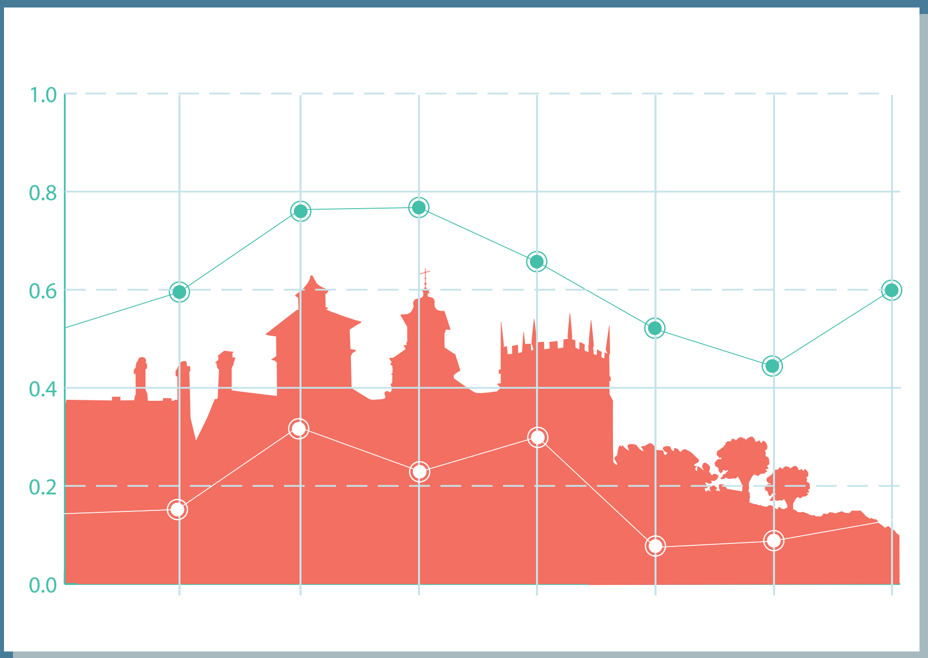
STAFFORDSHIRE
moorlands
DISTRICT COUNCIL
ACHIEVING • EXCELLENCE

Statement of Accounts
2015-2016



INVESTORS IN PEOPLE | Gold

POSITIVE ABOUT DISABLED PEOPLE

Contents

Chief Finance Officer’s Narrative Report

The Council’s Statement of Accounts for the year ended 31 March 2016, together with the accompanying notes, explain how the Council spent your council tax 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 with the Council’s Medium-Term Financial Plan, details of the financial performance for 2015/16, a focus on the Council’s Corporate Plan 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 has a current population of just over 97,000 and covers an area of 57,600 hectares situated between the City of Stoke on-Trent and the Peak District National Park. The District continues to face significant financial challenges 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 emphasis on locally generated income streams 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.

Future challenges and opportunities

The below paragraphs set out some of the more significant developments which have a potential impact on the financial position of the Authority.

Changes to Local Government Finance

In November 2015, the Chancellor’s Autumn Statement set out the strategic direction for public expenditure, which outlined a number of changes to local government financing which will have a significant impact of the Council’s finances over time. These included:-

- By 2020, Authorities will retain 100% of Business Rates revenues. As part of the current Business Rates retention system, Authorities are able to retain a 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 growth levy payable to Government. There remains uncertainly surrounding how the new system will be phased in and in what form – a consultation document is due for release during 2016.

Therefore, no financial assumptions based on the new system have been included with the Council's financial plan at this stage - these will be fed into the plans once we have more certainty around how the system will operate.

- Proposals for consultation to amend the current New Homes Bonus settlement which is currently a significant source of income to the Authority, proposals include:
    - A reduction in the number of years for which the Bonus is paid from the current 6 years to 4 years from 2018/19;
    - Withholding the Bonus from areas where an authority does not have a Local Plan in place;
    - Abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal;
    - Potentially adjusting the Bonus to reflect estimates of deadweight (expected development)
- 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 for Revenue Support Grant (the Local Government core grant) which included the phasing out of the grant by 2020.

The Government also 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. This has impacted on the Ascent business plan (the joint venture company established by the Council and Your Housing Group) to deliver affordable housing across the District. Consequently, forecast revenue receipts have been revised to account for the reduction in rental income, this will be continually reviewed with a view to mitigating the financial impact of the changes.

Efficiency Programme

2015-16 was the second year of the Council's current 3 year Efficiency and Rationalisation Programme, which targets £2.26m in financial savings by the end of 2017/18 via a number of specific projects:-

Efficiency Programme	3 Year Target Saving
Enhancing Income and Improving Trading	£267,440
Extending Shared Services	£125,000
Corporate Efficiency Projects	£1,180,000
Service Reviews	£535,000
Innovation & Growth	£150,000
TOTAL	**£2,257,440**

One of the most significant efficiency projects which progressed during 2015/16 was the service review process which aims to fundamentally change the way in which services work, adopting a multi-skilled, streamlined approach in order to become more efficient. Consequently service structures have been reviewed on this basis in order to achieve the savings target of £535,000 which will be fully realised over the next 3 years.

Future Budget Pressures

In addition to the existing efficiency programme, the current MTFP identifies a budget shortfall of £1.6 million by 2019/20. This will potentially be partially met from the new localised Business Rates retention system as discussed above. There are also potential savings that will generate from significant projects and procurement activity planned over the life of the MTFP.

The Council is progressing the 'channel shift' project, which focuses on changing the way in which our customers interact with the Council with the enhanced use of technology. The aim of which is not only to achieve financial savings but also to improve the customer experience and streamline internal processes.

There are also a number of large scale procurement projects that will either be completed by the end of the current MTFP or the initial review work will be commenced. Such projects include the Facilities Management contract expiring during 2016/17, work in preparation for the expiry of the Leisure Contract and a review of the provision of Waste Management.

These exercises aim to have a positive financial impact on the authority.

2015-16 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 2015/16 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 original net Revenue budget of £10,233,010 set by the Council for 2015/16 anticipated a £299,140 contribution to reserves in the year. Subsequently £151,820, an unused balance brought forward from 2014/15, was allocated out of reserves to support additional activities in the year. While this increased the budget to £10,384,830 it reduced to £147,320 the net contribution to reserves anticipated for the year.

What we actually spent

The Authority's actual performance against budget resulted in a £1,006,160 operating surplus in 2015/16, generated as set out in the table below.
Funding levels achieved were £362,091 above expectations with the majority arising from better than anticipated levels of retained business rates accruing to the year.
Actual spend on activities during 2015/16 was £433,864 lower than anticipated. The under spend was due to savings made across a number of Council services. Other service areas however came under operational cost pressures requiring a net use of reserves of £62,885. This produced, when compared to the contribution into reserves of £147,320 originally budgeted, a further £210,205 boost to the operating surplus. Adjusting the operating surplus for the actual use of reserves gives the figure by which the Authority's usable reserves increased in the year, £943,275.

		Budget £	Actual £	Variance £
Activites		10,384,830	9,950,966	(433,864)
Funding:	External	(10,532,150)	(10,894,241)	(362,091)
	Reserves	147,320	(62,885)	(210,205)
Operating Deficit / (Surplus) in the Year			(1,006,160)	(1,006,160)
Adding back the actual net use of reserves in year				62,885
Gives the increase in Reserves Generated in 2015/16				**(943,275)**

As illustrated below the surplus generated increased the value of the Authority's usable reserves to £7.721million.

Revenue Reserves	Brought Forward £000	2015/16 Net Change £000	2015/16 Revenue Balance £000	2015/16 Applied to Capital £000	Carried Forward £000
Capital Support	925	0	925	(728)	197
Earmarked	2,869	(210)	2,659	0	2,659
General Revenue	2,984	1,153	4,137	0	4,137
	6,778	**943**	**7,721**	**(728)**	**6,993**

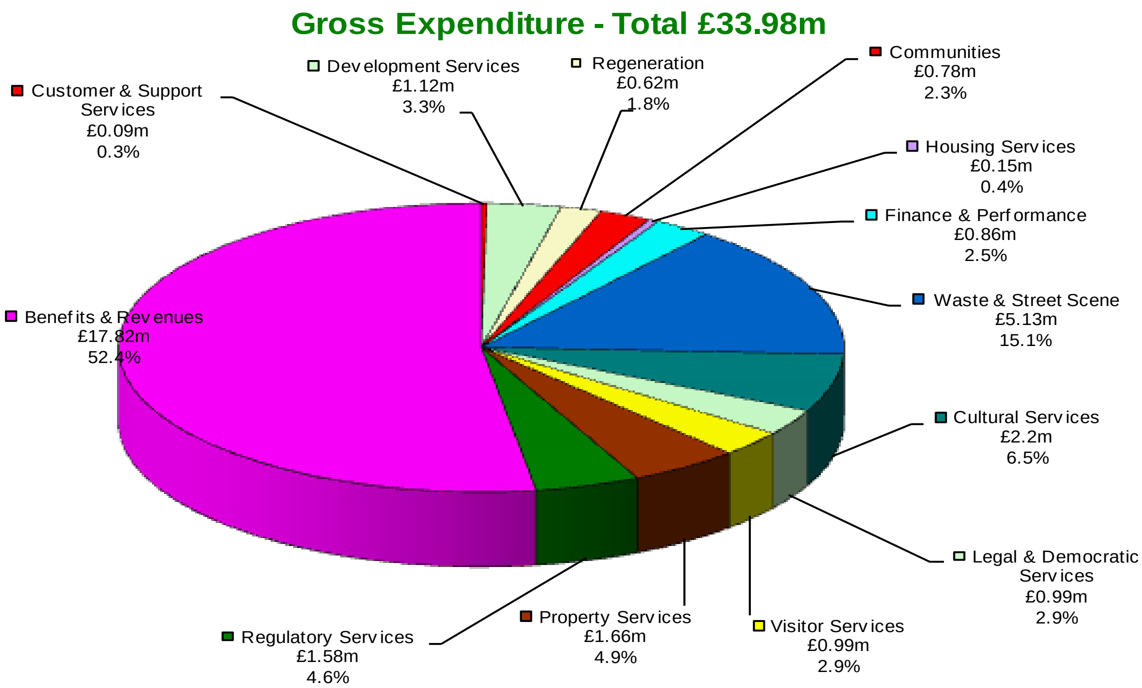
Both the capital and earmarked reserves have been built up over time to provide funding for future projects and specific activities in line with the Authority's medium term aims and objectives. During 2015/16 £728,000 of the Capital Support reserve was used to support the Authority's capital programme. 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 2015/16 the reserve stood at £4.137million, which means that a surplus of £3.137million is potentially available to support future spending plans. Of this £926,000 has been earmarked for specific purposes, including a £803,000 contribution to the Capital Support reserve.

A further £41,000 relates to a small number of projects that were not completed in 2015/16 where the budgets are to be applied in 2016/17.As illustrated in the table below this leaves £2.17million of general reserves available to support future activities.

Revenues Reserves	Earmarked £000	General £000	Total £000
Year End	2,856	4,137	6,993
Redesignated	926	(926)	0
Minimum Contingency	0	(1,000)	(1,000)
Budget Carry Forward	0	(41)	(41)
	3,782	**2,170**	**5,952**

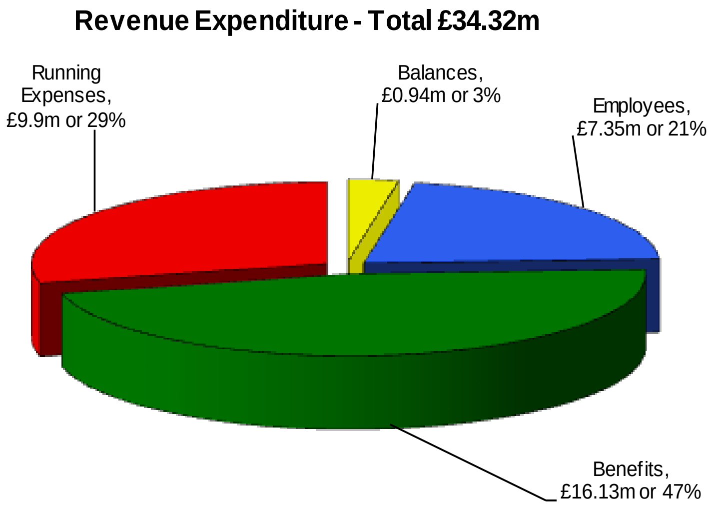
How the money was spent

The Comprehensive Income & Expenditure Statement (page 23*)* summarises the resources that have been generated and consumed in providing services and managing the Council this year. It shows Gross Expenditure for the year was £33.98million across the eight defined service areas. These are common to all councils to facilitate comparison, but they do not match the service areas around which this Council is organised. The chart below illustrates the profile of total expenditure based on the structure of this Council.



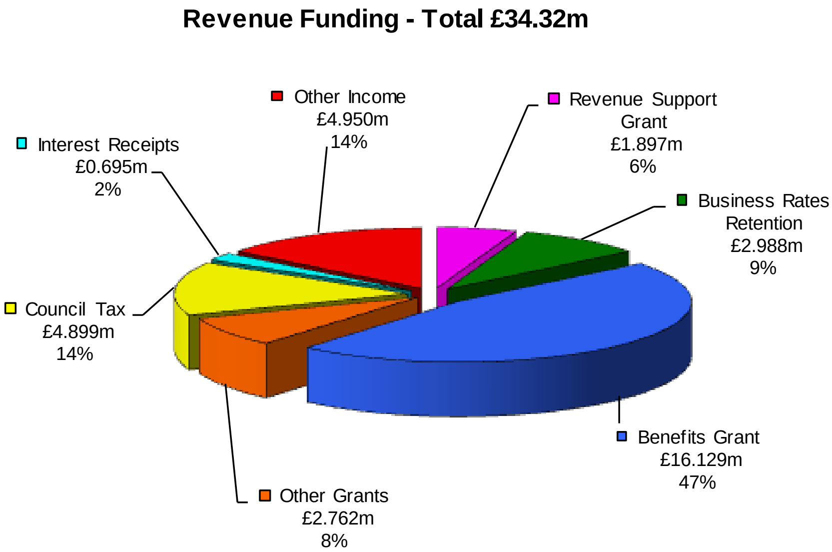
Gross expenditure includes nominal charges made for the use of capital assets and future pension liability. Their inclusion is a requirement to allow comparison between Councils as to the true cost of providing services. Statutory provisions however require that such charges are excluded from the amount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

Revenue expenditure for the year was £34.32million. Although this figure is not separately identified in any of the statements, it represents actual revenue resources applied during the year. The three main categories of spending are employee costs, running expenses and housing benefit payments. Running expenses include maintenance of buildings, vehicle costs, and supplies and services. The chart above illustrates the proportion in which expenditure was incurred on these categories of expenditure. The largest element at £16.13million is the payment of Housing Benefits on behalf of Central Government.



How it was paid for

Excluding the £16.13million Housing Benefits grant from Central Government, the graph below illustrates the continuing shift in Local Government finance to generate income locally and become self financing. Of the remaining £18.19million in funding (excluding the Benefit grant) 75% (£13.5million) are locally generated income streams from Council Tax, Business Rates and fees and charges. Of the £2.76million 'other grants' £1million relates to New Homes Bonus grant – Government grant which the Authority benefits from as a result of growth in housing within the District.

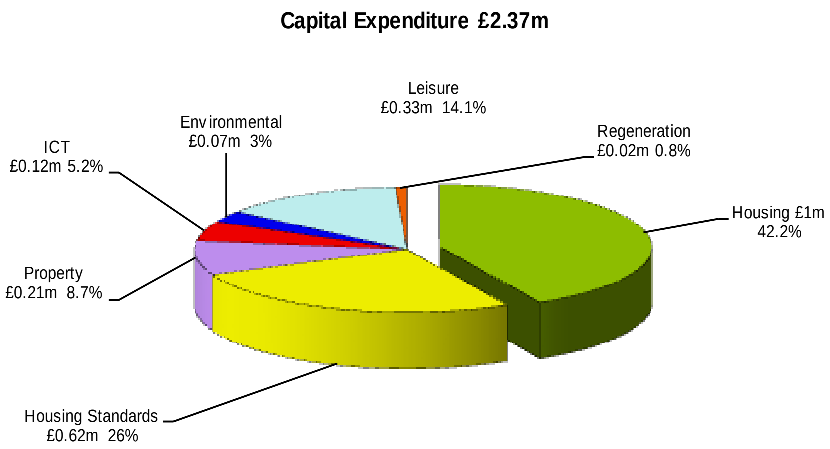


Capital Spending

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 2016 and included capital commitments of £10.2million over the period 2015/16 to 2019-20.

How the money was spent

The actual spending in 2015/16 was £2.37 million. This spend was less than that budgeted for the year owing to the re-profiling, within the overall programme, of support given to the Affordable Housing Joint Venture. Major areas of capital expenditure and significant individual projects included:

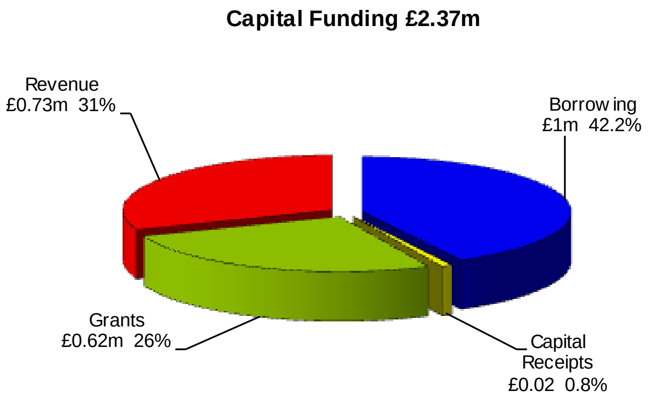


- Housing – funding of Ascent Housing LLP the Joint Venture company set up with the Your Housing Group to provide Affordable Housing in the District, (£1m)
- Housing Standards - disabled facilities grants, (£0.62m);
- Property – maintenance of Council properties and amenities, (£0.21m);
- Leisure Services – investment in Sports villages and outdoor facilities, (£0.33m)

How it was paid for

There are a number of sources by which the Council can fund capital expenditure. The funding of the 2015/16 capital programme is illustrated below:

- Borrowing – the Council has borrowed £1million to provide funding for Ascent Housing LLP as part of its affordable housing strategy.



- Revenue Reserves – over time the Council has built up revenue reserves for the purpose of supporting future capital projects. Some £0.73million was applied to fund the 2015/16 programme.

The Balance Sheet Perspective

At the end of 2015/16 the Authority's net worth, as reported on the Balance Sheet, stood at a net asset value of £4.579million. When compared to an opening liability of £5.3million at the beginning of the year this represents an increase in net worth of £9.879million.

	31 March 2015 £000	31 March 2016 £000
Long Term Assets	46,765	50,381
Net Current Assets (debtors, stock, less creditors, other liabilities)	(130)	3,089
Pensions Liability	(41,593)	(35,330)
Other Long Term Liabilities and Provisions	(10,342)	(13,561)
Net Assets	**(5,300)**	**4,579**
Represented by: Usable Reserves	**6,941**	**7,208**
: Unusable Reserves	**(12,241)**	**(2,629)**

How can the Authority have experienced such an increase in value when it only generated additional reserves of £943,000 from its revenue activities during the year? The answer is a combination of an increased valuation of its non-current assets and a change in the Authority's long term pension liability as at the 31st March 2016.

- Non-current Assets – all the property plant and equipment owned by the Authority are professionally valued on a five year rolling cycle to ensure that their carrying value on the Balance Sheet reflects an up-to-date position. Among the properties re-valued in 2015/16 were some of the more significant assets held by the Council, such as its three Leisure Centres. The cumulative impact of increased valuations and other movements across all properties was to add some £2.5million to the net value of the Authority's Balance Sheet.
- 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 15/16 reduced the liability reported on the Balance Sheet by £6.2million to £35.3million. This in-year change was primarily owing to an increase in the value of inflation adjusted bond yields which are used as a principal measure of the scheme's assets and liabilities. As such it is an example of how market conditions at the time of measurement can have a material impact on the reported valuation. That said, 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.

- Borrowing – there has been an increase of £3.5million in the Council's long term borrowing which now stands at £12million. Of the increase £2million replaced short term borrowings and the rest supported the Authority's capital programme. Fluctuations in short term borrowing are a normal part of the Council's management of its cash flows. The increase in long term borrowing results from the Authority's investment, through its capital programme, in the development of affordable housing in the district. The main vehicle for this strategy is Ascent Housing, the Authority's joint venture with the Your Housing Group. By the end of 15/16 the Council's investment with Ascent Housing stood at £19million. Under the terms of the joint venture this investment will be recouped over time through the distribution of rents and sales proceeds of the affordable housing being developed by Ascent. This return on the investment supports the increase in long term borrowing required to fund it.

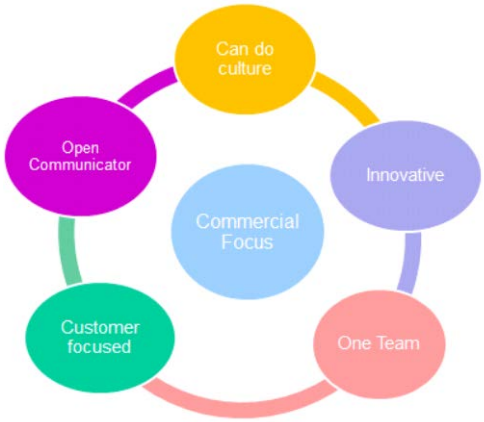
The Council's Corporate Plan

Following the local elections in May 2015, the Council has developed a new Corporate Plan 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 has undergone a fundamental review in 2015/16 and now reflects the three pillars of value for money: economy, efficiency and effectiveness and is fully aligned to the Council's new corporate objectives.

Last year also saw the completion of a programme of Council-wide Service Reviews as part of the SHAPE programme. This programme has led to significant changes to traditional ways of working, with the introduction of team hubs and a more agile, flexible approach that supports our One Team 2016 project across the Alliance. This new organisational landscape required a new set of core values that underpin and promote the new approach (as illustrated)



Our Performance in 2015/16

The Council used a range of financial and other indicators to measure performance in 2015/16. At the end of March the majority of targets for the year had been met; 71% of the dashboard performance targets were met – this represented a 6% improvement on the previous year. In terms of year on year trends, our results show that over half of all our performance indicators show improved results on 2014/15.

Those dashboard targets that were achieved include; housing benefit processing, major planning application processing, affordable homes delivered, waste and recycling indicators, leisure facility visitor numbers and compliant food premises. The five dashboard indicators that were off-track include; percentage of calls answered, percentage of minor planning applications determined within 8 weeks, sickness absence, and the number of fly-tipping incidents and enforcements.

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 LGA's online benchmarking tool 'Inform'.

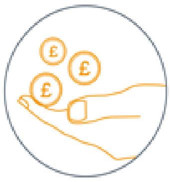
Delivering against our Corporate Aims

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:

- ✓ Developed and completed the handover of Biddulph Bowling Green
- ✓ Reformed the Staffordshire Moorlands Sports Council to provide more opportunities for clubs and partners to share information and good practice, with a view to attracting additional funding for projects in the District.
- ✓ Ran multi-agency training sessions on the new crime and policing powers with around 120 people attending four sessions across the Alliance and restructured our Community Safety Partnership to firmly embed the powers within partnership working. We also represented the authority on task-and-finish groups in Staffordshire to help shape the County-wide approach to responding to the powers
- ✓ Delivered 19 affordable homes, on top of the 225 delivered in 2014/15 through Ascent our joint venture company with Your Housing

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:



- ✓ Started work on improvements to Biddulph Town Hall to provide better customer access points and increased facilities for partners sharing the space.
- ✓ Rolled out tablets to all Councillors to reduce printing and postage costs and move to a paperless approach for all member meetings
- ✓ Developed a Customer Access Strategy which underpins our approach to channel shift in order to create more choice and future cost-savings through increased self serve.
- ✓ Completed service reviews for all staff across the Council with new job descriptions, work hubs and new ways of working as joint teams across the Alliance
- ✓ Met our collection targets for Council Tax and Business Rates

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:

- ✓ Achieved over 5,500 responses to our Local Plan consultation, which when adopted will set the strategy for development within the District
- ✓ Held a successful year of varied events and exhibitions at The Nicholson Museum & Art Gallery.
- ✓ Delivered an e-newsletter to a growing panel of businesses signposting funding advice and opportunities as part of our business engagement programme

- ✓ Determined 96% of ‘major’ planning applications on time and launched weekly planning surgeries to offer guidance and advice for customers using the development service

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:

- ✓ Achieved ‘green flag’ status for Ladderedge Country Park in Leek
- ✓ Awarded a contract for organic waste transport and treatment in the Moorlands which will save an estimated £57,000 per annum
- ✓ Gained positive HSE inspections for our waste and recycling services, with two projects identified as best practice
- ✓ Carried out 100% of ‘high risk’ premises interventions for health and safety, food and housing disrepair
- ✓ Achieved an estimated 56% recycling rate
- ✓ Met our hot spot inspection targets in relation to dog fouling, litter, and detritus levels

Key Strategic Partnerships

Strategic Alliance

In 2009 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.

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. 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 the Authority’s main 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.

Explanation of the Financial Statements

The Statement of Accounts for the year ended 31st March 2016 has been prepared in accordance with the Accounts and Audit Regulations 2011. The format reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom and the Service Accounting Code of Practice (2014/15), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code of Practice on Local Authority Accounting complies with International Financial Reporting Standards (IFRS) which is a suite of accounting standards used across the world.

The Council's core financial statements, beginning at page 20, are listed below along with a brief explanation of their purpose:

- ***Movement on Reserves -*** this statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to/from earmarked reserves undertaken by the council;

- ***Comprehensive Income & Expenditure Statement*** – this statement is fundamental to the understanding of the Council's activities, in that it reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers;

- ***Balance Sheet*** - this explains the Council's financial position at the year-end. It provides details of the Council's balances and reserves and its long-term indebtedness. It also 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 a consolidated Group Accounts for those subsidiaries, associates and joint ventures the Council has a material interest in. In 2015/16, the Council has just one material interest in Ascent Housing LLP; a joint venture in which it holds a 49% share.

The 2015/16 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.

Date: 30th June 2016

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

Executive Director & Chief Finance Officer

CERTIFICATE OF APPROVAL BY AUDIT & ACCOUNTS COMMITTEE

I confirm that these accounts were approved by the meeting of the Audit and Accounts Committee held on 29th September 2016

Councillor Jim Davies

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 2016).

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 2016 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 on pages 85 - 95 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 2015/16.

2. Accounting Standards Issued, Not Adopted

The 2016/17 Code of Practice introduces changes to a number of the reporting standards to be applied to future Statements. Consideration has been given as to what the impact would have been on these Statements had they applied in 2015/16.

Employee Benefits (IAS 19): Defined Benefit Plans: Employee Contributions
Requires that contributions from employees or third parties be considered when accounting for defined benefit plans. Such contributions, where linked to service, are to be accounted for as a reduction of service cost.

Joint Arrangements (IFRS 11): Accounting for Acquisitions of Interests in Joint Operations
Amendments to this standard have had the result that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs, with the exception of those principles that conflict with the guidance in IFRS 11.

Property, Plant and Equipment (IAS 16) and Intangible Assets (IAS 38): Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments to the above standards explain that it is not appropriate to use revenue based methods to calculate depreciation or amortisation, because revenue generated by an activity that includes a use of an asset, generally reflects factors other than the consumption benefit.

Presentation of Financial Statements (IAS 1): Disclosure Initiative
The amendment to the Code for Local Authorities clarifies, rather than significantly changes the existing IAS 1 requirements.

While the above would not have had a material impact on the figures within the 2015/16 Statements, the changes outlined below would have significantly altered the way they were presented.

Changes to the formats of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
Further changes to the presentation of the financial statements in two areas:

- Reporting on an organisational basis, breaking the mandatory link between the Service Reporting Code of Practice (SERCOP) and the Comprehensive Income and Expenditure Statement (CIES)
- Introduction of a new Funding Analysis as part of the narrative report, to provide a direct reconciliation between funding and budget, and the CIES. The Funding Analysis will be supported by a streamlined Movement In Reserves Account (MIRS) and replaces the current segmental reporting note.

3. 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:

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

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

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is

	engaged to provide the Authority with expert advice about the assumptions to be applied. A 1% change in the assessed carrying value of the Authority's pension liability equates to £353,300.
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 £335,970.

5. Restatement of Previous Years

There have been no changes in the accounting code and policies, as applied to these Statements, that have required the restatement of comparative information from previous years.

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.

Movement in Reserves Statement

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2014		**(2,971)**	**(3,273)**	**0**	**(164)**	**(6,408)**	**3,250**	**(3,158)**
(Surplus) or deficit on the provision of Services		3,471	0	0	0	**3,471**	0	**3,471**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	4,987	**4,987**
Total Comprehensive Income and Expenditure		**3,471**	**0**	**0**	**0**	**3,471**	**4,987**	**8,458**
Adjustment between accounting basis & funding basis under regulations	6	(4,704)	700	0	0	**(4,004)**	4,004	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		**(1,233)**	**700**	**0**	**0**	**(533)**	**8,991**	**8,458**
Transfers to/(from) Earmarked Reserves		1,221	(1,221)	0	0	**0**	0	**0**
(Increase)/Decrease in 2014/15	**12**	**(12)**	**(521)**	**0**	**0**	**(533)**	**8,991**	**8,458**
Balance at 31 March 2015		**(2,983)**	**(3,794)**	**0**	**(164)**	**(6,941)**	**12,241**	**5,300**
(Surplus) or deficit on the provision of Services		1,743	0	0	0	**1,743**	0	**1,743**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	(11,622)	**(11,622)**
Total Comprehensive Income and Expenditure		**1,743**	**0**	**0**	**0**	**1,743**	**(11,622)**	**(9,879)**
Adjustment between accounting basis & funding basis under regulations	6	(2,687)	728	(5)	(46)	**(2,010)**	2,010	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		**(944)**	**728**	**(5)**	**(46)**	**(267)**	**(9,612)**	**(9,879)**
Transfers to/(from) Earmarked Reserves		716	(716)		0	**0**		**0**
(Increase)/Decrease in 2015/16	**12**	**(228)**	**12**	**(5)**	**(46)**	**(267)**	**(9,612)**	**(9,879)**
Balance at 31 March 2016 carried forward		**(3,211)**	**(3,782)**	**(5)**	**(210)**	**(7,208)**	**2,629**	**(4,579)**

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.

2014/15				Notes	2015/16		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expendture
£000	£000	£000			£000	£000	£000
1,029	(798)	231	Central Services to the Public		875	(761)	114
2,868	(38)	2,830	Cultural and Related Services		2,645	(115)	2,530
6,641	(2,069)	4,572	Environment and Regulatory Services		6,780	(2,266)	4,514
3,185	(1,284)	1,901	Planning Services		3,008	(1,091)	1,917
623	(727)	(104)	Highways and Transport Services		598	(590)	8
18,412	(16,859)	1,553	Other Housing Services		18,258	(17,584)	674
1,908	(57)	1,851	Corporate and Democratic Core		1,763	(85)	1,678
159	0	159	Non Distributed Costs		56	0	56
34,825	**(21,832)**	**12,993**	**Cost of Services**		**33,983**	**(22,492)**	**11,491**
		1,664	Other Operating Expenditure	3a			1,398
		941	Financing and Investment Income and Expenditure	3b			729
		(12,127)	Taxation and Non-Specific Grant Income and expenditure	3c			(11,875)
		3,471	**(Surplus) or Deficit on Provision of Services**				**1,743**
		(921)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	13			(3,545)
		5,908	Remeasurement of the net defined pension benefit liability	5			(8,077)
		4,987	**Other Comprehensive Income and Expenditure**				**(11,622)**
		8,458	**Total Comprehensive Income and Expenditure**				**(9,879)**

Balance Sheet

The Balance Sheet provides an overall summary of the financial position of the Council as at 31st March 2016. 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 2015 £000		Notes	31st March 2016+E4 £000
27,004	Property, Plant & Equipment	7a	29,607
572	Heritage Assets		572
3,336	Investment Properties	7b	3,339
31	Intangible Assets		79
0	Long Term Investments	14a	0
15,822	Long Term Debtors	9	16,784
46,765	**TOTAL LONG TERM ASSETS**		**50,381**
2,537	Short Term Investments	14d	1,009
133	Inventories		121
4,723	Short Term Debtors	9	3,069
1,387	Cash and Cash Equivalents	8	6,122
8,780	**TOTAL CURRENT ASSETS**		**10,321**
(250)	Cash and Cash Equivalents	8	0
(3,006)	Short Term Borrowings	14a	(2,001)
(5,063)	Short Term Creditors	10	(4,354)
(591)	Provisions	11	(877)
(8,910)	**TOTAL CURRENT LIABILITIES**		**(7,232)**
(8,531)	Long Term Borrowing		(12,072)
(41,593)	Pensions Liability	5c	(35,330)
(1,633)	Other Long Term Liabilities	14a	(1,214)
(178)	Grants Receipts in Advance - Capital		(275)
(51,935)	**TOTAL LONG TERM LIABILITIES**		**(48,891)**
(5,300)	**TOTAL NET ASSETS**		**4,579**
6,941	Usable Reserves	12	7,208
(12,241)	Unusable Reserves	13	(2,629)
(5,300)	**TOTAL RESERVES**		**4,579**

The unaudited accounts were issued on 30th June and the audited accounts were authorised for issue on 29th September 2016.

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.

2014/15 £000		Notes	2015/16 £000
(3,471)	Net Surplus/(Deficit) on the Provision of Services		(1,743)
5,456	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	16a	4,294
(2,591)	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	16a	(671)
(606)	**Net Cash Flows from Operating Activities**		**1,880**
(6,462)	Investing Activities	16c	497
5,025	Financing Activities	16d	2,608
(2,043)	**Net Increase or (Decrease) in Cash and Cash Equivalents**		**4,985**
3,180	Cash and Cash Equivalents at the Beginning of the Reporting Period	8	1,137
1,137	**Cash and Cash Equivalents at the End of the Reporting Period**		**6,122**

Notes to the Financial Statements

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

1. Service Level Income & Expenditure -

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

Central Services to the Public

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

Cultural and Related Services

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

Environmental and Regulatory Services

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

Planning Services

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

Highways and Transport Services

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

Housing Services

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

Corporate and Democratic Core

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

Non Distributed Costs

This includes pension costs for added years and early retirements.

Amounts Reported for Resource Allocation Decisions

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

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

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

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

Service Income and Expenditure 2015/16	**Departmental Administration**	**Revenues & Benefits**	**Development Services**	**Regeneration**	**Communities**	**Customer Services**	**Housing Services**	**Transformation**	**Finance and Performance**	**Waste and Street Scene**	**Cultural Services**	**Human Resources**	**Legal & Democratic**	**Visitor Services**	**Regulatory Services**	**Property Services**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, Charges & other service income	0	(318)	(544)	0	(11)	(25)	(2)	0	(280)	(1,853)	(157)	0	(68)	(795)	(365)	(527)	**(4,945)**
Interest and investment income	0	0	0	0	0	0	0	0	(645)	0	0	0	0	0	0	0	**(645)**
Government Grants	0	(16,799)	0	0	(196)	0	(3)	0	(8)	0	(52)	0	(39)	0	(79)	0	**(17,176)**
Total Income	**0**	**(17,117)**	**(544)**	**0**	**(207)**	**(25)**	**(5)**	**0**	**(933)**	**(1,853)**	**(209)**	**0**	**(107)**	**(795)**	**(444)**	**(527)**	**(22,766)**
Employee Expense	666	644	589	276	271	508	37	142	482	1,827	238	60	273	230	381	245	**6,869**
Interest and Capital provisions	0	0	0	0	0	0	0	0	376	0	0	0	0	0	0	0	**376**
Other Service Expenses	71	16,372	111	196	291	131	2	659	1,445	1,959	1,337	3	681	537	195	1,482	**25,472**
Total Expenditure	**737**	**17,016**	**700**	**472**	**562**	**639**	**39**	**801**	**2,303**	**3,786**	**1,575**	**63**	**954**	**767**	**576**	**1,727**	**32,717**
Net Expenditure	**737**	**(101)**	**156**	**472**	**355**	**614**	**34**	**801**	**1,370**	**1,933**	**1,366**	**63**	**847**	**(28)**	**132**	**1,200**	**9,951**

Comparative for 2014/15:-

Service Income and Expenditure 2014/15	**Departmental Administration**	**Revenues & Benefits**	**Development Services**	**Regeneration**	**Communities**	**Customer Services**	**Housing Services**	**Transformation**	**Finance and Performance**	**Waste and Street Scene**	**Cultural Services**	**Human Resources**	**Legal & Democratic**	**Visitor Services**	**Regulatory Services**	**Property Services**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, Charges & other service income	0	(200)	(767)	0	(10)	(26)	(2)	0	(293)	(1,721)	(117)	0	(133)	(919)	(339)	(524)	**(5,051)**
Interest and investment income	0	0	0	0	0	0	0	0	(402)	0	0	0	0	0	0	0	**(402)**
Government Grants	0	(16,335)	0	0	(155)	(32)	0	0	(6)	0	(2)	0	(8)	0	0	0	**(16,538)**
Total Income	**0**	**(16,535)**	**(767)**	**0**	**(165)**	**(58)**	**(2)**	**0**	**(701)**	**(1,721)**	**(119)**	**0**	**(141)**	**(919)**	**(339)**	**(524)**	**(21,991)**
Employee Expense	605	631	567	316	260	569	36	64	1,323	1,852	274	65	240	326	438	209	**7,775**
Interest and Capital provisions	0	0	0	0	0	0	0	0	199	0	0	0	0	0	0	0	**199**
Other Service Expenses	74	15,857	95	142	270	178	3	637	1,666	1,860	1,273	11	514	526	106	1,526	**24,738**
Total Expenditure	**679**	**16,488**	**662**	**458**	**530**	**747**	**39**	**701**	**3,188**	**3,712**	**1,547**	**76**	**754**	**852**	**544**	**1,735**	**32,712**
Net Expenditure	**679**	**(47)**	**(105)**	**458**	**365**	**689**	**37**	**701**	**2,487**	**1,991**	**1,428**	**76**	**613**	**(67)**	**205**	**1,211**	**10,721**

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

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

	2014/15 £000	2015/16 £000
Net expenditure in the Service Analysis	10,721	9,951
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the CIES not reported to management in the Analysis	2,320	1,419
Amounts included in the Analysis not included in the CIES	(48)	121
Cost of Services in CIES	**12,993**	**11,491**

Reconciliation to Subjective Analysis

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

2015/16	Directorate Analysis £000	Amount not reported to management for decision making £000	Amount not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(4,945)	0	0	285	(289)	**(4,949)**
Surplus or deficit on Financial Instrument Valuation	0	0	0	0	0	**0**
Interest and investment income	(645)	0	0	645	(695)	**(695)**
Council Tax	0	0	0	0	(5,935)	**(5,935)**
Business Rates	0	0	0	0	(2,988)	**(2,988)**
Government Grant	(17,176)	0	0	0	(2,939)	**(20,115)**
Capital grants and contributions	0	(654)	0	0	(13)	**(667)**
Total Income	**(22,766)**	**(654)**	**0**	**930**	**(12,859)**	**(35,349)**
Employee expenses	6,869	107	0	0	1,340	**8,316**
Other service expenses	25,472	0	0	0	0	**25,472**
Support Service recharges	0	0	0	0	0	**0**
Depreciation, amortisation and impairment	0	1,966	0	(434)	0	**1,532**
Interest Payments	376	0	0	(375)	373	**374**
Precepts & Levies	0	0	0	0	1,036	**1,036**
Payments to Housing Capital Receipts Pool	0	0	0	0	1	**1**
(Gain) or Loss on Disposal of Non-current Assets	0	0	0	0	361	**361**
Total expenditure	**32,717**	**2,073**	**0**	**(809)**	**3,111**	**37,092**
Surplus or deficit on the provision of services	**9,951**	**1,419**	**0**	**121**	**(9,748)**	**1,743**

2014/15 Comparatives

2014/15 Comparative figures	Directorate Analysis £000	Amount not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(5,051)	0	0	283	(283)	**(5,051)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**
Interest and investment income	(402)	0	0	402	(447)	**(447)**
Council Tax	0	0	0	0	(5,880)	**(5,880)**
Business Rates	0	0	0	0	(2,619)	**(2,619)**
Government Grants	(16,538)	0	0	0	(3,469)	**(20,007)**
Capital grants and contributions	0	(543)	0	0	(159)	**(702)**
Total Income	**(21,991)**	**(543)**	**0**	**685**	**(12,857)**	**(34,706)**
Employee expenses	7,775	(586)	0	0	1,472	**8,661**
Other service expenses	24,738	0	0	0	0	**24,738**
Support Service recharges	0	0	0	0	0	**0**
Depreciation, amortisation and impairment	0	2,915	0	0	0	**2,915**
Interest Payments	199	0	0	(199)	199	**199**
Precepts & Levies	0	0	0	0	1,030	**1,030**
Payments to Housing Capital Receipts Pool	0	0	0	0	2	**2**
(Gain) or Loss on Disposal of Non-current Assets	0	0	0	0	632	**632**
Total expenditure	**32,712**	**2,329**	**0**	**(199)**	**3,335**	**38,177**
Surplus or deficit on the provision of services	**10,721**	**1,786**	**0**	**486**	**(9,522)**	**3,471**

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

2a. Members' Allowances

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

	2015/16 £	2014/15 £
Allowances	242,014	241,093
Expenses	11,650	15,562
Total	**253,664**	**256,655**

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 equally between Staffordshire Moorlands DC and High Peak Borough Council. 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.

Senior Officers with salary between £50,000 and £150,000 during **2015/16:**

2015/16	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total (inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Executive Director & Chief Financial Officer	120,798	0	6,188	126,986	20,052	147,038	73,519	73,519
Executive Director & Monitoring Officer	115,562	0	3,373	118,935	19,181	138,116	69,058	69,058
Organisational Development & Transformation Manager	65,510	0	964	66,474	10,874	77,348	38,674	38,674
Head of Operational Services	65,497	0	964	66,461	10,873	77,334	38,667	38,667
Audit Services Manager	51,686	0	3,354	55,040	8,580	63,620	31,810	31,810
Democratic & Community Services Manager	53,856	0	1,032	54,888	8,940	63,828	31,914	31,914
Finance & Procurement Manager	51,700	0	964	52,664	8,572	61,236	30,618	30,618
Legal Services Manager**	97,128	0	964	98,092	7,280	105,372	52,686	52,686
	621,737	**0**	**17,803**	**639,540**	**94,352**	**733,892**	**366,946**	**366,946**

** Legal Services Manager post was made redundant during 2015/16 with termination payments of £53,277 included in the above. A further £39,896 is payable to the Pension Fund, in respect of this redundancy, in the form of additional future contributions, £19,948 of which is recoverable from High Peak BC.

Senior Officer with salary over £150,000 during **2015/16**:

2015/16	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Chief Executive Officer								
S Baker	157,775	0	33,220	190,995	26,191	217,186	107,992	109,194

As can be seen from the tables above, there is a recharge to High Peak BC of £474,938 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 £136,547 as detailed below.

2015/16	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Charge to SMDC	Net Charge to HPBC
	£	£	£	£	£	£	£	£
Executive Director	96,272	0	963	97,235	11,705	108,940	54,470	54,470
Head of Regulatory Services	62,932	0	963	63,895	7,803	71,698	35,849	35,849
Visitor Services Manager	60,169	0	963	61,132	0	61,132	24,453	36,679
Assets Manager	57,913	0	963	58,876	7,108	65,984	21,775	44,209
						307,754	136,547	171,207

2014/15 Comparatives

Senior Officers with salary between £50,000 and £150,000 during **2014/15**:

2014/15	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Executive Director & Chief Financial Officer	119,328	0	4,879	124,207	19,808	144,015	72,008	72,007
Executive Director & Monitoring Officer	114,080	0	3,585	117,665	18,937	136,602	68,301	68,301
Planning Applications Manager**	110,925	0	2,274	113,199	1,630	114,829	57,415	57,414
Organisational Development & Transformation Manager	63,912	0	963	64,875	10,609	75,484	37,742	37,742
Head of Operational Services	60,254	0	963	61,217	10,002	71,219	35,610	35,609
Democracticn & Community Services Manager	50,436	0	1,339	51,775	8,372	60,147	30,074	30,073
Regeneration Manager	48,621	0	2,659	51,280	8,071	59,351	29,676	29,675
Audit Services Manager	48,264	0	2,644	50,908	8,012	58,920	29,460	29,460
	615,820	0	19,306	635,126	85,441	720,567	360,286	360,281

** Planning Applications Manager post was made redundant during 2014/15 with termination payments of £99,978 included in the above. A further £85,342 is payable to the Pension Fund, in respect of this redundancy, in the form of additional future contributions, £42,671 of which is recoverable from High Peak BC.

Senior Officer with salary over £150,000 during **2014/15:**

2014/15	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Chief Executive Officer								
S Baker	157,775	0	11,543	169,318	26,191	195,509	97,765	97,744

Senior Officers with between £50,000 and £150,000 charged from High Peak Borough Council during **2014/15:**

2014/15	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to SMDC	Net Charge to HPBC
	£	£	£	£	£	£	£	£
Executive Director	93,748	0	1,311	95,059	11,625	106,684	53,342	53,342
Environmental Health Manager**	84,707	0	281	84,988	6,039	91,027	45,514	45,513
Visitor Services Manager	58,701	0	1,078	59,779	0	59,779	23,912	35,867
Head of Regulatory Services	58,905	0	966	59,871	7,304	67,175	33,588	33,587
Assets Manager	54,645	0	947	55,592	6,776	62,368	20,581	41,787
						387,033	176,937	210,096

** Environmental Health Manager left the Authority in 2014/15 with termination payments of £37,568

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. In 2015/16 8 such departures occurred, their costs and numbers are reflected in the table below.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b)+(c)]		(e) Total cost of exit packages in each band £000	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	0	0	0	3	0	3	0	49
£20,001 - £40,000	0	0	2	5	2	5	56	145
£40,001 - £60,000	0	0	0	1	0	1	0	53
£60,001 - £80,000	0	0	1	0	1	0	61	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	**0**	**0**	**3**	**9**	**3**	**9**	**117**	**247**

In addition to the costs included above, a further £711,198 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, £52,163 was paid by High Peak BC in 2015/16 (£61,218 in 2014/15) in respect of shared employees. High Peak BC is also liable for £208,252 of the future pension costs.

In 2015/16 Staffordshire Moorlands DC was liable for £47,990 in redundancy costs incurred by High Peak BC (£44,904 2014/15).

Additionally, during the period referred to in the table above, two senior officers have left the Authority under the voluntary redundancy programme; one chargeable to 2015/16 and one to 2014/15. Their costs 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.

Related Parties:

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

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

Subsidiary, associated companies or joint ventures – the Strategic Alliance with High Peak Borough Council (see 2f) involves development of joint working at all levels, including shared resources and staff. The two authorities, however, retain their political and financial independence and accountability. 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
Biddulph Citizens Advice Bureau	21
Leek Citizen Advice Bureau	20
Cheadle Citizen Advice Bureau	28

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.

	2015/16 £000	2014/15 £000
Fees payable to the appointed auditors for external audit services carried out for the year	45	60
Fees payable to the external auditors for the certification of grant claims and returns for the year	8	14
Fees payable in respect of other services provided by the external auditors during the year	14	16
Total	**67**	**90**

2e. Interests in companies and other entities

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 to draw on the expertise of both authorities to improve service provision.

Any costs and savings, incurred and accruing in an accounting period, are accounted for by the relevant Authority. The Alliance related expenditure of SMDC amounted to £2,949,610 in 2015/16 (£2,245,431 2014/15). The corresponding Income received from HPBC was £2,344,243 in 2015/16 (£2,960,183 2014/15).

	Paid by SMDC to HPBC £000	Paid by HPBC to SMDC £000
Contribution to Employee Costs	1,440	1,867
Contribution to Other Costs	1,509	477
Total	**2,949**	**2,344**

Parking Board

On the 1 October 2007 the Council took over responsibility for on-street parking within the District, under the control of a county wide Parking Board. Under this arrangement, expenditure relating to the function, including set up costs of the Districts and the County, are to be offset against future revenue streams. Any surplus generated from activities within a District is transferred to the Board. These funds are then reallocated by the Board to the Districts to finance improvements in parking and traffic management. Until revenue streams are sufficient to cover set up and running costs, these balances will be borne by the District and County Council. The responsibility for this function reverted to Staffordshire County Council on 1st April 2015.

Ascent Housing LLP – (Registered Company No OC358082)

Ascent Housing LLP was incorporated as a Limited Liability Partnership on 21 September 2010 as a joint venture of the Council and Your Housing 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 Ltd. Profits are to be distributed according to shareholding. Per Ascent LLP's 2015/16 accounts as adjusted for consolidation under IAS 28 Investments in Associates and Joint Ventures, the company has a net worth of £9.2million as at 31 March 2016 and reported a profit for the year of £0.

A full copy of the Ascent Housing LLP Report and Financial Statements for the Year ended 31 March 2016 can be obtained from Ascent Housing LLP, 602 Aston Avenue, Birchwood, Warrington, WA3 6ZN.

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

2014/15 £000		2015/16 £000
1,030	Parish Council Precepts	1,036
2	Payments to the Government Housing Capital Receipts Pool	1
632	(Gains)/Losses on asset disposal or capital derecognition	361
1,664	**Total**	**1,398**

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

3b. Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000
199	Interest payable and similar charges	374
1,472	Pensions interest cost and expected return on pensions assets	1,339
(447)	Interest receivable and similar income	(695)
(283)	Income and expenditure in relation to investment properties and changes in their fair value	(289)
941	**Total**	**729**

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

2014/15 £000		2015/16 £000
(5,880)	Council Tax Income	(5,935)
(1,983)	Retained Business Rates	(2,239)
(4,105)	Non Ringfenced Government Grants	(3,688)
(159)	Capital Grants and Contributions	(13)
(12,127)	**Total**	**(11,875)**

3d. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16

	2015/16 £000	2014/15 £000
Credited to Taxation and Non-specific Grant Income		
Revenue Support Grant	(1,897)	(2,674)
Capital Grants	(13)	(159)
Council Tax Freeze Grant	(53)	(54)
Business Rates Support Grants	(749)	(636)
New Homes Bonus Grant	(989)	(741)
Total	**(3,701)**	**(4,264)**
Credited to Services		
Housing Benefits	(16,417)	(15,979)
Disabled Facilities Grant	(654)	(543)
New Burdens Grants	(122)	(115)
Safer & Stronger Communities Fund	(63)	(63)
LCTRS Admin Grant	(81)	(90)
Domestic Abuse Grant	(115)	(49)
IER Section 31 Grant	(39)	(40)
Health Grant	(110)	(64)
Other Third Party Funds	(230)	(139)
Total	**(17,831)**	**(17,082)**

4. Termination Benefits

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

5. Retirement Benefits

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

a. Participation in Pension Schemes
b. Transactions relating to retirement benefits
c. Assets and Liabilities in relation to retirement benefits
d. Scheme history
e. Basis for estimating assets and liabilities
f. Sensitivity to changes in actuarial assumptions

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 County Treasurer's Department, 2 Staffordshire Place, Wedgwood Building, Tipping Street, Stafford or via the Fund's website (www.staffspf.org.uk)

Contracted out of the State Second Pension, the Scheme is known 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, the Pension Fund's professionally qualified and independent actuaries and are based on triennial valuations of the fund. The Fund is currently undergoing revaluation as at 31st March 2016 and this will set the required employer contribution rates for the 3 years commencing 1st April 2017. 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.

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:

	2015/16	2014/15
Comprehensive Income and Expenditure Statement:	**£000**	**£000**
Current service cost	(1,393)	(1,103)
Past service cost (including curtailments)	(56)	(96)
Effect of settlements	0	(63)
Net Interest		
Interest cost on defined benefit obligation	(2,762)	(3,204)
Interest income on plan assets	1,423	1,732
Total post employment benefit charged to the Surplus or Deficit on the provision of services	**(2,788)**	**(2,734)**
Remeasurements		
Changes in financial assumptions	7,770	(11,105)
Other experience	1,268	769
Return on assets excluding amounts included in net interest	(964)	4,278
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	**5,286**	**(8,792)**
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	2,788	2,734
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers contributions payable to the scheme	**977**	**2,018**

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-16 £000**	**31-March-15 £000**
Fair value of plan assets	44,328	45,080
Present value of defined benefit obligation	(79,658)	(86,673)
Net asset / (liability) arising from defined benefit obligation	**(35,330)**	**(41,593)**

Comparison with Pension Reserve.

Pension Reserve (Note 12)	(35,725)	(42,287)
Difference	**(395)**	**(694)**

The £395k difference represents year 3 of the Authority's three year fund deficit reduction contributions as determined by the Actuary. By paying the full amount due in 2014/15 (year 1) the Authority gained a cash discount on the total amount payable.

The £6.263 million reduction in the net liability between years is mainly due to rising inflation adjusted bond yields and can be reconciled by reference to the individual changes in liabilities and assets set out in the following two tables.

Reconciliation of Liabilities (Obligations)

Year Ended	**31st March 2016 £000**	**31st March 2015 £000**
Opening defined benefit obligation	**86,673**	**75,200**
Current service cost	1,393	1,103
Interest cost on defined benefit obligation	2,762	3,204
Contributions by scheme participants	321	319
Remeasurements	(9,038)	10,336
Benefits paid	(2,364)	(2,446)
Effect of settlements	0	(999)
Unfunded benefits paid	(145)	(140)
Past service cost (including curtailments)	56	96
Closing Balance at 31 March	**79,658**	**86,673**

Reconciliation of Fair Value of Employer Assets

Year Ended	31st March 2016 £000	31st March 2015 £000
Opening fair value of employer assets	**45,080**	**40,381**
Interest on plan assets	1,423	1,732
Effect of settlements	0	(1,062)
Remeasurements	(964)	4,278
Contributions by the employer	832	1,878
Contributions by plan participants	321	319
Benefits paid	(2,364)	(2,446)
Unfunded benefits paid	(145)	(140)
Contributions in respect of unfunded benefits	145	140
Closing fair value of employer assets	**44,328**	**45,080**

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

Profile of Liabilities	**Liability split 31.3.2016**	**Weighted Average Duration 31.3.2013***
Active members	38.70%	26.6
Deferred members	20.30%	24.2
Pensioner members	41.00%	11.6
Total	**100.0%**	**18.4**

* 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-12 £000	31-Mar-13 £000	31-Mar-14 £000	31-Mar-15 £000	31-Mar-16 £000
Fair Value of Employer Assets	37,841	42,379	40,381	45,080	44,328
Present Value of Defined Benefit Obligation	(65,322)	(75,486)	(75,200)	(86,673)	(79,658)
Surplus/ (Deficit)	(27,481)	(33,107)	(34,819)	(41,593)	(35,330)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £35.33m 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 £4.579 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. In the year ending 31 March 2017, the Council expects to make a contribution of £991,000; having already contributed £395,000 in respect of 2016/17 (part of a 3-year lump sum payment made in 2014).

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 2013.

The principal assumptions used by the actuary have been:

Financial Assumptions

Assumptions as at	31st March 2014 (% per annum)	31st March 2015 (% per annum)	31st March 2016 (% per annum)
Pension Increase Rate	2.80%	2.40%	2.20%
Salary Increase Rate	4.60%	4.30%	4.20%
Discount Rate	4.30%	3.20%	3.50%

Mortality

	31st March 2015		31st March 2016	
Longevity beyond age 65	Males	Females	Males	Females
Current pensioners	22.1 years	24.3 years	22.1 years	24.3 years
Future pensioners	24.3 years	26.6 years	24.3 years	26.6 years

Commutation

An allowance is included for 50% (50% in 2014/15) 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 2015 Fund Value £000	31st March 2015 Asset Distribution %	31st March 2016 Fund Value £000	31st March 2016 Asset Distribution %
Equity Securities					
	Consumer	3,866	9	3,159	7
	Manufacturing	0	0	2,584	6
	Energy & Utilities	1,172	3	1,011	2
	Financial Institutions	2,877	6	2,859	7
	Health & Care	1,892	4	2,381	5
	Information Technology	1,749	4	2,700	6
	Other	3,465	8	53	0
Debt Securities					
	Corporate Bonds (investment grade)	3,422	8	2,231	5
Private Equity					
	All *	1,432	3	1,387	3
Real Estate					
	UK Property *	3,669	8	3,935	9
Investment Funds and Unit Trusts					
	Equities	14,939	33	15,067	34
	Bonds	2,410	5	2,264	5
	Hedge Funds *	1,078	2	1,038	2
	Other *	1,328	3	1,240	3
Cash and Cash Equivalents					
	All	1,781	4	2,421	6
Totals		**45,080**	**100**	**44,330**	**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 31/3/16	Approximate % increase to Employer Liability	Aproximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10.0%	8,210
1 year increase in member life expectancy	3.0%	2,390
0.5% increase in the Salary Increase Rate	3.0%	2,217
0.5% Increase in the Pension increase Rate	7.0%	5,879

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.

2015/16	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	(1,759)	0	0	0	1,759
Impairment / Revaluation losses charged to CIES	0	0	0	0	0
Impairment Written Back - Revaluation Gain	608	0	0	0	(608)
Movements in the fair value of Investment Properties	3	0	0	0	(3)
Amortisation of intangible assets	(12)	0	0	0	12
Capital Grants and contributions applied	0	0	0	0	0
Revenue expenditure funded from capital under statute	(722)	0	0	0	722
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	0	0	0	0
Derecognition of non-current assets as part of the gain/loss on disposal to the CIES	(385)	0	0	0	385
Reversal of items relating to retirement benefits	(2,788)	0	0	0	2,788
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	435	0	0	0	(435)
Capital Grants and contributions applied credited to the CIES	617	0	0	0	(617)
Capital Grants and contributions unapplied credited to the CIES	50	0	0	(50)	0
Employers contribution to pension schemes	1,273	0	0	0	(1,273)
Application of grants to capital financing transferred to the Capital Adjustment Account (Capital Grants Unapplied Account)	0	0	0	4	(4)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	24	0	(24)	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	20	0	(20)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(2)	0	2	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	(3)	0	3
Use of Earmarked Capital Reserve to finance new capital expenditure	0	728	0	0	(728)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(29)	0	0	0	29
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	(69)	0	0	0	69
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	69	0	0	0	(69)
Total Adjustments	**(2,687)**	**728**	**(5)**	**(46)**	**2,010**

2014/15 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	(1,810)	0	0	0	1,810
Impairment / Revaluaton losses charged to CIES	(301)	0	0	0	301
Impairment Written Back - Revaluation Gain	120	0	0	0	(120)
Movements in the fair value of Investment Properties	0	0	0	0	0
Amortisation of intangible assets	(10)	0	0	0	10
Capital Grants and contributions applied	0	0	0	0	0
Revenue expenditure funded from capital under statute	(734)	0	0	0	734
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,009)	0	0	0	1,009
Derecognition of non-current assets as part of the gain/loss on disposal to the CIES	(10)	0	0	0	10
Reversal of items relating to retirement benefits	(2,734)	0	0	0	2,734
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	535	0	0	0	(535)
Capital Grants and contributions unapplied credited to the CIES	702	0	0	0	(702)
Employers contribution to pension schemes	1,174	0	0	0	(1,174)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	531	0	(531)	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	389	0	(389)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals.	(142)	0	142	0	0
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(2)	0	2	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	(2)	0	2
Use of Earmarked Capital Reserve to finance new capital expenditure	0	700	0	0	(700)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(672)	0	0	0	672
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	(321)	0	0	0	321
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	(21)	0	0	0	21
Total Adjustments	**(4,704)**	**700**	**0**	**0**	**4,004**

7. Capital

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

a. Property, Plant & Equipment
b. Investment Properties
c. Assets Held for Sale
d. Valuation information
e. Capital expenditure and financing
f. Information on assets held
g. Commitments on capital contracts
h. Assets Held under Leases – Authority as Lessee
i. Assets Held for 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 2015/16	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 2015	**23,497**	**10,679**	**947**	**440**	**488**	**36,051**
Additions	0	79	0	0	515	**594**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	1,073	0	0	0	0	**1,073**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	608	0	0	0	0	**608**
Derecognition - Disposals *	0	0	0	0	0	**0**
Derecognition - Other --	(272)	(1,210)	0	(52)	0	**(1,534)**
Other movements in Cost or Valuation	862	0	0	0	(862)	**0**
At 31 March 2016	**25,768**	**9,548**	**947**	**388**	**141**	**36,792**
Accumulated Depreciation & Impairment						
At April 2015	**(1,714)**	**(7,333)**	**0**	**0**	**0**	**(9,047)**
Depreciation Charge	(1,001)	(754)	0	(4)	0	**(1,759)**
Depreciation written out to the Revaluation Reserve	2,470	0	0	2	0	**2,472**
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	1,149	0	0	0	**1,149**
Other movements in Depreciation & Impairment	0	0	0	0	0	**0**
At 31 March 2016	**(245)**	**(6,938)**	**0**	**(2)**	**0**	**(7,185)**
Net Book Value						
at 31st March 2016	**25,523**	**2,610**	**947**	**386**	**141**	**29,607**
at 31st March 2015	**21,783**	**3,346**	**947**	**440**	**488**	**27,004**

* There were no asset disposals in the year.

** Obsolete ICT and CCTV systems of £0.94m make up the bulk of other values derecognised in the year.

The Property, Plant & Equipment 2014/15 comparative figures are illustrated below:

Movements in 2014/15	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 2014	**23,329**	**12,573**	**947**	**1,342**	**58**	**38,249**
Additions	9	95	0	0	430	**534**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	559	0	0	26	0	**585**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(81)	0	0	(186)	0	**(267)**
Derecognition - Disposals*	(310)	0	0	(742)	0	**(1,052)**
Derecognition - Other**	(9)	(1,989)	0	0	0	**(1,998)**
Other movements in Cost or Valuation	0	0	0	0	0	**0**
At 31 March 2015	**23,497**	**10,679**	**947**	**440**	**488**	**36,051**
Accumulated Depreciation & Impairment						
At April 2014	**(1,251)**	**(8,427)**	**0**	**(10)**	**0**	**(9,688)**
Depreciation Charge	(914)	(892)	0	(4)	0	**(1,810)**
Depreciation written out to the Revaluation Reserve	336	0	0	0	0	**336**
Depreciation written out to the Surplus/Deficit on the Provision of Services	86	0	0	0	0	**86**
Derecognition- Disposals	29	0	0	14	0	**43**
Derecognition- Other	0	1,986	0	0	0	**1,986**
Other movements in Depreciation & Impairment	0	0	0	0	0	**0**
At 31 March 2015	**(1,714)**	**(7,333)**	**0**	**0**	**0**	**(9,047)**
Net Book Value						
at 31st March 2015	**21,783**	**3,346**	**947**	**440**	**488**	**27,004**
at 31st March 2014	**22,078**	**4,146**	**947**	**1,332**	**58**	**28,561**

* Asset disposals of £0.7m derecognised in the year included the sale of former council offices in Cheadle and land at Victoria Business Park

** Obsolete ICT systems of £1.9m make up the bulk of other asset values derecognised in the year.

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
- Infrastructure - 25 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:

	2015/16 £000	2014/15 £000
Rental income from investment property	(311)	(303)
Direct operating expenses arising from investment	26	20
Net (gain)/loss	**(285)**	**(283)**

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

	2015/16 £000	2014/15 £000
Balance at start of the year	**(3,336)**	**(3,336)**
Additions	0	0
Disposals	0	0
Net (gain) /loss from fair value adjustments	(3)	0
Balance at end of year	**(3,339)**	**(3,336)**

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 3 for valuation purposes (see Note 26 for explanation of fair value levels).

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.

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

The Council carries out a rolling programme that ensures that all Property required to be measured at current value or fair value as appropriate is revalued at least every five years. All 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 is the date that the revaluation was produced.
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.

As a result of the adoption of IFRS 13 all surplus assets were valued at 31st March 2016. In future these assets will be measured as part of the rolling programme. The authority does not have material surplus assets.

In addition to those assets which fell due for revaluation within the rolling programme a specific review on potential valuation changes was undertaken on the authority's more substantial high value assets. As a result of BCIS build rate increases it was deemed appropriate to formally revalue the Council's three Leisure Centres at 31st March 2016 which resulted in a net book value increase of £3.3m

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

	Other Land & Buildings £000	Vehicles, Plant, Equipment £000	Surplus Assets £000	Total £000
Carried at Historical cost		9,548		**9,548**
Valued at Current Value as at:				
31 March 2016	17,482	0	388	**17,870**
31 March 2015	4,889	0	0	**4,889**
31 March 2014	3,032	0	0	**3,032**
31 March 2013	365	0	0	**365**
31 March 2012	0	0	0	**0**
Total	**25,768**	**9,548**	**388**	**35,704**

7e. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year was £2,369,000. In addition £6,000 of vehicles acquired under finance leases in 2015-16 has been added to the balance sheet. 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), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement	**16,064**	**8,034**
Capital Investment		
Property, Plant and Equipment	594	534
Investment Properties	0	0
Intangible Assets	59	0
Revenue Expenditure Funded from Capital under Statute	722	734
Loan (Long Term)	1,000	7,500
Debenture (Long Term Debtor)	0	1,588
	2,375	**10,356**
Sources of Finance		
Capital Receipts	(20)	(389)
Government grant and other contributions	(621)	(702)
Sums set aside from Revenue:		
Direct Revenue Contributions (Including Reserves)	(728)	(700)
MRP/ Loans Fund principal	(435)	(535)
	(1,804)	**(2,326)**
Closing Capital Financing requirements	**16,635**	**16,064**
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,000	8,537
Vehicle hire agreements assessed as finance leases added to balance sheet	6	28
Minimum Revenue Provision	(435)	(535)
Increase /(Decrease) in Capital Financing Requirement	**571**	**8,030**
Net capital investment in year excluding finance leases added to Balance Sheet	*2,369*	*10,328*

Minimum Revenue Provision

The Council is obliged to make an annual charge to revenue for un-financed capital expenditure. The charge is known as Minimum Revenue Provision (MRP). The requirement is based on a simple duty for an authority to make an amount of MRP, which it considers to be "prudent". In 2015/16 the Council made MRP of £435,000. The amount relates to the Council's liability to repay the principal element on vehicles plant and equipment acquired under finance leases.

7f. Information on Assets Held

The main assets held by the Council are:

31st March 2015 No.		31st March 2016 No.
3	Town Halls and Council Offices	3
3	Markets	3
2	Industrial Estates	2
16	Public Conveniences	16
1	Depots	1
3	Leisure Centres	3
2	Cemeteries	2
1	Museums	1
31	**Total**	**31**

7g. Construction Contracts and Capital Commitments

At 31 March 2016, the Council had no construction contracts in progress.

At 31 March 2016, the Authority has entered into two contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years – these are shown in the table below.

Commitments of this nature at 31 March 2015 amounted to £556,000.

Scheme	Estimated Values £000	Period Investment will Take Place
Pitch drainage and improvements at Bagnall playing fields for Bagnall PC	65	2016-17
Halls Road Play Area, Biddulph	90	2016-17

In addition there are two significant projects committed in the capital programme with contracts yet to be agreed. The major commitments are:

Scheme	Estimated Values £000	Period Investment will Take Place
Highway completion works Victoria Business Park, Biddulph	160	2016-17
Biddulph Town Hall refurbishment project	485	2016-17

Affordable Housing: At 31 March 2016, 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 to provide affordable housing across the district. At 31 March 2016 £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 has acquired a number of buildings, refuse, sweep and parks vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2016 £000	31 March 2015 £000
Other Land and Buildings	89	90
Vehicles, Plant, Furniture and Equipment	1,794	2,024
	1,883	**2,114**

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

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

	31 March 2016 £000	31 March 2015 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	398	391
• non-current	1,214	1,633
Finance costs payable in future years	348	594
Minimum lease payments	**1,960**	**2,618**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Not later than one year	526	489	398	391
Later than one year and not later than five years	1,430	1,901	1,210	1,460
Later than five years	4	228	4	173
	1,960	**2,618**	**1,612**	**2,024**

Operating Leases

The Council uses leased cars and property financed under the terms of an operating lease. The amount charged under these arrangements in 2015/16 was £84,440 relating to vehicles, plant and equipment (2014/15 £100,483) Only peppercorn rentals are payable on leases relating to other land and buildings.

The future minimum lease payments due under non-cancellable leases in future years are shown in the table below:-

	Vehicles, Plant & Equipment 2015/16 £000
Leases expiring in 2016/17	68
Leases expiring between 2017/18 and 2020/21	64
Leases expiring after March 2021	0
Total	**132**

7i. Asset held for Leases – Authority as the Lessor

Finance Leases

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

Operating Leases

The Authority lets a number of its properties, such as industrial units and office accommodation. In 2015/16 the rental income receivable from this source totalled £318,525 (2014/15 £310,935)

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

	31 March 2016 £000	31 March 2015 £000
Not later than one year	105	134
Later than one year and not later than five years	95	150
Later than five years	317	173
	517	**457**

8. Cash and Cash Equivalents

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

	31 March 2016 £000	31 March 2015 £000
Cash held by the Council	1	1
Bank Current Accounts	1,312	586
Short-Term Deposits	4,809	800
Cash and Cash Equivalents Current Assets	**6,122**	**1,387**
Bank Overdraft	0	(250)
Cash and Cash Equivalents Current Liabilities	**0**	**(250)**

9. Debtors

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

	31 March 2016 £000	31 March 2015 £000
Central Government bodies	285	1,375
Other Local Authorities	1,138	1,768
Other entities and individuals	2,159	2,136
LESS Bad Debt Provisions	(513)	(556)
Total Short Term Debtors	**3,069**	**4,723**

Long Term Debtors

Debtors due over a period of longer than 12 months are classified as long-term debtors on the balance sheet. These consist of mortgage advances, previously granted on the Council's former housing stock; car loans, village hall loans; parish council loan; and the debenture and loan to Ascent Housing LLP.

The Council has entered into a joint venture with Your Housing Group 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 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 £2,739,000 to reflect this (see note 13 'Financial Instruments' for more detail).

The Council has also made a commitment to provide a £20,000,000 loan facility to Ascent Housing LLP. As at 31st March 2016, £14,000,000 of the loan facility had been drawn by Ascent Housing LLP, which is disclosed as a long-term debtor on the Balance Sheet.

Balances at the end of the year were as follows:

	31 March 2016 £000	31 March 2015 £000
Ascent Loan	14,000	13,000
Ascent Debenture	2,739	2,768
Housing Advances -Council	2	6
Car Loans	20	17
Village Hall Loans	8	11
Parish Council Loan	15	20
Long Term Debtors	**16,784**	**15,822**

10. Creditors

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

	31 March 2016 £000	31 March 2015 £000
Central Government bodies	(634)	(1,249)
Other local authorities	(1,924)	(1,999)
Public corporations and trading funds	(67)	0
Other entities and individuals	(1,729)	(1,815)
Short Term Creditors	**(4,354)**	**(5,063)**

11. Provisions

2014/15 £'000		2015/16 £'000
(310)	**Balance at 1 April**	**(591)**
	NNDR Appeals Provision (Billing Authority Share)	
(151)	Provision Brought Forward	(413)
16	Refunds charged to provision during the year	140
(278)	Increase/ (decrease) in provision	(495)
(413)	**NDR Appeals Provision Carried Forward**	**(768)**
	Accumulated Absences Provision	
(158)	Provision Brought Forward	(178)
158	Settlement or cancellation of accrual made at the end of the preceding year	178
(178)	Amounts accrued at the end of the current year	(109)
(178)	**Provision Carried Forward**	**(109)**
(591)	**Balance at 31 March**	**(877)**

NNDR Appeals

A Provision is made based on the best estimate of the potential liability arising from NNDR appeals against rateable values lodged with the Valuation Office Agency.

12. Usable Reserves

This note sets out the amounts included in Usable Reserves.

	Balance at 1 April 2014 £000	Transfers out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers out 2015/16 £000	Transfers in 2015/16 £000	Balance at 31 March 2016 £000
General Fund Contingency Reserve	**2,971**	**(1,275)**	**1,287**	**2,983**	**0**	**228**	**3,211**
General Fund Earmarked Reserve:							
Reserves for Capital schemes	**700**	(700)	925	**925**	(728)	803	**1,000**
Section 106 Commuted Sums	**97**	(7)	0	**90**	(6)	50	**134**
Building Control Reserve	**37**	(6)	0	**31**	(31)	0	**0**
Insurance Fund	**252**	(10)	100	**342**	(1)	0	**341**
Local Development Framework	**40**	0	0	**40**	0	0	**40**
Sports Promotion Reserve	**50**	0	0	**50**	0	0	**50**
Efficiency & Rationalisation Reserve	**733**	(100)	100	**733**	(240)	0	**493**
Pension Reserve	**600**	0	0	**600**	0	0	**600**
Community Reserve	**50**	0	0	**50**	0	0	**50**
Business Growth Reserve	**47**	0	0	**47**	0	13	**60**
Fuel Reserve	**50**	0	0	**50**	0	0	**50**
Land Charges	**84**	0	0	**84**	(10)	0	**74**
Localising Council Tax Benefit	**80**	0	0	**80**	0	0	**80**
Planning Appeals	**50**	0	50	**100**	(43)	0	**57**
IT Strategy	**0**	0	100	**100**	0	0	**100**
Asset Health & Safety Requirements	**0**	0	0	**0**	0	100	**100**
Staff Conference	**0**	0	0	**0**	0	10	**10**
Unused Third Party Funds	**403**	(27)	96	**472**	(36)	107	**543**
Total Earmarked Reserves	**3,273**	**(850)**	**1,371**	**3,794**	**(1,095)**	**1,083**	**3,782**
Capital Reserves							
Usable Capital Receipts Reserve	**0**	(389)	389	**0**	(20)	25	**5**
Capital Grants Unapplied	**164**	0	0	**164**	(4)	50	**210**
Total Capital Reserves	**164**	**(389)**	**389**	**164**	(24)	75	**215**
Total Usable Reserves	**6,408**	**(2,514)**	**3,047**	**6,941**	**(1,119)**	**1,386**	**7,208**

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

Reserve	Nature of Reserve
General Fund for Capital Schemes	Earmarked to provide funding for the Council's Capital Strategy
General Fund (Contingency)	Both as a contingency and to temporarily hold balances to be fed back into the short term budgetary process.
Insurance Fund	To meet the cost of any residual MMI liabilities (see Note 14.); to meet the costs of claims which fall below a minimum claim level or for a peril that is uninsured; to fund risk management (RM) activity (per the Council's 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: - to further develop shared working arrangements - encouraging business growth in the district - supporting sports development - towards future pension liabilities - to dampen impact of fuel price variations - against potential Land Charge and Planning Appeal - to cover potential costs of localising Council Tax - local development framework - to continue the efficiency programme - implementation of the IT Strategy - meet Health & Safety Requirements - Staff Conference
Building Control	The Council is required by statute to ring fence the profits and losses generated by the 'fee earning' service so as to ensure a breakeven position is achieved over any 3 year rolling period

13. Unusable Reserves

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

31 March 2015 £000		31 March 2016 £000
6,318	Revaluation Reserve	9,674
26,562	Capital Adjustment Account	26,289
(2,231)	Financial Instruments Adjustment Account	(2,260)
7	Deferred Capital Receipts Reserve	3
(42,287)	Pensions Reserve	(35,725)
(432)	Collection Fund Adjustment Account	(501)
(178)	Accumulated Absences Account	(109)
(12,241)	**Total Unusable Reserves**	**(2,629)**

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

2014/15 £000	Revaluation reserve		2015/16 £000
5,598	**Balance at 1 April**		**6,318**
979	Upward revaluations of assets	3,545	
(58)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	
921	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**3,545**
(143)	Difference between fair value depreciation and historical cost depreciation	(189)	
(58)	Accumulated gains on assets sold/ scrapped/ Other Movement	0	
(201)	Amount written off to the Capital Adjustment Account		(189)
6,318	**Balance at 31 March**		**9,674**

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 historical cost basis).

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

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

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

2014/15 £000		Capital Adjustment Account		2015/16 £000
	27,790	**Balance at 1 April**		**26,562**
		Reversal of items relating to capital expenditure debited or credited to the CIES		
(1,810)		• Charges for depreciation non current assets	(1,759)	
(301)		• Impairment revaluation losses	0	
120		• Impairment written back revaluation gain	608	
(10)		• Amortisation of intangible assets	(12)	
(733)		• Revenue expenditure funded from capital under statute	(722)	
(11)		• Derecognition of non current assets part of the gain/loss	(385)	
(1,009)		• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	
	(3,754)			(2,270)
	200	Adjusting amounts written out of the Revaluation Reserve		189
	(3,554)	**Net written out amount of the cost of non-current assets consumed in the year**		**(2,081)**
		Capital financing applied in the year:		
389		• Use of capital Receipts Reserve to finance new capital expenditure	20	
702		• Capital grants and contributions credited to the CIES that have been applied to capital financing	617	
0		• Applications of grants to capital financing from the Capital Grant Unapplied Account	4	
535		• Statutory provision for the financing of capital investment	435	
700		• Use of Earmarked Capital Reserve to finance new capital expenditure	728	
	2,326			**1,804**
	0	Movements in the market value of Investment Properties debited or credited to the CIES		4
	26,562	**Balance at 31 March**		**26,289**

Financial Instruments Adjustment Account

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

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

2014/15 £000	Financial Adjustment Account	2015/16 £000
(1,560)	**Balance at 1 April**	**(2,231)**
0	Premiums incurred in the year and charged to the CIES	(80)
(671)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	51
(2,231)	**Balance at 31 March**	**(2,260)**

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 debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15 £000	Pension Reserve	2015/16 £000
(34,819)	**Balance at 1 April**	**(42,287)**
(6,058)	Remeasurement of the net defined benefit liability	8,074
(2,734)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(2,788)
1,324	Employers pensions contributions and direct payments to pensioners payable in the year	1,276
(42,287)	**Balance at 31 March**	**(35,725)**

Deferred Capital Receipts Reserve

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

2014/15 £000	Deferred Capital Receipts Reserve	2015/16 £000
9	**Balance at 1 April**	**7**
(2)	Transfer to Capital Receipts Reserve upon receipt of cash	(4)
7	**Balance at 31 March**	**3**

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.

2014/15 £000	Collection Fund Adjustment Account	2015/16 £000
(110)	**Balance at 1 April**	**(432)**
(322)	Amount by which council tax and business rates income credited to the CIES is different from council tax and business ratesincome calculated for the year in accordance with statutory requirements	(69)
(432)	**Balance at 31 March**	**(501)**

Accumulated Absences Account

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

2014/15 £000	Accumulated Absence Account		2015/16 £000
(158)	**Balance at 1 April**		**(178)**
158	Settlement or cancellation of accrual made at the end of the preceding year	178	
(178)	Amounts accrued at the end of the current year	(109)	
(20)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		69
(178)	**Balance at 31 March**		**(109)**

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

14a. Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Investments				
Loans and Receivables				
Available-for-sale financial assets	0	0	0	19
Cash Deposits	0	0	6,122	1,387
Fixed Term Deposits	0	0	1,009	2,518
Total Investments	**0**	**0**	**7,131**	**3,924**
Debtors				
Loans and Receivables	16,784	15,822	2,029 *	2,523 *
Total Debtors	**16,784**	**15,822**	**2,029**	**2,523**
Borrowings				
Financial Liabilities at Amortised Cost				
Fixed Term Borrowing	12,072	8,531	2,001	3,006
Bank Overdraft	0	0	0	250
Total Borrowings	**12,072**	**8,531**	**2,001**	**3,256**
Other Long-Term Liabilities				
Finance lease liabilities	1,214	1,633	398 **	391 **
Total other long-term liabilities	**1,214**	**1,633**	**398**	**391**
Creditors				
Financial liabilities at amortised cost	0	0	1,822 *	1,856 *
Total Creditors	**0**	**0**	**1,822**	**1,856**

** Current Debtors / Creditors – the above table includes 'trade' debtors/creditors only, statutory debtors of £1.55m (£3.45m 14/15) and statutory creditors of £2.13m (£2.82m 14/15) are excluded. The current debtors figure is also gross of the bad debt provision of £0.51m (£0.56m 14/15), which is included in the balance sheet.*

*** Current Deferred Liabilities – are included within the creditors figure on the balance sheet*

14b. Material Soft Loans

The Council has entered into a joint venture with Your Housing 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.

	2015/16 £000	2014/15 £000
Opening Balance	**2,768**	**1,852**
Nominal value of new loan granted in the year	0	1,588
Fair value adjustment on initial recognition	(80)	(716)
Loans repaid	0	0
Impairment losses	0	0
Increase in discounted amount	51	44
Other changes	0	0
Closing Balance at year end	**2,739**	**2,768**

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

The fair value adjustment of £80,000 has been charged to the Comprehensive Income and Expenditure Account in 2015/16, and then reversed out of the General Fund balance via the Movement in Reserves Statement to the Financial Instruments Adjustment Account. The Debenture is classified as a long-term debtor on the balance sheet, and is held at fair value. Over the 25 year period, the discounted amount will be increased by the difference between the actual interest received and the notional interest that would have been received if the loan had been made at the higher rate.

14c. Re-classification

No financial instruments were reclassified during 2015/16.

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 and are carried on the balance sheet at amortised cost. This includes Certificates of Deposit (CDs) which are considered to be fixed investments. 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 other 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 Capita Asset Services (the Council's Advisors) using Level 2 Valuations; except for the Certificates of Deposit, for which rates were obtained from King & Shaxson using Level 1 Valuations.

The fair values are calculated as follows:

	Fair Value Hierarchy	31 March 2016 Carrying Amount £000	31 March 2016 Fair Value £000	31 March 2015 Carrying Amount £000	31 March 2015 Fair Value £000
Loans and receivables					
Cash deposits		6,122	6,122	1,387	1,387
Fixed term deposits excluding CDs	Level 2	505	505	2,518	2,519
Fixed term deposits CDs	Level 1	504	504	-	-
Debtors		2,029	2,029	2,523	2,523
Total		**9,160**	**9,160**	**6,428**	**6,429**
Long-term Debtors		16,784	16,784	15,822	15,822
Available for sale assets(Conversion Stocks)*		-	-	19	23
TOTAL		**25,944**	**25,944**	**22,269**	**22,274**
Financial liabilities at amortised cost					
Local Authority Loans	Level 2	14,073	14,258	11,537	11,560
Bank Overdraft		-	-	250	250
Creditors		2,220	2,220	2,247	2,247
Total		**16,293**	**16,478**	**14,034**	**14,057**
Long-term Creditors		1,214	1,214	1,633	1,633
TOTAL		**17,507**	**17,692**	**15,667**	**15,690**

** Conversion Stocks were redeemed by the Bank of England on 1st April 2015 – see note 13.e*

The fair value of the loans and receivables is £315 greater than the carrying amount because the Council's portfolio of investments includes two fixed rate loans where the interest rate receivable is higher than the rates available for similar loans in the market at the Balance Sheet date, but with only a short time to maturity. This represents the notional future gain (based on economic conditions at 31 March 2016) attributable to the commitment to receive interest above current market rates.

The fair value of the financial liabilities is £185,217 more than the carrying amount because the Council's portfolio of loans includes eight fixed rate loans where the interest rate payable is more than the rates available for similar loans at the Balance Sheet date.

This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

Long-term Debtors

Long-term Debtors include a debenture and loan to Ascent Housing LLP, the Joint Venture company; car loans, village hall loan; parish council loan; and payments due from mortgaged properties. Interest is charged on the principal outstanding on mortgaged properties. This is set according to the Department of Communities and Local Government Standard National rate, consequently the fair value and carrying value are considered equal.

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

Long-term Creditors

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

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 2015/16, and the accounting amendments made in relation to the fair value of the debenture to Ascent Housing LLP.

	2015/16				2014/15			
	Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets		
	Financial Liabilities at amortised cost £000	Loans & Receivables £000	Available for Sale £000	Total	Financial Liabilities at amortised cost £000	Loans & Receivables £000	Available for Sale £000	Total
Interest Expense	(374)	0	0	**(374)**	(199)	0	0	**(199)**
Reductions in fair value	0	(80)	0	**(80)**	0	(716)	0	**(716)**
Total expense in Surplus or Deficit on the Provision of Services	**(374)**	**(80)**	**0**	**(454)**	**(199)**	**(716)**	**0**	**(915)**
Interest Income	0	695	0	**695**	0	446	1	**447**
Increases in fair value	0	51	0	**51**	0	45	0	**45**
Total Income in Surplus or Deficit on the Provision of Services	**0**	**746**	**0**	**746**	**0**	**491**	**1**	**492**
Surplus/Deficit arising on revaluation of financial assets in Other CIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net gain/(loss) for the year	**(374)**	**666**	**0**	**292**	**(199)**	**(225)**	**1**	**(423)**

Included within the £374,000 interest expense incurred on financial liabilities at amortised cost is the interest payable on finance leases of £160,000. Assets obtained under finance leases are capitalised in the balance sheet and depreciated over the shorter of the lease term and their useful economic lives. The annual lease payments are then allocated between the finance cost and the repayment of the liability so as to produce a constant rate of interest.

Included within the £695,000 interest income received on financial assets is £4,630 income on the sale of the Council's conversion stocks which had a carrying value of £18,774 in the Balance Sheet as at 31st March 2015. These were redeemed by the Bank of England on 1st April 2015.

14f. Impairment Review

An impairment review has been carried out on the Authority's financial assets to assess the likelihood of repayment. The only asset category where impairment has been applied is general trade receivables. The result of which is included in the accounts as an allowance for bad debts. This is based on historical data and an analysis of individual debtors. Current and prior year outstanding debtors are impaired by a determined percentage, except where 100% non-payment is assumed. The alllowance is allocated to services based on Debtors outstanding at 31 March 2016 and historical write offs.

14g. Risk Analysis

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management within the Council is overseen by the 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 following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and non-collection, adjusted to reflect current market conditions.

	Amount at 31st March 2016	Historical experience of default	Historical experience adjusted for markets conditions at 31st March 2016	Estimated maximum exposure to default and non-collectability	Estimated maximum exposure at 31st March 2016
	£000	%	%	£000	£000
Deposits with Banks & Financial Instruments	6,994	0.00%	0.00%	-	-
Customers (non-statutory sundry debtors)	2,029	9.36%	9.36%	190	190

The Authority's exposure to credit risk in relation to deposits with banks and financial institutions cannot be assessed generally as the risk of any institution failing to make repayments will be specific to individual institutions. A risk of irrecoverability applies to all the Authority's deposits, but there was no evidence at 31 March 2016 that this was likely to crystallise.

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

Period Overdue		Default Exposure	
	£	%	£
Less than three months	63,523	2.00%	1,270
Three to six months	12,062	17.00%	2,051
Six months to one year	11,486	17.00%	1,953
More than one year	215,042	70.00%	150,529
	302,113		**155,803**

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

Treasury Management – lending criteria

The Council uses the creditworthiness methodology recommended by the Council's Treasury advisors. This has been incorporated into the Annual Investment Strategy, which outlines the minimum criteria as established by three of the main credit ratings agencies also including current market data. The Strategy also establishes group limits and recognises only Institutions in International Countries with a AAA (the maximum available) sovereignty rating.

All investments as at 31 March 2016 were held with institutions that domicile within the United Kingdom, as shown below:

Financial Institution	**Country of Domcile**	**Group/ Parent**	**Principal Amount Invested (£)**
National Westminister Bank Plc	UK	Royal Bank of Scotland Group	£1,176,167
Money Market Funds	UK	Money Market Funds	£3,600,000
Santander Uk Plc	UK	Santander UK Plc	£1,200,000
Lloyds Bank Plc	UK	Lloyds Banking Group Plc	£500,000
Royal Bank of Scotland Plc	UK	Royal Bank of Scotland Group	£500,000
Total Prinicpal Invested			**£6,976,167**
Accrued Interest			*£17,561.64*

Liquidity Risk

Investments

The Authority holds £5.8m in investments as at 31 March 2016. The Treasury Management Strategy establishes limits on investments that can be placed greater than one year, based on the core cashflow forecast. This is to ensure there are sufficient funds available to meet future capital commitments.

The in-house treasury team also monitor short-term liquidity on a daily basis to ensure there are adequate funds easily accessible to cover in-year payments such as precepts, salaries, payments to suppliers and central government. The maturity analysis of investments held at 31 March 2016 was as follows:

	£
Less than one Year	6,976
Greater than one Year	-
Total	**6,976**

Refinancing Risk

Borrowings

The Council has access to a facility to borrow from the Public Works Loans Board and can also borrow from market lenders for longer-term commitments.

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 2016	31st March 2015
	£000	£000
Public Works Loan Board	0	0
Market Debt	0	0
Local Authority Loans	14,000	11,500
Total	**14,000**	**11,500**
Maturity Profile		
Less than 1 Year	0	0
Between 1 and 5 years	14,000	11,500
Total	**14,000**	**11,500**

Market Risk

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

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement would increase
- Investment at fixed rates – the fair value of the assets will fall (no impact on the balance sheet as all investments carried at carrying value)
- Borrowing at variable rates – the interest payable charged to the Comprehensive Income & Expenditure Statement would increase
- Borrowing at fixed rates – the fair value of fixed rate financial liabilities will fall (no impact on 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 2016, 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	(52)
Increase in interest payable on variable rate borrowings	0
Impact on Other Comprehensive Income and Expenditure	**(52)**
Decrease in Fair Value of Fixed Rate Borrowing	(369)
Decrease in Fair Value of Fixed Rate Investments	(1)

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 FRS12 definitions of contingent assets and liabilities quoted in the Code:

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

Contingent Liabilities

Municipal Mutual Insurance – Scheme of Arrangement

Prior to 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) is to be made 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. An earmarked Insurance reserve, with a balance of £341,117, 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 2016 the Council’s outstanding liability under the SOA stood at £80,600.

Planning – Public Inquiries / Judicial Reviews

The Council is involved in the early stages of 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 and is held liable for the developers' costs.

Land Charge Property Searches Claims

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities.

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 Capita Treasury Solutions Ltd (the Council's Treasury Advisors) was successful, the Council could benefit by approximately £50,000.

16. Events after the Balance Sheet Date

On the 23rd June 2016, the United Kingdom voted to leave the European Union as a result of the referendum. The financial consequences of this on the Council remain uncertain. However, dependent on the economic impact of an EU exit, this may effect the valuation of our assets and liabilities for example, the Council's property portfolio and pension liability. Discussions with Valuers suggest it is extremely difficult to assess any implications at this stage.

Additionally, the EU exit may influence investment and borrowing rates – which has already been apparent from the reduction in the Bank of England base rate in August 2016.

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

The Statement of Accounts 2015/16 were authorised for issue on 29th September 2016 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 2016, 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 (Interest)
c. Investing Activities
d. Financing Activities

17a. Net cash flows from operating activities

2014/15 £000		2015/16 £000
(3,471)	**Net Surplus or (Deficit) on the Provision of Services**	**(1,743)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
1,810	Depreciation	1,759
192	Impairment and downward valuations	(223)
10	Amortisation	12
716	Reduction in fair value of Soft Loans (non Subsidiary) made in the year	80
0	Adjustments for effective interest rates	(7)
30	Increase/ (Decrease) in Interest Creditors	36
522	Increase/ (Decrease) in Creditors	491
81	(Increase) /Decrease in Interest and Dividend Debtors	9
(67)	(Increase) /Decrease in Debtors	(67)
6	(Increase) /Decrease in Inventories	12
866	Pension Liability	1,910
281	Contributions to/ (from) Provisions	286
1,009	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	0
0	Movement in Investment Property Values	(4)
5,456		**4,294**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(702)	Capital Grants credited to surplus or deficit on the provision of services	(666)
(1,500)	Proceeds from the sale of short and long term investments	19
(389)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(24)
(2,591)		**(671)**
(606)	**Net Cash Flows from Operating Activities**	**1,880**

17b. Operating Activities (relating to Interest)

The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
528	Interest received	697
(169)	Interest paid	(338)

17c. Investing Activities

2014/15 £000		2015/16 £000
(513)	Purchase of property, plant and equipment, investment property and intangible assets	(664)
(1,500)	Purchase of short-term and long-term investments	(9,000)
(9,129)	Other payments for investing activities	(1,012)
391	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	36
3,750	Proceeds from short-term and long-term investments	10,500
539	Other receipts from investing activities	637
(6,462)	**Net cash flows from investing activities**	**497**

17d. *Financing Activities*

2014/15 £000		2015/16 £000
6,500	Cash receipts or short and long-term borrowing	5,500
0	Billing Authorities - Council Tax & NNDR Adjustment	523
(535)	Cash payments for the reduction of the outstanding liabilities relating to Finance leases	(415)
0	Repayments of short and long-term borrowing	(3,000)
(940)	Other receipts from financing activities	0
5,025	**Net cash flows from financing activities**	**2,608**

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 non-domestic rates.

2014/15				2015/16		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
			Income			
	(18,042)		Income due from Business Rates Payers		(18,604)	
	(66)		Transitional Protection Payments for Business Rates		(17)	
(46,884)			Income due from Council Tax Payers	(48,024)		
(46,884)	**(18,108)**	**(64,992)**	**Total Income**	**(48,024)**	**(18,621)**	**(66,645)**
			Expenditure			
			Preceptors			
	9,051		Central Government		9,138	
32,655	1,629		Staffordshire County Council	33,576	1,645	
5,646			Staffordshire Police Authority	5,694		
2,150	181		Staffordshire Fire & Rescue Authority	2,211	183	
5,819	7,240		Staffordshire Moorlands DC	5,867	7,310	
		64,371				**65,624**
			Distribution of Previous Year Surplus/ (Deficit)			
	(92)		Central Government		(320)	
397	(16)		Staffordshire County Council	413	(58)	
69			Staffordshire Police Authority	71		
26	(2)		Staffordshire Fire & Rescue Authority	27	(6)	
71	(74)		Staffordshire Moorlands DC	73	(256)	
		379				**(56)**
			Charges to the Collection Fund			
71	166		Write Offs of Uncollectable Amounts	171	148	
62	32		Increase/ (Decrease) in Impairment Allowance	(40)	(7)	
	(39)		Refunds Charged to Provision for Appeals		(351)	
	694		Increase/ (Decrease) in Provision for Appeals		1,238	
	117		Cost of Collection Allowance		115	
		1,103				**1,274**
46,966	**18,887**	**65,853**	**Total Expenditure**	**48,063**	**18,779**	**66,842**
82	**779**	**861**	**Movement on Fund Balance in year**	**39**	**158**	**197**
(570)	455	(115)	(Surplus)/ Deficit on Fund Brought Forward	(488)	1,234	746
(488)	**1,234**	**746**	**(Surplus)/Deficit on Fund Carried Forward**	**(449)**	**1,392**	**943**

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.

2014/15		2015/16
£48,050,265	Total Non-Domestic Rateable Value at Year End	£48,555,110
48.2p	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, Police Authority, 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	
		2014/15	2015/16	2014/15	2015/16
Band A	6	9,452	9,517	3,995	4,053
Band B	7	10,305	10,367	6,331	6,398
Band C	8	10,496	10,537	8,008	8,069
Band D	9	6,093	6,106	5,443	5,479
Band E	11	4,186	4,219	4,724	4,751
Band F	13	1,888	1,904	2,525	2,534
Band G	15	755	756	1,151	1,165
Band H	18	33	32	31	33
Total		**43,208**	**43,438**	**32,208**	**32,482**
Deduction for non-collection				(419)	(422)
Additional properties and adjustments during the year				0	0
Council Tax Base (Band D equivalent)				**31,789**	**32,060**

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 2014/15 year were a £584,500 surplus for Council Tax and a deficit of £640,330 for Business Rates, both of which have been distributed in 2015/16.

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 2015/16. 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).

2014/15 Council Tax	2014/15 Business Rates		2015/16 Council Tax Precept	2015/16 Business Rates Precept	Distribution of Council Tax Estimated Surplus / (Deficit)	Distribution of Business Rates Estimated Surplus / (Deficit)	2015/16 Council Tax Total	2015/16 Business Rates Total
£000	£000	**Precepting Authorities**	£000	£000	£000	£000	£000	£000
	8,959	Central Government		9,138		(320)		8,818
33,053	1,613	Staffordshire County Council	33,576	1,645	413	(58)	33,989	1,587
5,715		Staffordshire Police Authority	5,694		71		5,765	
2,176	179	Staffordshire Fire & Rescue Authority	2,211	183	27	(6)	2,238	177
40,944	**10,751**	**Precepting Authorities**	**41,481**	**10,966**	**511**	**(384)**	**41,992**	**10,582**
4,860	7,166	Staffordshire Moorlands District Council	4,831	7,310	73	(256)	4,904	7,054
225		Cheadle Town Council	224				224	
233		Biddulph Town Council	236				236	
135		Leek Town Council	136				136	
437		Parish Councils	440				440	
5,890	**7,166**		**5,867**	**7,310**	**73**	**(256)**	**5,940**	**7,054**
46,834	**17,917**	**Total**	**47,348**	**18,276**	**584**	**(640)**	**47,932**	**17,636**

On the 2015/16 Collection Fund, the accounts record an in-year deficit of £39,175 for Council Tax and an in-year deficit of £158,628 for Business Rates. The balance at 31 March 2016 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:

2014/15			2015/16		2015/16	
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
	(617)	Central Government		(78)		(695)
62	(494)	Staffordshire Moorlands District Council	(6)	(63)	56	(557)
344	(111)	Staffordshire County Council	(26)	(15)	318	(126)
60		Staffordshire Police Authority	(5)		55	
22	(12)	Staffordshire Fire & Rescue Authority	(2)	(2)	20	(14)
488	**(1,234)**	**Balance at 31 March**	**(39)**	**(158)**	**449**	**(1,392)**

The Council Tax cumulative surplus amounts attributable to the County Council, Police Authority and Fire & Rescue Authority above are shown as creditors in the 2015/16 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 2015/16 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 as reported in the Collection Fund Statement and Notes and that shown in Note 3c follows:

2014/15 Council Tax	2014/15 Business Rates		2015/16 Council Tax	2015/16 Business Rates
£000	£000		£000	£000
		Note 3c Taxation and Non-Specific Grant		
(5,880)		Council Tax Income	(5,934)	
	(1,983)	Non-Domestic Rates Retention		(2,239)
(5,819)	(7,240)	SMDC Precept	(5,867)	(7,310)
(71)	74	SMDC share of (Surplus)/ Deficit Distributed in the Year	(73)	256
10	312	SMDC share of actual (Surplus)/ Deficit recorded at 31st March	6	63
	244	NDR Levy paid to the Business Rate Pool lead, Staffordshire County Council *		36
	4,627	NDR Tariff**		4,716
(5,880)	**(1,983)**	**Total**	**(5,934)**	**(2,239)**
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 pays 60% 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 Pool agreement.

** 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

Group Movement in Reserves Statement

	Total Council Reserves £000	Reserves of Group Entity £000	Total Group Reserves £000
Balance at 31 March 2014 carried forward	**(3,158)**	**0**	**(3,158)**
Movement in reserves during 2014/15			
(Surplus) or deficit on the provision of Services	3,471	0	**3,471**
Other Comprehensive Income and Expenditure	4,987	0	**4,987**
Total Comprehensive Income and Expenditure	**8,458**	**0**	**8,458**
Adjustment between accounting basis & funding basis under regulations	0	0	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**8,458**	**0**	**8,458**
Transfers to/(from) Earmarked Reserves	0	0	**0**
(Increase)/Decrease in 2014/15	**8,458**	**0**	**8,458**
Balance at 31 March 2015 carried forward	**5,300**	**0**	**5,300**
Movement in reserves during 2015/16			
(Surplus) or deficit on the provision of Services	1,743	0	**1,743**
Other Comprehensive Income and Expenditure	(11,622)	0	**(11,622)**
Total Comprehensive Income and Expenditure	**(9,879)**	**0**	**(9,879)**
Adjustment between accounting basis & funding basis under regulations	0	0	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(9,879)**	**0**	**(9,879)**
Transfers to/(from) Earmarked Reserves	0	(4,435)	**(4,435)**
(Increase)/Decrease in 2015/16	**(9,879)**	**(4,435)**	**(14,314)**
Balance at 31 March 2016 carried forward	**(4,579)**	**(4,435)**	**(9,014)**

Group Comprehensive Income and Expenditure Account for Year Ended 31st March 2016

2014/15		Note	2015/16 Group Expenditure	2015/16 Income	2015/16 Group Net Total
£000			£000	£000	£000
231	Central Services to the Public		875	(761)	114
2,830	Cultural and Related Services		2,645	(115)	2,530
4,572	Environment and Regulatory Services		6,780	(2,266)	4,514
1,901	Planning Services		3,008	(1,091)	1,917
(104)	Highways and Transport Services		598	(590)	8
1,553	Other Housing Services		18,258	(17,584)	674
1,851	Corporate and Democratic Core		1,763	(85)	1,678
159	Non Distributed Costs		56	0	56
12,993	**Cost of Services**		**33,983**	**(22,492)**	**11,491**
1,664	Other Operating Expenditure				1,398
941	Financing and Investment Income and Expenditure				729
(12,127)	Taxation and Non-Specific Grant Income				(11,875)
3,471	**(Surplus) or Deficit on Provision of Services**				**1,743**
0	Share of the (Surplus) or Deficit on the Provision of Service by Joint Venture	1			0
3,471	**Group (Surplus) or Deficit**				**1,743**
(921)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets				(3,545)
0	Share of the Other Comprehensive Income and Expenditure of the Joint Venture	1			(4,435)
5,908	Remeasurement of the net defined pension benefit liability				(8,077)
4,987	**Other Comprehensive Income and Expenditure**				**(16,057)**
8,458	**Total Comprehensive Income and Expenditure**				**(14,314)**

Group Balance Sheet as at 31st March 2016

31 March 2015 £000		Notes	31 March 2016 £000
27,004	Property, Plant & Equipment		29,607
572	Heritage Assets		572
3,336	Investment Properties		3,339
31	Intangible Assets		79
0	Investment in Joint Ventures	1	4,435
0	Long Term Investments		0
15,822	Long Term Debtors		16,784
46,765	**TOTAL LONG TERM ASSETS**		**54,816**
2,537	Short Term Investments		1,009
133	Inventories		121
4,723	Short Term Debtors		3,069
1,387	Cash and Cash Equivalents		6,122
8,780	**TOTAL CURRENT ASSETS**		**10,321**
(250)	Cash and Cash Equivalents		0
(3,006)	Short Term Borrowings		(2,001)
(5,063)	Short Term Creditors		(4,354)
(591)	Provisions		(877)
(8,910)	**TOTAL CURRENT LIABILITIES**		**(7,232)**
(8,531)	Long Term Borrowing		(12,072)
(41,593)	Net Pension Liability		(35,330)
(1,633)	Other Long Term Liabilities		(1,214)
(178)	Grants Receipts in Advance - Capital		(275)
(51,935)	**TOTAL LONG TERM LIABILITIES**		**(48,891)**
(5,300)	**TOTAL NET ASSETS**		**9,014**
6,941	Usable Reserves - Authority		7,208
0	Usable Reserves - Joint Venture	1	0
(12,241)	Unusable Reserves		(2,629)
0	Unusable Reserves - Joint Venture	1	4,435
(5,300)	**TOTAL RESERVES**		**9,014**

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 Council's own accounts, it reproduced here to complete a full set of Group Accounts.

Group Cashflow 2014/15 £000		**Group Cashflow 2015/16 £000**
(3,471)	Net Surplus/(Deficit) on the Provision of Services	(1,743)
5,456	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	4,294
(2,591)	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	(671)
(606)	**Net Cash Flows from Operating Activities**	**1,880**
(6,462)	Investing Activities	497
5,025	Financing Activities	2,608
(2,043)	**Net Increase or (Decrease) in Cash and Cash Equivalents**	**4,985**
3,180	Cash and Cash Equivalents at the Beginning of the Reporting Period	1,137
1,137	**Cash and Cash Equivalents at the End of the Reporting Period**	**6,122**

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. Assessing the Collaborative Activity

The Council's collaborative activity in Ascent LLP with Your Housing LLP 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

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 Ltd. 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. 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:

2014/15 original £000	2014/15 restated* £000	Ascent Housing LLP (49%)	2015/16 £000
(35)	(126)	Operating (Profit) / Loss	(356)
112	114	Expenses (including Taxation)	331
77	**(12)**	**Total (Profit) / Loss**	**(25)**
(77)	12	Recognition of Profits/(Losses) suspended as exceed Council's interest in Joint Venture	25
0	**0**	**Total (Profit) / Loss included within the Group Comprehensive Income and Expenditure Statement**	**0**
10,984	14,426	Long Term Assets	17,831
1,422	1,261	Current Assets	1,944
12,406	**15,687**	**Total Assets**	**19,775**
(1,309)	(3,789)	Current Liabilities	(2,913)
(11,174)	(11,886)	Long Term Liabilities	(12,402)
(12,483)	**(15,675)**	**Total Liabilities**	**(15,315)**
(77)	**12**	**Total Net Assets / (Liabilities)**	**4,460**
77	(12)	Recognition of (Profits)/Losses suspended as exceed Council's interest in Joint Venture	(25)
0	**0**	**Total Net Assets / (Liabilities) included within the Group Balance Sheet and Group Comprehensive Income and Expenditure Account**	**4,435**

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 IAS28, 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.

2014/15 original £000	2014/15 restated * £000	SMDC 49% Share of Loss on Profit and Loss Account	2015/16 £000
238	238	Losses brought forward	226
77	0	Additional losses realised during the year	0
0	(12)	In year profits offset against prior year losses before recognition in the balance of the investment in group accounts	(25)
315	**226**	**Losses carried forward**	**201**

* Ascent LLP previously prepared its accounts under UK GAAP. From the 2015/16 financial year, Ascent is now required to use a new set of financial standards, Financial Reporting Standard 102 (FRS102), therefore the 2014/15 accounts have been restated under FRS102. This has little impact as group accounts are produced with consolidation adjustments to bring the Ascent accounts in line with IFRS and the Code. However, consolidation adjustments were considered immaterial in 2014/15, therefore changes to the UK accounting standards has impacted the financial position recorded for 2014/15 and is restated above, though overall this an immaterial adjustment.

3. Capital Commitments and Cash Flows in the Joint Venture

A debenture of £5million was fully issued to Ascent Housing by 31 March 2015.

The Council has also made available to Ascent Housing LLP a £20million loan facility. £1million has been paid to Ascent LLP during 2015/16 (£7.5million 2014/15). As at 31st March 2016 a total of £14million of this facility has been drawn; the remaining capital commitment on this loan amounts to £6million.

In addition to the payments of the Loan from the Council to Ascent LLP during the year, the Council has received interest payments from Ascent LLP of £480,647 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

Additional assurance that Ascent LLP continues to be a going concern is provided by Ascent's audited statements. 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 confidence is given of Ascent's continuation of its long-term business plan. The need for affordable housing in the area, the prime purpose of the entity, and market conditions for such, continue. As such, there is no indication of a need to write down or devalue or otherwise provide for the Council's investment in the Joint Venture or non-repayment of the Loan/ Debenture.

Loan

A Deed of priority between the Designated Members of the Joint Venture (the Council and Your Housing Group) 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, 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.

There has been no change in the level of these risks between the current and previous year.

5. Ascent Housing LLP

The Ascent Housing LLP Report and Financial Statements for the year ended 31 March 2016 can be obtained from the registered office – 602 Aston Avenue, Birchwood, Warrington, WA3 6ZN.

Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. 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 the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice (SeRCOP) 2015/16, 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 stock on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

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

Cash equivalents 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. Exceptional Items

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

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

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

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

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

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

6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. A provision 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 provision is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The provision 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 or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement 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.

8. 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.

9. Financial Instruments
Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.
For borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets
Financial assets are classified into two types:

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

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the

asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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.

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

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

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

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

10. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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.

11. Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

12. Interests in Companies and Other Entities
The Authority has a material interest in Ascent Housing LLP which is a joint venture between the Council and Your Housing Group.
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.

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. 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.

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

The Authority as Lessee
Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inceptions (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. If applicable, any initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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

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

17. Overheads and Support Services
The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

18. Property, Plant and Equipment
Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.
Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with

the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:
- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income 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 historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value 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 historical 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.

Where increases in value are identified they are accounted for by:
- credits to the Revaluation Reserve to recognised 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. land) 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
- infrastructure – straight-line allocation over 25 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts 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.

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

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

19. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

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

Contingent Assets
A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.
Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Reserves
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).

21. Revenue Expenditure Funded from Capital under Statute
Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

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

23. Heritage Assets
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 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.

24. Accounting for Council Tax
The collection of Council Tax by the Authority from Council Tax payers is shared proportionately amongst the Authority and its major preceptors. Based on the precepts set in the budget each year, each preceptor's share is paid out on account during the year. The difference between this precept amount and the position as at 31 March is held as a creditor or debtor on the Council's Balance Sheet.

The Authority's own precept net of the distribution of the prior year surplus/ deficit is credited to the Comprehensive Income and Expenditure Statement along with the difference between the precept and the year end position, i.e. the current year surplus/ deficit. This current year surplus/ deficit is then required by regulation to be moved to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The Collection Fund shows the accrued Council Tax income for the year based on the year end position, the distribution of the prior year surplus/ deficit and the associated expenditure to the preceptors along with the allowable charges on the Collection Fund: Write offs of uncollectable amounts and the change in the impairment allowance.

25. Accounting for Non-Domestic Rates (NDR)
The collection of Non-Domestic Rates by the Authority from NDR payers is shared proportionately amongst the Authority, its major preceptors and the Government. Based on the NNDR1 return to DCLG, which sets the precept for the year, each preceptor's share is paid out on account during the year. At the end of each financial year an NNDR3 return is completed that reports the actual amounts collectable. The difference between the NNDR1 precept amount and the NNDR3 balance as at 31 March is held as a creditor or debtor on the Authority's Balance Sheet.

The Authority's own precept from the NNDR1 net of the distribution of the prior year surplus/ deficit is credited to the Comprehensive Income and Expenditure Statement along with the difference between the NNDR1 and NNDR3 balance, i.e. the current year surplus/ deficit. This current year surplus/ deficit is then required by regulation to be moved to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The Collection Fund shows the accrued NDR income for the year based on the NNDR3, the distribution of the prior year surplus/ deficit and the associated expenditure to the preceptors and the Government along with the allowable charges on the Collection Fund: Cost of collection, Write offs of uncollectable amounts and the change in the impairment and appeals allowances.

26. 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 day. 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.

Glossary of Financial Terms

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

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.

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.

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.

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.

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.

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

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

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

Fair Value
The fair value of an asset is the price 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.

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.

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

Infrastructure Assets
Inalienable 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
Are 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.

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 Venture
Arrangement under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns required 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 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.

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

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

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

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

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

New Homes Bonus
A reward grant paid to Local 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
Assets that yield benefits to the local 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 properties. From 01 April 2013 Central Government introduced the Business Rates Retention Scheme, under which Business Rates income is distributed amongst preceptors: 50% is paid to Central Government; 9% to the County Council; 1% to the Fire Authority; and 40% is retained by the Council. The multiplier continues to be set nationally.

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

Operating Leases
A lease other than a finance lease.

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

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.

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, becoming less significant as its level is reduced as part of the Government austerity programme.

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.

Service Reporting Code of Practice (SeRCOP)
Sets out proper practice with regard to consistent financial reporting below the Statement of Accounts level.

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.

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

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

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

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

We have audited the financial statements of Staffordshire Moorlands District Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Staffordshire Moorlands District Council Movement in Reserves Statements, the Group and Staffordshire Moorlands District Council Comprehensive Income and Expenditure Statements, the Group and Staffordshire Moorlands District Council Balance Sheets, the Group and Staffordshire Moorlands District Council Cash Flow Statements, the Collection Fund Account, the related notes 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

Respective responsibilities of the Executive Director (Chief Finance Officer) and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director (Chief Finance 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director (Chief Finance Officer); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority and Group as at 31 March 2016 and of the Authority's and Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the Group audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act 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.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether 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 these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Phil W Jones

Phil W Jones
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
BIRMINGHAM
B4 6AT

29 September 2016