TO:- Audit and Risk Committee

Councillor John Michell , Councillor Andrew Adams , Councillor Barry Bond M.B.E. , Councillor Steph Dufty , Councillor Christopher Evans , Councillor Warren Fisher , Councillor Martin Perry , Councillor Sue Szalapski

Notice is hereby given that a meeting of the Audit and Risk Committee will be held as detailed below for the purpose of transacting the business set out below.

Date: Tuesday, 28 November 2023
Time: 16:00
Venue: Council Chamber, Council Offices, Wolverhampton Road, Codsall, South Staffordshire, WV8 1PX

D. Heywood
Chief Executive

A G E N D A

Part I – Public Session

1 Minutes **1 - 2**
To approve the minutes of the Audit and Risk Committee meeting of 3 October 2023.

2 Apologies

To receive any apologies for non-attendance.

3 Declarations of Interest

To receive any declarations of interest.

4 Annual Auditor's Letter **3 - 64**
Report of the External Auditor

5 Statement of Accounts 2022/23 **65 - 192**
Report of the Section 151 Officer
Statement of Accounts to follow

6	Q2 Treasury Management Update Report of the Section 151 Officer	**193 - 202**

7 Exclusion of Press and Public

To resolve that the Press and Public be excluded from the meeting during consideration of the following items on the grounds that they are likely to involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12(A) to the Local Government Act 1972.

8 Internal Audit Report - Codsall Leisure Centre

This item is exempt in accordance with Schedule 12A Local Government Act 1972

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

9 Debtors and Debt Recovery Update

This item is exempt in accordance with Schedule 12A Local Government Act 1972

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

RECORDING

Please note that this meeting will be recorded.

PUBLIC ACCESS TO AGENDA AND REPORTS

Spare paper copies of committee agenda and reports are no longer available. Therefore should any member of the public wish to view the agenda or report(s) for this meeting, please go to www.sstaffs.gov.uk/council-democracy.

Minutes of the meeting of the **Audit and Risk Committee** South Staffordshire Council held in the Council Chamber Community Hub, Wolverhampton Road, Codsall, South Staffordshire, WV8 1PX on Tuesday, 03 October 2023 at 16:00

Present:-

Councillor Andrew Adams, Councillor Steph Dufty, Councillor Christopher Evans, Councillor John Michell, Councillor Martin Perry, Councillor Sue Szalapski

16 MINUTES

RESOLVED: that the minutes of the meeting of the Audit and Risk Committee held on 11 July be approved and signed by the Chairmen.

17 APOLOGIES

Apologies were received from Councillor Bond MBE.

18 DECLARATIONS OF INTEREST

There were no declarations of interest.

19 ANNUAL GOVERNANCE STATEMENT

RESOLVED: That Audit & Risk Committee support the attached draft Annual Governance Statement 2022/23 (at Appendix 1).

20 QUARTERLY TREASURY MANAGEMENT REPORT: QUARTER 1 - 01.04.23 TO 30.06.23

RESOLVED: Members were asked to note the position as set out in the report.

21 INTERNAL AUDIT PROGRESS REPORT

RESOLVED: To note the internal audit activity to date.

22 APPROVAL OF THE COUNTER FRAUD AND CORRUPTION POLICY

RESOLVED: To approve the revised Counter Fraud and Corruption Policy.

23 EXCLUSION OF PRESS AND PUBLIC

RESOLVED - that the Press and Public be excluded from the meeting during consideration of the following items on the grounds that they are likely to involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12(A) to the Local Government Act 1972.

24 REVIEW OF THE INTERNAL AUDIT REPORT - DEBTORS AND DEBT RECOVERY

This item is exempt in accordance with Schedule 12A Local Government Act 1972

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

The Meeting ended at: 17:30

CHAIRMAN

Auditor's Annual Report on South Staffordshire Council

2022/23

November 2023

Contents

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

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements		Direction of travel
Financial sustainability	No risks of significant weakness identified.	G	Our work did not identify any areas where we considered that key or improvement recommendations were required.	A	We made two improvement recommendations. The Council has addressed one regarding profiling of capital expenditure. The other, regarding sensitivity of commercial income, will be addressed in February 2024 as part of the budget setting report.	↑
Governance	No risks of significant weakness identified.	A	Our work did not identify any areas where we considered that key or improvement recommendations were required. However, the two improvement recommendations made in the prior year still need to be addressed.	A	We made two improvement recommendations around risk management. Neither of these had been addressed by 31 March 2023. We recommend that they are addressed in 2023/24.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	A	No significant weaknesses in arrangements identified, but one improvement recommendation made to support the Council in improving arrangements for providing assurance over the accuracy of performance information.	G	Our work did not identify any areas where we considered that key or improvement recommendations were required.	↓

G No significant weaknesses in arrangements identified or improvement recommendation made.
A No significant weaknesses in arrangements identified, but improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)

Financial sustainability

At 31 March 2023 the Council General Fund balance stood at £8.672m. This represents a very healthy level, with expenditure on Council services in 2022/23 being £11.715m. However, the Council's financial planning shows that, without action, reserves would be depleted by 31 March 2027. The Council is not proposing to develop any large scale savings or cost reduction schemes – preferring instead to plan for increased commercial income from a number of sources – thus reducing the risk of too much reliance on one source. Given the ongoing uncertainty around local government finance this approach is reasonable in the short term.

Arrangements in respect of financial planning, budget setting and control are all sound. We have no recommendations to make.

Governance

Overall the Council has sound arrangements in place, but there is scope to further enhance risk management reporting by implementing the two improvement recommendations we made in our prior year Auditor's Annual Report. The Council has appropriate arrangements in place in respect of internal audit provision, prevention and detection of fraud, climate change, gifts and hospitality and declarations of interest and procurement. Reports to Members ensure that they can make properly informed decisions and senior officers lead the way in terms of standards and behaviours. We have not made any further improvement recommendations.

Improving economy, efficiency and effectiveness

Overall the Council has sound arrangements in place, but we have made one improvement recommendation on page 17 as there is scope for the Council to obtain more robust assurance over the accuracy of reported performance (non financial) information. The Council makes good use of key performance indicators, reporting quarterly on 23 which underpin delivery of its priorities. The Council also ensures it learns from others through peer reviews and benchmarking.

Financial Statements opinion

We are nearing completion of our audit of your 2023/23 financial statements. We are currently awaiting a response from the auditor of the Staffordshire Pension Fund in order to conclude our work regarding the Council's net pension fund liability.

Further details are set out on page 22.

Use of auditor's powers

We bring the following matters to your attention:

	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 19.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit & Risk Committee
- Considering the work of internal audit
- Reviewing reports from third parties
- Reviewing the Council's Annual Governance Statement and other publications

The current LG landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)

Local context

South Staffordshire Council is one of eight lower tier councils in Staffordshire, working with Staffordshire County Council and local parish councils in a three tier local government system. The population is around 110,000, with a population density of 700 per square mile. The population is predominantly (98%) White. When compared to England, South Staffordshire has a lower proportion of children aged under five, under 16 and people aged 16-64. There is, however, a higher proportion of residents who are aged 65 and over.

The overall population of South Staffordshire is projected to increase in the period 2020-2030 by 3%, with a significant growth in people aged 65 and over (19%) and aged 85 and over (47%). The rate of increase in the number of older people in South Staffordshire is faster than the England average and equates to 6,600 additional residents aged 65 and over by 2027.

Overall life expectancy of South Staffordshire residents is higher than the national average; men are expected to live until the age of 81 and women until the age of 84. The healthy life expectancy of residents living in South Staffordshire however, is 66 years of age; this in conjunction with the predicted increase in the number of people over 65 in the next 10 years will have increased implications on health and social care provision.

Currently, the percentage of South Staffordshire residents on the dementia, diabetes and hypertension registers is higher than the national average and similarly for adult and child obesity.

The Council is Conservative controlled, with local MPs also being Conservative. The Council is well run, and in 2022 was awarded the iESE UK Council of the Year. Reserves are relatively high, and will be used to address budget deficits in the medium term. Reserves are forecast to last until the end of 2026/27 at least, even if no action is taken. However, the Council anticipates that increased commercial income and business rates will allow it to prepare a balanced budget, without the need to use reserves, in the longer term.

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Short and medium term financial planning

The Council has appropriate arrangements in place to ensure that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them.

2022/23 financial performance

The Council's final net revenue budget against Council Services was £11.239m. The actual net revenue spend against these services was £11.715m. The overspend of £0.476m was funded through Earmarked Reserves. Total Expenditure was higher, with a budget of £16.239m and expenditure of £15.983m. The difference is primarily due to expenditure, which Is matched by income, of £5.141m on the Enterprise Zone and some technical accounting adjustments.

The approved capital programme was £21.834m, but only £6.000m was spent. The failure of a significant contractor delayed one scheme, and the Council recognised that profiling needed to improve, as we recommended in our prior year report, so the capital budget was largely "notional". This has been actioned for 2023/24, as explained on page 12.

2023/24 financial planning

Financial planning ensures that local government funding settlements are reflected in the annual budget and medium term financial planning reports. These reports also include reasonable assumptions around business rates and growth in the council tax base (roughly 300 properties a year on a base of 40,000).

The pay and general inflation assumptions made in the 2022/23 budget were reasonable based on information available at the time. In reality inflation was higher for longer than expected. For the 2023/24 budget setting process, which reported in February 2023, the Council has assumed pay inflation of 5% and general inflation of 2%. The latter figure is, with the benefit of time, on the optimistic side. The Council anticipated this, noting "*If possible, budget holders will be expected to find necessary efficiencies to maintain expenditure within budgetary constraints.*"

The Council manages its finances over the medium term - currently to 2027/28, and there are no plans to sell assets to support revenue expenditure.

The Council recognises the importance of climate change and publishes its own carbon use on the website. The Medium Term Financial Strategy (MTFS) includes an annual budget for climate change staffing of between £50 - £60k a year.

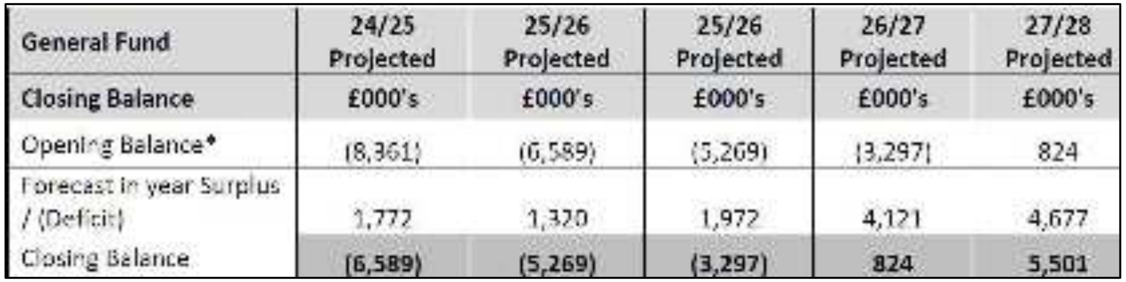
Financial sustainability (continued)

Short and medium term financial planning (continued)

Medium Term Financial Planning

The MTFS 2023/24 - 2027/28 and 2023/24 Budget presented to Cabinet in January 2023 notes that the General Fund balance was projected to be £3.3m at the end of 2025/26, but to be negative by £0.8m by the end of 2026/27. The table below, taken from the draft 2022/23 financial statements, shows that, with reserves at 31 March 2023 being £0.31m higher than expected, the Council is forecasting that, without appropriate action, the General Fund balance would (theoretically) be negative by around £5m by 31 March 2028.

The MTFS report noted "*It is clear therefore that before 2026/27 a combination of further savings, increased income levels, or more favourable local government settlements will be necessary to ensure above minimum levels of reserves over a five-year term.*"



General Fund	24/25 Projected	25/26 Projected	25/26 Projected	26/27 Projected	27/28 Projected
Closing Balance	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
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.

On the next page we comment on the Council's arrangements to address the financial challenge.

The Council's performance against key financial and performance metrics is set out in this table.

	2022/23	2021/22
Planned revenue expenditure	£16.239m	£14.932m
Actual revenue expenditure	£15.983m	£13.140m
Planned capital spend	£21.998m	£31.759m
Actual capital spend	£6.406m	£11.522m
Planned savings target (recurrent/non-recurrent)	£0	£0
Actual savings delivered (recurrent/non-recurrent)	£0	£ 0
Year-end cash position	£18.022m	£ 26.601m

Financial sustainability (continued)

Identifying savings

While there is clearly a funding challenge in the longer term, the Council has appropriate arrangements in place to bridge its funding gaps and identify achievable savings.

The Council policy is to maintain General Fund balances at £1.500m or above. As shown on the previous page, current forecasts indicate that this will be possible until around March 2027. The Council does not anticipate needing to develop savings plans - it anticipates that increased or ongoing commercial income will allow a balanced budget to be set, without the need to use reserves, in the medium to longer term. Commercial income includes benefitting from being able to lend at higher interest rates, renting out surplus office space, business rates income from a new industrial park and the Fair Funding Review being further delayed. The Council ensures that it keeps up to date with inward investment and the opportunities this presents for business rates growth, with scenario analysis and modelling undertaken through the MTFP process. Reserves will be used in the shorter term, until these additional income streams are realised.

While this approach is reasonable in the medium term, the Council will need to ensure that any slippage in forecast income is offset in other ways – including identifying savings if necessary – to ensure that the £1.500m General Fund balance can be maintained. Given reserves are projected to be sufficient for four years, even without further action, we have not made an improvement recommendation at this stage.

Financial planning and strategic priorities

The Council has appropriate arrangements in place to plan finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. There is a clear link between the priorities included in the Council Plan 2020-24 and the Medium Term Financial Strategy and annual budget.

The Council does not see sufficient value in distinguishing between core statutory and discretionary expenditure. This is explained in the management response to our improvement recommendation from our 2020/21 Auditor's Annual Report. However, it is clear that expenditure supports corporate objectives. The Council Plan 2020-24 sets out how expenditure has been prioritised to support the objectives of "Prosperous Communities" and "Vibrant Communities". The Plan then shows how Council expenditure is split between these two areas. For example - £7.9m investment in the community and business hub, owning £30m of industrial estates, spending £0.190m on green flag parks and £2.7m on maintaining four leisure centres.

Financial sustainability (continued)

Financial planning and other operational plans

The Council has appropriate arrangements in place to ensure that its financial plan is consistent with other plans such as workforce, capital and investment.

Workforce Planning

The "Workforce Development Strategy 2022-2025“ sets out how the Council will work with its staff to meet current challenges and new ways of working. It includes an action plan, none of which require specific focus in the MTFS - they are around leadership, training and recruitment. The Workforce Strategy seeks to align workforce plans with the Resource Planning and Prioritisation (RPP) process model, providing strategic direction for workforce planning.

Capital Planning

The Council has a capital plan which is aligned to its priorities. Higher value schemes include the Wombourne Enterprise Park redevelopment, restoration of a unit damaged by fire and Wombourne Leisure Centre. These major schemes have been subject to delays, but these are not unusual and there is no evidence of schemes being postponed or cancelled inappropriately.

In our previous Auditor's Annual Report we made an improvement recommendation that *“The Council should review the profiling of its capital programme to ensure a realistic assessment of project delivery is made at the outset and any slippage is reprofiled throughout the financial year as it occurs.”* The Medium Term Financial Strategy presented to Council in February 2023 includes profiling of the capital expenditure. However, as set out on page 10, capital expenditure in year has been significantly below plan for the last two years. The reasons for this slippage are clearly set out in reports and are reasonable, and we have not made a further improvement recommendation.

Treasury Management

The "Treasury Management Strategy and Prudential Indicators 2023/24 - 2027/28" report to Audit Committee in March 2023 sets out the planned capital programme each year and how much the Council will need to borrow externally - £6.3m in 2023/24 and £3.8m in 2024/25. The report sets out how the Council balances risk and reward, including criteria for how and with whom it will invest.

Managing risks to financial resilience

The Council has appropriate arrangements in place to manage risks to its financial resilience.

The Medium Term Financial Strategy and budget report clearly sets out the key risks and how these are being addressed. A key risk in financial planning relates to business rates retention. The assumptions made are reasonable. The report includes sensitivity analysis of different scenarios. There is an earmarked reserve in respect of pay and inflation pressures. At 31 March 2023 the General Fund reserve was £8.672m. While this is intended to be used to support revenue expenditure over the MTFS, there is sufficient to cover any unforeseen costs.

Our national "Borrowing and Reserves" benchmarking exercise on unaudited 2022/23 financial statements shows that the Council has higher than average long term borrowing as a percentage of long term assets, at 33%, and ranks 9 of 110 district councils. This is due to £15m of long term borrowing, and is not cause for concern. The Council ranks 95 out of 110 district councils for "Reserves as a proportion of Net cost of services". As noted above, reserves are sufficient in the medium term.

Financial governance

Annual budget setting

The Council has appropriate arrangements in place for setting its annual budget.

The annual budget setting process considers the impact of prior year changes to the budget and includes sensitivity analysis in key areas such as business rates retention.

Internally, the Council approach begins with a review of the quarter two financial position with budget holders to identify an ongoing changes required. This established the cost of "Business as Usual". Policy changes are captured separately. All the changes are pulled together for the Corporate Leadership Team to challenge before the budget is developed.

The Council ensures that there is an opportunity for members of the public to engage with the budget setting process, with links on the website and a dedicated email address. However, as in previous years, no responses have been received. The Council recognises that "*greater engagement can be a source to better directed resources in relation to resident's priorities*." While this is not an area of improvement, the Council may wish to consider more proactive means, such as focus groups.

Financial plans are reviewed and approved through the budgetary control process and by the Corporate Leadership Team and Members.

In our previous Auditor's Annual Report we made an improvement recommendation that "As *part of its commercial strategy, linked with budget setting and financial monitoring, the Council should review sensitivities around its commercial income.*" The Council has not yet been able to progress the recommendation as the MTFS for 2024/25 will not be presented until January / February 2024.

Budgetary control

The Council has appropriate arrangements in place to ensure sound budgetary control.

The Council provides accurate and timely financial monitoring reports to budget holders. Appropriate information is provided, meetings are held, and narrative responses to variances included as appropriate.

The Council financial position is reported quarterly to Overview & Scrutiny Committee and to Cabinet. Reports provide a narrative summary and then detailed appendices which include the position by budget heading with forecast outturn, impact on reserves and risk rating. More detail is then provided for each area. This includes a clear explanation of cost pressures, for example utility and pay costs.

The Council has a suitably experienced finance team and responds very well to audit queries. There is no evidence of inappropriate financial reporting or delays in publishing financial statements.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

The Council has appropriate arrangements in place to assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. However, there is scope to further enhance risk management reporting and we note that the two improvement recommendations made in our prior year Auditor's Annual Report have yet to be addressed. These are highlighted below.

Risk Management

As recommended in our prior year Auditor's Annual Report, "*the Risk Management Strategy issued in October 2019 may need a refresh to make it more relevant to the present circumstances and also enable the Council to effectively identify its risks.*" Officers have confirmed that they are in the process of reviewing the risk management strategy during 2023/24. As this has not been actioned in 2022/23 our improvement recommendation remains valid.

Cabinet has overall ownership of the Strategy whilst the Audit and Risk Committee has a monitoring role. Independent assurance is provided by Internal Audit. The Council has arrangements in place to report risks to Cabinet through the corporate risk register with the focus on strategic risks that could impact the Council's strategies priorities.

The risk register contains most of the information we would expect to see, including the risk the description, cause, impact and likelihood. Risks are assessed (Red / Amber / Green) to show the severity of the risk, with controls proposed to manage the risks. However, there is no evidence of mapping risks to corporate objectives and named responsible individuals or posts for each risk are not specified. The direction of travel of the risk is also not clear. Our prior year improvement recommendation "*The Council should review the level of detail included within its Strategic Risk Register.*" therefore remains valid.

Internal Audit

The Council internal audit function is provided by Staffordshire County Council. It is effective as evidenced by a comprehensive plan that covers a mix of important areas for the Council. Internal Audit provides regular updates to the Audit and Risk Committee with a report presented at each meeting. We also note the findings of the External Quality Assessors report that concluded that the Internal Audit Service generally conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application. This is the highest category level that can be awarded via the CIPFA assessment process.

Prevention and detection of fraud

The Council has appropriate arrangements in place to deal with fraud and corruption. Anti-fraud and corruption is a function under Internal Audit and activities are planned as part of Internal Audit work. We also note that regular updates on anti-fraud and corruption work are taken to the Audit and Risk Committee as part of Internal Audit progress updates.

Governance (continued)

Informed decision making including the Audit & Risk Committee

The Council has appropriate arrangements in place to support informed decision making.

The Council operates a committee system and information is readily available on the Council public website. The annual work programme for each committee is issued to Members. Significant decisions were taken to Council and Cabinet and these included the review of the constitution in May 2022 and approval to enter into a Shared Service Agreement with Stafford Borough Council who will deliver the Disabled Facilities Grant service on behalf of South Staffordshire Council in December 2022.

There is an appropriate 'tone from the top' at the Council. The constitution includes codes and protocols and behaviours expected of Members and senior officers. The Local Government Association corporate peer challenge report from October 2022 noted a strong corporate leadership and that good relationships are in place. The Council received external recognition including iESE UK Council of the Year 2022 and the Chief Executive being nominated for Chief Executive of the Year.

The Council has an effective Audit and Risk Committee which provides appropriate challenge and regularly meets to discuss and decide on issues regarding internal controls, governance and risk. The annual work programme of the committee clearly lays out a mix of issues taken to the committee. Attendance at the committee meetings has also revealed effective challenge by the Audit and Risk Committee.

The Council's performance against key governance metrics is set out in the table below.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	None	None
Head of Internal Audit opinion	'Substantial' assurance.	'Substantial' assurance.

Governance (continued)

Standards and behaviours

The Council has appropriate arrangements in place to ensure and monitor appropriate standards and behaviours.

Arrangements to monitor Member compliance with standards includes a regularly reviewed constitution and code of conduct. A dedicated committee (Standards and Resources Committee) meets and receives updates on conduct complaints by the Monitoring Officer.

Members receive a monthly communications note from the Leader of the Council and regular communications from the Chief Executive and Corporate Leadership Team (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 Chief Executive meets with Group Leaders on a quarterly basis and the Leader of Council and Deputy Leader weekly and is joined by CLT colleagues as required.

Climate Change

The Council has appropriate arrangements in place to monitor climate change evidenced by the Climate Change Strategy published in 2020 to ensure the Council meets its statutory environmental duties and looks to capture the opportunities and benefits of tackling climate change. We have also noted some notable initiatives such as the launch of the South Staffordshire Climate Prize; encouraging community groups, local businesses, schools, and residents to get involved and bid for funding to make their ideas for local climate change projects a reality.

The Council also has appropriate arrangements in place for reporting on progress with clear measurables for future actions. The Internal Audit "Climate Change" report from June 2023 made five medium and five low priority recommendations, primarily around reporting and including climate change costs in the MTFS. Overall "Adequate" assurance was provided. All recommendations have been accepted. We have not duplicated the recommendations.

Gifts & Hospitality and Declarations of Interest

The Council Constitution has a section that covers arrangements for dealing with Gifts and Hospitality. The guideline gives procedures for acceptance of gifts and hospitality to be followed by officers. The Constitution and the contents there in are regularly updated to reflect the prevailing environment. The Gifts and Hospitality Register is up to date, with appropriate entries.

Members' declarations of interest are included on the Council website. Appropriate arrangement are in place for officers' declarations.

Procurement

Appropriate arrangements are place to ensure regulatory standards for procurement are met. These are provided for on Part 4 of the Constitution under Contract Procedural Rules (CPRs). These CPRs must be followed by Officers and breach of them is potentially a matter for disciplinary action.

The Council entered into a Shared Service Agreement with Stafford Borough Council who will deliver the Disabled Facilities Grant service on behalf of South Staffordshire Council from 1 April 2023. The Council followed procedure by reporting through Cabinet. A programme board was established in January 2023 to develop and implement a project plan, risk register and programme of works to develop a shared service. Stafford Borough Council will be the host authority for the shared service. Arrangements to manage the contract are appropriate, and include allowing for *"the transfer of funds and the reconciliation at the end of the financial year, monthly monitoring of Key Performance Indicators (KPI's) and updates of applications, approvals, works on-site and completions. There will be monthly meetings to ensure the high performance is maintained and that residents are receiving a good service. Progress reports will be provided to the Corporate Leadership team and Cabinet on a quarterly basis, this will cover the performance against KPI's, the progress of works and the financial position against the annual budget."*

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

The Council has appropriate arrangements in place regarding the use of financial and performance information, including benchmarking and peer reviews. We have made one improvement recommendation where we consider the Council could obtain independent assurance over the accuracy of reported performance information.

Use of key performance indicators

The Council has identified 23 performance indicators which underpin delivery of its priorities. These are reported quarterly with an explanatory narrative about each, including why they are below target as relevant. The year end position shows 16 green, 0 amber, 6 red and 1 N/A. The red indicators are within refuse / waste, leisure centres and sickness absence.

Accuracy of financial and performance data

The Council has appropriate arrangements in place to provide assurance over the accuracy of financial information. Sound internal controls and processes are supported by the work of internal audit, who provided "Substantial" (the highest level) assurance over "Budgetary Control". The Council has similar processes in place with regard to performance information, but there is no evidence of review by internal audit. This is an area the Council could consider asking internal audit to review in order to provide independent assurance, and we have raised an improvement recommendation.

In order to obtain independent assurance over the accuracy of performance information reported to Members, the Council should consider asking Internal Audit to include this in their programme of work.

Improving economy, efficiency and effectiveness (continued)

Use of financial and performance information (continued)

Learning from others

The Council is keen to learn from others, and requested a Corporate Peer Challenge (Peer Review) undertaken by the Local Government Association (LGA) which took place in early October 2022. The report was very positive, while also identifying eight areas for consideration to which the Council has responded positively.

The Council also uses benchmarking appropriately. The Council recognises the role that benchmarking can have, in comparing with others and identifying outliers, but is aware that this comes with risk and challenge - for example - understanding how others have recorded and collated information. The Council therefore focuses effort more locally - it subscribes to LG Futures who routinely provide the authority with data comparing Council performance against other authorities in general - and near neighbours (in terms of size and responsibility) in particular. The Council also meets regularly with senior Finance Officers from Staffordshire authorities.

Assessing performance and identifying improvement

The Council reviews and sets strategic priorities through the Council Plan and then ensures that appropriate investment is included in the annual budget. For example, to support the work being done around climate change and customer services.

Partnership working

The Council works with a number of partners to help deliver its strategic priorities. The Council has also worked with partners to develop a collaborative approach to economic recovery, including a ten point plan.

The Council ensures that there is an opportunity for members of the public to engage with the budget setting process, with links on the website and a dedicated email address. However, as in previous years, no responses have been received. The Council recognises that *"greater engagement can be a source to better directed resources in relation to resident's priorities."* While this is not an area of improvement, the Council may wish to consider more proactive means, such as focus groups.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement

The Council works with key service providers to ensure that priorities are achieved. For 2022/23 the capital programme included £3m for "split back" refuse collection vehicles and £0.876m for reusable bags to collect fibre products. Both of these facilitate dual stream collection.

The Constitution, which includes contract procedure rules, is reviewed and updated annually.

Internal Audit undertook a review into Corporate Procurement, providing "Adequate" assurance overall, and identifying three medium and three low priority recommendations, all of which the Council has accepted. We have not duplicated the recommendations.

Improvement recommendations

Improvement Recommendation 1	In order to obtain independent assurance over the accuracy of performance information reported to Members, the Council should consider asking Internal Audit to include this in their programme of work.
Improvement opportunity identified	Reporting of performance information is robust and comprehensive, but there is no independent assurance over its accuracy.
Summary findings	The Council has robust arrangements in place over the accuracy of reported financial information, but less so for performance information.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Management acknowledge the finding and recommendation. Discussions have started with a view to examining an appropriate role for internal audit in the examination of published performance data.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit & Risk Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	As part of its commercial strategy, linked with budget setting and financial monitoring the Council should review sensitivities around its commercial income.	Improvement	February 2023	The Council has not yet been able to progress the recommendation as the MTFS for 2024/25 will not be presented until January / February 2024.	No	Yes – address the recommendation in the 2024/25 MTFS.
2	The Council should review the profiling of its capital programme to ensure a realistic assessment of project delivery is made at the outset and any slippage is reprofiled throughout the financial year as it occurs.	Improvement	February 2023	The Medium Term Financial Strategy presented to Council in February 2023 includes profiling of the capital expenditure.	Yes	No
3	The Council should review its risk management policy and supporting reporting arrangements (current policy dated Oct 2019).	Improvement	February 2023	The Council is in the process of revising its Risk Management Strategy with a Quarter 1 2023/24 monitoring update presenting a draft of the strategy.	No	Yes – address the recommendation during 2023/24.
4	The Council should review the level of detail included within its Strategic Risk Register.	Improvement	February 2023	This has not yet been actioned.	No	Yes – address the recommendation during 2023/24.

Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the Council's financial statements:

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

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We are nearing completion of our audit of your 2023/23 financial statements. We are currently awaiting a response from the auditor of the Staffordshire Pension Fund, in order to conclude our work regarding the Council's net pension fund liability.

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit and Risk Committee.

Appendices

Appendix A:
Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	20

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Grant Thornton

The Audit Findings for South Staffordshire Council

Year ended 31 March 2023

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Risk Committee.

Avtar Sohal

Name: Avtar Sohal
For Grant Thornton UK LLP
Date: 17 November 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of South Staffordshire Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed on site and remotely during July-October. The statutory audit is a demanding process and in recent years the expectations upon auditors from regulators has continued to increase. The level of challenge now expected and the volume and range of audit evidence we are required to obtain and scrutinise is substantial with a consequential impact upon our requests on finance staff.

Our findings are summarised on pages 6 to 15. We have identified:

- A number of disclosure/presentation adjustments which do not impact on the authorities reported financial position
- One monetary misstatement that the Council has not been adjusted for, this is detailed on page 26. This is an extrapolated error as a result of findings from sample testing of operating expenditure. The unadjusted misstatement would decrease the Council's reported expenditure for the year by £65k

Audit adjustments are detailed in Appendix E.

The Audit and Risk Committee is asked to confirm its agreement to management proposals not to amend for the unadjusted misstatements.

We have also raised one recommendation for management as a result of our audit work. This is set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix H)or material changes to the financial statements, subject to the following outstanding matters;

- Response from Pension Fund auditor and completion of procedures thereon
- Completion of our work regarding Housing benefit expenditure
- Receipt of management representation letter; and
- Response from management regarding subsequent events up to the date of signature

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is now complete and out Auditor's Annual Report is presented alongside this report. We have not identified any risks of significant weakness in the Councils arrangements .

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work, which is summarised on page 16, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in November 2023.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us and we would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff which enabled the smooth running of the audit.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. South Staffordshire have recently borrowed from PWLB, at a time where interest rates were lower than they are currently. We consider this a prudent way to finance their capital and investment plans with no indication of overborrowing. The Council also have a number properties which are leased to third parties for an additional source of recurrent income, which contributes to the financial strategy of the Council.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Risk Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Risk Committee meeting on 28 November 2023, as detailed in Appendix I. These outstanding items include:

- Response from Pension Fund auditor and completion of procedures thereon
- Completion of our work regarding Housing benefit expenditure
- Receipt of management representation letter; and
- Response from management regarding subsequent events up to the date of signature

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan June 2023

We set out in this table our determination of materiality for South Staffordshire Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£1,000,000	We determined that total expenditure in year was the most appropriate benchmark. Our risk assessment led us to set materiality at approximately 2% of prior year gross expenditure. We did not identify a requirement to change this upon receipt of draft financial statements.
Performance materiality	£750,000	Based on the internal control environment at the Council we determined that 75% of headline materiality would be an appropriate benchmark.
Trivial matters	£50,000	We decided that matters below 5% of materiality were trivial.
Materiality for Senior Officer Remuneration	£16,500	We identified senior management remuneration as a sensitive item and set a lower materiality of £16,500 for testing these items

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness **Our audit work has not identified any issues in respect of management override of controls.**
Valuation of Other Land Buildings Assets were subject to a full valuation in 2022/23. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£42.50m) and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter	We: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the evaluation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation experts • wrote to the valuers to confirm the basis on which the valuations were carried out • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register • We challenged the data and assumptions used in the valuations and agreed them back to auditor obtained supporting data **From the procedures carried out we are satisfied that the valuation of land and buildings is free from material misstatement, and we have no other matters to report.**

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	**Commentary**
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£7.86m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. The discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately £1.2m effect on the liability. Regarding these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • requested assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data post triennial valuation, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. **From the procedures carried to date we are satisfied that the valuation of pension fund liability is free from material misstatement. We will however revisit this conclusion upon receipt of the Letter from the pension fund auditor, Ernst Young.**

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £42.5m	Other land and buildings are not deemed specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Heads and Eve to complete the valuation of properties as at 31/3/2023 . All of the Authority's assets were revalued during 2022/23. The total year end valuation of land and buildings was £42.5m, a net increase of £1.2m from 2021/22 (£41.3m).	We have: - evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; - evaluated the competence, capabilities and objectivity of the valuation expert; - discussed with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met; - challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and - tested revaluations made during the year to see if they had been input correctly into the Council's asset register. Our audit work on the valuation of land and buildings is complete. We have not identified any significant matters.	●

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £7.86m</td>
<td>The Council's net pension liability at 31 March 2023 is £7.86m. This is in relation to the Council's obligations as a member employer of the Staffordshire Pension Fund, part of the Local Government Pension Scheme. The Council uses Hymans Robertson to provide actuarial valuations of their assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2023. A s membership data is up to date at 31 March 2023, key assumptions such as life expectancy, discount rates, salary growth and investment return are estimated by the Actuary. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £23.21m net actuarial gain during 2022/23.

Our work in this area will be finalised upon receipt of Pension Fund Auditors report (Ernst Young) .</td>
<td>We have:

Undertaken an assessment of management's expert;
Reviewed and assessed the actuary's triennial valuation approach;
Used o PwC as auditors expert to assess the actuary and assumptions made by actuary, summarised below;

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.75%</td><td>4.75%</td><td>●</td></tr>
<tr><td>Pension increase rate</td><td>2.95%</td><td>2.95-3.00%</td><td>●</td></tr>
<tr><td>Salary growth</td><td>3.45%</td><td>2.95-3.95%</td><td>●</td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>21.9 years</td><td>N/A</td><td>●</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>26 years</td><td>N/A</td><td>●</td></tr>
</table>

Determined the completeness and accuracy of the underlying information used to determine the estimate
Reviewed the impact of any changes to valuation method
Tested the reasonableness of the Council's share of LPS pension assets.
Tested the reasonableness of decrease in estimate
Verified the adequacy of disclosure of estimate in the financial statements

</td>
<td>●</td>
</tr>
</table>

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating		
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure
eAnalyser (financial reporting)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●
Itrent (payroll)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit and Risk Committee papers
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's banking counterparties. This permission was granted and the requests were sent. All requested responses have been received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided

2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified We plan to issue an unmodified opinion in this respect – refer to Appendix I
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. • Note that work is not required as the Council does not exceed the threshold;
Certification of the closure of the audit	We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim 2022/23 (work in progress, fee is made up of fixed element per additional testing workbook required. Estimate for 22/23 based on same level of testing in 21/22)	Proposed £21,700	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £21,700 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim 2021/22 (completed and invoiced March 2023 - £16,750)	Actual £16,750		

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council.
Employment of Grant Thornton staff	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Business relationships	We have not identified any potential issues in respect of personal relationships with the Council.
Contingent fees in relation to non-audit services	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Gifts and hospitality	We have not identified any potential issues in respect of personal relationships with the Council.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	As part of operating expenditure and payables testing one error has been identified. An item of expenditure tested overlapped the financial year and as such a prepayment should have been made by the Council. Whilst we are satisfied this does not result in a material misstatement within the financial statements it is considered poor accounting practice. Costs should be accounted for in the appropriate year.	The Council should review its commitment accounting procedures to ensure expenditure is recorded in the correct financial period. **Management response** The recommendation is accepted. Year-end processes will incorporate sufficient checks to ensure all transactions are shown in the correct financial year

Key

- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of South Staffordshire Council's 2021/22 financial statements, which resulted in 1 recommendations being rolled forward from 2020/21.

We have followed up on the implementation of our recommendations and note it is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	Testing of Useful Economic Lives (UEL) of Vehicles, Plant and Equipment, during the audit, identified assets on the balance sheet which are fully depreciated but still in use. The total gross cost of these assets at 31 March 2023 is **£2.1m** IFRS permits bodies to periodically assess and extend UELs where assets are deemed likely to stay in use beyond the previously set expected lifetime. It should be noted that the overall impact on the Council is minimal, given depreciation is a non-cash item and does not affect the Council's General Fund. However, it is a potential above trivial impact on a financial statement disclosure and therefore influences users understanding the accounts both in terms of value of the asset portfolio and associated costs of ownership. As such, we deem this to be a "best practice" recommendation only.	Management have: • Calculated depreciation on the same basis as current value depreciation using estimated useful life and residual value. • Reviewed the asset base and derecognised £0.7m of Vehicles, Plant and Equipment in year. We have: • Assessed the Council's accounting policy for consistency and appropriateness, with no exceptions noted. • Substantively tested a sample of nil net book value VPE assets to gain assurance of existence and continued use of the asset, with no exceptions noted.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

We identified no adjusted misstatements for the year ending 31 March 2023.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Expenditure and Funding analysis (EFA	We identified, in the supporting disclosures to the Expenditure and Funding analysis, there were transposition errors in the 'Pensions' column and 'Other Adjustments' column. The disclosure misstatement foes not impact on the overall totals reported in the EFA or the CIES. Management response Management have agreed to adjust	Yes
Related Parties	Thorough audit procedures we have identified non-material related parties included in the related parties note. We have requested management exclude Cheslyn Hay Academy from the disclosure along with some other trivial adjustments. **Management response** Management have agreed to adjust	Yes
Financial Instruments	Thorough audit procedures we have identified: - Fair value for short term finance leases stated as £131k, recommended updating to £40k to reflect the leases the council have. - Recommended updating disclosure regarding PWLB loans as Level 2 inputs and the valuation methodology. **Management response** Management have agreed to adjust	Yes

D. Audit Adjustments

Misclassification and disclosure changes - continued

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Accounting Policies	The council's accounting policies are consistent with prior year and applied appropriately. However, we have identified some areas where they could be more concise and reflect the statement of accounts - We identified a number of non material accounting policies and have recommended that they be removed from the statement of accounts. - We have recommended that the council remove the narrative supporting the 2019/20 material estimation uncertainty of OLB valuations, as this is no longer relevant. - We recommend the council enhance disclosures for estimation uncertainty for OLB valuations and Pensions Liability. Management response Management have agreed to adjust	Yes
Narrative Statement and Annual Governance Statement	We have recommended enhancements to the narrative within the AGS and the Narrative Statement to ensure the statement meets financial reporting requirements and is more useful for readers of the accounts. In particular in relation to the following: - Enhanced narrative regarding improvement against budget - Increase narrative around capital programme slippage - To include disclosure in the AGS of the risks to the organisation and how they are mitigated Management response Management have agreed to adjust	Yes
Other Clerical adjustments	We have identified a number of clerical adjustments that do not have a material impact on the primary statements or the quality of information with the statement of accounts. Management response Management have agreed to adjust	Yes

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Other Expenditure *Our testing of expenditure identified one item where an element of the cost related to a future accounting period. The necessary prepayment had not been made within the financial statements. Based on extrapolated values the Councils Expenditure is overstated by £65k.* *As this is an extrapolated error we would not expect management to adjust the financial statements in this regard.*	(65)	65	(65)	65	This is an extrapolated misstatement
Overall impact	(£65)	£65	(£65)	£65	

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services

Audit fees	**Proposed fee per audit plan**	**Final fee**
22/23 Scale fee published by PSAA	£43,171	£43,171
Additional work on Value for Money (VfM) under NAO Code	£9,000	£9,000
Increased audit requirements of revised ISAs 540	£2,100	£2,100
Increased work on Payroll Change of Circumstances	£500	£500
Increased work on Collection Fund – Relief Testing	£750	£750
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000	£3,000
Additional requirements under ISA 315		£3,000*
Extended testing relating to operating expenditure as a result of error identified		£2,500*
Delays and request for further reports to support Collection Fund Testing		£3,000*
Final fee	£58,521	£67,071

Non-audit fees for other services	**Proposed fee**	**Final fee**
Housing Benefit Certification	£21,700	TBC
Total non-audit fees (excluding VAT)	**£21,700**	**TBC**

Audit fees per note 26 to the financial statements total £58k. At the time the accounts were prepared items marked * had not been communicated to the client, as such necessary accruals of 8k (rounded) were not able to be made in the financial statements. The £58k + £9k accruals = £67k final fee proposed above (rounded)

Non- audit fees of £21k agree to note 26 in the Councils financial statements.

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

Date – To be confirmed

Dear Grant Thornton

South Staffordshire Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of South Staffordshire Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council's financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law. We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the Council's financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

viii. Except as disclosed in the Council's financial statements:

  a. there are no unrecorded liabilities, actual or contingent

  b. none of the assets of the Council has been assigned, pledged or mortgaged

  c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

x. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

xi. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

G. Management Letter of Representation (continued)

xii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xiv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xvi. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to cease the Counci's operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xvii. We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:

a. South Staffordshire Council implemented Single Status which was their equal pay review in 2008. Any liabilities were settled in full at that time. Further a job evaluation scheme and job evaluation policy was also implemented.

b. There are no equal pay claims yet to be submitted that the authority is aware of.

c. The Council has a Pay Policy Statement and other relevant pay policies for example a market supplement policy to ensure any other payments are objectively justified and compliant with equal pay law.

d. The Council regularly audits market supplements, allowances etc as part of their pay reviews to ensure we are equality compliant.

e. Regarding equal pay and salary grading, the Council ensures there is no pay discrimination through the use of a relevant equality proofed Job Evaluation scheme which HR use to ensure salaries are linked to the requirements and responsibilities of the job.

Information Provided

xviii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements,from whom you determined it necessary to obtain audit evidence.

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

G. Management Letter of Representation (continued)

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:

   a. management;

   b. employees who have significant roles in internal control; or

   c. others where the fraud could have a material effect on the financial statements.

xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Audit and Risk Committee at its meeting on 28th November 2023.

Yours faithfully

Name…………………………….

Position………………………….

Date…………………………….

Name…………………………….

Position………………………….

Date…………………………….

Signed on behalf of the Council

H. Draft Audit Opinion

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 Finance Director’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 Finance Director’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 Finance Director’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 Finance Director with respect to going concern are described in the relevant sections of this 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 Finance Director 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.

H. Draft Audit Opinion

Responsibilities of the Authority and the Finance Director

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 Finance Director. The Finance Director 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 control as the Finance Director 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 Finance Director 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.

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:

a) the provisions of the applicable legislation

b) guidance issued by CIPFA/LASAAC and SOLACE

c) 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

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.

H. Draft Audit Opinion

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;

•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.

Signature:

Avtar Sohal, Key Audit Partner

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

Date:

SOUTH STAFFORDSHIRE COUNCIL

AUDIT AND RISK COMMITTEE – 28 NOVEMBER 2023

(PROVISIONAL) APPROVAL OF THE STATEMENT OF ACCOUNTS 2022/23

REPORT OF THE DIRECTOR OF FINANCE AND S151 OFFICER AND FINANCE MANAGER AND DEPUTY S151 OFFICER

PART A – SUMMARY REPORT

1. SUMMARY OF PROPOSALS

1.1 The Council's draft Statement of Accounts, as published on its website in June 2023 has been completed for audit by Grant Thornton, excepting only confirmation that the specific audit of the Staffordshire Pension Fund (conducted by Ernst and Young) has been finalised.

1.2 In lieu of completion of the Staffordshire Pension Fund, it is recommended that Audit and Risk Committee delegate authority to the Chairman of the Audit and Risk Committee, alongside the S151 officer to sign approval of the final accounts upon notification of completion of the Staffordshire Pension Fund audit without amendment to the Statement of Accounts appended to this report.

1.3 The Audit and Risk Committee reserve the right to receive for approval an amended Statement of Accounts if required by the conclusion of the audit of the Staffordshire Pension Fund.

2. RECOMMENDATIONS

2.1 Audit and Risk Committee note the Statement of Accounts appended to this report including the Audit Report contained within.

2.2 Audit and Risk Committee note that the audit of the Staffordshire Pensions Fund, which is conducted separately by Ernst and Young is yet to be finalised.

2.3 Audit and Risk Committee authorise the Chairman of Audit and Risk Committee, alongside the S151 officer to formally sign the Statement of Accounts upon notification that the Pension Fund audit has been completed with no requirement to amend the Statement of Accounts as appended to this report and notify the Committee accordingly.

2.4 In the event that the conclusion of the Pensions Fund audit requires amendment to the Statement of Accounts as appended, the revised Statement of Accounts shall be bought to a subsequent meeting of Audit and Risk Committee for formal approval.

3. SUMMARY IMPACT ASSESSMENT

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	The prompt publication, audit and approval of the Statement of Accounts for each financial year is integral to the financial stability delivery arm within the Council Plan.
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	The approval of the Statement of Accounts 2022/23 does not impact on equalities.
SCRUTINY POWERS APPLICABLE	No (Council decision)	
KEY DECISION	No (Council decision)	
TARGET COMPLETION/ DELIVERY DATE	November 2023	
FINANCIAL IMPACT	Yes	The audited Statement of Accounts details the financial impact of all recorded expenditure and income for the 2022/23 financial year.
LEGAL ISSUES	Yes	Regulation 9 of the Audit and Accounts Regulations (2015) requires that the statement of accounts should be signed and dated by the member presiding at the meeting at which approval is given. It also requires authorities to publish the Statement of Accounts with any certificate or report issued by the auditor. Both approval and publication is required to take place no later than 30 September in the relevant financial year or as soon as reasonably practicable after the receipt of the auditor's final findings (if later).
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	None applicable
IMPACT ON SPECIFIC WARDS	No	

PART B – ADDITIONAL INFORMATION

4.1 The Council published its draft Statement of Accounts for public inspection on its website in June 2023. Since that date, Grant Thornton have undertaken the annual external audit of the draft accounts.

4.2 The audit has been completed, excepting the audit of the Staffordshire Pension Fund which is undertaken separately by Ernst and Young. Amongst other impacts, South Staffordshire Council's Balance Sheet includes its share of Assets and Liabilities relating to the Staffordshire Pension Fund.

4.3 It is not expected that the conclusion of the audit of the Pension Fund will lead to any changes to the Statement of Accounts presented as an Appendix to this report. However, the Chairman of the Audit and Risk Committee and S151 Officer are unable to formally sign off the accounts until such time as all aspects of audit have been satisfactorily completed, including the Pension Fund audit.

4.4 The Audit and Risk Committee has the authority to note the Statement of Accounts presented subject to conclusion of the Pensions Audit. The Committee is also able to approve delegated authority to the Chairman of the Audit and Risk Committee to formally sign approval of the Statement of Accounts as and when assurance is received that the audit of the Pension Fund is completed and that no amendments are required further to this conclusion.

4.5 Audit and Risk Committee can reserve the right to receive a revised Statement of Accounts for formal approval at Committee in the event that conclusion of the Pension Audit necessitates any amendment to the Statement of Accounts presented as an Appendix to this report.

5. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

5.1 None identified

6. PREVIOUS MINUTES

6.1 Not Applicable

7. BACKGROUND PAPERS

Statement of Accounts 2022/23

Report by:

John Mayhew, Finance Team Manager and Deputy Section 151 Officer
Rebecca Maher, Finance Director and S151 Officer

South Staffordshire Council

Statement of Accounts

2022/23

www.sstaffs.gov.uk

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.

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

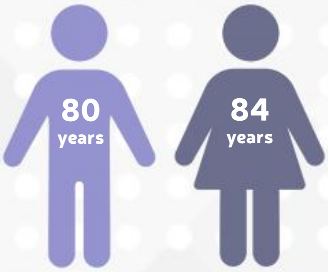
2. Narrative Report

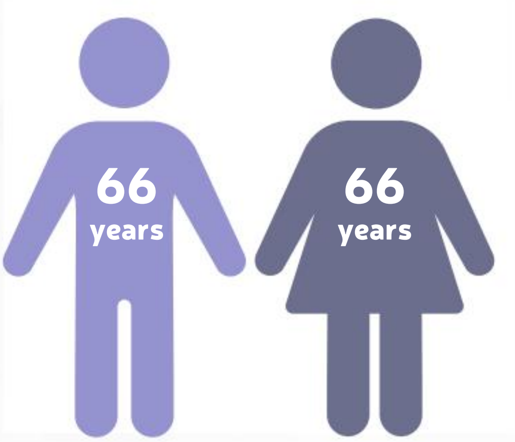
“We are proud that **92% of our residents would recommend South Staffordshire as a good place to live**. Our 27 parishes are made up of small hamlets and large villages; there are no major towns. With 80% green belt land, our residents take pride in our beautiful countryside, as well as our rich legacy 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”.

Estimated Population:
110,500

4.4%	**14.5%**	**60.4%**	**25.2%**	**3.2%**
under 5s	under 16s	between 16 and 64	aged 65 and over	over 85

High life expectancy





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.

Housing affordability is an issue for low earners or renters.

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

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.

29	**2**	**4**	**5**	**2**
Conservatives	Labour	Liberal Democrat	Independent	Green

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
Vicoria 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

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

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.

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.

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)**

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.

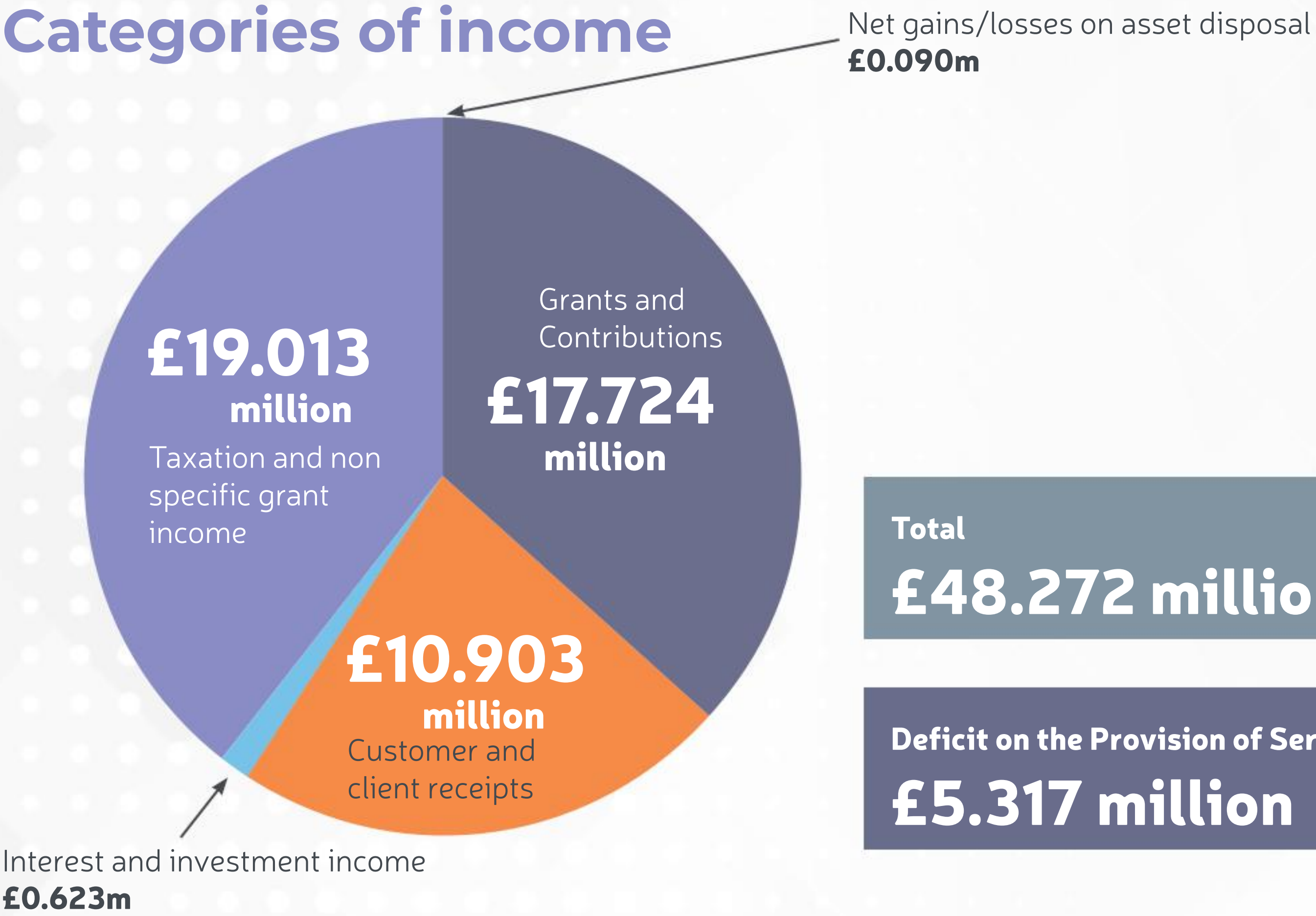
Expenditure and income

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



Total

£48.272 million

Deficit on the Provision of Services

£5.317 million

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.

Our Capital spend

Expenditure

Approved Capital Budget for 2022/23:

£21,834,036

	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

Councillor John Michell
Chair of Audit and Risk Committee

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 Interim S151 Officer.
- In this Council, that officer was the Interim 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 Interim S151 Officer

The Interim 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 Interim 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 Interim 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.

Rebecca Maher
Director of Finance
30 June 2023

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.

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.

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**		*Note 10*	470
		(19,260)	**Taxation and non-specific grant income**		*Note 11*	(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)**

31 March 2022 **£000**	**Balance Sheet**	**Note**	31 March 2023 **£000**
	Property Plant and Equipment	*Note 12*	
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**	*Note 13*	80
46,753	**TOTAL LONG-TERM ASSETS**		**46,022**
437	Assets held for sale	*Note 34*	0
3,438	Short-term debtors	*Note 14*	4,708
26,601	Cash and cash equivalents	*Note 15*	18,022
30,476	**TOTAL CURRENT ASSETS**		**22,730**
(14,025)	Short-term creditors	*Note 16*	(13,801)
(5,511)	Exceptional short-term creditor	*Note 16*	(724)
(501)	Provisions	*Note 17*	(888)
(20)	Finance lease liability	*Notes 13,30*	(40)
(20,057)	**TOTAL CURRENT LIABILITIES**		**(15,453)**
(4)	Long-term creditors		(3)
(430)	Provision	*Note 17*	0
(15,000)	Long-term borrowing	*Note 13*	(15,000)
(30,651)	Pensions liability	*Note 32*	(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	*Note 9*	6,994
5,708	Capital Receipts reserve	*Note 18*	4,112
965	Capital Grants unapplied	*Note 18*	1,278
24,222	**TOTAL USABLE RESERVES**		**21,055**
	UNUSABLE RESERVES		
17,550	Revaluation reserve	*Note 19*	16,058
(31,433)	Pensions reserve	*Note 19*	(7,857)
1,408	Capital Adjustment account	*Note 19*	(513)
(451)	Collection Fund Adjustment account	*Note 19*	1,736
(209)	Accumulated Absences account		(131)
(13,135)	**TOTAL UNUSABLE RESERVES**		**9,293**
11,087	**TOTAL RESERVES**		**30,348**

Cash Flow Statement

2021/22 **£000**	Year Ended 31st March	**Note**	**2022/23** **£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)**

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 materia,l 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.

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.

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.

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.

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.

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.

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.

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 un-ring-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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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
I 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.

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.

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**		

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

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.

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)

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[1] General Fund Reserves also includes earmarked reserves

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**

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[1] General Fund Reserves also includes earmarked reserves

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)

[1] General Fund reserves also includes earmarked reserves

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**

[1] General Fund Reserves also includes earmarked reserves

9. Transfers to/from Earmarked Reserves

Earmarked reserves	Balance 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance 31 March 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance 31 March 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.

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)**

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**

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.

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**

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)

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**

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**				
£000s	**Investments**		**Debtors**		**Investments**		**Debtors**		**Total**
	21/22	**22/23**	**21/22**	**22/23**	**21/22**	**22/23**	**21/22**	**22/23**	**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**				
£000s	**Borrowings**		**Creditors**		**Borrowings**		**Creditors**		**Total**
	21/22	**22/23**	**21/22**	**22/23**	**21/22**	**22/23**	**21/22**	**22/23**	**22/23**
Amortised cost	15,000	15,000	0	0	20	131	4,487	4,495	19,626
Total	**15,000**	**15,00**	**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**

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:

	2022/23		2021/22	
Fair values	**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.

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.

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.

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.

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**

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**

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.

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**

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)**

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**

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)**

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)**

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)**

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

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

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**

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)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	**No. of compulsory redundancies**		**No. of other departures agreed**		**Total number of exit packages by cost band [(b)+(c)]**		**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**

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.

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.

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.

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

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

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).

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).

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

	2022/23 £000	2021/22 £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)**

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

Pension scheme assets comprised:

	Period ended 31 March 2023				Period ended 31 March 2022			
Asset category	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**

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.

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.

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**

Collection fund

2021/22		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)**

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.

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**

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**

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**

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**

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

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.*

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.

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

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).

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.

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.

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.

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.

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.

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.

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.

10. Independent Auditor's report

DRAFT 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 Corporate Director Resource'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 Corporate Director Resource'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 Corporate Director Resource'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.

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 Corporate Director Resource 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 Corporate Director Resource. The Corporate Director Resource 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 control as the

Corporate Director Resource 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 Corporate Director Resource 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.

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;
- 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, Key Audit Partner

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

Birmingham

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.

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.

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.

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).

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.

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.

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

SOUTH STAFFORDSHIRE COUNCIL

AUDIT AND RISK COMMITTEE 28 NOVEMBER 2023

QUARTERLY TREASURY MANAGEMENT REPORT: QUARTER 2 – 010723 TO 300923

REPORT OF THE FINANCE TEAM MANAGER AND DEPUTY S151 OFFICER

PART A – SUMMARY REPORT

1. SUMMARY OF REPORT

1.1 The report presents the 2nd quarter summary information relating to treasury management activities and interest during 2023/24. The Council's position at the beginning and end of the quarter was as follows.

- Total on deposit at the start of the quarter £16,850,000
- Total on deposit at the end of the quarter £21,800,000
- Interest earned in the quarter was £312,512 against a budget of £140,500
- Total Borrowing at the start of the quarter was £15,000,000 (long-term borrowing over 40-50 years)
- Total borrowing at the end of the quarter was £15,000,000
- Borrowing costs in the quarter were £59,233 against a budget of £58,750

2. RECOMMENDATIONS

2.1 Members are asked to note the position as set out in the report.

3. SUMMARY IMPACT ASSESSMENT

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	The reporting of financial information on a regular basis contributes to providing value for money and quality services.
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	This proposed decision does not give rise to any change in policy nor does it give rise to any new expenditure and it is not considered to have any adverse implications.
SCRUTINY POWERS APPLICABLE	No	
KEY DECISION	No	
TARGET COMPLETION/ DELIVERY DATE	Not applicable	

FINANCIAL IMPACT	Yes	The Council makes assumptions about the level of investment income over the financial year based on the Council's expected cash position and interest rates forecasts provided by its treasury advisors. Delays in the delivery of the capital programme will have an impact on the council's cash position and therefore interest earned, and interest paid. Likewise increases or decreases in interest rates will affect interest earned and paid on investments and borrowings. During the 2nd quarter rates have continued to increase past what we had budgeted for, moving from 5.00% at the start of the quarter to 5.25% by the end. In addition to this cash balances remain higher than anticipated due to slippage within the capital programme. As a result, at the end of Q2 year-to-date interest earned was £525,010 against a year-to-date budgetary target of £281,000. The Council has a borrowing portfolio of £15m, all sourced through the PWLB. Year to date interest paid is £117,822 against a year-to-date budget of £117,500 up to the end of Q1. For monitoring purposes, assumptions are made based on the strategies agreed by Council. The Capital Programme for 2023/24 and future years was approved by Council 21 February 2023.
LEGAL ISSUES	Yes	The proposed actions are in accordance with the Council's Constitution and Financial Procedure Rules.
OTHER IMPACTS, RISKS & OPPORTUNITIES	None	
IMPACT ON SPECIFIC WARDS	No	

PART B – ADDITIONAL INFORMATION

4.1 CIPFA (the Chartered Institute of Public Finance and Accountancy) in its Code of Practice for Treasury Management recommends that members should be updated on treasury management activities at least twice a year. This report therefore ensures this council is implementing best practice in accordance with the Code.

The following items are set out in the report below:

- annual investment strategy/the Council's current treasury position;
- interest earned for Quarter 2;
- the borrowing outturn for Quarter 2;
- compliance with treasury limits;

4.2 Annual Investment Strategy/Current Treasury Position

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, is approved by the Council. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

The Council will aim to achieve the optimum return (yield) on investments while considering levels of security and liquidity. In the current economic climate, it is considered appropriate to keep investments short term to cover short term cash flow needs but also to seek out value available in higher rates in periods up to 12 months or in some circumstances beyond, with highly credit rated financial institutions.

The Council's position at the beginning and end of quarter dates was as follows:

Investments	30 Jun 2023 £	30 Sep 2023 £
Money Market Funds:		
Federated Investors LLP	3,850,000	5,800,000
CCLA	11,000,000	11,000,000
Total	**14,850,000**	**16,800,000**
Internal Investments:		
First Abu Dhabi Bank (ATS)	2,000,000	0
Lloyds Bank (ATS)	0	1,000,000
National Bank of Kuwait (ATS)	0	1,000,000
Standard Chartered Bank (ATS)	0	1,000,000
Lanbesbank Hessem Frankfurt (ATS)		2,000,000
Total	**2,000,000**	**5,000,000**
Grand Total	**16,850,000**	**21,800,000**

*ATS is a service provided by our treasury advisors. By using this facility, it allows us to access investments at higher interest rates and a wider list of counterparties than we would be able to get by going directly to the market.

Investments in Money Market Funds are held to manage the daily cash flows. Surplus funds are placed on short term deposit to meet predicted outflows of funds for example the precept payments to the County, Fire and Police authorities.

Internally managed funds are used to generate a higher return on investments when funds are not required in the very short term. In most cases these investments are kept relatively short term up to a maximum of 1 year.

Due to the timings of these cashflows, balances generally build up during the first three quarters of the year and then fall significantly in quarter 4 due to the profiled collection of taxation revenues for council tax and business rates.

4.3 Details of Investments and Interest during Quarter 2

Due to inflationary pressures over the last 18 months the Bank of England has continued to raise interest rates to combat this, as a result interest rates have risen from 5.00% at the start of the quarter up to 5.25% at the end of Q2.

This has had a positive impact on the interest earning potential of our investments. Interest earned during Quarter 2 2023/24 was £312,512, £170,012 above budget (£140,500).

A breakdown of interest earnings is detailed in the table below:

Interest Earned	**Quarterly Budget** £	**Quarterly Actual** £
Investment Income Budget	140,500	
Money Market Funds:		
Federated Investors LLP		115,099
CCLA		138,236
Internal Investments		45,395
Bank Accounts		13,782
Grand Total	**140,500**	**312,512**

4.4 Borrowing Outturn for Quarter 2 2023/24

During Q3 of 2021/22 the council made the decision to take out some longer term borrowing to fund the capital programme. Due to the impending rate raise that was expected it was felt that this was the right time to take out a portion of borrowing to take advantage of the historically low rates on offer and reduce the risk of the council undertaking borrowing at much higher rates in the future. As a result, the council took the option to borrow £15,000,000 over 40-50 years at fixed rates ranging from 1.51%-1.62%.

Loan Amount	Interest Rate	Loan Length	Annual Interest	Repayment Date
5,000,000.00	1.62%	40 years	81,000.00	14/11/2061
5,000,000.00	1.57%	45 years	78,500.00	12/11/2066
5,000,000.00	1.51%	50 years	75,500.00	13/11/2071
			235,000.00	

Additional borrowing may be required in the future to fund further aspects of the capital programme however some of this borrowing may not be required for some time and so whilst rates are still volatile it was felt prudent to leave a portion of the borrowing requirement until a time where we feel it would be most beneficial to the council's long-term finances. With that in mind the council will continue to monitor the markets and take advice from our professional advisors to take advantage of any changes in market conditions. It is likely that once further spend on the capital programme is undertaken further long-term borrowing will be taken in accordance with the approved treasury management strategy.

Details of the Councils borrowing position at the beginning and end of the quarter are detailed as follows:

	30 Jun 23 £	30 Sep 23 £
PWLB	15,000,000	15,000,000
Grand Total	**15,000,000**	**15,000,000**

4.5 Compliance with Treasury Limits

Compliance with the Council's Treasury Management Limits as set out in the Treasury Management Strategy, underpins all investment and borrowing decisions made at all times.

The Table below details the applicable lending limits for investments made during the 2nd quarter of 2023/24.

Investments	**Institute Rating (at time of investment)**	**Highest value During Quarter**	**Monetary Limit (As per TMSS)**	**Period of Investment**	**Time Limit as per TMSS**
Federated	AAA+	12,850,000	15,000,000	Liquid	Liquid
CCLA	AAA+	15,000,000	15,000,000	Liquid	Liquid
Lloyds Bank (ATS)	A+	1,000,000	1,000,000	6 months	6 months
National Bank of Kuwait (ATS)	A+	1,000,000	1,000,000	6 months	6 months
Standard Chartered Bank (ATS)	A+	1,000,000	1,000,000	6 months	6 months
Lanbesbank Hessem Frankfurt (ATS)	A+	2,000,000	3,000,000	1 year	1 year

The Table below details the applicable limits between fixed and variable rate borrowing during the 2nd quarter of 2023/24.

Borrowing	Borrowing in Quarter	Monetary Limit (As per TMSS)
Fixed	15,000,000	44,000,000
Variable	0	15,000,000

5. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

None

6. PREVIOUS MINUTES

None

7. BACKGROUND PAPERS

Appendix A – Link Asset Services Q2 2023/24 Report

Report by: John Mayhew, Finance Team Manager (Deputy s151 Officer)
Steven Johnson, Senior Accountant

QUARTERLY TREASURY MANAGEMENT REPORT

QUARTER TWO – 1 JULY 2023 TO 30 SEPTEMBER 2023

Detailed economic commentary on developments during quarter ended 30 September 2023

- The first half of 2023/24 saw:
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
  - CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).
- The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with

slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

- But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.
- In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.
- The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).
- The pound weakened from its cycle high of $1.30 in the middle of July to $1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn.

That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.

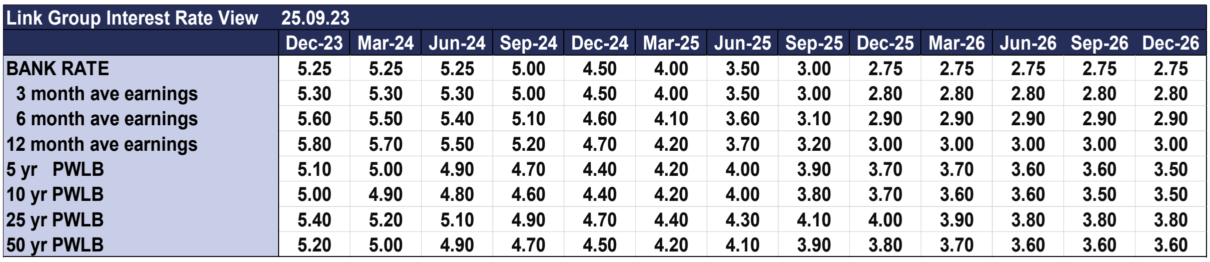
- The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

2. Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 25th September sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.



Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60