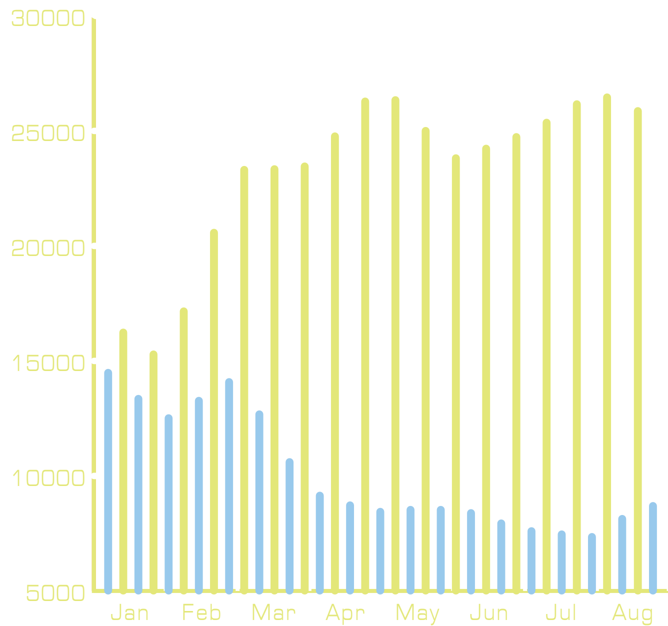
STAFFORDSHIRE moorlands DISTRICT COUNCIL

ACHIEVING · EXCELLENCE

Statement of Accounts



2018 - 2019

Contents

Chief Finance Officer's Narrative Report

The Council's Statement of Accounts for the year ended 31 March 2019, together with the accompanying notes, explains how the Council spent your Council Tax, Business Rates and other sources of funding on the provision of services during the year. The narrative report provides a financial summary focusing on the current financial challenges and opportunities as identified within the Council's Medium-Term Financial Plan (MTFP); details of the financial performance for 2018/19; a focus on the Council's Corporate Plan; risk and performance framework; identification of the Council's key strategic partnerships; and an explanation of the key financial statements.

Financial Summary

The District of Staffordshire Moorlands covers an area of 57,600 hectares, of which 32.16% is classed as rural, and serves a resident population of 97,106. There are 44,081 domestic households on the Council Tax valuation list in 2019.

The District has faced significant financial challenges over recent years as a consequence of austerity measures along with cost pressures within services and greater volatility in financing streams. The shift in local authority financing is increasing the focus on locally generated income streams – such as Council Tax and Business Rates, and reducing the reliance on core Central Government funding. This increases the control and influence the Council has over income generated within the District but has also made it vulnerable to fluctuations within the local economy, hence increasing financial risk.

Future Challenges and Opportunities

The narrative below sets out some of the more significant recent developments which have or may have a potential impact on the financial position of the Authority.

Changes to Local Government Finance

The below paragraphs detail any changes or proposed changes to Local Government financing which have had or may have a significant impact on the Council's future financial position:

Revenue Support Grant - The Secretary of State for Communities and Local Government presented the Local Government finance settlement 2016/17 to the House of Commons on 17th December 2015. This was made in the context of the Chancellor's Autumn Statement / Spending Review and included a four year settlement offer to Authorities for Revenue Support Grant (the Local Government core grant) which confirmed the phasing out of the grant by 2020. The Council accepted this and the financial impact has been included in the Council's MTFP, consequently 2018/19 was the final year of revenue support grant funding for the Council.

Business Rates – As part of the current Business Rates Retention system, authorities are able to retain a 50% proportion of any growth in Business Rates over and above a centrally established baseline. The Council's proportion is further increased by participation in the Staffordshire Business Rates pool, which removes the 50% 'growth levy' payable to Government.

In October 2015, the Government announced a forthcoming package of reforms to the Business Rates Retention System including a move to Local Government retaining 100% of Business Rates and an end to Revenue Support Grant (as discussed above). This has subsequently been revised to a 75% retention scheme, and during the year, Government invited Authorities to make an application to 'pilot' the 75% scheme in 2019/20. Staffordshire Authorities were successful in being named as a pilot for 2019/20 – which will generate a forecast windfall of £200,000 in 2019/20 which has been built into the MTFP.

There remains uncertainly surrounding how the new system will be phased in and in what form – the approved pilots being trialled around the Country will support the Government in forming the final model. Therefore, no financial assumptions based on the new system have been included with the Council's financial plans after 2019/20 at this stage - these will be fed into the plans once we have more certainty around how the system will operate.

There is also a risk that the new system may revisit the original 'baseline funding level' for Authorities – which is the amount retained by Authorities based on assessment of the need taking into account a number of factors. Any review may favour Authorities with Adult Social Care and Children Services, where there is national recognition of financial pressures, to the detriment of District Councils.

Council Tax - The Council has the capacity to vary Council Tax levels, following the abolition of capping. However the Council's ability to increase Council Tax by more than a certain percentage is subject to referendum. The threshold was increased to 2.99% from 1st April 2018 (to better reflect CPI), and a Council Tax increase of 2.9% was applied by the Council for 2018/19. A Council Tax increase of 2.9% has also been applied in 2019/20.

New Homes Bonus - Proposals were presented to amend the current New Homes Bonus settlement (financial reward for an increase in housing) which was a significant source of income to the Authority. The main changes to the scheme which came into effect from 1st April 2017 were incorporated into the MTFP, these include:-

- The reduction in the number of years for which the Bonus is paid from the current 6 years to 5 years in 2017/18; to be followed by a further reduction to four years in 2018/19;
- The removal of New Homes Bonus paid on development below a 0.4% baseline (of the overall tax base).

These changes have significantly impacted on the amount of income the Authority gains from New Homes Bonus.

The settlement announcement in December 2018 confirmed no further adjustments to the scheme in 2019/20. The announcement did, however, point out that 2019/20 represents the final year of funding agreed through the 2015 Spending Review and it is the Government's intention to explore how to incentivise housing growth most effectively. There is, therefore, a risk that the system may change fundamentally during the life of the MTFP. Given the small amount of benefit SMDC now gains from the current arrangements, it is entirely possible that any such changes may turn out to be positive for the Council. There will be a period of consultation on any change prior to a new system being implemented.

Social Housing - The Government announced in July 2015 far reaching legislative and financial changes for the social housing sector. One of the most significant announcements being the reduction in social housing rents by 1% per annum from April 2016 for 4 years (2019/20 being the last year). The Government announced that from 2020/21, Authorities will be allowed to increase rents from 2020/21 by CPI +1%.

This has significantly impacted on the affordability of the Ascent business plan (the joint venture company established by the Council and Your Housing Group Limited) to deliver affordable housing across the District. Consequently, forecast revenue receipts have been revised to account for the reduction in rental income and as a result a number of strategic options are currently being considered for the future of Ascent (see 'Key Partnerships' within this section of the Accounts) with changes - which may potentially involve the dissolution of Ascent - expected to take place during 2019/20.

Impact of Brexit

On the 23rd June 2016, the United Kingdom voted to leave the European Union as a result of the referendum. Subsequently, Prime Minister Theresa May activated the official mechanism that made this a reality – Article 50 of the Lisbon Treaty – on 29th March 2017, which allowed two years to negotiate withdrawal and reach agreement before the UK was due to leave the EU by 29th March 2019.
A general election was called and took place on 8th June 2017 providing the opportunity for the general public to vote for a Government to undertake Brexit negotiations. The results of which meant that the Conservatives lost their majority after losing seats to opposition parties across the Country. The Conservatives made an agreement with Northern Ireland's DUP (Democratic Unionist Party) forming a minority Government.

Subsequently, due to the details of an EU 'exit deal' not being agreed by Parliament, the EU has granted an extension until 31st October 2019. Cross-party discussions are currently taking place with the aim of finalising an exit deal which will be agreed by both UK parliament and the EU. On 24th May 2019, Theresa May announced that she would step down as Conservative Party Leader on 7th June. She will continue to serve as Prime Minister while a Conservative leadership contest takes place with the new leader likely to be in place before the end of July. The new leader will then have responsibility for delivering Brexit.

At this stage it is impossible to predict the impact of the Brexit process on the Authority's finances and financial planning. It has the potential to influence a number of local and national economic drivers such as inflation, interest rates, the valuation of assets and liabilities (for example the Council's property portfolio and pension liability) and the demand for and funding of services.

Currently the timing and direction of Brexit's influence on these areas is a matter of debate. To give an idea of the potential financial consequences, the table below quantifies the impact on the Authority's current 2018/19 budget had there been a 1% change in its key economic drivers.

Risk item	Impact on MTFP
1 % change in inflation	150,000
1 % change in interest rates	135,000

Brexit will also have implications on specific project funding bids which have in the past been submitted to European established bodies, it is unclear what/if any mechanism will replace this.

The overall wider impact and any specific changes to Local Government finance will be further assessed within the Council's Medium Term Financial Plan.

Efficiency & Rationalisation Programme

2017-18 was the first year of the Council's new four year Efficiency and Rationalisation Programme, which targets £3.1m in financial savings by 31st March 2021 to offset the forecast budget shortfall and ensure the Council is financially stable. The Efficiency and Rationalisation Strategy was developed and presented as part of the Medium Term Financial Plan to Full Council in February 2017.

The Efficiency and Rationalisation Strategy aims to both reduce expenditure and increase income. The need to grow income is now more of a priority as the Council moves towards being self-financing and no longer heavily reliant on direct Government funding such as the Revenue Support Grant. The Strategy has been developed with the underlying principles of protecting frontline service delivery. It is also intended that the Strategy is a tool to enable the Council to ensure that its service spending is determined by the established priorities set out in the Corporate Plan.

The Efficiency Programme is focused on five areas:-

- **Major Procurements -** There is the opportunity to focus attention on a number of large service functions which are currently provided by an external contractor / supplier. A number of significant contracts are coming to an end. This will also allow a fundamental review of these services with proper consideration of the current financial constraints. The contract commitments have sometimes restricted the opportunity to align services across the Alliance with High Peak. The individual projects will focus on Waste Collection & Environmental Services, Leisure Management and Facilities Management.

- **Asset Management Plan –** Continuation of the existing priority of rationalising the Council's asset base with a focus around priorities in order to allow for the necessary capital investment.

- **Growth –** development of a clear focus on housing and economic growth based upon the established Local Plan.

- **Income Generation –** focus on increasing the yield from existing sources of income and a drive towards identifying new sources of income.

- **Rationalisation –** a commitment to reducing expenditure on non-priority areas of spend e.g. management arrangements, non-statutory services and channel shift (reducing the need for personal contact by providing technology to access services).

The delivery of efficiency and rationalisation projects is monitored by the Transformation Board made up of Directors, Heads of Service along with key Officers. A Director is allocated as 'project executive' and a full business case appraisal is completed for each project.

The efficiency target for 2018/19 was set at £830,000. However, due to slippage in the delivery of the programme, there is a shortfall of £422,970 against target. As part of the MTFP, a review was undertaken to assess the timing and estimated value of future savings based on the current programme. The table below shows the projected reprofiled Efficiency Programme:-

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£	£	£	£	£	£
Original Programme	661,000	830,000	475,000	1,175,000	-	**3,141,000**
Amended Programme	661,000	395,000	935,000	702,000	448,000	**3,141,000**
Variance	**-**	**(435,000)***	**460,000**	**(473,000)**	**448,000**	**-**

**shortfall estimated as at February 2019*

Consequently, the Efficiency Plan has been extended by one year to reflect the anticipated timing of savings materialising.

The savings achieved in 2018/19 primarily relate to additional income from car parking and new homes bonus, savings from procurement activity and a reduction in printing and postage costs. Additionally, a number of vacant staff posts have been reviewed (in line with the service review process and as a result of other efficiency projects) which have contributed to the overall efficiency programme.

Continued progression against the efficiency programme is dependent on achieving significant savings as a result of the alternative delivery model for Waste, Streets and Parks via the transfer of services to trading company, Alliance Environment Services, as well as a review of leisure provision. There are also significant income generation targets focusing on housing and economic growth, linked to the approval of the Local Plan.

Going Concern

The Statement of Accounts 2018/19 has been prepared on a going concern basis. Therefore the Council is viewed as continuing in operation for the foreseeable future. This is considered appropriate on the basis that there are no material uncertainties about the Council's ability to continue as a going concern.
The Council has a firmly embedded Financial Planning process, which includes a rolling four-year Medium-Term Financial Plan that is updated twice per year. This

includes the Chief Finance Officer's statement regarding the adequacy of reserves and balances.

All known events which could cast doubt on the Council's ability to continue as a going concern are systematically mitigated. For example, budget deficits are primarily addressed through a well developed approach towards the achievement of efficiency savings, which has a proven track record of success.

As discussed, a new four year efficiency plan was presented to coincide with the 2017/18 Budget and updated MTFP presented in February 2018 to outline plans to meet the budget deficit over the four year period. There is a well established quarterly reporting process to Cabinet which monitors in year financial performance and identifies any risks in achieving the Efficiency Plan. As discussed above, a review of the Efficiency Plan was undertaken when setting the Budget and MTFP in February 2019, and the opportunity was taken to revise the expected timing of savings.

In terms of the Council's cash and liquidity position, detailed forecasts of cash flows are maintained for the 12 months following the date of the audit - so up to 31st July 2020. These are compared against actual cash flows on a daily basis by the Council's Finance team. The Treasury function is scrutinised by the Audit & Accounts Committee.

2018/19 Financial Performance

Revenue Spending

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. The financial planning process for 2018/19 was driven by the need to provide effective services while satisfying the on-going economic pressure to become ever more efficient in our use of resources.

What we planned to spend

The Council set an original net Revenue budget of £10,011,810 for spending on services. It was anticipated that financing available from external grants and retained Council Tax and Business Rates would be £9,210,760 leaving £801,050 to be funded from general reserves. These reserves are held both as a contingency and to prudently support spending over the medium term.

What we actually spent

The Authority's actual performance against budget resulted in a £777,487 operating surplus in 2018/19, generated as set out in the table below.

Funding levels achieved were £260,476 above expectations owing primarily to better than anticipated levels of retained Business Rates accruing to the year.

Actual spend on activities during 2018/19 was £686,568 lower than anticipated. The under spend was due to savings made across a number of Council services.

The substantial underspend together with the increased income accruing to the year meant that the budgeted call on reserves was not required. Instead of a net use of reserves, 2018/19 has actually seen them increase. Adjusting the operating surplus for the nominal actual use of reserves gives the figure by which the Authority's usable reserves increased in the year, as £145,994.

		Budget £	Actual £	Variance £
Activites		10,011,810	9,325,242	(686,568)
Funding:	External	(9,210,760)	(9,471,236)	(260,476)
	Reserves	(801,050)	(631,493)	169,557
Operating Deficit / (Surplus) in the Year			(777,487)	(777,487)
Adding back the actual net use of reserves in year				631,493
Gives the increase in Reserves Generated in 2018/19				**(145,994)**

As illustrated below the surplus generated increased the value of the Authority's usable reserves to £7.937million.

Revenue Reserves	Brought Forward £000	2018/19 Net Change £000	2018/19 Revenue Balance £000	2018/19 Applied to Capital £000	Carried Forward £000
Capital Support	2,013		2,013	(1,347)	666
Earmarked	2,673	161	2,834		2,834
General Revenue	3,106	(15)	3,091		3,091
	7,792	**146**	**7,938**	**(1,347)**	**6,591**

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. During 2018/19 £1.347million of the Capital Support Reserve was used to support the Authority's Capital Programme. 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.

At the end of 2018/19 the reserve stood at £3.089million, which means that a surplus of £2.089million is potentially available to support future spending plans. A review of reserves earmarked for specific purposes has resulted in net contributions from the general reserve of £1.1million. The most significant being a £0.834milion contribution to the Capital Support reserve. After these re-designations the Authority's general reserves remain £1million above the minimum contingency level. The current Medium Term Financial Plan expects, over the next four years 2019/20 – 2022/23, to contribute a net £0.3million into general contingency reserves to support the Revenue Budget further into the future.

Revenues Reserves	Earmarked £000	General £000	Total £000
Year End	3,500	3,091	6,591
Redesignated	1,086	(1,086)	0
Minimum Contingency	0	(1,000)	(1,000)
	4,586	**1,005**	**5,591**

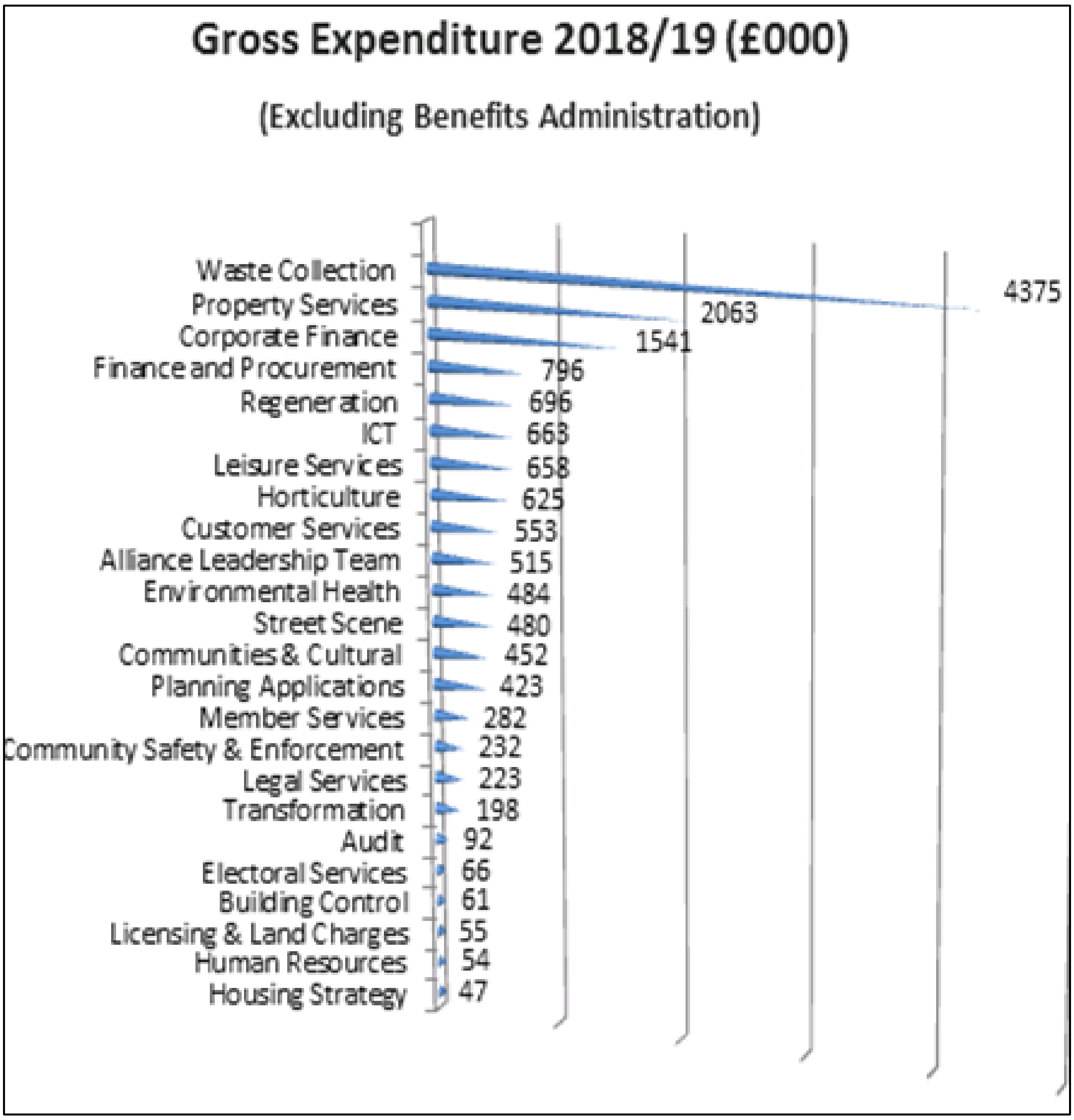
How the money was spent

The Comprehensive Income & Expenditure Statement (CIES) (page 30) summarises the resources that have been generated and consumed in providing services and managing the Council this year. It shows Net Expenditure for the year was £11.702million across the 25 service areas around which the Authority organises the budgets. This figure 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 Tax payers.

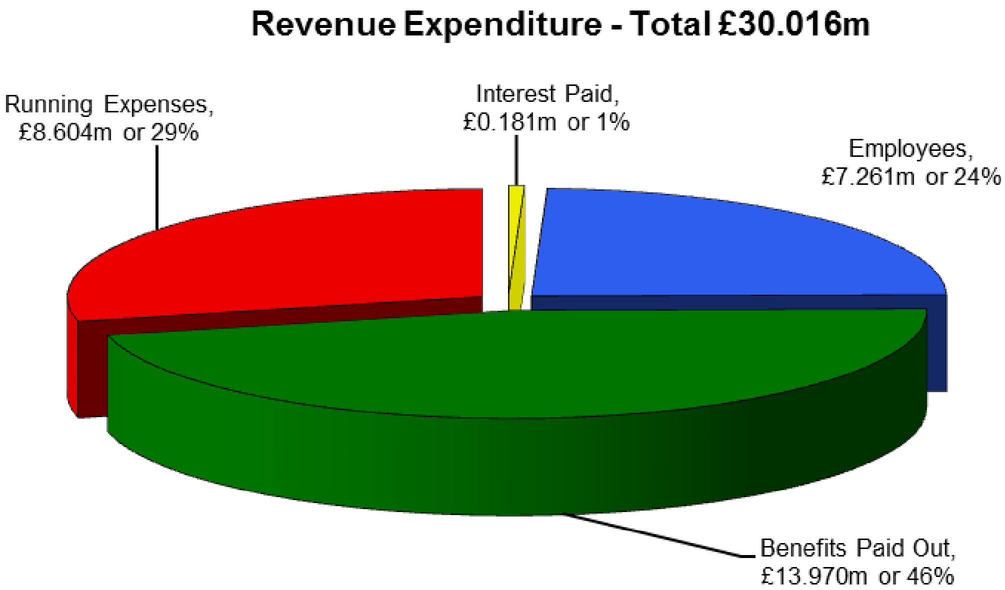
The Expenditure and Funding Analysis (EFA) (page 34) reconciles the service outturn reported in the CIES with the £9.33million spend on activities as measured against the 2018/19 budget. The table below summarises that reconciliation and by adding in external sources of funding and the use of reserves, reveals the actual gross expenditure and income behind the £0.777million surplus generated in the year.

	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
CIES	33,044	(21,342)	11,702
Nominal Adjustments	(3,028)	653	(2,375)
EFA	**30,016**	**(20,689)**	**9,327**
Funding :			
External		(9,472)	(9,472)
Reserves		(632)	(632)
	30,016	**(30,793)**	**(777)**

An analysis of the £30.016million Gross Expenditure illustrates how actual revenue resources were applied in 2018/19. At £14.38million the administration and payment of Benefits accounted for 48% of the Authority's revenue spend. The chart below profiles the remaining 52% - £15.64million - across the Authority's other service areas.

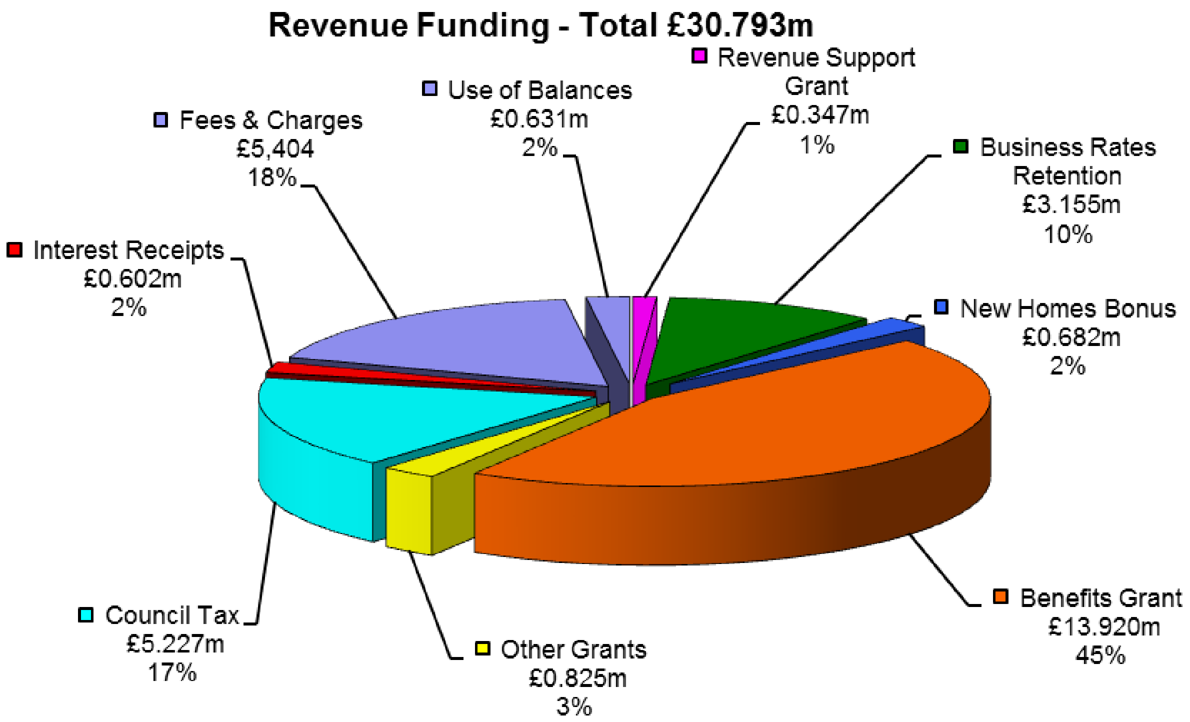


The four main categories of this spend are employee costs, running expenses, interest paid on borrowing and Housing Benefit payments made to residents. Running expenses include maintenance of buildings, vehicle costs and supplies and services. The chart below illustrates the proportion in which expenditure was incurred on these categories of expenditure. The largest element at £13.97million is the payment of Housing Benefits on behalf of Central Government.



How it was paid for

Excluding the £13.92million Housing Benefits grant from Central Government, the chart below illustrates the continuing shift in Local Government finance to generate income locally and become self financing. Of the remaining £16.87million in funding (excluding the Benefit grant) 89% - £15.02million – is from the locally generated income streams of Council Tax, Business Rates, interest, fees and charges, together with the use of reserves. Of the £1.85million of other grant funding, £0.68million relates to the New Homes Bonus grant, which is a Government grant the Authority benefits from as a result of growth in housing within the District.



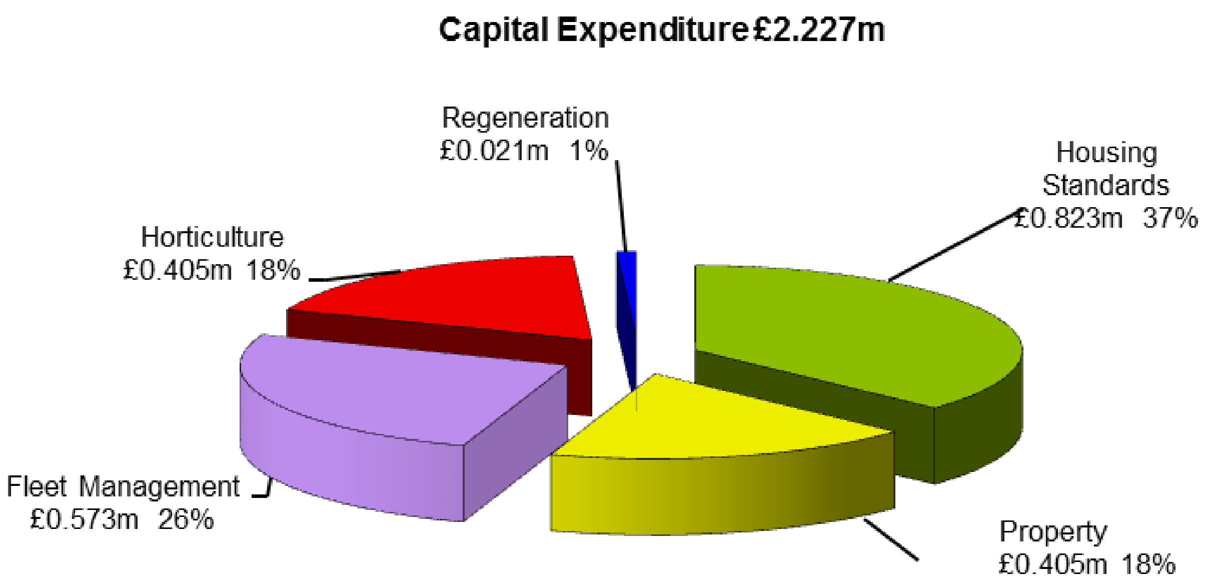
Capital Spending

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 four-year 'rolling' capital programme. This programme was last updated in February 2019 and included capital commitments of £14.9million over the period 2019/20 to 2022/23.

How the money was spent

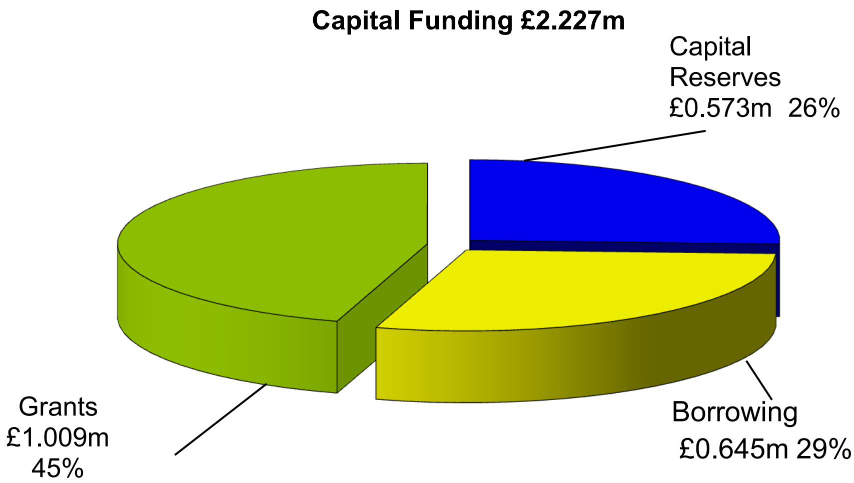
The actual spend in 2018/19 was £2.227million. This spend was £1.364million less than that budgeted for the year owing to the re-profiling, within the overall programme, of individual projects. Major areas of capital expenditure and significant individual projects included:

- Property – refurbishment of Leek's Buttermarket (£0.385m);
- Fleet Management – acquisition of vehicles, through direct purchase and lease buyout, for the Council's joint operation, Alliance Environmental Services (£0.573m).
- Horticulture – investment in skate parks at Leek (£0.195m) and Cheadle (£0.210m).
- Housing Standards - disabled facilities grants (DFG), (£0.823m).



How it was paid for

There are a number of sources by which the Council can fund capital expenditure. The funding of the 2018/19 capital programme is illustrated below:



- Grants – contributions from third parties and Central Government grants. The latter providing majority funding of the DFG programme.
- Revenue Reserves – over time the Council has built up revenue reserves for the purpose of supporting future capital projects.
- Borrowing – this equates to both funding by internal resources and external borrowing. The latter includes borrowing from other Local Authorities.

The Balance Sheet Perspective

At the end of 2018/19 the Authority's net worth, as reported on the Balance Sheet, stood at a net asset value of £2.133million. When compared to an opening value of £7.394million at the beginning of the year. This represents a decrease in net worth of £5.261million.

	31 March 2018 £000	31 March 2019 £000
Long Term Assets	36,230	36,888
Ascent Loan	16,848	16,908
Net Current Assets (debtors, inventories, less creditors, other liabilities)	3,608	2,766
Borrowing	(12,060)	(11,059)
Pensions Liability	(36,566)	(43,180)
Other Long Term Liabilities and Provisions	(666)	(190)
Net Assets	**7,394**	**2,133**
Represented by: Usable Reserves	**9,550**	**8,974**
: Unusable Reserves	**(2,156)**	**(6,841)**

How can the Authority have experienced such a decrease in value when its revenue activities actually generated additional reserves of £0.146million in the year? The answer is an increase in the Authority's long term pension liability:

> **Pension Liability** – under financial accounting regulations the Authority's Balance Sheet must show the cumulative net value of its pension scheme if all the assets and liabilities became realisable or payable on the 31st March. While in reality pension schemes continue over generations this snap shot measurement draws attention to any underlying long term strengths or weaknesses. The measurements applied to the Council's scheme at the end of 2018/19 increased the liability reported on the Balance Sheet by £6.6million to £43.18million. The pension valuation is performed on behalf of the Council by suitably qualified professionals guided by statute and best practice. Their valuations however represent a snapshot as at 31st March 2019 and reflect the market forces and other valuation factors relevant at that date.

The value of the pension as reported on the Balance Sheet is a significant liability for the Council. However because this liability only falls due over the long term, measures have been put in place that ensure the Authority's continuing financial viability. At a national level Government has altered future scheme benefits and entitlements while locally both Council and employee contributions have increased. In addition the Authority makes annual lump sum contributions into the fund to further reduce the deficit.

The Council’s Corporate Plan

Following the local elections in May 2015, the Council has developed a new Corporate Plan covering the period 2015-2019 which supports the vision of ‘Achieving excellence in the delivery of high quality services that meet the needs and aspirations of our communities’. The vision is articulated by four aims which are supported by a number of objectives which provide the framework for delivery of individual service plans.

These are summarised below:

	Aim	Objectives
1	Help create a safer and healthier environment for our communities to live and work	• **Increased supply of good quality affordable homes** • **Develop a positive relationship with communities** • **Effective relationship with strategic partners** • **Effective support of community safety arrangements including CCTV** • **Provision of sports facilities and leisure opportunities focused upon improving health**
2	Meet our financial challenges and provide value for money	• Effective use of financial and other resources to ensure value for money • Ensure services are easily available to all our residents in the appropriate channels and provided “right first time” • A high performing and well motivated workforce • More effective use of Council assets
3	Help create a strong economy by supporting further regeneration of towns and villages	• Encourage business start-ups and enterprises • Flourishing town centres that support the local economy • Encourage and develop tourism • High quality development and building control with an “open for business” approach
4	Protect and improve the environment	• Effective recycling and waste management • Promote environmentally sustainable policies and practices • Provision of high quality public amenities, clean streets and environmental health • Provision of quality parks and open spaces • Car parking arrangements that meet the needs of residents, businesses and visitors

Our Performance Framework, which measures our success in delivering the Corporate Plan, also reflects the three pillars of value for money: economy, efficiency and effectiveness and is fully aligned to the Council’s corporate objectives. The Council publishes an Annual Report, which takes stock of the progress made in delivery of the Corporate Plan objectives and uses comparative performance and cost measures to help shape the Council’s refreshed objectives. 2018/19 was the final year of the 2015-2019 Corporate Plan, and following the local elections in May 2019, a refreshed Corporate Plan will be presented during 2019.

Customer focused
Honest and open communicators
One team
Innovative
Can-do culture
Every penny counts

Following the completion of an organisation-wide service transformation process in 2016/17, the Council developed, in partnership with its workforce, a new set of core values called ‘CHOICE’. These values are reinforced and reflected in employee performance and behavioural objectives through the Council’s approach to appraisal and employee development called PEP – Plan, Enable, Perform.

Risk Management

The Council ensures that it undertakes a deliberate and systematic identification of the key risks that might prevent, degrade, delay or enhance the achievement of its objectives and priorities as well as also considering any potential ‘opportunity’ risks which may benefit the Council. The Council's Risk Management Strategy sets out the process for undertaking this on an ongoing basis. In addition to the identification of risks, managers also have to quantify them in terms of likelihood and potential impact. The risks are then recorded in the Council's Risk Registers. These have three aspects – strategic, operational and project risks. The Council’s Strategic, Operational and Project Risk Registers are reviewed on a quarterly basis and reported into the Corporate Risk Management Group and the Audit and Accounts Committee on an exception basis.

Our Performance in 2018/19

The Council used a range of financial and other indicators to measure performance in 2018/19. At the end of March, 79% of the Council’s performance targets for the year had been met. Compared to last year, 60% of measures had either maintained or improved on their previous year’s performance.

The Council also exceeded its targets in a number of areas including accuracy of benefits processing; homelessness prevention; repeat complaints; Council Tax and Business Rates collection; fly-tipping incidents; sundry debt reduction; street cleanliness standards; and ‘Major’, ‘Minor’ and ‘other’ planning applications processed on time.

The service areas which fell short of target include Housing Benefit processing times; town centre vacancy rates; invoice processing; and estimated recycling rates.

For those measures that fell below the target set for the year we have developed actions for improvement, where feasible, as part of our performance reporting to senior managers and members. As well as comparing performance over time and against target, we also compare our performance with other Councils nationally through local benchmarking clubs and through the Local Government Association’s (LGA) online benchmarking tool ‘Inform’.

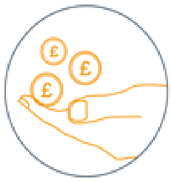
Delivering against our Corporate Aims

The Council’s Corporate Plan has four key aims, and below we have highlighted some of our achievements last year in relation to each of them.

Help create a safer and healthier environment for our communities to live and work - This aim covers our objectives around affordable housing, sports and leisure, community safety, community relations and the effectiveness of our strategic partnerships. Last year we:

- ✓ Resolved 287 of 291 homeless presentations (98%)
- ✓ Forged a £1 million partnership with housing association EPIC to turnaround properties that have been empty for six months or more using funding from the Homes and Communities Agency
- ✓ Smashed the attendance figure for the annual SPACE programme, a summer diversionary activity for young people aged 8-18, a 33% increase on 2017
- ✓ Used the crime and policing powers to issue 4 Community Protection Notices for behaviour adversely affecting quality of life

Meet financial challenges and provide value for money – This aim covers our objectives around value for money, customer access, use of assets and a high performing and motivated workforce. Last year we:



- ✓ Developed 245 online forms for customers to self serve, thereby enabling a 21% reduction in contact
- ✓ Saw the number of customer portal accounts rise to 21,000
- ✓ Invested over £90,000 in employee training
- ✓ Successfully transferred SMDC's waste and recycling collection services to AES in July 2018. The wider project, of which this is just one element, will help to deliver a predicted £1.2m in savings over the first 4 years
- ✓ Achieved a reduction in workplace accidents
- ✓ Exceeded our Council Tax and Business Rates collection targets

Help create a strong economy by supporting further regeneration of towns and villages – This aim covers our objectives around tourism, flourishing town centres, encouraging new business and promoting an open for business approach in our development and building control functions. Last year we:

- ✓ Determined 100% of ‘major’ planning applications on time and assisted 252 customers through our Planning Surgeries
- ✓ Made improvements to Leek’s Butter Market and saw increases in outdoor market space and in outdoor market stall take up
- ✓ Held a successful year of varied events and exhibitions at The Nicholson Museum & Art Gallery, including the popular ‘Comin Home’ Exhibition as part of the WW1 centenary
- ✓ Submitted the Draft Local Plan to the Planning Inspector and the Sustainability Appraisal was completed

- ✓ Allocated £7,500 through the Moorlands Partnership Board towards the rebuilding of the former waiting room at Leekbrook Station

Protect and improve the environment – This aim covers our objectives around waste and recycling, clean streets, environmental health, quality parks and open spaces, environmental sustainability and car parking. Last year we:

- ✓ Carried out 100% of 'high risk' premises interventions to safeguard public health
- ✓ Worked on behalf of Cheadle Town Council to deliver a new junior play area, refurbished tennis courts, and improvements to the toddler play area at Tean Road Recreation Ground
- ✓ Constructed and opened a new skate park in Leek's Brough Park, which was part funded following a successful bid to Sport England
- ✓ Maintained the Green Flag award at Ladderedge Country Park
- ✓ Supported 72 community clean-up campaigns
- ✓ Helped ensure that 98% of Food Premised meet the Food Standards Agency criteria for compliance through a rigorous inspection programme

Key Strategic Partnerships

Strategic Alliance

In 2008 Staffordshire Moorlands District Council entered into a "Strategic Alliance" (the Alliance) with our neighbours, High Peak Borough Council. The primary aim of the Alliance is, 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 – crosses both county and regional boundaries. The Alliance sits at the heart of the Council's Efficiency and Rationalisation Strategy. The 'Alliance' has celebrated 10 years of existence during 2018, with a reflection on what has been achieved during this time, focusing on financial savings, service improvements and the benefits of working together as partner Authorities.

Affordable Housing Joint Venture

On 21st September 2010 the Council formally entered, through the incorporation of Ascent Housing LLP, into a joint venture with Your Housing Group Limited. The Council has 49% of the shareholding in this Limited Liability Partnership and appoints two out of the four executive board directors. This Joint Venture is a vehicle for the provision of affordable housing across the District. Information about the Council's interests in the Joint Venture is contained in more detail within the Group Accounts.

Both the Council and Your Housing have a £5million debenture investment in Ascent, repayable over 25 years. In addition the Council has provided a £20million loan facility, with £14million currently drawdown.

The Ascent corporate structure is currently being reviewed in light of the future potential financial challenges as forecast in the latest Ascent business plan. Whilst there are no short term issues of going concern, there are potential long-term challenges – particularly the ability of Ascent to repay its debts in the long term which need to be addressed.

There are a number of strategic options being considered, which are summarised as:-

- Your Housing Group acquires the Council's stake in Ascent by acquiring the properties. At which point Ascent LLP would be wound up *(currently the preferred option which is being explored)*
- The Council acquires the Your Housing Group stake in Ascent by acquiring the properties. At which point Ascent LLP would be wound up
- Retain the existing structure
- Your Housing Group exits the partnership and are replaced by another Registered Provider

A final decision is likely to be made during 2019/20 and any impact will be fully detailed in the 2019/20 Statement of Accounts. The preferred option at this stage is for Your Housing Group to acquire the Ascent properties. Based on the valuation at which Your Housing would be prepared to purchase the Ascent properties, this would be insufficient to repay the total £24million investment held by Your Housing and the Council by an estimated £711,000, any resulting impairment being shared equally between the partners. Therefore, an 'expected credit loss' has been applied to the Council's investment in the 2018/19 accounts in recognition of this.

Environmental Services Joint Venture – Alliance Environmental Services (AES)

The Council, along with Alliance partner High Peak Borough Council, agreed to establish a joint venture partnership with Ansa - a subsidiary of Cheshire East Council - to deliver waste collection, street cleaning, grounds maintenance and fleet management services. This project forms part of the new Efficiency and Rationalisation Programme and savings of over £1m (Alliance wide) are expected as a result of the new arrangements.

The new arrangements are being introduced in a phased approach with phase one having taken place in August 2017 which focused on the transfer of the outsourced High Peak B.C. waste service to the joint venture company – Alliance Environmental Services. The second phase, took place in July 2018, which involved the transfer of the Staffordshire Moorlands D.C. Waste Service and both High Peak B.C. and

Staffordshire Moorlands D.C. Fleet arrangements. This is likely to be followed later in 2019 by the transfer of the Streets Scene and Parks services.

The collaborative arrangement has been assessed to be a joint operation with 56% of the service being used by Staffordshire Moorlands District Council and 44% by High Peak Borough Council at the reporting date and therefore is consolidated into the single entity financial statements of both Councils respectively. The financial results of the company for the 2018/19 year and the assessment of the joint arrangement is described in note 2e 'Interests in companies & other entities and joint arrangements'.

Explanation of the Financial Statements

The Statement of Accounts for the year ended 31st March 2019 has been prepared in accordance with the Accounts and Audit Regulations 2015. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by the International Financial Reporting Standards.

The Council's core financial statements, beginning at page 28, are listed below along with a brief explanation of their purpose:

- ***Movement in Reserves (MIRS) -*** 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 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 (CIES)*** – 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 shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council; 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 two supplementary statements: -

- ***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.
- ***Group Accounts* –** these statements show consolidated Group Accounts for those subsidiaries, associates and joint ventures in which the Council has a material interest. In 2018/19, the Council has just one material interest which gives rise to group accounts for Ascent Housing LLP, a joint venture in which it holds a 49% share.

The 2018/19 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.

Andrew P Stokes BA (Hons), MBA, CPFA, CIHM, CIMSPA

Executive Director & Chief Finance Officer

Date: 26th July 2019

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 26th July 2019.

Councillor Tony Hall

Deputy 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 2019).

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 2019 and its income and expenditure for the year.

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

Statement of Accounting Policy

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 Policies

The Accounting Policies set out from page 100 have been applied in producing the statements. They are based on best practice and legislative requirements, including CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom for 2018/19.

2. Accounting Standards Issued, Not Adopted

The 2019/20 Code of Practice introduces changes to a number of the reporting standards to be applied to future Statements. The Authority is obliged to consider what, if any, the impact would have been on these Statements had they been applied in 2018/19.

Investment Property (IAS40): Amendment re: transfers.

Clarifies, with examples, the criteria defining an Investment Property that must be satisfied before a property can be moved in or out of that category. Specifically it is changes in actual use of a property that will dictate its inclusion not how management intends it to be classified. The Council already complies with this guidance.

Foreign Currency Transactions and Advance Consideration (IFRIC 22)

Clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have and is unlikely to have any material transactions within the scope of the amendment.

Uncertainty over Income Tax Treatments (IFRIC 23)

Provides additional guidance on income tax treatment where there is uncertainty. This will have no significant impact on the Authority's single entity or group accounts.

Financial instruments (IFRS 9): Amendment re: prepayment features with negative compensation.

Allows financial assets with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income, and confirms that most modifications of financial liabilities will result in immediate recognition of a gain or loss. The Council has no loans affected by this amendment.

[IAS = International Accounting Standards : IFRS = International Financial Reporting Standard : IFRIC = International Financial Reporting Interpretations Committee]

3. Prior Year Adjustments

The statements and notes that follow include comparative figures from the previous financial year. If there have been material changes in the way that the financial information is collated and presented in the current year, the prior year must be manipulated to allow a like for like comparison and marked as 'Restated'.

- During the course of 2018/19 the Council's Visitor Services Department was disbanded. The functions were transferred to other Council Service areas; Car Parking to Asset Services; Markets and Tourism to Regeneration Services; Museums; and Collections to Democratic & Community Services. This change necessitated the restatement of the CIES and some associated notes to reflect the revised service analysis. Changed tables are marked as 'Restated' and Note 18 provides a reconciliation to the original 2017/18 figures.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in part 1 of this section, the Authority has had regard to the materiality of the transactions being reported. It has also 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:

- 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;

- Alliance Environmental Services Ltd (AES) is a company created between Staffordshire Moorlands District Council, High Peak Borough Council and Ansa Environmental Services Ltd (Ansa), a wholly owned subsidiary of Cheshire East Council. Phase 1 of the transfer of services commenced on 7th August 2017 to deliver High Peak Borough Council (HPBC) Waste services. Phase 2 commenced on 1st July 2018 to deliver waste services to Staffordshire Moorlands District Council (SMDC) and fleet management services to the Alliance as a whole.

This collaboration has been determined to be a Joint Operation and is therefore consolidated in to HPBC's and SMDC's single entity financial statements, i.e. there is no requirement for separate group accounts. The relationship, details of this assessment and financial performance and results of the company are included in note 2e 'Interests in companies & other entities and joint arrangements'.

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainly 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.

5. 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 2019 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 (Note 5f highlights key assumptions). A 1% change in the assessed carrying value of the Authority's pension liability equates to £431,800 (total £43,180,000).
Asset Valuations	The valuations of property, plant and equipment reported in the Balance Sheet and the related depreciation charges made to the CIES 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 £372,300 (total £37,230,000).

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**

The core financial statements are followed by supporting notes and the supplementary statements relating to:

- **Collection Fund**
- **Group Accounts** (incorporating the Council's share in Ascent Housing LLP)

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			Capital				
		General	Earmarked Reserves	Total	Receipts Reserve	Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017		(3,623)	(3,222)	**(6,845)**	**(8)**	**(805)**	**(7,658)**	**5,411**	**(2,247)**
(Surplus) or deficit on the provision of Services		1,695	0	**1,695**	0	0	**1,695**	**0**	**1,695**
Other Comprehensive Income and Expenditure		0	0	**0**	0	0	**0**	**(6,842)**	**(6,842)**
Total Comprehensive Income and Expenditure		1,695	0	**1,695**	**0**	**0**	**1,695**	**(6,842)**	**(5,147)**
Adjustment between accounting basis & funding basis under regulations	6	(2,649)	8	**(2,641)**	3	(949)	**(3,587)**	**3,587**	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(954)	8	**(946)**	**3**	**(949)**	**(1,892)**	**(3,255)**	**(5,147)**
Transfers to/(from) Earmarked Reserves		1,471	(1,471)	**0**	0	0	**0**	**0**	**0**
(Increase)/Decrease in 2017/18	**12**	517	(1,463)	**(946)**	**3**	**(949)**	**(1,892)**	**(3,255)**	**(5,147)**
Balance at 31 March 2018 carried forward		(3,106)	(4,685)	**(7,791)**	**(5)**	**(1,754)**	**(9,550)**	**2,156**	**(7,394)**
(Surplus) or deficit on the provision of Services		2,343	0	**2,343**	0	0	**2,343**	**0**	**2,343**
Other Comprehensive Income and Expenditure		0	0	**0**	0	0	**0**	**2,918**	**2,918**
Total Comprehensive Income and Expenditure		2,343	0	**2,343**	**0**	**0**	**2,343**	**2,918**	**5,261**
Adjustment between accounting basis & funding basis under regulations	6	(2,489)	1,346	**(1,143)**	(69)	(554)	**(1,766)**	**1,766**	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(146)	1,346	**1,200**	**(69)**	**(554)**	**577**	**4,684**	**5,261**
Transfers to/(from) Earmarked Reserves		1,247	(1,247)	**0**	0	0	**0**	**0**	**0**
(Increase)/Decrease in 2018/19	**12**	1,101	99	**1,200**	**(69)**	**(554)**	**577**	**4,684**	**5,261**
Balance at 31 March 2019 carried forward		(2,005)	(4,586)	**(6,591)**	(74)	(2,308)	**(8,973)**	**6,840**	**(2,133)**

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.

2017/18 Restated					2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expendture
£000	£000	£000			£000	£000	£000
648	0	648	Alliance Leadership Team		660	0	660
124	0	124	Audit		120	0	120
751	(13)	738	ICT		786	(12)	774
53	0	53	Human Resources		54	0	54
271	(10)	261	Member Services		282	(10)	272
2,267	(1,065)	1,202	Property Services		2,266	(1,078)	1,188
15,554	(15,591)	(37)	Benefits		14,430	(14,506)	(76)
469	(536)	(67)	Planning Applications		468	(444)	24
28	(44)	(16)	Building Contol		61	(49)	12
640	(25)	615	Customer Services		614	(22)	592
226	(24)	202	Legal Services		231	(56)	175
48	(23)	25	Electoral Services		66	(21)	45
54	(279)	(225)	Licensing and Land Charges		55	(261)	(206)
881	(179)	702	Regeneration		750	(147)	603
503	0	503	Communities and Cultural		513	0	513
32	(81)	(49)	Housing Strategy		48	(101)	(53)
210	0	210	Transformation		216	0	216
269	(82)	187	Community Safety and Enforcement		273	(76)	197
965	(365)	600	Finance and Procurement		924	(354)	570
343	(26)	317	Corporate Finance		829	(244)	585
4,392	(1,639)	2,753	Waste Collection		4,941	(2,014)	2,927
682	(192)	490	Street Scene		593	(197)	396
1,780	(6)	1,774	Leisure Services		1,591	(3)	1,588
755	(169)	586	Horticulture		880	(211)	669
1,135	(1,601)	(466)	Environmental Health		1,393	(1,536)	(143)
33,080	**(21,950)**	**11,130**	**Cost of Services**		**33,044**	**(21,342)**	**11,702**
1,567	(35)	1,532	Other Operating Expenditure	3a	1,586	(69)	1,517
1,257	(845)	412	Financing and Investment Income and Expenditure	3b	1,201	(916)	285
	(11,379)	(11,379)	Taxation and Non-Specific Grant Income and expenditure	3c		(11,161)	(11,161)
		1,695	**(Surplus) or Deficit on Provision of Services**				**2,343**
		(5,307)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	13			(1,427)
		(1,535)	Remeasurement of the net defined pension benefit liability	5			4,345
		(6,842)	**Other Comprehensive Income and Expenditure**				**2,918**
		(5,147)	**Total Comprehensive Income and Expenditure**				**5,261**

Balance Sheet

The Balance Sheet provides an overall summary of the financial position of the Council as at 31st March 2019. It shows the Council's balances and reserves and its long-term indebtedness, and the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

31st March 2018 £000		Notes	31st March 2019 £000
32,193	Property, Plant & Equipment	7a	32,892
572	Heritage Assets		572
3,378	Investment Properties	7b	3,713
67	Intangible Assets		53
9,869	Long Term Debtors	9	2,568
46,079	**TOTAL LONG TERM ASSETS**		**39,798**
1,001	Short Term Investments	14d	1,001
102	Inventories		73
10,023	Short Term Debtors	9	15,009
4,861	Cash and Cash Equivalents	8	7,191
15,987	**TOTAL CURRENT ASSETS**		**23,274**
(5,008)	Short Term Borrowings	14a	(8,524)
(4,062)	Short Term Creditors	10	(4,660)
(1,317)	Provisions	11	(1,849)
(10,387)	**TOTAL CURRENT LIABILITIES**		**(15,033)**
(7,053)	Long Term Borrowing		(2,536)
(36,566)	Pensions Liability	5c	(43,180)
(524)	Other Long Term Liabilities		(60)
(142)	Grants Receipts in Advance - Capital		(130)
(44,285)	**TOTAL LONG TERM LIABILITIES**		**(45,906)**
7,394	**TOTAL NET ASSETS**		**2,133**
9,550	Usable Reserves	12	8,973
(2,156)	Unusable Reserves	13	(6,840)
7,394	**TOTAL RESERVES**		**2,133**

The unaudited accounts were issued on 31st May 2019 and the audited accounts were authorised for issue on 26th July 2019.

Andrew P Stokes BA (Hons), MBA, CPFA, CIHM, CIMSPA
Executive Director & Chief Finance Officer

Cash Flow Statement

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

2017/18 £000		Notes	2018/19 £000
(1,695)	Net Surplus/(Deficit) on the Provision of Services		(2,343)
2,277	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	17a	8,641
(1,852)	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	17a	(1,631)
(1,270)	**Net Cash Flows from Operating Activities**		**4,667**
248	Investing Activities	17c	398
(87)	Financing Activities	17d	(2,735)
(1,109)	**Net Increase or (Decrease) in Cash and Cash Equivalents**		**2,330**
5,970	Cash and Cash Equivalents at the Beginning of the Reporting Period	8	4,861
4,861	**Cash and Cash Equivalents at the End of the Reporting Period**		**7,191**

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. *Amounts Reported for Resource Allocation Decisions*

Decisions about resource allocation are taken by the Authority's Cabinet on financial reports 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.

The following tables analyse and show the relationship between the statutory statements and the financial information reported to and used by the decision makers.

1a. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax payers how the funding available to the Authority (i.e. government grants, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18 Restated				2018/19		
Net Expenditure to General Fund Balance	Adjustments Funding & Accounting	Net Expenditure in the CIES		Net Expenditure to General Fund Balance	Adjustments Funding & Accounting	Net Expenditure in the CIES
£000	£000	£000		£000	£000	£000
482	166	648	Alliance Leadership Team	515	145	660
93	31	124	Audit	92	28	120
629	109	738	ICT	651	123	774
53	0	53	Human Resources	54	0	54
261	0	261	Member Services	272	0	272
834	368	1,202	Property Services	818	370	1,188
(95)	58	(37)	Benefits	(123)	47	(76)
(115)	48	(67)	Planning Applications	(21)	45	24
(16)	0	(16)	Building Contol	12	0	12
544	71	615	Customer Services	531	61	592
192	10	202	Legal Services	167	8	175
25	0	25	Electoral Services	45	0	45
(225)	0	(225)	Licensing and Land Charges	(206)	0	(206)
528	174	702	Regeneration	457	146	603
445	58	503	Communities and Cultural	452	61	513
(49)	0	(49)	Housing Strategy	(53)	0	(53)
191	19	210	Transformation	199	17	216
146	41	187	Community Safety and Enforcement	157	40	197
465	135	600	Finance and Procurement	442	128	570
1,176	(859)	317	Corporate Finance	694	(109)	585
2,055	698	2,753	Waste Collection	2,361	566	2,927
336	154	490	Street Scene	282	114	396
587	1,187	1,774	Leisure Services	655	933	1,588
542	44	586	Horticulture	477	192	669
442	(908)	(466)	Environmental Health	397	(540)	(143)
9,526	**1,604**	**11,130**	**Cost of Services**	**9,327**	**2,375**	**11,702**
(10,472)	1,037	(9,435)	Other Income and Expenditure	(8,127)	(1,232)	(9,359)
(946)	**2,641**	**1,695**	**Cost of Services**	**1,200**	**1,143**	**2,343**
(6,845)			**Opening General Fund Balance**	**(7,791)**		
(946)			Less (Surplus) or Deficit in Year	1,200		
(7,791)			**Closing General Fund Balance**	**(6,591)**		

1b. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

2017/18 Restated					2018/19			
Adjustments for Capital Purposes	Net Change of the Pension Adjustment	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change of the Pension Adjustment	Other Differences	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
0	166	0	166	Alliance Leadership Team	0	145	0	**145**
0	31	0	31	Audit	0	28	0	**28**
109	0	0	109	ICT	123	0	0	**123**
0	0	0	0	Human Resources	0	0	0	**0**
0	0	0	0	Member Services	0	0	0	**0**
231	31	106	368	Property Services	173	30	167	**370**
0	58	0	58	Benefits	0	47	0	**47**
0	48	0	48	Planning Applications	0	45	0	**45**
0	0	0	0	Building Contol	0	0	0	**0**
0	71	0	71	Customer Services	0	61	0	**61**
0	10	0	10	Legal Services	0	8	0	**8**
0	0	0	0	Electoral Services	0	0	0	**0**
0	0	0	0	Licensing and Land Charges	0	0	0	**0**
36	52	86	174	Regeneration	21	33	92	**146**
1	57	0	58	Communities and Cultural	1	60	0	**61**
0	0	0	0	Housing Strategy	0	0	0	**0**
0	19	0	19	Transformation	0	17	0	**17**
41	0	0	41	Community Safety and Enforcement	40	0	0	**40**
0	135	0	135	Finance and Procurement	0	128	0	**128**
(379)	(798)	318	(859)	Corporate Finance	(115)	(797)	421	**(491)**
370	328	0	698	Waste Collection	266	312	(12)	**566**
113	41	0	154	Street Scene	67	47	0	**114**
1,187	0	0	1,187	Leisure Services	933	0	0	**933**
44	0	0	44	Horticulture	192	0	0	**192**
(1,006)	98	0	(908)	Environmental Health	(624)	84	0	**(540)**
747	**347**	**510**	**1,604**	**Cost of Services**	**1,077**	**248**	**668**	**1,993**
140	978	(81)	1,037	Other Income and Expenditure	(1,056)	1,000	(1,181)	(1,237)
887	**1,325**	**429**	**2,641**	**Difference between General Fund (Surplus)/ Deficit and Comprehensive Income and Expenditure Statement**	**21**	**1,248**	**(513)**	**756**

Adjustments for Capital Purposes

Adjustments to General Fund Balances to meet the requirement of generally accepted accounting practices.

Within Cost of Services

- adds in depreciation and impairment on Assets used by the service, and
- adjusts for any revaluation gains and losses on those Assets.

Within Other Income and Expenditure

- Adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year.
- Credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

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

Within Cost of Services

- The removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.

Within Other Income and Expenditure

- Records the net interest on the defined benefit liability charged to the CIES.

Adjustments for Other Differences

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

Within Cost of Services

- Statutory adjustment for a financial instrument relating to a decision to issue a soft loan (below market rates)
- Accounting for the employee accumulated absence liability.

Within Other Income and Expenditure

- Adjustments to the General Fund for the timing differences for premiums and discounts.
- The difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

1c. Expenditure and Income Analysed by Nature

This represents a subjective analysis of the Surplus/Deficit on the Provision of Services as reported in the Comprehensive Income and Expenditure Statement.

	2017/18 £000	2018/19 £000
Employee Expenses	8,247	8,883
Other Service Expenses	23,492	22,574
Depreciation, Amortisation and Impairment	2,317	2,996
Interest Payments	279	177
Precepts & Levies	1,140	1,198
Derecognition and Disposal Value of Fixed Assets	427	3
Total Expenditure	**35,902**	**35,831**
Fees, Charges & Other Service Income	(4,869)	(5,404)
Interest and Investment Income	(653)	(657)
Council Tax	(6,210)	(6,450)
Business Rates	(3,231)	(3,571)
Government Grant	(17,393)	(15,775)
Capital Grants and Contributions	(1,816)	(1,562)
Capital Receipts	(35)	(69)
Total Income	**(34,207)**	**(33,488)**
(Surplus) or Deficit on the Provision of Services	**1,695**	**2,343**

1d. Segmental Analysis

This Table shows which services generated the Fees, Charges and Other Income reported at 1c.

2017/18 Restated £000	Fees, Charges and Other Income	2018/19 £000
(10)	Member Services	(10)
(1,170)	Property Services	(1,245)
(299)	Benefits	(250)
(536)	Planning Applications	(444)
(44)	Building Contol	(49)
(25)	Customer Services	(23)
(24)	Legal Services	(56)
(2)	Electoral Services	(2)
(258)	Licensing and Land Charges	(261)
(219)	Regeneration	(205)
(1)	Housing Strategy	(1)
(10)	Community Safety and Enforcement	0
(226)	Finance and Procurement	(224)
(17)	Corporate Finance	(219)
(1,639)	Waste Collection	(2,014)
(192)	Street Scene	(180)
(4)	Leisure Services	(3)
(117)	Horticulture	(132)
(76)	Environmental Health	(86)
(4,869)	**Total Analysed on a Segmental Basis**	**(5,404)**

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. Member Allowances

b. Officer Remuneration

c. Related Party Transactions

d. Audit Costs

e. Interest in Companies & Other Entities and Joint Arrangements

2a. Members' Allowances

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

	2017/18 £	2018/19 £
Allowances	242,900	247,314
Expenses	8,046	5,952
Total	**250,946**	**253,266**

2b. Officers' Remuneration

Remuneration paid to the Authority's senior employees:

Under the management arrangements for the Alliance, costs and responsibilities for senior posts are shared between Staffordshire Moorlands District Council and High Peak Borough Council based on proportion of time allocated to the two Authorities, including Housing Revenue Account responsibilities at High Peak. In line with the regulations the remuneration of senior officers is included in the disclosure within the Statement of Accounts of the Authority by whom they are employed and paid.

2018/19	Salary, Fees and Allowances £	Expenses Allowances £	Total (excl Pension cont) £	Pension Contribution £	Total (inc Pension cont) £	Proportion of Total charged to HPBC £	Net Charge to SMDC £
Senior Officer with Salary over £150,000							
Chief Executive Officer - S Baker	164,166	13,749	177,915	27,252	205,167	121,733	83,434
Senior Officers with Salary over £50,000 to £150,000							
Executive Director & Chief Financial Officer	126,357	8,910	135,267	20,975	156,242	93,745	62,497
Executive Director & Monitoring Officer	120,353	2,896	123,249	19,979	143,228	85,937	57,291
Head of Customer Services	69,771	963	70,734	11,582	82,316	57,621	24,695
Head of Operational Services*	258,231	963	259,194	8,784	267,978	160,787	107,191
Audit Services Manager	58,024	5,008	63,032	9,632	72,664	43,598	29,066
Democratic & Community Services Manager	58,024	963	58,987	9,632	68,619	34,310	34,309
Finance & Procurement Manager	58,706	963	59,669	9,745	69,414	34,707	34,707
Regeneration Manager**	15,754	321	16,075	2,615	18,690	9,345	9,345
Operations Manager Environment Services (Regulatory)	58,257	6,181	64,438	9,671	74,109	37,055	37,054
Operations Manager Contract Management	58,024	963	58,987	9,632	68,619	37,740	30,879
Operations Manager Direct Services	58,024	963	58,987	9,632	68,619	27,448	41,171
	1,103,691	**42,843**	**1,146,534**	**149,131**	**1,295,665**	**744,026**	**551,639**

* *Left December 2018*

** *Left July 2018*

As can be seen from the tables above, there is a recharge to High Peak BC of £744,026 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 £207,980 as detailed below.

2018/19	Salary, Fees and Allowances	Expenses Allowances	Total (excl Pension cont)	Pension Contribution	Total(inc Pension cont)	Charge to SMDC	Net Charge to HPBC
	£	£	£	£	£	£	£
Executive Director	99,497	963	100,460	12,338	112,798	50,759	62,039
Organisational Development & Transformation Manager	55,775	963	56,738	6,916	63,654	25,462	38,192
Legal & Electoral Services Manager	55,775	963	56,738	6,916	63,654	25,462	38,192
Visitor Services Manager	52,962	883	53,845	4,023	57,868	23,147	34,721
Asset Manager *	19,988	401	20,389	2,479	22,868	7,546	15,322
Operational Manager - Planning & Building Control	58,024	963	58,987	7,195	66,182	33,091	33,091
Operational Manager - Housing & Benefits	55,775	963	56,738	6,916	63,654	12,731	50,923
Operational Manager - Customer Services	58,024	963	58,987	7,195	66,182	29,782	36,400
	455,820	**7,062**	**462,882**	**53,978**	**516,860**	**207,980**	**308,880**

** Left July 2018*

2017/18 Comparatives

2017/18	Salary, Fees and Allowances	Expenses Allowances	Total (excl Pension cont)	Pension Contribution	Total (inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£
Senior Officer with Salary over £150,000							
Chief Executive Officer - S Baker	160,947	25,486	186,433	27,629	214,062	127,409	86,653
Senior Officers with Salary over £50,000 to £150,000							
Executive Director & Chief Financial Officer	122,807	6,740	129,547	20,386	149,933	89,960	59,973
Executive Director & Monitoring Officer	117,759	3,244	121,003	19,527	140,530	84,318	56,212
Head of Customer Services	68,403	963	69,366	11,355	80,721	56,505	24,216
Head of Operational Services	68,403	963	69,366	11,355	80,721	48,433	32,288
Audit Services Manager	56,886	4,774	61,660	9,443	71,103	42,662	28,441
Democratic & Community Services Manager	56,886	963	57,849	9,443	67,292	33,646	33,646
Finance & Procurement Manager	56,886	963	57,849	9,443	67,292	33,646	33,646
Regeneration Manager	56,886	963	57,849	9,443	67,292	33,646	33,646
Operations Manager Environment Services (Regulatory)	54,681	5,443	60,124	9,077	69,201	34,601	34,600
Operations Manager Contract Management	54,681	963	55,644	9,077	64,721	35,597	29,124
Operations Manager Direct Services	54,768	963	55,731	9,092	64,823	25,929	38,894
	929,993	**52,428**	**982,421**	**155,270**	**1,137,691**	**646,352**	**491,339**

Senior Officers with between £50,000 and £150,000 charged from High Peak Borough Council during 2017/18:

2017/18	Salary, Fees and Allowances	Expenses Allowances	Total (excl Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to SMDC	Net Charge to HPBC
	£	£	£	£	£	£	£
Executive Director	97,546	963	98,509	12,096	110,605	49,772	60,833
Organisational Development & Transformation Manager	51,823	963	52,786	6,426	59,212	23,685	35,527
Legal & Electoral Services Manager	52,534	963	53,497	6,507	60,004	24,002	36,002
Visitor Services Manager	60,526	963	61,489	0	61,489	24,596	36,893
Asset Manager	58,788	963	59,751	7,290	67,041	22,124	44,917
Operational Manager - Planning & Building Control	54,681	963	55,644	6,780	62,424	31,212	31,212
Operational Manager - Housing & Benefits	52,061	963	53,024	6,455	59,479	11,896	47,583
Operational Manager - Customer Services	54,681	963	55,644	6,780	62,424	28,091	34,333
	482,640	**7,704**	**490,344**	**52,334**	**542,678**	**215,378**	**327,300**

Termination benefits paid to the Authority's non senior employees:
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. Although many of those affected left the Authority in 2011/12, a small number of further departures have occurred annually since then. However, no new departures were approved in 2018/19. These costs are reflected in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £000	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	0	0	0	1	0	0	0	0
£20,001 - £40,000	0	0	2	0	2	0	62	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	1	0	1	0	62	0
Total	**0**	**0**	**3**	**1**	**3**	**0**	**124**	**0**

In addition to the costs included above, a further £586,712 is payable in future pension contributions on staff departures under this process since 2010/11. These costs are included when determining the banding for individual exit packages. Of the total exit package costs referred to above, nothing was charged to High Peak BC in 2018/19 as no departures took place (£70,938 was recharged in 2017/18) in respect of shared employees. High Peak BC is also liable for £173,238 of the future pension costs.
No shared employees left High Peak Borough Council in either 2017/18 or 2018/19; consequently there has been no recharge to Staffordshire Moorlands.

Additionally, one senior officer left the Authority under the voluntary redundancy programme in 2018/19. The costs of this departure are detailed as part of the Senior Officer Remuneration tables and footnotes above.

2c. Related Parties
The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government - 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 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.

The Strategic Alliance has joined with Ansa, which is a wholly owned subsidiary of Cheshire East Council, to create a joint operation called Alliance Environmental Services (AES) to deliver waste, street cleansing and grounds maintenance services in the High Peak and Staffordshire Moorlands areas. As a joint operation, AES transactions and balances are fully consolidated into these statements. Section 2e gives further detail about the Alliance and AES.

The Council has a material interest in Ascent Housing LLP, a joint venture company incorporated in 2010 to provide affordable housing across the District. It has been classified as a collaborative activity, which constitutes an arrangement under which there is joint control and is included in the group accounts.

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.

Those charitable organisations that received Authority funding that could be considered a material proportion of their total turnover, where Members have declared an interest were:

Charity	Funding £000
Biddulph in Bloom	5
Staffordshire North & Stoke on Trent Citizens Advice Bureau	23
Leek Citizens Advice Bureau	25
Cheadle Citizens Advice Bureau	28
Haregate Community Centre	6
North Staffordshire Railway Company	7

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.

2d. Audit Costs

The costs set out below have been incurred 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 Grant Thornton.

	2017/18 £000	2018/19 £000
Fees payable to the appointed auditors for external audit services carried out for the year	45	35
Fees payable to the external auditors for the certification of grant claims and returns for the year	7	8
Fees payable in respect of other services provided by the external auditors during the year	11	11
Total	**63**	**54**

2e. Interests in companies & other entities and joint arrangements

The Council has financial interests 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 also to draw on the expertise of both Authorities and, in doing so, 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 £3,022,712 in 2018/19 (£3,225,596 in 2017/18). The corresponding income received from HPBC was £3,539,159 in 2018/19 (£3,509,208 in 2017/18).

	Paid by SMDC to HPBC	Paid by HPBC to SMDC
	£000	£000
Contribution to Employee Costs	2,442	2,168
Contribution to Other Costs	1,097	855
Total	**3,539**	**3,023**

Ascent Housing LLP – (Registered Company No OC358082)
Ascent Housing LLP was incorporated as a Limited Liability Partnership on 21 September 2010 and a joint venture of the Council and Your Housing Group Limited. It is classified as a joint venture as the two parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require unanimous consent, and both have rights to the net assets of the partnership. The primary role of the Joint Venture is to provide affordable housing throughout the Staffordshire Moorlands. It is the accounts of Ascent LLP that are consolidated with those of the Council to produce Group Accounts.

The Council has a 49% shareholding in this company and appoints two out of the four executive board directors. The remaining shares are held by Your Housing Group Limited. Profits are to be distributed according to shareholding.

A full copy of the Ascent Housing LLP Report and financial statements for the Year ended 31 March 2019 can be obtained from Ascent Housing LLP, 602 Aston Avenue, Birchwood, Warrington, WA3 6ZN.

Alliance Environmental Services Ltd - (Registered company number 10760856)
Alliance Environmental Services Ltd (AES) is a company created with a vision to deliver waste, street cleansing and grounds maintenance services in the Staffordshire Moorlands and High Peak areas. The company has three shareholders: Staffordshire Moorlands District Council, High Peak Borough Council and Ansa, which is a wholly owned subsidiary of Cheshire East Council.

The company was incorporated under the Company Act 2006 on 9 May 2017 as a private company limited by shares. It has issued ordinary shares of £1.00 each in the volume of 150 to Ansa, 25 to Staffordshire Moorlands District Council and 25 to High Peak Borough Council. The registered office of the company is c/o Ansa Environmental Services Ltd, Brooks Lane, Middlewich, CW10 0JG.

Phase 1 of the transfer of services commenced on 7th August 2017 to deliver High Peak Borough Council Waste services. This followed the end of the previous contract with Veolia Environmental Services. Phase 2 commenced on 1st July 2018 to deliver waste services to Staffordshire Moorlands District Council and fleet management services to the Alliance as a whole.

The relationship between the shareholders has been assessed to establish the nature of the collaborative activity and how this should be presented in the Council's financial statements. There is a signed shareholders' agreement between all three parties setting out terms and conditions on which all parties have agreed to participate in the company and the rights and obligations of each of them as its members, thus the collaborative activity constitutes an arrangement. Furthermore, specific clauses in the agreement confirm that unanimous consent is implicit in the agreement, therefore the authorities equally have joint control of the arrangement.

The agreement indicates that the authority has rights to the assets and obligations for the liabilities of the company, rather than rights to net assets, therefore the arrangement is classified as a Joint Operation. A joint operation does not require separate group accounts, instead the authority's share of the balances, income and expenditure and cash flows of the company are consolidated line by line into the authority's own Comprehensive Income and Expenditure Statement, Cash Flow Statement and Balance Sheet. This consolidation has the effect of analysing the elements of the management fee paid to AES for service delivery between employees, transport, supplies & services and 3rd party income and brings in the surplus achieved on the company's profit and loss showing the overall cost of the service.

The company has reported a profit at the balance sheet date of £109,000, which is held on the company's balance sheet in reserves.

2017/18	AES Income and Expenditure Statement	2018/19
£000		**£000**
(2,191)	Turnover	(6,073)
1,923	Cost of Sales	5,417
(268)	**Gross Profit**	**(656)**
212	Administrative Expenses	555
(56)	**Profit from Operating Activities**	**(101)**
0	Finance Costs	9
18	Corporation Tax Expense/ (refund)	(17)
(38)	**(Profit)/Loss for Year**	**(109)**

31 March 2018 £'000	AES Balance Sheet	31 March 2019 £'000
0	Non Current Assets	219
617	Current Assets	1,466
617	**TOTAL ASSETS**	**1,685**
(579)	Current Liabilities	(1,431)
0	Long Term Liabilities	(107)
(579)	**TOTAL LIABILITIES**	**(1,538)**
38	**TOTAL NET ASSETS**	**147**
	Capital and Reserves	
38	Retained Earnings	147
38	**TOTAL RESERVES**	**147**

During the year AES has provided services in proportion of 44% to High Peak Borough Council and 56% to Staffordshire Moorlands District Council. Therefore these proportions of the Income Statement and Balance Sheet are consolidated into the respective Councils' financial statements.

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

3a. Other Operating Expenditure

2017/18 £000		2018/19 £000
1,140	Parish Council Precepts	1,198
(35)	Capital Receipts	(69)
427	Derecognition and Disposal Value of Fixed Assets	388
1,532	**Total**	**1,517**

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, Link, 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 Link's advice remains that no payment is due.

3b. Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
279	Interest payable and similar charges	177
978	Pensions interest cost and expected return on pensions assets	1,003
(653)	Interest receivable and similar income	(658)
(192)	Income and expenditure in relation to investment properties and changes in their fair value	(593)
0	Impairment of Financial Instrument	356
412	**Total**	**285**

3c. Taxation and Non-Specific Grant Income & Expenditure

2017/18 £000		2018/19 £000
(6,210)	Council Tax Income	(6,452)
(2,169)	Retained Business Rates	(2,404)
(2,757)	Non Ringfenced Government Grants	(2,255)
(243)	Capital Grants and Contributions	(50)
(11,379)	**Total**	**(11,161)**

3d. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £000		2018/19 £000
	Non Ringfenced Government Grants	
(744)	Revenue Support Grant	(408)
(1,062)	Business Rates Grants	(1,167)
(951)	New Homes Bonus Grant	(682)
(2,757)		**(2,257)**
	Capital Grants and Contributions	
(243)	Capital Grants	(50)
(243)		**(50)**
	Capital Grants Applied to CIES	
(1,525)	Disabled Facilities Grant	(1,449)
0	Capital Grants	(63)
(1,525)		**(1,512)**
	Credited to Services	
(14,949)	Housing Benefit Subsidy	(13,921)
(201)	Housing Benefit Administration Grant	(187)
(214)	New Burdens Grants	(192)
(58)	Safer & Stronger Communities Fund	(60)
(21)	IER Section 31 Grant	(19)
(301)	Other Third Party Funds	(306)
(17,269)	**Total**	**(16,197)**

4. Termination Benefits

Now included within Note 2b (Officers' 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. Sensitivity to changes in actuarial assumptions
g. McCloud judgment and guaranteed minimum pension (GMP) equalisation

5a. 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 need 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. Overall strategy for the Fund is set by the Pensions Committee, which also monitors performance and administers the scheme. The appointment of Investment Managers is the responsibility of the Pensions Panel. Both bodies are made up of elected members.

Further information can be found in Staffordshire County Council's Superannuation Fund's Annual Report which is available upon request from the Pension Services Section, 2 Staffordshire Place, Tipping Street, Stafford ST16 2DH or via the Fund's website (www.staffspf.org.uk)

The Scheme is referred to as a 'Defined Benefit' and 'Funded' scheme.

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 LLP, the pension fund's professionally qualified and independent actuaries and are based on triennial valuations of the fund. The Fund was last revalued as at 31st March 2016 and this set the required employer contribution rates for the three years commencing 1st April 2017. A further revaluation exercise will be undertaken during 2019. As the Fund is effectively underwritten by the employers, any deterioration in performance can have serious long term financial consequences for the Council. Steps have been taken nationally to mitigate this risk to the local taxpayer, by reforming the LGPS and introducing a greater element of future cost sharing between the scheme employers and the scheme beneficiaries. A legal challenge to these reforms is currently on-going (see section 5g below).

5b. 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:

	2018/19	2017/18
Comprehensive Income and Expenditure Statement:	**£000**	**£000**
Current service cost	(1,830)	(1,847)
Past service cost (including curtailments)	(430)	(63)
Net Interest		
Interest cost on defined benefit obligation	(2,492)	(2,389)
Interest income on plan assets	1,489	1,411
Total post employment benefit charged to the Surplus or Deficit on the provision of services	**(3,263)**	**(2,888)**
Remeasurements		
Changes in financial assumptions	(7,296)	1,690
Other experience	(14)	3
Return on assets excluding amounts included in net interest	2,963	(161)
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	**(7,610)**	**(1,356)**
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	3,263	2,888
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers contributions payable to the scheme	**996**	**2,920**

The Comprehensive Income & Expenditure Statement shows the net cost of the defined pension benefit liability as being £4,345,000. This figure takes into account the actual payments made to the Fund during the year. This differs from the Pension disclosures in note 5, which include the estimated employer pension contributions used by the actuary in preparing the IAS19 report. The table below reconciles this difference and provides further detail:

Difference on Remeasurement of net defined benefit liability compared	**31-Mar-19**	**31-Mar-19**
	£000	**£000**
CIES Remeasurement of net defined benefit liability		4,345
Pensions - Total post employment benefit charged to services (above)	3,263	
Pensions - Total post employment benefit charged to CI&E (above)	(7,610)	(4,347)
Difference on CIES compared with Note 5		**(2)**
Employer Contributions to Fund:		
Actuarial estimate for IAS19 purposes		996
Actual contributions accounted for in 2018/19	1,629	
less 'prepaid' lump sum deficit payment	(635)	
		994
Difference on Estimation		**2**

5c. 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-March-19 £000**	**31-March-18 £000**
Estimated Assets in the Scheme	58,947	55,849
Estimated Liabilities in the Scheme	(102,127)	(92,415)
Net defined benefit obligation asset/ (Liability)	**(43,180)**	**(36,566)**

Comparison with Pension Reserve:

Pension Reserve (Note 13)	(43,899)	(37,920)
Difference	**(719)**	**(1,354)**

The £719k difference as at 31st March 2019 represented year 3 of the Authority's three year fund deficit reduction contributions as determined by the Actuary. By paying the full amount due in 2017/18 (year 1) the Authority gained a cash discount on the total amount payable.

The £6.614 million increase in the net liability between years is mainly as a result of a fall in the discount rate used to forecast future asset and obligation values as well as the impacts of the McCloud judgement and GMP equalisations referred to in 5g below. The relative movement in individual asset and liability valuations are set out in the following two tables.

Reconciliation of Liabilities (Obligations):

Year Ended	31st March 2018 £000	31st March 2019 £000
Opening defined benefit obligation	**92,179**	**92,415**
Current service cost	1,847	1,830
Interest cost on defined benefit obligation	2,389	2,492
Contributions by scheme participants	318	322
Changes in demographic assumptions	0	0
Changes in financial assumptions	(1,690)	7,296
Other experience	(3)	14
Benefits paid	(2,552)	(2,536)
Unfunded benefits paid	(136)	(136)
Past service cost (including curtailments)	63	430
Closing Balance at 31 March	**92,415**	**102,127**

Reconciliation of Fair Value of Employer Assets:

Year Ended	31st March 2018 £000	31st March 2019 £000
Opening fair value of employer assets	**54,049**	**55,849**
Interest on plan assets	1,411	1,489
Remeasurements	(161)	2,963
Contributions by the employer	2,784	860
Contributions by plan participants	318	322
Benefits paid	(2,552)	(2,536)
Unfunded benefits paid	(136)	(136)
Contributions in respect of unfunded benefits	136	136
Closing fair value of employer assets	**55,849**	**58,947**

The profile of the scheme's liabilities is summarised in the table below:

Profile of Liabilities	Liability split	Weighted Average Duration*
Active members	38.60%	24.5
Deferred members	24.20%	23.6
Pensioner members	37.20%	11.4
Total	**100.0%**	**17.6**

* The Weighted Average Duration is a reflection of the average time until payment of all expected future discounted cash flows. It is determined based on membership and the financial and demographic assumptions used in the most recent actuarial valuation. The shorter the duration, the more 'mature' the employer.

5d. *Scheme History*

Year Ended	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19
	£000	£000	£000	£000	£000
Estimated Assets in the Scheme	45,080	44,328	54,049	55,849	58,947
Estimated Liabilities in the Scheme	(86,673)	(79,658)	(92,179)	(92,415)	(102,127)
Surplus/ (Deficit)	(41,593)	(35,330)	(38,130)	(36,566)	(43,180)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £43.18m has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, which now stands, after taking into account these pension costs, at £2.133 million.

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.
Current service contributions of approximately £788,000 will be made to the Fund in 2019/20.

5e. *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, with estimates of the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2016.

The principal assumptions used by the actuary have been:

Financial Assumptions

Assumptions as at	31st March 2017 (% per annum)	31st March 2018 (% per annum)	31st March 2019 (% per annum)
Pension Increase Rate	2.40%	2.40%	2.50%
Salary Increase Rate	2.80%	2.80%	2.90%
Discount Rate	2.60%	2.70%	2.40%

Mortality

	31st March 2018		31st March 2019	
Longevity beyond age 65	Males	Females	Males	Females
Current Pensioners	22.1 Years	24.4 Years	22.1 Years	24.4 Years
Future Pensioners	24.1 Years	26.4 Years	24.1 Years	26.4 Years

Commutation

An allowance is included for 50% (50% in 2017/18) 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.

Asset Category

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

Asset Category		31st March 2018 Fund Value £000	31st March 2018 Asset Distribution %	31st March 2019 Fund Value £000	31st March 2019 Asset Distribution %
Equity Securities					
	Consumer	2,420	4	2,632	4
	Manufacturing	2,332	4	2,255	4
	Energy & Utilities	684	1	945	2
	Financial Institutions	2,267	4	2,180	4
	Health & Care	1,653	3	1,692	3
	Information Technology	1,582	3	1,680	3
	Other	61	0	56	0
Debt Securities					
	Corporate Bonds (investment grade)	4,237	8	4,376	7
Private Equity					
	All *	1,631	3	2,110	4
Real Estate					
	UK Property *	4,320	8	5,011	8
Investment Funds and Unit Trusts					
	Equities	26,393	46	26,534	45
	Bonds	3,286	6	4,460	7
	Hedge Funds *	981	2	1,030	2
	Other *	1,441	3	2,373	4
Cash and Cash Equivalents					
	All	2,561	5	1,613	3
Totals		**55,849**	**100**	**58,947**	**100**

* denotes asset prices not quoted in an active market

5f. Sensitivity to Changes in Actuarial Assumptions

The assumptions made by the actuary are subject to change between valuation dates as a result of variations in such factors as longevity, investment return and inflation. The table below illustrates the sensitivity to such changes and the consequent impact on the employer liability:

Sensitivity Analysis - change in assumptions at 31/3/19	Approximate % increase to Employer Liability	Aproximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10.0%	10,088
0.5% increase in the Salary Increase Rate	1.0%	1,412
0.5% Increase in the Pension Increase Rate	8.0%	8,509

5g. Impact of the McCloud Judgment

The McCloud judgement relates to a legal challenge by members of the New Judicial Pension Scheme against the age-based transitional provisions put into place when new pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. A Tribunal ruled against the Government, deeming that the transitional provisions were not a proportionate means of achieving a legitimate aim. Leave to appeal this ruling to the Supreme Court was denied in late June 2019 and the implications of this ruling are now expected to apply to the LGPS. Benefits accrued from 2014 may need to be enhanced to extend the transitional underpin arrangements to all members. The Actuary has reflected the estimated costs of this in the IAS19 report, on which the pension aspects of these statements are prepared. The McCloud Judgement impacts for Staffordshire Moorlands DC are included in the figures above as a £232,000 (0.23%) adjustment to total liabilities.

Guaranteed minimum pension (GMP) was accrued by members of the LGPS between 6 April 1978 and 5 April 1997. The introduction of the new Single State Pension in April 2016 brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women’s benefits. The responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes with the effect of increasing costs for LGPS employers. The actuary has estimated the impact on Staffordshire Moorlands DC as being a £150,000 (0.15%) increase to total liabilities. This is included in the figures above.

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 arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2018/19	General Fund Balance £000	Earmarked Reserve £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	(1,700)	0	0	0	1,700
Impairment / Revaluation losses charged to CIES	63	0	0	0	(63)
Movements in the fair value of Investment Properties	335	0	0	0	(335)
Amortisation of intangible assets	(13)	0	0	0	13
Revenue expenditure funded from capital under statute	(1,054)	0	0	0	1,054
Derecognition of non-current assets as part of the gain/loss on disposal to the CIES	(388)	0	0	0	388
Impairment of Debenture	(356)	0	0	0	356
Reversal of items relating to retirement benefits	(3,263)	0	0	0	3,263
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	114	0	0	0	(114)
Capital Grants and contributions applied credited to the CIES	936				(936)
Capital Grants and contributions unapplied credited to the CIES	626	0	0	(626)	0
Employers contribution to pension schemes	1,629	0	0	0	(1,629)
Application of grants to capital financing transferred to the Capital Adjustment Account (Capital Grants Unapplied Account)	0	0	0	72	(72)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	69	0	(69)	0	0
Use of Earmarked Capital Reserve to finance new capital expenditure	0	1,346	0	0	(1,346)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	60	0	0	0	(60)
Amount by which council tax and business rates income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	441	0	0	0	(441)
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	12	0	0	0	(12)
Total Adjustments	**(2,489)**	**1,346**	**(69)**	**(554)**	**1,766**

2017/18 Comparative Figures	General Fund Balance £000	Earmarked Reserve £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	(2,067)	0	0	0	2,067
Amortisation of intangible assets	(20)	0	0	0	20
Revenue expenditure funded from capital under statute	(614)	0	0	0	614
Derecognition of non-current assets as part of the gain/loss on disposal to the CIES	(427)	0	0	0	427
Reversal of items relating to retirement benefits	(2,888)	0	0	0	2,888
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	381	0	0	0	(381)
Capital Grants and contributions applied credited to the CIES	430	0	0	0	(430)
Capital Grants and contributions unapplied credited to the CIES	1,387	0	0	(1,387)	0
Employers contribution to pension schemes	1,563	0	0	0	(1,563)
Application of grants to capital financing transferred to the Capital Adjustment Account (Capital Grants Unapplied Account)	0	0	0	438	(438)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	35	0	(35)	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	38	0	(38)
Use of Earmarked Capital Reserve to finance new capital expenditure	0	8	0	0	(8)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	56	0	0	0	(56)
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	(485)	0	0	0	485
Total Adjustments	**(2,649)**	**8**	**3**	**(949)**	**3,587**

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 & financing
f. Information on assets held
g. Commitments on capital contracts
h. Assets Held under Leases – Authority as Lessee
i. Assets Held Under Leases – Authority as Lessor

7a. Property, Plant & Equipment

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

Movements in 2018/19	Other Land 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 2018	**29,026**	**6,656**	**947**	**388**	**351**	**37,368**
Additions	3	769	0	0	17	**789**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	163	0	0	25	0	**188**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	63	0	0	0	0	**63**
Derecognition - Disposals	0	0	0	0	0	**0**
Derecognition - Other *	(3)	(330)	0	0	0	**(333)**
Other movements in Cost or Valuation	0	123	12	(12)	0	**123**
At 31 March 2019	**29,252**	**7,218**	**959**	**401**	**368**	**38,198**
Accumulated Depreciation & Impairment						
At April 2018	**(298)**	**(4,869)**	**0**	**(8)**	**0**	**(5,175)**
Depreciation Charge	(1,188)	(509)	0	(3)	0	**(1,700)**
Depreciation written out to the Revaluation Reserve	1,231	0	0	8	0	**1,239**
Depreciation written out to 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	330	0	0	0	**330**
Other movements in Depreciation & Impairment	0	0	0	0	0	**0**
At 31 March 2019	**(255)**	**(5,048)**	**0**	**(3)**	**0**	**(5,306)**
Net Book Value						
at 31st March 2019	**28,997**	**2,170**	**959**	**398**	**368**	**32,892**
at 31st March 2018	**28,728**	**1,787**	**947**	**380**	**351**	**32,193**

* Derecognition other:- Vehicles & Plant £0.28m operated under finance leasing arrangements which have expired and assets returned make up the bulk of other values derecognised in the table above.

The Property, Plant & Equipment 2017/18 comparative figures are illustrated below:

Movements in 2017/18	Other Land 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 2017	**26,346**	**9,305**	**947**	**388**	**136**	**37,122**
Additions	469	164	0	0	302	**935**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	2,523	0	0	0	0	**2,523**
Revaluation increases/(decreases) 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*	(399)	(2,813)	0	0	0	**(3,212)**
Other movements in Cost or Valuation	87	0	0	0	(87)	**0**
At 31 March 2018	**29,026**	**6,656**	**947**	**388**	**351**	**37,368**
Accumulated Depreciation & Impairment						
At April 2017	**(1,657)**	**(7,014)**	**0**	**(5)**	**0**	**(8,676)**
Depreciation Charge	(1,425)	(639)	0	(3)	0	**(2,067)**
Depreciation written out to the Revaluation Reserve	2,784	0	0	0	0	**2,784**
Depreciation written out to 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	2,784	0	0	0	**2,784**
Other movements in Depreciation & Impairment	0	0	0	0	0	**0**
At 31 March 2018	**(298)**	**(4,869)**	**0**	**(8)**	**0**	**(5,175)**
Net Book Value						
at 31st March 2018	**28,728**	**1,787**	**947**	**380**	**351**	**32,193**
at 31st March 2017	**24,689**	**2,291**	**947**	**383**	**136**	**28,446**

* Derecognition other:- Vehicles & Plant £2.7m operated under finance leasing arrangements which have expired and assets returned make up the bulk of other values derecognised in the table above

Depreciation

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

- Other Land & Buildings - Up to 50 years
- Vehicles, Plant, Furniture & Equipment - 3 to 15 years

7b. Investment Properties

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

	2017/18 £000	2018/19 £000
Rental income from investment property	(275)	(289)
Direct operating expenses arising from investment	83	30
Net (gain)/loss	**(192)**	**(259)**

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

	2017/18 £000	2018/19 £000
Balance at start of the year	**3,378**	**3,378**
Additions	0	385
Derecognition	0	(385)
Net gain /(loss) from fair value adjustments	0	335
Balance at end of year	**3,378**	**3,713**

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 3 (unobservable inputs) for valuation purposes (see accounting policy 23) for an explanation of fair value levels). There were no transfers between levels 1, 2 and 3 during the year. In 2018/19 the valuer carried out a desk top review of all investment properties and identified two properties which required a formal valuation.

Valuation Techniques used to determine level 3 Fair Values for Investment Properties

The fair value of investment property has been measured using the Investment Method of Valuation. The valuers have used a desktop valuation relying on data sourced from the Council's property records. Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule, independent research into market evidence including Market rentals and yields, and then adjusted to reflect the nature of each business tenancy or void and the covenant strength for existing tenants.
There has been no change in the valuation techniques used during the year for investment properties. The table below sets out the basis for the level 3 unobservable inputs applied in the valuation process:-

Investment Properties	As at March 2019	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average used)	Sensitivity
	£'000s				
Land	34	Market & Income Approach	Adjusted market evidence of rental lettings and sales of similar properties and investment yields	Rental range c. £5.25 to £25 per square foot. Investment Yields c.5% -13%	Significant changes to the indivdual inputs in rental growth; vacancy levels and investment yields could affect the reported value
Building	3,679				

Highest and best use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

7c. Assets Held for Sale

The Council does not currently have any non-current assets classified as 'assets held for sale'.

7d. Valuation Information

Under statute the Council carries out a rolling programme that ensures that all property measured at current value or fair value as appropriate is revalued at least every five years. In addition to this requirement the Council now revalue all their high value assets annually; the total value of these assets in 2019 was £22m. The Council's de minimis policy excludes the requirement to formally revalue assets with a current carry value of below £10,000; however these assets are still subject to an internal desk top valuation. No changes were made to the value of this group of assets as a result of the internal review. All external valuations were carried out by Urban Vision Partnership Limited, the Council's valuing agents. 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. The effective date of each revaluation was 31st March 2019.

The significant assumptions applied in estimating the valuations are:

- that good title can be shown and all valid planning permissions and statutory approvals are in place;
- that the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted;
- that an inspection of those parts not inspected would not reveal defects that would affect the valuation;
- that the testing of electrical or other services would not reveal defects that would cause the valuation to alter; and
- that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.

The valuation report and annual assessment for "indications" of impairment have been prepared by Stephen Gwatkin MRICS (senior principal surveyor), Urban Vision. There was no evidence of individual assets that had been impaired due to fire or other event consequently there was no requirement for an impairment review.

Following the adoption of IFRS 13, all surplus assets were valued at 31st March 2016. These assets were previously valued at existing use; assessment is now made at fair value, highest and best use at level 3 (under fair value hierarchy- see accounting policy 23 for fair value explanations). There were no transfers between levels 1, 2 and 3 during the year. In addition to the formal 5 year valuation these assets are individually reviewed by the valuer each year; his 2019 report identified valuation changes to three surplus assets.

The table below sets out the basis for the level 3 unobservable inputs applied in the valuation process:

Surplus Assets	As at March 2019	Valuation Technique Used to Measure Fair Value	Unobservable Inputs	Range (weighted average used)	Sensitivity
	£'000s				
Land	328	Market & Income Approach	Adjusted market evidence of rental lettings and sales of similar properties and investment yields	Rental rate approx £5 per square foot. Investment Yields c.8% Land Values £8k to £80k per acre	Significant changes to the indivdual inputs in rental growth; vacancy levels and investment yields could affect the reported value
Building	73				

Vehicles, plant, furniture and equipment are carried at depreciated historic cost as a proxy for current value.

The Table below shows the profile of valuations supporting the Gross Book Value reported as at 31st March 2019.

	Other Land & Buildings	Vehicles, Plant, Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at Historic cost		7,218		**7,218**
Valued at Current Value as at:				
31 March 2019	23,054	0	401	**23,455**
31 March 2018	1,275	0	0	**1,275**
31 March 2017	3,584	0	0	**3,584**
31 March 2016	899	0	0	**899**
31 March 2015	440	0	0	**440**
Total	**29,252**	**7,218**	**401**	**36,871**

7e. *Capital Expenditure and Financing*

The total amount of capital expenditure incurred in the year was £2,228,000. Details are shown in the table below, 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) – this is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2017/18 £000	2018/19 £000
Opening Capital Financing Requirement	**16,216**	**16,472**
Capital Investment		
Property, Plant and Equipment	936	789
Investment Properties	0	385
Revenue Expenditure Funded from Capital under Statute	614	1,054
	1,550	**2,228**
Sources of Finance		
Capital Receipts	(38)	0
Government grant and other contributions	(867)	(1,008)
Sums set aside from Revenue:		
Capital Reserves	(8)	(1,346)
MRP/ Loans Fund principal	(381)	(115)
	(1,294)	**(2,469)**
Closing Capital Financing requirements	**16,472**	**16,231**
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	637	646
Finance Leases Repaid	0	(773)
Minimum Revenue Provision	(381)	(114)
Increase /(Decrease) in Capital Financing Requirement	**256**	**(241)**
Net capital investment in year excluding finance leases added to Balance Sheet	*1,550*	*2,228*

Minimum Revenue Provision

The Council is obliged to make an annual charge to revenue for unfinanced capital expenditure. The charge is known as Minimum Revenue Provision (MRP). The requirement is based on a simple duty for an authority to make an amount of MRP, which it considers to be "prudent". In 2018/19 the Council made MRP of £114,000. This included £80,000 relating to the Council's liability to repay the principal element on vehicles acquired under finance leases. During 2018/19 the Council purchased outright vehicles held on finance leases. As a result the £773,000 balance outstanding on the finance leases relating to the vehicles has been cleared at 31st March 2019.

7f. Information on Assets Held

The main assets held by the Council are:

31st March 2018 No.		31st March 2019 No.
3	Town Halls and Council Offices	3
3	Markets	3
2	Industrial Estates	2
14	Public Conveniences	14
1	Depots	1
3	Leisure Centres	3
2	Cemeteries	2
1	Museums	1
29	**Total**	**29**

7g. Construction Contracts and Capital Commitments

At 31 March 2019, the Council had no construction contracts in progress.

There is one significant project committed in the capital programme with contract yet to be agreed:

Scheme	Estimated Values £000	Period Investment will Take Place
Refurbishment of Car Parks	315	2019-20

Affordable Housing

At 31 March 2019, the Council has a continuing commitment, as part of the Capital Programme, to provide a loan to Ascent Housing LLP, the Joint Venture Company set up with Your Housing Group Limited to provide affordable housing across the district. At 31 March 2019 £14million of the Loan had been drawn. £6million of the original commitment remains.

7h. Assets Held under Leases – Authority as the Lessee

Finance Leases

The Council acquired a number of buildings, refuse, sweeper and parks vehicles under finance leases. The vehicles acquired under finance lease have subsequently been returned or purchased from the contract hire company on 1st July 2019 therefore extinguishing the finance leases. The vehicles purchased remain on the balance sheet as property, plant and equipment, but are no longer categorised as finance leases.

The remaining assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2018 £000	31 March 2019 £000
Other Land and Buildings	81	84
Vehicles, Plant, Furniture and Equipment	962	0
	1,043	**84**

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

As the Authority has now returned or purchased the vehicles that were on finance lease, there are no future payments under these leases as the Council's interest in the vehicles has been settled via a buy-out payment.

7i. Assets Held under Leases - Authority as the Lessor:

Operating Leases

The Authority leases out a number assets under operating leases. The Council acts as a lessor of commercial property, shops and market stalls. Income from these sources in 2018/19 totalled £0.413m (£0.420m in 2017/18).

The future minimum lease payments receivable under operating leases in future years are:

	31 March 2018 £000	31 March 2019 £000
Not later than one year	156	107
Later than one year and not later than five years	209	203
Later than five years	391	371
	756	**681**

The minimum lease payments receivable are at current rental levels.

8. Cash and Cash Equivalents

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

	31 March 2018 £000	31 March 2019 £000
Cash held by the Council	1	1
Bank Current Accounts	1,102	2,121
Short-Term Deposits	3,758	5,069
Cash and Cash Equivalents Current Assets	**4,861**	**7,191**
Bank Overdraft	0	0
Cash and Cash Equivalents Current Liabilities	**0**	**0**
Total Cash and Cash Equivalents	**4,861**	**7,191**

9. Debtors

An analysis of the bodies and individuals owing money to the Council is as below:

	31 March 2018	31 March 2019
	£000	£000
Central Government bodies	108	(1,557)
Other Local Authorities	1,038	359
Other entities and individuals	9,402	16,804
LESS Bad Debt Provisions	(525)	(597)
Total Short Term Debtors	**10,023**	**15,009**

Long Term Debtors

Debtors due over a period of longer than twelve months are classified as long-term debtors on the balance sheet. At 31st March 2019 these consist of the debenture to Ascent Housing LLP, car loans, and the Parish Council loan. The balance of the loan to Ascent Housing LLP is currently due in 2019/20, therefore is now classed as a short term debtor.

The Council entered into a joint venture with Your Housing Group Limited to provide affordable housing across the District and has made a commitment to provide a £5,000,000 debenture. As at 31st March 2015, the full £5,000,000 debenture facility had been drawn by the joint venture company Ascent Housing LLP (£1,108,000 in 2011/12, £351,566 in 2012/13, £1,952,663 in 2013/14 and £1,587,771 in 2014/15). 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 Housing LLP 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 £2,908,000 to reflect this (see note 14 'Financial Instruments' for more detail).

The Council also made a commitment to provide a £20,000,000 loan facility to Ascent Housing LLP. As at 31st March 2019, £14,000,000 of the loan facility had been drawn by Ascent Housing LLP. This loan is repayable in tranches, the first of which amounts to £7,000,000 and was originally due in October 2017. This was refinanced during 2017/18 and again during 2018/19, each time for a further period of one year, therefore this is currently due for repayment in October 2019. The second tranche of £7,000,000 is due for repayment in November 2019. Therefore the full £14,000,000 balance is disclosed as a short term debtor on the Balance Sheet.

Balances at the end of the year were as follows:

	31 March 2018 £000	31 March 2019 £000
Ascent Loan	7,000	0
Ascent Debenture	2,848	2,552
Car Loans	8	3
Parish Council Loan	13	13
Long Term Debtors	**9,869**	**2,568**

10. Creditors

An analysis of the bodies and individuals to whom the Council owes money is as below:

	31 March 2018 £000	31 March 2019 £000
Central Government bodies	(688)	(710)
Other local authorities	(1,682)	(2,007)
Other entities and individuals	(1,692)	(1,943)
Short Term Creditors	**(4,062)**	**(4,660)**

11. Provisions

A Provision is made based on the best estimate of the potential liability arising from future backdated changes to NNDR rating list including appeals against rateable values lodged with the Valuation Office Agency.

NNDR Appeals Provision (Billing Authority Share)	**31-Mar-18 £'000**	**31-Mar-19 £'000**
Provision Brought Forward	(801)	(1,317)
Refunds charged to provision during the year	131	57
(Increase)/ decrease in provision	(647)	(589)
NNDR Appeals Provision Carried Forward	**(1,317)**	**(1,849)**

12. Usable Reserves

This note sets out the amounts included in Usable Reserves.

	Balance at 1 April 2017 £000	Transfers out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000
General Fund Contingency Reserve	**3,623**	**(2,073)**	**1,556**	**3,106**	**(1,878)**	**777**	**2,005**
General Fund Earmarked Reserve:							
Reserves for Capital schemes	**520**	(7)	1,500	**2,013**	(1,347)	834	**1,500**
Ascent Housing Review	**0**	0	0	**0**	0	360	**360**
Section 106 Commuted Sums	**123**	(8)	0	**115**	(8)	0	**107**
Insurance Fund	**341**	(2)	0	**339**	0	0	**339**
Local Development Framework	**40**	0	0	**40**	0	0	**40**
Future Leisure Provision	**50**	0	0	**50**	0	0	**50**
Efficiency & Rationalisation Reserve	**493**	0	0	**493**	0	0	**493**
Pension Reserve	**600**	0	0	**600**	(75)	0	**525**
Community Reserve	**50**	0	0	**50**	0	0	**50**
Growth Reserve	**60**	(60)	0	**0**	0	0	**0**
Vehicle & Fuel Reserve	**50**	0	0	**50**	0	0	**50**
Localising Council Tax Benefit	**80**	0	0	**80**	0	0	**80**
Planning Appeals	**53**	0	0	**53**	0	0	**53**
IT Strategy & Infrastructure	**200**	0	0	**200**	(50)	0	**150**
Property Condition Surveys	**100**	(75)	0	**25**	0	15	**40**
Staff Conference	**10**	0	0	**10**	(10)	0	**0**
Elections Reserve	**27**	0	83	**110**	0	27	**137**
Street Scene Reserve	**0**	0	0	**0**	0	12	**12**
Unused Third Party Funds	**425**	(85)	117	**457**	(15)	158	**600**
Total Earmarked Reserves	**3,222**	**(237)**	**1,700**	**4,685**	**(1,505)**	**1,406**	**4,586**
Capital Reserves							
Usable Capital Receipts Reserve	**8**	(38)	35	**5**	0	69	**74**
Capital Grants Unapplied	**805**	(438)	1,387	**1,754**	(72)	626	**2,308**
Total Capital Reserves	**813**	**(476)**	**1,422**	**1,759**	**(72)**	**695**	**2,382**
Total Usable Reserves	**7,658**	**(2,786)**	**4,678**	**9,550**	**(3,455)**	**2,878**	**8,973**

The Council's Revenue Reserves are 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 15) ; 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 Risk Management 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: - supporting future leisure development and provision - to cover costs associated with the review of the Ascent Housing LLP in partnership with Your Housing - towards future pension liabilities - to dampen impact of fuel price variations or short term vehicle hire - against potential Planning Appeal costs - implementation of the IT Strategy - to cover potential costs of localising Council Tax Benefit - local development framework and the implementation of the Local Plan - to enable the efficiency programme to be delivered - to spread the costs of elections over a full term - to fund a review of the condition of the Council's buildings to inform capital expenditure requirements

13. Unusable Reserves

The total unusable reserves included on the balance sheet are shown in the table below:

31 March 2018 £000		31 March 2019 £000
14,335	Revaluation Reserve	15,070
24,407	Capital Adjustment Account	24,453
(2,152)	Financial Instruments Adjustment Account	(2,092)
(37,920)	Pensions Reserve	(43,899)
(717)	Collection Fund Adjustment Account	(275)
(109)	Accumulated Absences Account	(97)
(2,156)	**Total Unusable Reserves**	**(6,840)**

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.

2017/18 £000	Revaluation Reserve		2018/19 £000
9,602	**Balance at 1 April**		**14,335**
5,307	Upward revaluations of assets	1,432	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5)	
5,307	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**1,427**
(574)	Difference between fair value depreciation and historical cost depreciation	(692)	
(574)	Amount written off to the Capital Adjustment Account		(692)
14,335	**Balance at 31 March**		**15,070**

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 current value figures to an historic 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.

2017/18 £000		Capital Adjustment Account	2018/19 £000	
	25,666	**Balance at 1 April**		**24,407**
		Reversal of items relating to capital expenditure debited or credited to the CIES		
(2,067)		• Charges for depreciation of non current assets	(1,700)	
0		• Impairment Debenture	(356)	
0		• Impairment written back revaluation gain	63	
(20)		• Amortisation of intangible assets	(13)	
(614)		• Revenue expenditure funded from capital under statute	(1,054)	
(427)		• Derecognition of non current assets part of the gain/loss	(389)	
	(3,128)			(3,449)
	574	Adjusting amounts written out of the Revaluation Reserve		692
	(2,554)	**Net written out amount of the cost of non-current assets consumed in the year**		**(2,757)**
		Capital financing applied in the year:		
38		• Use of capital Receipts Reserve to finance new capital expenditure	0	
430		• Capital grants and contributions credited to the CIES that have been applied to capital financing	936	
438		• Applications of grants to capital financing from the Capital Grant Unapplied Account	72	
381		• Statutory provision for the financing of capital investment	114	
8		• Use of Earmarked Capital Reserve to finance new capital expenditure	1,346	
	1,295			**2,468**
	0	Movements in the market value of Investment Properties debited or credited to the CIES		335
	24,407	**Balance at 31 March**		**24,453**

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 14). 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.

2017/18 £000	Financial Instruments Adjustment Account	2018/19 £000
(2,208)	**Balance at 1 April**	**(2,152)**
56	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	60
(2,152)	**Balance at 31 March**	**(2,092)**

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 any benefits earned to be financed as the employer makes contributions to the pension fund (or eventually pays any pensions for which it is directly responsible). The 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.

2017/18 £000	Pension Reserve	2018/19 £000
(38,130)	**Balance at 1 April**	**(37,920)**
1,532	Remeasurement of the net defined benefit liability	(4,347)
(2,888)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(3,263)
1,566	Employer's pensions contributions and direct payments to pensioners payable in the year	1,631
(37,920)	**Balance at 31 March**	**(43,899)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2017/18 £000	Collection Fund Adjustment Account	2018/19 £000
(232)	**Balance at 1 April**	**(717)**
(485)	Amount by which council tax and business rates income credited to the CIES is different from council tax and business rates income calculated for the year in accordance with statutory requirements	442
(717)	**Balance at 31 March**	**(275)**

14. 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. Reclassification
c. Material Soft Loans
d. Fair Value of Assets and Liabilities
e. Income, Expense, Gains and Losses
f. Risk Analysis and Expected Credit Loss

14a. Categories of Financial Instruments

Under accounting requirements the carrying value of the financial instruments value is shown in the balance sheet which includes the principal amount borrowed or lent and accrued interest. Accrued interest is separated between current and non-current assets/ liabilities where the payments/ receipts are due within or beyond one year.

Financial Assets	Non-Current				Current				
	Investments		Debtors		Investments		Debtors		Total
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2019 £000
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0
Amortised Cost	0	0	9,869	2,568	5,862	8,192	8,549	15,655	26,415
Fair Value through other comprehensive income & Expenditure	0	0	0	0	0	0	0	0	0
Total Financial Assets	**0**	**0**	**9,869**	**2,568**	**5,862**	**8,192**	**8,549**	**15,655**	**26,415**

Financial Liabilities	Non-Current				Current				
	Borrowings		Creditors		Borrowings		Creditors		Total
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2019 £000
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0
Amortised Cost	7,053	2,536	0	0	5,008	8,524	1,479	2,189	13,249
Total FinancialLiabilities	**7,053**	**2,536**	**0**	**0**	**5,008**	**8,524**	**1,479**	**2,189**	**13,249**
Other Liabilities	524	60	0	0	330	72	0	0	132
Total	**7,577**	**2,596**	**0**	**0**	**5,338**	**8,596**	**1,479**	**2,189**	**13,381**

14b. Reclassification

Following the adoption of IFRS9 Financial Instruments by the Code of Practice on Local Authority Accounting, financial assets have been reclassified. Assets formerly known as Loans and Receivables are now all reclassified at 1 April 2018 as Investments at Amortised Cost (£5.9million current investments, £9.9million long-term debtors, and £8.5million short-term debtors).

		New Classification at 1st April 2018		
	Carrying amount brought forward at 1st April	Amortised Cost	Fair Value through other Comprehensive Income	Fair Value through Profit & Loss
	£000	£000	£000	£000
Previous classifications				
Loans and receivables	24,280	24,280	0	0
Available for Sale	0	0	0	0
Fair Value through profit & loss	0	0	0	0
Reclassified amounts at 1st April 2018	**24,280**	**24,280**	**0**	**0**

There has been no change in the carrying value of any of the assets following reclassification therefore there is no impact on the balance sheet or general fund balance.

14c. Material Soft Loans

The Council has entered into a joint venture with Your Housing Group Limited to provide affordable housing across the District and has made a commitment to provide a £5,000,000 debenture. As at 31st March 2015, the full £5million of the debenture facility had been drawn by the joint venture company Ascent LLP. There have been no changes to this balance during the year. 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.

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 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 (held in the Financial Instrument Adjustment account) will be increased by the difference between the actual interest received and the notional interest that would have been received if the loan had been made at the higher rate.

Whilst there are no short term issues that Ascent can operate as a going concern, there are potential long-term challenges – particularly the ability of Ascent to repay its debts in the long term. Therefore, a number of strategic options are being considered for the long-term future of Ascent (as discussed on page 21). The preferred option at this stage is for Your Housing Group to acquire the Ascent properties, at which point Ascent would be wound up. Based on the valuation at which Your Housing would be prepared to purchase the Ascent properties, this would be insufficient to repay the total investments held in Ascent by Your Housing and the Council by an estimated £711,000; any impairment being shared equally between the partners.

An expected credit loss assessment has therefore been undertaken under the requirements of IFRS9 resulting in the debenture being impaired by £356,000; this is charged to the Comprehensive Income & Expenditure Statement: Financing and Investing Income and Expenditure in the surplus or deficit on the provision of services.

The debenture was originally made through capital expenditure, therefore the impairment loss is reversed out to the Capital Adjustment Account via the Movement in Reserve Statement and there is no impact on the General Fund at this stage.

The carrying value of the debenture in the balance sheet is now £4.6million (split £2.5million to long term debtors and £2.1m to the Financial Instrument Adjustment Account).

2017/18 £000		2018/19 £000
2,791	**Opening Balance**	**2,848**
0	Impairment Losses	(356)
57	Increase in discounted amounts	60
2,848	**Closing Balance at year end**	**2,552**

14d. Fair Value of Assets and Liabilities

There are no financial assets or liabilities carried in the balance sheet at fair value on a recurring basis. Therefore, all financial liabilities and financial assets represented by loans and receivables, and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair values can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For market debt and investments, prevailing market rates have been used to provide the fair value, i.e. the rate available for an instrument with the same terms from a comparable lender.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- For the valuation and disclosure of fair values of financial assets and liabilities the rates quoted were obtained from Link Asset Services (the Council's Advisors) using Level 2 Valuations.

- There were no transfers between input levels 1 and 2* during the year.
- There has been no change in the valuation technique used during the year for financial instrument.

The fair values are calculated as follows:

Financial Assets	Fair Value Hierarchy	31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
Cash deposits		4,861	4,861	7,191	7,191
Fixed term deposits	Level 2	1,001	1,001	1,001	1,001
Short-Term Debtors		8,549	8,549	15,655	15,655
Long-Term Debtors		9,869	9,869	2,568	2,568
Total		**24,280**	**24,280**	**26,415**	**26,415**

Financial Liabilities	Fair Value Hierarchy	31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
Local Authority Loans	Level 2	12,061	12,009	11,060	11,084
Short-Term Creditors		1,809	1,809	2,261	2,261
Long-term Creditors		524	524	60	60
Total		**14,394**	**14,342**	**13,381**	**13,405**

**Level 1 valuations are performed on quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date (for example tradable instruments such as certificates of deposit).*

Level 2 valuations are performed on inputs, other than quoted prices included with Level 1, that are observable for the asset or liability, either directly or indirectly (for example fixed term/price deposits).

Long-term Debtors

Long-term Debtors at 31st March 2019 include a debenture to Ascent Housing LLP, the Joint Venture company, car loans, and a parish council loan. 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 c of this note).

Long-term Creditors

Long-term creditors relate to the future lease payments due on the finance leases brought in to the balance sheet through the Joint Operation with AES.

14e. *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 2018/19, and the accounting amendments made in relation to the fair value of the debenture to Ascent Housing LLP.

	2017/18		2018/19	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income & Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income & Expenditure £000
Net Gain/Losses on:				
- Financial Assets measured at Amortised Cost	57	0	60	0
Total net gains/losses	**57**	**0**	**60**	**0**
Interest Revenue:				
- Financial Assets measured at Amortised Cost	654	0	658	0
Total net gains/losses	**654**	**0**	**658**	**0**
Interest Expense:				
- Financial Assets or Financial Liabilities that are not at fair value through profit or loss	(279)	0	(177)	0
Total net gains/losses	**(279)**	**0**	**(177)**	**0**

14f. *Risk Analysis and Expected Credit Loss*

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 Audit & Accounts Committee in accordance with the Risk Management Strategy approved by Cabinet.

The Authority's treasury team implements the approved Treasury Management 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.
- **Refinancing risk** – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **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 risk is minimised through the Annual Investment Strategy.

Credit Risk Management Practices

The authority's credit risk management practices are set out throughout the Treasury Management Strategy Statement (TMSS) including the Annual Investment Strategy. With particular regard to determining whether the credit risk of the financial instruments has increased significantly since recognition:

The TMSS requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The TMSS also considers maximum amounts and time limits with a financial institution located in each category.

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

- Credit watches and outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from countries with appropriate creditworthiness.

The full TMSS was approved by Full Council on 9th February 2018 and revised on 16th May 2018 to incorporate changes to the capital programme.

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

The Authority's maximum exposure to credit risk in relation to investments in financial institutions of £7.6million cannot be assessed generally, as the risk of any institution failing to make repayments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Authority's deposits, but there was no evidence at 31 March 2019 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses (ECL)

The changes in loss allowance during the year are as follows:

Investments at Amortised Cost	ECL Test	ECL Category	ECL Value at 31 Mar 2018 £000	ECL Value at 31 Mar 2019 £000	Increase/ (Decrease) in ECL
Trade receivables/contract assets no financing					
Trade Debtors	Simplified Model	Lifetime Expected Credit Losses - simplified approach	215	245*	30
Deposit with banks/financial institutions					
Cash/Bank MMFs Fixed Deposit Notice Accounts CD's	Historic Risk of Default	12mth Expected Credit Losses	0	0.47	0
Loans					
Soft Loans (Debenture Ascent)	Assessment of credit risk	Lifetime Expected Credit Losses - not credit impaired	0	356**	356
Service Loans to 3rd parties (Ascent Loan)	Assessment of credit risk	12m Expected Credit losses	0	0	0
Car Loans	Collective Assessment	12m Expected Credit losses	0	0	0
Parish Council Loan	Assessment of credit risk	12m Expected Credit losses	0	0	0
Service Loans to 3rd parties (Ascent Loan)	Assessment of credit risk	12m Expected Credit losses	0	0	0
			215	601	386

** Lifetime expected credit loss on Trade Debtors relates to non-statutory Bad Debt provisions.*

*** Impairment on the Soft Loan is described in more detail at note 14c above.*

Liquidity Risk

Investments

The Council manages its liquidity position through the risk management procedures including the setting and approval of prudential indicators and the approval of the TMSS as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loans Board (PWLB) and money markets for longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. All sums owing are due to be paid in less than one year.

Refinancing & Maturity Risk

Borrowings

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

The Council has limits in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The maturity structure of financial liabilities is as follows (original principal invested):

Loans Outstanding	31st March 2018 £000	31st March 2019 £000
Local Authority Loans	12,000	11,000
Total	**12,000**	**11,000**
Maturity Profile		
Less than 1 Year	5,000	8,500
Between 1 and 5 years	7,000	2,500
Total	**12,000**	**11,000**

Market Risk

The Authority is exposed to interest rate movements on its borrowing and investments. Movements in interest rates can have a complex 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 revenue balances or the balance sheet as all investments carried at carrying value).
- Borrowing at variable rates – the interest payable charged to the Comprehensive Income & Expenditure Statement would increase.
- Borrowing at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances or the balance sheet as held at amortised cost).

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 31 March 2019, 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	(78)
Increase in interest payable on variable rate borrowings	0
Impact on Other Comprehensive Income and Expenditure	**(78)**
Decrease in Fair Value of Fixed Rate Investments	0
Decrease in Fair Value of Fixed Rate Borrowing	79

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.

15. Contingent Liabilities and Assets

The disclosures made here are based on the IAS37 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 1992 the Council was insured by Municipal Mutual Insurance (MMI). When MMI ceased accepting new business in 1992/93 the Council was entered into a Scheme of Arrangement (SOA) under Section 425 of the Companies Act 1985. The SOA was triggered on 13 November 2012 following the conclusion of long running legal proceedings. From that date Ernst & Young LLP became responsible for the management of the company's business, affairs and assets. An initial levy of 15% (£9,292) was paid in 2013/14. The levy was reviewed in 2015 with the result that a further payment equivalent to 10% (£8,059) was paid in 2016/17. Annual review of the levy rate is required under the terms of the Scheme and this could lead to the rate being further amended in future, either up or down.

Under the terms of the SOA, the Council now has to meet 25% of any new insurance settlements, relating to its claims, made by MMI. To date, payments amounting to £5,335 have been made under this part of the scheme. An earmarked Insurance reserve, with a balance of £338,580, is currently available to mitigate the financial pressure created by the MMI levy and any other uninsured losses, which might occur in the future.

At 31 March 2019 the Council's outstanding liability under the SOA stood at £90,747, unchanged from 2017/18.

Planning – Public Inquiries / Judicial Reviews

The Council is involved in a number of planning-related legal proceedings. The modest cost involved in these to date, has been absorbed in the in-year revenue costs of the Authority. There is, however, potential for these costs to escalate in the future, as the legal process develops. It is too early to quantify the likely costs involved, which can be significantly increased if the Council is unsuccessful in defending a Public Inquiry or related civil proceedings and is held liable for the developers' costs.

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 1 April 2004. If the legal challenge put forward by Link Treasury Solutions Limited (formerly Capita Asset Services) (the Council's Treasury Advisors) was successful, the Council could benefit by approximately £50,000.

16. Events after the Balance Sheet Date

The Statement of Accounts 2018/19 were authorised for issue on 31st July 2019 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 2019, 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 Senior Management Team 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.

17. 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 (relating to Interest)
c. Investing Activities
d. Financing Activities

17a. Net cash flows from operating activities

2017/18 £000		2018/19 £000
(1,695)	**Net Surplus or (Deficit) on the Provision of Services**	**(2,343)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
2,067	Depreciation	1,700
428	Impairment and downward valuations	325
20	Amortisation	13
0	Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	356
(55)	Reduction in fair value of Soft Loans (non Subsidiary) made in the year	(58)
(12)	Increase/ (Decrease) in Interest Creditors	(1)
144	Increase/ (Decrease) in Creditors	976
(1)	(Increase) /Decrease in Interest and Dividend Debtors	0
(691)	(Increase) /Decrease in Debtors	2,834
(1)	(Increase) /Decrease in Inventories	30
(29)	Pension Liability	2,269
407	Contributions to/ (from) Provisions	532
0	Movement in Investment Property Values	(335)
2,277		**8,641**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(1,817)	Capital Grants credited to surplus or deficit on the provision of services	(1,562)
(35)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(69)
(1,852)		**(1,631)**
(1,270)	**Net Cash Flows from Operating Activities**	**4,667**

17b. Operating Activities (relating to Interest)

The cash flows for operating activities include the following items:

2017/18 £000		2018/19 £000
597	Interest received	599
(291)	Interest paid	178

17c. Investing Activities

2017/18 £000		2018/19 £000
(995)	Purchase of property, plant and equipment, investment property and intangible assets	(1,171)
(2,000)	Purchase of short-term and long-term investments	0
(14)	Other payments for investing activities	
35	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	69
1,500	Proceeds from short-term and long-term investments	0
1,722	Other receipts from investing activities	1,500
248	**Net cash flows from investing activities**	**398**

17d. *Financing Activities*

2017/18 £000		2018/19 £000
0	Cash receipts or short and long-term borrowing	4,000
273	Billing Authorities - Council Tax & NNDR Adjustment	(881)
(360)	Cash payments for the reduction of the outstanding liabilities relating to Finance leases	(854)
0	Repayments of short and long-term borrowing	(5,000)
0	Other receipts from financing activities	0
(87)	**Net cash flows from financing activities**	**(2,735)**

18. Prior Period Restatement

A change to the structure of the Authority has given rise to the need to restate the 2017/18 primary statements. During the course of 2018/19, the Council's Visitor Services department was disbanded. The functions were transferred to other Council Service areas; Car Parking to Asset Services; Markets and Tourism to Regeneration Services; Museums; and Collections to Democratic & Community Services. This change necessitated the restatement of the CI&E to reflect the revised service analysis of net expenditure.

Comprehensive Income & Expenditure Statement

2017/18			Movement		2017/18 Restated			
Gross Expenditure	Gross Income	Net Expenditure	Expenditure	Income	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	£000	£000	£000	£000	£000	
29,932	**(20,706)**	**9,226**			**29,932**	**(20,706)**	**9,226**	**Services not affected by Restructure**
2,040	(399)	1,641	227	(666)	2,267	(1,065)	1,202	Property Services
565	(46)	519	316	(133)	881	(179)	702	Regeneration
543	(799)	(256)	(543)	799	0	0	0	Visitor Services
33,080	**(21,950)**	**11,130**	**0**	**0**	**33,080**	**(21,950)**	**11,130**	**Cost of Services**
1,567	(35)	1,532			1,567	(35)	1,532	Other Operating Expenditure
1,257	(845)	412			1,257	(845)	412	Financing and Investment Income and Expenditure
	(11,379)	(11,379)				(11,379)	(11,379)	Taxation and Non-Specific Grant Income and expenditure
		1,695					**1,695**	**(Surplus) or Deficit on Provision of Services**
		(5,307)					(5,307)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets
		(1,535)					(1,535)	Remeasurement of the net defined pension benefit liability
		(6,842)					**(6,842)**	**Other Comprehensive Income and Expenditure**
		(5,147)					**(5,147)**	**Total Comprehensive Income and Expenditure**

Expenditure & Funding Analysis

2017/18					2017/18 Restated			
Net Expenditure to General Fund Balance	Adjustments Funding & Accounting	Net Expenditure in the CIES	Net Expenditure to General Fund Balance	Adjustments Funding & Accounting	Net Expenditure to General Fund Balance	Adjustments Funding & Accounting	Net Expenditure in the CIES	
£000	£000	£000			£000	£000	£000	
8,164	**1,062**	**9,226**	**0**	**0**	**8,164**	**1,062**	**9,226**	**Services not affected by Restructure**
450	69	519	78	105	528	174	702	Regeneration
1,273	368	1,641	(439)	0	834	368	1,202	Property Services
(361)	105	(256)	361	(105)	0	0	0	Visitor Services
9,526	**1,604**	**11,130**	**0**	**0**	**9,526**	**1,604**	**11,130**	**Cost of Services**
(10,472)	1,037	(9,435)			(10,472)	1,037	(9,435)	Other Income and Expenditure
(946)	**2,641**	**1,695**			**(946)**	**2,641**	**1,695**	**Cost of Services**
(6,845)					**(6,845)**			**Opening General Fund Balance**
(946)					(946)			Less (Surplus) or Deficit in Year
(7,791)					**(7,791)**			**Closing General Fund Balance**

Note to the Expenditure & Funding Analysis

2017/18				Movement			2017/18 Restated				
Adjustments for Capital Purposes	Net Change of the Pension Adjustment	Other Differences	Total Adjustments	Adjustments for Capital Purposes	Net Change of the Pension Adjustment	Other Differences	Adjustments for Capital Purposes	Net Change of the Pension Adjustment	Other Differences	Total Adjustments	
£000	£000	£000	£000				£000	£000	£000	£000	
711	**295**	**424**	**1,430**				**711**	**295**	**424**	**1,430**	**Services not affected by Restructure**
36	33	0	69	0	19	86	36	52	86	174	Regeneration
0	19	86	105	0	(19)	(86)	0	0	0	0	Visitor Services
747	**347**	**510**	**1,604**				**747**	**347**	**510**	**1,604**	**Cost of Services**
140	978	(81)	1,037				140	978	(81)	1,037	Other Income and Expenditure
887	**1,325**	**429**	**2,641**				**887**	**1,325**	**429**	**2,641**	**Difference between General Fund (Surplus)/ Deficit and Comprehensive Income and Expenditure Statement**

Segmental Analysis

2017/18	Movement	2017/18 Restated	
£000		£000	**Fees, Charges and Other Income**
(3,480)	**0**	**(3,480)**	**Services not affected by Restructure**
(504)	(666)	(1,170)	Property Services
0	(219)	(219)	Regeneration
(885)	885	0	Visitor Services
(4,869)	**0**	**(4,869)**	**Total Analysed on a Segmental Basis**

Supplementary Statements

Collection Fund Account

The Collection Fund Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Business Rates.

2017/18				2018/19		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
			Income			
	(19,279)		Income due from Business Rates Payers		(19,989)	
	(1,162)		Transitional Protection Payments for Business Rates		(1,146)	
(52,370)			Income due from Council Tax Payers	(55,598)		
(52,370)	**(20,441)**	**(72,811)**	**Total Income**	**(55,598)**	**(21,135)**	**(76,733)**
			Expenditure			
			Preceptors			
	10,169		Central Government		10,049	
37,395	1,830		Staffordshire County Council	39,810	1,809	
5,930			Staffordshire Police Authority	6,333		
2,342	203		Staffordshire Fire & Rescue Authority	2,418	201	
6,168	8,135		Staffordshire Moorlands DC	6,398	8,039	
		72,172				**75,057**
			Distribution of Previous Year Surplus/ (Deficit)			
	(181)		Central Government		(772)	
387	(32)		Staffordshire County Council	167	(139)	
63			Staffordshire Police Authority	27		
25	(4)		Staffordshire Fire & Rescue Authority	11	(15)	
65	(144)		Staffordshire Moorlands DC	28	(618)	
		179				**(1,311)**
			Charges to the Collection Fund			
150	272		Write Offs of Uncollectable Amounts	120	7	
38	(58)		Increase/ (Decrease) in Impairment Allowance	63	89	
	(329)		Refunds Charged to Provision for Appeals		(143)	
	1,618		Increase/ (Decrease) in Provision for Appeals		1,474	
	115		Cost of Collection Allowance		115	
		1,806				**1,725**
52,563	**21,594**	**74,157**	**Total Expenditure**	**55,375**	**20,096**	**75,471**
193	**1,153**	**1,346**	**Movement on Fund Balance in year**	**(223)**	**(1,039)**	**(1,262)**
(324)	678	354	(Surplus)/ Deficit on Fund Brought Forward	(131)	1,831	1,700
(131)	**1,831**	**1,700**	**(Surplus)/Deficit on Fund Carried Forward**	**(354)**	**792**	**438**

Notes to the Collection Fund Account

1. Non-Domestic Rates (NDR)

From 1st April 2013 Central Government introduced the Business Rates Retention Scheme. Where previously Business Rates collected by local authorities were paid over to Central Government as part of a National Pool, under the retention scheme 40% of the Business Rates is now retained by the Council; 50% is paid to Central Government, 9% to the County Council, and 1% to the Fire & Rescue Authority.

Central Government continues to set a National Non-Domestic Rate Multiplier and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their Rateable Value by that amount, adjusted by any applicable reliefs or exemptions.

2017/18		2018/19
£55,797,422	Total Non-Domestic Rateable Value at Year End	£56,183,750
47.9p	National Non-Domestic Rate Multiplier	49.3p

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, Office of the Police & Crime Commissioner, Fire & 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)	Number of Dwellings in Valuation List		Number of Band D Equivalent Dwellings	
		2017/18	2018/19	2017/18	2018/19
Band A	6	9,548	9,563	4,204	4,228
Band B	7	10,487	10,558	6,586	6,647
Band C	8	10,578	10,605	8,207	8,214
Band D	9	6,142	6,170	5,561	5,568
Band E	11	4,292	4,317	4,851	4,872
Band F	13	1,925	1,934	2,542	2,565
Band G	15	766	770	1,181	1,196
Band H	18	32	32	29	30
Total		**43,770**	**43,949**	**33,161**	**33,320**
Deduction for non-collection				(431)	(433)
Additional properties and adjustments during the year				0	0
Council Tax Base (Band D equivalent)				**32,730**	**32,887**

3. The Fund Balance

Prior to the end of each year, the year-end surplus or deficit on the Collection Fund for both Council Tax and Business Rates is estimated in order that it can be distributed amongst the billing and precepting authorities along with the precepts for the coming year. The declaration has to be made on 15 January each year for Council Tax and 31 January for Business Rates. The estimated surplus/deficits declared for the 2017/18 year were a £231,450 surplus for Council Tax and a deficit of £1,544,879 for Business Rates, both of which have been distributed in 2018/19.

For Council Tax, the estimated surplus was apportioned amongst the preceptors in proportion to the value of their respective demands and precepts made on the Collection Fund for 2017/18. For Business Rates, the estimated deficit was apportioned using the prescribed proportions of 50% (Central Government), 40% (Billing Authority), 9% (County Council), and 1% (Fire Authority).

2016/17 Council Tax	2017/18 Business Rates		2018/19 Council Tax Precept	2018/19 Business Rates Precept	Distribution of Council Tax Estimated Surplus / (Deficit)	Distribution of Business Rates Estimated Surplus / (Deficit)	2018/19 Council Tax Total	2018/19 Business Rates Total
£000	£000	**Precepting Authorities**	£000	£000	£000	£000	£000	£000
	9,988	Central Government		10,049		(772)		9,277
37,782	1,798	Staffordshire County Council	39,810	1,809	167	(139)	39,977	1,670
5,993		Staffordshire Police Authority	6,333		27		6,360	
2,367	199	Staffordshire Fire & Rescue Authority	2,418	201	11	(15)	2,429	186
46,142	**11,985**	**Precepting Authorities**	**48,561**	**12,059**	**205**	**(926)**	**48,766**	**11,133**
5,093	7,991	Staffordshire Moorlands District Council	5,200	8,039	28	(618)	5,228	7,421
247		Cheadle Town Council	266				266	
273		Biddulph Town Council	295				295	
140		Leek Town Council	141				141	
480		Parish Councils	496				496	
6,233	**7,991**		**6,398**	**8,039**	**28**	**(618)**	**6,426**	**7,421**
52,375	**19,976**	**Total**	**54,959**	**20,098**	**233**	**(1,544)**	**55,192**	**18,554**

On the 2018/19 Collection Fund, the accounts record an in-year surplus of £223,000 for Council Tax and an in-year surplus of £1,039,000 for Business Rates. The balance at 31 March 2019 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the Precepting Authorities' debtor and creditor accounts and those of the Billing Authority (the Council) as follows:

2017/18			2018/19		2018/19	
Council Tax Cumulative Surplus/ (Deficit)	Business Rates Cumulative Surplus/ (Deficit)		Council Tax In Year Surplus/ (Deficit)	Business Rates In Year Surplus/ (Deficit)	Council Tax Cumulative Surplus/ (Deficit)	Business Rates Cumulative Surplus/ (Deficit)
£000	£000		£000	£000	£000	£000
	(916)	Central Government		520		(396)
17	(734)	Staffordshire Moorlands District Council	26	416	43	(318)
94	(165)	Staffordshire County Council	164	94	258	(71)
15		Staffordshire Police Authority	23		38	
5	(17)	Staffordshire Fire & Rescue Authority	10	9	15	(8)
131	**(1,832)**	**Balance at 31 March**	**223**	**1,039**	**354**	**(793)**

The Council Tax cumulative surplus amounts attributable to the County Council, Office of the Police & Crime Commissioner and Fire & Rescue Authority above are shown as creditors in the 2018/19 Balance Sheet; the Business Rates cumulative deficit amounts attributable to Central Government, the County Council and Fire & Rescue Authority above are shown as debtors in the 2018/19 Balance Sheet.

4. Council Tax & Non-Domestic Rates Income reported on the Comprehensive Income & Expenditure Statement

The Comprehensive Income & Expenditure Statement includes income from Council Tax & Non-Domestic Rates in "Taxation and Non-Specific Grant Income & Expenditure"; this is further detailed in Note 3c in the Notes to the Financial Statements. A reconciliation between the income reported in the Collection Fund Statement and Notes and that shown in Note 3c follows:

2017/18 Council Tax	2017/18 Business Rates		2018/19 Council Tax	2018/19 Business Rates
£000	£000		£000	£000
		Note 3c Taxation and Non-Specific Grant		
(6,210)		Council Tax Income	(6,452)	
	(2,169)	Non-Domestic Rates Retention		(2,404)
(6,168)	(8,135)	SMDC Precept	(6,398)	(8,039)
(65)	144	SMDC share of (Surplus)/ Deficit Distributed in the Year	(28)	618
23	462	SMDC share of actual (Surplus)/ Deficit recorded at 31st March	(26)	(416)
	312	NDR Levy paid to the Business Rate Pool lead, Staffordshire County Council *		234
	5,048	NDR Tariff**		5,199
(6,210)	**(2,169)**	**Total**	**(6,452)**	**(2,404)**
0	**0**	**Variance**	**0**	**0**

* Under the Business Rates Retention system, the NDR levy is a charge on a proportion of growth above the Business Rates Funding Baseline in the year. This is a charge to the General Fund and as such does not feature in the Collection Fund Statement. As a member of a Business Rates Pool, the Council does not have to pay this levy to Central Government, but instead during 2018/19 pays 40% of the levy amount to Staffordshire County Council as the Lead of the Business Rates Pool for later use by the Pool according to the original Pool agreement and subsequent decisions by the Pool Board.

** The NDR Tariff is the difference between the NDR Baseline and the Funding Baseline, which are set by Central Government as part of the Budget. It is paid to Central Government during the year out of the General Fund and as such does not feature in the Collection Fund Statement.

5. 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.

Group Accounts

The Council is in a collaborative arrangement with Ascent Housing LLP whose primary role is to provide affordable housing throughout the district. The Council has a 49% shareholding in this company and the arrangement is classified as a joint venture. The following group accounts consolidate the Council's share of the net assets and its share of the operating results of the Ascent LLP into the Council's own financial statements.

The group financial statements comprise of:

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

The purpose of each of these statements is described at each of the core single entity financial statements of the Authority – they are expanded here to show the Authority's share of the activity of the Joint Venture and a consolidated total of the Authority and the Joint Venture.

Group Movement in Reserves Statement

	Single Entity Notes	General Fund			Capital						
		General	Earmarked Reserves	Total	Receipts Reserve	Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Authority's share of Unusable Reserves of the Joint Venture	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017		(3,623)	(3,222)	**(6,845)**	**(8)**	**(805)**	**(7,658)**	**5,411**	**(2,247)**	**(81)**	**(2,328)**
(Surplus) or deficit on the provision of Services		1,695	0	**1,695**	0	0	**1,695**	**0**	**1,695**	**0**	**1,695**
Other Comprehensive Income and Expenditure		0	0	**0**	0	0	**0**	**(6,842)**	**(6,842)**	**18**	**(6,824)**
Total Comprehensive Income and Expenditure		1,695	0	**1,695**	**0**	**0**	**1,695**	**(6,842)**	**(5,147)**	**18**	**(5,129)**
Adjustment between accounting basis & funding basis under regulations	6	(2,649)	8	**(2,641)**	3	(949)	**(3,587)**	**3,587**	**0**	**0**	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(954)	8	**(946)**	**3**	**(949)**	**(1,892)**	**(3,255)**	**(5,147)**	**18**	**(5,129)**
Transfers to/(from) Earmarked Reserves		1,471	(1,471)	**0**	0	0	**0**	**0**	**0**	**0**	**0**
(Increase)/Decrease in 2017/18	12	**517**	**(1,463)**	**(946)**	**3**	**(949)**	**(1,892)**	**(3,255)**	**(5,147)**	**18**	**(5,129)**
Balance at 31 March 2018 carried forward		(3,106)	(4,685)	**(7,791)**	**(5)**	**(1,754)**	**(9,550)**	**2,156**	**(7,394)**	**(63)**	**(7,457)**
(Surplus) or deficit on the provision of Services		2,343	0	**2,343**	0	0	**2,343**	**0**	**2,343**	**0**	**2,343**
Other Comprehensive Income and Expenditure		0	0	**0**	0	0	**0**	**2,918**	**2,918**	**(1,072)**	**1,846**
Total Comprehensive Income and Expenditure		2,343	0	**2,343**	**0**	**0**	**2,343**	**2,918**	**5,261**	**(1,072)**	**4,189**
Adjustment between accounting basis & funding basis under regulations	6	(2,489)	1,346	**(1,143)**	(69)	(554)	**(1,766)**	**1,766**	**0**	**0**	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		(146)	1,346	**1,200**	**(69)**	**(554)**	**577**	**4,684**	**5,261**	**(1,072)**	**4,189**
Transfers to/(from) Earmarked Reserves				**0**	0	0	**0**		**0**	**0**	
(Increase)/Decrease in 2018/19	12	(146)	1,346	**1,200**	**(69)**	**(554)**	**577**	**4,684**	**5,261**	**(1,072)**	**4,189**
Balance at 31 March 2018 carried forward		(3,252)	(3,339)	**(6,591)**	(74)	(2,308)	**(8,973)**	**6,840**	**(2,133)**	**(1,135)**	**(3,268)**

Group Comprehensive Income and Expenditure Statement

2017/18 Group Net Total		2018/19 Group Expenditure	Group Income	Group Net Total
£000		£000	£000	£000
648	Alliance Management	660	0	660
124	Audit	120	0	120
738	ICT	786	(12)	774
53	Human Resources	54	0	54
261	Member Services	282	(10)	272
1,202	Property Services	2,266	(1,078)	1,188
(37)	Benefits	14,430	(14,506)	(76)
(67)	Planning Applications	468	(444)	24
(16)	Building Contol	61	(49)	12
615	Customer Services	614	(22)	592
202	Legal Services	231	(56)	175
25	Electoral Services	66	(21)	45
(225)	Licensing and Land Charges	55	(261)	(206)
702	Regeneration	750	(147)	603
503	Communities and Cultural	513	0	513
(49)	Housing Strategy	48	(101)	(53)
210	Transformation	216	0	216
187	Community Safety and Enforcement	273	(76)	197
600	Finance and Performance	924	(354)	570
317	Corporate Finance	829	(244)	585
2,753	Waste Collection	4,941	(2,014)	2,927
490	Street Scene	593	(197)	396
1,774	Leisure Services	1,591	(3)	1,588
586	Horticulture	880	(211)	669
0	Visitor Services	0	0	0
(466)	Environmental Health	1,393	(1,536)	(143)
11,130	**Cost of Services**	**33,044**	**(21,342)**	**11,702**
1,532	Other Operating Expenditure	1,586	(69)	1,517
412	Financing and Investment Income and Expenditure	1,201	(916)	285
(11,379)	Taxation and Non-Specific Grant Income	0	(11,161)	(11,161)
1,695	**(Surplus) or Deficit on Provision of Services**			**2,343**
(5,307)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(1,427)
18	Share of the Other Comprehensive Income and Expenditure of the Joint Venture			(1,072)
(1,535)	Remeasurement of the net defined pension benefit liability			4,345
(6,824)	**Other Comprehensive Income and Expenditure**			**1,846**
(5,129)	**Total Comprehensive Income and Expenditure**			**4,189**

Group Balance Sheet

31 March 2018 £000		Notes	31 March 2019 £000
32,193	Property, Plant & Equipment		32,892
572	Heritage Assets		572
3,378	Investment Properties		3,713
67	Intangible Assets		53
63	Investment in Joint Ventures	1	1,135
0	Long Term Investments		0
9,869	Long Term Debtors		2,568
46,142	**TOTAL LONG TERM ASSETS**		**40,933**
1,001	Short Term Investments		1,001
102	Inventories		73
10,023	Short Term Debtors		15,009
4,861	Cash and Cash Equivalents		7,191
15,987	**TOTAL CURRENT ASSETS**		**23,274**
(5,008)	Short Term Borrowings		(8,524)
(4,062)	Short Term Creditors		(4,660)
(1,317)	Provisions		(1,849)
(10,387)	**TOTAL CURRENT LIABILITIES**		**(15,033)**
(7,053)	Long Term Borrowing		(2,536)
(36,566)	Net Pension Liability		(43,180)
(524)	Other Long Term Liabilities		(60)
(142)	Grants Receipts in Advance - Capital		(130)
(44,285)	**TOTAL LONG TERM LIABILITIES**		**(45,906)**
7,457	**TOTAL NET ASSETS**		**3,268**
9,550	Usable Reserves - Authority		8,973
(2,156)	Unusable Reserves		(6,840)
63	Unusable Reserves - Joint Venture	1	1,135
7,457	**TOTAL RESERVES**		**3,268**

Group Cash Flow Statement

The Group Cash Flow statement shows cash flows between the Council and the Joint Venture entity only, thus it excludes cash flows between the joint venture and the other entities. Therefore the following Group Cash Flow Statement is the same as that presented in the Council's own accounts, it is reproduced here to complete a full set of Group Accounts.

Group Cashflow 2017/18 £000		Group Cashflow 2018/19 £000
(1,695)	Net Surplus/(Deficit) on the Provision of Services	(2,343)
2,277	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	8,641
(1,852)	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	(1,631)
(1,270)	**Net Cash Flows from Operating Activities**	**4,667**
248	Investing Activities	398
(87)	Financing Activities	(2,735)
(1,109)	**Net Increase or (Decrease) in Cash and Cash Equivalents**	**2,330**
5,970	Cash and Cash Equivalents at the Beginning of the Reporting Period	4,861
4,861	**Cash and Cash Equivalents at the End of the Reporting Period**	**7,191**

Group Accounting Policies

The accounting policies adopted in the accounts of Staffordshire Moorlands District Council equally apply to the Group Accounts, with the addition of the below policies:

1. Critical Judgement in Assessing the Collaborative Activity

The Council's collaborative activity in Ascent LLP with Your Housing Group Limited constitutes an arrangement under which there is joint control owing to the need for unanimous consent for reserved matters on the Ascent LLP Board. As the Council has rights to a share of the net assets, the collaborative arrangement is deemed to be a joint venture under accounting standards resulting in a need for Group Accounts.

2. Basis for bringing the transactions and balances of the Joint Venture into the group accounts

As the collaborative arrangement is a Joint Venture, Equity Accounting for Group Accounts is required under IAS28 *Investments in Associates and Joint Ventures*, IFRS11 *Joint Arrangements*, along with IFRS12 *Disclosures of Interests in Other Entities*. The equity method of accounting for joint ventures requires an investor to bring an investment into its Group Balance Sheet at cost and then to adjust the carrying value by the change in the investor's share of the joint venture's net assets. The investor calculates its share of the joint venture's operating results for the year and includes this amount in the Group Comprehensive Income & Expenditure Statement immediately after its group operating result. The investor's share of the net assets of the joint venture should be included in the Group Balance Sheet.

Notes to the Group Accounts

The notes to the financial statements of the single entity accounts of Staffordshire Moorlands District Council equally apply to the Group Accounts. Notes specific to the Group Accounts illustrate the Authority's material relationship with the Joint Venture and the Authority's share of the Joint Venture's activities:

1. Ascent Housing LLP – Registered Company No OC35082

Ascent Housing LLP was incorporated as a Limited Liability Partnership on 21 September 2010 as a collaborative activity between the Council and Your Housing Group Limited. It is classified as a joint venture as the two parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require unanimous consent, and both have rights to the net assets of the entity. The primary role of the Joint Venture is to provide affordable housing throughout the Staffordshire Moorlands.

Ascent Housing LLP has two Designated Members: the Council has a 49% shareholding in this company; and the remaining 51% of shares are held by Your Housing Group Limited. Profits are to be distributed amongst the Members according to shareholding. Each Designated Member appoints two out of the four executive board directors and votes are divided equally.

The Council's share of Ascent Housing LLP's assets and liabilities are as follows:

2017/18 £000	Ascent Housing LLP (49%)	2018/19 £000
(242)	Operating (Profit) / Loss	(139)
323	Expenses (including Taxation)	311
81	**Total (Profit) / Loss**	**172**
(81)	Recognition of Profits/(Losses) suspended as exceed Council's interest in Joint Venture	(172)
0	**Total (Profit) / Loss included within the Group Comprehensive Income and Expenditure Statement**	**0**
12,553	Long Term Assets	13,425
2,519	Current Assets	2,447
15,072	**Total Assets**	**15,872**
(2,821)	Current Liabilities	(2,954)
(12,269)	Long Term Liabilities	(11,955)
(15,090)	**Total Liabilities**	**(14,909)**
(18)	**Total Net Assets / (Liabilities)**	**963**
81	Recognition of (Profits)/Losses suspended as exceed Council's interest in Joint Venture	172
63	**Total Net Assets / (Liabilities) included within the Group Balance Sheet**	**1,135**

2. Losses made by the Joint Venture

Under the provision of IAS28, where the Council's share of losses of the Joint Venture equals or exceeds its interest in the Joint Venture, the Council discontinues recognising its share of further losses. Under the agreement of the Joint Venture, the Council has not incurred any legal or constructive obligation to meet these losses or made payments on behalf of the Joint Venture, therefore no liability is recognised.

Under IAS 28, the Council will resume recognising its share of any future profits reported by the Joint Venture only after its share of the profits equals the share of the losses not recognised. Ascent LLP first reported a loss in 2013/14. Any profits realised since then have not yet equalled that loss, therefore the interest is still in a cumulative loss position. The table below shows the balance of the losses to be offset against future profits.

2017/18 £000	SMDC 49% Share of Loss on Profit and Loss Account	2018/19 £000
292	Losses brought forward	373
81	In year profits offset against prior year losses before recognition in the balance of the investment in group accounts	172
373	**Losses carried forward**	**545**

3. Capital Commitments and Cash Flows in the Joint Venture

A debenture of £5million was fully issued to Ascent Housing by 31st March 2015. An expected credit loss of £355,500 has been applied to the debenture in the Council's single entity accounts. This is described in note 14 to the accounts.

The Council has also made available to Ascent Housing LLP a £20million loan facility. As at 31st March 2016 a total of £14million of this facility had been drawn and there have been no further drawdowns by 31st March 2019; the remaining capital commitment on this loan amounts to £6million.

Interest payments receivable by the Council from Ascent LLP are £440,130 for the loan and £100,000 for the Debenture.

4. Risks associated with the Council's interest in Ascent Housing LLP

The prime purpose of the joint venture is the development of affordable housing within the District. The properties developed appear on the Group Balance Sheet, consolidated under accounting standards at current value, determined as the amount that would be paid for the asset in its existing use (existing use value). The Council's share of Ascent's net assets in the Group Balance Sheet in the table at note 1 reflects the worth in these assets. As such it is indicative of the underlying strength of the asset base built up by the Joint Venture. Therefore, the Council remains confident that the underlying business plan and asset base are robust and sufficient to achieve the cost effective development of affordable housing across the District.

Going concern

As described in the Chief Finance Officer's Narrative Report to the Council's single entity financial statements above, under Key Strategic Partnerships, there are no short term issues of going concern and the Ascent LLP accounts are produced on this basis. There are however potential long-term challenges and these are described in that Narrative Report. As one of the two equal Designated Members of the Joint Venture, the Council is represented on the Board of Members of Ascent LLP, where strategic options are being considered. The need for affordable housing in the area - the prime purpose of the entity - and market conditions for such continue.

Impairment
During the year Ascent has undertaken an impairment review to consider whether there are any triggers. As a result of this review, an impairment of £211,000 has been included in the accounts reducing the value of Fixed Assets (equivalent to non-current assets) in the Statement of Financial Position (equivalent to the balance sheet) and making a charge against the Operating Expenditure in the Statement of Comprehensive Income (equivalent to the comprehensive income and expenditure statement). This relates to the roof at Daisy Haye, Leek which has been inspected and requires replacement significantly earlier than originally planned.

Loan
A Deed of priority between the Designated Members of the Joint Venture (the Council and Your Housing Group Limited) and the Joint Venture entity (Ascent Housing LLP) states that the Council would become a preferential creditor for any proportion of the £20million loan as described in the Capital Commitments note above, which were still outstanding in the event of the winding-up of the entity. To further recognise this risk, the Council charges a 1.25% interest premium in addition to the normal interest on the loan.

Debenture
As well as the Council, the other investor in the entity, Your Housing Group Limited, has also provided a £5million debenture to Ascent LLP. The ultimate repayment of these debentures to both Designated Members would be viewed equally.
If, in the event of the winding-up of the entity, all Designated Members did not receive repayment in full of all the sums owed to them, any shortfalls would be apportioned between Designated Members in order that each bears its respective share.

Changes in the level of risks
Aside from the Expected Credit Loss on the Debenture referenced in note 3 and the Impairment in this note, there has been no change in the level of these risks between the current and previous year.

5. Contingent Liabilities
The Ascent LLP accounts disclose one contingent liability: "The Association receives capital grant from the Homes and Community Agency, which is used to fund the acquisition and development of housing properties. In certain circumstances upon disposal of grant funded properties the Group is required to recycle this grant by crediting the Recycling Capital Grant Funding."

6. Ascent Housing LLP
The Ascent Housing LLP Report and Financial Statements for the year ended 31 March 2019 can be obtained from the registered office – 602 Aston Avenue, Birchwood, Warrington, WA3 6ZN.

Accounting Policies

1. General Principles
The Statement of Accounts summarise the Authority's transactions for a financial year and the position at the financial year-end. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. Those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices.
These practices primarily comprise Cipfa's Code of Practice on Local Authority Accounting in the United Kingdom, applicable to the financial year, supported by International Financial Reporting Standards (IFRS).
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 inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments 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.
- The resources available are concentrated on identifying and accruing individual transactions of £5,000 and above.
- An Accumulated Absences creditor balance is maintained to reflect the value of time owed to employees for accrued holidays, TOIL (time off in lieu) and flexitime. This balance is based on an historic value subject to annual review and amendment where there have been significant changes in staff numbers or working patterns.

3. Cash and Cash Equivalents
Cash is represented by cash in hand and deposits with financial instruments repayable without penalty on notice of not more than 24 hours.
Cash equivalents are highly liquid 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.
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. 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.

5. 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 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 assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. 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 amortisation are therefore replaced by the contribution in the General Fund Balance [MRP], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) 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 entitlements 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

The Staffordshire Pension Fund is part of the Local Government Pension Scheme, and is accounted for as a defined benefit 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 future 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 bonds).
- 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 the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the net defined benefit liability (asset) – i.e. the net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Staffordshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 transfers 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.

7. Events after the Reporting Period
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

8. 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.
For most of the borrowings 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.
Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge 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.

Financial Assets
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised costs, except for those whose contractual payments are not solely payment of principal an interest (i.e. where the cashflows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost
Financial assets measured at amortised cost are recognised on the Balance Sheet when the 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the CIES (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 CIES 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 CIES 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.

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 CIES.

Expected Credit Loss Model
The authority recognises expected credit losses on all of its financial assets held at amortised cost, either of a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Finance Assets Measured at Fair Value through Profit or Loss (FVPL)
Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.
The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:
- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

9. 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 in the form of 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 (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

10. 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.

11. Interests in Companies and Other Entities
The Authority has a material interest in Ascent Housing LLP which is a joint venture between the Council and Your Housing Group Limited.
The results of this Joint Venture have been consolidated into the Group Accounts of the Council using the equity method of consolidation under the provisions of IFRS11 Joint Arrangements, IAS28 Interests in Associates and Joint Ventures and IFRS12 Disclosures of Interests in Other Entities.

12. Joint Operations
Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly.
- its liabilities, including its share of any liabilities incurred jointly.
- its revenue from the sale of its share of the output arising from the joint operation.
- its share of the revenue from the sale of the output by the joint operation.
- its expenses, including its share of any expenses incurred jointly.

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 First In First Out [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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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. 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 (where applicable–may not be a finance charge e.g. leases in regard to land.)

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 (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

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

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

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current 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.

16. 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
- 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 current 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 current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure 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 historic cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).

- surplus assets – the measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets that have short useful lives or low values (or both), depreciated historic cost basis is used as a proxy for current value.
Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service

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

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

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

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

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

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

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.

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 losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure 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. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within 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 non-current 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.
- where assets comprise two or more components any change in overall valuation will not simply be applied to the overall asset but assigned to its component parts in accordance with any split provided by the valuer.

Derecognition
When a component is replaced or restored the old component should be "derecognised" (written off) to avoid double counting. Under the Code, derecognition is required to ensure the asset carrying values are not materially overstated. To this end the following principles will be applied when calculating derecognition 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 derecognition.
  - on assets valued at under £800,000, only capital spending greater than £160,000 (20%) will be considered for derecognition.
  - on all assets, capital spending lower than £160,000 will be treated as an enhancement without any derecognition.
- **Determining Derecognition Values**
  - derecognition 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.

De Minimis
Where the gross value of a Property asset is £10,000 or less it is included on the Balance Sheet at its carrying value without further revaluation, depreciation or impairment. These assets are subjected to an annual internal review. Where this identifies the potential for a significant increase that would take carrying values above £10,000, a formal valuation will be triggered.

17. 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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an 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 against the provision carried in the Balance Sheet.

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.

18. Reserves
Reserves equate to the residual value of the Authority's assets after deducting all its liabilities. They are reported on the Balance Sheet under two categories:

Usable 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.

Unusable Reserves
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. They are of two kinds:

a) those that hold unrealised gains and losses. Arising from changes in Asset or Liability valuation, where gains/ losses will only be released once the Asset/ Liability is disposed of
b) adjustment accounts that carry a balance reflecting the timing difference between income and expenditure as recognised under accounting standards and that required under statute.

These reserves, explained in the relevant policies and Statement notes, are Revaluation Reserve [(a) capital], Deferred Capital Receipts Reserve [(b) capital], Capital Adjustment Account [(b) capital], Pensions Reserve [(b) employees], Accumulated Absences Account (b), Financial Instrument Adjustment Account (b), Collection Fund Adjustment Account (b).

19. 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.

20. 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.

21. Heritage Assets
Heritage Assets 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 Nicholson Museum & Art Gallery within the Nicholson 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 of items (e.g. fountains, wells etc.) considered significant to the heritage of the district.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, as detailed below.
Both the Civic Regalia and Nicholson collections are held on the Balance Sheet at Insurance Value which is based on market value. It is considered that they have an indefinite life and therefore Depreciation is not charged. 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.
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 tends 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. However, an annual review of such assets is undertaken to ensure that this assumption remains valid.

22. Council Tax and Non-Domestic Rates
Billing authorities act as agents, collecting Council Tax and Non-Domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionally the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet included the Authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

23. Fair Value Measurement

The Authority measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

24. Presentation of Items in Other Comprehensive Income & Expenditure

The Authority does not have any transactions in Other Comprehensive Income and Expenditure which are reclassifiable to the Surplus or Deficit on the Provision of Services and has therefore not split Other Comprehensive Income and Expenditure into those items that will, or will not, be reclassified subsequently to the Surplus or Deficit on the Provision of Services when specific conditions are met.

Glossary of Financial Terms

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 reporting date.

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

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 pension 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.

Amortised cost
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Asset
An asset is something that the Council owns that has a monetary value. Assets are either 'current' or 'non-current'. A current asset will be used by the end of the next financial year, whereas a non-current 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 reporting date.

Balances
Reserves held in Council funds at the reporting date.

Capital Adjustment Account
Provides a balancing mechanism between the cost of non-current assets consumed and the capital financing set aside to pay for them. (Introduced by the 2007 SORP (Statement of Recommended Practice), it replaced the Capital Financing Account.)

Capital Charges
The depreciation charge covering non-current assets used in the provision of services.

Capital Expenditure
Spend on the acquisition of non-current 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.

Chartered Institute of Public Finance and Accountancy (CIPFA)
The professional accountancy body concerned with local authorities and the public sector.

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 central government, other authorities and the Council's own demand.

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 asset or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Creditors *(Payables)*
Amounts owed by the Council for goods and services, where payments have not been made at the reporting date.

Current Assets
Items that can be readily converted into cash.

Current Liabilities
Items 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.

Depreciated Replacement Cost (DRC)
A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all the relevant forms of obsolescence and optimisation.

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

Earmarked Reserves
Reserves set aside for a specific purpose, a particular service, or type of expenditure.

Events after the Reporting Period
Events, both favourable and unfavourable, which occur between the reporting date and the date on which the Statement of Accounts is signed by the responsible financial officer.

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

Fees and Charges
Income arising from the provision of services.

Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of a non-current 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 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.

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.

General Fund (GF)
The main revenue fund of a billing authority. Day-to-day spending on services is met from the fund.

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 and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants
Assistance by government, its 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.

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 value or use of resource.

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 assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Examples of such assets are highways and footpaths.

Intangible Assets
Non-financial non-current 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.

International Financial Reporting Standards (IFRSs)
A suite of accounting standards used across the world and prepared by the International Accounting Standards Board (IASB). IFRS is the international equivalent of the Financial Reporting Standards (FRSs) formerly used in the UK. IFRSs apply to local authorities and any departure from these must be disclosed in the published accounts.

Investment Properties
Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Joint Operation
Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators.

Joint Venture
Arrangement under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint venturers have the rights to the net assets of the arrangement.

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.

Liability
A present obligation of the Authority, settlement of which is expected to require the outflow of resources such as cash or the provision of a service.

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

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 reporting date.

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.

Net Book Value
Amount at which non-current assets are included in the balance sheet, i.e. their historic 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.

New Homes Bonus
A reward grant paid to authorities based on the number of new homes built or brought back into occupation. A premium is paid for affordable homes included in these numbers.

Non-Current Assets
Asset that yields benefits to the Authority and the services it provides for a period of more than one year.

Non-Domestic Rates (NDR)
Amounts payable to local authorities from Non-Domestic Rates properties: 50% is distributed to Central Government; 9% to the County Council; 1% to the Fire Authority; and 40% is retained by the Council.

Non-Operational Assets
Non-current assets held by the 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
Non-current assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Precept
Demands made upon the collection fund by Central Government and other authorities (Staffordshire County Council, Staffordshire Fire & Rescue Authority,

Staffordshire Police and Town & Parish Councils) for the services they provide.

Provisions
Amounts set aside 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. The best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Prudence
An accounting concept that revenue is not anticipated, but is recognised only when it is realised in the form of cash or 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 Expenditure
Expenditure on the day-to-day running of the Council, including employee costs, running expenses and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
Expenditure classified as capital for funding purposes which does not result in a non-current asset being carried on the Balance Sheet. This would include capital grants or renovation grants to private persons.

Revenue Support Grant (RSG)
Grant paid to local authorities by Central Government to help finance its general expenditure, RSG has been phased out over the last few years. The Council received its final instalment of RSG in 2018/19.

Section 106 (S106)
This section of the Town and Country Planning Act 1990 enables legal agreements between planning authorities and a developer where, on being granted a planning application, the latter may be obliged to provide additional funding for specified services.

Short-Term Investments
An investment that is capable of realisation within a year of the reporting 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.

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 Authority will derive benefits from the use of a non-current asset.

Independent auditor’s report to the members of Staffordshire Moorlands District Council (to be inserted on completion of audit)

Independent auditor's report to the members of Staffordshire Moorlands District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Staffordshire Moorlands District Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Statement of Accounting Policy, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Notes to the Financial Statements, the Collection Fund Statement, the Notes to the Collection Fund Account, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Accouning Policies, the Notes to the Group Accounts and the Accounting Policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director and Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director and Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Executive Director and Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

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

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

Responsibilities of the Authority, the Executive Director and Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 24, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director and Chief Financial Officer. The Executive Director and Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director and Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director and Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Regulatory Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves 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 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Stafforshire Moorlands District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Patterson

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

31 July 2019