26)	11	Total	(17)	10

In addition to the transactions detailed in the table about the Council also provides a payroll service to Cheslyn Hay Parish Council.

6. Notes to the Core Financial Statements

29. Capital Expenditure and Capital Financing

The total amount of capital expenditure (including the value of assets acquired under finance leases) incurred in 2022/2023, and the methods of financing are detailed below.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of capital expenditure incurred historically by the Council that has yet to be financed.

Capital financing requirement	2022/23	2021/22
	£000	£000
Opening capital financing requirement	28,148	19,418
Capital expenditure		
Property, plant and equipment	3,424	8,867
Intangible assets	0	0
Revenue expenditure funded from capital under statute	2,739	2,655
Sources of finance		
Capital Receipts	(2,072)	(195)
Government grants and other contributions	(1,146)	(2,312)
Direct Revenue Financing	(287)	(75)
Minimum Revenue Provision	(408)	(210)
Removal of liability following lease disposal	0	0
Closing capital financing requirement	30,398	28,148
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	2,087	8,730
Assets disposed of under finance leases	163	0
Increase/(decrease) in capital financing requirement	2,250	8,730

6. Notes to the Core Financial Statements

30. Leases

Council as lessee

Finance leases

During 2022/23, the Council had a total of seven vehicles used for litter, grounds maintenance and trees under finance leases. The assets acquired under these leases are carried under the asset heading of Vehicles and Equipment in the Balance Sheet at the following net amounts.

Asset Classification	2022/23	2021/22
	£000	£000
Vehicles, Plant, Furniture and Equipment	129	0

The assets are held at a Net Book Value of £nil. However, the lease on the assets has been extended for a year pending purchase of replacements

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and 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:

Finance Lease Liabilities (net present value of minimum lease payments)	2022/23	2021/22
	£000	£000
Current	40	20
Non-current	91	0
Finance costs payable in future years	6	0
Minimum lease payments	137	20

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

Aged Analysis	Minimum Lease Payments		Finance Lease Liabilities	
	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000
Not later than one year	43	20	40	20
Later than one year and not later than five years	94	0	91	0
Later than five years	0	0	0	0
	137	20	131	20

6. Notes to the Core Financial Statements

Council as Lessor

Operating Leases

The Council leases out property under operating leases for economic development purposes by providing business premises for rental.

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

	Minimum lease payments	
	2022/23	2021/22
	£000	£000
Not later than one year	2,020	1,924
Later than one year and not later than five years	3,305	1,854
Later than five years	301	41
	5,626	3,819

31. Termination benefits

The Council terminated one contract of employment during 2022/23, incurring liabilities of £5k (£38k in 2021/22).

6. Notes to the Core Financial Statements

32. Defined Benefit Pension Scheme

Participation in pension schemes

As part of the terms and conditions of employment of its staff, 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 need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Staffordshire County Council. It is a funded defined benefit final salary scheme, meaning that both the Council and employees pay contributions into a fund. The level of contributions is calculated to balance the pension liabilities with investment assets. Changes to the scheme that affect the pension liabilities will result in a change to the level of contributions, as will fluctuations in the performance of the fund.

The Council also participates in arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post-employment benefits

We recognise 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 we are 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:

Further information can be found in Staffordshire County Council's Superannuation Fund's Annual Report, which is available upon request from the County Pensions Service, 2, Staffordshire Place, Tipping Street (telephone 01785 278222).

6. Notes to the Core Financial Statements

Transactions relating to post-employment benefits recognised in the Comprehensive Income and Expenditure Statement

	2022/23	2021/22
	£000	£000
Cost of services		
Current service cost	3,418	3,423
Past service costs (including curtailments)	0	0
Financing and investment income and expenditure		
Interest income on scheme assets	(1,777)	(1,176)
Interest cost on defined benefit obligation	2,631	2,030
Total post employment benefit charged to the surplus or deficit on the provision of services	4,272	4,277
Re-measurements of the net defined liability comprising:		
Return on plan assets excluding amounts included in net interest	(2,987)	5,968
Actuarial losses arising from changes in demographic assumptions	2,142	537
Actuarial losses arising from changes in financial assumptions	36,310	6,836
Other experience	(9,765)	(41)
Total remeasurements recognised in other comprehensive income and expenditure	25,700	13,300
Total post employment benefit charged to the comprehensive income and expenditure statement	21,428	17,577
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code	4,272	4,277
Employers' contributions payable to the scheme		
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contributions payable to scheme	(2,148)	(1,937)
Unfunded benefits	0	0
	(2,148)	(1,937)

6. Notes to the Core Financial Statements

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 scheme is as follows:

Scheme liabilities	2022/23	2021/22
	£000	£000
Fair value of employer assets	63,081	66,272
Present value of funded liabilities	(69,947)	(95,794)
Present value of unfunded liabilities	(991)	(1,129)
Net liability arising from defined benefit obligation	(7,857)	(30,651)

Reconciliation of the movements in fair value of scheme assets	2022/23	2021/22
	£000	£000
Opening fair value of scheme assets	66,272	58,539
Interest income	1,777	1,176
Re-measurement gain		
Return on plan assets excluding amounts included in net interest	(2,987)	5,968
Contributions from employers	1,275	2,629
Contributions from employees into the scheme	476	420
Other	(1,126)	0
Benefits paid	(2,606)	(2,460)
Closing fair value of scheme assets	63,081	66,272

Reconciliation of present value of scheme liabilities (defined benefit obligation)	2022/23	2021/22
	£000	£000
Opening fair value of scheme liabilities	96,923	100,932
Current service cost	3,418	3,423
Past service costs (including curtailments)	0	0
Interest cost	2,631	2,030
Contributions from scheme participants	476	420
Re-measurement gain		
Actuarial gains/losses arising from changes in demographic assumptions	(2,142)	(537)
Actuarial gains/losses arising from changes in financial assumptions	(36,310)	(6,836)
Other	8,639	41
Benefits paid	(2,697)	(2,550)
Closing fair value of scheme liabilities	70,938	96,923

6. Notes to the Core Financial Statements

Pension scheme assets comprised:

Asset category	Period ended 31 March 2023				Period ended 31 March 2022			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets
	£000	£000	£000	%	£000	£000	£000	%
Equity securities:								
Consumer	2,123.7	0	2,123.7	3	2,231.1	0	2,231.1	3
Manufacturing	1,733.1	0	1,733.1	3	1,820.8	0	1,820.8	3
Energy and Utilities	476.0	0	476.0	1	500.1	0	500.1	1
Financial Institutions	2,260.5	0	2,260.5	4	2,374.9	0	2,374.9	4
Health & Care	2,387.0	0	2,387.0	4	2,507.8	0	2,507.8	4
Information Technology	2,745.3	0	2,745.3	4	2,884.2	0	2,884.2	4
Other	0	0	0	0	0	0	0	0
Debt securities:								
Corporate bonds (investment grade)	3,705.7	0	3,705.7	6	3,893.2	0	3,893.2	6
Private equity:								
All	0	3,125.5	3,125.5	5	0	3,283.6	3,283.6	5
Real estate:								
UK property	0	5,051.6	5,051.6	8	0	5,307.2	5,307.2	8
Investment funds and unit trusts:								
Equities	29,966.0	0	29,966.0	47	31,481.6	0	31,481.6	48
Bonds	3,948.0	0	3,948.0	6	4,147.7	0	4,147.7	6
Hedge Funds	0	23.2	23.2	0	0	24.4	24.4	0
Infrastructure	0	168.0	168.0	0	0	176.5	176.5	0
Other	0	2,894.9	2,894.9	5	0	3,041.3	3,041.3	5
Cash and cash equivalents:								
All	2,472.5	0	2,472.5	4	2,597.6	0	2,597.6	4
Totals	51,818	11,263	63,081	100	54,439	11,833	66,272	100

6. Notes to the Core Financial Statements

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. Assumptions have been made about mortality rates, rates of inflation, the rate of increase in salaries etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates are based on the latest full valuation of the scheme as at 31st March 2023, projected forwards to 31st March 2024. The next full valuation is due for April 2026.

The significant assumptions used by the actuary are set out below:

Mortality rates	2022/23		2021/22	
	Males	Females	Males	Females
Longevity at 65 for:				
Current pensioners	21.4 years	24.5 years	21.2 years	23.8 years
Future pensioners	21.9 years	26.0 years	22.2 years	25.5 years

Financial assumptions	2022/23	2021/22
	%p.a.	%p.a.
Inflation/pension increase rate	2.95%	3.20%
Salary increase rate	3.45%	3.60%
Discount rate	4.75%	2.70%

Investment returns	
Actual returns from 1 April 2022 to 31 March 2023	(1.8%)
Total Returns from 1 April 2022 to 31 March 2023	(1.8%)

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below, based on reasonably possible changes to the assumptions occurring at the end of the reporting period, and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example assumes 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 cost method. The methods and types of assumptions used in preparing the sensitivity analysis below have not changed from those used since 2013/14.

6. Notes to the Core Financial Statements

Change in assumptions at 31 March 2023	Approximate % increase to defined benefit obligation	Approximate monetary amount
		£000
0.1% decrease in real discount rate	2%	1,211
1 year increase in member life expectancy	4%	2,838
0.1% increase in the salary increase rate	0%	143
0.1% increase in the pension increase rate	2%	1,086

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 21 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed 31st March 2026.

The scheme takes 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 may not provide benefits in relation to services after 31 March 2014. 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.

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £7.857 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Council anticipates paying contributions of £2,163,000 to the scheme in 2022/23.

33. Contingent assets and liabilities

A contingent liability needs to be declared where the Council is aware of a matter that may have a financial impact, but the exact amount of possible liability involved cannot be accurately determined or liability is contested.

Contingent assets are sums due from individuals or organisations that may arise in the future but for which the amount due cannot be determined in advance. These are not recognised in the accounts. They are disclosed as a note to the accounts as there is a possible receipt, which may result in a transfer of economic benefits.

Contingent assets

There are no contingent assets to disclose in 2022/23.

Contingent liabilities

There are no contingent liabilities to disclose in 2022/23.

6. Notes to the Core Financial Statements

34. Assets Held For Sale

Qualifying assets are generally defined as 'held for sale' if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use.

	2022/23	2021/22
	£000	£000
Balance outstanding at start of the year	437	4,200
Assets newly classified as held for sale:		
Property, plant and equipment	0	448
Revaluation losses	0	0
Revaluation gains	0	0
Impairment losses	0	0
Assets declassified as held for sale:		
Property, plant and equipment	0	0
Assets sold	(437)	(4,200)
Transfers from non-current to current	0	0
Other Movements	0	(11)
Balance outstanding at year-end	0	437

7. Supplementary financial statements

2021/22	Collection fund	2022/23		
		Council Tax	NNDR	Total
£000		£000	£000	£000
	INCOME			
(73,157)	Council Tax payers	(76,561)		(76,561)
(24,067)	Income from business ratepayers (Note 1)		(25,395)	(25,395)
(97,224)	TOTAL INCOME	(76,561)	(25,395)	(101,956)
	EXPENDITURE			
	Precepts			
52,607	Staffordshire County Council	54,743		54,743
9,224	Office of Police and Crime Commissioner Staffordshire	9,711		9,711
3,046	Staffordshire and Stoke on Trent Fire and Rescue	3,138		3,138
4,846	South Staffordshire	5,092		5,092
2,340	Parishes	2,420		2,420
	Business Rates			
10,847	Payments to Government		11,087	11,087
2,149	Payment to Staffordshire County		2,167	2,167
218	Payment to Fire and Rescue		219	219
13,667	Payment to South Staffordshire		13,803	13,803
105	Cost of collection		104	104
	Bad and Doubtful Debts			
255	Provisions	101	39	140
(344)	Write offs	(160)	(63)	(223)
2,184	Provision for appeals		71	71
(9,991)	Transfer of collection fund surplus/(deficit)	1,260	(7,747)	(6,487)
86,786	TOTAL EXPENDITURE	76,305	19,680	95,985
(10,438)	Deficit/(surplus) for the year	(256)	(5,715)	(5,970)
	Collection Fund Balance			
9,485	Balance brought forward at 1 April	(2,766)	1,814	(954)
(10,438)	Deficit/(surplus) for the year	(255)	(5,715)	(5,970)
(953)	Balance carried forward at 31 March	(3,021)	(3,903)	(6,924)
	Allocated to:			
449	South Staffordshire	(302)	(1,561)	(1,863)
(1,854)	Staffordshire County Council	(2,202)	(351)	(2,553)
(356)	Office of Police and Crime Commissioner Staffordshire	(390)		(390)
(98)	Staffordshire and Stoke on Trent Fire and Rescue	(126)	(39)	(165)
(1,859)	Total (Excluding Central Government)	(3,020)	(1,951)	(4,971)
906	Central Government		(1,952)	(1,952)
(953)		(3,020)	(3,903)	(6,923)

8. Notes to the Collection Fund

1. Non-domestic rates (Income from business rate payers)

The Council collects Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

Local authorities retain a proportion of the total collectable rates. South Staffordshire Council's local share is 40%. The remaining 60% is split between Central Government (50%), Staffordshire County Council (9%) and Stoke-on-Trent and Staffordshire Fire and Rescue Authority (1%).

The total Non-Domestic Rateable value in the South Staffordshire area as at 31 March 2023 was £71.049 million (£71.269 million as at 31 March 2022). The National Rate set by the government was 49.9p for qualifying small businesses and 51.2 for all other businesses (49.9p and 51.2 respectively in 2021/22).

In April 2019 South Staffordshire Council became part of a 75% pilot business rates pool which is managed by Cannock District Council. The financial benefit of belonging to the pool is that tariff authorities like South Staffordshire do not have to pay a levy on business rates growth to central government. Instead, the levy is retained by the pool partly to support local infrastructure projects and partly for redistribution to member authorities.

8. Notes to the Collection Fund

2. Council Tax base

The Council's tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted into an equivalent number of Band D properties. A collection rate of 99% has been assumed in the calculation of the tax base.

The council tax base for 2022/23 is 39,066.18 (38,664.30 in 2021/22).

In 2013/14, the local government finance regime was revised, and Council Tax Benefit is no longer received by the Council. This has been replaced by a Council Tax Reduction Scheme which is administered in each Authority.

The tax base for 2022/23 was calculated as follows:

Figures are estimates used for setting tax for 2022/23	No. of dwellings in 2022/23 (adj. for discounts)	Ratio	No. of Band D equivalent properties
Band A* (qualifying for disabled relief)	13.09	5/9	7.27
Band A	4,301.73	6/9	2,867.82
Band B	8,162.15	7/9	6,348.34
Band C	9,749.94	8/9	8,666.61
Band D	6,593.64	9/9	6,593.64
Band E	4,995.52	11/9	6,105.64
Band F	3,257.92	13/9	4,705.88
Band G	2,284.55	15/9	3,807.59
Band H	179.00	18/9	358.00
Total	39,537.54		39,460.79
Other adjustments			(394.61)
Total Band D equivalents			39,066.18

8. Notes to the Collection Fund

3. Precepts

The following authorities have made a significant precept or demand on the Collection Fund of the Council:

Precepting Authority	2022/23	2021/22
	£000	£000
Staffordshire County Council	54,743	52,607
Office of the Police and Crime Commissioner	9,711	9,224
South Staffordshire District Council	5,092	4,846
Stoke-on-Trent and Staffordshire Fire Authority	3,139	3,046
Parish Councils	2,420	2,340
	75,105	72,063

8. Notes to the Collection Fund

Details of the individual Parish precepts are set out below:

Precepting Authority	2022/23	2021/22
	£000	£000
Acton Trussell, Bednall and Teddesley Hay	28,000	24,500
Bilbrook	92,000	87,000
Blymhill and Weston-under-Lizard	6,000	5,500
Bobbington	5,125	4,875
Brewood	168,485	165,241
Cheslyn Hay	212,130	200,774
Codsall	187,266	183,553
Dunston with Coppenhall	4,400	4,200
Enville	7,270	7,090
Essington	140,000	175,000
Featherstone	93,236	90,083
Great Wyrley	196,361	187,100
Hatherton	18,900	18,000
Hilton	6,240	6,240
Himley	11,250	11,000
Huntington	92,000	92,103
Kinver	153,975	134,709
Lapley, Stretton and Wheaton Aston	115,561	105,561
Lower Penn	16,560	16,545
Pattingham and Patshull	46,209	47,750
Penkridge	270,000	250,000
Perton	215,000	210,000
Saredon	20,621	19,962
Shareshill	24,103	23,630
Swindon	18,200	18,200
Trysull and Seisdon	32,150	30,150
Wombourne	238,736	221,052
	2,419,778	2,339,818

8. Notes to the Collection Fund

4. Provisions for doubtful debts and for valuation appeals

Provision for Council Tax doubtful debts

The Collection Fund account provides for doubtful debts on arrears on the basis of prior year experience and current year collection rates.

Provision for Council Tax doubtful debts	2022/23	2021/22
	£000	£000
Balance at 1 April 2022	1,222	1,250
Net increase/(decrease) in provision	(58)	(28)
Balance at 31 March 2023	1,164	1,222

South Staffordshire Council's proportion of this provision is shown below.

Provision for Council Tax doubtful debts – South Staffordshire	2022/23	2021/22
	£000	£000
Balance at 1 April 2022	123	125
Net increase/(decrease) in provision	(7)	(2)
Balance at 31 March 2023	116	123

Provision for Business Rates doubtful debts

The Collection Fund account also provides for doubtful debts on business rate arrears.

Provision for Business Rates doubtful debts	2022/23	2021/22
	£000	£000
Balance at 1 April 2022	380	441
Net increase/(decrease) in provision	(24)	(61)
Balance at 31 March 2023	356	380

South Staffordshire Council's proportion of this provision is shown below.

Provision for Business Rates doubtful debts – South Staffordshire	2022/23	2021/22
	£000	£000
Balance at 1 April 2022	152	176
Net increase/(decrease) in provision	(10)	(24)
Balance at 31 March 2023	142	152

8. Notes to the Collection Fund

Non domestic rates – provision for appeals

The Collection Fund account also provides a provision for appeals against rateable values set by the Valuation Office Agency (VOA) not settled as at 31st March 2023. The provision has been increased in 2022/23 to reflect experience in year. This experience is used to inform likely levels of future refunds.

Non domestic rates - provision for appeals	2022/23		2021/22	
	£000	£000	£000	£000
Balance at 1 April		2,149		4,333
- Amount charged to provision	(1,237)		(908)	
- Change in provision (charged to collection fund)	1,308		(1,276)	
Net increase/(decrease) in provision		71		(2,184)
Balance at 31 March		2,220		2,149

South Staffordshire Council's proportion of this provision is shown below.

Non domestic rates - provision for appeals - South Staffordshire	2022/23	2021/22
	£000	£000
Balance at 1 April	860	1,733
Net increase/(decrease) in provision	28	(873)
Balance at 31 March	888	860

9. Annual Governance Statement 2022/23

9. Annual Governance Statement 2022/23

1. Introduction

South Staffordshire Council is committed to improving governance on a continuing basis through a process of evaluation and review in accordance with the Council's governance framework.

Each year the Council is required to produce an Annual Governance Statement (AGS) by the Accounts and Audit (England) Regulations 2015 to be published alongside the Statement of Accounts. The AGS is in accordance with the Guidance issued by Chartered Institute of Public Finance and Accountancy (CIPFA) – Delivering Good Governance in Local Government – issued in 2016. There were no changes to the legal framework or CIPFA guidance for this year.

The key purposes of the governance framework are to ensure that:

- Business is conducted in accordance with the law and proper standards,
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility,
- Proper arrangements for the governance of its affairs, and that
- There are effective arrangements for the management of risk.

The AGS sets out how the corporate governance arrangements have been working and the effectiveness of the systems of internal control during the year. It also sets out any key changes during the financial year up to the date of approval of the Annual Financial Report. This AGS will be formally considered at the meeting of the Council's Audit and Risk Committee on 3 October 2023.

2. The Principles of Governance

South Staffordshire Council's governance framework derives from six core principles identified in Delivering Good Governance in Local Government.

The publication defines governance as:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

It goes on to state that:

To deliver good governance in the public sector both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

9. Annual Governance Statement 2022/23

The guidance sets out six key principles - set out below are the principles and how we aim to meet them:

- a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- b) Ensuring openness and comprehensive stakeholder engagement.
- c) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- d) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- e) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- f) Managing risks and performance through robust internal control and strong public financial management.

9. Annual Governance Statement 2022/23

3. How do we know that our arrangements are working?

Set out below is a table that measures how we are performing against these core principles and any issues identified from the measures in place.

Core Principles from the CIPFA Framework	Assurances required	Sources of assurance	Review of effectiveness
<p>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> <p>Ensuring openness and comprehensive stakeholder engagement</p> <p>Defining outcomes in terms of sustainable economic, social and environmental benefits</p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes -</p> <p>Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> <p>Managing risks and performance through robust internal control and strong public financial management</p>	<p>Delivery of and communication of the Council Plan</p> <p>Quality services are delivered efficiently and effectively</p> <p>Clearly defined roles and functions</p> <p>Management of risk</p> <p>Effectiveness of internal controls</p> <p>Compliance with laws, regulation, internal policies and procedures</p> <p>Value for money and efficient management and resources</p> <p>High standards of conduct and behaviours</p> <p>Public accountability</p> <p>Published information is accurate and reliable</p> <p>Implementation of previous governance issues</p>	<p>The Constitution and internal delegations</p> <p>Council, Cabinet and Committees</p> <p>Audit and Risk Committee</p> <p>Scrutiny including Overview and Scrutiny and Asset Scrutiny Panel</p> <p>Standards and Resources Committee</p> <p>Internal and External Audit</p> <p>Corporate and Extended Leadership Team</p> <p>Council Plan</p> <p>Medium Term Financial Strategy</p> <p>Capital Strategy</p> <p>Codes of Conduct</p> <p>Integrated Performance Management Framework</p> <p>HR policies and procedures</p> <p>Whistleblowing and anti-fraud policies</p>	<p>External Audit Report – opinion</p> <p>Annual Internal Audit Report – substantial assurance</p> <p>Annual Statement of Accounts</p> <p>Local Government Ombudsman Report – no upheld complaints against the Council in 2022/2023</p> <p>Scrutiny reports – including reports from the Asset Scrutiny Panel</p> <p>Residents' survey</p> <p>Annual Governance Statement</p> <p>Staff Surveys</p> <p>LGA Peer Review Report</p>

9. Annual Governance Statement 2022/23

Principle A) - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The standards of conduct and personal behaviour expected of Members and officers are defined and communicated through Codes of Conduct, protocols and the Council's constitution. Arrangements are in place to ensure that officers and members are made aware of what is expected of them and details on how to make a complaint are set out clearly on the Council's website.

Importantly the Council's Standards and Resources Committee meets regularly and receives regular updates on conduct complaints. The Standards and Resources Committee promotes and maintains high standards of conduct by members proactively and deals with any allegations that a Member is in breach of the Council's Code of Conduct. The Council adopted a revised Code of Conduct in May 2022 and training on the revised Code was provided shortly afterwards. Training for all members was provided post May 2023 elections.

A key part of the remit of this Committee is overseeing responsibility for the policy on Comments, Compliments and Complaints, this includes receiving reports on the complaints and comments made by residents and others and the lessons learned as a result. The Committee receives all copies of reports from the Ombudsman and also receives updates to every meeting on any substantial cases.

The Standards and Resources Committee Chairman reports to Council on matters arising from the Committee.

The Council has an Anti-Money Laundering policy in place, as well as a Whistleblowing policy; both of these policies were reviewed in 2021/22 and approved at the January 2022 meeting of the Standards and Resources Committee. The Council last revised its Counter Fraud and Corruption Policy in November 2019. This policy is due to be revised in 2023 and once approved will be disseminated to staff and made available on the Council's website. Any issues regarding any of these policies are reported to the Council's Audit & Risk Committee.

The Section 151 Officer confirms that the Council's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer in Local Government (2010).

9. Annual Governance Statement 2022/23

Principle B) Ensuring openness and comprehensive stakeholder engagement

The Council continues to engage with the community and partners individually and collectively to demonstrate that it delivers services and outcomes that meet the needs and expectations of the public.

All Council meetings are open to the public except where personal or confidential matters are discussed; all main meetings are recorded and the recordings made available on the Council's YouTube channel with a link to this on the Council's website. All public agendas and minutes are placed on the Council's website, along with the Council's policies and strategies. The website has been refreshed with greater accessibility tools and improved search function, ensuring improved access for residents. The Council continues to use Social Media to get the message out as to what is taking place at relevant Committees and also by sharing a weekly note with Parish Councils (which they in turn share with their communities) as to what is happening at the Council this week. This is in addition to the Council's newspaper, the South Staffordshire Review, published twice yearly.

It should be noted that a clear statement of the Council's purpose and vision was set out in the Council Plan 2020-2024. This plan, was agreed by Council in March 2020; this sets out the Council's vision, its approach and its priorities:

- **Prosperous Communities.**
- **Vibrant Communities.**

Again, a series of targets were set and these will be monitored and reported against over the coming plan period. The coronavirus pandemic inevitably impacted on the Council's ability to achieve some of these targets. This was considered by senior management throughout the pandemic and reported through to Councillors. Some targets were amended or suspended in light of this reconsideration. 2023/24 is the final year of the current Council Plan and a new plan will be produced for the 2024-2028 period.

9. Annual Governance Statement 2022/23

Principle C) Defining outcomes in terms of sustainable economic, social and environmental benefits

In addition to the approach taken on Council Plan outcomes detailed above the Council has in place a number of other ways in which it defines the outcomes for its communities. With the onset of the covid pandemic, the priorities for our communities and therefore the Council shifted. The need to change quickly has continued with the impact of the war in Ukraine and the asylum and refugee programmes being two recent examples of the changing and challenging environment for local government. The impact of the increasing cost of living has also been one the Council has had to take into account. Increased call on welfare and support services has been seen and accommodated.

The Council reviewed and continues to do so, the support made available to our residents and businesses to ensure economic and other benefits. A ten point plan for recovery in the economic development area is in place. Like all of the Council plans and policies, environmental impacts are integrated into the plan.

Alongside the response to the challenges and changes faced, financial stability continues to be a priority for the Council. A balanced budget for a three year period continues to be maintained. It is however a challenging time and the Council is aware that significant issues and challenges lie ahead; the Resource Planning and Prioritisation (RPP) process provides a continuous process the ensure this remains at the forefront.

The Council incorporates all elements of performance management into one integrated approach. This is reported to Cabinet on a quarterly basis and to Overview and Scrutiny Committee on half-yearly basis, with an annual report to Council. This provides effective member oversight on all key issues including budget, performance and risk.

9. Annual Governance Statement 2022/23

Principle D) - Determining the interventions necessary to optimise the achievement of the intended outcomes

The approach to performance management is detailed above. A key part of this is the role of Scrutiny by members through the 3 Scrutiny Committees namely Overview and Scrutiny Committee, Wellbeing Select Committee and the Asset Scrutiny Panel and the three Challenge Panels which report to the Overview and Scrutiny Committee. The Challenge Panels have been renamed Member Working Groups for 2023 onwards and a more flexible approach adopted – ensuring these important member groups have the opportunity to be involved in and shape key issues for the Council and residents. In October 2022 a peer review was carried out by the Local Government Association (LGA) this can be seen [here](#). The Peer Review overall gave a positive report recognising the organisation as a “very impressive council which is clearly focused on delivering for the communities of South Staffordshire”. A follow up meeting is scheduled for July 2023 and results of that will be reported to Overview and Scrutiny Committee in the autumn.

The Council has a learning culture, seeking to take examples of best practice and build on these within the existing positive environment. The Council takes opportunities to learn from others including engaging with Peer Reviews at other authorities, and taking part in the IESE Council of the Year events.

Principle E) - Developing the entity’s capacity, including the capability of its leadership and the individuals within it

The Council has looked to develop a workforce that looks to do things differently in order to meet both the financial challenges we face and to further strengthen our communities. This approach has continued in 2022/2023 and continues to date; whilst the terminology may have changed, the approach of continuous challenge and change remains. A key element is the Council’s Resource Planning and Prioritisation process (RPP). Whilst structured on an annual basis to tie-in with budget setting, the RPP process is a continual one with regular meeting between CLT and the Assistant Directors to track and challenge progress and issues throughout the year. In addition, the Assistant Directors have undertaken a piece of work mapping the key deliverables and how these interact across the Council to ensure forward planning minimises any potential negative impacts and maximises the benefits. This was originally termed a ‘pinch points’ exercise but has expanded and developed to incorporate the service priorities across the Council, feeding into service planning.

Evolution Programme has been introduced to continue to provide operational clarity of direction over the next four years. The Programme builds on the culture and environment of the council and sets out four key operational strands. This will be built upon and taken forward in future years.

The Council remains committed to developing its staff and has a comprehensive Workforce Strategy which seeks to align workforce plans with our RPP model, providing strategic direction for workforce planning. Alongside this, there is a Wellbeing Strategy addressing and expanding the support offered to staff. In 2022 a senior leadership coaching programme was held to enhance the skills of CLT and Assistant Directors and then Team Managers. It is proposed that this will be extended to Assistant Team Managers in 2023.

9. Annual Governance Statement 2022/23

In a staff survey undertaken in 2022 93% of staff surveyed would recommend the council as a place to work.

The Council remains committed to a One Team One Council approach to development, performance management and recruitment of staff and that the key five values of trust: transparency, positive relationships, listening to people and pride are embedded into the organisation.

In 2022/23 the Council:

- Commenced the next round of the Aspire programme - for developing future talent and for being your best self
- Continued the 'Ways of working' supported by training programme
- Continued to consider the recruitment of apprentices where possible

A new recruitment platform was launched, with applicants commenting positively in respect of the look and functionality. The Council is seeking to be an Employer of Choice and has a number of offers in this area.

Alongside staff development the Council prioritises member engagement and development focusing on three key areas:

- **Information** - sharing information with members in a timely and effective way
- **Engagement** - Members have a clear focus of local priorities through the ongoing development of locality working and a number of mechanisms are in place to ensure engagement with officers
- **Training** - Members are kept up to date on key topical areas through regular training opportunities

Members receive a monthly communications note from the Leader of the Council and regular communications from the Chief Executive and CLT on key matters. There is a bespoke weekly news round-up distributed by email to all members, capturing key events and news items of interest to members. The CEO meets with Group Leaders on a quarterly basis and the Leader of Council and Deputy Leader weekly and is joined by CLT colleagues. Virtual ward walks, giving members the opportunity to raise local issues and strategic matters with members of CLT have been held and post May 2023 elections these are being held in person, giving members the opportunity to showcase their wards alongside highlighting any local issues. The Leader and the Chief Executive meet with Parish Chairmen to ensure close engagement and working with this level of local government.

Training for members has continued in key areas such as planning and Code of Conduct. The training for members is co-ordinated by a panel of members known as the Member Engagement and Training Group; this meets quarterly and regularly reviews and challenges the training provided for members. In 2022 training took place for members but was limited due to the forthcoming May 2023 all-out elections. Post election, a comprehensive member induction and training programme, with LGA support, has been put in place; ensuring members are equipped to undertake their role and to ensure sound decision making.

9. Annual Governance Statement 2022/23

Principle F) - Managing risks and performance through robust internal control and strong public financial management

The Council considers and counters risk across a broad range of areas supported by an approved risk management approach. As part of good governance risk management is built into the Integrated Performance Management Framework alongside budget management and performance. These reports are taken by the Council's Corporate Leadership Team to Cabinet for its approval.

Reports on risk are also taken regularly to the Council's Audit & Risk Committee.

The Audit & Risk Committee met regularly during the year to consider regular reports from internal audit on systems reviews, quarterly risk management reports from the responsible s.151 officer and the Annual Audit and Inspection Letter.

The Internal Audit section has delegated responsibility for monitoring the effectiveness of systems of internal control, beyond the merely financial, and plays an important role in the Council's risk management processes. The audit plan is based upon formal risk assessment methodologies and is approved by the Audit and Risk Committee each year. Audit reports, including assessments of the adequacy of controls and recommendations for improvements, are sent to the responsible officers and the Audit and Risk Committee. Recommendations must be either accepted, with an appropriate action plan, or rejected with reasons given. Regular reviews follow up on the implementation of agreed recommendations.

The Audit & Risk Committee receives regular reports on the work of Internal Audit. Where specific problems are found the manager will be called to the Audit & Risk Committee to explain the situation and present their plans for improvement. This will be followed up in a subsequent report by Internal Audit.

As set out above regular reports are brought to Cabinet on compliance with the budget during the year, as part of the integrated Performance Management Framework. This is in addition to the approach taken on setting the budget, where all members have been involved at an early stage in the budget setting process. As part of the RPP process Cabinet and all members are engaged at an early stage with briefings on key issues, risks and opportunities undertaken from July; this is then followed by a more detailed session in late Autumn setting out options and budget implications. Then in January the final round of RPP sessions are held prior to the formal budget setting process.

In 2021 the Council entered into a shared service arrangement with Staffordshire County Council for its internal audit function. This gives greater resilience and provides a wide pool of expertise and experience benefiting the council going forward.

9. Annual Governance Statement 2022/23

4. Review of effectiveness

South Staffordshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the Corporate Leadership Team and the Extended Leadership Team within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the system of governance includes the following elements:-

- **Governance and monitoring of the constitution** - The Council's Monitoring Officer is responsible for governance and reviewing the Constitution on a regular basis in order to ensure that it continues to operate effectively – this has taken place on a number of occasions including the annual review which went to Annual Council on 23 May 2023.

No significant issues have been identified.

- **Scrutiny and challenge** - Self-regulation is key to the Local Government performance management framework in England - ultimately the Council is responsible for its own performance. This takes place internally through the Corporate and Extended Leadership Team and through members. It is clear that there is regular and careful scrutiny of the Council's performance against its targets. A key part of this is through the formal scrutiny process but also through the Member Working Groups. Overview & Scrutiny has provided a method for members to look at key areas including performance against the priorities. This has helped inform the approach taken by Cabinet, officers and wider partners.

No significant issues have been identified.

- **Audit functions**

External audit - A critical part of this framework is the role of external audit providing advice and challenge where appropriate including supporting the training programme for members. It is pleasing to note that there has been no qualification issue on the accounts in previous years. The Council has also received unqualified conclusions on its arrangements to secure value for money.

Financial arrangements - The Section 151 Officer confirms that the Council's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer in Local Government (2010).

Internal audit - In 2022/23 the internal audit service carried out 22 reviews and of these:

- **9 were rated Substantial Assurance;**
- **9 were rated Adequate Assurance;**
- **2 were rated Limited Assurance;**
- **2 were not rated as they were advisory.**

9. Annual Governance Statement 2022/23

The overall conclusion of the Chief Internal Auditor was that there was substantial assurance.

Of the seven High Level Audit recommendations outstanding from 2021/22 there were four were in progress as at June 2023 and details of these have been reported to the Audit & Risk Committee on 11 July 2023.

In terms of the limited assurance reports, these are circulated to members of the Audit and Risk Committee, prior to presentation at the Committee. Immediate steps have been put in place to address the issues raised or are in progress. The officers responsible will be attending the Committee meetings to explain the response and will be reporting back to future Committee meetings on the steps taken. As stated above there is a robust process in place to ensure that high level recommendations are implemented and this will continue.

There is a need to finalise the revised version of the Anti-Fraud policy, and this will be undertaken in 2023/24.

Conduct - Standards - The Standards and Resources Committee inputted into the consultation on the Model Code of Conduct and recommended the adoption of the new Code to Council.

The Monitoring Officer has no significant issues to raise.

5. Conclusion

The Review of Effectiveness has found the arrangements for the Governance Framework to be fit for purpose.

The following action points have been identified:

- Implementation of High-Level recommendations made in 2022/23
- Issue of revised Anti-Fraud Policy

These will be addressed in 2023/2024 and reports will be brought to the Audit & Risk Committee on progress during the year.



Roger Lees BEM
Leader of the Council

28 March 2024



Dave Heywood
Chief Executive

28 March 2024

10. Independent Auditor's report

Independent auditor's report to the members of South Staffordshire Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of South Staffordshire Council (the 'Authority') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance (s151 Officer)'s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance (s151 Officer)'s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Finance (s151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director Resource with respect to going concern are described in the relevant sections of this report.

10. Independent Auditor's report

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance (s151 Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are 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 the 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.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts 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, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Corporate Director Resource

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance (s151 Officer). The Director of Finance (s151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal

10. Independent Auditor's report

control as the Director of Finance (s151 Officer) 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 Director of Finance (s151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit and Risk Committee concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- the use of journal entries
- estimates and the use of unsupported or favourable assumptions which demonstrate indications of potential management bias

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of property and net pension liability valuations and calculation of material provisions
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

10. Independent Auditor's report

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
 - » the provisions of the applicable legislation
 - » guidance issued by CIPFA/LASAAC and SOLACE
 - » the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.
- A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority'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 Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority'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 Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. 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 Authority plans and manages its resources to ensure it can continue to deliver its services;

10. Independent Auditor's report

- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements - Audit Certificate

We certify that we have completed the audit of South Staffordshire Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority'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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Avtar Sohal

Avtar Sohal, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

28 March 2024

11. Glossary of terms

10. Glossary of Terms

We have followed CIPFA's Code of Practice on Local Authority Accounting in Great Britain in putting together our statement of accounts for 2021/22. We have adopted the terms detailed below.

Accounting period

This is the length of time represented by the Statement of Accounts. It is normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accrual

This is one of the main accounting concepts and ensures that income and expenditure are shown in the accounting period that they are earned or incurred, not as money is received or paid.

Amortisation

This is a charge made to the revenue account each year that reflects the reduction in the value of intangible long-term assets used to deliver services.

Asset

An asset is something that an organisation owns that has a monetary value. Assets are either 'current' or 'long-term'.

- A current asset is one that will be used or cease to have material value by the end of the next financial year.
- A long-term asset provides an organisation with benefits for a period of more than one year.

Audit of accounts

An audit is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

Balance Sheet

The Balance Sheet is a financial statement that summarises an organisation's assets, liabilities and other balances at the end of each accounting period.

11. Glossary of terms

Budget

A budget is a financial statement that expresses an organisation's service delivery plans and capital programmes in monetary terms.

Capital adjustment account

This reflects the difference between the cost of long-term assets consumed and the capital financing set aside to pay for them.

Capital charges

This is a charge made to an organisation's revenue accounts to reflect the cost of utilising long-term assets in the provision of services.

Capital expenditure

This is expenditure for the acquisition of a long-term asset that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing long-term asset.

Capital financing

This term describes the various sources of money used to pay for capital expenditure. Those that are applicable to South Staffordshire Council are usable capital receipts, capital grants, capital contributions and earmarked reserves.

Capital financing requirement

This is a summary of the effect of the financing and affordability decisions taken by the Council. It measures the Council's underlying need to borrow as a result of capital investment.

Capital programme

This is a financial summary of the capital schemes that the Council intends to carry out over a specified time period.

11. Glossary of terms

Capital receipt

A capital receipt is the income that results from the sale of land or property. The Government decides the proportion of each capital receipt that can be used to finance new capital expenditure. Capital receipts cannot be used to fund revenue services.

Cash and cash equivalent

Cash is represented by cash in hand and on demand deposits. Cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.

CIPFA

These letters stand for the Chartered Institute of Public Finance and Accountancy.

Collection Fund

A separate fund recording the expenditure and income relating to council tax and non-domestic rates.

Community assets

This is the land and property South Staffordshire Council intends to own forever. They generally have no determinable useful life and there are often restrictions regarding their sale. Examples of South Staffordshire's community assets are Baggeridge Country Park and associated open spaces.

Componentisation

This is where an item of property, plant and equipment with a cost that is significant in relation to the total cost shall be depreciated separately. Componentisation is applied for depreciation purposes on enhancement, acquisition expenditure and revaluations.

11. Glossary of terms

Comprehensive Income and Expenditure Account

This shows the cost in the year of the Council providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.

Consistency

This is one of the fundamental accounting concepts. It requires accountants to treat similar items of income and expenditure the same way - both within an accounting period and from one accounting period to the next.

Creditor

This is the amount of money the Council owes to others for goods and services that were supplied in the accounting period but not paid for at the financial year end.

Debtor

This is the amount of money that is owed to the Council for goods and services that were provided during the accounting period but the income was not received at the financial year end.

Depreciation

This is a charge made to the revenue account each year that reflects the reduction in the value of land, property or equipment used to deliver services.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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 service teams. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

11. Glossary of terms

Finance lease

This is a lease where it is judged that substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee (the Council).

Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another. The term 'financial instrument' covers both financial assets and liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives and embedded derivatives.

Government grants

These are grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some Government grants have restrictions on how they may be used whilst others are for general purpose.

Heritage assets

A heritage asset is an asset that is either tangible or intangible and is held principally for its contribution to knowledge or culture.

Housing (ACT) advances

These are loans that the Council has previously made to individuals to help fund the cost of constructing, acquiring or improving homes. Loans to individuals are termed mortgages.

Housing benefits

This is the national system for providing financial assistance to individuals towards certain housing costs. South Staffordshire Council administers the scheme for South Staffordshire residents. The Government subsidises the cost of this service.

11. Glossary of terms

IFRS

International Financial Reporting Standards advise the accounting treatment and disclose requirements of transactions so that a Council's accounts 'present fairly' the financial position of the Council. The Code of Practice on Local Authority Accounting in the United Kingdom has adopted these standards for financial statements produced from 2010/11.

Impairment

This is a reduction in the value of a long-term asset as shown in the Balance Sheet to reflect its true value.

Income

This is the money that the Council receives or expects to receive from any source including fees, charges, sales, grants and interest.

Intangible asset

This is a non-monetary asset that is without physical substance, for example software.

Inventories (formally 'Stocks')

These are items of stores that the Council has purchased to use on a continuing basis but remain unused at the financial year end.

Investment property

A property used solely to earn rentals and/or for capital appreciation.

11. Glossary of terms

Liability

This is a sum of money that the Council owes to third parties at the Balance Sheet date. There are several types of liability

- A current liability is a sum of money that will or may be payable during the next accounting period. Examples include creditors or cash overdrawn.
- A long-term liability is a sum of money that is not payable until after the next accounting period or is paid off over a number of accounting periods.

Materiality

This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council.

Non-domestic rate

This is a national scheme for collecting contributions from businesses towards the cost of local government services. Each business property has a rateable value. The Government determines how much a business has to pay per £ of rateable value each year.

Non-operational assets

These are long-term assets owned by the Council that it does not directly occupy or use in the delivery of services. Examples are investment properties or assets that are surplus to requirement. South Staffordshire Council does not classify any of its assets as non-operational.

Operating lease

This is a lease where the ownership of a long-term asset and the risks and rewards incidental to ownership of said asset remain with the lessor (third party).

11. Glossary of terms

Operational assets

These are the long-term assets owned by the Council that it occupies or uses to deliver services.

Precept

This is the levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

Provision

This is a sum of money that has been put aside in the accounts for liabilities or losses that are due but where the amount due or the timing of the payment is not known with any certainty.

Prudence

This is one of the main accounting concepts. It ensures an organisation only includes income in its accounts if it is sure it will receive the money.

Rateable value

The annual assumed rental value of a property that is used for non-domestic rates purposes.

11. Glossary of terms

Related parties

Two or more parties are deemed related parties when at any time during the accounting period:

- One party has direct or indirect control of the other party.
- The parties are subject to common control from the same source.
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests.
- The parties, in entering into a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests.

South Staffordshire Council's related parties include:

- Central Government.
- Other Local Authorities, Police Authorities and other bodies that precept or levy demands on the council tax.
- Its Members.
- Its Chief Officers.

For individuals identified as related parties, the following are also presumed to be related parties:

- Members of the close family or household.
- Partnerships, companies, trusts or other entities that the individual, or a member of their close family or household, has a controlling interest in.

Related party transactions

A related party transaction is the transfer of assets, liabilities or services between the Council and its related party irrespective of whether a charge is made.

Examples of related party transactions include the:

- Purchase, sale, lease, rental or hire of assets between related parties.
- Provision of a guarantee to a third party in relation to a liability or obligation of a related party.
- Provision of services to a related party.
- Transactions with individuals who are related parties of the Council, except those that are also made to other members of the community such as council tax, rents and payments of benefits.

The materiality of related party transactions is judged both in terms of its significance to the Council and to the related party.

11. Glossary of terms

Reserves

Reserves are the Council's savings. A reserve results from the accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the Council's discretion.

Residual value

This is the net realisable value of a long-term asset at the end of its useful life.

Revenue expenditure

The day to day expenses associated with the provision of services.

Revenue expenditure funded from capital under statute

This is expenditure that counts as capital expenditure but it doesn't create an asset that belongs to the Council. The expenditure is charged as an expense to the revenue account. An example of Revenue Expenditure Funded from Capital under Statute is a capital grant made by South Staffordshire to another organisation or person.

Revenue support grant

A general grant paid by the Government to local authorities as a contribution towards the cost of their services.

Temporary borrowing

This is a sum of money borrowed for a period of less than one year.

Termination benefits

Amounts payable as a result of the Council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

12. Index of Explanatory Notes

Index of explanatory notes to the Core Financial Statements

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