Statement of Accounts 2011/12

Staffordshire Moorlands District Council

Achieving Excellence

Investors in People Gold

Contents

Welcome to the 2011/12 Statement of Accounts

It is our pleasure to introduce the Council's Statement of Accounts for 2011/12. The purpose of this document is to provide clear information to readers on how Staffordshire Moorlands District Council has utilised the financial resources available to it. The accounts and all relevant documents are subject to review by the Audit Commission; they provide their opinion on Page 89.

The Council provides services for 95,400 residents, and the many visitors to the district; including waste collection, recycling, planning, leisure, recreation and environmental health. Covering an area of 57,624 hectares, there are 42 parishes, 56 elected members and, at the end of 2011/12, there were 245 employees.

2011/12 – enter the age of austerity…..

We have highlighted some outstanding successes in the Statement of Accounts in recent years. In particular we have received considerable acclaim from the Audit Commission. In 2007/08 the Council was awarded 'excellent' status (the highest rating that can be achieved by a Local Authority) following a Comprehensive Performance Assessment (CPA). In 2008/09 – once again – the Council was rated at 'Level 4' in its Use of Resources assessment with a score matched by just one of the other 237 District Councils in England; this provided a resounding independent endorsement on the strength of financial management within the Council. Whilst in 2009/10, the Audit Commission issued its first organisational assessment as part of its Comprehensive Area Assessment (CAA). In awarding the Council 'Level 4' – the only district council in the West Midlands and one of just four nationally to achieve the score – the headline conclusion in the report was…."overall, Staffordshire Moorlands District Council performs excellently". We remain immensely proud of these achievements but we now exist in a very different world; a world of public spending cuts, on a scale not experienced for generations. The impact on the finances of Staffordshire Moorlands District Council is profound and 2011/12 saw a 14.2% reduction in Formula Grant (FG) – our largest source of income. The outlook for the future is equally bleak with a further 12.7% cut in FG to follow in 2012/13 with further cuts in 2013/14, 2014/15 and beyond. Protecting frontline services and continuing to deliver value-for-money becomes hugely challenging in these circumstances but nevertheless remains the overriding aim for both Members and officers alike.

Our vision: **"Achieving excellence in the delivery of high quality services that meet the needs and aspirations of our communities"**

We are acutely aware that austerity is not confined to local government or even the wider public sector. This was uppermost in our mind when setting – for the second time – a '0% increase' in Council Tax for 2011/12.

The Council developed a new Corporate Plan during 2011/12 which reflects the priorities of elected councillors and local communities. The Corporate Plan is underpinned by four Objective Delivery Plans aligned to each of the Council's four Aims. These detail how the Council's objectives will be achieved and contain both Priority Actions and Performance Indicators.

Key Aims:
- **Providing quality services in partnership with communities**
- **Meet our financial challenges and provide value for money**
- **Support economic development and regeneration**
- **Protect and improve the environment**

The Council collects Council Tax on behalf of the County Council, Police Service and Fire Authority. The Staffordshire Moorlands element of the average – "Band D" – Council Tax bill in 2012/13 will be £139.53 (the same as 2009/10, 2010/11 and 2011/12) and will be used to fund the services we provide to you. The 0% 'increase' is particularly pleasing and is the third year running that we have achieved this. The following pages show how your Council Tax was spent during 2011/12.

Despite the tough financial climate, there are still many areas in which the Council is striving to improve. We monitor and manage our performance against a range of performance indicators. In 2008/09, the Audit Commission officially confirmed that performance against 48% of the Council's performance indicators was in the top 25% nationally with 68% in the top 50%. Although national comparisons have subsequently ceased, performance against many of those indicators has continued to strengthen. For example, Benefit processing times have improved from 15.5 days in 2009/10 to 9.98 days in 2011/12.

The Council recognises the benefit of working together in partnership for the benefit of our citizens. Consequently a substantial amount of our work is carried out in conjunction with partner organisations such as the County Council, Primary Care Trust, Police and Fire Services and voluntary sector, which ensures that key public services are co-ordinated and delivered in an efficient manner.

In the 2007/08, 2008/09, 2009/10 and 2010/11 Statement of Accounts, we have reported the emergence of a "Strategic Alliance" (the Alliance) with our neighbours, High Peak Borough Council. The primary aims of the Alliance are, through joint working, to drive through service improvements, whilst reducing costs in order to increase value-for-money and minimise future Council Tax increases. The arrangement – which has featured a fully integrated Joint Senior Management Team and widespread joint service delivery since July 2009 – crosses both county and regional boundaries. It is pioneering in many ways and has continued to rapidly progress. This Council's share of generated savings from the Alliance amounted to £2.1 million at the end of March 2012.

The wisdom of the Alliance has been brought into sharp focus in the light of subsequent events. Whilst the Government's need to reduce a fiscal deficit, which was the largest in peacetime history in 2009/10, is not in dispute, the scale and speed of the associated spending cuts has taken many by surprise.

Building on the earlier successes of the Alliance, the "Efficiency and Rationalisation Strategy" was developed and delivery commenced in 2011/12. The Strategy is projected to save £3.6 million over the four year period up to 2014/15. The Alliance sits at the very heart of that Strategy and accounts for around half of the savings.

The successful delivery of the Efficiency and Rationalisation Strategy is contingent on the delivery of substantial staff savings. Due to the advantages of the Alliance, the Council has so far managed to achieve this through its voluntary redundancy programme, which has seen staff numbers reduce by around 20% during 2011/12; despite such a huge reduction in staff numbers, services have been maintained.

It is very important that residents of the District understand the Council's finances. Therefore, we are always looking to improve the way in which we present our financial information for the year. If you have any comments regarding the presentation of the accounts, please do not hesitate to contact us. Please note that the Statement of Accounts is available in large print, Braille or in another language on request.

Thank you for showing an interest in the Council's finances. We trust that you will find this Statement of Accounts both interesting and informative.

Cllr Gill Heath
Portfolio Holder for Finance and Resources

Andrew Stokes
Executive Director and Chief Finance Officer

Foreword by the Executive Director
(Chief Finance Officer)

The Statement of Accounts for the year ended 31st March 2012 has been prepared in accordance with the Accounts and Audit Regulations 2003. The format reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom and the Service Accounting Code of Practice (2011/12), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts for 2011/12 is the second year to be prepared on an International Financial Reporting Standard (IFRS) basis. International Financial Reporting Standards are a suite of accounting standards used across the world. In the 2007 Budget, the then Chancellor announced that the UK Public Sector would adopt IFRS, as this was seen as best practice and allowed for international comparisons to be made.

The Council's core financial statements, beginning at page 26, are listed below along with a brief explanation of their purpose:

- ***Movement on Reserves -*** this statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting and dwellings rent setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to/from earmarked reserves undertaken by the council;
- ***Comprehensive Income & Expenditure Statement*** – this statement is fundamental to the understanding of the Council's activities, in that it reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers;
- ***Balance Sheet*** - this explains the Council's financial position at the year-end. It provides details of the Council's balances and reserves and its long-term indebtedness. It also includes the fixed and net current assets employed in Council operations together with summarised information on the fixed assets held; and
- ***Cash Flow Statement*** - this illustrates the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

In addition, the Council is also required to produce one supplementary statement: -

- ***Collection Fund*** - this reflects the statutory requirement for the authority to maintain a separate account providing details of receipts of Council Tax and Business Rates and the associated payments to precepting authorities and to the National Non-Domestic Rate (NNDR) Pool.
- ***Group Accounts*** - local authorities with material interests in subsidiaries, associates and joint ventures are required to prepare group accounts in addition to their single entity financial statements.

Whilst the Council does have some joint venture interests, the financial implications of these in a set of group accounts is not considered material to understanding the Council's financial position. Thus group financial statements have not been prepared. Information about these interests is, however contained within the notes to the accounts.

Financial Summary 2011/12

The financial activities of the Council can be categorised as either Revenue or Capital:-

- Revenue spending represents the net cost of consuming supplies and providing services delivered by the Council in its day-to-day business during the year.
- Capital spending results in an asset, which will provide benefit to the District over a number of years.

Revenue Spending

What we planned to spend

The Council set an original net Revenue budget for 2011/12 of £12,013,720 for spending on services. It was anticipated that financing available from external grants and Council Tax income would be £11,467,590, with a further £546,130 contribution from balances and reserves. Subsequent allocations to Services from balances brought forward from 2010/11 and transfers out of earmarked reserves, totalling £75,150 were assigned to support additional activities. This increased the budget to £12,088,870.

What we actually spent

Actual spend on activities during 2011/12 was £998,119 lower than anticipated. The most significant factor was a VAT refund from Her Majesty's Revenue and Customs of £600,000 including interest. As well as underspends across a number of service areas the authority also benefited from £266,000 in additional Government grant. Of this £57,000 was towards certain local initiatives and £203,000 as a reward for the increased number of new homes in the district.

The cumulative effect of this reduced spend and extra income was that instead of the authority using £591,280 of reserves, as originally budgeted, they have actually increased by £406,839.

	Budget £	Actual £	Variance £
Funding	(11,467,590)	(11,785,131)	317,541
- activities	12,058,870	11,378,292	680,578
- to (from) reserves	(591,280)	406,839	998,119

The impact of the additional contribution to these balances has been to increase overall revenue reserves to £7.436 million as illustrated below.

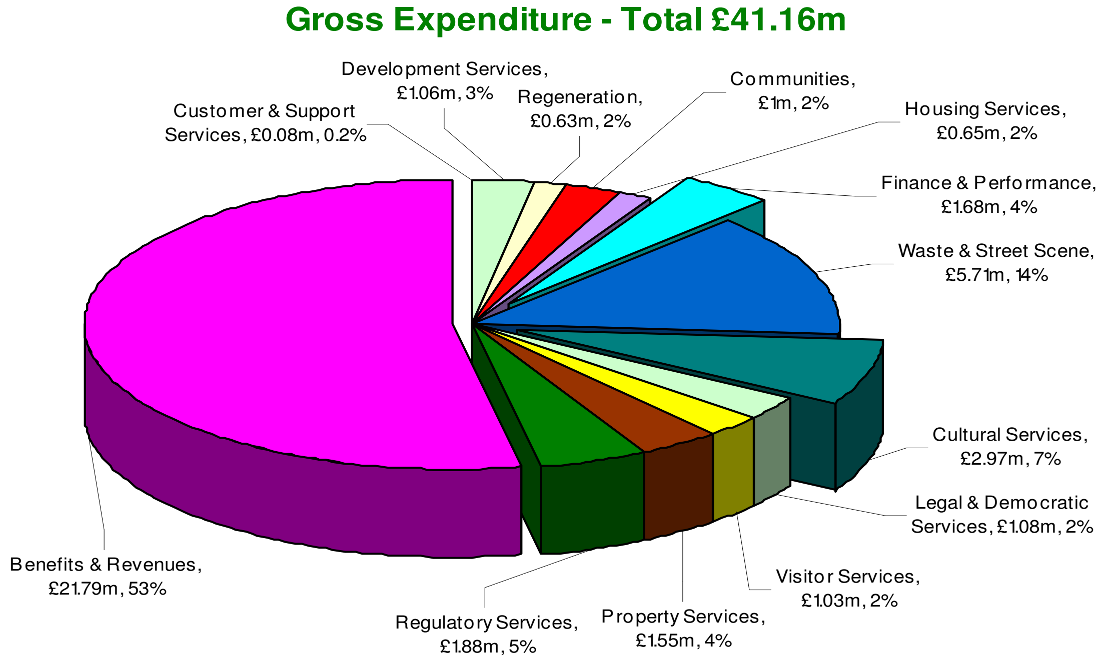
Revenue Reserves	Brought Forward £000	2011/12 Net Change £000	Carried Forward £000
Capital Support	3,667	24	3,691
Earmarked	1,633	100	1,733
General Revenue	1,605	407	2,012
	6,905	**531**	**7,436**

Both the capital and earmarked reserves have been built up over time to provide funding for future projects and specific activities in line with the Authority's medium term aims and objectives. The general revenue reserve is primarily held as a contingency to provide the Authority with operational funds and as a safeguard against financial risk. Current risk-based assessments set the Council's need for a revenue contingency at £1million. The reserve now stands at £2.012 million, which means that a surplus of £1.012 million is potentially available to support future spending plans.

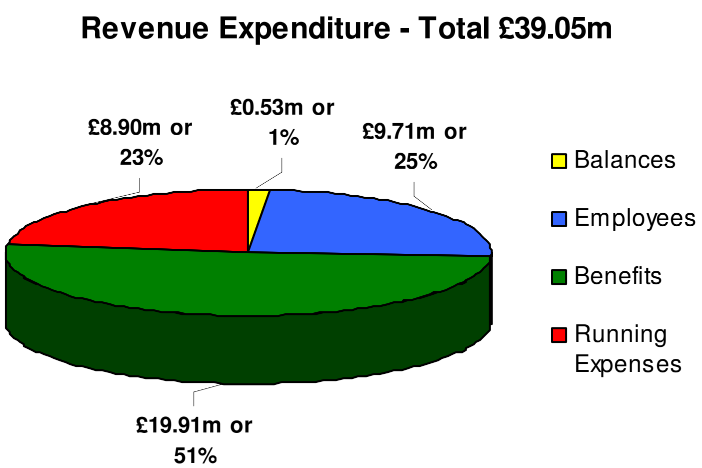
How the money was spent

The Comprehensive Income & Expenditure Account (page 28*)* summarises the resources that have been generated and consumed in providing services and managing the Council this year. It shows Gross Expenditure for the year was £41.16 million across the eight defined service areas. These are common to all councils to facilitate comparison, but they do not match the service areas around which this Council is organised. The chart below illustrates the profile of total expenditure based on the structure of this Council.

Gross expenditure includes nominal charges made for the use of capital assets and future pension liability. Their inclusion is a requirement to allow comparison between Councils as to the true cost of providing services. Statutory provisions however require that such charges are excluded from the amount charged to Council Taxpayers. These charges are removed to determine actual Revenue expenditure.



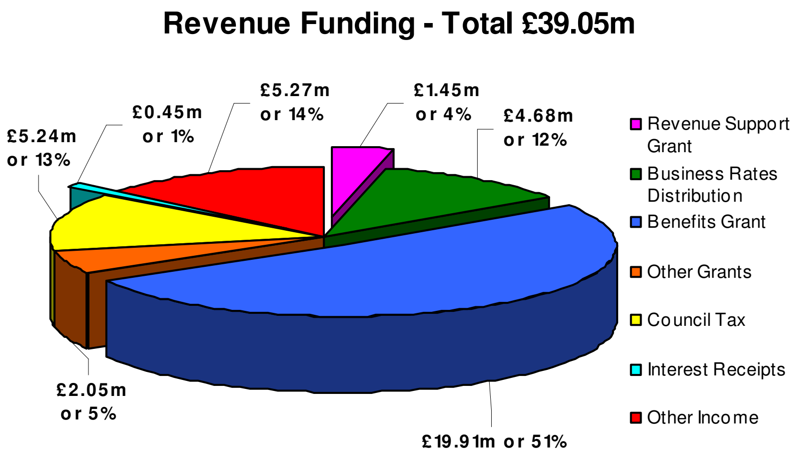
Revenue expenditure for the year was £39.05 million. Although this figure is not separately identified in any of the statements, it represents actual revenue resources applied during the year. The three main categories of spending are employee costs, running expenses and housing benefit payments. Running expenses include maintenance of buildings, vehicle costs, and supplies and services. The chart opposite illustrates the proportion in which expenditure was incurred on these categories of expenditure.



As previously stated revenue reserves have been increased in 2011/12 and the contribution to these balances at £0.53 million represented 2% of overall expenditure.

How it was paid for

Central Government provided the majority of funding. It supported general expenditure through the Revenue Support Grant (RSG) and the contribution from the National Non-Domestic Rate (NNDR) Pool. Other Government grants were received to support specific service areas, including the largest grant – Housing Benefits – at £19.91 million.



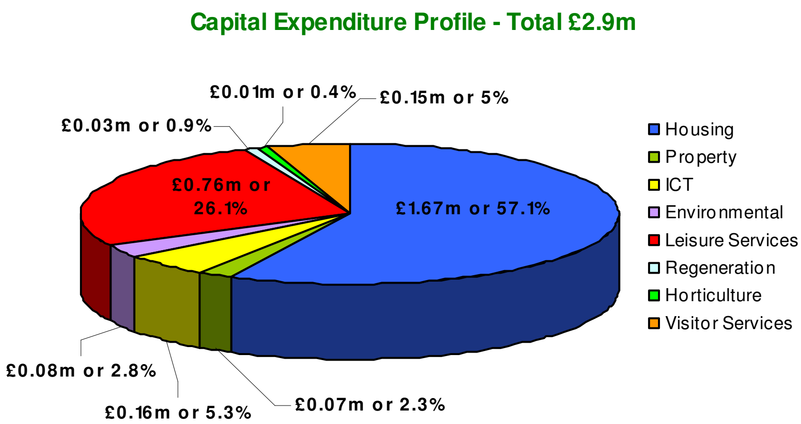
Capital Spending

Capital spending either maintains or creates new assets that will contribute to the Council's aims and objectives over more than one year. The Council therefore plans and budgets for capital expenditure by means of a three-year 'rolling' capital programme. This programme was last updated in February 2012 and included capital commitments of £11 million with estimated capital spending in 2011/12 of £3.724million.

How the money was spent

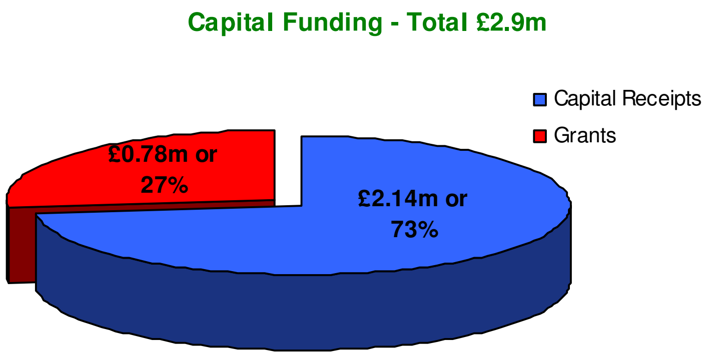
The actual spending in 2011/12 was £2.9 million. Major areas of capital expenditure and significant individual projects included:

- Housing – contribution to the Affordable Housing joint venture, financing of the Council's Empty Property Strategy, Home Repairs, and Disabled Facilities Grants (£1.2m);
- Leisure Services – investment in Sports villages (£0.76m)
- ICT – the continued replacement and development of IT systems to enhance service delivery (£0.16m)
- Visitor Services – investment in the Biddulph Town Hall Community Arts facility and Nicholson Institute (£0.15m)
- Environment Services – improvement works at Fowlchurch depot (£0.08m)



How it was paid for

There are a number of sources by which the Council can fund capital expenditure. The funding of the 2011/12 capital programme is illustrated below:



- Capital Receipts – the Council still has cash resources remaining from the sale of its housing stock in 2001.
- Grants – such as Government grants supporting Housing, and Football Foundation grants to support the District's Sports Villages

Joint Venture

The Council has entered into a joint venture with Your Housing to provide affordable housing across the District - Ascent LLP was incorporated as a Limited Company Partnership on 21 September 2010, with 2011/12 being the first year of trading. It is classified as a joint venture given the contractual need that each party has to agree all policy decisions. The Council has 49% of the shareholding in this company and appoints two out of the four executive board directors.

Information about the Council's interest in the joint venture is contained throughout the Statement of Accounts.

So what was achieved for the money?

The Revenue and Capital transactions recorded in these statements supported all our activities in 2011/12. A wide variety of statutory and non-statutory services were delivered, and numerous aims and objectives achieved. In particular, significant achievements were made in delivering our key priorities.

A Strong Economy

During 2011/12 the Council along with its Strategic Partner, High Peak Borough Council, organised a series of free events targeted at local businesses keen to expand and explore new markets both at home and abroad. The events included one-to-one clinics with business experts; a creative businesses roadshow; and workshops focusing on export markets.

Improved Community Safety

Crime levels fell by 4% in 2011/12, with a 15% reduction in domestic violence and a 22% reduction in anti-social behaviour. An event was run to raise awareness and increase understanding around the issue of Domestic Violence in December 2011. The Community Safety Partnership commissioned a Theatre Company to dramatically convey the very serious message around Domestic Violence to an audience of workers and officials involved with victims of Domestic Violence.

In Tean work was begun on an exciting design project to tackle graffiti and provide a permanent public art installation. Students from Leek College designed the murals and the project has been jointly supported by the Community Safety Partnership and Checkley Parish Council. We have also rolled out the successful ‘Citizens Watch’ scheme to Cheadle and Biddulph, which provides adults with learning difficulties information on town centre safe havens that can be used if they feel threatened or unsafe when out alone.

Improved Health

Cheadle Sports Village was unveiled in spring 2011; facilities include a floodlit, state-of-the-art synthetic pitch next to South Moorlands Leisure Centre plus a new car park and entrance off Ashbourne Road. A junior grass pitch has been introduced on the leisure centre site while two adult pitches have been constructed in Thorley Drive. Finally, a sports pavilion has opened in Thorley Drive. The Football Foundation has pledged up to £435,978, or 49%, of the £882,850 cost of the project. The rest of the costs were met by the Council.

At Leek, the Friends of Brough Park group have been successful in obtaining Stage 1 approval from the Community Spaces Fund for a new multi-use games area. Utilising one of the Park’s Tennis Courts the site will be able to host basketball, netball and 5-a-side football. A new pavilion at Birchall Playing Fields was opened in January and provides four modern changing rooms plus community space for coaching and club meetings. The reconfiguration and re-draining of neighbouring sports pitches will take place later this year alongside a weather shelter for athletes adjacent to the running track.

The Biddulph scheme will concentrate the town’s adult football pitches on Mill Hayes Sports Ground, and make more use of its changing facilities and functions room. Junior soccer pitches will be clustered on Halls Road Playing Fields, which will also play host to new tennis courts and a multi-use games area plus formal park. The £485,000 project is being funded by a mixture of external monies and capital programme funds.

A Protected Environment

During 2011/12 households in the District saved £27,560 in reduced fuel bills as a result of the Warmstreets project. The project, which was run in conjunction with Apex Carbon Solutions, provided free or discounted loft and cavity wall insulation to improve energy efficiency and shrink Staffordshire Moorlands’ carbon footprint. As well as the financial savings the scheme has realised a reduction of 146 tonnes of CO_2. The Council has added carton recycling to its kerbside offer and our recycling rate remains one of the highest in the country. The Council enlisted the help of local schools in a crackdown on Dog Fouling in the District called ‘Enough is Enough’. Parents in Knypersley and Leek were encouraged to help identify irresponsible dog owners in their local area so that enforcement action could be undertaken against them in an attempt to eradicate the problem. The Council protected the built environment through rigorous planning breach enforcements, which resulted in 4 prosecutions during 2011/12.

Decent and Affordable Housing

The Council joined forces with the Harvest Housing group to establish a Joint Venture company called "Ascent", which will deliver 424 affordable homes over the next three years, including a much needed Extra Care scheme for older persons. The Council also formed a partnership with Adullam Homes to help single people under the age of 35 find suitable accommodation in the light of changes to Housing Benefit entitlement announced by the Government last year.

The 2011/12 Statement of Accounts shows that our finances remain sound. Revenue and capital spending is controlled by affordable budgets while assets and reserves exist to support services and the achievement of key priorities.

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Date: 27th September 2012

Andrew P Stokes BA (Hons), MBA, CPFA, ACIH, MISPAL

Executive Director & Chief Finance Officer

CERTIFICATE OF APPROVAL BY AUDIT & ACCOUNTS COMMITTEE

I confirm that these accounts were approved by the meeting of the Audit and Accounts Committee held on 27th September 2012.

Councillor Jason Hails

Chair of the Audit & Accounts Committee

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director (Chief Finance Officer (CFO));
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the statement of accounts.

The Executive Director's Responsibilities

The Executive Director (CFO) is responsible for the preparation of the authority's Financial Statements. These, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), are required to present the true and fair financial position of the Council at the accounting date and its income and expenditure for the year (ended 31st March 2012).

In preparing this Statement of Accounts, the Executive Director (CFO) has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and decisions that were reasonable and prudent; and
- Complied with the Code of Practice.

The Executive Director (CFO) has also:

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

Certificate of the Executive Director (CFO)

I certify that this Statement of Accounts gives a 'true and fair' view of the financial position of the Council at 31st March 2012 and its income and expenditure for the year.

Andrew P. Stokes BA (Hons), MBA, CPFA, ACIH, MISPAL
Executive Director & Chief Finance Officer
Staffordshire Moorlands District Council

Statement of Accounting Policies

The purpose of this section is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

1. Accounting Polices

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. Those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stock on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents would usually be classified as investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. However, based on professional advice, the Council currently invests the majority of surplus cash on a short-term basis, up to a maximum of three months. Therefore, any fixed term investments will be classified as short or long term investments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.
Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [Minimum Revenue Provision (MRP) or loans fund principal], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7**. Employee Benefits**

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

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

The Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Staffordshire pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
Liabilities are discounted to their value at current prices, using a discount rate determined by the actuary (based on the indicative rate of return on high quality corporate bond).
The assets of the Staffordshire pension fund attributable to the Authority are included in the Balance Sheet at fair value:
– quoted securities – current bid price
– unquoted securities – professional estimate
– unitised securities – current bid price
– property – market value.

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- 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.

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

Discretionary Benefits

The Authority 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.

8. 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; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans at less than market rates are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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.

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority 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 Authority.

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

- Instruments with quoted market prices – the 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.

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

10. Government Grants and Contributions

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

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

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

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.]

11. Intangible Assets

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

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

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

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

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

12. Interests in Companies and Other Entities
The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.
The Council does have an interest in a joint venture, which would ordinarily necessitate the preparation of group accounts. It is considered, however, that the amount of the Council's share of the operating results, assets and liabilities of these entities are not considered to be material to the understanding of the financial position of the Council, and group financial statements have not therefore been produced.
The joint venture company is Ascent LLP and a Long term Debtor in respect of a debenture loan made to Ascent LLP is included within the Council's Balance Sheet.

13. Inventories and Long Term Contracts
Inventories are included in the Balance Sheet at the lower of cost and net realisable value.
The cost of inventories is assigned using the [FIFO] costing formula.
Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. 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 facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

15. Jointly Controlled Operations and Jointly Controlled Assets
Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

16. Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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

Lease payments are apportioned between:

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

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

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

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

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

The Authority as Lessor
Finance Leases
Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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

17. Overheads and Support Services
The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2011/12. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on -Continuing Services.

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

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer; and
- Infrastructure – straight-line allocation over 25 years.

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. (See “Componentisation” below).

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Componentisation

A formal Componentisation policy has been adopted in accordance with the requirements of International Reporting Standards effective from 2010/11. The policy applies to all categories of Property, Plant and Equipment which meet the following criteria:

- Individual assets and groups of similar assets, whether held at historic cost or current cost, with a gross carrying value of £800,000 and above will be considered for the purposes of componentisation.

- Items below this level will be disregarded as the impact upon the total cost of service is not considered material.

- Assets that are above the £800,000 threshold will be 'componentised' where the cost of the component is significant in relation to the overall cost of the asset. A component will be deemed significant where it represents 20% of the total cost of the overall asset at the time of acquisition or construction and where the component element has a significantly different useful life and/or method of depreciation to the main asset.

De-recognition

When a component is replaced or restored the old component should be "de-recognised" (written off) to avoid double counting. Under the Code, de-recognition is required to ensure the asset carrying values are not materially overstated. To this end the following principles will be applied when calculating de-recognition values:

- **General Fund Assets**
  - The component does not need to have been separately identified under the above policy.
  - All spending on assets valued at over £800,000 will be considered for de-recognition
  - On assets valued at under £800,000, only capital spending greater than £160,000 (20%) will be considered for de-recognition
  - On all assets, capital spending lower than £160,000 will be treated as an enhancement without any de-recognition.
- **Determining De-Recognition Values**
  - De-recognition will be based on valuations of the replaced component provided by Property Services; or
  - Where no valuations are readily available, replacement cost will be used, adjusted for appropriate levels of depreciation and impairment.

Note: all assets will be considered separately for an Impairment Review in accordance with the Code.

19. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

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

Contingent Assets

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

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

20. Reserves

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

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

21. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22. VAT

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

23. HERITAGE ASSETS

These are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained for their contribution to knowledge and culture.

The Council holds a range of Heritage Assets;

- Civic Regalia – comprises the various chains of office associated with the ceremonial functions of the Council and the office of Mayor (including deputies and consorts)
- Nicholson Collection – held on trust by the Council this collection is primarily on public display in the Nicolson Museum & Art Gallery within the Nicolson Institute in Leek.
- Civic Memorabilia – items, commemorative in nature, that have been donated to the Council.
- Legal Documents – a number of historical legal documents.
- Monuments, Memorials, Statues and Other Assets – the Council either owns or is custodian for a range items (e.g. fountains, wells etc.) considered significant to the heritage of the district.

Both the Civic Regalia and Nicholson collections are held on the Balance Sheet on the basis of Insurance Value and it is considered that they have an indefinite life and therefore Depreciation is not charged (Note – the Nicholson Collection is specifically maintained and preserved in its original condition).

In addition, both collections are annually reviewed in order to establish if carrying values remain current and if impairment is required, with a full revaluation undertaken within a maximum period of 10 years in any event.

For security reasons, the Council does not publicly reveal precise details of either its Civic Regalia or the Nicholson Collection.

Information on cost or value is not usually held on the remaining Heritage Assets and the Council considers that the cost of obtaining valuations tend not to be commensurate with the potential benefits to the users of the Statement of Accounts. Therefore these assets are rarely included on the face of the Balance Sheet (appearing instead as a Balance Sheet note). However, an annual review of such assets is undertaken to ensure that this assumption remains valid.

2. Accounting Standards Issued, Not Adopted

International Financial Reporting Standard (IFRS) 7 which was issued in October 2010 will apply to the Authority's statements commencing with the year 2012/13. It sets out the rules under which an Authority should report the transfer of financial assets. It is intended to assist users of the statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Authority's financial position. An example would be if the Authority was to retain ownership of a financial asset and substantially all the associated risks and rewards but to assign the cash flows it generates to a third party. Transfers such as this are very rare for local authorities and it is unlikely that adoption of IFRS 7 will have any noticeable impact on the Authority's future statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in part 1 of this section, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

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

- The Authority has had to review certain contractual arrangements to decide if they are in the nature of a lease and if so determine whether they were classified as Operational or Finance. These decisions are often based on judgements as to where the practical control of an asset lies;

- The Authority undertakes an annual assessment for indications of impairment of its assets. This assessment is performed by specialist staff with reference to external advice;

- An exercise is performed to assess whether capital spend restores or enhances an asset. A further judgement is then made as to whether there is a consequent requirement to derecognise any existing value of any component of the asset.

- The Council does have an interest in a joint venture, which would ordinarily necessitate the preparation of group accounts. It is considered, however, that the amount of the Council's share of the operating results, assets and liabilities of this entity are not considered to be material to the understanding of the financial position of the Council, and group financial statements have not therefore been produced.
  Ascent LLP is a joint venture company in which the Council has a 49% shareholding. The Council's share of the Company's profit for 2011/12 would be £83,000 which is not considered to be material in relation to the council's operating results for the year.
  The Council provided a loan in the form of a debenture to Ascent LLP during the year amounting to £1,108,000 which is included in the single entity accounts as a Long Term Debtor on the balance sheet. It is not considered material to the understanding of the accounts to provide group accounts containing the same information.

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. A 1% change in the assessed carrying value of the Authority's pension liability equates to £274,810.
Asset Valuations	The valuations of property, plant and equipment reported in the Balance Sheet and the related depreciation charges made to the CI&E are based on an estimation of their value and asset life. A firm of qualified valuers is engaged by the Authority 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. A 1% change in the assessed carrying value of the Authority's assets equates to £355,980

5. Restatement of Previous Years

Changes in the accounting code and policies, as applied to these Statements, have required judgements to be made concerning the restatement of certain comparative information from previous years. Where such changes have been made the Statement is marked 'restated'. The judgements made relate to:

- Service Reporting Code of Practice; in accordance with the 2011/12 edition the service formerly called Cultural, Environmental, Regulatory and Planning on the Comprehensive Income and expenditure Statement has been split into three:-
  - Cultural and Related Services
  - Environmental and Regulatory Services
  - Planning Services.

- Heritage Assets; adoption of Financial Reporting Standard 30 (FRS30) required restatement of the 2010 and 2011 balance sheets to record these assets. However the Authority does not consider the amounts identified as material enough to justify restatement. Instead the associated accounting entries have been treated as 2011/12 transactions and reported as such. This highlights in the year the full impact of these retrospective changes in arriving at the closing statement balances (see Section 7j).

Financial Statements

The core single entity financial statements applicable to all local authorities comprise:

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

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance 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.

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2010		**(1,405)**	**(4,666)**	**(3,729)**	**(523)**	**(10,323)**	**2,985**	**(7,338)**
(Surplus) or deficit on the provision of Services		(5,066)	0	0	0	**(5,066)**	0	**(5,066)**
Other Comprehensive Income and Expenditure		(8,480)	0	0	0	**(8,480)**	0	**(8,480)**
Total Comprehensive Income and Expenditure		**(13,546)**	**0**	**0**	**0**	**(13,546)**	**0**	**(13,546)**
Adjustment between accounting basis & funding basis under regulations	6	12,713	0	1,385	334	**14,432**	(14,432)	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		**(833)**	**0**	**1,385**	**334**	**886**	**(14,432)**	**(13,546)**
Transfers to/(from) Earmarked Reserves		633	(633)	0	0	**0**	0	**0**
(Increase)/Decrease in 2010/11	11	**(200)**	**(633)**	**1,385**	**334**	**886**	**(14,432)**	**(13,546)**
Balance at 31 March 2011		**(1,605)**	**(5,299)**	**(2,344)**	**(189)**	**(9,437)**	**(11,447)**	**(20,884)**
(Surplus) or deficit on the provision of Services		3,651	0	0	0	**3,651**	0	**3,651**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	2,527	**2,527**
Total Comprehensive Income and Expenditure		**3,651**	**0**	**0**	**0**	**3,651**	**2,527**	**6,178**
Adjustment between accounting basis & funding basis under regulations	6	(4,182)	0	2,140	(68)	**(2,110)**	2,111	**1**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		**(531)**	**0**	**2,140**	**(68)**	**1,541**	**4,638**	**6,179**
Transfers to/(from) Earmarked Reserves		124	(124)	0	0	**0**	0	**0**
(Increase)/Decrease in 2011/12	11	**(407)**	**(124)**	**2,140**	**(68)**	**1,541**	**4,638**	**6,179**
Balance at 31 March 2012 carried forward		**(2,012)**	**(5,423)**	**(204)**	**(257)**	**(7,896)**	**(6,809)**	**(14,705)**

Comprehensive Income & Expenditure Statement

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

Restated 2010/11				Notes	2011/12		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expendture
£000	£000	£000			£000	£000	£000
1,404	(635)	769	Central Services to the Public		1,147	(560)	587
3,104	(318)	2,786	Cultural and Related Services		3,220	(103)	3,117
7,187	(2,602)	4,585	Environment and Regulatory Services		7,805	(2,729)	5,076
3,557	(1,161)	2,396	Planning Services		3,239	(850)	2,389
1,304	(928)	376	Highways and Transport Services		637	(603)	34
21,727	(20,877)	850	Other Housing Services		22,350	(21,239)	1,111
(6,628)	0	(6,628)	Past Service Gain (Pensions)		0	0	0
2,195	(139)	2,056	Corporate and Democratic Core		1,936	(8)	1,928
519	(18)	501	Non Distributed Costs		830	0	830
34,369	**(26,678)**	**7,691**	**Cost of Services**		**41,164**	**(26,092)**	**15,072**
		1,144	Other Operating Expenditure	3a			1,733
		358	Financing and Investment Income and Expenditure	3b			(110)
		(14,259)	Taxation and Non-Specific Grant Income	3c			(13,044)
		(5,066)	**Surplus (-) or Deficit on Provision of Services**				**3,651**
		(2,115)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	12			(926)
		(6,365)	Actuarial (Gains)/Losses on Pension Assets/Liabilities	5			3,453
		(8,480)	**Other Comprehensive Income and Expenditure**				**2,527**
		(13,546)	**Total Comprehensive Income and Expenditure**				**6,178**

Balance Sheet

The Balance Sheet provides an overall summary of the financial position of the Council as at 31st March 2012. It shows the Council's balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

31st March 2011		Notes	31st March 2012
£000			£000
32,070	Property, Plant & Equipment	7a	30,563
0	Heritage Assets	7j	572
3,285	Investment Properties	7b	3,508
13	Intangible Assets		26
19	Long Term Investments	13a	19
46	Long Term Debtors	9	635
35,433	**TOTAL LONG TERM ASSETS**		**35,323**
6,532	Short Term Investments	13d	3,516
143	Inventories		136
4,638	Short Term Debtors	9	2,580
2,102	Cash and Cash Equivalents	8	5,809
13,415	**TOTAL CURRENT ASSETS**		**12,041**
(356)	Cash and Cash Equivalents	8	(453)
(40)	Short Term Borrowings	13d	(30)
(3,977)	Short Term Creditors	10	(3,985)
(113)	Provisions		(90)
(4,486)	**TOTAL CURRENT LIABILITIES**		**(4,558)**
(22,460)	Pensions Liability	5c	(27,481)
(929)	Other Long Term Liabilities	13a	(563)
(90)	Grants Receipts in Advance - Capital		(57)
(23,479)	**TOTAL LONG TERM LIABILITIES**		**(28,101)**
20,883	**TOTAL NET ASSETS**		**14,705**
9,437	Usable Reserves	11	7,896
11,446	Unusable Reserves	12	6,809
20,883	**TOTAL RESERVES**		**14,705**

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2010/11 £000		Notes	2011/12 £000
5,066	Net Surplus/(Deficit) on the Provision of Services		(3,651)
11,433	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	16a	4,941
(1,590)	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	16a	12,747
14,909	Net Cash Flows from Operating Activities		14,037
(12,726)	Investing Activities	16c	(12,283)
(1,342)	Financing Activities	16d	1,856
841	Net Increase or (Decrease) in Cash and Cash Equivalents		3,610
905	Cash and Cash Equivalents at the Beginning of the Reporting Period	8	1,746
1,746	**Cash and Cash Equivalents at the End of the Reporting Period**		**5,356**

Notes to the Financial Statements

The notes to the core financial statements are shown below. Some are dictated by statute while others are included to add clarity.

1. Service Level Income & Expenditure -

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice.* The service areas definitions are specified below:-

Central Services to the Public

This includes local tax collection, local land charges and community grants.

Cultural and Related Services

This includes expenditure on the arts and museums, recreation and sport, open spaces, and tourism.

Environmental and Regulatory Services

This includes expenditure on Leek cemetery, public conveniences, environmental health, community safety, licensing, street cleansing and waste collection.

Planning Services

This includes expenditure on building control, development control, planning policy, community and economic development.

Highways and Transport Services

This includes expenditure on car parking, engineering services, bus shelters and street naming.

Housing Services

This includes private sector housing, homelessness, housing benefits, welfare services and residual elements of what was formerly the Housing Revenue Account.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would have been incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Non Distributed Costs

This includes pension costs for added years and early retirements.

Amounts Reported for Resource Allocation Decisions

However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across a set of Service Areas based on the Authority's internal organisation, and not those defined above. These reports are prepared on a different basis from the accounting policies used in the financial statements. *In particular:*

- *no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);*
- *the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in year;*
- *expenditure on support services is budgeted for within the support services and not charged to Services.*

The following tables show these internal service area records and reconcile them to the figures as reported in the statements.

Service Analysis: The income and expenditure of the Authority's principal services recorded in the budget reports for the year is as follows:

Service Income and Expenditure 2011/12	**Departmental Administration**	**Organisational Development**	**Revenues & Benefits**	**Development Services**	**Regeneration**	**Communities**	**Customer Services**	**Housing Services**	**Transformation**	**Finance and Performance**	**Waste and Street Scene**	**Cultural Services**	**Human Resources**	**Legal & Democratic**	**Visitor Services**	**Regulatory Services**	**Property Services**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, Charges & other service income	0	0	(136)	(511)	(16)	(24)	(25)	0	(2)	(287)	(2,354)	(146)	0	(16)	(816)	(342)	(365)	**(5,040)**
Interest and investment income	0	0	0	0	0	0	0	0	0	(451)	0	0	0	0	0	0	0	**(451)**
Government Grants	0	0	(20,599)	0	0	(88)	0	0	0	0	0	(2)	0	0	0	0	0	**(20,689)**
Total Income	**0**	**0**	**(20,735)**	**(511)**	**(16)**	**(112)**	**(25)**	**0**	**(2)**	**(738)**	**(2,354)**	**(148)**	**0**	**(16)**	**(816)**	**(342)**	**(365)**	**(26,180)**
Employee Expense	691	0	689	491	328	410	900	73	341	554	1,952	303	220	494	362	754	182	**8,744**
Interest and Capital provisions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Other Service Expenses	66	0	20,076	81	128	287	89	6	560	883	2,479	1,246	12	470	443	155	1,420	**28,401**
Total Expenditure	**757**	**0**	**20,765**	**572**	**456**	**697**	**989**	**79**	**901**	**1,437**	**4,431**	**1,549**	**232**	**964**	**805**	**909**	**1,602**	**37,145**
Net Expenditure	**757**	**0**	**30**	**61**	**440**	**585**	**964**	**79**	**899**	**699**	**2,077**	**1,401**	**232**	**948**	**(11)**	**567**	**1,237**	**10,965**

The information above is based on a revised service structure adopted in 2011/12. The 2010/11 information shown below is as reported last year under the structure in place at that time. While many of the service headings remained the same a number of constituent elements have changed. This means that these tables can not be used for the direct comparison of a service between years.

Service Income and Expenditure 2010/11	Departmental Administration	Organisational Development	Revenues & Benefits	Development Services	Regeneration	Communities	Customer Services	Housing Services	Transformation	Finance and Performance	Waste and Street Scene	Cultural Services	Human Resources	Legal & Democratic	Visitor Services	Regulatory Services	Property Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & other service income	(44)	0	(319)	(587)	(5)	(786)	(58)	(1)	(30)	(200)	(1,933)	(174)	(26)	(18)	(110)	(365)	(272)	**(4,928)**
Interest and investment income	0	0	0	0	0	0	0	0	0	(350)	0	0	0	0	0	0	0	**(350)**
Government Grants	(14)	0	(19,446)	0	0	(424)	0	(1,112)	0	(294)	(197)	(121)	0	0	0	(34)	0	**(21,642)**
Total Income	**(58)**	**0**	**(19,765)**	**(587)**	**(5)**	**(1,210)**	**(58)**	**(1,113)**	**(30)**	**(844)**	**(2,130)**	**(295)**	**(26)**	**(18)**	**(110)**	**(399)**	**(272)**	**(26,920)**
Employee Expense	1,625	94	362	542	346	453	859	225	323	1,028	215	388	123	201	178	517	140	**7,619**
Interest and Capital provisions	0	0	0	0	0	0	0	0	0	652	0	0	0	0	0	0	0	**652**
Other Service Expenses	560	12	19,134	122	133	741	67	1,079	655	1,425	4,015	1,215	7	169	20	185	1,148	**30,687**
Total Expenditure	**2,185**	**106**	**19,496**	**664**	**479**	**1,194**	**926**	**1,304**	**978**	**3,105**	**4,230**	**1,603**	**130**	**370**	**198**	**702**	**1,288**	**38,958**
Net Expenditure	**2,127**	**106**	**(269)**	**77**	**474**	**(16)**	**868**	**191**	**948**	**2,261**	**2,100**	**1,308**	**104**	**352**	**88**	**303**	**1,016**	**12,038**

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and expenditure Statement.

	2010/11 £000	2011/12 £000
Net expenditure in the Directorate Analysis	12,038	10,965
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the CIES not reported to management in the Analysis	(4,301)	3,821
Amounts included in the Analysis not included in the CIES	(46)	286
Cost of Services in CIES	**7,691**	**15,072**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	Directorate Analysis £000	reported to management for decision making £000	Amount not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(5,040)	0	0	**0**	0	**(5,040)**
Surplus or deficit on associates and joint ventures	0	0	0	**0**	0	**0**
Interest and investment income	(451)	0	0	**0**	0	**(451)**
Council Tax	0	0	0	**0**	(6,242)	**(6,242)**
Government Grant	(20,689)	0	0	**0**	(6,490)	**(27,179)**
Capital grants and contributions	0	(597)	0	**0**	(255)	**(852)**
Total Income	**(26,180)**	**(597)**	**0**	**0**	**(12,987)**	**(39,764)**
Employee expenses	8,744	966	0	**0**	0	**9,710**
Other service expenses	28,401	73	(24)	**510**	740	**29,700**
Support Service recharges	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	0	2,426	0	**0**	(222)	**2,204**
Interest Payments	0	0	0	**0**	69	**69**
Precepts & Levies	0	0	0	**0**	1,004	**1,004**
Payments to Housing Capital Receipts Pool	0	0	0	**0**	6	**6**
(Gain) or Loss on Disposal of Non-current Assets	0	0	0	**0**	722	**722**
Total expenditure	**37,145**	**3,465**	**(24)**	**510**	**2,319**	**43,415**
Surplus or deficit on the provision of services	**10,965**	**2,868**	**(24)**	**510**	**(10,668)**	**3,651**

2010/11Comparatives

2010/11 Comparative figures	Directorate Analysis £000	reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(4,928)	(53)	12	**0**	0	**(4,969)**
Surplus or deficit on associates and joint ventures	0	0	0	**0**	0	**0**
Interest and investment income	(350)	0	0	**0**	0	**(350)**
Income Tax	0	0	0	**0**	(6,239)	**(6,239)**
Government Grants	(21,642)	0	0	**0**	(7,660)	**(29,302)**
Capital grants and contributions	0	0	0	**0**	(360)	**(360)**
Total Income	**(26,920)**	**(53)**	**12**	**0**	**(14,259)**	**(41,220)**
Employee expenses	7,619	(6,528)	0	**0**	0	**1,091**
Other service expenses	30,687	90	(27)	**0**	878	**31,628**
Support Service recharges	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	0	2,227	0	**0**	0	**2,227**
Interest Payments	652	0	(588)	**0**	0	**64**
Precepts & Levies	0	0	0	**0**	1,019	**1,019**
Payments to Housing Capital Receipts Pool	0	0	0	**0**	10	**10**
(Gain) or Loss on Disposal of Non-current Assets	0	0	0	**0**	115	**115**
Total expenditure	**38,958**	**(4,211)**	**(615)**	**0**	**2,022**	**36,154**
Surplus or deficit on the provision of services	**12,038**	**(4,264)**	**(603)**	**0**	**(12,237)**	**(5,066)**

2. Net Cost of Services

The following transactions, included in the Cost of Services in the Comprehensive Income & Expenditure Statement, are considered in more detail:

a. Trading Operations
b. Member Allowances
c. Officer Remuneration
d. Related Party Transactions
e. Audit Costs
f. Interest in Companies & Other Entities

a. Trading Operations

Net Cost of Services is inclusive of the surpluses and losses generated by the Council's four trading accounts. Two of these accounts relate to Service Trading functions, where the manager of each is required to operate in a commercial environment and balance their budget target by generating income from other parts of the Council or other organisations. The other two relate to Contract Service functions, where the trading surplus or deficit is apportioned in accordance with the requirements of the Service Reporting Code of Practice. In 2011/12, a £64,000 surplus (2010/11 £155,000 surplus) has been apportioned to the clients of each trading activity as set out below.

		2010/11		2011/12	
		£000	£000	£000	£000
Markets	Turnover	(214)		(203)	
To ensure that the service at least breaks-even, although the overriding objective is to support the local economy and attract tourism.	Expenditure	302		209	
	Net Deficit/ (Surplus)		88		6
		£000	£000	£000	£000
Trading & Industrial Services	Turnover	(136)		(139)	
The Council is responsible for two Industrial Sites. As part of the Council's economic development strategy these are established to support small businesses.	Expenditure	42		49	
	Net Deficit/ (Surplus)		(94)		(90)
Service Operations	Net Deficit/ (Surplus)		(6)		(84)
		£000	£000	£000	£000
Refuse Collection	Turnover	(2,856)		(2,798)	
The Council's refuse collection function is contracted to its Waste Collection Trading Unit with the trading objective of breaking even. The balance is re-apportioned to the client accounts	Expenditure	2,776		2,800	
	Net Deficit/ (Surplus)		(80)		2
		£000	£000	£000	£000
Street Cleansing	Turnover	(793)		(763)	
The Council's street sweeping function is contracted to its Street Cleansing Trading Unit, which operates with the aim of breaking even.	Expenditure	718		697	
	Net Deficit/ (Surplus)		(75)		(66)
Contract Service	Net Deficit/ (Surplus)		(155)		(64)

b. Members' Allowances

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

	2011/12	2010/11
Salaries	0	0
Allowances	248,976	251,233
Expenses	20,513	21,927
Total	**269,489**	**273,160**

c. Officers' Remuneration

This note details the remuneration paid to the Authority's senior employees.

A further review of the management structure of the Strategic Alliance with High Peak Borough Council (HPBC) resulted in the extension of the cost sharing arrangement, beyond the roles of the Chief Executive, Executive Directors and former Heads of Service, to include Service Managers. Costs and responsibilities for these posts are now shared equally between the two authorities. In line with the regulations, the remuneration of the senior officers, within the above group, is included in the disclosure within the Statement of Accounts of the authority to whom they are employed and paid.

Senior Officers with salary between £50,000 and £150,000 during **2011/12**:-

2011/12	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total (inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Executive Director & Chief Financial	109,219	11,233	3,121	123,573	19,995	143,569	71,784	71,784
Executive Director & Monitoring Officer	104,344	10,722	3,551	118,617	19,101	137,718	68,859	68,859
Finance & Performance Manager	70,800	0	2,273	73,073	11,753	84,826	42,413	42,413
Transformation Manager	64,742	0	3,045	67,787	10,747	78,534	39,267	39,267
Customer Services Manager	64,742	0	2,120	66,862	10,747	77,609	38,805	38,805
Regeneration Manager	64,742	0	2,502	67,244	10,747	77,991	38,996	38,996
Head of Property *	112,633	0	2,256	114,889	1,835	116,724	58,362	58,362
Planning Application Manager	61,200	0	2,521	63,721	10,159	73,880	36,940	36,940
Housing Strategy Manager	60,971	0	3,059	64,030	10,120	74,150	37,075	37,075
Head of Legal & Democratic Services **	86,052	0	2,140	88,192	1,807	89,999	45,000	45,000
Environmental Services Manager	52,401	0	1,032	53,433	8,699	62,132	31,066	31,066
Community & Cultural Services Manager	51,091	0	1,032	52,123	8,481	60,604	30,302	30,302
	902,937	**21,955**	**28,652**	**953,544**	**124,192**	**1,077,736**	**538,868**	**538,868**

* Head of Property Services post made redundant during 2011/12 with termination payments of £101,576. A further £70,074 is payable to the Pension Fund, in respect this redundancy, in the form of additional future contributions, £35,037 of which is recoverable from High Peak BC.

** Post made redundant during 2011/12 with termination payments of £75,165. A further £71,506 is payable to the Pension Fund in respect this redundancy, in the form of additional future contributions, £35,753 of which is recoverable from High Peak BC.

Senior Officer with salary over £150,000 during **2011/12**:

2011/12	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Chief Executive Officer								
S Baker	157,775	0	29,189	186,964	26,191	213,155	105,149	108,006

As can be seen from the tables above, there is a recharge to High Peak BC of £644,017 for the posts paid by Staffordshire Moorlands DC. However as a number of the Directors and Senior Service Managers are employed and paid by High Peak BC, there is a recharge back to Staffordshire Moorlands DC of £391,511 as detailed below.

2011/12	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Charge to SMDC	Net Charge to HPBC
	£	£	£	£	£	£	£	£
Executive Director	97,401	0	963	98,364	11,104	109,468	54,734	54,734
Assistant Chief Executive Officer*	105,958	0	434	106,392	189,013	295,405	147,703	147,703
Visitor Services Manager	58,701	0	963	59,664	0	59,664	23,866	35,798
Human Resource Manager*	97,175	0	963	98,138	112,093	210,231	105,116	105,116
Environmental Health Manager	54,600	0	2,475	57,075	6,224	63,299	31,650	31,650
Revenues & Benefits Manager	50,202	0	963	51,165	5,723	56,888	28,444	28,444
						794,955	**391,512**	**403,444**

* Assistant Chief Executive remuneration includes a redundancy payment of £70,665 and a sum paid into the Pension Fund of £184,990 in respect of additional pension costs.

** Human Resources Manager remuneration includes a redundancy payment of £38,937 and a sum paid into the Pension Fund of £105,504 in respect of additional pension costs.

2010/11Comparatives

Senior Officers with salary between £50,000 and £150,000 during **2010/11**:

2010/11	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Executive Director & S151 Officer	111,802	11,739	2,867	126,408	19,519	145,927	72,964	72,963
Executive Director & Monitoring Officer	106,802	11,214	3,213	121,229	18,646	139,875	69,938	69,938
Head of Finance & Revenues	72,800	0	2,334	75,134	11,502	86,636	43,318	43,318
Head of Transformation	68,902	0	2,857	71,759	10,886	82,645	41,323	41,322
Head of Customer Services	67,449	0	1,945	69,394	10,657	80,051	40,026	40,026
Head of Regeneration	66,402	0	2,328	68,730	10,491	79,221	39,611	39,610
Head of Property Services	64,200	0	1,809	66,009	10,144	76,153	38,077	38,077
Head of Development Services	61,200	0	2,975	64,175	9,670	73,845	36,923	36,923
Head of Housing Services	61,200	0	2,833	64,033	9,670	73,703	36,852	36,852
Head of Legal & Democratic Services	56,802	0	1,945	58,747	8,975	67,722	33,861	33,861
Head of Environmental Services	52,401	0	1,239	53,640	8,281	61,921	30,961	30,960
Head of Communities	52,401	0	1,239	53,640	8,279	61,919	30,960	30,959
	842,361	**22,953**	**27,584**	**892,898**	**136,720**	**1,029,618**	**514,809**	**514,804**

Senior Officer with salary over £150,000 during **2010/11**:

2010/11	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Chief Executive Officer								
S Baker	151,628	16,244	8,467	176,339	26,524	202,863	99,187	103,675

Senior Officers with between £50,000 and £150,000 charged from High Peak Borough Council during **2010/11**:

2010/11	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to SMDC	Net Charge to HPBC
	£	£	£	£	£	£	£	£
Executive Director	97,401	0	963	98,364	23,181	121,545	60,772	60,775
Assistant Chief Executive Officer	82,800	8,808	1,059	92,667	21,803	114,470	57,235	57,235
Head of Organisational Development*	84,470	0	1,043	85,513	9,461	94,974	47,487	47,487
Head of Visitor Services	58,701	0	963	59,664	11,642	71,306	6,072	65,234
Head of Human Resource	57,802	0	963	58,765	13,757	72,522	36,261	36,261
Head of Regulatory Services	54,600	0	2,011	56,611	12,995	69,606	34,803	34,803
Head Of Housing Benefits	50,952	0	963	51,915	11,948	63,863	31,931	31,932
						608,286	**274,561**	**333,725**

The Authority, in conjunction with High Peak BC, entered into a joint Voluntary Redundancy process during 2010/11, whereby the contracts of a number of employees were approved for termination. Many of those affected left the Authority during 2011/12, their costs and numbers reflected in the table below.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit oackages by cost band [(b)+'(c)]		(e) Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0-£20,000	0	0	8	18	8	18	86	157
£20,001 - £40,000	0	0	14	7	14	7	327	184
£40,001 - £60,000	0	1	8	3	8	4	292	199
£60,001 - £80,000	0	0	1	4	1	4	57	206
£80,001 - £100,000	0	0	0	2	0	2	0	73
£100,001 - £150,000	0	0	0	1	0	1	0	55
Total	**0**	**1**	**31**	**35**	**31**	**36**	**762**	**874**

In addition to the costs included above, a further £443,130 is payable in additional future pension contributions. These costs are included when determining the banding for individual exit packages. Of the total exit package costs referred to above, £216,239 is payable by High Peak BC, in respect of employees fulfilling shared roles across the Alliance.

Staffordshire Moorlands DC is also liable for £205,527 in redundancy costs incurred by High Peak BC involving employees in a shared role.

Additionally, two senior officers left the Authority during the year and their costs are detailed as part of the remuneration table and footnote above

d. Related Parties

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

Related Parties:

Central Government - has effective control over general operations of the Council. It provides the statutory framework, provides the majority of funding and prescribes the terms of many transactions with other parties (such as housing benefit).

Local Authorities – such as Staffordshire County Council, Staffordshire Police and Fire Authority and local Parish Councils issue precepts on the Council which are shown in the Collection Fund. The County administers the Authority's pension fund. There are other transactions with these authorities involving service provision and funding.

Subsidiary, associated companies or joint ventures – the Strategic Alliance with High Peak Borough Council (see 2f) involves development of joint working at all levels, including shared resources and staff. The two authorities, however, retain their political and financial independence and accountability.

Members - have direct control over the Council's financial and operating policies. The Council also nominates Members to sit on outside bodies. Several Council Members are also Members of Staffordshire County Council, local parish councils, or various local voluntary organisations, which the Council supports financially.

One charitable organisation, where Members have declared an interest, received Authority funding that could be considered a material proportion of their total turnover;

Charity	Funding £000
Biddulph in Bloom	5

Council members make disclosures of relevant interests to the Council's Monitoring Officer, and also have to make declarations on individual committee decisions. The Register of Member Interests is open to public inspection, subject to prior notice, at Moorlands House.

Officers – have scope, in some circumstances, to influence authority policy. The Chief Executive Officer maintains a record of officer interests which, together with the Authority's standards and procedures, acts as a guard against undue influence.

Related Party Transactions:

Material transactions with Central and other Local Government organisations are separately reported throughout the Statements, including the analyses of precepts, grants and pension contributions. There are no material transactions or evidence suggesting undue influence in relation to Members or Officers.

e. Audit Costs

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

	2011/12 £000	2010/11 £000
Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	101	96
Fees payable to Audit Commission in respect of statutory inspections	0	0
Fees payable to Audit Commission for the certification of grant claims and returns for the year	35	23
Fees payable in respect of other services provided by Audit Commission during the year	2	0
Total	**138**	**119**

f. Interests in companies and other entities

The Council has financial interests and related party transactions with a number of entities and actively pursues working in partnership with other organisations where this can improve efficiency and effectiveness in achieving key priorities. Some of the more significant joint arrangements are detailed below:

High Peak Borough Council - Strategic Alliance

On 11th June 2008, the strategic Alliance between Staffordshire Moorlands District Council and High Peak Borough Council was formally sealed at a signing ceremony in the presence of both Council leaders. The aim of the Alliance is not only to produce savings through joint procurement and working, but to draw on the expertise of both authorities to improve service provision.

Any costs and savings, incurred and accruing in an accounting period, are accounted for by the relevant Authority. The Alliance related expenditure of SMDC amounted to £1,773,063 (£1,427,060 2010/11). The corresponding Income received from HPBC was £1,968,457 in 2011/12 (£1,628,051 2010/11).

	Paid by SMDC to HPBC £000	Paid by HPBC to SMDC £000
Contribution to Employee Costs	1,114	1,610
Contribution to Other Costs	659	358
Total	**1,773**	**1,968**

Parking Board

On the 1st October 2007 the Council took over responsibility for on-street parking within the District, under the control of a county wide Parking Board. Under this arrangement, expenditure relating to the function, including set up costs of the Districts and the County, are to be offset against future revenue streams. Any surplus generated from activities within a District is transferred to the Board. These funds are then reallocated by the Board to the Districts to finance improvements in parking and traffic management. Until revenue streams are sufficient to cover set up and running costs, these balances will be borne by the District and County Council. The Authority's share of this deficit remains at £146k, which includes the deficit for the first 12 month period (1st October 2007 – 30th September 2008) and the initial set-up costs.

Ascent LLP – (Registered Company No OC358084)

Ascent LLP was incorporated as a Limited Company Partnership on 21 September 2010 and is classified as a joint venture given the contractual need that each party has to agree all policy decisions. Its primary role is to provide affordable housing throughout the Staffordshire Moorlands. The Council has 49% of the shareholding in this company and appoints two out of the four executive board directors. The remaining shares are held by Your Housing. Profits are to be distributed according to shareholding.

The company has not traded until 2011/12 and therefore no accounts have been prepared in previous years. For 2011/12 the Company's turnover was £175,000; profits were £170,000 and net assets amounted to £2,386,000. The Council received no dividends during the year.
A full copy of the accounts can be obtained from Ascent LLP, Apex House, 266 Moseley Road, Levenshulme, Manchester M19 2LH.

3. Corporate Income and Expenditure

The following transactions, included in the Comprehensive Income & Expenditure Statement, are considered in more detail:

a. Other Operating Expenditure
b. Financing & Investment Income & Expenditure
c. Taxation and non-specific grant income
d. Grant income

a. *Other Operating Expenditure*

2010/11 £'000		2011/12 £'000
1,019	Parish Council Precepts	1,005
10	Payments to the Government Housing Capital Receipts Pool	6
115	(Gains)/Losses on the disposal of non-current assets	722
1,144	**Total**	**1,733**

Housing Capital Receipts

In January 2006 the Office of the Deputy Prime Minister (ODPM) changed their position on the pooling of housing capital receipts. Previously the ODPM had advised those authorities that had closed their Housing Revenue Accounts (HRA) that they did not have to pay a proportion of any capital receipt generated by the disposal of an HRA asset to the Secretary of State. Their revised position is that ex-HRA authorities, such as this Council, should be subject to pooling and pay over receipts from HRA sales.

This change, retrospectively effective from the 1st April 2004, was subject to interpretation and challenge. After taking legal advice on the interpretation of the legislation it had been determined that payment should be made. Outstanding amounts up to 31st March 2007 have been paid. However the Council has, on the advice of their Treasury advisors, Sector, formally challenged the requirement to pay over the receipts. The issue has still to be resolved; the ODPM's stance continues to be that the receipts are payable but Sector's advice remains that no payment is due.

b. *Financing and Investment Income and Expenditure*

2010/11 £'000		2011/12 £'000
64	Interest payable and similar charges	69
1,004	Pensions interest cost and expected return on pensions assets	740
(350)	Interest receivable and similar income	(452)
(234)	Income and expenditure in relation to investment properties and changes in their fair value	(467)
(126)	Other investment income	0
358	**Total**	**(110)**

c. *Taxation and Non-Specific Grant income*

2010/11 £'000		2011/12 £'000
(6,239)	Council Tax income	(6,242)
(6,629)	Non Domestic Rates	(4,676)
(1,031)	Non ringfenced Government Grants	(1,871)
(360)	Capital Grants and Contributions	(255)
(14,259)	**Total**	**(13,044)**

d. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12 £000	2010/11 £000
Credited to Taxation and Non-specific Grant Income		
Revenue Support Grant	(1,446)	(963)
Capital Grants	(255)	(360)
Area Based Grant	0	(69)
Council Tax Freeze Grant	(130)	0
Local Services Support Grant	(57)	0
New Homes Bonus Grant	(238)	0
Total	**(2,126)**	**(1,392)**
Credited to Services		
Housing Benefits	(20,571)	(19,678)
Disabled Facilities Grant	(597)	(818)
Kick Start Housing Grant	0	(198)
Concessionary Fares Grant	0	(265)
Safer & Stronger Communities Fund	(48)	(78)
LPSA Crime Reduction – Community Safety	0	(159)
LPSA Reward – Community Planning	0	(147)
S106 funding	0	(121)
LSP Initiative	0	(55)
Personal Search Fees – Land Charges	0	(34)
Other Unused Third Party Funds	(30)	(153)
Total	**(21,246)**	**(21,706)**

4. Termination Benefits

Now included within Note 2c (Officer Remuneration) above.

5. Retirement Benefits

The impact of accounting for retirement benefits on the Council's Statement of Accounts is considered in the following sections:

a. Participation in Pension Schemes
b. Transactions relating to retirement benefits
c. Assets and Liabilities in relation to retirement benefits
d. Scheme history
e. Basis for estimating assets and liabilities
f. History of Experience Gains and Losses

a. Participation in Pension Scheme

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits through membership of the Local Government Pension Scheme (LGPS). Although these benefits will not actually be payable until employees retire, the

Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlements. The Council is a member of the Staffordshire County Pension Fund, which is administered by Staffordshire County Council in accordance with the LGPS Regulations 1997.

Further information can be found in Staffordshire County Council's Superannuation Fund's Annual Report which is available upon request from the County Treasurer's Department, Eastgate Street, Stafford.

Contracted out of the State Second Pension, the Scheme is known as 'defined benefit' and 'funded'.

Defined Benefit - the levels of benefit retiring members receive is based on their pay history and length of service

Funded - a Pension Fund of investments is built up from employee and employer contributions to generate income streams out of which retirement benefits are paid. The Council pays contributions to the Pension Fund sufficient to ensure that it can meet future payment obligations. These contributions are set on rates that are determined by Hymans Robertson, the Pension Fund's professionally qualified and independent actuaries and are based on triennial valuations of the fund. The most recent triennial valuation was 31st March 2010. The next formal valuation will be carried out is as at 31st March 2013 and will be reported in 2013/14.

b. Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge 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:

Comprehensive Income and Expenditure Statement	Local Government £000	
	2011/12	2010/11
Cost of Services:		
Current service cost	(1,048)	(1,264)
Past service costs	0	6,628
Settlements and curtailments	(830)	0
Financing and Investment Income and Expenditure		
Interest cost	(3,266)	(3,570)
Expected return on scheme assets	2,526	2,566
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(2,618)	4,360
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and (losses)	(3,453)	6,359
Total Post-employment Benefit Charged to the Comprehensive Income and Expendiure Statement	(6,071)	10,719
Movement in Reserve 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		
Actual amount charged against the General Fund Balance for pensions in the year:	2,618	(10,719)
Employers contributions payable to scheme	1,050	1,164

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2011/12 is a loss of £19,880,000 (£16,242,000 10/11).

c. *Assets and Liabilities in relation to retirement benefits*

The pension liability reported on the Balance Sheet shows the Council's projected liability on its share of the Staffordshire Pension Fund. This represents the underlying commitment to pay retirement benefits in the long run. It is actually a net figure comprising the following overall assets and liabilities for the Council's share of the Scheme.

Staffordshire Moorlands DC share of Pension Fund assets and liabilities	31-Mar-12 £'000	31-Mar-11 £'000
Estimated Assets	37,841	36,998
Estimated Liabilities (Obligations)	(65,322)	(59,458)
Net Asset / (Liability)	**(27,481)**	**(22,460)**

The £5.021m increase in the net liability between years can be reconciled by reference to the individual changes in liabilities and assets set out in the following two tables.

Reconciliation of Liabilities (Obligations)

Year Ended	31st March 2012 £'000	31st March 2011 £'000
Opening Defined Benefit Obligation	59,458	70,405
Current service cost	1,048	1,264
Interest cost	3,266	3,570
Contributions by scheme Employees	368	442
Actuarial Losses/ (Gains)	2,746	(7,202)
Estimated Benefits paid	(2,241)	(2,252)
Past service Costs / (Gains)	0	(6,628)
Estimated Unfunded Benefits Paid	(153)	(141)
Losses / (Gains) on Curtailments	830	0
Closing Balance at 31 March	**65,322**	**59,458**

Reconciliation of Fair Value of Employer Assets

Year Ended	31st March 2012 £'000	31st March 2011 £'000
Opening Fair Value of Employer Assets	36,998	36,056
Expected Return on Assets	2,526	2,566
Actuarial (Losses)/ Gains	(892)	(843)
Contributions by the Employer	1,082	1,029
Contributions by Employees	368	442
Estimated Benefits Paid	(2,241)	(2,252)
Estimated Unfunded Benefits Paid	(153)	(141)
Contributions in respect of Unfunded Benefits	153	141
Closing Fair Value of Employer Assets	**37,841**	**36,998**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £1,642,000 (2010/11: £3,023,000).

d. *Scheme History*

Year Ended	31-Mar-08 £'000	31-Mar-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000	31-Mar-12 £'000
Fair Value of Employer Assets	33,958	25,802	36,056	36,998	37,841
Present Value of Defined Benefit Obligation	(44,919)	(43,614)	(70,405)	(59,458)	(65,322)
Surplus / (Deficit)	**(10,961)**	**(17,812)**	**(34,349)**	**(22,460)**	**(27,481)**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £27.481m has a substantial impact on the net worth of the authority, as recorded in the Balance Sheet, which now stands at an overall balance of £15m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the scheme will be made good by increasing contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contribution expected to be made to the pension scheme by the Council in the year to 31 March 2013 is £896,000.

e. *Basis for estimating assets and liabilities*

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about salary levels, mortality rates, etc.

The scheme liabilities have been assessed by Hymans Robertson LLP an independent firm of actuaries, estimates of the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2010.

The principal assumptions used by the actuary have been:

Financial Assumptions

Assumptions as at	31st March 2010 (% per annum)	31st March 2011 (% per annum)	31st March 2012 (% per annum)
Pension Increase Rate	3.80%	2.80%	2.50%
Salary Increase Rate	5.30%	5.10%	4.80%
Expected Return on Assets	7.20%	6.90%	5.70%
Discount Rate	5.50%	5.50%	4.80%

Breakdown of the expected return on assets by category

Expected Annual Return as at	31st March 2010	31st March 2011	31st March 2012
Scheme Assets(Employer Share)	(% per annum)	(% per annum)	(% per annum)
Equities	7.80%	7.50%	6.20%
Other Bonds	5.00%	4.90%	3.30%
Property	5.80%	5.50%	4.40%
Cash	4.80%	4.60%	3.50%

Mortality

Longevity beyond age 65	Males	Females
Current Pensioners	21.2 years	23.4 years
Future Pensioners	23.3 years	25.6 years

Commutation

An allowance is included for 50% (50% in 2010/11) of future retirements to elect to take additional tax free cash up to HMRC limits and 75% of the maximum tax-free cash for post-April 2008 service.

The Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31st March 2010		31st March 2011		31st March 2012	
	Fund Value £'000	Asset Distribution %	Fund Value £'000	Asset Distribution %	Fund Value £'000	Asset Distribution %
Equities	28,485	79	28,858	78	29,516	78
Government Bonds	3,966	11	4,070	11	4,541	12
Property	2,163	6	2,590	7	3,406	9
Cash	1,442	4	1,480	4	378	1
Total	**36,056**	**100**	**36,998**	**100**	**37,841**	**100**

f. History of Experience Gains & Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012:

Year Ended	31-Mar-08 Restated	31-Mar-09 Restated	31-Mar-10 Restated	31-Mar-11 Restated	31-Mar-12
Differences between the expected and actual return on assets	-15.3%	-39.3%	25.5%	-2.3%	-2.4%
Experience gains and (losses) on liabilities	9.3%	0.0%	0.1%	-2.6%	1.5%

6. Adjustments Between Accounting Basis & Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Depreciation	(1,449)	0	0	1,449
Impairment	(879)	0	0	879
Movements in the fair value of Investment Properties	222	0	0	(222)
Amortisation of intangible assets	(4)	0	0	4
Capital Grants and contributions applied	672	0	0	(672)
Income in relation to donated assets	0	0	0	0
Revenue expenditure funded from capital under statute	(610)	0	0	610
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(723)	0	0	723
Reversal of items relating to retirement benefits	(2,618)	0	0	2,618
				0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				0
Statutory provision for the financing of capital investment	447	0	0	(447)
Capital Grants and contributions unapplied credited to the CIES	180	0	(180)	0
Use of Capital Grants Unapplied Account	0	0	112	(112)
Employers contribution to pension schemes	1,050	0	0	(1,050)
Application of grants to capital financing transferred to the Capital Adjustment Account				
Transfers in respect of Community Infrastructure Levy Receipts	0	0	0	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	0	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	2,143	0	(2,143)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals.	0	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(6)	6	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	(9)	0	9
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES.	0	0	0	0
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(509)	0	0	509
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	22	0	0	(22)
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	23	0	0	(23)
Total Adjustments	**(4,182)**	**2,140**	**(68)**	**2,110**

2010/11 Comparative Figures	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(1,818)	0	0	1,818
Revaluation losses on Property Plant and Equipment	2,115	0	0	(2,115)
Movements in the fair value of Investment Properties	0	0	0	0
Amortisation of intangible assets	(14)	0	0	14
Capital Grants and contributions applied	360	0	0	(360)
Income in relation to donated assets				
Revenue expenditure funded from capital under statute	(395)	0	0	395
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(115)	(88)	0	203
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	588	0	0	(588)
Capital Expenditure charged against the General Fund and HRA balances	0	0	0	0
Capital grants and contributions unapplied credited to the CIES	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	334	(334)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES.	126	(126)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,605	0	(1,605)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(10)	10	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	(16)	0	16
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES.	0	0	0	0
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0	0
Reversal of items relating to retirement benefits debited or credited to the CIES	10,719	0	0	(10,719)
Employers pension contributions and direct payments to pensioners payable in the year	1,170	0	0	(1,170)
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	17	0	0	(17)
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	(30)	0	0	30
Total Adjustments	**12,713**	**1,385**	**334**	**(14,432)**

7. Capital

This note is broken down into a number of sections covering:

a. Property, Plant & Equipment
b. Investment Properties
c. Assets Held for Sale
d. Valuation information
e. Capital expenditure and financing
f. Details of assets held
g. Commitments on capital contracts
h. Assets Held under Leases – Authority as Lessee
i. Assets Held for Leases – Authority as Lessor
j. Heritage Assets

a. Property, Plant & Equipment

The table below analyses capital expenditure, disposals, revaluations and depreciation charged on the fixed assets of the Council.

Movements in 2011/12	Other Lane and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation						
At April 2011	25,457	10,691	891	2,025	795	**39,859**
Cummulative Adjustment Roundings	(1)	1	0	1	0	**1**
Additions	948	145	6	0	93	**1,192**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	316	0	0	9	0	**325**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(932)	0	0	0	0	**(932)**
Derecognition - Disposals	0	0	0	(270)	0	**(270)**
Derecognition - Other	(426)	(440)	0	0	0	**(866)**
Other movements in Cost or Valuation	795	0	0	0	(795)	**0**
At 31 March 2012	**26,157**	**10,397**	**897**	**1,765**	**93**	**39,309**
Accumulated Depreciation & Impairment						
At April 2011	(840)	(6,951)	0	0	0	**(7,791)**
Cummulative Adjustment Roundings	1	0	0	0	0	**1**
Depreciation Charge	(594)	(850)	0	(4)	0	**(1,448)**
Depreciation written out to the Revaluation Reserve	25	0	0	2	0	**27**
Depreciation written out to the Surplus/Deficit on the Provision of Services	52	0	0	0	0	**52**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	**0**
Derecognition- Disposals	0	0	0	0	0	**0**
Derecognition- Other	0	413	0	0	0	**413**
At 31 March 2012	**(1,356)**	**(7,388)**	**0**	**(2)**	**0**	**(8,746)**
Net Book Value						
at 31st March 2012	**24,801**	**3,009**	**897**	**1,763**	**93**	**30,563**
at 31st March 2011	**24,617**	**3,741**	**891**	**2,025**	**795**	**32,070**

The Property, Plant & Equipment 2010/11 comparative figures are illustrated below:

	Other Lane and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation						
At April 2010	23,848	9,820	640	2,142	98	**36,550**
Additions	574	871	251	50	697	**2,443**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	1,065	0	0	5	0	**1,070**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	**0**
Derecognition - Disposals	(31)	0	0	(148)	0	**(178)**
Derecognition - Other	0	0	0	(25)	0	**(25)**
At 31 March 2011	**25,457**	**10,691**	**891**	**2,025**	**795**	39,860
Accumulated Depreciation & Impairment						
At April 2010	(1,374)	(5,643)	0	0	0	**(7,017)**
Depreciation Charge	(510)	(1,308)	0	0	0	**(1,818)**
Depreciation written out to the Revaluation Reserve	957	0	0	0	0	**957**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Revaluation Reserve	87	0	0	0	0	**87**
At 31 March 2011	**(840)**	**(6,951)**	**0**	**0**	**0**	(7,790)
Net Book Value						
at 31st March 2011	**24,617**	**3,741**	**891**	**2,025**	**795**	32,070
at 31st March 2010	**22,474**	**4,178**	**640**	**2,143**	**99**	29,533

Depreciation

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

- Other Land & Buildings - 30 to 50 years
- Vehicles, Plant, Furniture & Equipment - 3 to 15 years
- Infrastructure - 25 years

b. Investment Properties

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

	2011/12 £'000	2010/11 £'000
Rental income from investment property	(284)	(285)
Direct operating expenses arising from investment	39	51
Net (gain)/loss	(245)	(234)

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

	2011/12 £000	2010/11 £000
Balance at start of the year	(3,285)	(3,259)
Additions:		
• Purchases	0	(26)
Disposals	0	0
Net (gain) /loss from fair value adjustments	(223)	0
Other changes	0	0
Balance at end of year	(3,508)	(3,285)

c. Assets Held for Sale

The Council does not currently have any fixed assets classified as 'assets held for sale'.

d. Valuation Information

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Other Land and Buildings are valued at either Fair Value based on Existing Use Value (where there is adequate evidence of market transactions for that use) or Depreciated Replacement Cost where there is no market evidence.
- Surplus Assets are valued at Fair Value based on Existing Use Value.
- Infrastructure and Community Assets are valued at Historic Cost net of depreciation.
- The revaluation of fixed assets at the time of disposal is not permitted.

The valuations have been updated as at 31st March 2012. The 2011/12 valuations were carried out by Stephen Gwatkin MRICS (External Senior Principal Surveyor). Joanne Higgins MRICS (Property Services Manager) oversaw the valuation exercise including the Annual assessment for "indications" of impairment.

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Equipment £'000	Surplus Assets £'000	Total £'000
Carried at Historical cost	0	0	10,294	0	**10,294**
Valued at Fair Value as at:					
31 March 2012	0	2,311	0	50	**2,361**
31 March 2011	0	10,920	0	81	**11,001**
31 March 2010	0	6,099	0	0	**6,099**
31 March 2009	0	1,639	0	0	**1,639**
31 March 2008	0	5,772	0	0	**5,772**

e. Capital Expenditure and Financing

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

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	**1,377**	**1,388**
Capital Investment		
Property, Plant and Equipment	1,192	2,442
Investment Properties	0	26
Intangible Assets	17	13
Revenue Expenditure Funded from Capital under Statute	610	1,412
Debenture (Long Term Debtor)	1,108	
	2,927	**3,893**
Sources of Finance		
Capital Receipts	(2,143)	(1,605)
Government grant and other contributions	(784)	(1,712)
Sums set aside from revenue:		
Direct revenue contributions	0	0
MRP/loans fund principal	(447)	(587)
	(3,374)	**(3,904)**
Closing Capital Financing requirements	**930**	**1,377**
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial	0	0
Finance lease added to balance sheet	0	577
Principal Repayment Finance Lease set aside from Revenue	(447)	(588)
Decrease in Capital Financing Requirement	**(447)**	**(11)**

Minimum Revenue Provision

The Council is obliged to make an annual charge to revenue for un-financed capital expenditure. The charge is known as Minimum Revenue Provision (MRP). With effect from 31st March 2008 detailed rules on the amount of MRP to be charged to the accounts were replaced. The new requirement is based on a simple duty for an authority to make an amount of MRP, which it considers to be "prudent". In 2011/12 the Council made MRP of £447,444. The amount relates to the Council's liability to repay the principal element on vehicles plant and equipment acquired under finance leases.

f. Information on Assets Held

The main assets held by the Council are:

	31st March 2011 No.	31st March 2012 No.
Town Halls and Council Offices	4	4
Markets	3	3
Industrial Estates	2	2
Public Conveniences	16	16
Depots	2	1
Leisure Centres	3	3
Cemeteries	2	2
Museums	1	1

A number of areas of land are held as community assets, the most significant one being Brough Park in Leek.

g. Construction Contracts and Capital Commitments

At 31 March 2012, the Authority had no construction contracts in progress.

Nor at 31 March 2012, had the Authority entered into any significant contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years. Similar commitments at 31st March 2011 were £2.104 million.

However, a number of significant projects are committed in the capital programme but contracts have yet to be agreed, including:

- **Affordable Housing** - The Council has entered into a joint venture with Your Housing to provide affordable housing across the authority. The Council's capital commitments in respect of this project include the following:
  - A debenture for £1.108 million was issued to Ascent LLP during 2011/12. Further commitments over the next four years amounting to £3.893 million
  - A commitment in the form of a further loan amounting to £20 million will be made available to the joint venture company, Ascent LLP over the next four years commencing in 2012/13.

h. Assets Held under Leases – Authority as the Lessee

Finance Leases

The Council has acquired a number of buildings, refuse and sweep vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £000	31 March 2011 £000
Other Land and Buildings	181	188
Vehicles, Plant, Furniture and Equipment	929	1,377
	1,110	1,565

Only peppercorn rentals are payable on leases relating to other land and buildings.

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

	31 March 2012 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	366	447
• non-current	563	930
Finance costs payable in future years	145	199
Minimum lease payments	**1,074**	**1,576**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Not later than one year	432	512	366	447
Later than one year and not later than five years	610	935	533	811
Later than five years	32	129	30	119
	1,074	**1,576**	**929**	**1,377**

i. Asset held for Leases – Authority as the Lessor

Finance Leases

The Authority holds the freehold on a number of properties let to third parties under finance leases. There is no annual rental payable and the assets have no carrying value on the Balance Sheet. The Authority has acquired no assets specifically for the purpose of letting under finance leases or hire purchase agreements.

Operating Leases

The Authority lets a number of its properties, such as industrial units and office accommodation. In 2011/12 the rental income receivable from this source totalled £254,879 (2010/11 £284,340).

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

	31 March 2012 £000	31 March 2011 £000
Not later than one year	134	284
Later than one year and not later than five	226	454
Later than five years	212	224
	572	**962**

j. Heritage Assets

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised by Local Authorities as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the Assets. Community Assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see Note 23 on page 23).

In applying the new accounting policy, the Authority has identified that there were no assets that were previously held as community assets within property, plant and equipment that should now be recognised as heritage assets. However, the Authority will recognise an additional £547,000 for the recognition of heritage assets that were not previously recognised in the Balance Sheet. On the basis of materiality, the Authority has decided not to restate opening balance sheet figures, but to report the recognition of these assets wholly as 2011/12 transactions (Note 4 page 25). Therefore, this increase is recognised in the Revaluation Reserve within year.

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority:

	Nicholson Collection £000	Civic Regalia £000	Total Assets £000
Cost or Valuation			
1 April 2011	0	0	**0**
Initial Recognition	514	33	**547**
Disposals	0	0	**0**
Revaluations	25	0	**25**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	**0**
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	**0**
31 March 2012	**539**	**33**	**572**

There were no acquisitions, donations, disposals or impairments of assets during 2011/12.

Further information on Heritage Assets

The Council holds a range of Heritage Assets including civic regalia and memorabilia, a museum collection (inc. works of art), legal and other historical records, monuments, memorials, statues and other miscellaneous items.

Civic Regalia

The Council's Civic Regalia collection comprises the various chains of office associated with the ceremonial functions of the Council and the office of Chair (including deputies and consorts) in particular i.e. chains and pendants etc. The collection (when not in use) is held in secure storage within the District and additionally includes a number of historic items that pre-date local government reorganisation in 1974 such as the chains of office associated with the former rural district councils of Leek and Cheadle.

The Council's Civic Regalia was most recently valued on the basis of Insurance Value by Thomas Fattorini Limited – independent experts in the field of Civic Regalia – in June 2012 (which substantially confirmed its value as at 31st March 2012). It is considered that the collection has an indefinite life and therefore Depreciation has not been charged.

Based on an annual internal review of the collection and its valuation, it is considered that:

- There is no evidence of Impairment; and
- The June 2012 valuation is current.

There have been no additions or disposals to the Civic Regalia collection during the two-year period 1st April 2010 to 31st March 2012.

Nicholson Collection
The Council holds in trust the “Nicholson Collection”, which is primarily on public display in the Nicolson Museum & Art Gallery within the Nicolson Institute in Leek. The Collection comprises a variety of oil paintings, water colour paintings, drawings, sketches, sculptures, models, coins, antique furniture, embroideries, vases and other items of local and historical interest in the Staffordshire Moorlands.

The items within the Nicholson Collection have been built up over many years and have been donated by individuals or organisations to Staffordshire Moorlands District Council and its predecessors. Because these items have been gifted, they are not for sale.

The Nicholson Collection was valued on the basis of Insurance Value by Wintertons – independent valuers – in March 2009. It is considered that the Collection has (subject to appropriate maintenance) an indefinite life and therefore Depreciation has not been charged. (Note – the Nicholson Collection is specifically maintained and conserved in good condition).

In December 2011, two paintings within the Nicholson Collection were separately re-valued for insurances purposes, following restoration. This resulted in the value of one of the paintings (the ‘Venetian View’ by William Wyld) increasing from £75,000 to £100,000.
Based on an annual internal review of the collection and its valuation, it is considered that:
- There is no evidence of Impairment; and
- The latest available Insurance Values remain current.

There have been no additions or disposals to the Art Collection during the two-year period 1st April 2010 to 31st March 2012.

For security reasons, the Council does not publicly reveal precise details of either its Civic Regalia or the Nicholson Collection.

Civic Regalia and the Nicholson Collection are annually reviewed in order to establish if carrying values remain current and if impairment is required, with a full revaluation undertaken within a maximum period of 10 years in any event.

Other Heritage Assets
At the 31st March 2012, the Council also held a number of other Heritage Assets as follows:

- Civic Memorabilia – the Council has accumulated a number of miscellaneous items of a heritage nature over many years; in many cases the items are commemorative in nature and have been donated to the Council (e.g. commemorative plates, vases, trophies, photographs etc.)
- Legal and Other Historical Records – the Council retains a number of historical legal documents (many dating back to the 19th century) including items such as charters and title deeds. Other historical records include cemetery records dating back many years; and
- Monuments, Memorials, Statues and Other Assets – the Council either owns or is custodian for a range of monuments, memorials, statues and other miscellaneous

assets of a heritage nature (e.g. fountains etc.) throughout the District, although none of these are considered individually significant for accounting purposes.

No information on cost or value is held on the above Heritage Assets and the Council considers that the cost of obtaining valuations is not commensurate with the potential benefits to the users of the Statement of Accounts. Therefore these assets are not included on the face of the Balance Sheet (appearing here instead as a Balance Sheet note). However, an annual review of such assets is undertaken to ensure that this assumption remains valid.

Preservation & Management

The Council has a more detailed policy on acquisitions and disposals of, and the preservation and management of Heritage Assets, which is available on request from the Council's Finance Department at Moorlands House.

8. Cash and Cash Equivalents

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

	31 March 2012 £000	31 March 2011 £000
Cash held by the Council	1	1
Bank Current Accounts	2,454	1,173
Short-term deposits with building societies	3,354	928
Cash and Cash Equivalents Current Assets	**5,809**	**2,102**
Bank Overdraft	(453)	(356)
Cash and Cash Equivalents Current Liabilities	**(453)**	**(356)**
Total Cash and Cash Equivalents	**5,356**	**1,746**

9. Debtors

An analysis of persons owing the Council money is:

	31 March 2012 £000	31 March 2011 £000
Central Government bodies	192	2,118
Other Local Authorities	710	1,000
NHS Bodies	0	11
Public corporations and trading funds	0	127
Other entities and individuals	2,013	1,689
LESS Bad Debt Provisions	(335)	(307)
Total Short Term Debtors	**2,580**	**4,638**

Long Term Debtors

Debtors due over a period of longer than 12 months are classified as long-term debtors on the balance sheet. These consist of mortgage advances, previously granted on the Council's former housing stock and village hall loans.

The Council has entered into a joint venture with Your Housing to provide affordable housing across the District and during 2011-12 issued a £1,108,000 debenture to the joint venture company Ascent LLP Ascent. This has been disclosed as a long-term debtor on the Balance Sheet. However, because the interest charged on the debenture is currently set at a rate below which Ascent could expect to pay on a comparable loan from the market, the loan is deemed to be a material soft loan. Consequently, the value of the debenture is discounted to the present value of the future cash flows and the long-term debtor value has been adjusted to £599,000 to reflect this *(see note 13 'Financial Instruments' for more detail).*

Balances at the end of the year were as follows:

	31 March 2012	31 March 2011
	£000	£000
Ascent Loan	599	0
Former Council Tenants	20	30
Village Hall Loans	16	16
Car Loans	0	0
Long Term Debtors	**635**	**46**

10. Creditors

An analysis of persons to whom the Council owes money is:

	31 March 2012	31 March 2011
	£000	£000
Central Government bodies	(1,334)	(374)
Other local authorities	(852)	(594)
NHS Bodies	0	(10)
Public corporations and trading funds	(4)	(5)
Other entities and individuals	(1,795)	(2,994)
Short Term Creditors	**(3,985)**	**(3,977)**
Other Entities and Individuals	0	0
Long Term Creditors	**0**	**0**
Total	**(3,985)**	**(3,977)**

11. Usable Reserves

This note sets out the amounts included in Usable Reserves.

	Balance at 1 April 2010 £'000	Transfers out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31 March 2011 £'000	Transfers out 2011/12 £'000	Transfers in 2011/12 £'000	Balance at 31 March 2012 £'000
General Fund Contingency Reserve	1,405	(633)	833	1,605	(200)	607	2,012
General Fund Earmarked Reserve:							
Reserves for Capital schemes	3,643	0	24	3,667	0	24	3,691
S106 Commuted Sums	80	(12)	53	121	(9)	0	112
Building Control Reserve	40	0	3	43	(27)	0	16
Insurance Fund	196	0	0	196	0	0	196
Local Development Framework	40	0	0	40	0	0	40
Sports Promotion Reserve	80	(30)		50	0	0	50
Efficiency & Rationalization Reserve	200		288	488	0	0	488
Pension	0	0	0	0	0	200	200
Community Reserve	50	0	0	50	0	0	50
Business Growth Reserve	47	0	0	47	0	0	47
Fuel Reserve	100	(50)	0	50	0	0	50
Unused Third Party Funds	191	(90)	447	548	(98)	34	484
Total Earmarked Reserves	4,667	(182)	815	5,300	(134)	258	5,424
Capital Reserves							
Usable Capital Receipts Reserve	3,729	(1,615)	230	2,344	(2,149)	9	204
Capital Grants Unapplied	522	(334)	0	188	(112)	180	256
Total Capital Reserves	4,251	(1,949)	230	2,532	(2,261)	189	460
Total Usable Reserves	10,323	(2,764)	1,878	9,437	(2,595)	1,054	7,896

The Council's Revenue Reserves are either held as a contingency; are earmarked for specific purposes; or are as a result of 'ring fencing'. A brief description of the reserves is given below.

Reserve	Nature of Reserve
General Fund for Capital Schemes	Earmarked to provide funding for the Council's Capital Strategy
General Fund (Contingency)	Both as a contingency and to temporarily hold balances to be fed back into the short term budgetary process.
Insurance Fund	To meet the cost of any residual MMI liabilities (see Note 14); to meet the costs of claims which fall below a minimum claim level or for a peril that is uninsured; to fund risk management (RM) activity (per the Council's RM Strategy).
Unused Third Party Funds	These are funds (grants and contributions) from third parties which are unused at the year end but will be used for specific purposes. The key issue is that in the main they will be used in specific pre-ordained areas
Other (earmarked)	These are revenue reserves established on a short term basis to provide funds for Council initiatives in the following areas: - to further develop shared working arrangements - encouraging business growth in the district - supporting sports development - to dampen impact of fuel price variations - local development framework - to continue the efficiency programme
Building Control	The Council is required by statute to ring fence the profits and losses generated by the 'fee earning' service so as to ensure a breakeven position is achieved over any 3 year rolling period

12. Unusable Reserves

The total unusable reserves included on the balance sheet are shown in the table below, and each reserve is explained in more detail:

31 March 2011 £000		31 March 2012 £000
6,899	Revaluation Reserve	7,256
0	Available for Sale Financial Instruments Reserve	0
27,091	Capital Adjustment Account	27,591
0	Financial Instruments Adjustment Account	(509)
29	Deferred Capital Receipts Reserve	20
(22,460)	Pensions Reserve	(27,481)
0	Collection Fund Adjustment Account	22
0	Unequal Pay Back Pay Account	0
(113)	Accumulated Absences Account	(90)
11,446	**Total Unusable Reserves**	**6,809**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2010/11 £000			2011/12 £000
4,916	Balance at 1 April		6,899
2,115	Upward revaluations of assets	926	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	
2,115	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		926
(132)	Difference between fair value depreciation and historical cost depreciation	(196)	
0	Accumulated gains on assets sold/ scrapped/ Other Movement	(373)	
(132)	Amount written off to the Capital Adjustment Account		(569)
6,899	**Balance at 31 March**		7,256

Capital Adjustment Account

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

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

2010/11 £000			2011/12 £000
26,502	**Balance at 1 April**		**27,091**
	Reversal of items relating to capital expenditure debited or credited to the CIES		
(1,832)	• Charges for depreciation and impairment of non-current assets	(1,449)	
0	• Revaluation losses on Property, Plant and Equipment	(879)	
0	• Amortisation of intangible assets	(4)	
(395)	• Revenue expenditure funded from capital under statute	(610)	
(203)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(723)	
(2,430)			(3,665)
132	Adjusting amounts written out of the Revaluation Reserve		569
(2,298)	Net written out amount of the cost of non-current assets consumed in the year		(3,096)
	Capital financing applied in the year:		
1,605	• Use of capital Receipts Reserve to finance new capital expenditure	2,143	
0	• Use of Major Repairs Reserve to finance new capital expenditure	0	
360	• Capital grants and contributions credited to the CIES that have been applied to capital financing	672	
334	• Applications of grants to capital financing from the Capital Grant Unapplied Account	112	
588	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	447	
0	• Capital expenditure charged against the General Fund and HRA balances	0	
2,887			3,374
0	Movements in the market value of Investment Properties debited or credited to the CIES		222
0	Movement in the Donated Assets Account credited to the CIES		0
27,091	**Balance at 31 March**		**27,591**

Financial Instruments Adjustment Account

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

The Authority uses the Account to recognise the accounting loss on material soft loans issued (see Financial Instruments note 13). The full accounting loss is debited to the Comprehensive Income and Expenditure Statement in the year of issuance and then reversed out of the General Fund Balance to the FIAA in the Movement in Reserves Statement. Over the period of the loan, the balance on the FIAA is reduced by the difference between the actual interest received on the soft loan and the notional interest that would have been received if the loan had been issued at market rate.

2010/11 £000		2011/12 £000
0	**Balance at 1 April**	**0**
0	Premiums incurred in the year and charged to the CIES	0
0	Proporion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0
0	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(509)
0	**Balance at 31 March**	**(509)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the 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 Authority 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 Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £000		2011/12 £000
(34,349)	**Balance at 1 April**	**(22,460)**
6,359	Acturial gains or (losses) on pensions assets and liabilities	(3,453)
4,360	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(2,618)
1,170	Employers pensions contributions and direct payments to pensioners payable in the year	1,050
(22,460)	**Balance at 31 March**	**(27,481)**

Deferred Capital Receipts Reserve

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

2010/11			2011/12
£000			£000
45	**Balance at 1 April**		**29**
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		0
(16)	Transfer to Capital Receipts Reserve upon receipt of cash		(9)
29	**Balance at 31 March**		**20**

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 payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11		2011/12
£000		£000
(17)	**Balance at 1 April**	**0**
17	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	22
		0
0	**Balance at 31 March**	**22**

Accumulated Absences Account

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

2010/11			2011/12
£000			£000
(83)	**Balance at 1 April**		**(113)**
83	Settlement or cancellation of accrual made at the end of the preceding year	113	
(113)	Amounts accrued at the end of the current year	(90)	
0	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		23
(113)	**Balance at 31 March**		**(90)**

13. Financial Instruments

The Council has carried out an analysis of all its financial assets and liabilities with regard to the Code and the results are set out in the following sections:

a. Categories of Financial Instruments
b. Material Soft Loans
c. Re-classification
d. Fair Value of Assets and Liabilities
e. Income, Expense, Gains and Losses
f. Impairment Review
g. Risk Analysis

a. Categories of Financial Instruments

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Council) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of "financial instruments".

	Long Term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Investments				
Loans and Receivables				
Available-for-sale financial assets	19	19	0	0
Cash Deposits	0	0	5,809	2,102
Fixed Term Deposits	0	0	3,516	6,532
Total Investments	**19**	**19**	**9,325**	**8,634**
Debtors				
Loans and Receivables	635	46	2,298	1,504
Total Debtors	**635**	**46**	**2,298**	**1,504**
Borrowings				
Financial Liabilities at Amortised Cost				
Fixed Loans	0		30	40
Bank Overdraft	0	0	453	356
Total borrowings	**0**	**0**	**483**	**396**
Other Long-Term Liabilities				
Finance lease liabilities	563	929	366	0
Total other long-term liabilities	**563**	**929**	**366**	**0**
Creditors				
Financial liabilities at amortised cost	0	0	3,796	2,913
Total Creditors	**0**	**0**	**3,796**	**2,913**

b. Material Soft Loans

The Council has entered into a joint venture with Your Housing to provide affordable housing across the District and during 2011-12 issued a £1,108,000 debenture to the joint venture company Ascent LLP Ascent. The debenture is to be fully repaid within a 25 year period.

Interest charged on the debenture is currently set at a rate below which Ascent could expect to pay on a comparable loan from the market, therefore the loan is deemed to be a material soft loan. Consequently, the value of the debenture is discounted to the present value of the future cash flows.

	2011/12 £000	2010/11 £000
Balance at start of year:		
Opening Balance	0	0
Nominal value of new loan granted in the year	1,108	0
Fair value adjustment on initial recognition	(510)	0
Loans repaid	0	0
Impairment losses	0	0
Increase in discounted amount	1	0
Other changes	0	0
Closing Balance at year end	**599**	**0**

The interest rate at which the value of the debenture has been discounted has been arrived at by taking the rate at which the Authority could have borrowed at for the same period on the same day the loan was issued, plus an allowance to allow for the risk associated with lending to the joint venture.

The fair value adjustment of £510,000 has been charged to the Comprehensive Income and Expenditure Account in 2011-12, then reversed out of the General Fund balance via the Movement in Reserves Statement to the Financial Instruments Adjustment Account. The Debenture is classified as a long-term debtor on the balance sheet, and is held at fair value. Over the 25 year period, the discounted amount will be increased by the difference between the actual interest received and the notional interest that would have been received is the loan had been made at the higher rate.

c. Re-classification

No financial instruments were reclassified during 2011/12

d. *Fair Value of Assets and Liabilities*

The fair value of each class of financial assets and liabilities, which are carried in the balance sheet at amortised cost are disclosed below.

	31 March 2012 Carrying Amount £000	31 March 2012 Fair Value £000	31 March 2011 Carrying Amount £000	31 March 2011 Fair Value £000
Loans and receivables				
Cash deposits	5,809	5,809	2,102	2,102
Fixed term deposits	3,516	3,522	6,532	6,533
Debtors	2,298	2,298	1,504	1,504
Total	**11,623**	**11,629**	**10,138**	**10,139**
Long-term Debtors	635	635	46	46
Available for sale assets(Conversion Stocks)	19	23	19	23
TOTAL	**12,277**	**12,287**	**10,203**	**10,208**
Financial liabilities at amortised cost				
Borrowing on demand	30	30	40	40
Bank Overdraft	453	453	355	355
Creditors	3,796	3,796	2,913	2,913
Total	**4,279**	**4,279**	**3,308**	**3,308**
Long-term Creditors	563	563	930	930
TOTAL	**4,842**	**4,842**	**4,238**	**4,238**

Financial liabilities, financial assets (represented by loans and receivables) and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using assumptions as detailed below. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Loans and Receivables

The fair value of the Council's investments has been assessed by calculating the present value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the calculation is equal to the current rate in relation to the same instrument with the same duration from a comparable lender on the date of valuation – 31st March 2012. The rates quoted in this valuation were obtained from Sector Treasury Services Ltd (the Council's Advisors).

Overall, the fair value of the investments is only £5,743 greater than the carrying value. This is because the Authority's portfolio of investments includes a number of fixed rate loans where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This represents the notional future gain attributable to the commitment to fix investments at the rates obtained.

Long-term Debtors

Long-term Debtors include a debenture loan to 'Ascent' - the joint venture company, a village hall loan, and payments due from mortgaged properties. Interest is charged on the principal outstanding on mortgaged properties. This is set according to the Department of Communities and Local Government Standard National rate, consequently the fair value and carrying value are considered equal.

The debenture has been classified as a material soft loan; and has therefore been recognised in the balance sheet at fair value (as detailed in section b of this note)

Available-for-Sale

The Council's purchased conversion stocks have a face value of £23,474, which is the amount the Bank of England would pay *if* they decided they wanted to buy. The Council does have the option to sell them on the stock market; however the price at 31st March 2012 was immaterially different to the purchase price. Therefore the stocks are held in the Balance Sheet at carrying value.

Financial Liabilities at amortised cost

In November 2006, £75,000 of surplus funds was invested on behalf of Wetley Moor Joint Committee (WMJC). The Council jointly administers WMJC with Stoke-on-Trent City Council. A further £7,500 was transferred during 2007/08, increasing the balance to £82,500 as at 1st April 2008. WMJC requested a drawdown of £15,000 in 2008/09, £11,500 in 2009/10, £16,000 in 2010/11 and a further £10,000 was drawn down during 2011/12, leaving a balance of £30,000 as at 31st March 2012. The funds have been invested until the Council is informed by WMJC that they require repayment, therefore the Council has classified this in the balance sheet as borrowing payable on demand.

Long-term Creditors

Long-term creditors relate to the future lease payments due on the Council's finance leases.

e. *Income, Expense, Gains and Losses*

The total gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are illustrated below. The figures include the interest receivable and payable on investments and borrowings in 2011-12, and the accounting amendments made in relation to the fair value of the debenture to Ascent.

	2011/12				2010/11			
	Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets		
	Financial Liabilities at amortised cost £000	Loans & Receivables £000	Available for Sale £000	Total	Financial Liabilities at amortised cost £000	Loans & Receivables £000	Available for Sale £000	Total
Interest Expense	(69)	-	0	**(69)**	(64)	0	0	**(64)**
Reductions in fair value	-	(510)	-	**(510)**	0	0	0	**0**
Total expense in Surplus or Deficit on the Provision of Services	**(69)**	**(510)**	**0**	**(579)**	**(64)**	**0**	**0**	**(64)**
Interest Income	0	144	1	**145**	0	169	1	**170**
Increases in fair value	0	1	0	**1**	0	0	0	**0**
Total Income in Surplus or Deficit on the Provision of Services	**0**	**145**	**1**	**146**	**0**	**169**	**1**	**170**
Surplus/Deficit arising on revaluation of financial assets in Other CIES	0	0	0	**0**	0	0	0	**0**
Net gain/(loss) for the year	**(69)**	**(365)**	**1**	**(433)**	**(64)**	**169**	**1**	**106**

Included within the £69,000 interest expense incurred on financial liabilities at amortised cost is the interest payable on finance leases. Assets obtained under finance leases are capitalised in the balance sheet and depreciated over the shorter of the lease term and their useful economic lives. The finance charges under finance lease contracts are allocated to accounting periods over the period of the lease and represent a constant proportion of the balance of capital repayments outstanding.

f. *Impairment Review*

An impairment review has been carried out on the Authority's financial assets to assess the likelihood of repayment. The only asset category where impairment has been applied is general trade receivables. The result of which is included in the accounts as the bad debt provision. This is based on historical data and an analysis of individual debtors. Current and prior year outstanding debtors are impaired by a determined percentage, except where 100% non-payment is assumed. The provision is allocated to services based on Debtors outstanding at 31st March 2012 and historical write offs.

g. *Risk Analysis*

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management within the Council is overseen by the Corporate Risk Management Group in accordance with the Risk Management Strategy approved by Cabinet.

The Council fully adopted the Chartered Institute of Public Finance & Accountancy's Treasury Management revised Code of Practice 2009, which required the Authority to approve annually in advance within the Treasury Management Strategy Statement:

- the Council's overall borrowing and investment position;
- the setting of Prudential and Treasury indicators (including exposures to fixed and variable rates and investments maturing beyond one year);
- criteria for investing and selecting investment counterparties.

On adoption of the revised Code of Practice, the Authority's Audit and Accounts Committee has now been delegated the role of scrutinising the Treasury function.

The Council's treasury team implements the approved Treasury Strategy and maintains written Treasury Management Practices (TMP's) covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Council also has a Treasury Management Policy in place, which defines the policies and objectives of its treasury activities. The policy statement refers to the identification, monitoring and control of risk as the prime criteria by which the effectiveness of the Council's treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Authority.

Exposure to financial risks is discussed in more detail below:

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and non-collection, adjusted to reflect current market conditions.

	Amount at 31st March 2012	Historical experience of default	Historical experience adjusted for markets conditions at 31st March 2012	Estimated maximum exposure to default and non-collectability	Estimated maximum exposure at 31st March 2012
	£'000	%	%	£'000	£'000
Deposits with Banks & Financial Instruments	9,314	0.09%	0.09%	8	8
Customers (non-statutory sundry debtors)	2,298	8.05%	8.05%	185	185

The Authority's exposure to credit risk in relation to deposits with banks and financial institutions cannot be assessed generally as the risk of any institution failing to make repayments will be specific to individual institutions. As a measure, the average cumulative default rates for the last 20 years relevant to the credit rating of the institutions invested with has been used. A risk of irrecoverability applies to all the Authority's deposits, but there was no evidence at 31st March 2012 that this was likely to crystallise.

Customers are assessed, taking into account their financial position, past experience and other factors such as the recent downturn in the economy, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council. The overdue (greater than 28 days) amount from customers can be analysed by age as follows:-

Period Overdue		Default Exposure	
	£'000	%	£'000
Less than threee months	67	2.00%	1
Three to six months	55	17.00%	9
Six months to one year	50	17.00%	8
More than one year	210	70.00%	147
	382		**165**

The Council has registered an interest in the properties of two of the past due debtors outstanding included in the above, which total £36,519.

Treasury Management – lending criteria

The financial crisis, commonly known as the 'credit crunch' had a profound effect on the Council's treasury activities. Although no funds were lost as a result of the Icelandic crisis, the in-house team significantly revised the lending criteria, consequently adopting a more cautious approach to investing surplus funds.

The Council uses the creditworthiness methodology recommended by the Council's Treasury advisors. This has been incorporated into the Annual Investment Strategy, which outlines the minimum criteria, as established by three of the main credit ratings agencies also including current market data. Lending limits are also assigned to each category, as illustrated:

Financial Asset Category	Minimum Criteria	Lending Limits	
		Maximum Period of Investment	Maximum investment
Deposits with credit rated Banks and Building Societies	PURPLE (Sector Creditoworthiness) GOLD (Sector Creditworthiness) RED (Sector Creditworthiness) GREEN (Sector Creditworthiness)	2 year 1 year 6 months 3 month	£2.8m £2.5m £2.1m £1.8m
Deposits with part / fully Nationalised Banks	UK Only	1 year	£3.5m
Money Market Funds / Government Gilts / Bonds	AAA	2 years	£2.6m
Other i.e. Debt Management Agency Deposit Facility, Local Authorities	n/a	n/a	n/a

The Strategy also establishes group limits and recognises only Institutions in Countries with a AAA (the maximum available) sovereignty rating.

All investments as at 31st March 2012 were held with institutions that domicile within the United Kingdom, as shown below:

Financial Institution	Country of domicile	Group / Parent	Principal Amount Invested (£)
National Westminster Bank	UK	Royal Bank of Scotland Group	£2,443,825
Lloyds TSB	UK	Lloyds Banking Group	£1,000,000
Barclays	UK	Barclays Bank plc	£2,000,000
Cater Allen	UK	Santander	£500,000
Bank of Scotland	UK	Lloyds Banking Group	£3,350,000
Total Principal Invested			**£9,293,825**
Accrued Interest			*£20,229*

Liquidity Risk

The Council is currently debt free, but has access to short-term funds via an overdraft facility with the NatWest and longer-term funds from market lenders and the Public Works Loans Board.

The Authority holds £9.3m in investments as at 31st March 2012. The Treasury Management Strategy establishes limits on investments that can be placed greater than one year, based on the core cashflow forecast. This is to ensure there are sufficient funds available to meet future capital commitments.

The in-house treasury team also monitor short-term liquidity on a daily basis to ensure there are adequate funds easily accessible to cover in-year payments such as precepts, salaries, payments to suppliers and central government. The maturity analysis of investments held at 31st March 2012 was as follows:

	£m *(inc. accrued interest)*
Less than one year	£9.3m
Greater than one year	0
TOTAL	**£9.3m**

Market Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a significant impact on the Authority. For example, a rise in interest rates would have the following effect:

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement would increase;
- Investment at fixed rates – the fair value of the assets will fall (no impact on the balance sheet as all investments carried at carrying value).

The Council carries out its borrowing and investment function within the parameters set in its Treasury Management Strategy, which establishes interest rate exposure. The Council uses the services of a treasury advisor, who issue regular interest rate forecasts to aid decision making when placing investments and setting the annual investment income budget for the following year. Forecasts are updated and reported to the Audit & Accounts Committee, which allows any significant changes in interest rates to be reflected in current budget projections.

At 31st March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	(66)
Decrease in Fair Value of Fixed Rate Investments	(6)
Impact on Other Comprehensive Income and Expenditure	**(66)**

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

Price Risk
The Authority does not invest in equity shares and is therefore not exposed to losses arising from movements in the prices of shares.

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

14. Contingent Liabilities and Assets
The disclosures made here are based on the FRS12 definitions of contingent assets and liabilities quoted in the Code:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that a transfer of economic benefits will be required to settle the obligation, or
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent Liabilities

Municipal Mutual Insurance – Scheme of Arrangement
Prior to the 1990's the Council were insured by Municipal Mutual Insurance (MMI). When MMI ceased accepting new business in 1992/93 the Council was entered into a Scheme of Arrangement under Section 425 of the Companies Act 1985. Under the terms of the Scheme, the Council inherited a potential liability for future claims against the residual assets of MMI of £62,000. It was revealed in March 2012 that MMI had finally lost a long running litigation case, which increases the likelihood of the levy being triggered. Updated CIPFA guidance indicates that any initial levy required would be in the range of 10% to 20% (the Council has a sufficiently funded earmarked reserve, to cover this eventuality, should it emerge).

Land Charges
The Council formerly made a charge for personal searches; this included providing information regarding environmental issues in the area. With effect from August 2010, the Government has revoked the ability to charge for environmental information as it contradicts a 2003 EU directive. Despite a challenge by a number of local authorities, the ruling remains in statute and it appears increasingly likely that there could be a potential claw back of income (dating back to January 2005).

Contingent Assets
Housing Capital Receipts
As discussed in Note 3, the Council has accounted for the payment of pooling of capital receipts within the accounts as effective from 1st April 2004. If the legal challenge put

forward by Sector (the Council's Treasury Advisors) was successful, the Council could benefit by approximately £43,000.

15. Events after the Balance Sheet Date

The Statement of Accounts 2011/12 were authorised for issue on xxxxx 2012 by Andrew P Stokes, Executive Director (Chief Finance Officer). Events 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Enquiries with the Council's Principal Solicitor, Risk Manager and Head of Customer Services have confirmed that there are no other outstanding legal issues, insurance claims or ombudsman complaints, which are likely to have a significant impact on these financial statements.

16. Notes Relating to the Cash Flow Statement

This note provides further analysis of certain figures used in the Cash Flow Statement:

a. Net cash flows from Operating Activities
b. Operating Activities (Interest)
c. Investing Activities
d. Financing Activities

a. Net cash flows from operating activities

2010/11 £'000		2011/12 £'000
5,066	**Net Surplus or (Deficit) on the Provision of Services**	**(3,651)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
1,818	Depreciation	1,450
0	Impairment and downward valuations	879
14	Amortisation	4
	Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	0
	Reduction in fair value of Soft Loans(non Subsidiary) made in the year	509
	Adjustment for internal interest charged	0
	Adjustments for effective interest rates	0
0	Increase/(Decrease) in Interest Creditors	(10)
709	Increase/(Decrease) in Creditors	(798)
91	(Increase)/Decrease in Interest and Dividend Debtors	17
(178)	(Increase)/Decrease in Debtors	839
(39)	(Increase)/Decrease in Inventories	7
(5,524)	Pension Liability	1,568
30	Contributions to/(from) Provisions	(23)
203	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	722
14,309	Carrying amount of short and long term investments sold	(223)
11,433		**4,941**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(1,376)	Capital Grants credited to surplus or deficit on the provision of services	(853)
0	Proceeds from the sale of short and long term investments	13,600
(214)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	0
(1,590)		**12,747**
14,909	**Net Cash Flows from Operating Activities**	**14,037**

b. Operating Activities (relating to Interest)

The cash flows for operating activities include the following items:

2010/11 £'000		2011/12 £'000
801	Interest received	469
(64)	Interest paid	(76)

c. Investing Activities

2010/11 £'000		2011/12 £'000
(2,043)	Purchase of property, plant and equipment, investment property and intangible assets	(1,404)
(12,250)	Purchase of short-term and long-term investments	(10,600)
0	Other payments for investing activities	(1,108)
230	Proceeds from the sale of property, plant and equipment, investment property and intangible asset	9
0	Proceeds from short-term and long-term investments	0
1,337	Other receipts from investing activities	820
(12,726)	**Net cash flows from investing activities**	**(12,283)**

d. *Financing Activities*

2010/11 £'000		2011/12 £'000
0	Cash receipts or short and long-term borrowing	0
(738)	Other receipts from financing activities	1,866
(588)	Cash payments for the reduction of the outstanding liabilities	0
(16)	Repayments of short and long-term borrowing	(10)
0	Other payments for financing activities	0
(1,342)	**Net cash flows from financing activities**	**1,856**

Supplementary Financial Statements

In addition to the core statements, it is a statutory requirement for billing authorities to maintain a separate **Collection Fund**.

Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authorities and the Government of council tax and non-domestic rates.

2010/11		Income/Expenditure	Note	2011/12	
£000s	£000s			£000s	£000s
		Income			
		Income due from:			
(15,214)		Business Rate Payers		(16,940)	
(58)		Discretionary Relief		(68)	
	(15,272)				(17,008)
(44,997)		Council Tax		(45,089)	
(5,503)		Council Tax Benefit		(5,400)	
	(50,500)				(50,489)
	(65,772)	**Total Income**			**(67,497)**
		Expenditure			
		Precepts			
35,395		Staffordshire County Council		35,451	
6,111		Staffordshire Police Authority		6,120	
2,327		Staffordshire Fire Authority		2,331	
6,216		Staffordshire Moorlands DC Demand		6,212	
	50,049				50,114
		Business Rates			
15,153		Payments to pool		16,889	
119		Costs of collections		118	
	15,272				17,007
		Bad Debts & Undoubtful Debts			
180		Increase/(Decrease) in Bad Debt Provision		77	
86		Bad Debt Written Off		53	
	266				130
	33	Towards previous year’s estimated Collection Fund surplus			64
	65,620	**Total Expenditure**			**67,315**
	(152)	**Movement on Fund Balance in year**			**(182)**
	153	(Surplus)/ Deficit on Fund Brought forward			1
	1	**Fund Balance Carried Forward (Surplus)/Deficit**			**(181)**

Notes to the Supplementary Financial Statements

1. National Non-Domestic Rates (NNDR)

Non-Domestic Rates are organised on a national basis. The Government specifies an amount, 43.3p in 2011/12 (41.4p in 2010/11) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a National Non Domestic Rates Pool administered by the Government. The total Non-Domestic rateable value at 31 March 2012 was £46,819,870 (31 March 2011 £46,323,256).

2010/11		2011/12
£000s	**National Non Domestic Rate Income**	**£000s**
17,955	Gross Amount Due	19,870
(737)	Mandatory Relief	(792)
(64)	Discretionary Relief	(74)
(876)	Small Business Rate Relief	(1,448)
(989)	Empty and Part Occupation Relief	(476)
15,290	**Net Amount Collectable**	**17,080**
	Less	
26	Impairment for Bad Debt	(65)
(44)	Interest on Overpayments	(8)
(119)	Cost of Collection Allowance payable to General Fund	(118)
15,153	**Amount Payable to NNDR Pool**	**16,889**

2. Council Tax Base

Council Tax income derives from charges raised according to the value of residential properties that have been classified into 8 bands, based on valuations as at 1 April 1991. Individual charges are calculated by estimating the amount of income required from the Collection Fund by County Council, Police Authority, Fire and Rescue Authority and this Council, and dividing this total figure by the Council Tax Base. The Council Tax base for the year was calculated as follows:

Valuation Band	Proportion of Band D Charge (ninths)	No of Dwellings in Valuation List		Number of Band D Equivalent Dwellings	
		2010/11	2011/12	2010/11	2011/12
Band A	6	9,406	9,422	5,271	5,263
Band B	7	10,170	10,234	7,070	7,102
Band C	8	10,421	10,449	8,406	8,413
Band D	9	6,040	6,053	5,594	5,596
Band E	11	4,109	4,127	4,722	4,740
Band F	13	1,850	1,861	2,502	2,514
Band G	15	748	746	1,155	1,147
Band H	18	33	33	32	31
Total		**42,777**	**42,925**	**34,752**	**34,806**
Deduction for non-collection, new build, demolition and other adjustments				(348)	(348)
Additional properties and adjustments during the year				0	0
Council Tax Base (Band D equivalent)				**34,404**	**34,458**

3. The Fund Balance

The year-end surplus or deficit on the Collection Fund is to be shared between billing and precepting authorities on the basis of estimates made on the year-end balance. The calculation has to be made on the 15 January each year. For 2011/12 a surplus of £228,940 was declared.

The accounts record an in-year surplus of £181,549 on the Collection Fund in 2011/12.

The surplus on the Collection Fund at 31 March 2011 was allocated to the District Council, County Council, the Police Authority and the Fire and Rescue Authority debtor accounts in proportion to the value of their respective demands and precepts made on the Collection Fund for 2011/12.

The balance at 31 March 2012 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting Councils' debtor accounts and the billing Council as follows:

Cumulative Surplus/ (Deficit) 2010/11 £000s		In Year Surplus/ (Deficit) 2011/12 £000s	Cumulative Surplus/ (Deficit) £000s
0	Staffordshire Moorlands Council	(22)	(22)
1	Staffordshire County Council	(130)	(129)
0	Staffordshire Police Authority	(22)	(22)
0	Staffordshire Fire Authority	(8)	(8)
1	**Balance at 31 March**	(182)	(181)

The amounts attributable to the County Council, Police and Fire and Rescue Authorities above are shown as creditors in the 2011/12 Balance Sheet.

Actual distribution to the precepting authorities during the year.

2010/11 £000s	Precepting Authority	2011/12 Precept £000s	Share of Balance 31st March 2012 £000s	2011/12 Total £000s
35,416	Staffordshire County Council	35,451	45	35,496
6,114	Staffordshire Police Authority	6,120	8	6,128
2,329	Staffordshire Fire Authority	2,331	3	2,334
43,860	**Precepting Authorities**	**43,902**	**56**	**43,958**
5,203	Staffordshire Moorlands District Council	5,207	8	5,215
253	Cheadle Town Council	208	-	208
248	Biddulph Town Council	249	-	249
120	Leek Town Council	121	-	121
398	Parish Councils	427	-	427
6,222	**Staffordshire Moorlands D C**	**6,212**	**8**	**6,220**
50,082	**Total Call on Collection Fund**	**50,114**	**64**	**50,178**

Community Charge: Outstanding arrears in respect of Community Charge are still being collected and these amounts are credited directly to the Council's General Fund.

Glossary of Financial Terms

Accounting Policies
Accounting policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in it's financial statement.

Accounting Period
This is the length of time covered by the accounts. It is normally a period of 12 months commencing 1st April. The end of the accounting period is the Balance Sheet date.

Accruals
The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which they were earned or incurred, and not in the period in which any cash is received or paid.

Actuarial Gains and Losses

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation; or
- The actuarial assumptions have changed.

Area Based Grant
This grant replaced the Local Area Agreement Grant (LAAG) from 2008/09. Unlike the LAAG this grant is a non-ringfenced general grant which is paid directly to the benefiting authority. As a general grant it is included in the Income and Expenditure Account.

Asset
An asset is something that the Council owns that has a monetary value. Assets are either 'current' or 'fixed'. A current asset will be used by the end of the next financial year, whereas a fixed asset provides benefits for a period of more than one year.

Balance Sheet
A snapshot of the overall financial position of the Council at the end of the financial year.

Balances
Reserves held in Council funds at the end of the financial year.

Capital Adjustment Account
It provides a balancing mechanism between the cost of fixed assets consumed and the capital financing set aside to pay for them. (Introduced by the 2007 SORP, it replaced the Capital Financing Account.)

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

Capital Receipts
Income received from the sale of capital assets, a specified proportion of which may be used to finance new capital expenditure and the remainder is set-aside and may only be used for paying off debt.

Carrying Value
The value at which an asset or liability is held on the Balance Sheet.

Cash Flow Statement
This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Collection Fund
Fund indicating the level of Council Tax and Non-Domestic Rates received by the Council and the payments which are made from these funds including precepts to other authorities, the Council's own demand and payments to the NNDR pool.

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

Consistency
Accounting concept applied in the preparation of the accounts, ensuring that the accounting treatment of like items within a period and from one period to the next is the same.

Contingent Assets & Liabilities
Possible economic benefit or payment obligation which may arise in the future but which cannot be determined in advance.

Creditors *(Payables)*

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

Current Assets
Items that can be readily converted into cash.

Current Liabilities
Items that are due immediately or in the short-term.

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

Deferred Charges
Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples are expenditure on items such as improvement grants.

Defined Benefit Pension Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Depreciation
Measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use over time or obsolescence through technological or other changes.

Derivative
A financial instrument whose value is dependant on future changes. An example relevant to this Authority is where an investment is contracted to take place at a future date at an agreed rate. The derivative is the value of the interest gained or foregone if the rate that would have been obtained at the future date differs from that set in the contract.

Direct Service Organisation (DSOs)
Term used to cover both the Direct Labour Organisations (DLOs) established under the Local Government, Planning and Land Act 1980 and the Direct Service Organisations (DSOs) established under the Local Government Act 88.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

Extraordinary Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include any prior period items merely because they relate to a prior period.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Fees and Charges
Income arising from the provision of services.

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

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

Financial Instrument
These are contracts that give rise to a financial asset of one entity and a financial liability of another. Examples include trade payables and receivables, borrowings, investments, loans and bank deposits. It is only recently that financial instruments have been comprehensively covered by UK financial reporting standards.

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

Fitch Ratings
Credit Ratings are a mechanism used to establish credit and investment policies. Fitch is the Council's preferred ratings agency as they use a 4 way approach when rating financial institutions based on:

Issuer Default Rating (IDR) measures the probability of default. 2 types:

- Short-term – time horizon of less than 13 months
- Long-term – time horizon over 13 months

- **Support Rating** – assessment of a potential supporters' (state or Institutional owner) propensity and ability to support a bank; and
- **Individual Rating** – assessment of how a bank would be viewed if it were entirely independent and could not rely on external support.

Fixed Assets
Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Going Concern
The accounting concept that assumes the Council will remain in operational existence for the foreseeable future. This means in particular that the income & expenditure accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants
Assistance by government and inter-government agencies and similar bodies, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Government Grants Deferred
Government Grants received in advance awaiting credit to the Income & Expenditure Account in future years.

Heritage Asset
An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment
The writing down in the value of an asset, owing to a change in market value or use of resource.

Income & Expenditure Account
The Income & Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the year.

Infrastructure Assets
Inalienable fixed assets, expenditure, which is recoverable only by continued use of the asset created. Examples of such assets are highways and footpaths.

Intangible Assets
Are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights. Examples of such assets are software licences.

Investment Properties
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential with any rental income being negotiated at arm's length.

Joint Venture
A contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking.

Leasing
Method of financing the provision of various capital assets, usually in the form of operating leases which tend not to provide for property in the asset to transfer to the authority.

Long-Term Investments
An investment intended to be held for the medium or long-term and will not be capable of realisation within a year of the balance sheet date.

Long-term Debtors
Monies due to the Council that are unlikely to be recovered within a 12-month period, for example mortgage debts.

Minimum Revenue Provision (MRP)
Minimum amount which must be charged to an authority's revenue account each year for the repayment of principal and set aside as a provision for credit liabilities.

National Non-Domestic Rate (NNDR)
Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally and amounts collected by local authorities are pooled and then redistributed by the Government to local authorities based on the local resident population.

Net Book Value
Amount at which fixed assets are included in the balance sheet, i.e., their historical cost or current value less the cumulative amounts provided for depreciation.

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

Net Realisable Value
Open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Operational Assets
Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases
A lease other than a finance lease.

Operational Assets
Tangible fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Post Balance Sheet Events
Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept
Demands made upon the collection fund by other authorities (Staffordshire Police, Staffordshire County Council, Staffordshire Fire Authority and Parish Councils) for the services they provide.

Provisions
Amounts set aside to meet liabilities or losses which are likely to be incurred but where the amount remains uncertain.

Prudence
Accounting concept that revenue is not anticipated but is recognised only when realised in the form of either cash or of other assets, the ultimate, cash realisation of which can be assessed with reasonable certainty.

Prudential Framework
The Prudential Framework replaced the credit approval mechanism previously used by central government to control borrowing for capital expenditure. Local authorities are now allowed to determine their own capital programmes according to prudent assessments of affordability. Authorities must set their spending plans in accordance with the CIPFA Prudential Code.

Reserves
Sums set aside to meet future expenditure on specific purposes.

Revaluation Reserve
A capital reserve that records net gains (if any) from revaluations of assets made after 1st April 2007. (Introduced by the 2007 SORP, it replaced the Fixed Asset Restatement Account.)

Revenue Contributions
Method of financing capital expenditure directly from revenue. Now usually referred to as Capital Expenditure Charged to Revenue Account (CERA).

Revenue Expenditure
Expenditure on the day-to-day running of the Council, including employee costs, running expenses and capital financing costs.

Revenue Support Grant (RSG)
Grant paid to local authorities by Central Government to help finance its general expenditure.

Short-term Investments
An investment that is capable of realisation within a year of the balance sheet date.

Soft Loan
Loans made for policy reasons rather than as financial instruments. Commonly, made to local and voluntary sector bodies that undertake activities considered beneficial to the community. They may be interest free or below prevailing market rates.

Total Cost
The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or the undertaking of the activity. Gross total costs includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned in accordance with CIPFA's Best Value Accounting Code of Practice.

Usable Capital Receipts Reserve
Distinguishes the amounts in the reserve from any capital receipts that have been posted to the Capital Adjustment Account to reduce the Authority's underlying requirement to borrow.

Useful Life
Period over which the local authority will derive benefits from the use of a fixed asset.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Staffordshire Moorlands District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund and the related notes. 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 2011/12.

This report is made solely to the members of Staffordshire Moorlands District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director & Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director (CFO) 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, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director (CFO); and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Staffordshire Moorlands District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Staffordshire Moorlands District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Staffordshire Moorlands District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Sue Sunderland

District Auditor

Westthorpe Business Innovation Centre,
Westthorpe Fields Road
Killamarsh
Sheffield S21 1TZ

September 2012

How to Contact us

One Stop Shop	Opening Hours	
Leek Councils Connect Moorlands House Stockwell Street Leek Staffs ST13 6HQ	Monday - Thurs	8:45am – 5:15pm
	Friday	8:45am – 4:45pm
	Saturday	9:00am – 1:00pm
Cheadle Councils Connect 15a/17 High Street Cheadle Stoke-on-Trent ST10 1AA	Monday - Friday	9:00am – 5:00pm
	Saturday	9:00am – 1:00pm
Biddulph Councils Connect Town Hall High Street Biddulph Stoke-on-Trent ST8 6AR	Monday - Friday	9:00am – 5:00pm
	Saturday	9:00am – 1:00pm

☎ The Council is open to take your telephone calls Monday to Thursday 8.45am to 5.15pm and 8.45am to 4.45pm on a Friday. If you have any general enquiries, please contact our Customer Service Centre on: ***0345 605 3010***

Specific Customer Service Areas:-

Council Tax & Business Rates -	***0345 605 3011***
Housing Policy & Benefits -	***0345 605 3012***
Planning & Building Control -	***0345 605 3013***
Environmental & Waste Services -	***0345 605 3014***
Automated Payment Line (24 hrs) -	***0845 234 0067***

Fax: ***01538 395474***

Website: www.staffsmoorlands.gov.uk

The Statement of Accounts is available in large print, Braille or in another language on request.